

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



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Jaime A. El Koury  
General Counsel

May 8, 2018

The Honorable Jefferson Sessions  
Attorney General  
United States Department of Justice  
950 Pennsylvania Avenue, Northwest  
Washington, D.C. 20530

Dear Attorney General Sessions:

I write to you on behalf of the Financial Oversight and Management Board for Puerto Rico (the “Board”). The purpose of this letter is to address the April 9, 2018 letter sent to you by a group purporting to be concerned about Board Member Ana Matosantos’ financial interests (the “Letter”).

As an initial matter, please be assured that each of the Board’s members, executive team, and other staff members is deeply committed to transparency and adherence to ethical standards above and beyond what are required by the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”). The Board, for example, requires all new members and designated staff – including the Board’s Executive Director, General Counsel, and Revitalization Coordinator – to make full financial disclosures within thirty days after being appointed and every year thereafter, and to make disclosures of stock transactions quarterly. PROMESA does not contain any requirement for when or how frequently disclosures must be made (or updated); rather, it simply provides that disclosures must be made and identifies, through reference to Section 102 of the Ethics in Government Act (“EGA”), the contents of those disclosures. Neither PROMESA nor Section 102 of the EGA contains a quarterly transaction-reporting requirement.

In addition, the Board requires all financial disclosures to be automatically posted on its public website after they are reviewed by the Ethics Advisor. Again, this is not a requirement of PROMESA, but rather a step the Board took as part of its commitment to transparency.

The Board has also taken a number of other proactive steps reflecting its commitment to the highest ethical standards. These actions include: (1) adopting a rigorous Code of Conduct governing matters such as insider trading, kickbacks, and conflicts of interest; and (2) retaining an outside Ethics Advisor who is empowered to review all financial disclosures and determine whether any Board or staff member should be disqualified from involvement in any Board activities based upon a conflict of interest, among other things. Again, these measures were not mandated by PROMESA, but rather reflect the Board's commitment to ethical conduct in all of its operations.

Now that I have provided you with information about the Board's processes and ethical commitments, I would like to briefly address some of the Letter's specific concerns regarding Ms. Matosantos' financial interests.

The Letter contends that Ms. Matosantos cannot impartially participate in Board decisions because of her alleged financial interests in Matosantos Commercial, Corp. ("MCC"), Gegloma Realty, Ltd. ("Gegloma Realty") and Organic Power LLC ("Organic Power").<sup>1</sup> Specifically, it is alleged that MCC, Gegloma Realty and Organic Power stand to profit as a result of the Board's efforts to privatize Puerto Rico Electric Power Authority ("PREPA") and set renewable energy targets for Puerto Rico's future energy consumption. The Board takes very seriously any concerns about its members' transparency and ethics. Accordingly, the Board's Ethics Advisor has reviewed the allegations concerning Ms. Matosantos' financial interests contained in the Letter. As set forth more fully below, it appears the allegations are premised on speculation and misunderstandings of the facts.

For example, from the Board's review, it appears that Ms. Matosantos and MCC have no ownership interest in Organic Power. The allegation that Organic Power's CEO, Miguel Perez Valdez, is also presently an MCC executive and a Secretary of Gegloma Realty is also mistaken. He is neither, and it is the Board's understanding that he has not had a position with either company since October 2016.

The Letter's allegations concerning MCC and Gegloma Realty are also misplaced. MCC and Gegloma Realty do not presently have business or financial relationships with PREPA, other than as general electricity customers. Indeed, based on the information the Board has collected and reviewed, there is no evidence that MCC sells electricity to PREPA, has any surplus energy to sell to PREPA, or has any plans (or capacity) to do so in the foreseeable future.

As the Letter acknowledges, to violate 18 U.S.C. § 208, there must be both 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)." The Letter, however, does not describe a close causal link that could lead to a real, as opposed to speculative, possibility of a

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<sup>1</sup> Ms. Matosantos has been a member of the Board of Directors of MCC, in which she also owns a minority stake (4.72%), since 2016. She is also a minority shareholder of Gegloma Realty (6.67%).

gain or loss. Indeed, the Board is not aware of any evidence that Ms. Matosantos stands to realize or suffer any tangible, pecuniary gains or losses as a direct and/or predictable result of any vote or decision concerning PREPA because of her holdings in MCC and Gegloma Realty.

Finally, it is important to note that Ms. Matosantos has been transparent concerning her financial interests, and the charges levied against her in the Letter are premised in part on information she disclosed on her financial disclosure forms which the Board has published on its website. Her financial interests were disclosed to the U.S. Government during her initial appointment to the Board in 2016 and continue to be regularly disclosed and reviewed by the Board's Ethics Advisor as part of the Board's quarterly and annual financial disclosure processes. As a result of those disclosures, neither the U.S. Government nor the Board's Ethics Advisor have found that Ms. Matosantos' positions and financial holdings present conflicts of interest or are inconsistent with her duties as a Board member.

Based on the foregoing, we respectfully suggest that the Department of Justice decline to expend its resources investigating this matter. However, should you require any additional information, please do not hesitate to contact me.

Sincerely,



Jaime A. El Koury

General Counsel

cc: Members of the Financial Oversight and Management Board for Puerto Rico  
Andrea Bonime-Blanc, Ethics Advisor