April 9, 2018

Jeff Sessions
Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

Dear General Sessions:

National Legal and Policy Center (NLPC) respectfully requests that you initiate an investigation into possible violations of federal conflict of interest laws pertaining to Ana Matosantos, a member of seven-member Puerto Rico Financial Oversight and Management Board (Oversight Board).

We also request that you ask a U.S. District Court judge to remove Ana Matosantos from her role as a member of the Oversight Board during this investigation in order to secure the legitimacy of all board decisions related to the Title III bankruptcy of the Commonwealth of Puerto Rico.

NLPC is a nonprofit organization that promotes ethics in public life through research, investigation, education and legal action. Founded in 1991, our organization has a long history of success in investigating public corruption.

Our request is based on an investigation over the last year that unearthed a troubling pattern of curious business transactions, raising serious questions as to whether decisions being made by Matosantos in her role on the Oversight Board are for her own financial gain as a member of Matosantos Commercial Corporation (MCC). Virtually all of the information suggesting improper behavior comes from materials in the public domain including news articles, reports, audits, real estate records, legal documents, Financial Disclosure Reports, and public information requests.

NLPC began this investigation by looking into a questionable charity in Puerto Rico that only had one employee, Antonio Garcia Padilla, the brother of Puerto Rico governor Alejandro Garcia Padilla. On November 11, 2015, the New York Post reported that New York labor leader

1 Washington Free Beacon, 1/21/16, “Charity Linked to Big Labor Only Employs Brother of Scandal-Plagued Governor,” by Alana Goodman.
Dennis Rivera gave $1.1 million of a nonprofit’s money to a charity tied to Bill Richardson, former New Mexico Governor. The charity, now known as “Sociedad Económica De Amigos del País,” was founded in New York in 1996 by Rivera and Richardson as the Hispanic Education and Legal Fund (HELF).

On June 30, 2016 President Barack Obama signed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), establishing an oversight board to guide the territory of Puerto Rico through a debt crisis that endangered the island’s ability to continue as a viable institution governing over 3 million U.S. citizens. Given our previous work in Puerto Rico, we took an immediate interest in the board.

According to Section 109 of PROMESA, “all members and staff of the Oversight Board shall be subject to the Federal conflict of interest requirements described in section 208 of Title 18.”

18 U.S. Code 208 states:

Except as permitted by subsection (b) hereof, whoever, being an officer or employee of the executive branch of the United States Government, or of any independent agency of the United States, a Federal Reserve bank director, officer, or employee, or an officer or employee of the District of Columbia, including a special Government employee, participates personally and substantially as a Government officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in a judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter in which, to his knowledge, he, his spouse, minor child, general partner, organization in which he is serving as officer, director, trustee, general partner or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest—Shall be subject to the penalties set forth in section 216 of this title.

Moreover, 18 U.S. Code 216 states the “Attorney General may petition an appropriate United States district court for an order prohibiting” a person violating 18 U.S. Code 208 from engaging in that activity.

NLPC is asking for a full investigation into the actions of Ana Matosantos pursuant to her actions as an oversight board member with apparent conflicts of interest. A United States District court judge should be petitioned for her removal from the oversight board during the investigation. And if she is found to be in violation of conflict of interest laws and regulations she should be permanently removed from the board and face other penalties the Attorney General considers appropriate under 18 U.S. Code 216.

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2 New York Post, 11/22/15, “NY labor chief sent $1.1M to ‘sham’ charities in New Mexico,” by Isabel Vincent and Melissa Klein.
3 PROMESA § 2129 Ethics
4 18 U.S. Code § 216 - Penalties and injunctions
On August 31, 2016 President Obama appointed the seven-member oversight board. Ana Matosantos was one of the original seven board members appointed on that day. Since that time Matosantos has acted as a board member at full capacity, voting and debating on all of the issues facing the island. One of the key votes of the Financial Oversight and Management Board was to put the Puerto Rico Power Authority (PREPA) into Title III bankruptcy. It was the only non-unanimous vote the oversight board has made and the actual votes by each board member are not known. But the result of that vote placed Ana Matosantos in a clear conflict of interest due to her financial interests related to PREPA. The board has gone on to push for PREPA to be privatized, and has also set a target of 60% of Puerto Rico’s energy requirements coming from renewable sources. Both the privatization of PREPA and the renewable energy goal are potential windfalls for Matosantos Commercial Corporation and its related entities and beneficial owners.

In the summer of 2016, weeks before she was selected by President Obama to be a member of the oversight board Ana Matosantos accepted a position as a director of Matosantos Commercial Corporation, a family-owned multinational conglomerate whose main facility is in Puerto Rico. MCC has significant issues before the Oversight Board concerning a renewable energy deal it has put in place with PREPA.

One of the main issues before the board is Ana Matosantos’ connections with PREPA. The deal MCC has worked out with PREPA allows the company to sell renewable energy produced in their facilities to the island of Puerto Rico. The operation they’ve constructed on their premises involves several companies with hidden ownership. Our investigation has shown Ana Matosantos has significant financial interests involving the power-generating aspect of the MCC operation. We have uncovered at least two renewable energy generation assets worth millions of dollars related to MCC. As a director of MCC, Ms. Matosantos has intimate knowledge of the deal between the family-owned business and PREPA, the government owned electricity utility now subject to the oversight board.

As previously stated, NLPC has uncovered two renewable energy projects related to MCC. These projects have the potential to provide a windfall to the individuals behind MCC and the web of companies involved in their renewable energy operation. Organic Power LLC and Gegloma Realty Corp appear to have acted as vehicles for MCC to obscure the true beneficial owners of the renewable energy projects maintained on MCC facilities. Gegloma Realty is an entity that Ana Matosantos lists as an asset in her financial disclosure form. Organic Power LLC was created by the chief financial officer of MCC, Miguel Perez. Mr. Perez is also the secretary of Gegloma Realty. This has created a situation where the renewable energy transactions between MCC, Gegloma Realty, and Organic Power LLC may appear to be at arms length, but in actuality, they are not.

The following is a brief overview of the renewable energy projects that NLPC has discovered to have a relationship with the entities with which Ana Matosantos has a financial relationship:

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5 Wall Street Journal, June 29, 2017, Privatize Puerto Rico’s Power
6 Exhibit 1
7 Exhibit 2 Ana Matosantos Financial Disclosure
8 Exhibit 3 Organic Power LLC Incorporation Document
Renewable Energy Asset #1: 999kW Solar Generation Farm.

- The Matosantos Commercial Corporation owns and operates a taxpayer-subsidized solar energy generation farm in Vega Baja, Puerto Rico. This plant stands to benefit from the privatization of PREPA.

  9Documents reveal that the Matosantos Commercial Corporation obtained an incentive payment of $1,152,156 in June 2013 from the Puerto Rico Energy Affairs Administration (PREAA), an agency under PRIDCO, to build a 999kW solar energy farm at the family’s Vega Baja headquarters. As a condition to receive the money, the construction on the solar energy farm had to be completed in one year (i.e. June 2014). However, the Puerto Rico Green Energy Fund extended the completion date to March 2015.

  10Documents from 2015 highlight a previously unknown agreement between MCC’s solar energy farm and PREPA, which connected the family’s solar power generators to the Island’s power grid.

Renewable Energy Asset #2: Organic Power LLC.

  11A series of documents reveal that the Matosantos Commercial Corporation is the beneficial owner of Organic Power LLC, despite an elaborate scheme by the Matosantos family and a network of friends, associates and employees to conceal or obscure this fact from the public, Congress, Judge Laura Taylor Swain and the FOMB. They also raise serious questions about how the company was financed and how it secured the land.

  Organic Power LLC was set up solely to generate renewable energy by recycling organic material, and operates today at the Matosantos family’s Cabo Caribe industrial park in Vega Baja.

  According to Puerto Rico Department of State files, Organic Power LLC was incorporated by Miguel Perez Valdez on October 26, 2012. Mr. Valdez is also the Finance Director of Matosantos Commercial Corporation and 12listed as Secretary of Gegloma Realty Corporation on documents from the purchase of the family’s Vega Baja industrial park where Organic Power now operates. Despite being set up as a company supposedly owned and controlled by Perez, he has used his 13email address as an MCC employee to do official business with the Puerto Rico Secretary of State on behalf of Organic Power.

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9 Exhibit 1 MCC Contract with Puerto Rico Government Concerning Renewable Energy Sharing
10 Exhibit 1 MCC Contract with Puerto Rico Government Concerning Renewable Energy Sharing
11 Exhibit 4 Organic Power LLC Documents
12 Exhibit 5 Miguel Perez Secretary of Gegloma
13 Exhibit 6 Miguel Perez Email Address
On December 8, 2015, Organic Power LLC obtained a $3,763,000 loan from the U.S. Small Business Administration for as-yet unknown purposes. On the same day, December 8, 2015, Organic Power LLC signed a $250,000 contract with the Commonwealth of Puerto Rico’s Land Authority for “purchase, sale and/or rental of buildings.” It appears that the Land Authority contract was a 10-year lease taken out by Organic Power on two lots of undeveloped land close to the Matosantos family’s Vega Baja industrial park.

In February 2016, PRIDCO quietly passed a resolution authorizing Gegloma Realty to sell part of the Matosantos family’s Vega Baja industrial park to Organic Power LLC. The PRIDCO Resolution notes that the main purpose of the sale is for Organic Power to build and operate a plant for recycling organic material and generating renewable energy.

But curiously, the resolution also states “this project is of great strategic importance for the Matosantos group of companies and for the entire region for its economic and environmental impact. It represents an investment of $10.7 million in capital and will create around 15 direct jobs and 45 indirect jobs.”

All other public documents connected to Organic Power have obscured the Matosantos family’s role in Organic Power, but the PRIDCO Resolution establishes a clear connection, indicating the enormous financial investment being made in this energy generation asset. It also has obscured the fact that Miguel Perez, the MCC executive listed as the owner of Organic Power, was also the Secretary of Gegloma Realty when the Matosantos family first bought the Vega Baja industrial park from PRIDCO in 2010. This creates the appearance that the entire operation as being orchestrated by MCC and the family’s web of companies for the benefit of the family’s commercial interests.

We believe that we have raised serious questions about Ana Matosantos’ ability to be unbiased, and avoid the apparent conflict of interest she has in her position on the Oversight Board. This in turn throws into question every past and future vote of the Oversight Board related to PREPA. In no way can this not be considered a conflict of interest, as defined by 18 U.S. Code 208.

Furthermore, the United States Office of Government Ethics (OGE) under 18 U.S. Code 208 states that “an employee has a disqualifying financial interest in a particular matter only if there is a close causal link between a particular Government matter in which the employee participates and any effect on the asset or other interest (direct effect) and if there is a real possibility of gain or loss as a result of development in or resolution of that matter (predictable effect).” OGE goes on to explain, “the criminal prohibition has no de minimis level. That is, it applies where any financial interest exists, no matter how small.”

Virtually all of the facts in this matter are from public sources and are fully documented.

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14 Exhibit 7 Organic Power SBA Loan
15 Exhibit 8 Organic Power Land Contract
16 Exhibit 9 PRIDCO-Gegloma Agreement
17 OGE, Acts Affecting a Personal Financial Interest
The major issues on which we are requesting an investigation are textbook examples of the types of ethics cases for which the public, the media and Congress are entitled to a full, fair and professional investigation.

Sincerely,

Peter Flaherty
President