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BEFORE THE FEDERAL ELECTION COMMISSION

2002 NOV 12 P 4 29

In the Matter of)

MUR 4931

A-Z Auto Sound Systems, Inc.)

Joseph DiFazio)

Kim Macdonald)

SENSITIVE

GENERAL COUNSEL'S REPORT #8

I. ACTIONS RECOMMENDED

1. Accept the attached conciliation agreement.
2. Take no further action and send an admonishment letter to one respondent.
3. Close the file as to three respondents.

II. BACKGROUND

This matter arises from the contribution reimbursement scheme orchestrated by Philip Christopher, the Executive Vice President of Audiovox Corporation ("Audiovox"). The Commission authorized pre-probable cause conciliation negotiations with 17 respondents, including three of Audiovox's distributors. A-Z Auto Sound Systems, Inc. ("A-Z") is one of those distributors, and the conciliation agreement presented in this report is the first agreement negotiated in this matter.

23-04-406-1546

1 Joseph DiFazio is President of A-Z. Kim Macdonald, who is DiFazio's daughter, is
2 employed by A-Z. At DiFazio's request, Macdonald made three \$1,000 contributions to
3 candidates for federal office during March and April of 1996. Based on information that
4 Christopher used Audiovox funds to reimburse Robert Rossano, the owner of another
5 Audiovox distributor, for campaign contributions Rossano made at Christopher's request, the
6 Commission found reason to believe that A-Z Auto Sound Systems, Inc., DiFazio, and
7 Macdonald knowingly and willfully violated 2 U.S.C. §§ 441f and 441b(a) in connection with
8 campaign contributions that also appeared to be made at Christopher's request.

9 Although we initially viewed DiFazio's and Macdonald's contributions as part of
10 Christopher's overall reimbursement scheme, our investigation did not uncover sufficient
11 evidence to establish that Audiovox funds were used to reimburse DiFazio and Macdonald for
12 the campaign contributions Christopher solicited. Instead, we discovered that DiFazio
13 reimbursed Macdonald for three contributions, using A-Z corporate funds for one contribution
14 and his own funds for the other two. See GCR #7, at 36-37.

15 **III. DISCUSSION**

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B. Knowing and Willful Admissions

The Commission's reason to believe findings that A-Z and DiFazio knowingly and willfully violated the Act were based on the assumption that Rossano was not the only distributor to be reimbursed by Audiovox for campaign contributions solicited by Christopher. Our investigation, however, did not uncover sufficient evidence to demonstrate that A-Z or DiFazio received Audiovox funds to reimburse the campaign contributions Christopher solicited from DiFazio. As such, the original basis for the knowing and willful findings has not been substantiated.

While DiFazio admits that he and A-Z violated sections 441b(a) and 441f by reimbursing Macdonald for three campaign contributions, he denies the violations were knowing and willful because he contends there was no scheme to violate the Act. According to DiFazio, he asked Macdonald to write a check to Friends of Lee Hamilton because he was in Florida when Christopher solicited that campaign contribution. DiFazio maintains that after he learned Macdonald could not cover her family expenses as a result of writing the contribution check, he told her to reimburse herself with A-Z funds. See GCR #7, Attachment

28 at 10. When DiFazio returned to Connecticut he reimbursed Macdonald, using his own money, for the other contributions (Funderburk for Congress '96 and Don Payne for Congress) she made at his request while he was in Florida. *Id.*

D. Kim Macdonald

We recommend that the Commission take no further action as to Macdonald and, instead, send an admonishment letter to her. Macdonald is probably the least culpable of all the respondents in this matter. According to DiFazio, Macdonald did not seek reimbursement for her contributions; she asked DiFazio for money to help her pay her family expenses. Moreover, Macdonald was not a conduit in Christopher's reimbursement scheme in which other distributors and Audiovox employees were reimbursed with Audiovox funds for their campaign contributions.

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IV. RECOMMENDATIONS

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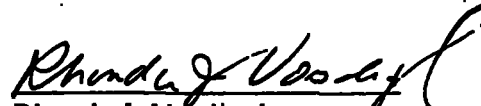
1. Accept the attached conciliation agreement with A-Z Auto Sound Systems. Inc. and Joseph DiFazio.
2. Close the file as to A-Z Auto Sound Systems, Inc., and Joseph DiFazio.
3. Take no further action with respect to Kim Macdonald and close the file as to her.
4. Approve the appropriate letters, including an admonishment letter to Kim Macdonald.

Lawrence H. Norton
General Counsel

Date

11/8/02

BY:

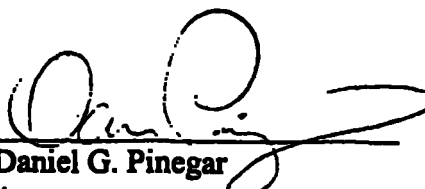

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23-04-406-1551