

Congress of the United States

Washington, DC 20515

July 13, 2023

Ms. Sally B. Donnelly
Pallas Advisors
1050 Connecticut Ave NW Suite 1080
Washington, D.C. 20036

Dear Ms. Donnelly:

Five years have passed since you resigned your role as Senior Advisor to Secretary James Mattis, ending a tenure now shrouded in controversy.¹ Questions remain about your role in the JEDI cloud contract, at the time the largest federal procurement in history. The DOD's Office of Inspector General (OIG) report didn't shed much light on the matter. Rather, it selectively quoted source documents, glossed over critical issues, and left lingering doubts in the minds of many as to whether your role in the initial selection of Amazon for this \$10 billion "tailored" cloud contract with DOD was appropriate and ethical.² For the sake of good government, these lingering questions cannot go unanswered.

Certain public elements of this story are by now well known, but others are still shrouded in mystery. For example, questions remain about why you and Amazon-partner C5 Capital did not disclose the identity of the purchaser of your consulting company, SBD Advisors, by what we later learned was a newly-formed, and apparently tailor-made C5 subsidiary, VMAP Investor LLC. This transaction occurred just days before you joined DOD in January 2017 as a senior advisor to Secretary Mattis.

Days before you began your role at the Department of Defense (DOD) in January 2017, you sold your partial ownership share in SBD Advisors to VMAP for a reported sum of \$1.56 million.³ Amazon-partner C5 Capital, just a day before that, formed VMAP apparently for the sole purpose of this transaction. On your initial financial disclosure, which you filed upon entering service at DOD, you were required to report details of your income and transactions that may have caused a conflict of interest with your work at DOD.⁴ You failed to disclose the

¹ U.S. Department of Defense, Office of the Inspector General, Report on the Joint Enterprise Defense Infrastructure (JEDI) Cloud Procurement (April 13, 2020) at 192, [https://media.defense.gov/2020/Apr/21/2002285087/-1/-1/1/REPORT%20ON%20THE%20JOINT%20ENTERPRISE%20DEFENSE%20INFRASTRUCTURE%20\(JEDI\)%20CLOUD%20PROCUREMENT%20DODIG-2020-079.PDF](https://media.defense.gov/2020/Apr/21/2002285087/-1/-1/1/REPORT%20ON%20THE%20JOINT%20ENTERPRISE%20DEFENSE%20INFRASTRUCTURE%20(JEDI)%20CLOUD%20PROCUREMENT%20DODIG-2020-079.PDF).

² Letter from Senator Charles E. Grassley, Ranking Member, Senate Committee on the Judiciary, to the Hon. Sean O'Donnell, Acting Inspector General, U.S. Dep't of Defense (January 7, 2022), https://www.grassley.senate.gov/imo/media/doc/grassley_to_defense_dept.inspectorgeneraljedicontract.pdf.

³ Dep't of Defense, *supra* n.1 at 189.

⁴ U.S. Office of Gov't Ethics, OGE Form 278 Executive Branch Personnel Public Financial Disclosure Report, Instructions for Completing OGE Form 278 (noting that, "A basic premise of the statutory financial disclosure requirements is that those having responsibility for review of reports filed pursuant to the Ethics in Government Act

purchaser of SBD Advisors, and you didn't reference expected payments of \$1.17 million, the remaining balance due to you from VMAP/C5. This was already an asset in your possession, as VMAP was contractually obligated to pay you for the acquisition. You failed to disclose these ongoing payments despite the fact that two months before you filed your initial financial disclosure, four months after starting at DOD, C5 had already paid you another \$390,000 installment payment toward its remaining balance.⁵

C5 Capital also continued to conceal its role in the January 2017 transaction, releasing a bizarre press release the next year saying that it had just purchased SBD Advisors, even though its own portfolio company had purchased it directly from you the year before.⁶ Mr. Pienaar, in the release, said that he was, "delighted with the world class SBD team joining the growing ITC Group [C5]," even though he and C5 had actually purchased the firm 14 months before that.⁷ C5 followed that up by telling reporters that, "Neither C5 Capital nor any of its venture capital funds or employees bought any shares from Sally Donnelly in January 2017 when she sold her interest in the firm before commencing public service . . . Sally Donnelly did not receive any compensation from C5 or its portfolio companies while in government."⁸ We now know that this statement was false.

You did not disclose the continued payments you received from VMAP and C5 while you were at DOD until you left the Department, in your termination disclosure.⁹ When the OIG questioned you about the divestiture of your firm, even after ethics concerns had been raised and an investigation launched, you again failed to disclose the purchaser in response to a direct query.¹⁰ Instead, you replied that, "Andre Pienaar was *the organizer of the sale of SBD*," a non-answer that the OIG allowed to pass without further questioning.¹¹ You agreed at that time to provide the OIG with the Purchase and Sale Agreement for SBD Advisors, but you instead provided a copy of the contract to OIG with the purchaser, the most critical piece of information

or permitted public access to reports must be given sufficient information by reporting individuals concerning the nature of their outside interests and activities so that an informed judgment can be made with respect to compliance with applicable conflict of interest laws and standards of conduct regulations."),

[https://www.oge.gov/Web/OGE.nsf/0/A7FBDC0209B57819852585B6005A06C4/\\$FILE/8c47512231004e2d98b6966829afebfb4.pdf](https://www.oge.gov/Web/OGE.nsf/0/A7FBDC0209B57819852585B6005A06C4/$FILE/8c47512231004e2d98b6966829afebfb4.pdf).

⁵ Letter from Senator Charles Grassley, Ranking Member, U.S. Senate Comm. on the Judiciary, to Lloyd J. Austin, Secretary, U.S. Dep't of Defense, and Sean O'Donnell, Acting Inspector General, Dep't of Defense, Office of the Inspector General (October 24, 2022),
https://www.grassley.senate.gov/imo/media/doc/grassley_to_defense_deptdefenseinspectorgeneralsbdadvisorsllcconflictsofinterestreview1.pdf.

⁶ Press release, *C5 Capital-backed ITC Secure Acquires US-based SBD Advisors*, Private Equity Wire (March 4, 2018), <https://www.privateequitywire.co.uk/2018/04/03/262826/c5-capital-backed-itc-secure-acquires-us-based-sbd-advisors>.

⁷ *Id.*

⁸ *JEDI: Secretive, Influential Consulting Firm's Close Ties to Amazon Web Services and DOD Raise Additional Questions Around JEDI Contract*, The Capitol Forum, Vol. 6 No. 225, June 8, 2018, on file with staff.

⁹ Dep't of Defense, *supra* n. 1 at 192-93.

¹⁰ Dep't of Defense, Office of Inspector General, Recorded Transcription, Interview of Sally B. Donnelly, (August 15, 2019), page 6, on file with staff.

¹¹ *Id.* (Emphasis added.)

in an ethics review, redacted.¹² Yet again, the OIG, then led by Acting Inspector General Glenn Fine and later by Acting Inspector General Sean O'Donnell, looked the other way.

It was not until Mr. Pienaar provided access to the written agreement to Senator Grassley's staff last year, to be viewed in camera, that a new element of the story came to light: VMAP Investor, a subsidiary of C5 Capital, a business partner of Amazon, was formed days before you joined DOD and entered an agreement to purchase SBD Advisors and continue payments to you during your time at the Department.¹³ Your resistance to disclosing this ongoing financial relationship with C5 to DOD ethics officials at the outset, which would have allowed them to conduct a more thorough ethics analysis, and later to the OIG in the course of its official investigation, set off alarm bells that are still ringing, and leaves us with the obvious question: why? The OIG never got to the bottom of these questions, leaving Congress with the task of picking up the pieces and attempting to re-assemble them.

After you left DOD, in August 2018, you formed Pallas Advisors, along with Anthony DeMartino, who had worked for you at SBD Advisors and went with you to DOD.¹⁴ Mr. DeMartino apparently took part in certain matters related to JEDI procurement at DOD as well.¹⁵ It seems that Pallas Advisors is practically identical to the former SBD Advisors, which raises the question of why Mr. Pienaar and C5 Capital would agree to purchase your consulting firm without a non-compete agreement, allowing you to return to the private sector and potentially gain back the clients from your former firm.¹⁶ This fact pattern is especially worrisome given the conduct of other conflicted DOD officials.

When you entered service at DOD in 2017, given your proximity to Secretary Mattis as one of his most trusted advisors, you were in a position potentially to have an outsized influence over DOD policy or procurement, and provide direct access to the secretary. And all of this followed on the heels of your paid consulting work for both Amazon and Amazon-associated C5 and Andre Pienaar, selling Amazon Web Services (AWS) to DOD.¹⁷ We must determine whether this attempt to sell AWS services to DOD continued when you entered government service, and make sure that your inside access was used in the public's interest.

Accordingly, so that Congress may conduct independent oversight of your role in the

¹² *Id.* At 12; Letter from Sean W. O'Donnell, Acting Inspector General, Dep't of Defense, Office of Inspector General, to Rep. Yvette Herrell, Member, United States House of Representatives (March 8, 2022), on file with staff.

¹³ Letter from Senator Charles Grassley, *supra* n. 5.

¹⁴ Dep't of Defense, *supra* n. 1 at 190.

¹⁵ *Id.* at 204-206.

¹⁶ Pallas Advisors, *About Us* (last accessed May 5, 2023) (describing Pallas Advisors as "a strategic advisory firm specializing in navigating complex national and international security dynamics"), <https://www.pallasadvisors.com/>.

¹⁷ Dep't of Defense, Office of Inspector General, Recorded Transcription, Interview of Sally B. Donnelly, (August 15, 2019), page 7-9, on file with staff.

JEDI Cloud procurement, and in preparation of a transcribed interview, please provide the following records¹⁸ no later than July 27, 2023:

1. All records between you and any person or entity related to the JEDI contract and its procurement process. This request includes records in the possession of SBD Advisors and Pallas Advisors.
2. An unredacted copy of the January 2017 Purchase and Sale Agreement and any other agreements relating to purchase or sale of all, or any portion of, SBD Advisors.
3. All financial records reflecting all payments received pursuant to the January 2017 Purchase and Sale Agreement, including but not limited to each of the purported \$390,000 payments previously referenced in the DOD OIG Report.
4. A list of all persons employed by SBD Advisors in January 2017, and a list of all persons employed at Pallas Advisors within the last year.
5. A list of all clients of SBD Advisors in 2016 and 2017 and a list of all clients of Pallas Advisors within the last year.
6. All records between and among you and Andre Pienaar or any of his agents or related parties, and between and among you and any party associated with C5, VMAP Investor LLC, and any subsidiary or affiliate of C5 or VMAP investor LLC.
7. All records between and among you and Amazon or any of its agents, employees, and related parties, in any way related to the Department of Defense from December 2016 through your tenure at the Department.
8. All financial records relating to any financial consideration you received, directly or indirectly, from Amazon (or any Amazon entity or related party); and/or C5 (or any C5 entity or related party) whether pursuant to the Purchase and Sale Agreement or not, whether before, during, or after your tenure at DOD.
9. All agreements between Pallas Advisors (or any related entity or agent) and Amazon (and any related entity or agent), and financial records relating to any consideration paid to Pallas Advisors (or any agent or related entity) from Amazon (or any agent or related entity) or C5 (or any agent or related entity).

We reserve the right to make additional document or information requests should we deem it necessary to advance this investigation. Thank you for your cooperation in this important matter.

¹⁸ "Records" include any written, recorded, or graphic material of any kind, including letters, memoranda, reports, notes, electronic data (e-mails, email attachments, and any other electronically-created or stored information), calendar entries, inter-office communications, meeting minutes, phone/voice mail or recordings/records of verbal communications, and drafts (whether or not they resulted in final documents).

Sincerely,



Charles E. Grassley
Ranking Member
Committee on the Budget



Nancy Mace
Member of Congress
Committee on Oversight & Accountability