

# **EXHIBIT I**

## Article 3: Nepotism. Solbes' son in law and Guindos' nephew assigned 21 job contracts in the Spanish Embassy.

El ESPAÑOL reviews all connections in the diplomatic legation that has become a placement agency.

**JOSE GALLEGO ESPINA "josegallego81 4/27/ 2017 02:59h**

It is a popular saying in Spain that "If you don't have a Godfather you will not get baptized". Although this saying isn't used in English it has been easily applied at the Spanish Embassy in Washington, where it became normal to hire friends and family of politicians and diplomats: an assignment to an architect –who is accused of manipulating the time limit specified using his wife's influence as a diplomat, the creation of a few job positions to accommodate a few friendly faces... All of these things are tainting the Minister of Economy Luis de Guindos with suspicions and also his colleague Pedro Solbes, a Socialist, who occupied this position from 2004-2009.

The last case laid out on the table – and in court is that of a North American Construction Company who has denounced at The Superior Court of the District of Columbia (DC) the assignment of one of the contracts that was given to Gustavo Frech. According to the report Gustavo Frech manipulated the timeframes using information obtained from his wife who was working as one of the General Secretaries and is known to be one of the Minister Luis de Guindos nieces.

Gustavo Frech and his wife Maria Pedrosa de Guindos on the Spanish Embassy in Washington

The lawsuit was presented way before El Español unveiled the connection between Frech and the Embassy. It includes the Embassy although it doesn't go directly against it: it focuses on the architect Gustavo Frech and the company he works for and where he appeared as a director until recently, JAP HOME SOLUTIONS. Since he became part of the company they received numerous work contracts from the Embassy, for over \$150,000, besides another \$12,000 Frech received personally.

The lawsuit also mentions the owner Jesus Anton, who also has a family link with another Minister of Economy and ex Vice-president of the government, in this case from the Socialist party. He is the son in law of Pedro Solbes, whose daughter has been working at the US capital for various years at the World Bank. We must point out that not many people in the Spanish community knew about this family connection.

*Photo: Luis de Guindo greets Pedro Solbes*

This judicial process once again puts the Embassy under the looking glass for the way in which they have been assigning contracts for public services.

This contract that appears in the lawsuit against Gustavo Frech refers to work done on the roof of the Chancellery, makes up a total amount of over \$212,000 divided in two separate contracts: The first one consisted of the architectural design, the supervision of the job. This one was assigned to Frech for more than \$12,000; while the actual construction was assigned to Guardado's General Contractor. This company told EL ESPAÑOL that it was Jesus Anton, Frech's partner who had recommended them to the Embassy. Anton denies this.

Anton and Frech would receive these invitations to bid through Belen Moreno, the Director of Economic Administration. She is a colleague of Maria de Pedrosa de Guindos, the architect's wife, and also a friend of this couple. This is what Gustavo Frech told EL ESPAÑOL when he agreed to talk

to us to deny allegations in the lawsuit previously mentioned which was placed by Lofft Construction, the company where he worked before going to JAP.

*Photo: In the image, circled in blue from left to right, Maria Pedrosa de Guindos, Belen Moreno, Economic Administrative Counselor for the Embassy, and Leticia de Guindos. Leticia and Maria Pedrosa are nieces of the current Minister of Economy.*

The lawsuit does not only focus on the Embassy's contracts but also on the alleged unfair competition by Frech against his former employer. They claim that he manipulated the timeframes until his work relationship with Lofft was finished (Feb. 2015) trying to cut them off from any money they could have made from this business. Anton and his company both appear in the lawsuit.

If both parts do not reach an agreement they will end up in a civil trial. A Spanish diplomat could very well be called on to testify although Spain could use the power of diplomatic immunity to prevent this according to judicial sources we contacted.

The lawsuit reveals more doubts about the contracts the Embassy gave to JAP HOME SOLUTIONS: For about a month we have been trying to get a complete list from the Ministry of Foreign Affairs of all the job contracts. They haven't answered and have referred us to a Transparency Portal who hasn't answered yet either.

The Embassy on their part haven't wanted to comment on this lawsuit and the alleged manipulation.

Nevertheless, Jesus Anton, seeing that his name and the company's has come up once again under the suspicions of public contracts and because the administration has not come forward, has provided for EL ESPAÑOL a complete list of jobs that JAP did for the Embassy. He omitted the contract on which the lawsuit is based. He claims that this one was given to Gustavo Frech, and that his company had nothing to do with it.

"Neither I nor JAP HOME SOLUTIONS, or any of our employees have ever used our family ties in an irregular or unethical fashion, to benefit our business. In my particular case I must say that I am proud of my family ties, and of always separating my private life from my personal life. I challenge anyone who wants to know the truth or doubts that my wife and I haven't earned our positions through our own merits to come out and say it. Anyone who insinuates this should come out and prove it". Jesus Anton confirmed to EL ESPAÑOL "We have never asked for any special favors from any clients, in detriment of our competitors".

According to the documents we must point out that they are JAP's documents, not documents from the Foreign Ministry, who has denied making them available. From December 2014 until February 2017 the Embassy requested JAP HOME SOLUTIONS to provide proposals for 35 construction projects and services valued at over \$1.7 million. The company actually completed 21 assignments due to the fact that some projects were never done at all, and other companies did others.

This figure "represents 2.51% of the company's total income for that period". Anton stated "It wouldn't make sense for me to risk my reputation or my way of making a living for me, my family, and employees for an amount like this. And so that there are no doubts about it I will provide all documentation to prove these affirmations to anyone who wants to see it".

Nevertheless, just because the amount was only \$150,000 in the end doesn't mean that the Embassy and the company didn't try to make it bigger. The big difference between what was proposed and finally assigned were \$1.7 million, most of it, more than \$1.2 million, belong to a single contract, the juiciest one of all, for the maintenance of three Embassy buildings in Washington for two years, valued at \$620,000 per year.

JAP HOME SOLUTIONS was invited to bid initially in August of 2015 in order to get this job, and they presented an offer. But, in the middle of the process something happened and they withdrew. Anton says that the Embassy informed them that the Ministry of Foreign Affairs had declared that they would nullify the process. When it came out again later, they decided to not participate. The truth is that the service was assigned to a North American company called Advanced Building Services for 1.3 million euros.

There were various discrepancies on the conditions of the contract that finally led JAP to lose interest in the contract, as we EL ESPAÑOL have been able to find out, although the Embassy's intention was to have them participate in the competition. In fact, they had already been hiring them for the maintenance of these three buildings through two-month contracts. To be precise, they hired them for two periods of time, between February through March of 2015 and November through December of that same year for \$20,200 and \$19,500, respectively.

### LESSER FRACTIONED CONTRACTS

Another interesting aspect is that of all 35 jobs that the Embassy asked JAP to give them an offer on, they only actually assigned those to them that were under \$50,000 and did not break the barrier of lesser or minor contracts. These assignments did not require an actual formal contract; they were not uploaded on Transparency Portals and were not subjected to the strict controls, which the bigger contracts required. In this manner they were granted for example, the "refurbishments of the rooms of the back entrance" of the Ambassador's old residence for \$17,943 or other jobs such as "work on the back exterior terraces" of the residence for \$44,640.

The list also includes very minor expenses such as "change of heater and urgent leak repairs", for \$546, and the "purchase of degreaser for maintenance" for \$457, the acquisition of a "heater for replacement due to damages" for \$264, the "repairs and mounting of shelves" for \$2000, "work on an archive" for \$2302, or the "changing of locks", for \$1170. On the other hand, they were not hired for jobs that were considered major contracts due to their costs such as "pool repairs" and "solutions for temperature problems in the patio/greenhouse" of the Ambassador's residence, for \$120,000 and \$61,250. These jobs were not assigned to them but some of them were never done at all.

*Photo: Donald Trump and Pedro Moreno picking up their Ambassador credentials in the Oval Office.*

There was a particular structural problem in the exterior terraces from the original construction in the house where Pedro Morenes, the new Ambassador, who is also the ex-Minister of Defense, will be living for the next few years. In order to repair it, according to this document, the costs were fractioned into two different budgets with two different headings "work on exterior terraces" and "work on exterior terraces and sidewalks". One was for \$44,640 and assigned to JAP and another for \$52,000. We have not been able to confirm if this last one was carried out after all. The embassy assigned both of these projects to this company in August of 2015. Neither of them was over the 50,000-euro limit for that month's currency exchange rate, so they were handled as minor contracts.

### THE AMBASSADOR'S PARTIES

When EL ESPAÑOL published the existence of five of these contracts one month ago, the Embassy denied that there had been any irregularities in the concession of these jobs. The former Ambassador, Ramon Gil Casares, who has now been replaced by Morenes tried to distance himself

from the matter manifesting that he did not know about the family relation between his General Secretary of Education, Maria Pedrosa de Guindos, Gustavo Frech and JAP HOME SOLUTIONS:

*Photo: The ex- Ambassador Gil Casares.*

This came to us as a surprise because Frech himself had told us how he and his wife had attended Christmas dinners and other events organized by the Ambassador at his residence. He assured that after the formal greetings he did not interact with him, and did not know him.

#### THE CONNECTION BETWEEN GUINDOS-SOLBES

Now we must ask ourselves if there is reason to believe that because Gustavo Frech was married to a General Secretary of the Embassy this had some influence in JAP HOME SOLUTIONS getting hired for jobs at the Embassy or if he had access to privileged information about the bids or if there was any favoritism. The architect strongly denies any of this and points out that his wife works at the Office of Education and that these jobs are assigned by Foreign Affairs.

In any case he does admit that he and his wife had a friendly relationship and would socialize with Belen Moreno, the Economic Administrative Director who was responsible for assigning these jobs. He mentioned in his own words that they would talk about the projects that were going to take place in the Embassy “at her house over coffee” on at least one occasion.

He maintains that Moreno had nothing to do with the assignment of the jobs, but that it was Foreign Affairs that handled the bids. “I make an offer in a sealed envelope and it is sent to Madrid”. Then they open it there and decide what the best offer is based on whatever it is”.

Not all of this is true. The Embassy does open the envelopes, they read them and make a list of the budgets that are bidding and on some occasions they make recommendations for hiring some of them generally because of price, as can be seen on this contract that EL ESPAÑOL was able to access. Here we can see how the Economic General Administrator proposes that Foreign Affairs hire JAP.

#### THERE ARE MORE “HUSBANDS OF”

Frech insists that no conflict of interest exists or incompatibility. He highlights how he is not the only “husband of” who was asked to participate in the bids by the Embassy, affirming that there was another husband of a Consular employee who participated in the bidding for the Chancellery project.

He cannot remember though if she held the position of General Secretary as his wife did.

At this time it would be good to point out that Gustavo Frech appeared as Director of JAP HOME SOLUTIONS until only just a few days ago. Jesus Anton, the company’s owner, has been saying since the news broke out on March 21<sup>st</sup> that the architect is only an employee and that the fact that he appears as Director in the company’s records is just an administrative error, on the part of his accountant: He provides other various documents supporting this.

Nevertheless, last 23<sup>rd</sup> of March, two days after the first news publication of the annual report that JAP submits to the State of Virginia, Gustavo Frech once again appears as Director. This after the fact that they both said they had asked for this mistake to be corrected six months before. Anton claims that it is a new mistake. Maria Pedrosa’s husband does not disappear from the papers until the 27<sup>th</sup> of March, six days after the news of the contracts transcends as we can see in the following registries.

The architect's participation in the company is relevant, not only because of the family tie, but because of the lawsuit placed against him by Lofft. Lofft claims that Frech had been working with them since November of 2013 until the 5<sup>th</sup> of February of 2015 when he went to work for JAP HOME SOLUTIONS. Amongst the charges placed against him there is one for misappropriation and conspiracy to acquire possible business. This is where the Embassy appears.

According to Lofft between November of 2014 and January of 2015 while Frech was working for them he prepared an offer for the Embassy for the work in the Chancellery without telling them. He later used his wife's contacts in the Embassy to delay the hiring time frames until his work relationship with Lofft had ended on the 5<sup>th</sup> of February 2015. Frech denies everything.

#### CONSTRUCTION WORK IN THE SPANISH EMBASSY IN WASHINGTON

Although this accusation will have to be sorted out in a court of law it is true that six days after Frech abandoned Lofft, the Embassy sent him and another three companies invitations to participate in the offers for this job, which was finally given to him. Nevertheless, Madrid authorized Belen Moreno to start the bids as soon as possible on the 4<sup>th</sup> of November according to some documents that EL ESPAÑOL has had access to, so in fact the bidding process did actually take three months.

The other main character in this story is Maria Pedrosa de Guindos who is still the General Secretary of Education in the Embassy. The Ministry of Education announced her dismissal a month ago due to restructuring, and held that it had nothing to do with the contracts. This publication has asked Iñigo Mendez de Vigo's department when this handover will take place and why she has remained in that position for over five years in the US changing positions and repeating as General Secretary when this is not permitted under the rules. There has been no reply.

#### THE EMBASSY "PLACEMENT AGENCY"

Gustavo Frech, Luis de Guindos' niece's husband, and Jesus Anton, the son in law of Pedro Solbes, are not the only members of the Spanish community in the US with political connections who received "special care" on behalf of the Embassy in recent times. Last September, Carmen Argumosa, the wife of Fernando Jimenez Latorre, was hired to work in the kitchen at the Ambassador's residence for \$35.00/hr. Fernando Jimenez Latorre was Luis de Guindos' right hand man while he was State Secretary of Economy until August of 2014 when he was sent to the International Monetary Fund (IMF), also in Washington as executive director.

*Photo: Carmen Argumosa, wife of Fernando Jimenez de la Torre and cook at the Embassy.*

Last September he was named Executive Director at the World Bank earning a salary of over \$250,000 per year. This was after the scandal broke out about the Government trying to place the ex-Minister of Tourism Jose Maria Soria in this desirable position. He had resigned from his work with the Executive Authorities due to his ties with the Panama papers. So we asked the Embassy about their criteria for hiring Argumosa and for more details. No comments have been made.

In fact recently the (UGT) Labor Union complained about the chef's dismissal from the Ambassador's residence. They didn't see a reason for this dismissal that is based on an internal accusation. Another worker testified that he was not respecting his medical leave. The Labor Union announced that they would take it to court. Beatriz de Guindos, one of Guindos' three nieces, was also working at the World Bank until last November as an Executive proposed by the government, earning \$211,000 a year. She is one of the three nieces of the Minister who coincided in Washington. The other two are Maria Pedrosa de Guindos and Leticia de Guindos. Both still remain in the capital working for the Agriculture and Education Departments of the Embassy.

One of Pedro Solbes' daughters, the wife of Jesus Anton, has also been in this international organism in the last few years, even though there doesn't seem to be a link with the Embassy in this particular

case. In fact, Anton defends not having “exploited” his family relationship with the ex-Socialist Minister in order to get special treatment. The truth is that most people in the Embassy did not know that she was his wife. We can’t say the same for Frech and his wife who was known as one of the “guindas”, (how the three nieces were called) in Washington.

It so happens that De Guindos, Soria, and Jimenez Latorre all graduated in the same year from The Superior Body of Technical and Commercial Economists of the State. Pedro Solbes also is from here.

*Photo: Fernando Jimenez Latorre and Luis de Guindos*

The connections between the Embassy and the International Institutions who have headquarters in Washington have also spread to diplomats. Rafael Dominguez Pabon, for example an advisor in a group belonging to Spain in The World Bank, is married to Elisa Garcia Grandes, who is the current Commercial Advisor in the Embassy in Washington; they both got their jobs in 2014.

There are also ties inside the Embassy. Sources indicate that there was a lot of talk when Ana Elorza was named Scientific Coordinator as a representative of the Spanish Foundation for Science and Technology. She is the wife of Alvaro Ortega, an advisor for the Ambassador. This job position did not exist prior to her and her husband’s arrival in Washington. On the other hand, we must point out that Elorza holds a wide curriculum linked to Science and has been in charge of handling relations with the extensive Spanish community of scientists who have gone to the US, even though this caused controversy.

*Photo: Alvaro Ortega second on the left and his wife Ana Elorza, the fourth.*

Last March she had to face harsh criticism from an article that labeled scientists who had to immigrate out of Spain for lack of opportunities as “Spanish Scientific Diplomacy”.

But efforts to help Spaniards who were close to him were not only on US soil. Ramon Gil Casares, ex-Ambassador, also tried to lend a helping hand from his position to various people in Spain.

## RECOMMENDATIONS FOR HIRING

To be precise he sent out various recommendations to help hire some people he knew. There were some relatives of an ex-deputy of the PP (his political party) and a military friend of his amongst them. He sent out various letters to the School of Diplomacy and other places, and even addressing the President of the Selection Tribunal according to some diplomatic sources.

“(XXXX) has gotten in contact with me because she is looking for work and she asked about the possibility of having an opportunity at the School of Diplomacy. I have attached her CV. I know (XXX) and I know she would be very pleased and would be very dedicated wherever they would send her. I understand that it is a difficult situation and that the positions in the Administration are for civil servants but I am writing to you just in case an opportunity comes up. He writes “A big hug”.

In another letter, in a subtle manner, he tries to convince the person who is responsible for the selection of the public office position about the great merits that one of the candidate’s possesses.

He doesn’t directly ask for them to pass her or that she gets placed before others but he does highlight her qualities.

I haven’t written to you before because (XXX) being as discreet as she is hasn’t asked me to. I must say though that (XXX) has great vocation and knowing her father I am sure that she will be an

exceptional civil servant, and that is why I have dared to write to you. I am sure that the jury which you preside will act in absolute fairness but I wanted to point out that I think (XXX) would make an excellent diplomat (.....). I wish you all the best in this difficult task that you have been assigned to preside.