



# FACT

FOUNDATION FOR  
ACCOUNTABILITY  
AND CIVIC TRUST

February 6, 2018

Hon. Johnny Isakson, Chariman  
Hon. Christopher A. Coons, Vice Chairman  
Senate Select Committee on Ethics  
220 Hart Building  
United States Senate  
Washington, DC 20510

Re: Senator Joe Manchin Complaint

Dear Chairman Isakson and Vice Chairman Coons:

The Foundation for Accountability and Civic Trust (FACT) is a nonprofit organization dedicated to promoting accountability, ethics, and transparency in government and civic arenas. We achieve this mission by hanging a lantern over public officials who put their own interests over the interests of the public good. We write today to request that the Senate Select Committee on Ethics investigate Senator Joe Manchin for not complying with the financial disclosure requirements related to his interest in AA Properties, a non-public asset, and its underlying assets for the years 2010, 2011, 2012, 2013, 2014, 2015, and 2016.

At the “heart” of the Senate Code of Official Conduct and the Ethics in Government Act is “full and complete public financial disclosure.”<sup>1</sup> As such, Rule 34 of the Standing Rules of the Senate requires that every Senator file a comprehensive annual public financial disclosure report. The purpose of this disclosure is to provide a means to monitor and deter conflicts of interest.<sup>2</sup> A full and detailed public disclosure that complies with the specific disclosure requirements is necessary for voters to evaluate a Senator’s conduct with full knowledge of his financial interests.<sup>3</sup> A Senator who fails to provide a full and proper disclosure, or refuses to do so, denies West Virginia voters the information they deserve and need to evaluate the Senator’s conduct.

Closely held corporations, including those organized in the form of a limited liability company (LLC), are defined as non-public assets under Rule 34.<sup>4</sup> The Rule requires Senators to provide a more detailed public disclosure for non-public assets because there is generally no publicly available source of information about the asset.<sup>5</sup> Senators must disclose the name, address, and a description of the asset including the nature of the business and a description of any underlying assets for all non-public assets.<sup>6</sup>

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<sup>1</sup> Senate Ethics Manual, at 124-125.

<sup>2</sup> *Id.* at 124.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 130-131.

<sup>5</sup> *Id.* at 130.

<sup>6</sup> *Id.*

The Senate electronic filing instructions provide further guidelines for reporting non-public partnership interests. The instructions state that Senators must disclose the primary trade or business, as well as interests and activities that are not solely incidental to that trade or business.<sup>7</sup> The level of description required for underlying assets is made clear by the example given in the filing instructions. In the example, a Senator owns an interest in a real estate rental company that primarily rents real estate but also buys stock in a bank. Because of these interests, the Senator must disclose the real estate owned including the type and location, as well as that the company holds stock in a bank with the name and location.<sup>8</sup>

Since his election in 2010, Senator Manchin has listed AA Properties as a non-public asset on his Personal Financial Disclosure,<sup>9</sup> while at the same time willfully refusing to disclose required details about the underlying assets and debts of AA Properties. Instead, Senator Manchin has profited from AA Properties while repeatedly failing to tell his constituents about the nature and origin of those profits.

In recent court filings AA Properties has been identified as having an investment interest in Emerald Coast Realty,<sup>10</sup> Mountain Blue Hotel Group,<sup>11</sup> and Mountain West Hospitality LLC.<sup>12</sup> Each of these companies were involved in multi-million dollar lawsuits in which AA Properties was identified as an investor, evidenced by loan documents filed in the cases of Mountain Blue and Mountain West.<sup>13</sup>

When given the opportunity to explain AA Properties' investments, Senator Manchin has given conflicting answers. At first Manchin denied any affiliation with or stake in AA Properties. Next, he denied AA Properties had any relationship with the other companies. Following this denial,

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<sup>7</sup> Public Financial Disclosure Report for The United States Senate eFD Instructions, available at [https://www.ethics.senate.gov/public/index.cfm/files/serve?File\\_id=D8A43EB3-CF5B-479A-81F6-0C9CE4E2F03F](https://www.ethics.senate.gov/public/index.cfm/files/serve?File_id=D8A43EB3-CF5B-479A-81F6-0C9CE4E2F03F).

<sup>8</sup> *Id.*

<sup>9</sup> *See e.g.*, Joseph Manchin III, Personal Financial Disclosure (Amendment 1), filed Aug. 8, 2017 (reporting Manchin's ownership interest in AA Property, LLC as valued between \$50,001 and \$100,000, with income of \$11,200.18).

<sup>10</sup> "In the 2012 bankruptcy filing for Emerald Coast, [AA Property] was mentioned in several ways. AA was listed as a creditor in the statement of financial affairs, paid \$40000 and still owed \$60,000 at the time of filing. AA was listed in a separate schedule as a creditor holding an unsecured claim of \$45,000." Brad McElhinny, *Déjà vu All Over Again on \$15 Million Hotel Bankruptcy Case*, Metro News, Sept. 24, 2017 (attached as Exhibit A).

<sup>11</sup> "According to the complaint, 'AA Property LLC' is one of 10 partners in the [Mountain Blue] hotel group. It goes on to state AA Property is a West Virginia limited liability company comprised of Manchin, D-W.Va., and Democratic party operative Larry Puccio." Jake Zuckerman, *Manchin, Puccio Listed in Company's \$15 M Debt Complaint*, Charleston Gazette-Mail, Aug. 15, 2017 (attached as Exhibit B); *see also* Brad McElhinny, *Senator Manchin Named in \$14 Million Hotel Lawsuit, But Aides Say He's Not an Investor*, Metro News, Aug. 16, 2017 ("A loan document filed along with the lawsuit also lists AA Property LLC among the investors in Mountain Blue Hotel group as the company sought money for the hotel investment.") (attached as Exhibit C); Brad McElhinny, *Are Manchin and Puccio Still Investors in Tanking Hotel Deal? That's Clear as Mud*, Metro News, Aug. 23, 2017 (attached as Exhibit D).

<sup>12</sup> "AA is listed in the original, 2012 loan document as a 12-percent investor in Mountain West. Manchin and Puccio are listed as 50-50 investors in AA." Brad McElhinny, *Manchin, Puccio Are Also Listed as Investors in Troubled Clarksburgh, Elkins Hotels*, Metro News, Sept. 3, 2017 (attached as Exhibit E).

<sup>13</sup> Brad McElhinny, *Déjà vu All Over Again on \$15 Million Hotel Bankruptcy Case*, Metro News, Sept. 24, 2017 (attached as Exhibit A); Brad McElhinny, *Manchin, Puccio Are Also Listed as Investors in Troubled Clarksburgh, Elkins Hotels*, Metro News, Sept. 3, 2017 (attached as Exhibit E).

Manchin claimed that AA Properties was in a blind trust.<sup>14</sup> However, this statement was clearly false. If AA Properties was in a blind trust, Senator Manchin would not have listed it separate from the blind trust on his disclosure. The most recent evasive explanation came from Senator Machin's personal attorney, who said that AA Properties did not have a *current* investment in Mountain Blue.<sup>15</sup> However, Manchin's attorney refused to answer when asked "if AA Property had ever been an investor in the hotel group."<sup>16</sup> It remains unclear what investments Manchin has made previously through AA Properties.<sup>17</sup>

Senator Manchin should not be allowed to continue to hide his investments behind a LLC with little more disclosed to voters than the name of the company. Rather, Senator Manchin must be held to the same ethical standards as every other Senator and provide a full and honest financial disclosure to constituents. Without this, there is no way to evaluate whether Senator Manchin's conduct has directly benefited his personal financial interests putting money in his pockets.

Whether AA Properties has an interest in the assets reported in the media or not, Senate rules require Senator Manchin to provide a description of AA Properties' underlying assets. Failure to file this required information for at least six years is a serious violation. The Government in Ethics Act authorizes the Attorney General to seek a civil penalty of up to \$11,000 against any person who fails to file or report any required information.<sup>18</sup>

Merely filing an amendment at this time does not excuse years of false disclosures and misled constituents. Senator Manchin's actions warrant further investigation by the Committee. We request the Committee immediately investigate these violations and act accordingly.

Respectfully submitted,



Kendra Arnold  
Executive Director, Foundation for Accountability & Civic Trust

Enclosure

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<sup>14</sup> Jake Zuckerman, *Manchin, Puccio Listed in Company's \$15 M Debt Complaint*, Charleston Gazette-Mail, Aug. 15, 2017 (attached as Exhibit B); Brad McElhinny, *Manchin's Corporate Partnership Said to Be in Blind Trust, Is Right there for All to See*, Metro News, Aug. 30, 2017 (attached as Exhibit F); Brad McElhinny, *Manchin Says He's Also in the Dark on \$15 Million Hotel Deal Gone Bad*, Metro News, Aug. 28, 2017 (attached as Exhibit G).

<sup>15</sup> Jake Zuckerman, *Manchin, Puccio Not Listed on Hotel's Bankruptcy Filing*, Charleston Gazette-Mail, Oct. 22, 2017 (attached as Exhibit H).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*; see also Brad McElhinny, *Are Manchin and Puccio Still Investors in Tanking Hotel Deal? That's Clear as Mud*, Metro News, Aug. 23, 2017 (attached as Exhibit D).

<sup>18</sup> Senate Ethics Manual at 127.

# Deja vu all over again on \$15 million hotel bankruptcy case



Brad McElhinny/MetroNews

The Hilton Garden Inn at Suncrest Plaza in Morgantown is in danger of losing its Hilton franchise agreement.

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By **Brad McElhinny** in **News** | September 24, 2017 at 3:26PM

**CHARLESTON, W.Va.** — The parties in a bankruptcy case over a Morgantown hotel shouldn't need many refreshers.

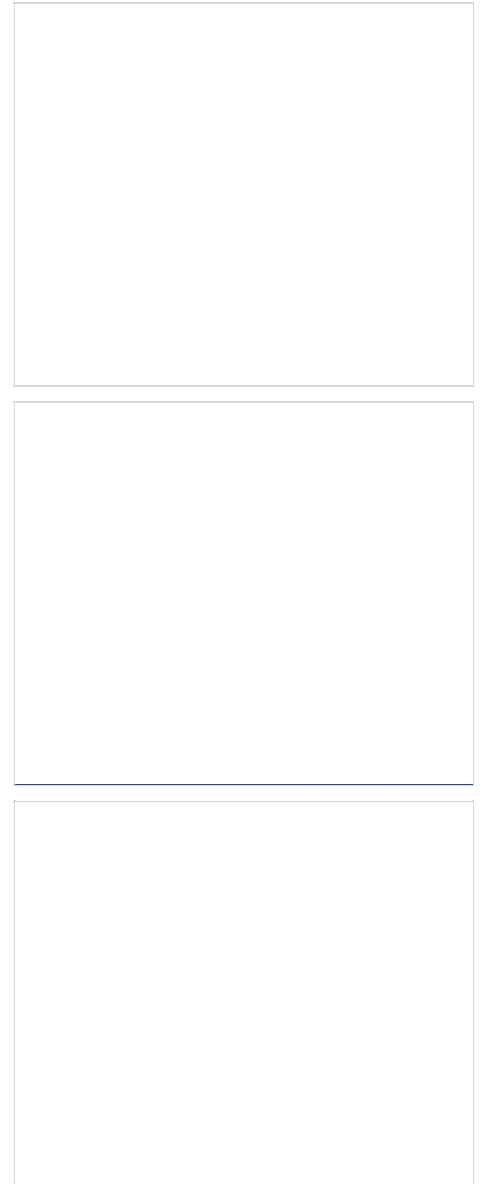
The hotel and its owners just went through bankruptcy a few years ago before emerging with the loan deal that's currently considered in default.

Mountain Blue Hotel Group and its ownership team led by developer William Abruzzino **filed for Chapter 11** reorganization protection on Sept. 13 in U.S. Bankruptcy Court in the Northern District of Georgia.

Many of the same cast of characters — and the very same Hilton Garden Inn in Morgantown — filed for bankruptcy protection in 2012 under the company name **Emerald Coast Realty**.

The bankruptcy proceedings in that case were **cut short** when the ownership group led by Abruzzino managed to secure a \$15 million loan.

That's the very same loan that resulted in a breach of contract **lawsuit** being filed in August by the lender and then bankruptcy a little more than a week ago.



“I’m glad I’m not the person who approved the loan,” said Monongalia County Commissioner Tom Bloom when told about the earlier bankruptcy and how the hotel company emerged.

There’s not much to particularly prohibit repeat Chapter 11 filings, which are, with some dark humor, called **Chapter 22 cases**.

There are so many similarities in the 2012 and 2017 hotel cases, it’s almost as if only the judge in U.S. Bankruptcy Court in Atlanta has changed. In the first case, U.S. Judge James Massey was assigned to the case. Now federal Judge Lisa Ritchey Craig receives the honor.

Emerald Coast filed for Chapter 11 on Nov. 8, 2012. The managing member who signed the filing was William Abruzzino, who is currently involved in bankruptcy proceedings or default lawsuits over hotels in Morgantown, Clarksburg and Elkins, plus over his Crossings Mall property in Elkview.

Emerald Coast’s designated **office address**, along with several other Abruzzino properties, is listed with the West Virginia Secretary of State’s office at 205 Marion Square.

The company’s real property listed in Emerald Coast’s **statement of financial affairs** included the Hilton Garden Inn in Morgantown, valued then at \$22 million

It also included property associated with the Summersville Inn & Suites, with a listed value of \$6 million, and the Elkview Inn & Suites at Crossings Mall, listed at \$5.8 million, plus \$5.1 million in land, property and restaurants in Kanawha City.

The Summersville and Elkview hotels had been transferred to Abruzzino’s Emerald Grande Hospitality in 2008, but Emerald Coast continued to own the furniture and equipment necessary to run the hotels, which represented the property in the bankruptcy filing.

The Elkview Inn & Suites later became a LaQuinta and had **bankruptcy** filed this past January through owner Emerald Grande, another Abruzzino company headquartered at 205 Marion Square.

Two more Emerald Coast properties had been transferred to Abruzzino’s Mountain West LLC prior to the bankruptcy. Those were the Hilton Garden Inn in Clarksburg and the Hampton Inn in Elkins, both now in a **case of default** over a \$19,630,000 loan

Partners listed in Emerald Coast’s statement of financial affairs include Abruzzino and his wife Rebecca along with other family members such as Robert and Mark Abruzzino, plus a few others with interests ranging from 2 to 10 percent.

All are the same investors listed in the current federal court actions over the Hiltons in Morgantown and Clarksburg and the Hampton Inn in Elkins.

Among those others, with a 12 percent interest, was a limited liability corporation called AA Properties.

AA then — as now — was a 50-50 partnership between Senator Joe Manchin and his longtime adviser, Larry Puccio.

With the current lawsuits, Manchin and Puccio have acknowledged being partnered in AA but have said the limited liability corporation is not involved with the hotels. A private attorney for Manchin said the listing as an investor in the Hilton was a mistake that would be cleared up in court, though that hasn’t happened yet.

“AA Property has no affiliation, no stock, no ownership with the

hotels,” Puccio said a few weeks ago when **first asked** about the hotel investment.

At that time, Puccio said he originally thought AA had dissolved.

“I thought AA had been dissolved. AA had not been dissolved,” said Puccio, a former state Democratic Party chairman and prominent lobbyist who later said he was finished talking about the hotel deal.

Manchin’s Senate **financial disclosures** say he had \$50,001 to \$100,000 invested in AA in 2016, with earnings of \$11,200.18.

Disclosures from prior years show the AA partnership earned Manchin \$11,000 in 2015, \$11,454.52 for 2014, \$15,000 for 2013 and \$12,966 in 2012.

There’s no particular way of telling where besides the hotels AA has been invested.

In the 2012 bankruptcy filing for Emerald Coast, AA was mentioned in several ways.

AA was listed as a creditor in the statement of financial affairs, paid \$40,000 and still owed \$60,000 at the time of the filing. AA was listed in a separate schedule as a creditor holding an unsecured claim of \$45,000.

Puccio was also involved in other ways. He, personally was listed as a creditor and paid \$1,111. Larry Puccio LLC was also listed as a creditor and paid \$405. And A & P LLC, a longtime partnership between Puccio and Abruzzino that was dissolved this past spring, was listed with \$16,200 paid.

The certificate of service listed AA with Puccio’s personal email address along with a Fairmont mailing address.

Over the months that the Emerald Coast case wound through the bankruptcy system, creditors were notified and attended meetings, motions were filed and status was reported on.

Some of the same problems the Morgantown hotel is experiencing today held true then, too. In a November, 2012, **motion** to approve emergency use of cash collateral, lawyers for Emerald Coast put forth the case that a busy West Virginia University football weekend was approaching and the hotel needed to be primed.

“Debtor notes that, with respect to the Morgantown location, November 16-18, 2012, this upcoming weekend, is the so-called Oklahoma vs. West Virginia football weekend,” the lawyers wrote. “The Hilton is fully booked and may need some additional amount for petty cash and for immediate brake repairs on the hotel’s shuttle bus.”

As the hotel bankruptcy case wound into 2013, a major shift happened. Abruzzino and his fellow investors were reaching a deal to re-finance through a new lender. The new \$15 million loan with UBS Investment Bank would cover all major claims.

On April 2, 2013, lawyers for Emerald Coast filed a **motion to dismiss** the bankruptcy.

Refinancing, the lawyers said, would resolve matters with the largest creditor, the American National Insurance Company, which was owed \$11 million. Additional claims of \$4 million also would be resolved.

And, the lawyers wrote, “Numerous creditors have accepted a discounted payment on their claims of about 19.3 percent.”

The lawyers continued, “In light of the current posture of this case, it appears evident that there is no reasonable need for a bankruptcy reorganization of this debtor. The best interest of creditors and this estate will be served by an exit from bankruptcy through the UBS refinance vehicle.”

As an exhibit, the lawyers attached a letter from UBS Investment Bank addressed to Abruzzino. “Dear Mr. Abruzzino,” it began, “UBS Real Estate Securities Inc.” is pleased to submit this mortgage loan application.” On the final page, as it was submitted, Abruzzino had already scrawled his signature.

It wasn’t over yet.

On June 25, 2013, American National Insurance Company, the biggest creditor, filed its objection. The company, known as ANICO, had loaned an original principal amount of \$10.8 million to Emerald Coast in 2008.

ANICO said Emerald Coast had been in default because it hadn’t been paying down its debt. In October, 2012, ANICO accelerated its note and initiated foreclosure proceedings, just as the current lender has done.

The objection noted that then, as now, Emerald Coast had fallen behind on its local taxes — owing \$157,874.97 at the time to the Monongalia County Sheriff’s Tax Office, secured by ANICO’s collateral

“Debtor filed this bankruptcy case in order to stop ANICO’s foreclosure proceedings,” the company wrote in its objection. In the current case, Mountain Blue filed bankruptcy after the lender threatened to auction the hotel.

ANICO expressed concern that, at the time of its objection, the new loan wasn’t nailed down:

“ANICO is concerned that in the event the motion is granted and the proposed refinancing with USB never materializes, debtor will simply initiate another bankruptcy proceeding in order to frustrate ANICO and its other creditors’ collection efforts, and cause additional and significant expense and delay.”

Well, that prediction is not exactly what happened.

Instead of remaining ANICO’s problem, the new loan became someone else’s problem.

On August 22, 2013, after more negotiations, the court entered **an order** on the motion to dismiss. ANICO had withdrawn its objection to dismissal. Judge Massey wrote that it appeared Emerald Coast had or would soon have the ability to refinance its obligations.

The judge wrote that the order to dismiss bankruptcy would be finalized once Emerald Coast could prove the new loan and gone through and the bulk of the debts paid off. And that’s what happened.

On Sept. 17, 2013, Abruzzino’s Mountain Blue LLC reached its \$15,470,000 **loan agreement** with UBS Real Estate Securities.

The same day, Emerald Coast submitted an **affidavit** to federal court saying the loan had gone through and that ANICO had been paid.

And that set in motion the events that led to another bankruptcy, almost exactly four years later.

Bloom, one of the Monongalia County officials trying to recover the

current \$150,000 in unpaid taxes from the Morgantown Hilton, remains puzzled about what happened — much less how it happened twice.

“Where the property is located and the chain’s name you would have thought it was a good investment,” Bloom said Sunday afternoon. “The location and the name, and we just don’t understand why it went bankrupt. I think the public doesn’t either.”



## Brad McElhinny

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Brad McElhinny is the statewide correspondent for MetroNews. Brad is a Parkersburg native who spent more than 20 years at the Charleston Daily Mail.

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[https://www.wvgazettemail.com/news/cops\\_and\\_courts/manchin-puccio-listed-in-company-s-m-debt-complaint/article\\_3d2baf36-e481-5d37-a520-b0cef7b591db.html](https://www.wvgazettemail.com/news/cops_and_courts/manchin-puccio-listed-in-company-s-m-debt-complaint/article_3d2baf36-e481-5d37-a520-b0cef7b591db.html)

## Manchin, Puccio listed in company's \$15M debt complaint

Jake Zuckerman Aug 15, 2017



Sen. Joe Manchin, D-W.Va.  
Bloomberg file photo

A trustee for a real estate company requested last week that a firm with ties to U.S. Sen. Joe Manchin be declared in default of a \$14.6 million debt and for someone to be appointed to oversee the firm temporarily.

The U.S. Bank National Association lodged a complaint against Mountain Blue Hotel Group, a Georgia limited liability company based out of Fairmont, West Virginia, in U.S. District Court for the Northern District of West Virginia.

According to the complaint, "AA Property LLC" is one of 10 partners in the hotel group. It goes on to state AA Property is a West Virginia limited liability company comprised of Manchin, D-W.Va., and Democratic party operative Larry Puccio.

Jon Kott, a spokesman for Manchin, initially denied Manchin's ties AA Property in an emailed statement.

"Senator Manchin and Larry Puccio have no affiliation or stake in AA Property Group and no ownership interest or stock in Mountain Blue Hotel Group or the Hilton Garden Inn," he said.

According to [Manchin's 2016 financial disclosure with the Senate](#), filed in mid-May, he owns between \$50,000 and \$100,000 of equity in "AA Properties LLC" and earned \$11,000 in income from it. AA Properties is also listed as based out of Fairmont.

Later, Kott said in another email Manchin has partial ownership in AA Properties, but AA Properties has no ownership or affiliation with the hotels.

Puccio also initially denied any ties to AA Property, AA Properties or the hotel group.

"I have no ownership in AA Properties, I have no ownership in Mountain Blue whatever, I have no stock, I have no ownership, and I have no affiliation with them," he said.

However, after speaking with his attorney, Puccio said he does have ownership in AA Property, though that company has no affiliation with the hotel group. He said he incorrectly thought the company had been dissolved before making his first comment.

According to a [filing with the Secretary of State's office](#), updated in June, Puccio is an officer with AA Property, which is listed as a real estate, rental and leasing firm.

In an email Tuesday, Kott confirmed AA Property and AA Properties are the same firm.

Timothy P. Palmer, an attorney for the plaintiff, declined to comment for this report.

The suit states the hotel group owns a Hilton Garden Inn located in the Suncrest Town Center in Morgantown, West Virginia. In 2013, the original lender, UBS Real Estate Securities Inc., made a \$15.4 million loan to the company.

In April of 2017, Hilton notified the company it failed to pay more than \$235,000 in royalties under the franchise agreement, which was set for termination in May. However, the lender advanced the hotel group the required funds. Though the lender demanded repayment, none has been received, according to the suit.

Additionally, between June 2015 and May 2017, the state of West Virginia filed tax liens against the property totaling more than \$437,000. The lender continued to extend its loans to the company to cover payroll and other operating expenses due to cash flow issues, according to the suit.

"As of June 12, 2017, the principal balance due and owing under the loan documents is \$14,559,226.84," the complaint reads.

Offering supporting evidence for the appointment of someone to temporarily oversee the firm, the suit lists the failure to pay franchise fees, state taxes, county hotel taxes, cash flow problems, payroll issues, a thus-unfulfilled loan request for operating expenses and a failure to submit updated payroll information as proof the company should hire a receiver.

Reach Jake Zuckerman at [jake.zuckerman@wvgazettemail.com](mailto:jake.zuckerman@wvgazettemail.com), 304-348-4814 or [@jake\\_zuckerman](#) on Twitter.

# Senator Manchin named in \$14 million hotel lawsuit, but aides say he's not an investor



MetroNews staff photo

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By **Brad McElhinny** in News | August 16, 2017 at 5:59PM

**CHARLESTON, W.Va.** — Senator Joe Manchin is among those named in a lawsuit over \$14,559,226.84 remaining on a loan for a hotel investment, but Manchin's staff says he is not actually an investor.

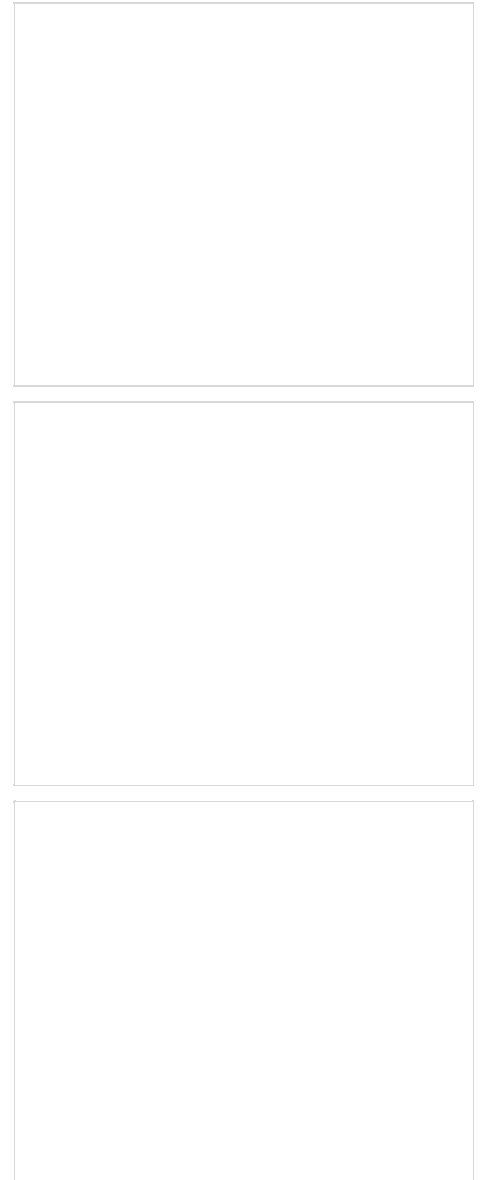
The lawsuit against Mountain Blue Hotel Group of Fairmont was filed August 8 in U.S. District Court for the Northern District of West Virginia.

Manchin, along with longtime aide Larry Puccio, is named as an investor in a company called AA Properties.

AA Properties is named as an investor in Mountain Blue Hotel Group.

Manchin's staff agrees that he is an investor in AA Properties but says that company is not invested in the hotels. Manchin's 2016 Senate financial disclosure form lists AA Properties and says he made \$11,200.18 off the partnership during the reporting year.

"Senator Manchin has part ownership in AA Property, but AA Property has no ownership or affiliation with the hotels," Manchin



spokesman Jonathan Kott stated in an email Wednesday.

Manchin's staff **initially told newspapers** that he was not an investor at AA at all but revised the status to acknowledge that he is.

Puccio, in a telephone interview, agreed that AA is not involved with the hotel investment: "Most certainly, take it to the bank, AA is not a stockholder and has no affiliation nor ownership with the hotel company, nor does Manchin or Puccio."



File  
Larry Puccio

The lawsuit, filed by trustee U.S. National Bank Association, alleges a commercial breach of contract over a loan for Hilton Garden Inn at Sun Crest Town Center in Morgantown. The lawsuit states default actions have occurred, endangering the property.

### **MORE: Read the lawsuit against Mountain Blue Hotel Group.**

Mountain Blue Hotel Group is listed in the lawsuit with an address of 205 Marion Square Plaza, Fairmont, the same address where Puccio has had other investment properties.

Among the investors in Mountain Blue Hotel Group, the lawsuit alleges, is AA Properties. Here's how the lawsuit states that matter:

"Upon information and belief, AA Property, LLC is a West Virginia limited liability company whose members are Larry Puccio and Joe Manchin III. Upon information and belief, Larry Puccio and Joe Manchin III are each domiciled in West Virginia."

Puccio said his lawyers have interpreted that he, Manchin and AA are not actually being sued — that Mountain Blue is the defendant and that he, Manchin and AA have been listed falsely as investors in the hotel property.

"They were naming just who they thought owned stock. They didn't sue us. There's nothing to file other than saying they gave inactive information," Puccio said.

A loan document filed along with the lawsuit also lists AA Property LLC among the investors in Mountain Blue Hotel Group as the company sought money for the hotel investment.

AA Property was a 12 percent investor, according to the loan document. Of that portion, Puccio had a 50 percent share and Manchin had a 50 percent share, according to the loan document.

### **MORE: AA Property, Manchin and Puccio are listed on pages 58 and 59 of this loan document**

Puccio said he didn't want to get into the details of his private investments. He didn't expand on the nature of any prior relationship between AA Property and Mountain Blue Hotel Group. He was asked if AA had invested early on but then removed its investment, but he declined to elaborate.

Puccio reiterated, though, that he, Manchin and AA Property are not investors in the hotel group.

"AA Property has no affiliation, no stock, no ownership with the hotels," Puccio said.

Puccio said he originally thought AA had dissolved.

“I thought AA had been dissolved. AA had not been dissolved.”

AA has continued to have updated filings with the Business and Licensing Division at the West Virginia Secretary of State’s Office since its inception in 2008. The most recent filing was June 15, 2017.

Puccio’s name is listed multiple places on the document, including as the company’s manager on the authorization line and with a Yahoo account under Puccio’s name listed for the company’s email address.

**MORE: Read the most recent AA Property filing with the Secretary of State’s office.**

The lawsuit in U.S. District court names several investors in Mountain Blue Hotel Group, including William A. Abruzzino, Rebecca A. Abruzzino, Martha Hughes, Martha Hughes, as Trustee of the William A. Abruzzino and Rebecca A. Abruzzino Generation Skipping Trust, Judy Nunnally, Jaron Smalley, AA Property, LLC, Peachtree Village Partners, LLC, Rebecca A. Abruzzino, as trustee of the Robert A. Abruzzino Irrevocable Trust, and Mark A. Abruzzino.

William Abruzzino scrawled his signature on both the **promissory note** and the **deed** for the Mountain Blue investment in the Morgantown hotel — as well as the original loan document.

In a separate but similar case, Abruzzino was the major investor in the Crossings Mall project in Elkview that wound up in bankruptcy court after a lengthy delay in fixing an access bridge following the summer 2016 floods.

His partnerships over the years with Puccio have sometimes **drawn scrutiny**. In the Crossings Mall case, Abruzzino was listed as manager of Tara Retail Group, which names its main address as 205 Marion Square, the same address listed for Mountain Blue Hotel Group in the federal court filing.

That’s the same address — 205 Marion Square — listed for **Puccio & York Realty**, where Larry Puccio is listed as the manager, according to the business licensing listing at the West Virginia Secretary of State’s office.

**Mountain Blue Hotel Group**, in a 2013 filing with the Secretary of State’s office, was listed with the same 205 Marion Square address.

Puccio has another incorporated business, **Larry Puccio LLC**, also listed in the development, although this one is at 420 Marion Square.

Puccio and Abruzzino were listed as officers starting in 2009 in **A & P LLC**, a Fairmont-based real estate, rental and leasing company. That business is also licensed with the Secretary of State’s office. **A & P LLC** also has a 205 Marion Square address.

Asked about the Crossings Mall situation and his business relationship with Abruzzino back in January, Puccio said he’d worked with Abruzzino in the past but that it was no longer active.

“I used to be in some business with him but not at this time. That’s probably where that got started,” Puccio said in January.

In the hotel case, the plaintiff alleges that on Sept. 17, 2013, UBS Real Estate Securities Inc. made a loan of \$15,470,000 for Hilton Garden Inn Morgantown at Sun Crest Town Center.

But shortly after that, events leading to default began to occur, according to the lawsuit.

The lawsuit alleges Mountain Blue failed to pay franchise agreement royalties to Hilton amounting to \$235,671.23, “which triggered

defaults under the Franchise Agreement and nearly cost Borrower the use of the valuable Hilton flag.”

“Upon termination, Borrower would be required to cease all operations under the Hilton name,” the lawsuit stated. “The right to operate under the Hilton name is essential to preserve the value of the Property. The loss of the Hilton flag would cause irreparable harm to the value of the Property.”

To keep that from happening, the lawsuit states, the lender advanced \$235,671.13 to pay Hilton. UBS Real Estate Securities then sent two letters in May demanding repayment of the advanced amount. At the time of the lawsuit, the amount had not yet been repaid.

Moreover, Mountain Blue got into tax trouble. The lawsuit notes that failure to pay taxes is yet another trigger of default.

Between June 2015 and May 2017, the state of West Virginia **filed tax liens** against the property totaling \$437,878.42, according to the lawsuit.

This past April, the Monongalia County Commission filed suit against Borrower for its failure to pay hotel taxes.

According to the tax complaint, Mountain Blue entered into a repayment plan with the city, but did not comply with that agreement. At the time of the agreement, delinquent taxes totaling almost \$150,000 had accrued.

The county has requested, among other remedies, the imposition of liens on the property and the sale of the hotel Property to satisfy the unpaid taxes.

The lawsuit contends that Mountain Blue also has not kept up with its required annual updates on its financial situation. For example, it hasn't yet provided year-to-date actual expenses and payables.

Worse, Mountain Blue projected a cash shortfall of \$158,362.32 for this year.

All the default conditions added together meant that UBS Real Estate Securities demanded payment in full this past June 14. “To date, the Loan has not been repaid.”

The principal balance due is \$14,559,226.84, according to the lawsuit. The plaintiff also wants interest at the default rate, costs, fees, legal fees, expenses and other amounts recoverable.

UBS Real Estate Securities is also asking that the hotel property be moved to receivership to ensure the property is properly maintained and that revenues are properly applied to expenses.

Mountain Blue is being represented by Charleston attorneys Michael J. Del Giudice and Timothy J. LaFon. They said they weren't retained until just this Monday.

On Tuesday, they filed a **motion to continue** an evidentiary hearing originally scheduled for Aug. 18 in part because they need to familiarize themselves with who they're representing and what their interests actually are.

“This the first time this law firm has represented the Defendant and it will take a considerable amount of time to become acquainted with the business and review the Complaint, attachments, Emergency Motion for Appointment of Receiver and Memorandum,” the attorneys wrote.

The process will still get underway as a **joint motion** for a

telephonic hearing conference was filed to set a new date for an evidentiary hearing and other deadlines. The judge is the Honorable Irene M. Keeley.

Puccio says his attorneys have told him he's not actually a party to the lawsuit though. Again, he said, AA isn't an investor in Mountain Blue anyway.

"The attorneys inform me we're not named in the suit," he said.



## Brad McElhinny

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[@BradMcElhinny](#)

Brad McElhinny is the statewide correspondent for MetroNews. Brad is a Parkersburg native who spent more than 20 years at the Charleston Daily Mail.

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10 Comments

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### David Gavazzi

Seems that most of LLCs default when their money's get low. They pay their CEO exorbant salaries and drain the businesses dry of all monies then default on their loans....LLCS means limited liability company which protects the owners responsibility to make good the money borrowed besides all other liabilities. Our Senators passed this ignorant legislation. This AA and all of Manchins investments are listed as LLCs.

[Like](#) · [Reply](#) · 6w



### Roger Benghazi Henry ·

Teacher at Retired

Poor Joe was all clean before he started associating with all those low-life scumbags in DC. (sarc)

[Like](#) · [Reply](#) · 21w



### Joe Landers ·

West Virginia University

When I worked at Mylan, management employees were encouraged to donate to MyPAC, Mylan's political action committee.

Senator Manchin once came to Mylan for a town forum with employees. Only donors to MyPAC were permitted to attend. That is, if you gave MyPAC money, you were then invited to the forum. Seems I forgot the Latin phrase for such an arrangement.

[Like](#) · [Reply](#) · 21w



### Richard Bud Schamberger ·

Pennsboro, West Virginia

Jumping joe needs to go.

No joe in 2018.

[Like](#) · [Reply](#) · 2 · 21w

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# Are Manchin and Puccio still investors in tanking hotel deal? That's clear as mud



MetroNews staff photo  
Hilton Garden Inn

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By **Brad McElhinny** in **News** | August 23, 2017 at 8:28PM

**CHARLESTON, W.Va.** — Senator Joe Manchin and longtime aide Larry Puccio are listed among the borrowers in the original \$15,470,000 loan for Hilton Garden Inn Morgantown at Sun Crest Town Center that is now going bad.

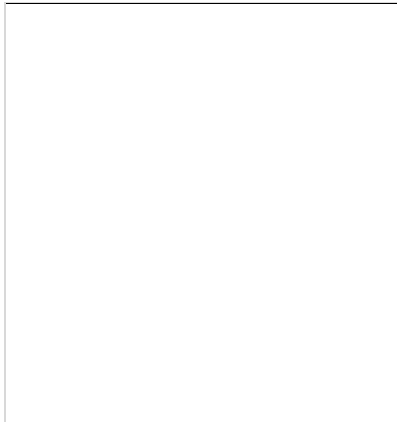
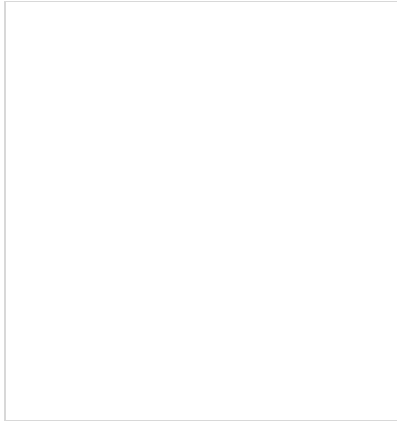
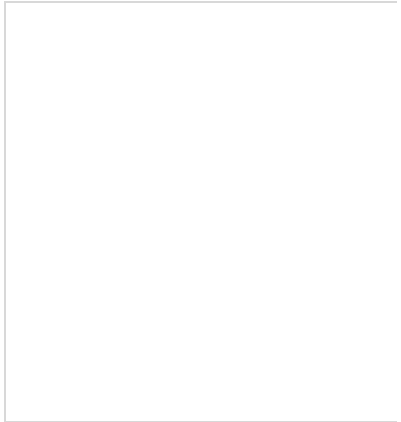
A lawsuit filed August 8 on behalf of the original lender continues to list Manchin and Puccio as if they remain investors.

But Manchin's staff and Puccio have said repeatedly that they are not investors in the hotel.

So what happened? Was there a mistake on the front end? Did they pull their investments along the way?

So far, no one is clearing up that mystery.

The original lender, UBS Real Estate Securities, is being represented by trustee U.S. National Bank Association. Its lawyers Christopher P.





Schueller and Timothy P. Palmer were contacted this week by telephone and email in an attempt to clarify the status of the original 2013 Manchin and Puccio investment.

“Hi Brad, We cannot comment,” Schueller wrote back.

Manchin’s congressional office was emailed by MetroNews on Monday afternoon and then sent a followup email on Wednesday morning.

The questions were: “Is there any update on the role of AA Properties in the Mountain Blue hotel investment? I see that Senator Manchin and Mr. Puccio are listed as investors in AA, which is listed as an investor in Mountain Blue in the original loan document. Was there some original mistake in the loan document? Was AA withdrawn as an investor in Mountain Blue?”



Joe Manchin

So far, there has not been a response.

Puccio, a lobbyist and former state Democratic chairman, was also asked about the investment’s status this week during a short telephone call.

On Monday afternoon he was asked specifically about the original loan agreement listing his name and Manchin’s. He was asked if the original loan was false or if the original investment was somehow withdrawn — or if the link was severed some other way.



File  
Larry Puccio

Puccio wouldn’t elaborate.

“I’ve made it clear as I could that we have no ownership, and I think if you’re patient you’ll see I was right and no ownership,” Puccio said. “I’m not going to keep doing this. I’m out, bud.”

The lawsuit filed August 8 in federal court in Clarksburg lists Manchin and Puccio as investors in AA Property. The lawsuit, in turn, lists AA as an investor in Mountain Blue Hotel Group, the corporation that borrowed the money for the hotel.

The original loan document also lists AA with a 12 percent interest in Mountain Blue Hotel Group — and Manchin and Puccio with a 50-50 investment in AA. Their names were also on a **2013 facility letter** for the Hilton project that’s now the subject of the lawsuit.

**MORE: AA Property, Manchin and Puccio are listed on pages 58 and 59 of this loan document**

Manchin and Puccio initially said they are not investors in AA but then revised their positions to acknowledge investment in AA but to say they are not investors in the hotel.

“Senator Manchin has part ownership in AA Property, but AA Property has no ownership or affiliation with the hotels,” Manchin spokesman Jonathan Kott stated in an email to MetroNews a week ago.

Those who filed the lawsuit seem to believe Manchin and Puccio remain investors in the hotel project. Here’s how the lawsuit

identifies them:

“Upon information and belief, AA Property, LLC is a West Virginia limited liability company whose members are Larry Puccio and Joe Manchin III. Upon information and belief, Larry Puccio and Joe Manchin III are each domiciled in West Virginia.”

**MORE: Read the lawsuit against Mountain Blue Hotel Group.**

The investors borrowed the money for the Hilton in 2013. But the project quickly went south. The lawsuit says the hotel hasn't kept up with its Hilton franchise agreement royalties or its local taxes.

Mountain Blue also hasn't kept up with its required annual updates on its financial situation. For example, it hasn't yet provided year-to-date actual expenses and payables.

UBS Real Estate Securities is asking that the hotel property be moved to receivership to ensure the property is properly maintained and that revenues are properly applied to expenses.

The principal balance due on the loan is \$14,559,226.84, according to the lawsuit. The plaintiff also wants interest at the default rate, costs, fees, legal fees, expenses and other amounts recoverable.

So could Manchin and Puccio potentially be on the hook?

Or are they somehow in the clear?

The loan agreement specifies how minority investors could get out of the deal without notifying the lender.

“Lender's consent shall not be required in connection with one or a series of transfers, of not more than forty-nine percent in the aggregate of the direct or indirect ownership interests in any restricted property,” according to Section 8.2 of the loan, which has to do with transfers by borrowers.

Such transfers may happen, the loan document goes on to say, as long as default or an event of default has not occurred. That's key in this case because the lawsuit is all about the hotel currently defaulting.

With a 12 percent total investment, Manchin and Puccio would fall within that range where consent of the lender to transfer ownership interests is not required.

Another section of the loan deals with the use of proceeds.

Borrowers were to use the \$15 million to acquire the property and pay off any other existing loans, pay any past due costs on the property, deposit the reserve funds, pay costs and expenses related to the closing of the loan, fund any working capital requirements and “distribute the balance of the proceeds, if any, to the borrower.”

That seems to allow the possibility that, in a \$15 million deal, there might have been cash left over after other expenses to be distributed among the original investors.

All indications are the lawyers for Mountain Blue are trying to figure out many of the connections in the deal.

Mountain Blue is being represented by Charleston attorneys Michael J. Del Giudice and Timothy J. LaFon. In legal filings, they said they weren't retained until August 14, a little more than a week after the lawsuit was filed.

On August 15, they filed a **motion to continue** an evidentiary hearing originally scheduled for Aug. 18 — in part because they need to familiarize themselves with who they're representing and what their interests actually are.

"This the first time this law firm has represented the Defendant and it will take a considerable amount of time to become acquainted with the business and review the Complaint, attachments, Emergency Motion for Appointment of Receiver and Memorandum," the attorneys wrote.

U.S. District Judge Irene M. Keeley granted the motion to continue. She then **set an evidentiary hearing date** for 9 a.m. Oct. 5.

By Sept. 14, the lawyers for Mountain Blue are supposed to file a brief in response to the original lawsuit. The lawyers for the lender are supposed to file a response to that by Sept. 21.

By Sept. 28, both sides are supposed to file a list of exhibits and witnesses.



## Brad McElhinny

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Brad McElhinny is the statewide correspondent for MetroNews. Brad is a Parkersburg native who spent more than 20 years at the Charleston Daily Mail.

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Comments

# Manchin, Puccio are also listed as investors in troubled Clarksburg, Elkins hotels



This Hilton Garden Inn in Clarksburg is the subject of a federal breach of contract lawsuit.

**CLARKSBURG, W.Va.** — Sen. Joe Manchin and longtime aide Larry Puccio, in addition to being listed among the investors in a Morgantown hotel in a federal default case, are also listed as investors in the [case of default](#) over a \$19,630,000 loan on hotels in Clarksburg and Elkins.

The breach of contract lawsuit over the Clarksburg and Elkins hotels was actually filed first, on May 10, but it's received less attention than the [Morgantown deal](#).

In the Morgantown lawsuit, the defendant is a company called [Mountain Blue Hospitality](#). In the Clarksburg lawsuit, the defendant is the related [Mountain](#)

## West Hospitality.

### **MORE:** [Financial problems hound Clarksburg hotel too](#)

Both share developer William Abruzzino as a top officer. In both cases, Abruzzino signed a multi-million dollar loan document.

And in both cases, Manchin and Puccio are listed as investors through their partnership in AA Properties LLC.

AA is listed in the original, 2012 loan document as a 12-percent investor in Mountain West. Manchin and Puccio are listed as 50-50 investors in AA.



Joe Manchin

They, along with other investors that include several members of the Abruzzino family, are listed in the lawsuit not as defendants but to show diversity for court jurisdiction.



Loan Application - Borrower Organization Chart

1. Borrower Organizational Chart

PLEASE COMPLETE ALL INFORMATION

BORROWER	
Name:	Mountain West Hospitality, LLC
Entity Type:	LLC

GENERAL PARTNER, MANAGER OR MANAGING MEMBER	
Name:	Mountain West Management, Inc.
Entity Type:	Corporation
Percentage:	-0- %
Please Diagram Ownership at Bottom of Page	

Name:	William A. Abruzzino
Percent:	1 %

Name:	AA Property, LLC
Percent:	12 %

Name:	Rebecca A. Abruzzino
Percent:	29 %

Name:	Peachtree Village Partners, LLC
Percent:	6 %

Name:	Martha Hughes
Percent:	10 %

Name:	Robert A. Abruzzino
Percent:	10 %

Name:	Martha Hughes, Trustee *
Percent:	10 %

Name:	Mark A. Abruzzino
Percent:	10 %

Name:	Judy Nunnally
Percent:	10 %

Name:	
Percent:	%

Name:	Jaron Smalley
Percent:	2 %

Name:	
Percent:	%

See Exhibit "A"

SEE Exhibit "B"

PLEASE LIST GENERAL PARTNER, MANAGER OR MANAGING MEMBER OWNERSHIP BELOW

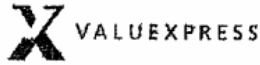
Name:	
Percent:	%

Name:	
Percent:	%

Name:	
Percent:	%

Name:	
Percent:	%

\* Martha Hughes, as Trustee of the William A. Abruzzino and Rebecca A. Abruzzino Generation Skipping Trust



Loan Application - Borrower Organization Chart

~~1. Borrower Organizational Chart~~

*Exhibit "A"*

PLEASE COMPLETE ALL INFORMATION

Name: AA Property, LLC  
 Entity Type: WV LLC

GENERAL PARTNER, MANAGER OR  
 MANAGING MEMBER  
 Name: Larry Puccio  
 Entity Type: Managing Member  
 Percentage: 12 %  
 Please Diagram Ownership at Bottom of  
 Page

Name: Larry Puccio  
 Percent: 50 %

Name: \_\_\_\_\_  
 Percent: \_\_\_\_\_ %

Name: Joe Manchin III  
 Percent: 50 %

Name: \_\_\_\_\_  
 Percent: \_\_\_\_\_ %

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PLEASE LIST GENERAL PARTNER, MANAGER OR  
 MANAGING MEMBER OWNERSHIP BELOW

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 Percent: \_\_\_\_\_ %

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When news about the Morgantown hotel broke, Manchin's staff and Puccio initially said they are not invested in AA, which is described as a property management corporation. They then revised their statements to acknowledge AA ownership but to say they are not invested in the hotels.



Larry Puccio

Manchin's Senate [financial disclosures](#) say he had \$50,001 to \$100,000 invested in AA in 2016, with earnings of \$11,200.18.

Previous reports show the AA partnership earned Manchin \$11,000 in 2015, \$11,454.52 for 2014, \$15,000 for 2013 and \$12,966 in 2012.

So there's no question Manchin is an investor in AA. But AA's involvement with Mountain West and Mountain Blue is murky.

Last week, Manchin attorney Steve Ruby said the senator's listing as an investor in the Morgantown hotel is a mistake.

"The statement in there that AA is a member of Mountain Blue LLC — that was a mistake. We've communicated that to the lenders counsel. We're working on getting that corrected, and I'm hopeful that correction will be made soon," said Ruby, a former assistant U.S. attorney who is now in private practice with the Bailey Glasser law firm.

Ruby went on to say, "Nobody has alleged that AA did anything wrong. They were only named for technical reasons having to do with federal jurisdiction, and even that was erroneous. We're working right now on getting that erroneous statement corrected."

No such clarification had been filed as of Friday afternoon in the Morgantown case. No such clarification appeared to have been filed in the months of litigation over the Clarksburg and Elkins hotels.



The loan agreements on file in both federal cases specifies how minority investors could get out of the deal without notifying the lender.

“Lender’s consent shall not be required in connection with one or a series of transfers, of not more than forty-nine percent in the aggregate of the direct or indirect ownership interests in any restricted property,” according to Section 8.2 of the loan, which has to do with transfers by borrowers.

Such transfers may happen, the loan document goes on to say, as long as default or an event of default has not occurred. That’s key in this case because the lawsuit is all about the hotel currently defaulting.

With a 12 percent total investment, Manchin and Puccio would fall within that range where consent of the lender to transfer ownership interests is not required.

(xviii) If required by Lender, Borrower shall have delivered a Rating Agency Confirmation as to such Transfer and Transferee;

(xix) Borrower shall have paid to Lender an assumption fee equal to one percent (1%) of the Outstanding Principal Balance; and

(xx) Borrower shall have paid all reasonable out-of-pocket costs and expenses incurred in connection with such Transfer (including reasonable fees and disbursements of Lender's counsel and fees, costs and expenses of the Rating Agencies).

(g) As used in this Section 8.1, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of a Person, whether through ownership of voting securities, by contract or otherwise and the terms "controlled" and "controlling" shall have correlative meanings.

**Section 8.2 Permitted Transfers of Interests in Borrower.** Notwithstanding anything to the contrary contained in Section 8.1 hereof, Lender's consent shall not be required in connection with one or a series of Transfers, of not more than forty-nine percent (49%) in the aggregate of the direct or indirect ownership interests in any Restricted Party; provided that the following conditions are satisfied: (a) no Default or Event of Default shall have occurred and remain outstanding or shall occur solely as a result of such Transfer, (b) such Transfer shall not (i) cause the transferee, together with its Affiliates, to acquire control of any Restricted Party, (ii) result in any Restricted Party no longer being controlled by Guarantor, or (iii) cause the transferee, together with its Affiliates, to increase its direct or indirect interest in any Restricted Party to an amount which exceeds forty-nine percent (49%) in the aggregate, (c) to the extent the transferee owns twenty percent (20%) or more of the direct or indirect interests in any Restricted Party immediately following such Transfer (provided that such Transferee did not own 20% or more of the direct or indirect ownership interests in such Restricted Party as of the Closing Date), Borrower shall deliver, at Borrower's sole cost and expense, customary searches (credit, judgment, lien, bankruptcy, etc.) reasonably acceptable to Lender with respect to such transferee and its Affiliates as Lender may reasonably require, (d) after giving effect to such Transfer, Guarantor shall continue to own, directly or indirectly, at least fifty-one percent (51%) of all legal, beneficial and economic interests in each Restricted Party, (e) the Property shall continue to be managed by Manager or Qualified Manager, (f) Borrower shall give Lender notice of such Transfer request, together with copies of all instruments effecting such Transfer and copies of any Organizational Documents that Lender shall require, not less than thirty (30) days prior to the proposed date of such Transfer, and (g) the legal and financial structure of Borrower and its stockholders, partners or members, as applicable, and the single purpose nature and bankruptcy remoteness of Borrower and its stockholders, partners or members, as applicable, after such Transfer, shall satisfy Lender's then current applicable underwriting criteria and requirements. As used in this Section 8.2, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of a Person, whether through ownership of voting securities, by contract or otherwise and the terms "controlled" and "controlling" shall have correlative meanings.

## ARTICLE 9 - SALE AND SECURITIZATION OF MORTGAGE

A receiver was named for the Hilton Garden Inn in Clarksburg and for the Hampton Inn in Elkins on Aug. 2 in an order by U.S. District Judge Irene Keeley.

In its lawsuit, the plaintiff Deutsche Bank claims a breach of contract over the hotel loan. It says default events have already occurred over the April 11, 2012, loan of \$19,630,000.

The lawsuit says the hotel franchises failed to keep up with payments to Hilton of \$239,067.66 for the Clarksburg hotel and \$160,827.49 for the Elkins hotel. Mountain West then agreed to a repayment plan but failed to keep up with that too.

Hilton notified Mountain West that its franchise agreement would terminate this past May 11, although later communication showed that the hotel chain would refrain from that action if a receiver were to be appointed.

“If the franchise agreements are terminated, potentially millions of dollars of value will be lost,” lawyers for Deutsche Bank wrote.

Deutsche Bank contends that the hotels face other kinds of financial trouble too, including the inability to consistently pay employees or to keep up with state and local taxes.

“Hilton is aware of the nonpayment of wages and failure to pay taxes and is highly concerned with the current management continuing in place,” lawyers for Deutsche Bank wrote in the lawsuit.

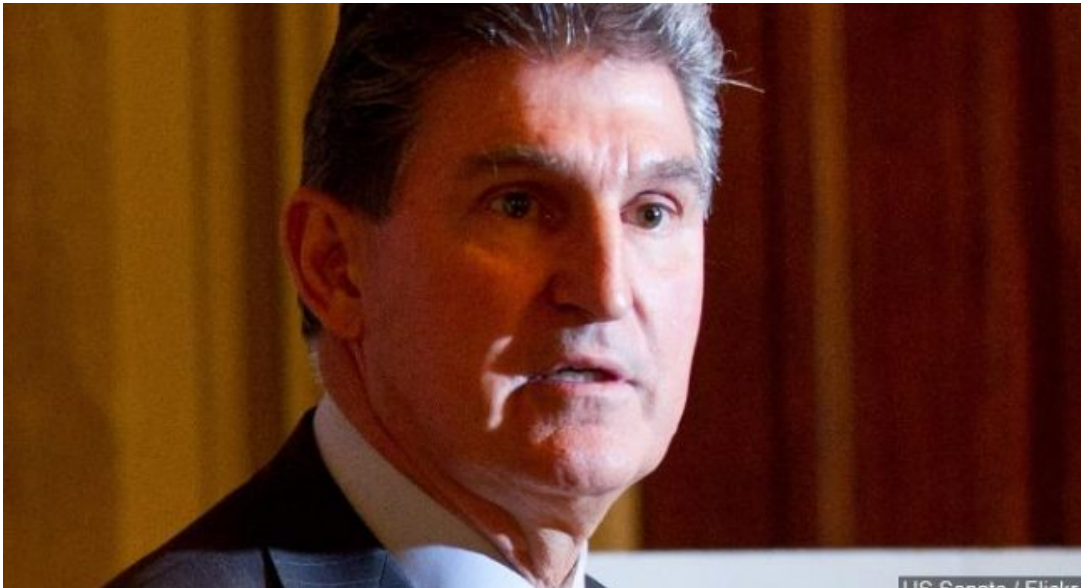
In a May 10 letter, the lender notified Mountain West that its obligations under the loan have accelerated, and it demanded repayment of the loan. About that time, \$17,678,463.04 remained on the loan, along with \$8,249.27 in late charges.

The lawyers for Deutsche Bank wrote that the appointment of a receiver is essential to protect the value of the hotels because the loan is nonrecourse, meaning the loan is secured by collateral and the borrowers are not personally liable.

“A legal remedy is inadequate for plaintiff because the loan at issue is nonrecourse subject to certain narrow exceptions and therefore properties will likely be the only assets against which plaintiff may have recovery,” the lawyers wrote.

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# Manchin's corporate partnership, said to be in blind trust, is right there for all to see



MetroNews staff photo  
Joe Manchin

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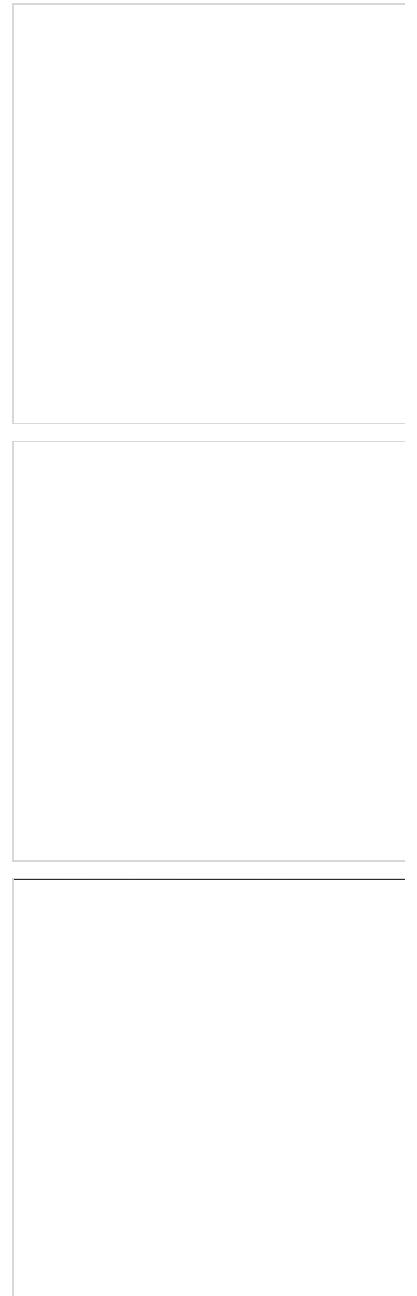
By Brad McElhinny in News | August 30, 2017 at 6:09PM

**CHARLESTON, W.Va.** — Senator Joe Manchin says he has no more knowledge of his investment in a failing \$15 million hotel than anyone else because he's in a blind trust. But Manchin's partnership that's listed as an investor in the hotel is plain to see for anyone — including Manchin — in his annual Senate financial disclosure form.

Manchin's latest financial disclosure form does list the Joseph Manchin III Qualified Blind Trust right there on Line 7, with a value of between \$250,001 to \$500,000 and an income of \$5,001 to \$15,000.

Way down below that, separately listed on Line 18, is AA Properties — the partnership with longtime adviser Larry Puccio that's said to be a corporate investor in the hotel deal.

AA is listed at a value of \$50,001 to \$100,000 and producing income



of \$11,200.18.

A blind trust means that the senator doesn't know the contents. So the senator wouldn't know its value, wouldn't be listed as a member and wouldn't even know exactly what investments the trust has made. So it would not appear separately on the financial disclosure form unless some big mistake had happened.

If you're curious enough to take a gander at the financial disclosure form, you've got to **go here** and then agree to some terms that include your promise to not use the material for a credit rating. In the search field for last name type "Manchin" and the financial disclosure forms come up. The most recent is at the top.

Those who file the annual financial disclosure forms have to check a box indicating they "certify the statements I have made on this form are true, complete and correct to the best of my knowledge and belief."

In other words, senators are supposed to be aware of what they are filing.

**Manchin was asked** earlier this week about a federal lawsuit against Mountain Blue Hotel Group, which has been defaulting on a \$15,470,000 loan for Hilton Garden Inn Morgantown at Suncrest Town Center.

Among the investors listed in the hotel deal is AA Properties, said to have a 12 percent share of the deal.

Both the original loan and the lawsuit list Manchin and Puccio as 50-50 partners in AA. AA Property, Manchin and Puccio are listed on **pages 58 and 59 of this loan document**.

"I have no idea. I'm in a blind trust," Manchin said Monday following an economic development announcement at the West Virginia Regional Technology Park.

"I have no idea on that. The only thing I'm told is that we have no involvement whatsoever, and we were very passive investors. Blind trust, and no involvement. I've paid all the taxes I've ever been sent a tax bill on. I always will and always have, so I have had no notification of any of this."

The role of Manchin and Puccio has been confusing from the start.

In the first stories published about the hotel lawsuit, Manchin's staff said he is **not an investor** in AA.

AA is listed not only on Manchin's current Senate financial disclosure form but also on reports dating back to at least 2012. He was elected to the Senate in a special 2010 election.

**AA has been listed** with the West Virginia Secretary of State's Office since late 2008, although only Puccio is named on the documents in his role as a manager. Also, Manchin's wife **Gayle listed AA** in her own financial disclosure submitted for her role as West Virginia's secretary of Education and the Arts. That too lists the blind trust separately.

Soon after the first stories came out, Manchin's staff and Puccio **updated their statements** to acknowledge investment in

AA but to say they are not invested in the troubled Morgantown hotel.

“Most certainly, take it to the bank, AA is not a stockholder and has no affiliation nor ownership with the hotel company, nor does Manchin or Puccio,” Puccio said on August 16.

That same day, Manchin’s congressional staff sent out an email stating, ““Senator Manchin has part ownership in AA Property, but AA Property has no ownership or affiliation with the hotels.”

**Asked several times, several ways** to reconcile the stated lack of investment with both the original loan and the lawsuit, no one involved could provide clarity over the course of almost a month.

This Wednesday morning, Steve Ruby, a private attorney for Manchin, said the listing in the lawsuit **was a mistake** that would be ironed out and made clear through court filings still to come.

“The statement in there that AA is a member of Mountain Blue LLC — that was a mistake. We’ve communicated that to the lenders counsel. We’re working on getting that corrected, and I’m hopeful that correction will be made soon,” said Ruby, a former assistant U.S. attorney who is now in private practice with the Bailey Glasser law firm.

Ruby went on to say, “Nobody has alleged that AA did anything wrong. They were only named for technical reasons having to do with federal jurisdiction, and even that was erroneous. We’re working right now on getting that erroneous statement corrected.”

The weeks of confusing statements have drawn the attention of the Republican Party at the national level. Manchin is heading into a competitive 2018 election season with two of West Virginia’s top Republicans, Congressman Evan Jenkins and Attorney General Patrick Morrisey, vying to take him on.

“Joe Manchin’s repeated misleading statements about his tax-evading hotel investment raise the question of what exactly it is that he’s hiding. West Virginians deserve to know the truth about Manchin’s shady business dealings and why he continues to mislead when questioned about them.” stated Bob Salera, a spokesman for the National Republican Senatorial Committee in an email to MetroNews.

Manchin has been in a blind trust dating back to his time as West Virginia’s governor. **Guidance** for senators establishing or dealing with qualified blind trusts is available through the Senate Committee on Ethics:

“A QBT allows grantors to avoid potential conflicts of interest or the appearance of such conflicts during Senate employment. By turning over the management of assets to an independent trustee, a QBT generally will allow the grantor to be fully invested in the market without worrying about potential conflicts of interest and the possibility of having to recuse oneself from handling official business. In addition, a QBT may help avoid even the appearance of a conflict of interest.”

The guidance provided by the ethics committee advises against placing a business entity — as might describe AA — into a blind trust

because it's hard for a trustee to manage.

“Generally, grantors will inject publicly-traded securities (stock, bonds, and mutual funds) and cash into a QBT. Conversely, real property, a business entity, or assets held in a qualified retirement plan are typically not ideal assets to inject into a QBT because those types of assets are generally not able to be managed and controlled entirely by the trustee as required by law.”

There are specific lines in the trust agreement that's part of the process that would indicate that AA's open listing elsewhere — with its value and income — would not jibe with a blind trust.

For example: “The Trustee shall not knowingly or negligently disclose to the public or to any interested party any information as to the acquisition, retention, or disposition of any particular securities or other Trust property.”

And: “A reporting individual need not report the holdings of or the source of income from any of the holdings of any qualified blind trust.”



## Brad McElhinny

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Brad McElhinny is the statewide correspondent for MetroNews. Brad is a Parkersburg native who spent more than 20 years at the Charleston Daily Mail.

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# Manchin says he's also in the dark on \$15 million hotel deal gone bad

**SOUTH CHARLESTON, W.Va.** — Senator Joe Manchin says he's no more enlightened than anyone else about whether he's still an investor in a \$15 million Morgantown hotel that's the subject of a lawsuit.

“I have no idea. I'm in a blind trust,” Manchin said today following an economic development announcement at the West Virginia Regional Technology Park.

“I have no idea on that. The only thing I'm told is that we have no involvement whatsoever, and we were very passive investors. Blind trust, and no involvement. I've paid all the taxes I've ever been sent a tax bill on. I always will and always have, so I have had no notification of any of this.”

Manchin spoke after making brief comments to local reporters about N3, an Atlanta-based sales and marketing firm that was announcing plans to locate at the tech park. Dignitaries were still milling about, as was at least one tracker who has been following Manchin to generate opposition material for his upcoming U.S. Senate race.

Manchin and longtime aide Larry Puccio are listed among the borrowers in the original \$15,470,000 loan for Hilton Garden Inn Morgantown at Suncrest Town Center that is now going bad.

A lawsuit filed August 8 on behalf of the original lender continues to list Manchin and Puccio as if they remain investors.

But Manchin's staff and Puccio have said repeatedly that they are not investors in the hotel.

The lawsuit filed August 8 in federal court in Clarksburg lists Manchin and Puccio as investors in AA Property. The lawsuit, in turn, lists AA as an investor in Mountain Blue Hotel Group, the corporation that borrowed the money for the hotel.

The original loan document also lists AA with a 12 percent interest in Mountain Blue Hotel Group — and Manchin and Puccio with a 50-50 investment in AA. Their names were also on a [2013 facility letter](#) for the Hilton project that's now the subject of the lawsuit.

**MORE:** [AA Property, Manchin and Puccio are listed on pages 58 and 59 of this loan document](#)

The [notarized deed](#) for the hotel does not specifically list Manchin and Puccio.

Manchin and Puccio initially said they are not investors in AA but then revised their positions to acknowledge investment in AA but to say they are not investors in the hotel.

“Senator Manchin has part ownership in AA Property, but AA Property has no ownership or affiliation with the hotels,” Manchin spokesman Jonathan Kott stated in an email to MetroNews earlier this month.

On Monday afternoon in South Charleston, Manchin said he does have a lawyer, former assistant U.S. Attorney Steve Ruby, trying to sort out the matter. Ruby now works for the Bailey Glasser law firm.

“Steve Ruby handles it for us, so he'd be the person to talk to,” Manchin said.

The lawsuit, filed by trustee U.S. National Bank Association, alleges a commercial breach of contract over the loan for the Hilton at Sun Crest Town Center in Morgantown. The lawsuit states default actions have occurred, endangering the property.

Developer William Abruzzino signed a 2013 loan for Mountain Blue Hotel Group, [the defendant in the lawsuit](#).

“Yeah, I know him,” Manchin said Monday afternoon. “Sure, I’m concerned absolutely. That’s his concern. I’m not involved in any way, shape or form — or the blind trust I have is not involved. But I’m told — it is really blind. But Steve Ruby handles all of that. I understand everything is fine.”

Others involved with the situation also have not been illuminating so far.

The original lender, UBS Real Estate Securities, is being represented by trustee U.S. National Bank Association. Its lawyers Christopher P. Schueller and Timothy P. Palmer were contacted last week by telephone and email in an attempt to clarify the status of the original 2013 Manchin and Puccio investment.

“Hi Brad, We cannot comment,” Schueller wrote back.

Puccio, a lobbyist and former state Democratic chairman, was also asked about the investment’s status last week during a short telephone call.

In that conversation, he was asked specifically about the original loan agreement listing his name and Manchin’s. He was asked if the original loan was false or if the original investment was somehow withdrawn — or if the link was severed some other way.

Puccio wouldn’t elaborate.

“I’ve made it clear as I could that we have no ownership, and I think if you’re patient you’ll see I was right and no ownership,” Puccio said. “I’m not going to keep doing this. I’m out, bud.”

The loan agreement specifies how minority investors could get out of the deal without notifying the lender.

“Lender’s consent shall not be required in connection with one or a series of transfers, of not more than forty-nine percent in the aggregate of the direct or indirect ownership interests in any restricted property,” according to Section 8.2 of the loan, which has to do with transfers by borrowers.

Such transfers may happen, the loan document goes on to say, as long as default or an event of default has not occurred. That’s key in this case because the lawsuit is all about the hotel currently defaulting.

With a 12 percent total investment, Manchin and Puccio would fall within that range where consent of the lender to transfer ownership interests is not required.

Another section of the loan deals with the use of proceeds.

Borrowers were to use the \$15 million to acquire the property and pay off any other existing loans, pay any past due costs on the property, deposit the reserve funds, pay costs and expenses related to the closing of the loan, fund any working capital requirements and “distribute the balance of the proceeds, if any, to the borrower.”

That seems to allow the possibility that, in a \$15 million deal, there might have been cash left over after other expenses to be distributed among the original investors.

All indications are the lawyers for Mountain Blue are trying to figure out

many of the connections in the deal.

Mountain Blue is being represented by Charleston attorneys Michael J. Del Giudice and Timothy J. LaFon. In legal filings, they said they weren't retained until August 14, a little more than a week after the lawsuit was filed.

On August 15, they filed a motion to continue an evidentiary hearing originally scheduled for Aug. 18 — in part because they need to familiarize themselves with who they're representing and what their interests actually are.

“This the first time this law firm has represented the Defendant and it will take a considerable amount of time to become acquainted with the business and review the Complaint, attachments, Emergency Motion for Appointment of Receiver and Memorandum,” the attorneys wrote.

U.S. District Judge Irene M. Keeley granted the motion to continue. She then set an evidentiary hearing date for 9 a.m. Oct. 5.

By Sept. 14, the lawyers for Mountain Blue are supposed to file a brief in response to the original lawsuit. The lawyers for the lender are supposed to file a response to that by Sept. 21.

By Sept. 28, both sides are supposed to file a list of exhibits and witnesses.

[https://www.wvgazettemail.com/news/politics/manchin-puccio-not-listed-on-hotel-s-bankruptcy-filing/article\\_45cdbed7-9e80-5ae4-9302-9e6e77747d6a.html](https://www.wvgazettemail.com/news/politics/manchin-puccio-not-listed-on-hotel-s-bankruptcy-filing/article_45cdbed7-9e80-5ae4-9302-9e6e77747d6a.html)

## Manchin, Puccio not listed on hotel's bankruptcy filing

By Jake Zuckerman Staff writer Oct 22, 2017



Sen. Joe Manchin, D-W.Va.

A bankruptcy filing from the ownership group controlling a hotel in Morgantown that owes nearly \$15 million to creditors does not list a partnership between U.S. Sen. Joe Manchin, D-W.Va., and his adviser as a stakeholder, contrary to an August complaint in federal court.

Mountain Blue Hotel Group, a limited liability company based in Georgia, listed a number of equity holders in its [filing](#), not including Manchin or his adviser, Larry Puccio.

In the original complaint, the ownership group listed AA Property LLC — a partnership between Manchin and Puccio — among its investors.

Steve Ruby, Manchin's attorney, said Friday that AA Property was listed on the original complaint in error, and the bankruptcy filing should put the matter to rest.

"In the bankruptcy case, the Mountain Blue bankruptcy case in Georgia, there was a filing earlier this week that confirmed who the equity holders in Mountain Blue actually are," Ruby said. "Sen. Manchin is not one of them. AA Property is not one of them.

"The significance of that is it confirms what we've said, what I've said, and the senator has said from the time the case was filed in the Mountain Blue case, which is that the complaint was in error when it said that he was a part owner of Mountain Blue," Ruby said.

Ruby would not say if AA Property had ever been an investor in the hotel group.

"At this point, our view is that this story such as it was, was the result of a mistake in the complaint, and the matter is closed as far as we're concerned," he said. "We don't regard it as the basis for any discussion of the senator's financial matters."

According to Manchin's [financial disclosure](#) from August with the U.S. Senate, he owns between \$50,000 and \$100,000 of value in "AA Properties, LLC." The disclosure does not contain any mention of Mountain Blue Hotel Group.

Puccio said he too is glad the court documents show that AA Property did not have any equity in the hotel at the time.

"I am pleased today it shows that we, and AA, has no ownership," he said.

When asked if AA Property ever invested in the company, he declined to comment, citing his own right to privacy.

"I'm not going to start talking about any investments that I would have, that's my private business, I'm a private citizen," he said.

[Loan documents](#) attached to the original lawsuit list AA Property as a 12 percent stakeholder.

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