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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of
Vernon G. Buchanan
Vern Buchanan for Congress and Joseph R. Gruters,
in his official capacity as treasurer

GENERAL COUNSEL'S REPORT #9

I. RECOMMENDATION

Take no further action as to Representative Vernon G. Buchanan, Vern Buchanan for Congress and Joseph Gruters, in his official capacity as treasurer, and close the file as to these respondents.

II. INTRODUCTION

This matter concerns \$67,900 of campaign contributions received by Vern Buchanan for Congress ("VBFC" or "Committee"), during the 2006 and 2008 election cycles that were reimbursed with the funds of Hyundai of North Jacksonville ("HNJ"), a car dealership in which Representative Vernon G. Buchanan ("Buchanan") held a majority ownership interest. On March 17, 2010, the Commission found reason to believe that Rep. Vernon G. Buchanan, Vern Buchanan for Congress, and Joseph Gruters, in his official capacity as treasurer, knowingly and willfully violated 2 U.S.C. §§ 441f and 441a(f) and conducted an investigation. On September 21, 2010, the Commission determined to enter into pre-probable cause conciliation with Respondents, who rejected conciliation shortly thereafter. After we served the General Counsel's Brief, Respondents served their brief, which substantively responded to the allegations in this matter for the first time. On December 9, 2010, the Commission held a probable cause hearing.

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1 This case turns on whether Buchanan directed his minority business partner Sam Kazran
2 ("Kazran") to reimburse contributions at HNJ in 2005, 2006, and 2007. Kazran testified that he
3 did, and Buchanan testified that he did not. We have reviewed the entire record, including
4 Respondents' evidence and arguments regarding the credibility of witnesses and exculpatory
5 information.

6 Since we served the General Counsel's brief, we learned of evidence that bears directly
7 on Kazran's credibility. This new information raises significant concerns regarding the
8 credibility of Kazran, the principal witness in this case, and there is no testimonial or
9 documentary evidence that sufficiently corroborates his testimony that Buchanan directed
10 Kazran to reimburse contributions of HNJ employees, a claim that Buchanan denies. Other
11 witnesses gave statements that are in some ways consistent with Kazran's testimony, but these
12 witnesses either did not testify that they heard Buchanan instruct Kazran to reimburse
13 contributions, or their testimony did not align with Kazran's as to Buchanan's alleged direction to
14 reimburse contributions. Given the concerns about Kazran's credibility and other gaps in the
15 evidentiary record, the lack of direct support is significant. Further, the circumstantial evidence
16 does not sufficiently corroborate Kazran's testimony to overcome our recent concerns with his
17 credibility because in many cases, this evidence supports Buchanan's claims or is ambiguous.

18 Accordingly, we recommend that the Commission take no further action as to
19 Buchanan and VBFC.

20 **III. NEW INFORMATION REGARDING KAZRAN'S CREDIBILITY**

21 After we filed the General Counsel's brief, Respondents provided a copy of an order
22 finding Kazran in contempt of court. This order, coupled with Kazran's actions at about the

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1 same time we filed the General Counsel's brief, influences our reasoning and recommendation in
2 this case.

3 Respondents attach to their reply brief a 2008 order from a civil case in Georgia finding
4 Kazran in contempt and ordering him jailed, and a 2010 motion seeking sanctions in the same
5 case against Kazran's companies. Reply Brief, Exhs. 6, 8. Respondents' claim that "Kazran's
6 lack of credibility should be evident to OGC given his deceit during a recent bankruptcy
7 proceeding in Georgia state court, a case likely familiar to OGC as a result of its two-year
8 investigation." Reply Brief at 6.

9 The contempt order in question was issued by a Georgia trial court in November 2008 in
10 a civil suit between Bank of America and three car dealerships owned by Kazran. See Reply
11 Brief, Exh. 5, 6. It appears that the court found Kazran in contempt because he transferred
12 \$137,843.00 in violation of an order appointing a receiver. *Id.* We agree with Respondents that a
13 court's contempt order for transferring funds in violation of an order of receivership is a serious
14 matter because it relates to Kazran's honesty and respect for the law.¹

15 Respondents assert that Kazran's credibility is also undermined because in mid-to-late
16 October 2010, he allegedly threatened to publicize the Commission's investigation of Buchanan
17 by filing a lawsuit seeking Buchanan's payment of Kazran's future negotiated civil penalty with
18 the Commission and repayment of the reimbursements to HNI. Reply Brief at 5, Exh. 1, 4. We
19 agree with Respondents that Kazran's actions were ill-advised and raise credibility concerns,

¹ Respondents also fault OGC for not discovering this information. Hearing Transcript at 16. As to this claim, Buchanan's counsel informed us in September 2010 that Kazran had been in jail in Georgia. We asked Respondents' counsel for more specifics about Kazran's jailing, and counsel for Buchanan said he would produce them at the appropriate time. We immediately conducted criminal background searches in both Georgia and Florida, and those searches produced no evidence of convictions. Respondents revealed the information in early November when they served their reply brief. We do not know why counsel did not reveal it sooner.

1 especially as Kazran's actions occurred in the two weeks before the 2010 elections. We note that
2 once the election was over, Kazran did not follow through with his promise to file the lawsuit,
3 which may suggest that his promise was tied to the election.

4 In fairness to Kazran, his October 2010 correspondence essentially repeats the claims he
5 has made all along: Buchanan should repay HNJ and him for the amounts related to Buchanan's
6 instruction that HNJ reimburse contributions to his political committee. Further, a close reading
7 of the documentation Kazran sent indicates that Kazran's actions would reveal the investigation
8 of his own actions, not Buchanan's. Moreover, although the timing of Kazran's actions makes it
9 appear that they were tied to the upcoming election, the timing of Kazran's letter was also related
10 to the timing of the Commission's September 28, 2010, notification to Kazran that it had found
11 probable cause and was seeking conciliation. The September 28, 2010, notification letter also
12 stated that the Commission might institute a civil suit against Kazran if an agreement was not
13 reached within 30 days.

14 We also note that at the probable cause hearing, Respondents asserted that "Kazran implied
15 in a letter that he was working with OGC to negotiate a civil penalty for Congressman Buchanan
16 to pay on behalf of Kazran." Hearing Tr. at 17. In fact, the Commission found probable cause
17 that Kazran and HNJ violated the Act, and, as required by the Act, OGC engaged in post-
18 probable cause conciliation on behalf of the Commission. The negotiation, which was
19 unsuccessful, was over Kazran and HNJ's civil penalty, not Buchanan's.

20 Given the new information relating to Kazran's credibility, we believe that his testimony
21 regarding Buchanan's instruction to reimburse contributions at HNJ needs strong corroboration
22 to be considered sufficient enough to say that it is more likely than not that his version of the
23 facts is true. As explained in this report, the record does not contain such corroboration.

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IV. KAZRAN'S TESTIMONY AS TO DISCUSSIONS DURING WHICH BUCHANAN INSTRUCTED HIM TO REIMBURSE CONTRIBUTIONS AT HNJ IS NOT SUFFICIENTLY CORROBORATED BY WITNESSES TO THESE DISCUSSIONS

Kazran testified that Buchanan, his majority partner in the HNJ car dealership, directed him on a number of occasions from 2005 to 2007 to solicit employees at HNJ to make contributions to VBFC and then to reimburse those employees with funds from HNJ. Kazran Depo at 13-14, 20-22, 32, 34-37, 53-54, 70-72. Buchanan denies that he ever suggested that Kazran should reimburse employee contributions to his campaign. Buchanan Depo at 93, 98-99.

We analyzed Kazran's testimony regarding Buchanan's directions to reimburse contributions of HNJ employees and compared it to the sworn statements of those who witnessed these conversations to see if Kazran's claims were more likely than not true. That analysis shows that Kazran's testimony lacks sufficient corroboration.

A. The 2005 Instructions to Reimburse Contributions

In his deposition, Kazran described the first time Buchanan allegedly told him to reimburse contributions.

Q. The Federal Election Commission records show that on or about November 2005 some of the employees at the North Jacksonville Hyundai made contributions to Mr. Buchanan's campaign for Congress. The records show that Gail Lephart, Ernest Lephart, Gary Smith and Diana Smith contributed a total of \$16,800 to Mr. Buchanan's campaign for Congress. Did you ask any of these individuals to make a contribution to Mr. Buchanan's campaign?

A. Yes, I did.

Q. Why did you do that? [sic (transcript)]

A. I instructed them to write a check and reimburse themselves for -- because Mr. Buchanan had asked me to get money. And he specifically told me get someone you trust and run it through the corporation.

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1 Q. Okay. And did you get someone that you trusted?
2

3 A. Yes, Ms. Gail Lephart and D. Smith, he's no longer with us, they were the
4 office managers. Ms. Gail Lephart was our comptroller that I had known and had
5 a good relationship with. And she was going to cut the check. She's the person
6 that cuts the check. And the first time that -- and I think she's contributed on
7 multiple times, but the first time that I did, I told her that we'd be getting this
8 money back from Mr. Buchanan. I said, I don't know when, he just asked me to
9 do it.
10

11 Kazran Depo at 20-22. Kazran makes another reference to Lephart later in the deposition when
12 we questioned him about a paragraph in an affidavit that Buchanan and John Torch, the CEO of
13 his companies, persuaded to him to sign in connection with a settlement of a business dispute
14 between Buchanan and Kazran. See Section V.E., below. This paragraph states that before
15 September 2008, neither he nor Buchanan knew of reimbursements at HNJ. Kazran stated:

16 A. That is an absolute lie. Mr. Vern Buchanan -- well, let's put it this way. I'm
17 surprised that they're putting that in there, because not only he's had personal talks
18 with me, I've had -- Josh Farid has heard him, Gail Lephart on the phone has
19 heard him....
20

21 Kazran Depo at 70. Buchanan denied that he ever suggested to Kazran that he reimburse these
22 contributions. Buchanan Depo at 98-99.

23 To help resolve this factual dispute, we looked at sworn statements from witnesses who
24 claimed they were present during 2005 conversations regarding reimbursing contributions at
25 HNJ. First, Gayle Lephart averred that just before she made her contribution to VBFC on
26 November 29, 2005, she heard Kazran talking on a cellphone to a person she assumed was
27 Buchanan. See Lephart Affidavit. She heard Kazran say something like "Vern, I'll handle it
28 now," and immediately after that, Kazran told her to write a personal check to VBFC in a
29 specific amount and reimburse herself with HNJ funds, and then find other potential contributors
30 at HNJ and reimburse them through HNJ's payroll account, which she did. *Id.* She also swore
31 that Kazran directed her to send the contributions to Diane Mitchell at VBFC. *Id.* Diane

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1 Mitchell is an assistant to John Tosch who, according to Buchanan, may have done some
2 volunteer work for VBFC. Buchanan Depo at 101-102.

3 However, Lephart does not swear that she heard Buchanan direct Kazran to reimburse
4 contributions, indeed, she did not hear anything Buchanan said during the phone call in question.
5 Further, Lephart did not corroborate Kazran's testimony that he told her that Buchanan would
6 repay HNJ for the reimbursements. Lephart Aff. at 1.

7 Second, Joshua Farid, Kazran's business partner and brother-in-law, swore to
8 overhearing a 2005 phone conversation during which Buchanan told Kazran that he needed to
9 raise \$50,000 for VBFC. See Farid Affidavit at ¶4. He also swore that he heard Kazran tell
10 Buchanan that he had already contributed the maximum to Buchanan's campaign, to which
11 Buchanan replied that Kazran should have HNJ employees contribute to the campaign and then
12 reimburse them with HNJ funds. *Id.* Kazran did not mention this conversation in his deposition.

13 **B. The 2006 Instructions to Reimburse Contributions**

14 Kazran also testified to a 2006 conversation during which Buchanan suggested to him
15 that he could reimburse contributions at HNJ to raise \$25,000 or \$50,000 for VBFC, and this
16 suggestion was part of the negotiations regarding Kazran's purchase of Buchanan's interest in a
17 dealership in Georgia called Gwinnett Place Dodge. Kazran Depo at 13-14, 32, 34-36.
18 Buchanan denies that he ever suggested reimbursing contributions at HNJ, Buchanan Depo at 93,
19 98-99, and specifically denied that he discussed with Kazran the amount that Kazran would have
20 to pay him for his share of Gwinnett Place Dodge, and denied asking Kazran to raise funds in
21 connection with that transaction. *Id.* at 104-106.

22 Kazran testified that Buchanan, Farid, and he were walking in a hallway when Kazran
23 offered to buy Buchanan's interest in that dealership. Kazran Depo at 32, 34-35. Buchanan had

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1 asked Kazran for \$300,000 or \$400,000 for his interest, but Kazran did not have that much
2 money. *Id.* at 35. Kazran wanted to pay a smaller amount, and he wanted to pay Buchanan over
3 time. *Id.* He further testified that Buchanan agreed to payments over time if Kazran would agree
4 to raise "25- or \$50,000" for VBFC. *Id.* at 35-36. When Kazran said he did not have that much
5 money, Buchanan told him to "get someone you trust and run it through the corporation." *Id.* at
6 36. He also claims that Farid was present during the conversation. *Id.* at 32, 72.

7 Farid, however, does not swear that he heard Buchanan tell Kazran to reimburse VBFC
8 contributions with HNJ funds during this conversation. He swears that (1) he heard Buchanan
9 tell Kazran that he "would have to get more funds for Buchanan's campaign," and (2) it was his
10 understanding "based on subsequent conversations [Farid] had with Mr. Kazran" that Buchanan
11 wanted Kazran to solicit contributions from HNJ employees and then reimburse them with HNJ
12 funds. Farid Aff. at ¶5. So, while Farid's affidavit provides evidence that is consistent with
13 some details to which Kazran also testified, it lacks first-hand testimony on the most important
14 point: whether Buchanan told Kazran to reimburse contributions at HNJ in 2006.

15 C. The 2007 Instructions to Reimburse Contributions

16 There is corroboration of Kazran reimbursing contributions at HNJ in 2007, but not of the
17 allegation that Buchanan directed them. Kazran's testimony as to such reimbursements was:

18 But on the second time, in fact, she [Lephart] was at the office when I was talking
19 to Mr. Buchanan. And at the time in 2007, or 2008, was the second one, the
20 company was not doing very good, so—and she was not very happy about us
21 writing those large amounts of checks.

22
23 Kazran Depo at 22. He also testified:

24
25 And that — and the second time that he was running, we were in the process of
26 buying the Kia dealership. But, you know, I was a pretty good partner, if you
27 will, with Mr. Buchanan, so he always -- he always said, I'm counting on you
28 now. You're the only one that can raise this kind of money. Make sure you get it.
29 Make sure you get it.

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1
2 There would be times that Mr. Buchanan would call me in a week's time several
3 times. I mean, very aggressively too. I mean, I remember having two, three
4 phone calls in a two, three-day period.
5

6 Now, if you guys go and check the close of reporting, that quarterly reporting,
7 you'll see that, you know, at the beginning you get a small amount, but then
8 towards the end of it he would always expect us to do more.
9

10 Kazran Depo at 53-54. Kazran further testified:

11 Q.: Mr. Kazran, going back to the previous testimony that you've made today,
12 isn't it true that you were initially approached by Mr. Buchanan who instructed
13 you –
14

15 A.: Every time.
16

17 Q.: -- to reimburse your employees with the company money and contribute to his
18 campaign?
19

20 A.: Right. He said get somebody you trust, run it through the corporation. And
21 Josh Farid was present there.
22

23 *Id.* at 72. Again, Buchanan denies that he ever discussed reimbursing contributions at HNJ.

24 Buchanan Depo at 93, 98-99.

25 Lephart's affidavit also describes reimbursements at HNJ "sometime in 2007." She
26 swore that Kazran approached her and told her that HNJ employees needed to contribute to
27 VBFC and be reimbursed with HNJ funds. She claimed she told Kazran she was upset that
28 company money was going to be used to reimburse contributions, but Kazran responded only
29 with a shrug. *See* Lephart Affidavit.

30 What is missing from both Kazran's testimony and Lephart's statement is specific, direct
31 evidence that Buchanan told Kazran to reimburse contributions in 2007. Kazran testifies only
32 that Buchanan told him to get more contributions, and he was aggressive about it. Kazran Depo
33 at 53-54. He obliquely indicated that these contributions were also accomplished through a
34 trusted person, Lephart. *Id.* at 22. Lephart testifies only that Kazran told her to reimburse more

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1 contributions at HNJ, she told Kazran she was upset about it, and Kazran only shrugged. Kazran
2 also testified ambiguously about how Buchanan instructed him to reimburse contributions "every
3 time," but he seems to be referring to times when Farid was present, and Farid was not present
4 during the 2007 conversation he had with Buchanan. Kazran Depo at 72. As there is insufficient
5 direct evidence that Buchanan directed Kazran to reimburse contributions at HNJ, we next
6 considered the circumstantial evidence.

7 **V. SOME OF THE CIRCUMSTANTIAL EVIDENCE IS CONSISTENT WITH**
8 **KAZRAN'S VERSION OF EVENTS, BUT OTHER EVIDENCE IS CONSISTENT**
9 **WITH THE DENIALS OF BUCHANAN AND HIS ASSOCIATES**
10

11 As described more fully in the General Counsel's Brief, there was a series of events from
12 2005 to 2008 that relates to Kazran's allegation that Buchanan directed him and other partners in
13 his businesses to reimburse contributions. The circumstantial evidence does not sufficiently
14 corroborate Kazran's testimony to overcome our recent concerns with his credibility because in
15 many cases, the evidence is consistent with the denials of Buchanan and his associates.

16 **A. Testimony That Shortly After Buchanan Announced his Candidacy in 2005, One of**
17 **his Associates Suggested that Employee Contributions Could be Reimbursed**
18

19 Buchanan announced to his partners at a meeting in late summer 2005 that he was
20 running for Congress. Buchanan partner Steve Silverio testified to a conversation that happened
21 during a lunch in August or September 2005 that followed that meeting. According to Silverio,
22 Buchanan's COO Dennis Slater suggested that contributions to Buchanan's campaign could be
23 reimbursed, and Buchanan's CEO John Tosch "just sat there." Silverio Depo at 46-47.

24 In response, Respondents cite Tosch's general denial of any knowledge that Buchanan or
25 his agents suggested reimbursing contributions and Slater's testimony that he did not know about
26 any contributions that had been reimbursed until he heard about them in the media. Reply Brief
27 at 14-15; Tosch Depo at 36; Slater Depo at 68. Respondents also assert that Silverio testified

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1 that Buchanan never alluded to reimbursing dealership employees, and Silverio was biased
2 against Buchanan. See Reply Brief at 15, note 8; Hearing Tr. at 10. In addition, before the
3 probable cause hearing, we identified and disclosed to the Respondents Silverio's prior
4 statement, made during an informal interview before his deposition, that the Buchanan officer
5 who authorized the reimbursements was either Tosch or Slater and that Buchanan was present
6 when one of his top officers gave that instruction. Letter dated December 9, 2010. In contrast,
7 during his deposition, Silverio testified that it was Slater who stated that partners could
8 reimburse their employees through payroll, and Silverio did not place Buchanan at this
9 discussion. See Silverio Depo at 46-47. Further, we disclosed to Respondents that Silverio
10 stated during his interview that after the end of his partnership with Buchanan, he was at one
11 time motivated to sue Buchanan or take their dispute to the media, but an attorney talked him out
12 of it. Letter dated December 9, 2010.

13 We believe that Silverio's deposition testimony remains credible. First, Silverio testified
14 in a way that eliminated Buchanan's involvement in this incident, which is inconsistent with a
15 bias against Buchanan. Respondents' claim that that Silverio's initial desire to sue Buchanan or
16 go to the media shows bias against Buchanan, but it is hard to understand how Silverio's ultimate
17 refusal to do these things in the past shows that he must have been biased against Buchanan
18 when he testified as to what Slater said and Tosch heard. Further, whether it was Tosch or Slater
19 who authorized the partners to reimburse employee contributions, Silverio consistently claimed
20 that a top Buchanan officer suggested that partners could reimburse employee contributions.
21 Finally, both Slater and Tosch have reason to deny that the incident Silverio described happened.

22 Even so, this incident is of limited value in supporting Kazran's testimony about
23 Buchanan. Silverio testified that Buchanan was not present during the conversation, and that he

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1 never heard Buchanan suggest that partners could reimburse employee contributions. Silverio
2 Depo at 61. In addition, no other Buchanan partner who we contacted stated that he heard
3 Buchanan authorize reimbursed contributions.

4 **B. Fundraising Pressure**

5 As described more fully at pages 9-15 of the General Counsel's Brief, there was also
6 testimony and documentary evidences that beginning in 2005, Buchanan and his associates
7 pressured his minor partners to raise contributions, especially towards the end of quarterly
8 reporting periods, that Buchanan's campaign tracked these contributions, and that Buchanan was
9 more involved in these activities than he was willing to admit during his deposition.
10 Respondents argue that all of this activity was normal and legal, and Buchanan's lack of recall
11 about these events is understandable, given the passage of time. Reply Brief, 16-18, 22-24. We
12 think the evidence here is ambiguous because it is consistent with both Kazran's contentions of a
13 wider reimbursement scenario and Respondents' claim of normal campaign activity.

14 **C. Employee Reimbursements at the Venice Nissan Dealership in 2005 and the**
15 **SunCoast Ford Dealership in 2007**
16

17 Last year, the Commission found probable cause to believe that contributions in
18 September 2005 were reimbursed at Venice Nissan ("VN"), a Buchanan-controlled dealership,
19 and the relevant respondents conciliated with the Commission. See General Counsel's Report #6
20 in this matter. There is, however, no information that Buchanan was personally involved with
21 these reimbursements.

22 In 2007, another Buchanan dealership, SunCoast Ford, reimbursed \$18,400 in
23 contributions to VBFC made by its operating partner, Gary Scarbrough, and three employees.
24 See GC's Brief at 15-16, Reply Brief at 20-21. Respondents' *sua sponte* submission in this
25 matter did not mention these reimbursements. See Reply Brief, Exh. 9. Respondents do not

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1 contest that SunCoast Ford reimbursed these contributions, that they learned of the
2 reimbursements in 2007, or that they did not voluntarily disclose this fact to the Commission.
3 Reply Brief at 20-21. Respondents rely upon Scarbrough's testimony that he did not recall
4 ordering the reimbursements. *Id.* at 7. They also maintain that VBFC's refund of the reimbursed
5 contributions was in line with Commission regulations and standard operating procedure for
6 political campaigns. *Id.* at 21.

7 Regarding Scarbrough's claim he did not recall ordering the reimbursements, we note
8 that Scarbrough responded that he either did "not recall" or did "not remember" over 100 times
9 during his deposition, which lasted a little more than two hours. *See Scarbrough Depo, passim.*
10 As discussed below, Scarbrough remembered more during his informal interview, so we do not
11 consider his testimony particularly credible. In addition, after the SunCoast Ford
12 reimbursements were revealed, neither Scarbrough nor any other SunCoast Ford employee was
13 disciplined for using company funds to contribute to VBFC, Tosch Depo at 51, nor have
14 Buchanan's businesses instituted new policies nor issued guidance to Buchanan's partners and
15 employees about contributing to VBFC. Tosch Depo at 52.

16 Respondents' contention that VBFC complied with Commission regulations when it
17 refunded the reimbursed SCF contributions is essentially true. Nonetheless, in response to a
18 question at the hearing why VBFC only disclosed the HNJ reimbursed contributions in its *sua*
19 *sponte* and not the SCF reimbursed contributions, counsel for VBFC responded that CREW had
20 filed a complaint on August 19, 2008, alleging reimbursed contributions at VN, and it wanted the
21 Commission to understand "all of the outstanding issues." Hearing Tr. at 31-33. Counsel also
22 stated that the HNJ reimbursed contributions were more recent than the SCF reimbursed
23 contributions and that HNJ was "a completely different fact pattern." *Id.* at 31-32. Counsel for

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1 Buchanan noted that VN never admitted wrongdoing, and he distinguished SCF from HNJ by
2 asserting that Scarbrough "believed he could engage in the activity that occurred there" and that
3 it was a "mistake." *Id.* at 35-36. Ultimately, counsel's explanation appeared to be that, in
4 contrast to the Buchanan subordinates involved in the VN and SCF contribution reimbursements,
5 Kazran was the only Buchanan partner who admitted guilt. *Id.* at 36. We believe the *sua*
6 *sponte*'s exclusion of the SunCoast Ford reimbursements is in tension with counsel's claim at the
7 hearing that the *sua sponte* was filed to help the Commission understand "all the outstanding
8 issues."

9 Related to evidence of reimbursements at other Buchanan-owned dealerships is the
10 testimony from Salvatore Rosa, a former financial officer for a Buchanan-owned company, that
11 Buchanan had asked him in the early 2000's to help one of Buchanan's business partners receive
12 a reimbursement for a political contribution using the funds of the company Buchanan owned
13 with that partner. Rosa Depo at 20-21. According to Rosa, when he told Buchanan that doing so
14 would be illegal, Buchanan told him to "finesse it" and ended the conversation. *Id.* at 21-22.
15 Buchanan denies this event happened, and in their Reply Brief, Respondents provide reasons
16 why they believe that Rosa is an unreliable witness. See Buchanan Depo at 73-74, Reply Brief at
17 12-14, and Section VI.B.3 below. In response to a question at the hearing, Buchanan's counsel
18 stated that the phrase "finesse it" could be interpreted in different ways and that Buchanan might
19 interpret such a statement differently than Rosa did. Hearing Tr. at 25-26. Respondents did not
20 offer any examples of alternative interpretations.

21 The Commission found probable cause to believe that VN and a senior manager
22 reimbursed employee contributions, and there is no dispute that SCF reimbursed employee
23 contributions. These incidents are consistent with Kazran's testimony of a reimbursement

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1 scenario at HNJ, another Buchanan-owned business. There is, however, no evidence directly
2 linking Buchanan to these situations. Rosa's testimony, however, links Buchanan to such a
3 scheme, although it is outside the statute of limitations. Even so, it is evidence that is consistent
4 with Kazran's claim that Buchanan asked him to reimburse contributions at HNJ.

5 **D. Kazran and Farid's 2008 Emails**

6 In 2008, the business relationship between Buchanan and Kazran deteriorated as
7 Kazran's dealerships began experiencing financial difficulty. As a result, Kazran and Farid sent
8 a series of emails to Buchanan, his CEO John Tosch, and one of Buchanan's attorneys in late
9 summer and early fall of 2008 seeking to resolve the business dispute, and in some cases, asking
10 for Buchanan's help. Kazran also sent Tosch copies of the contribution checks of HNJ
11 employees and the HNJ checks given to those employees to reimburse them for their
12 contributions. See Tosch Depo Docs 000018-38.

13 The first Kazran email, dated August 26, 2008, and sent to Buchanan, mentioned
14 Kazran's support of their partnership and stated "I am the only one in our group that has donated
15 over 80k to [Buchanan's] campaign." Tosch Depo Docs 000058-59. It stated that Kazran and
16 Buchanan appeared to be at the end of their partnership, but Kazran hoped for an "amicable,
17 clean and speedy exit strategy." *Id.* at 000058.

18 The next day, Farid sent an email to Tosch in which he expressed frustration with
19 Buchanan because Buchanan was seeking to sue Kazran after "this dealership" [HNJ] had
20 supported his campaign "to a tune of \$80K" at Buchanan's request. Farid Aff. at Exh. 1. He
21 also expressed frustration with Kazran. *Id.* In his affidavit, Farid explained that he sent this
22 email, in part, because he felt that Buchanan was taking advantage of Kazran by expecting him
23 to use dealership funds to reimburse employee contributions to VBFC. Farid Aff. at 1-2.

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1 On September 8, 2008, Kazran sent an email to Tosch either just before or just after
2 receiving a demand letter for \$2.5 million from Buchanan. In the email, Kazran stated:

3 this is the 1st set of checks, there are more to follow, It gives me great regret to
4 have done this for Vern when he doesn't even hesitates [sic] for a second to sue
5 me and my wife over 20k . . Maybe he can consider taking part of this 80k+ as
6 one month of payment so my wife doesn't cry out of fear of losing [sic] our
7 home. I thank Vern for giving me permission to set aside my moral character . . .
8

9 Tosch Depo Docs 000028. Tosch testified that Kazran sent this email and the checks to him the
10 day or the day after Buchanan sent him the demand letter seeking \$2.5 million on a loan
11 Buchanan had made to Kazran. Tosch Depo at 92-96. According to Tosch, this email shows the
12 amounts of dealership money that Kazran claimed he used to reimburse employee contributions
13 at Buchanan's direction. See Tosch Depo at 71; see also Tosch Depo Docs 000028, 000049,
14 000056, and 000058-59.

15 On October 1, 2008, Kazran sent an email to Buchanan attorney Roger Gannam about
16 terms on which Buchanan and Kazran might settle their business dispute. That email contained
17 the following:

18 Vern had mentioned he would want to reimburse the stores a bill that he and I
19 spoke of, the total amount is \$83500, He has copies of 52k, if he likes I can get
20 the rest or he can verify through his record. This was at his request
21

22 Tosch Depo Docs 000049.

23 Finally, on October 5, 2008, Kazran sent an email to Tosch, which appears to
24 reflect settlement discussions he was having directly with Buchanan. In that email,
25 Kazran stated:

26 Vern and I will talk about the last part without attorneys[sic], I think I have a
27 suggestion that will make him happy . . . He wants to cut a check for all the
28 amount, I have about 70k tracked down the rest are credit cards, if he wants to
29 verify, I have to call the campaign mgr to ask her for details, if you can have
30 someone do that I would appreciate it.
31

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1 Tosch Depo Docs 000056.

2 Respondents maintain that Kazran's 2008 emails were both (a) about the reimbursements
3 for which Kazran did not want to take responsibility, Reply Brief at 19, and (b) not about
4 reimbursements but, as Tosch testified, about attorney's fees. Reply Brief at 9-10. Respondents
5 do not clearly explain this difference. In support of their claim that the "52k" Kazran referred to
6 in his October 1, 2008, email was a reference to Kazran's attorney's fees, Respondents rely on
7 Tosch's deposition testimony. Reply Brief at 9-10; Tosch Depo at 92-96. Kazran recently
8 confirmed in a letter that he and Buchanan were indeed discussing Buchanan possibly paying
9 Kazran's attorney's fees of \$50,000. Reply Brief, Exh. 1.

10 Although the emails contained discussions about attorney's fees, they also appear to
11 discuss Kazran's reimbursement of contributions at HNJ and his discussions with Buchanan
12 about repaying those funds. What is not clear is whether these emails closely support Kazran's
13 claim that Buchanan told him to reimburse these contributions with HNJ funds, or that Buchanan
14 agreed to repay these amounts. The language in the emails is vague on these points, and none of
15 them state that Buchanan was aware that Kazran was reimbursing contributions or that Buchanan
16 ordered him to do so.

17 **E. The Affidavit that Buchanan's Attorneys Asked Kazran to Sign**

18 Another piece of circumstantial evidence in this matter is that on October 2, 2008,
19 Buchanan and Tosch made an offer to Kazran to settle their dispute that required him to sign an
20 affidavit regarding the reimbursement of contributions at HNJ. This affidavit stated, among
21 other things, that neither Buchanan nor Kazran knew anything about the reimbursed
22 contributions. This affidavit was attached to a settlement proposal Buchanan's counsel drafted,
23 which Buchanan and Tosch signed. Kazran Depo at 56, Exhs. 2 and 3. Kazran testified that the

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1 affidavit was false, and that Buchanan made its execution a condition of that October 2, 2008,
2 offer to settle their differences. Kazran Depo at 63, 70-72. He stated that Buchanan told him "if
3 I did not sign the affidavit, to blame everything on me, then there would be no agreement and
4 contract to purchase out the dealership and give me back the money." *Id.* at 63. This affidavit is
5 potentially significant because it could demonstrate that Buchanan was attempting to conceal his
6 involvement in the reimbursement scheme.

7 ~~Respondents claim that the affidavit is "entirely true."~~ Reply Brief at 20; *see also*
8 Probable Cause Hearing Transcript at 37. ~~Contrary to Respondents' claims,~~ the affidavit is not
9 "entirely true." Paragraph 5 of the affidavit states that before September 2008, Kazran had no
10 information that HNJ had reimbursed individuals for contributions made to VBFC. This
11 provision contradicts one of Respondents' key claims in the case--that Kazran alone directed the
12 reimbursements at HNJ during the '06 and '08 cycles. See Hearing Tr. at 7-8. It also contradicts
13 Kazran's undisputed testimony that he reimbursed contributions at HNJ in 2005, 2006, and 2007.
14 See Section IV, above. Further, at the time the affidavit was drafted, Kazran had already sent the
15 reimbursement checks to Tosch, who discussed Kazran's allegations with Buchanan's attorneys.
16 Tosch Depo at 71-72 (noting that Kazran discussed the reimbursements during a call that took
17 place the day of, or the day before, Kazran sent the checks to Tosch by email); Tosch Depo Doss
18 000028 (September 8, 2008, email from Kazran to Tosch containing HNJ reimbursement checks
19 and the contribution checks that were reimbursed). Finally, Buchanan and Tosch gave different
20 reasons why the affidavit was necessary. Buchanan claimed that the affidavit was needed
21 because Tosch told him that Kazran was trying to leverage more money in the financial dispute,
22 but Tosch claimed that the affidavit was needed based on a conversation Buchanan had with

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1 Kazran on October 1, 2008. *See* Buchanan Depo at 165-68; Tosch Depo at 111. Tosch testified
2 that he was unaware of the subject of the conversation. Tosch Depo at 111-12.

3 Buchanan testified to having almost nothing to do with the affidavit and remembering
4 little about it. Buchanan Depo at 164, 166-67, 173. He claimed he did not remember signing the
5 settlement proposal to which the affidavit was attached, that it was not his idea to have Kazran
6 sign the affidavit, that he did not know who prepared the affidavit, that he had no part in drafting
7 it, that he had never seen it before his deposition, and that he never discussed it with Tosch. *Id.*
8 at 164, 166-67. He denied knowing if Kazran ever signed the affidavit. *Id.* at 173. Respondents
9 assert that Buchanan was understandably unable "to remember the precise details of a document
10 he had never seen[.]" Reply Brief at 20.

11 Buchanan's lack of recall about the affidavit, or the events surrounding it, does not seem
12 credible. It is improbable that Buchanan's attorneys drafted the affidavit and presented it to
13 Kazran without Buchanan's involvement considering that (1) the affidavit did not concern the
14 subject of the commercial negotiations, but rather Buchanan's knowledge of reimbursed
15 contributions to VBFC, and (2) it was presented to a former Buchanan partner who, according to
16 Respondents, was threatening to go to Buchanan's political opponent or the Commission before
17 the 2008 election with his allegation that Buchanan ordered him to reimburse contributions.

18 To some extent, the affidavit contradicts the testimony of both Kazran and Buchanan.
19 Respondents claim that affidavit is true, but it is not. Kazran claims that the affidavit "blame[s]
20 everything on me," but it does not. Kazran Depo at 63. Thus, it does not provide strong
21 corroboration for either.

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F. The Testimony of Buchanan and his Associates on Background Issues

On a number of background issues, the testimony of Buchanan and his associates is not particularly credible. Although these inconsistencies diminish the credibility of Buchanan and his associates, they do not necessarily corroborate Kazran's testimony.

In their Reply Brief, Respondents claim that there is "unassailable, independent proof that Congressman Buchanan actively instructed against reimbursement of contributions," Reply Brief at 11, even though there is little corroborative evidence and more contrary evidence. During his deposition, Buchanan asserted that he made it clear to Kazran and others that they could not reimburse contributions, and that VBFC sent a letter to partners informing them that they could not reimburse contributions. Buchanan Depo at 34, 58-59, 93-94. Buchanan's testimony is at odds with the testimony of Kazran and Silverio, *see* Kazran Depo at 87-88 (testimony that he was unaware that reimbursing contributions was illegal), Silverio Depo at 46-47 (claiming that Buchanan's COO Dennis Slater told him in 2005 that he could reimburse contributions and that Silverio did not know the rules or the laws of campaign finance). Buchanan's testimony is also internally inconsistent, contradicted by a statement in an interview of the former VBFC treasurer Nancy Watkins that she was unaware of any documents prepared for Buchanan's business partners regarding campaign finance law, and not supported by the documents actually produced by VBFC.

Similarly, Buchanan testified that he could not remember "one way or the other" whether he ever asked Kazran to fundraise for VBFC for the '06 election. Buchanan Depo at 89. There is evidence that Buchanan did ask, and it raises legitimate questions as to Buchanan's credibility that he could not admit this innocuous fact. *See* Gruters Depo

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1 at 38-39 (testifying that Buchanan asked his partners for contributions during the 2006
2 election). Despite not remembering whether he asked Kazran to fundraise in 2006,
3 Buchanan was certain that he told Kazran not to reimburse contributions. *See* Buchanan
4 Depo at 93-94, 110. These two statements are largely inconsistent with each other, and
5 are inconsistent with the other evidence.

6 Also, Silverio and Gruters testified that Buchanan discussed his campaign with
7 his partners at the monthly partner meetings, which Buchanan regularly attended.
8 Silverio Depo at 16-17, 27-28; Gruters Depo at 32, 50-51. Buchanan and his top
9 deputies, Tosch and Slater, appeared to have contradicted one another as to whether
10 Buchanan attended partner meetings during his campaign and whether his campaign was
11 discussed at those meetings. *See* Buchanan Depo at 26, 51, 114; Tosch Depo at 28;
12 Slater Depo at 47-57. However, Gruters' and Silverio's testimony were consistent with
13 Kazran's account.

14 Buchanan testified that he did not report an individual partner's fundraising goal
15 back to the campaign, the campaign did not track fundraising goals, and that he could not
16 "imagine saying anything" to his campaign about what his partners agreed to raise.
17 Buchanan Depo at 41, 56. Further, Buchanan testified, "I don't know what anybody has
18 raised." *Id.* at 110. However, this testimony is contradicted by the testimony of Gruters
19 and documents produced by VBFC. The campaign maintained lists showing the amounts
20 that Buchanan's partners had committed to raise, or what they had raised so far, Gruters
21 Depo at 42-43, 97, 109, and Buchanan himself would follow up with partners to see how
22 they were progressing with their fundraising. *Id.* at 38-39, 42, 109-111. VBFC produced
23 an email listing \$58,300 in contributions from various individuals received by VBFC on

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1 September 27, 2007, including \$9,200 from Kazran and his wife. VBFC initially
2 produced this email on June 25, 2010, but redacted the recipients' email addresses,
3 including Buchanan's, as "non-responsive." VBFC 000361. After Buchanan's
4 deposition, Respondents produced this document in unredacted form, revealing that the
5 email was sent to Buchanan.

6 Faced with the inconsistencies between Buchanan's testimony and that of the other
7 witnesses and records regarding these issues, Respondents contend that Buchanan's memory
8 may have "imperfections" or contains "minor memory lapses" that pertain to events years before.
9 Respondents also contend that these inconsistencies and lapses are not meaningful, and they
10 relate to legal activity. Reply Brief at 16-18. We do not insist that any witness have perfect
11 recall of past events to be considered credible, but we think that Buchanan's inability to
12 remember basic facts as to these uncontroversial, routine issues detracts from his credibility.
13 Nevertheless, these inconsistencies on background issues do not necessarily show that Buchanan
14 directed Kazran to reimburse contributions.

15 **VI. RESPONDENTS' ARGUMENTS ARE NOT FACTUALLY ACCURATE**

16 While we do not, for the reasons stated above, recommend finding probable cause, we
17 believe it is necessary to show that three arguments raised in the Reply Brief are factually
18 incorrect. In their brief, Respondents contend that "three fatal flaws" prevent the Commission
19 from finding probable cause in this matter: OGC (1) "relies exclusively on the testimony of one
20 unreliable witness and his relative," (2) "conveniently omits exculpatory evidence that
21 contradicts OGC's ultimate conclusion," and (3) "contorts commonplace, lawful fundraising
22 practices into evidence of wrongdoing." Reply Brief at 1.

1 **A. OGC Relies on More Than One Witness and his Relative**

2
3 As discussed above, other witnesses, including Lephart, Rosa, and Silverio—none of
4 whom are related to Kazran—gave testimony that was consistent with parts of Kazran's
5 testimony. As discussed above, to some extent, Buchanan and his associates also corroborated
6 aspects of Kazran's testimony.

7 Respondents assert that Farid is not credible because he is Kazran's brother-in-law and
8 partner. Reply Brief at 6-7. The fact that Farid is Kazran's brother-in-law and business partner
9 does not make Farid's sworn testimony inherently biased or unreliable, nor does it affect the
10 extent to which the remainder of the evidence may support Kazran's (and Farid's) testimony.
11 Also, Respondents rely significantly on an unsworn email from Buchanan's sister-in-law Yvonne
12 Buchanan stating that "We've never reimbursed anyone." See Reply Brief at 15 and VGB 002.
13 Further, her statement was inaccurate because by the time of her email, there was no dispute that
14 VBFC knew that contributions at SunCoast Ford had been reimbursed by the dealership and
15 subsequently refunded by VBFC at the direction of its treasurer. Accordingly, it is hard to see
16 why Ms. Buchanan's email statement is significant.

17 Respondents also contend that Kazran has a substantial motive to fabricate his testimony
18 to receive lenient treatment from the Commission, having admitted illegal activity. Reply Brief
19 at 3-4. Kazran has not received lenient treatment from OGC, as we recommended that the
20 Commission make knowing and willful findings against Kazran at the RTB and Probable Cause
21 stages, and we recently recommended that the Commission sue Kazran, which it did. See *FEC v.*
22 *Sam Kazran a/k/a Sam Khazrawan, et al.*, No. 3:10-cv-01155-UATC-JRK (M.D. Fla.)
23 (complaint filed December 17, 2010). We note that Buchanan, a sitting Representative, also has
24 a motivation to avoid a probable cause determination that he and his committee violated the Act.

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1 Respondents also seek to undercut Kazran's testimony by citing allegations from
2 Buchanan's lawsuit against Kazran and pending bankruptcy proceedings as truth, even though
3 these matters are not final. Respondents allege that Kazran's credibility is diminished because
4 he did not repay a loan from Buchanan to Kazran and that Kazran allegedly diverted funds
5 intended for one dealership to support a different dealership and for other purposes. See Reply
6 Brief at 5-6. Litigation between Buchanan and Kazran has been ongoing for over two years.
7 The Commission is in no position to resolve the allegations in those matters, and for now, those
8 allegations are just that: allegations.

9 **B. Exculpatory Information Was Disclosed to Respondents**

10 Respondents received exculpatory information, some in the GC's Brief, some in the
11 depositions, and some shortly before the December 9, 2010, probable cause hearing.

12 ***1. The HNJ Response Document***

13 As evidence that Buchanan was not involved with the HNJ reimbursements, Respondents
14 relied significantly on a statement in an unsworn document Kazran submitted to OGC styled as
15 the HNJ Response to the Commission's Subpoena ("HNJ Response"). In Kazran's answer to
16 subpoena question 27, Kazran omits Buchanan's name from a list of HNJ partners, officers, and
17 managers whom he claimed knew about the reimbursement contributions. Hearing Tr. at 9-10, 37;
18 HNJ Response at 5. Kazran submitted this document on October 2, 2009, which was after he
19 stated during interviews on July 15 and 16, 2009, that Buchanan instructed him to reimburse
20 contributions and before he testified under oath during a deposition on November 6, 2009, that
21 Buchanan instructed him to reimburse contributions. Kazran Depo at 13, 21, 37, 72.

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1 We understand why Respondents might think this unsworn document² is significant
2 because they may be unaware that we interviewed Kazran before he submitted that statement,
3 and in that prior interview, he claimed that Buchanan directed the reimbursements at HNJ.
4 Further, it is likely Kazran understood the relevant question as referring only to current HNJ
5 partners, not a past partner such as Buchanan. Accordingly, this document is not significant.

6 As a final note, Respondents assert that we provided this document two days before the
7 hearing, and they are correct. However, it was an oversight, we provided the document
8 immediately when it was called to our attention, and the Respondents' prominent use of the
9 document suggests that they suffered little harm.

10 *2. Information in the GC's Brief and Contentions Made in the Reply Brief*
11

12 Respondents contend that OGC omitted significant exculpatory evidence from its Brief.
13 See Reply Brief at 12. Respondents contend that Salvatore Rosa's testimony that Buchanan
14 directed him to reimburse a business partner's contribution in the early 2000's is not credible and
15 that Rosa has not worked for Rep. Buchanan for eight years. Reply Brief at 12-14. However,
16 OGC clearly identified the time period in which Rosa warned Rep. Buchanan that reimbursing
17 dealership employees was illegal, and did not imply that Rosa knew anything about the current
18 allegations. Moreover, the statute of limitations has nothing to do with when Buchanan knew
19 reimbursing contributions was illegal, and that knowledge is relevant to the analysis of whether
20 his alleged violations were knowing and willful.

21 Respondents also contend that Slater, Buchanan's former COO, provided "significant
22 exculpatory testimony." Reply Brief at 15-16. Respondents' characterization suggests that they
23 view as exculpatory any person's testimony – here, Slater's – that their own contributions to

² Counsel for Buchanan inaccurately referred to the HNJ Response as a sworn statement. Hearing Tr. at 37.

1 VBFC were not reimbursed or that Buchanan never told them to reimburse contributions, *see*
2 Hearing Tr. at 10-11, even if their contributions are not at issue in this case. Respondents even
3 asserted that Dennis Slater's opinion that "the reimbursement allegations smell like retribution
4 rather than fact" is exculpatory evidence, which it is not. Hearing Tr. at 11. In any event, Slater
5 was represented by Buchanan's attorney for his dealerships during his deposition and a full
6 transcript of his deposition testimony was provided to Respondents at the time we provided
7 Respondents with OGC's brief.

8 *3. Information Provided to Respondents Prior to the Probable Cause Hearing*
9

10 Just before the probable cause hearing, we provided to Respondents three pieces of
11 information obtained during informal interviews. Letter dated December 9, 2010. We have
12 already discussed one of these pieces, which relates to a difference between Silverio's interview
13 and deposition testimony. *See* Section V.A., above. While there may be differences of opinion
14 as to whether all the material in the letter is exculpatory, we do not think that the information is
15 particularly significant and, as already noted, Respondents used the information at the hearing.

16 Another piece of information was a statement from Rosa's interview that he did not trust
17 Kazran. However, Respondents argue for three pages that Rosa himself should not be believed,
18 *see* Reply Brief at 12-14. We do not think that Rosa's general impression of Sam Kazran is
19 particularly probative.

20 Finally, the information provided from Joseph Scarbrough's interview regarding the
21 circumstances of his being reimbursed by SunCoast Ford for his contribution to VBFC was
22 actually inculpatory, not exculpatory, because it impeached his testimony (he appeared to
23 remember more during his interview than at his deposition), and Respondents relied on
24 Scarbrough's testimony.

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1 **C. Lawful Fundraising Practices Are Not Cited as Evidence of Wrongdoing but**
2 **Rather Provide Relevant Context**
3

4 Respondents correctly point out that the following actions are legal: soliciting business
5 partners for contributions, seeking contribution "bundlers," tracking contributors, focusing on
6 quarterly reporting, and choosing to raise funds from individuals instead of self-funding. See
7 Reply Brief at 22-24. OGC did not allege that any of these practices constituted violations of the
8 Act; rather, they provide relevant background, context, and corroborating details for Kazran's
9 testimony, and provided examples of instances in which Buchanan's testimony did not appear to
10 be accurate or consistent, even as to innocuous and routine activity.

11 **VII. CONCLUSION**

12 The evidence in this case comes close to supporting a finding that it is more likely than
13 not that Respondents violated both §§ 441f and 441a(f). However, new information raises
14 significant concerns regarding the credibility of Kazran, the principal witness in this case, and
15 there is no testimony or documentary evidence sufficiently corroborating his testimony that
16 Buchanan instructed him to reimburse employee contributions at HNJ, a claim that Buchanan
17 directly denies. While there is some other evidence in the record that is consistent with Kazran's
18 general allegations, other evidence supports Buchanan's denials or is ambiguous. Accordingly,
19 we recommend that the Commission take no further action against these respondents.

20

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1 **VIII. RECOMMENDATIONS**

- 2
3 1. Take no further action as to Representative Vernon G. Buchanan, Vern Buchanan
4 for Congress and Joseph Gruters, in his official capacity as treasurer, and close
5 the file as to these respondents.
6
7 2. Approve the appropriate letters.
8
9
10
11
12

13
14 1/25/11
15 Date

Christopher Hughey by Stephen Gura
Christopher Hughey with permission
Acting General Counsel

17
18 Stephen A. Gura
19 Stephen A. Gura
20 Deputy Associate General Counsel for Enforcement
21
22

23 Mark Allen
24 Mark Allen
25 Assistant General Counsel
26
27

28 Jack Gould
29 Jack Gould
30 Attorney
31
32

33 Michael A. Columbo
34 Michael A. Columbo
35 Attorney
36

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