

November 1, 2012

Don W. Fox
General Counsel and Principal Deputy Director
United States Office of Government Ethics
1201 New York Avenue, NW
Washington, DC 20005

Dear Deputy Director Fox:

We are writing to provide you with further evidence of the pressing need to conduct the investigation we requested in our previous letter of August 23, 2012 into presidential candidate Mitt Romney's financial disclosures, which do not appear to be in compliance with the Ethics in Government Act, 5 U.S.C. App. § 101 *et seq.* As we stressed in our initial letter, those disclosures lack information about the candidate's stock holdings which the public has a right to know. As you are aware, the Act requires candidates for federal office to disclose their financial holdings so that the public can identify potential conflicts of interest and personal economic priorities of federal officials and candidates. While some officials use blind trusts to satisfy these disclosure requirements, Mitt Romney himself has said "The blind trust is an age-old ruse, if you will. Which is to say you can always tell a blind trust what it can and cannot do." In any event, press reports indicate that Romney has not even attempted to meet the requirements for a federal blind trust with respect to his substantial equity holdings. The only way for this law to be enforced in a meaningful way is for your Office to act promptly to demand that candidate Romney disclose his stock holdings, or divest them if disclosure is not feasible.

Subsequent to our initial letter, news reports have provided further concrete information that candidate Romney's undisclosed stock holdings do indeed create very serious conflicts of interest. For example, on October 17, 2012, *The Nation* Magazine reported that the Romney family personally profited at least \$15.3 million from the auto bailout of 2009.¹ Romney's June 1, 2012 Public Financial Disclosure Report to your office did not reveal this windfall because he did not disclose the underlying holdings of his private equity and limited partnership funds. Romney disclosed instead only that, for example, he owned over a million dollars of a limited partnership called "Elliot Associates, L.P." However, in violation of the Ethics in Government Act, Romney did not disclose the equities that were held in Elliot Associates.

News reports now reveal that Delphi is one of the underlying holdings of this limited partnership. Romney's previously undisclosed ownership of Delphi stock evidently created a substantial conflict of interest. Hedge fund Elliott Associates, which acquired sizeable blocks of Delphi's bonds at distressed prices, used debtor-in-possession financing to become Delphi's largest stockholder. The company then leveraged its position as a critical supplier of General Motors to gain a substantial bailout from the US Treasury. Delphi reportedly threatened to shut down GM by withholding parts if its demands were not met. Mitt Romney, as a part owner of Delphi through his Elliott Associates' limited partnership, gained directly from these actions,

¹ Greg Palast, *Mitt Romney's Bailout Bonanza*, THE NATION, October 17, 2012, <http://www.thenation.com/article/170644/mitt-romneys-bailout-bonanza#>

profiting anywhere from \$15.3 million to over \$115 million. Moreover, Delphi is not a small part of a diversified portfolio. Rather, Delphi represented an enormous portion of Elliott Management investments as reported in the business press.

It is further reported that Elliott Associates is also heavily invested in distressed sovereign debt, creating severe conflicts of interest and foreign policy implications for candidate Romney. Elliott is a “holdout creditor,” currently challenging the Republic of Argentina over its interest in defaulted government bonds. Reportedly, Argentina restructured 92% of its debt following its credit crisis of 2001, with creditors receiving approximately 30% of the debt’s original value. Elliott Associates has declined to accept this settlement, and instead is aggressively seeking repayment in full by pursuing Argentinian assets throughout the world. In an amicus brief to the Second Circuit, the United States Government stated Elliott Associates actions, if allowed to proceed, would have had a “significant, detrimental impact to our foreign relations, as well as on the reciprocal treatment of the United States and its extensive property holdings.”² Recently, Elliott Associates seized an Argentine naval ship in West Africa as collateral for the debt.³ The fallout from the incident has now reached the United Nations.⁴ Mitt Romney thus stands to reap a substantial financial benefit if a company in which he has a large (but undisclosed) ownership interest continues to act in ways that the United States government has found is detrimental to the national interest. This is exactly the kind of conflict of interest that, at the least, requires the full disclosure required by the Ethics in Government Act.

These are hardly the only conflicts of interest buried in candidate Romney’s undisclosed financial holdings. Sensata Technologies, which Mitt Romney owns significant stock in through his investment in Bain Capital Fund VII, is currently laying off 270 employees in Freeport, Illinois and outsourcing those jobs to China. Mitt Romney, while at Bain Capital, also co-owned and managed Global-Tech, which helped Sunbeam Products outsource its appliance manufacturing plant in Coshatta, Louisiana, resulting in approximately 520 workers losing their job. Lack of disclosure leaves voters unable to identify and evaluate these conflicts of interest.

The evident purpose of the Ethics in Government Act is to make such conflicts of interest public. With the presidential election less than a week away, the Office of Government Ethics must act now to ensure Mitt Romney is in full compliance with the law’s disclosure requirements so that the public has the necessary information to evaluate candidate Romney’s position on matters in which he stands to benefit personally should his legislative agenda become law. Congress placed these obligations on Presidential candidates because it determined that such disclosure was vital to citizens’ evaluation of Presidential candidates. The Office of Governmental Ethics needs to act promptly to implement that legislative judgment.

Thank you for your prompt attention to this matter.

² United States Amicus Brief, at 6, *NML Capital Ltd, et al v. The Republic of Argentina*, 12-105cv (2d Cir. 2012)

³ *Hedge Fund Seizes Ship Owned By Argentina*, Business Insider, October 4, 2012, <http://www.businessinsider.com/hedge-fund-elliott-capital-management-seizes-ara-libertad-ship-owned-by-argentina-2012-10>

⁴ *Argentina in diplomatic offensive at UN over seized ship*, Reuters, October 23, 2012, <http://af.reuters.com/article/topNews/idAFJ0E89M00720121023>.

Respectfully submitted,

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