

# **EXHIBIT C**

## Article 1: Nepotism at the Spanish Embassy in Washington: Five contracts granted to the husband of Guindos' niece.

The architect Gustavo Frech, who is married to one of the General Secretaries of the Embassy, has obtained contracts through a company where he appears as the director or has had them directly assigned to him for a value of almost \$100,000. "I see myself adversely affected for being married to her" he told *El Español*. The Ambassador claims he did not know they were relatives.

*Photo: Gustavo Frech and his wife María Pedrosa de Guindos on the Spanish Embassy in Washington.*

**José Gallego Espina @josegallego81, Washington D.C. 03/21/17, 1:47 am**

The Spanish Embassy in the U.S. has assigned contracts valued at over \$92,000 to Gustavo Frech and to JAP HOME SOLUTIONS, a company in whose papers he appears as a co-director. None of this would call our attention, if not for the fact that he is María Pedrosa de Guindos' husband. María Pedrosa de Guindos is the niece of Luis de Guindos, the current Minister of Economy.

When De Guindos tried placing his ex-cabinet partner as the Executive Director of the World Bank in Washington D.C, it became known that he already had three nieces working in the capital. They were known as "the Guindas" ("the Cherries") amongst their coworkers. One had a top position in this entity, Beatriz de Guindos, and the other two, Leticia de Guindos and María Pedrosa de Guindos worked in the Spanish Embassy. This last niece, María Pedrosa de Guindos, is married to Gustavo Frech, who has been taking advantage directly or indirectly of various contracts valued at \$92,000 since 2015. These funds have been coming from the embassy where his wife holds the position of General Secretary of the Office of Education.

To be precise, the Ministry of Foreign Affairs has been approving a series of expenses issued by the Embassy. These expenses were directly paid to Frech, or to JAP HOME SOLUTIONS, a company where he figures as a co-director along with the company's owner, Jesús Antón. This was confirmed by the State of Virginia's Corporate Registry, to which this publication had access.

EL ESPAÑOL has found the existence of at least five contracts in total. One directly assigned to the Minister's niece's husband, and the other four to JAP, all of them under \$50,000. This is why most times it was not necessary to draw up an actual contract and why there is no public document available in Transparency Websites.

*Photo: (In the image you can see circled in blue, from left to right, María Pedrosa de Guindos, Belén Moreno, Economic Administrative Counselor for the Embassy, and Leticia de Guindos. Leticia and María Pedrosa are nieces of the current Minister of Economy.)*

The different job assignments range from architectural projects to repairs and maintenance of entrances and diverse structures of the Embassy Headquarters, Chancellery, the Ambassador's residence, and the former residence, which is now a Cultural Center.

The first service granted to Gustavo Frech found by our sources dates back to February of 2015. The Embassy wanted to renew the roof of the Chancellery building. The project was divided in two parts: the architectural project and the carrying out of the job. For this reason they hired two different companies. For the first contract (the lower one, with a \$20,000 limit) the Embassy reviewed quotes from four different companies. Some of which never came through, stating that the amount was too low for the work needed. One of them proposed \$18,500, and Gustavo Frech offered the lowest bid at \$12,850 for the entire job. The Embassy then proposed that the Ministry hire Frech without contemplating any conflicts of interest, given that he was married to a diplomatic member in the US, who was also the Minister's niece. The architect drew up the project blueprints and the budgets for the renovations that would be paid by the State. The total for the new roof came out to a maximum of \$285,000.

#### Recommended Companies.

In September of 2015, while carrying out the administrative process, the Embassy invited different construction companies to present their offers based on the drafts drawn up by Gustavo Frech for the renovation of the roof. It calls our attention that although the Embassy called on other construction companies, it went through a third party: Jesús Antón Perez. The contractor who finally got the job was Guardados General Contractor, and as he tells EL ESPAÑOL "I didn't know Gustavo Frech, I only knew Jesús Antón. He recommended me to the Embassy and gave them my information and they contacted me. It was the first and last project we did together". He also explained that his company did not pay anything to neither Frech nor Antón for supervising the work.

Guardados General Contractor presented the lowest offer and was granted the contract for \$209,985. Gustavo Frech worked as Security Health Coordinator as well as Author of the Safety Study and as supervisor as we can see in the certificates of approval of the Security Health Plan and in the certificates for assessment and initiation of the project. We can see in the signatures where his name appears next to the Ambassador, Ramón Gil Casares, and the contractor, Guardados.

Here we need to point something out. When the job is assigned by the administration to begin construction for the new roofing of the Chancellery in the beginning of 2015 Frech's wife, Luis de Guindos' niece, held the position of Attaché of Education at the Los Angeles Consulate on the other side of the country. Therefore, her absence from Washington rules out any conflict of interests. But the fact was that María Pedrosa de Guindos was not in California, but rather in Washington and she was working remotely from afar.

#### "THE ACCOUNTANT'S ERROR"

After the summer of 2015, María Pedrosa de Guindos left the job in L.A and came back to the Embassy -which she never really left- and there were no more contracts issued under her husband's name. There were contracts issued under JAP HOME SOLUTIONS though, where he appears as director on the company papers. Both Jesús Antón and Frech refer to this as an error on the accountant's part. They said they were trying to clear up this mistake but that it would take up to six months to get updated. Nevertheless, the record where his name appears is dated August 2016 and still remains the same today, more than seven months later.

The rest of the job assignments came consecutively. In August of 2015, José Manuel García Margalló acting as Minister of Foreign Affairs authorized expenses for \$44,640 for "construction work on platforms, terraces, and stairs at the Ambassador's residence. The work was assigned to JAP HOME SOLUTIONS. The reason for this being that as they stated, the building presented several structural defects which did not permit outdoor use.

We must remember that the Ministry sued Moneo for the construction of this luxurious mansion, that is falling apart and the case was lost in court. The Embassy decided that the costs for repairs would not be more than \$50,000, this being a minor contract for which they would request an additional loan from Madrid.

In December of 2016, after last year's "political stand still" with the provisional government and with Alfonso Dastis at the head of the Ministry, diplomatic activity was taken up again. At this time, the Embassy requested to the Ministry the installation of a new ramp for handicapped access at the former residence of the Ambassador, which is now a Cultural Center in Washington.

The company that got hired was once again JAP, given that they had the lowest offer, at \$8,441. So we are talking about yet another minor contract. The Embassy also got quotes from two other companies who presented offers for \$17,800 and \$22,300 respectively.

#### THE LAST ONE TO PRESENT OFFERS

In this case our sources had access to information that JAPs offer was the last to arrive at the Embassy on the 15<sup>th</sup> of December. This, after both competitors had already presented their offers, one of them several months before, on the 22<sup>nd</sup> of March. Also, last December, JAP HOME SOLUTIONS was hired to fix the old entrance of the residence for \$17,943, another minor expense.

*Photo: Luis de Guindos, Minister of Economy at a conference in Washington D.C. [Gettyimages]*

This same month, another petition from Washington is approved by the minister for "maintenance work" on the entrance of the Chancellery, once again; the job is assigned to the company where the Minister's niece's husband appears as director.

The responsible party for proposing these contracts is Belén Moreno, the Economic Administrative Counselor for the Embassy. She is the one in charge of handling these tasks and she is a colleague of Guindos' niece.

#### CODE OF ETHICS

Whether or not there is any irregularity or whether the correct steps were taken as marked by the legal contracting processes, we must mention that neither Belén Moreno nor María Pedrosa de Guindos were in high-ranking positions. They were civil servants. Therefore, the laws applying to conflicts of interest for people in high ranking positions would not apply here. But nevertheless, the Basic Statute for Public Employees in article 53 does mark some principles of ethics that could clash with the hiring of Gustavo Frech and his company.

Amongst other things, the law states that civil servants will abstain from matters in which they could have personal interests, such as any private activities that could present the risks of having conflicts of interest with their public position. "They will not engage in financial operations, patrimonial obligations or legal business with people or entities when conflicts of interest could arise due to their obligations as public employees."

Accepting any special favors or privileges from people or private entities is also not permitted. Just as well it is prohibited to influence or accelerate any process for the benefit of those in public office or their families for unjust causes or when it is in detriment of the interest of any third parties.

#### THE EMBASSADOR WASHES HIS HANDS

This publication has contacted the Embassy to hear their version of the facts and to know if the Ambassador had knowledge of the relationship between JAP and the General Secretary of Education, as well as to know if he considers that any conflicts of interests exist with the mentioned contracts. An official spokesman confirmed that Gil Casares did not know about the family connection that existed between Pedrosa de Guindos and Jesús Antón's company. The Ambassador, as we can remember, did sign a contract with Gustavo Frech as supervisor of the job for the new roofing of the Chancellery.

From a diplomatic standpoint they claim "the applicable legislation in matters of hiring and administrative proceedings has been respected conscientiously". "We reject anything that insinuates the contrary. All of the proceedings were handled under the applicable norms and are therefore susceptible to being questioned and ultimately claimed in the court of law". The spokesman added that "three proposals were requested even for minor contracts (where it is not required) in order to guarantee efficiency and transparency in the hiring processes". The Embassy claims, "on some occasions we hired JAP because it was the best offer, and on others we hired other companies but always respecting the legal process". Nevertheless they did not confirm how many times they hired this firm.

"The Embassy has a budget for repairs, maintenance and conservation, as well as for construction work. In 2015 this budget was carried out by JAP by 11'71%. In 2016 the percentage was 3'05%. These figures show the diversification of service providers used by the Embassy". This is what the official source says, and furthermore does not give details of what these percentages mean in amounts of money. For example, it is not clear if this budget includes the contract that Foreign Affairs assigned to a North American company in 2015 for 1,3 million euros (American Building Services) for maintenance work in the Embassy, an expense that was already covered. Therefore, it is impossible to measure the weight of JAP amongst all other contracts.

#### ANTÓN AND GUARDADOS CONTRADICT EACH OTHER.

EL ESPAÑOL has also contacted Jesús Antón and Gustavo Frech. The first assures the company is his alone and prefers not to provide any documents to confirm this or that the alleged administrative error for which Frech appears as director is being corrected. He also says that this is a mistake that is being corrected. "I hired him because he was Spanish, the company was growing and he fit the profile" he added. Antón also assures that he didn't know that Gustavo Frech had previously worked at the Embassy on the roofing job. "I had no idea" he responds. The owner of Guardados on the contrary claims that it was Antón that recommended them to the embassy for this job.

Frech on his part assures that he has been an employee of JAP since February/March of 2015. "I am not an owner, nor do I have any part of this company. I am not a governor, officer, director, or do I hold any other position. I am Project Manager and Office Manager. Those are my duties at JAP". Nevertheless, he appears as the director in the company records, as you can see in the attached document.

*Photo: Annual report for 2016 JAP HOME SOLUTIONS deposited in the state of Virginia, where Gustavo Frech appears as the company director along with Jesús Antón.*

As far as whether or not he has benefited from his personal relation, he denies this and assures that it is the complete opposite. "I am being negatively affected because I am married to someone in public office".

#### THE NIECE'S RELOCATIONS

María Pedrosa, a professional civil servant, arrived in the U.S in 2010 as a General Secretary of Education for the Embassy, having been named in August of that year by the Socialist Minister of Education Ángel Gabilondo. This kind of naming is carried out by free designation prior to a public exam for professional civil servants. She held the position for five years, until August of 2014. The maximum time permitted by the Ministry of Education. In order to remain in the country she got a relocation to the West Coast through Jose Ignacio Wert, who was already in the Ministry as an Attaché of Education in L.A. on the other side of the continent with a three hour time difference with Washington. Curiously, she still remained living in Washington carrying out her duties from afar; despite the hassle this could be for the staff in L.A. In the summer of 2015 she left her job in L.A. The Ministry of Education put out a position for General Secretary in Washington, a position she had already held, in September of that year, with Iñigo Mendez De Vigo as Minister. The job opening is then cancelled and she is later granted this same position that she had previously held.

This dance of job positions clashes with the decree that regulates the administration of the Ministry of Economy, which establishes that in order to name General Secretaries abroad, one of the conditions is that they haven't held the position for at least three years prior to the time of hiring. Just as well, it states that the time of working abroad for General Secretaries, amongst other job positions, will be for a maximum of five years. Guindos' niece did not meet either of these requirements, which was not a problem at the time of hiring. This publication has been asking the Ministry of Education for an explanation as to how María Pedrosa de Guindos went back to the position of General Secretary. To this day there has been no reply.