

COUNTY ADMINISTRATIVE OFFICER'S COMMENTS REGARDING
SPECIFIC POINTS MADE IN THE 2005 GUMPORT JAIL REPORT
August 1, 2006

I directed Attorney Leonard Gumport to examine specific questions related to the County's lease and eventual purchase of the Maranatha jail in Adelanto after allegations were made that lobbyist Brett Granlund had participated in the negotiations that led to the lease/purchase, and that he had or would receive a commission either directly or indirectly from the jail's previous owner, all while acting as an agent for both the County and for the jail's previous owners.

In relation to the Maranatha facility, I asked Mr. Gumport to determine if Mr. Granlund had participated in the negotiations, if Mr. Granlund had or would receive a sales or referral commission, and whether a second Adelanto jail – owned by the City of Adelanto – had been available as an alternative to the Maranatha facility.

Despite the language Mr. Gumport used to answer these questions in his final report, which was completed on October 11, 2005, it is clear to me based on both the Gumport report and my own personal knowledge that:

- Although Mr. Granlund made phone calls to some County officials advising them of the possibility of the availability of the Maranatha facility, Mr. Granlund did not participate in the negotiation of any specific term of the lease/purchase agreement of the jail by the County.
- It is unknown whether he has received or will receive a commission. However, the County's lease/purchase agreements approved by the Board of Supervisors requires the disclosure of any commission.
- To the best of the County's knowledge and legal research, the Adelanto City facility was not and is not available for lease or purchase by the County.

For unknown reasons, Mr. Gumport did not limit his investigation to the issues he was directed to explore. These issues included whether the County needed additional jail space, mold at the Maranatha facility, and whether an appraisal was necessary prior to the County's lease of the facility. These issues had been resolved or were being addressed to the County's satisfaction when Mr. Gumport's services were retained.

A significant concern of Mr. Gumport's was the presence of mold at the Maranatha facility. The Board of Supervisors, Sheriff, A&E, Risk Management, and I were all aware of this concern well before escrow closed on the transaction. Risk Management retained the services of an environmental remediation expert, Clayton Group, to investigate the problem. Clayton inspected the facility on three occasions prior to the County's occupation of the jail. Clayton identified specific

areas of the facility that required remediation work. The remediation work was the responsibility of the previous owner, which completed the work at its cost. Once completed, the work was reviewed and certified by Clayton prior to the opening of the jail. In addition to repairing and removing damaged areas, modifications were made to the jail in the kitchen and shower areas that should prevent mold from occurring in those locations. On July 17, 2006 the Clayton Group returned to the jail for a follow-up inspection. While their written report has not been completed, they have indicated that there does not appear to be a recurrence of significant mold.

As a result of the opinions and concerns set forth by Mr. Gumport in his reports, the Board and I have implemented a number of procedures to further insure that County lobbyists avoid potential conflicts of interests or the appearance of conflicts. The County now requires its lobbyist to communicate potential conflicts directly to the CAO. Specifically, Platinum Advisors has been directed to advise the CAO of any potential conflicts. Also, they are to advise the CAO of the identity of clients for whom Platinum provides lobbying services. Additionally, Platinum's contract has been amended to require Platinum to advise the County of any third-party payments made to Platinum or its employees and contractors while the employees or contractors are providing services to the County. Platinum has responded to the County's concerns, as well, as they have hired a new Account Executive to manage the County's account. Also, the County's Legislative Affairs Director, at the direction of the Chairman of the Board of Supervisors, has counseled Platinum regarding some of the activities of Mr. Granlund identified in the Gumport report with the goal of preventing any such activities in the future as long as Platinum is a contractor of the County.

Following the completion of both Gumport reports, the District Attorney's Office requested copies of the reports, any exhibits, appendices and any statements as that office was conducting its own investigation. The Board of Supervisors and the CAO authorized the release of all these materials to the District Attorney's Office.

The District Attorney's Office concurred with the County's determination not to release the Gumport report until such time as the release would not likely hinder the DA's investigation. Recently, the DA's office stated that its investigation had reached a point at which release of the report would not hinder its investigation.

The Board of Supervisors has now determined that it is in the public interest to waive the attorney-client privilege as it pertains to the report, despite the fact that – even as Mr. Gumport has acknowledged – the report was not written for public consumption as it contains comments from non-management-level County employees and others who cooperated with the investigation. Therefore, certain identifying information regarding certain individuals cited in the report has been redacted.

The following are comments and reactions pertaining to specific points made in the 2005 Gumpport Jail Report in the order in which the points are made in the report. The paraphrased points from the report are indicated by italics, followed by my comments and responses.

- *“The County approved the lease under time pressure created by Maranatha”*

It is true the County was led to believe the Maranatha facility was only available for a limited time. Regardless, the County was in a hurry to buy the jail because the Sheriff was releasing hundreds of criminals into our neighborhoods simply because the County lacked jail space, and the Maranatha facility was the County’s only option (the Adelanto City facility was not available, building a new jail from the ground up was many years away, and releasing federal inmates was not economically feasible).

- *“Platinum and Granlund violated their contract with the county by not disclosing their relationship with Moreland.”*

The County thought this to be true when the Gumpport report was first issued and when the County issued the December 22 statement. However, we have since learned that Platinum informed then-Legislative Affairs Director Jim Wiltshire (November 2002-March 2004) of its relationship with Moreland, and that Wiltshire waived the requirement that Platinum make the disclosure in writing (see attachment). Wiltshire also did not pass this information along to his successors.

- *“Granlund likely influenced the County’s decision to lease/purchase the Maranatha facility.”*

The facts presented in the report do not support this statement, and the County does not believe this statement to be true. While Granlund did make statements supporting the Maranatha facility to the CAO and Sheriff, the decisions to lease and then purchase the facility were based solely on the County’s immediate need for jail space and the research and recommendations of the County’s professional staff, which had zero contact with Granlund prior to the Board of Supervisors approval of the lease. Granlund did not contact any member of the County’s negotiating team (Real Estate Services, Architecture & Engineering, Assistant CAO) in an attempt to influence the County’s decision to purchase or lease the Maranatha Jail.

- *“Mark Uffer recommended the County should lease the facility without an appraisal.”*

True. The County’s practice is not to conduct appraisals in conjunction with leases, but to rely rather on fair market value, which was done in this case. Appraisals are not required in conjunction with leases, and the County believed it

might lose the facility in the time it would take to complete an appraisal. Leasing the Maranatha facility was the only option the County had to quickly create a significant amount of jail space. However, the County resolved not to purchase the facility without an appraisal. Mr. Gumpert did not consider the difference between a purchase and a lease, and he did not consider improvements being made to the jail as required by the County of San Bernardino.

History proved the County right – an appraisal was eventually completed, and it supported the purchase price. Also, the subsequent purchase of a nearly identical prison to a private company at a higher per-bed price further proved the County paid a fair price (see attachment).

- *“Mark Uffer knew about the mold.”*

True, and this information was shared with everyone involved in the jail lease/purchase well before any decisions were made, including Supervisors Postmus and Hansberger. Subsequent to the Gumpert report, all mold issues were addressed and remediated at Moreland’s expense before the close of escrow. Moreland was fiscally responsible for completing the project and removing the mold in a timely fashion. The County assessed penalties of approximately \$260,000 for Moreland’s delay in completing the project. Mold-damaged portions of the jail were either repaired or replaced. Improvements to the jail facility were made that will prevent mold from re-occurring in the future.

The Clayton Group, hired by the County, inspected the jail on at least three occasions prior to the County’s occupancy of the jail. Clayton gave the facility a clean bill of health prior to the County’s occupancy of the jail. The jail is now mold-free, and the County has established a process to ensure it remains mold-free.

Gumpert/Reitman gave too much weight to the mold issue. It was never an issue that caused the County any concern. The County was always confident that the mold would be remediated prior to its occupancy. If the mold had not been remediated, the County would not have occupied the facility and any delay would have been charged to the owners. Gumpert/Reitman also gave significant weight to the disclaimer that is added to the Clayton Report. However, it is the experience of the County of San Bernardino that many environmental contractors include a disclaimer in any report they provide as a matter of course to avoid any potential liability in the event their findings are challenged or are in error.

- *“The Board of Supervisors agenda item regarding the lease did not disclose the Granlund conflict, the lack of time for an appraisal, the mold, or the City of Adelanto facility.”*

True, because such disclosure was unnecessary. Granlund played no role in the staff recommendation to the Board, and County staff was unaware of Platinum’s

relationship with Moreland. Appraisals are not necessary for leases. The mold was not a secret and was to be remediated prior to the County's occupation of the facility. Finally, the City of Adelanto facility was not available.

- *“Mark Uffer made misleading statements to the effect that he did not talk to Granlund until March 2005 when in fact he had spoken to Granlund in November 2004.”*

Not true. I (Mark Uffer) was misquoted in the Sun newspaper as having said I did not talk to Granlund until March 2005 when I had in fact told the reporter who wrote the story I had spoken to Granlund in November 2004 and produced records to that effect. It did not seem to be a major enough error at the time to warrant a request for a retraction. Had I known that Mr. Gumpert would later use this failure to seek a retraction to falsely accuse me of trying to mislead the public, I would have insisted that the Sun correct the error.

I had two telephone conversations with Granlund. Sometime in November 2004 Granlund contacted me advising of the possibility of an available jail in Adelanto. Sometime in March 2005 Granlund called me and asked if the County would be willing to make a significant down payment for the purchase of the Maranatha Jail. I referred Granlund to Associate County Administrative Officer Gerry Newcombe, who told Granlund the County would not make a down payment. This second contact between Granlund and me, and Mr. Newcombe's subsequent contact with Granlund did not occur until after the Board of Supervisors approved the lease.

- *“Granlund participated in negotiating at least one or more terms, including that the County sign the lease without an appraisal.”*

Not true. Negotiations occurred solely between Mr. Moreland and the County's professional real estate staff. The decision to proceed without an appraisal was based on information supplied directly by Mr. Moreland and the County's need for immediate jail capacity.

On Page 85 Mr. Gumpert elaborates on this point and seems to say that because Granlund provided Moreland with information regarding the state, this constituted negotiations between Granlund and the County. The County disagrees. Only contact with a County negotiator constitutes participation in negotiations, and Granlund had zero contact with County negotiators before or during the negotiating period.

- *“It is doubtful the Board of Supervisors would have approved the lease if it knew about the Granlund conflict.”*

The report presents no evidence to support this statement.

- *“There was no immediate need for a jail because the Sheriff could not produce the staff for such a facility for 6 to 9 months.”*

There was an immediate need for a jail due to the fact that thousands of criminals were being released into the County’s neighborhoods because of a lack of jail space. The Sheriff planned to and did indeed have the staff necessary to operate the facility when it opened because it took several months after the lease was signed to remodel and open the facility. During that renovation period, the Sheriff trained and developed the necessary staff.

- *“There is reasonable cause to believe Granlund may have expected a bonus.”*

This is a very vague statement that essentially says Mr. Gumport could find no evidence that Granlund had received or would receive a commission. It is worth noting that the County’s purchase agreement with Moreland requires Moreland to disclose any commissions they have paid or will pay to anyone in connection with the sale of the Maranatha facility.

- *“On September 26 Mr. Uffer requested that Mr. Gumport change or delete portions of his draft report and delete one question.”*

True. The report was intended to be a management tool to assist the CAO in determining the level of Granlund’s role in the jail transaction. Upon viewing the draft, it was clear that Mr. Gumport had taken it upon himself to explore several unrelated issues outside of his areas of expertise that the County had already resolved, such as mold, the value of the facility, and the fact that the appraisal hadn’t been completed prior to the lease agreement. This information was superfluous and served to confuse the report to the point that it lost sight of its intended purpose, so I – whom the report was intended to serve – requested changes.

The question that I asked to be deleted, concerning the availability of the City of Adelanto facility, had already been resolved. Mr. Gumport’s expertise was not needed in reference to this question.

- *“Although the County’s contract with Platinum required that Platinum comply with the ICMA Code of Ethics, Granlund had assisted one Board member with campaign financing. Platinum also violated its contract by not notifying the County it was working for California Charter Academy or planned to work for AshBritt.”*

The County was concerned about these lapses and addressed them with Platinum. The County also instituted new procedures to ensure the CAO is aware of any future potential conflicts. Regarding AshBritt, as far as the County knows,

AshBritt never hired Platinum or Granlund, and the County has not contracted with AshBritt.

- *“Granlund and Moreland were trying to rush the County.”*

Perhaps, but the County was in a hurry in its own right. The County was in the midst of a jail space crisis with criminals being released into our neighborhoods. History has proven that the decisions made to lease and then purchase the Maranatha facility were sound.

- *“When Granlund called Mr. Uffer to recommend the Maranatha jail as a nice solid facility he failed to mention the mold or Moreland’s dispute with the California Department of Corrections.”*

We don’t know whether Granlund knew about the mold, which was a minor problem that was easily fixed. As for referencing the CDC dispute, the call was a very quick one with little detail provided.

- *“The December 14, 2004 Board of Supervisors agenda item did not inform the Board that the City of Adelanto could surmount its contract issues with the state and make its jail facility available for sale to the County.”*

True, because the County did not believe this to be true and still does not know this to be true. The City of Adelanto informed the County its facility was not available because it was under contractual obligation to the state. The City of Adelanto has never contacted the County to state otherwise. It was only after the City of Adelanto learned how much the County planned to pay Moreland and was interviewed by Mr. Gumpert that it said it could find a way out of its contract with the state.

The County still maintains that even if the City of Adelanto wanted to get out of its contract with the state, the ensuing litigation would make that facility unavailable to the County for many years. The County had an immediate need for jail space. The County’s agreement with Moreland provided that immediate space, with more beds than would have been available at the City of Adelanto facility.

- *The County Department of Real Estate Services changed the appraisal from “as is” to “as hoped for,” assuming repairs would be made by October 1.*

True. Since Moreland was responsible for renovations, and since the County was purchasing a completed, renovated facility, it made sense to have it appraised in that manner. True, the work was not completed by October 1, and Moreland was eventually sanctioned approximately \$260,000. However, the work was eventually completed to the County’s satisfaction, including complete remediation of the mold issue.

- *“The need for additional jail space may justify proceeding with the lease/option provided that the County first makes certain that the mold condition at the Maranatha Jail is properly remediated to protect inmates, County personnel, and the County.”*

The County views this verbatim quote from Mr. Gumport located near the end of the report as an endorsement of the County’s actions regarding the mold. The mold was completely remediated before the facility was occupied.

Mark Uffer
County Administrative Officer
August 1, 2006



The County of El Dorado

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January 10, 2006

Mark Uffer
Chief Administrative Officer
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San Bernardino, CA 92415-0120

Dear Mark,

I wanted to formally respond to the recent attention given to the administration of the Platinum Advisors contract through the office of legislative affairs.

As you are aware, I was a registered lobbyist working on behalf of San Bernardino County since June of 1999 and served as the Director of Legislative Affairs exclusively for San Bernardino County from November 2002 through March 2004. In the fall of 2002, the Board of Supervisors radically changed the operation of legislative affairs. In an effort to consolidate federal and state efforts the position of Director of Legislative Affairs was created. This position no longer reported to the Chief Administrative Officer but to the Board of Supervisors. These changes were designed to create a single point of contact and to establish a coordinated communication between the Board and the county's legislative delegation and contracted firms.

After the internal structure was reconfigured the Board selected a number of legislative firms in both Sacramento and Washington D.C. and executed contracts. The purpose for selecting three firms (Platinum Advisors, Nielson Merksammer, John Quimby) in Sacramento was to accomplish two goals: ensure continued solid relationships on both sides of the isle and to allow for assignment of legislative efforts to avoid conflicts of interests. All firms represent numerous clients. My responsibility was to assign legislation based on a variety of factors including any potential conflicts.

I had constant communication with all firms under contract with San Bernardino County for legislative services. I occupied office space in the CSAC building at 1100 K. Street and held regular meetings for purposes of coordinating the county's Legislative Platform. I was aware of all three firms' retention of additional clients during my tenure and never asked for a letter to announce their retention of services. The practice had been on a more informal basis as no firm in Sacramento gets a new client without it being common knowledge in the lobbyist community, not to mention the daily announcements and the Secretary of State's webpage. In addition all

three firms communicated these additions to me directly. While I recognize that this technically violates a provision of the contract, the practice of informal communication certainly fulfilled the spirit of the provision. The reason new clients were to be disclosed to the Director of Legislative Affairs was to ensure that the Director had all pertinent information for purposes of assignment of legislative issues. For example, Mr. Quimby also represented Riverside County. I would not assign Mr. Quimby to a bill that would generate opposite positions from the counties.

The model of legislative representation was designed to avoid any conflicts by having three firms to pick from on any given issue. In addition, it is common for lobby firms to engage the services of other lobby firms to preempt such conflicts. Many examples of these types of arrangements can be readily found in single contract counties.

To specifically address this single issue, I want to be on record that I was fully aware that the private prison owners in Adelanto had engaged the services Platinum Advisors.

I am available if you need anything from me to assist in clarification of the operations of the Legislative Affairs during my tenure. I can be reached at (530) 621-5569.

I look forward to seeing you again soon,

James J. Wiltshire
Assistant Chief Administrative Officer
El Dorado County

cc: Bill Postmus, Chair, San Bernardino County
Platinum Advisors

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January 5, 2006 Thursday 10:26 PM GMT

LENGTH: 679 words**HEADLINE:** CentraCore Properties Trust Announces Acquisition Of the Mesa Verde Correctional Facility, and Initiates Lease Relationship With Cornell Companies, Inc.**DATELINE:** PALM BEACH GARDENS, Fla. Jan. 5**BODY:**

PALM BEACH GARDENS, Fla., Jan. 5 /PRNewswire-FirstCall/ — CentraCore Properties Trust (NYSE:CPV), formerly Correctional Properties Trust, a real estate investment trust, announced it acquired the Mesa Verde Correctional Facility (the "Facility") for \$16,300,000, plus transaction costs, on January 5, 2006. The Facility is a 400-bed, minimum-security correctional facility located in Bakersfield, Calif., and was acquired from Correctional Institution, LLC, an unrelated party. CentraCore Properties Trust ("CPT") drew \$16,300,000 from its existing credit facility to complete the acquisition.

Simultaneous with the acquisition, CPT leased the Facility to Cornell Companies, Inc. Cornell Companies, Inc., ("Cornell") and CPT executed a triple-net lease expiring July 31, 2015, with a straight-line lease rate of approximately 10.48 percent during the initial four and one-half years of the lease, and a straight-line lease rate of approximately 12.04 percent for the following five years of the lease term. The lease includes a provision under which the lease payment will be increased by up to \$50,000 annually during the initial term of the lease if the population housed in the Facility is increased.

Cornell will operate the Facility on behalf of the California Department of Corrections and Rehabilitation ("CDCR") housing adult, male inmates. Cornell has the one-time right to terminate the lease effective July 31, 2010, without cost, if CDCR elects not to renew the operating contract beyond the initial period.

Charles R. Jones, president and chief executive officer of CPT, said, "This is a significant event for our Company for several reasons. In this three-party transaction, we acquired the existing Facility and simultaneously leased it to Cornell, with each of the three parties involved being unrelated. We are very pleased to now own the Mesa Verde Correctional Facility, which is in an excellent location. Most importantly, we have now initiated a new business relationship with Cornell, with the desire to complete additional transactions."

CPT, based in Palm Beach Gardens, Fla., was formed in February 1998, to capitalize on the growing trend toward privatization in the corrections industry. CPT has expanded its scope to include essential real estate projects outside the corrections sector, including mental health and higher education facilities. CPT is dedicated to ownership of properties under long-term, triple-net leases, which minimizes occupancy risk and development risk. CPT currently owns 13 correctional facilities in nine states, all of which are leased, with an aggregate completed design capacity of 7,556 beds.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and future performance of the Company that involve risks and uncertainties that could materially affect actual results. Such forward-looking statements are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and are qualified in their entirety by cautionary statements and risk factors disclosure contained in certain of the Company's Securities and Exchange Commission filings. For a description of certain factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release, refer to documents that the Company files from time to time with the Securities and Exchange Commission. Such filings include the Company's Form 10-K for the fiscal year ended December 31, 2004 and subsequent periodic reports. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

CentraCore Properties Trust Announces Acquisition Of the Mesa Verde Corre

Contact: CentraCore Properties Trust Shareholder Services (561) 630-6336, or access Company information at <http://www.centracorepropertiestrust.com/>

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