



**JOSEPHSON
INSTITUTE**
CHARACTER COUNTS!

MICHAEL JOSEPHSON
PRESIDENT

September 12, 2018

Honorable Julia Keleher
Secretary of the Puerto Rico Department of Education
Ave. Tnte. Cesar
Gonzalez, esq. Calle Juan Calaf, Urb.
Industrial Tres Monjitas
Hato Rey, PR 00917

Dear Madam Secretary,

As you know, despite months of diligent efforts by the Josephson Institute of Ethics to induce the Department of Education to release allocated and approved federal funds to pay the Institute for services rendered relating to the !Desarrollando Carácter! initiative, the DOE has failed to release funds or provide a clear written explanation of the reasons. As we have told you and your staff several times, this has caused and continues to cause the institute and its vendors severe and irreparable damage.

Madam Secretary, you know we are a nonprofit organization dedicated to ethics and so, in trust, we relied on the contract you signed and separate explicit representations made by you to me that the Institute would be fully paid for all services rendered and that we would be allowed to complete the program as detailed in the \$16.9 million contract. At the time the contract was executed it was anticipated and promised that the DOE would extend the contract (a fact necessitated by late execution of the agreement). When a member of your staff raised concerns about the way your staff prepared the budget and drafted the contract you assured me that, if necessary, any lingering concerns could and would be remedied by an amendment that would not affect the institute's overall compensation. In fact, in my presence you instructed one of your staff attorneys to prepare any amendment deemed necessary.

Based on our reliance on the contract itself and your assurances, the Institute continued performing our obligations under the contract and expending large sums and incurring major debts to deliver \$6.4 million in services and resource materials prior to May 31, 2018. The Department has been properly invoiced with full documentation for that amount.

We understand that the federal funds allocated and approved for the !Desarrollando Carácter! program will no longer be available after September 30, 2018. Therefore, it is imperative that the DOE meets its obligations to release the federal funds while they are still available.

You and your staff have ignored multiple recent requests for a written status report concerning the DOE's intentions and an explanation for its refusal to pay. As a result, it appears we have no alternative but to resort to litigation, an expensive and unpleasant process for all concerned.

The Institute has engaged local litigation counsel who have been authorized to file a lawsuit sometime of next week. The action, based on breach of contract, fraud and unjust enrichment, will be seek an immediate injunction to release funds as compensation for services rendered and

seek an award of the remainder of the \$16.9 million contract plus interest and punitive damages for fraud.

This can be avoided only by your direct and immediate intervention to release funds owed to the Institute. If we do not hear from you on or before September 17, 2018 with a proposal to resolve this matter we will proceed with the lawsuit

We will bring this action with great reluctance. We have never had to sue for payment before. We cannot, however, absorb the losses your department has inflicted on us and we are confident our lawsuit will prove that the Department of Education and the government of Puerto Rico has betrayed our personal and the public's trust that its contractual promises can be relied on and that allocated federal funds will be properly disbursed.

Madam Secretary, we are astonished and dismayed that we have reached this point in view of your enthusiastic private and public support for the !Desarrollando Carácter! program and your frequent and effusive statements of satisfaction and praise for the first stage of its implementation.

We don't understand why you refused to allow us to fulfill all the obligations under a contract or why you made a discretionary budgeting decision that you knew would scuttle the program and breach the DOE's commitment to extend the contract to allow us to finish our work even though the full scope of the contract had been approved and the funds allocated. We never would have undertaken the project if we thought there was a possibility that all our efforts – training more than 7,000 educators as !Desarrollando Carácter! champions, delivering thousands of hours of technical assistance, delivering hundreds of programs for parents and teachers and delivering hundreds of thousands of dollars of resource materials -- would be wasted by premature termination of the program.

But most of all, we can't understand why you and your staff have continually treated our sincere and diligent efforts to arrive at a settlement of the DOE's debt with deceit and disrespect. Your staff has subjected us to long and unexplained delays punctuated by a series of false representations and broken promises.

There is no greater example of disrespect than the decision by you and members of your staff to disregard multiple formal and respectful requests for meetings and, most recently, a status report on the DOE's intentions regarding payment. To this date we have no indication as to why the DOE is withholding payment and why it has not submitted a proposed amendment you promised.

Despite our grievances with the way the DOE has handled this matter, our commitment to the children of Puerto Rico is deep and undiminished. We know the !Desarrollando Carácter! program can vastly improve the lives of students and their families. It will improve student engagement in learning, reduce crime and other forms of misconduct, build character, strengthen resilience and increase social responsibility. As proof of our commitment we have offered and will provide, without compensation, guidance and encouragement to schools and our trained champions that want to implement the program

For your convenience I have again attached the report on our progress that you praised and an extensive statement of facts upon which our lawsuit will be based.

If you are willing to discuss settlement of this dispute prior to Monday, September 17 please contact me by phone (310 846-4800), email (msj@jiethics.org) or hard mail at Josephson Institute, 8117 W. Manchester Avenue, 90045.

Sincerely,

A handwritten signature in black ink that reads "Michael Josephson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Josephson
President and Founder
Joseph & Edna Josephson Institute of Ethics
!Desarrollando Carácter! /CHARACTER COUNTS!
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