

The Honorable Eric T. Schneiderman
Attorney General of the State of New York
The Capitol
Albany, NY 12224

Re: Additional information relevant to your investigation whether to
dissolve and revoke corporate charter of the Trump Organization

March 17, 2017

Dear Attorney General Schneiderman,

On February 15, 2017, we wrote to request that you investigate whether to bring proceedings to dissolve and revoke the charter of The Trump Organization, Inc. under Section 1101 of the Business Corporation Law.¹ We write now to provide important new information, recently made public, regarding additional alleged conduct by the Trump Organization meriting dissolution. A recent report alleges that the Trump Organization's dealings in Baku, Azerbaijan, may have violated the Foreign Corrupt Practices Act and United States government sanctions on Iran.²

In light of this new report, in addition to all of the grounds discussed in our February letter, and in light of the recent firing of the U.S. Attorney for the Southern District of New York, we urge you to use your authorities under Section 63(12) of the Executive Law and Sections 109 and 1101 of the Business Corporation Law to open an investigation into this activity, and in particular, whether the Trump Organization has "exceeded the authority conferred upon it by law, or has violated any provision of law whereby it has forfeited its charter, or carried on, conducted or transacted its business in a persistently fraudulent or illegal manner or by the abuse of its powers contrary to the public policy of the state has become liable to be dissolved" under Section 1101(a)(2) of the Business Corporation Law.

U.S. Senator Sherrod Brown has called for a federal investigation into the Trump Organization's Baku Project.³ But apart from any federal proceedings,

¹ Free Speech for People, Letter to Attorney General Eric Schneiderman, Feb. 15, 2017, available at <https://freespeechforpeople.org/revoke-trump-charter/>.

² Adam Davidson, *Donald Trump's Worst Deal*, The New Yorker, Mar. 13, 2017, <http://nyer.cm/8l8fdNA>.

³ *Id.*; Letter from Sen. Sherrod Brown to Secretary Steven T. Mnuchin, Mar. 2, 2017, <https://go.usa.gov/xXYV7>.

New York has a special responsibility to examine these allegations with respect to the Trump Organization's corporate charter. As noted in our February letter, corruption is against the public policy of New York State. And for purposes of corporate charter revocation proceedings, "[f]ederal law is as much a law of the State as any specific law enacted by the State Legislature." *In re People (Int'l Workers Order, Inc.)*, 199 Misc. 941, 976, 106 N.Y.S.2d 953 (N.Y. Sup. Ct. 1951) (in proceeding to dissolve union insurance fund for "wilfully violat[ing] its charter," rejecting argument that violation of federal law was not proper basis for charter revocation), *aff'd*, 113 N.Y.S.2d 755 (N.Y. App. Div. 1952), *aff'd*, 305 N.Y. 258 (1953) (per curiam).

Trump Tower Baku

According to the recently-published report, in May 2012, the Trump Organization joined a development project in the capital of Azerbaijan. That project, which came to be called the Trump Tower Baku, appears to have been created and owned by entities closely held by members of the Mammadov family,⁴ who have elsewhere been called the "Corleones of the Caspian."⁵ The Mammadovs have close business ties with the Darvishi brothers of Iran, whose companies (including a construction company called Azarpassillo) may be affiliated and actively engaged with the activities of Iran's Revolutionary Guard.⁶ The alleged flow of money between the Trump Organization, the Mammadovs, and the Darvishi business may implicate the Trump Organization in violations of the Foreign Corrupt Practices Act and U.S. sanctions on Iran.⁷

Trump Tower Baku was conceived as a luxury hotel in Azerbaijan's capital.⁸ Originally budgeted at \$195 million, the development underwent several revisions that significantly raised the cost.⁹

The Trump Organization entered into a brand licensing agreement, giving the hotel its name, and a profit sharing deal of an undisclosed value in May 2012.¹⁰ According to Donald Trump's FEC filings, in April 2012 and December 2014, the Trump Organization established several New York-based

⁴ Davidson, *supra*, *Donald Trump's Worst Deal*.

⁵ Michael Weiss, *The Corleones of the Caspian: How Azerbaijan's Dictator Woos the United States and Europe*, Foreign Policy, June 10, 2014, <http://atfp.co/2nbHwfU>.

⁶ Davidson, *supra*, *Donald Trump's Worst Deal* (quoting scholar concluding "Azarpassillo is a front organization for the Revolutionary Guard").

⁷ Davidson, *supra*, *Donald Trump's Worst Deal*.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

LLCs and corporations with Baku in their names: DT Marks Baku LLC, DT Marks Managing Member Corp., THC Baku Hotel Manager Services LLC, THC Baku Hotel Manager Services Member Corp., THC Baku Services LLC, and THC Baku Services Member Corp.¹¹

The deal reportedly included a technical services agreement, which the Trump Organization apparently diligently oversaw—indeed, the Trump Organization allegedly played a more significant role than most brand partners typically would.¹² Reportedly, the developers were in constant contact with the Trump Organization, and a Trump Organization representative visited monthly.¹³ Ivanka Trump was dispatched to Baku to check in on the project.¹⁴

In December 2016, the Trump Organization cancelled the Baku project, citing stalled progress and no indication of moving forward.¹⁵

The Mammadov Family

Azerbaijan is ranked by Transparency International among one of the most corrupt countries in the world.¹⁶ Transportation Minister Ziya Mammadov has received special attention as one of the country's richest and most powerful oligarchs.¹⁷ A U.S. diplomatic cable from Azerbaijan identified Mammadov as “notoriously corrupt even for Azerbaijan.”¹⁸ As Transportation Minister, Mammadov oversaw the extraction of large state-owned oil reserves in the Caspian Sea. Despite his nominal government salary, Mammadov is a billionaire. He is suspected to have made his fortune by directing transportation contracts funded by the oil boom to companies owned by his close associates.¹⁹

¹¹ See Jeremy Venook, *Everything We Know From Trump's (Limited) Financial Disclosures*, The Atlantic, Jan. 19, 2017, <http://theatltn.tc/2mmUkT8>.

¹² Davidson, *supra*, *Donald Trump's Worst Deal*.

¹³ *Id.*

¹⁴ *Id.*; see also Ivanka Trump, Instagram post, Nov. 24, 2014, <https://www.instagram.com/p/vys5QXikA2/> (post with photo of Ms. Trump visiting construction site in Baku).

¹⁵ *Id.*

¹⁶ Transparency Int'l, *Foreign Corruption Index 2016*, Jan. 25, 2017, <http://bit.ly/fci2016> (ranking Azerbaijan 123d worst out of 176 studied countries, with score of 30/100).

¹⁷ Davidson, *supra*, *Donald Trump's Worst Deal*.

¹⁸ *Id.*

¹⁹ Michael Weiss, *supra*, *The Corleones of the Caspian*.

President Trump's key partner in the Trump Tower Baku venture was reportedly Garant Holding, controlled by Anar Mammadov, Ziya Mammadov's son.²⁰ At the time that the Trump Organization joined the project, the tower was owned by a company called Baku XXI Century.²¹ Baku XXI Century was founded and controlled by Elton Mammadov, Ziya's brother.²² The company has at least two other stakeholders: ZQAN and the Baglan Group. ZQAN is an acronym for the members of Ziya Mammadov's close family: himself; Qanira, his wife; Anar, his son; and Nigar, his daughter.²³ Baglan Group is allegedly run by a close associate of Ziya Mammadov and has received billions in contracts from the Transportation Ministry.²⁴

Ziya and Anar Mammadov have long been suspected by U.S. diplomats and others of laundering money for Iran's Revolutionary Guard.²⁵ While Mammadov was Transportation Minister, Azerbaijan awarded several highway construction projects to a former senior official in the Revolutionary Guard, Kamal Darvishi.²⁶ Leaked U.S. diplomatic cables reportedly stated the assumption that "Mammadov is a silent partner in these contracts."²⁷

The Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1 *et seq.*, prohibits American businesses and individuals from engaging in corruption abroad by offering, paying, or promising to pay, directly or indirectly, money or anything of value to a foreign official, politician, or intermediary to assist in

²⁰ Kurt Eichenwald, *How the Trump Organization's Foreign Business Ties Could Upend U.S. National Security*, Newsweek, Sept. 14, 2016, <http://bit.ly/2nc0kM5>; see also Jeremy Venook, *supra*, *Everything We Know From Trump's (Limited) Financial Disclosures*.

²¹ Davidson, *supra*, *Donald Trump's Worst Deal*. A separate report cited the owner and developer as Garant, a company controlled by Anar Mammadov. See Russ Choma, *Donald Trump is Doing Business with a Controversial Azerbaijani Oligarch*, Mother Jones, July 29, 2015, <http://bit.ly/2mjqBL1>.

²² Davidson, *supra*, *Donald Trump's Worst Deal*.

²³ *Id.*; see also Weiss, *supra*, *The Corleones of the Caspian*.

²⁴ *Id.*

²⁵ Jeff Horwitz, *Tale of Trump and Partner in Azerbaijan Business Project*, Associated Press, Jun. 4, 2016, <http://apne.ws/2mmUKZG>; see also Mixing Crime and Government in Azerbaijan, Radio Free Europe/Radio Liberty, Apr. 4, 2013, <http://bit.ly/2mmKznX> (report produced in cooperation with the Organized Crime and Corruption Reporting Project); Weiss, *supra*, *The Corleones of the Caspian*.

²⁶ *Id.*

²⁷ *Id.*

obtaining or retaining business. If the allegations that the Trump Tower Baku project was enriching Mammadov, either directly or as a money-laundering scheme, prove true, then the Trump Organization's involvement may have violated the Foreign Corrupt Practices Act.

Reportedly, sources familiar with compliance with the Foreign Corrupt Practices Act expressed shock at the apparent lack of due diligence of the Trump Organization in investigating the project's ties to Mammadov and possible link to the Iranian Revolutionary Guard.²⁸ In fact, in May 2012—the very month that the Trump Organization joined the Baku project—Mr. Trump told a CNBC interviewer that the Foreign Corrupt Practices Act is a “horrible law” that “should be changed.”²⁹

If it comes to light (through your investigation or otherwise) that the project was part of a corrupt conspiracy, then ignorance of the scheme will not be a viable defense. A person cannot evade liability by consciously avoiding information that would reveal his or her role in such a prohibited scheme.³⁰

The alleged connections between the project, Mammadov, and the Revolutionary Guard were reported well before the Trump Organization became involved with the deal. Consequently, it seems implausible that the Trump Organization conducted due diligence to avoid violating the Act. Your investigation could determine whether Trump Organization officials (including President Trump's daughter, who reportedly traveled to Baku) knew of the alleged scheme, or were willfully avoiding such knowledge.

The Iran Sanctions Act

If the allegations of the Mammadovs' business connection and money laundering activities for the Revolutionary Guard prove true, it is also possible that the Trump Organization has violated federal sanctions on the government of Iran. *See* Iran Sanctions Act of 1996, Pub. L. 104-172, as amended, Pub. L. 114-277 (2016).

These sanctions prohibit, *inter alia*, investment in property or entities owned or controlled by the Government of Iran, 31 C.F.R. § 560.207; financing or facilitating a foreign person to engage in such a transaction, *id.* § 560.208;

²⁸ Davidson, *supra*, *Donald Trump's Worst Deal*.

²⁹ *Trump: Dimon's Woes & Zuckerberg's Prenuptial*, CNBC, May 15, 2012, <http://cnb.cx/2cyYK2E>.

³⁰ *United States v. Kozeny*, 667 F.3d 122, 132 (2d Cir. 2011) (where there were easily discoverable signs of corruption, defendant doing business in Azerbaijan was not able to establish ignorance of the conspiracy without implicating himself under a conscious avoidance theory).

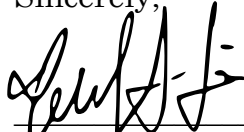
and using foreign entities to engage in such transactions, *id.* § 560.215. Conspiring, and structuring transactions to evade the sanctions, are also prohibited. *Id.* § 560.203.³¹

Only a thorough investigation of the Trump Tower Baku affair and the Mammadov's connections to the Revolutionary Guard could reveal if these allegations are substantiated. We urge the State of New York to use the resources it has available to begin that investigation.

Conclusion

We respectfully urge you to supplement your investigation into whether The Trump Organization, Inc. has forfeited the privilege of its corporate charter under Section 11 of the Business Corporation Law with this additional information regarding the alleged corruption and potential violations of the Foreign Corrupt Practices Act and Iran Sanctions Act surrounding Trump Tower Baku. Please let us know if we may be of assistance in this proceeding.

Sincerely,



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³¹ The term "Government of Iran" includes the Revolutionary Guard. *See* 31 C.F.R. § 560.304 note 1; Office of Foreign Assets Control, *Sanctions List Search: Islamic Revolutionary Guard Corps*, <https://go.usa.gov/xXatd> (last updated Feb. 27, 2017).