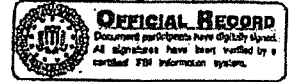


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**FEDERAL BUREAU OF INVESTIGATION**  
**Complaint Form**

Title: (U) PAL2015 258ANK02 Public Corruption

Date: 10/02/2015

Approved By: NEUMANN JACQUELINE E

Drafted By: Jeremy Crider

Case ID #: 194B-SC-6550860

(U) Michael Hanson,  
Superintendent,  
Fresno Unified School District;  
Richard Spencer, Owner,  
Harris Construction;  
CSLPO-Local Level  
Sensitive Investigative Matter

Full Investigation Initiated: 08/05/2015

Enclosure(s): Enclosed are the following items:

1. (U) Opinski Notes

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Complaint Synopsis: (U) Report to the Public Access Line by GREG OPINSKI (protect identity) of Public Corruption in Merced, CA (SC)

Received On: 09/15/2015

Receipt Method: Telephone

Incident Type: Criminal Activity

Drafted By: KEENER AMY N

## Complaint Details:

On 9/15/15, [REDACTED] (protect identity), date of birth [REDACTED], social security number [REDACTED], cell phone number [REDACTED], of [REDACTED], located at [REDACTED], CA [REDACTED] called the Public Access Line to advised of public corruption involving the Northern California Carpenters Union in Oakland, CA and the law

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firm of Atkinson, Andelson, Loya, Ruud & Romo who represents most of the public school districts in Merced and Stanislaus County, California.

██████████ spoke with JAY BRADSHAW, a representative of Northern California Carpenters Union, about joining the union. BRADSHAW advised ██████████ that he could pay a "consulting fee" to Atkinson, Andelson, Loya, Ruud & Romo in return he would be recommended or guaranteed a contract with the school district. ██████████ referred to it as a "pay to play". The contractor is selected, and then the "consulting fee" is paid to the law firm under a separate newly created entity or LLC, in return for the contract.

██████████ did not know the exact amount of the "consulting fee". JAY gave the impression that the fee was hundreds of thousands of dollars however ██████████ is not sure if that was the fee per year or project. OPINSKI was not interested in joining the union so he did not inquire any further. ██████████ is not aware what happens with the "consulting fees" once they are paid to Atkinson, Andelson, Loya, Ruud & Romo.

According to ██████████ only contractors in the union are being awarded the public school district contracts in Merced and Stanislaus County, California.

██████████ felt these "consulting fees" being paid to a law firm, to guarantee a contract, may be connected to improper lease/leaseback contracts like those involving Harris Construction Co., Inc. and Fresno Unified School District who is also represented by Atkinson, Andelson, Loya, Ruud & Romo.

An NCIC query was negative for ██████████

A DIVS query revealed multiple FinCEN Suspicious Activity Report by Banks for ██████████

A Sentinel query revealed case 194B-SC-6550860, pertaining to lease/leaseback contracts between Harris Construction Co., Inc. and

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Fresno Unified School District.

A Sentinel query was positive for multiple cases referencing Atkinson, Andelson, Loya, Ruud & Romo, some of which are restricted.

A Sentinel query revealed numerous JAY BRADSHAWS. But as a date of birth was not available, it is unknown whether any of the Sentinel matches were for the JAY BRADSHAW who is the subject of this FD-71.

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**Final Pre-Assessment Finding:**

On 09/29/2015, [REDACTED] was interviewed at the Federal Bureau of Investigation, Fresno Resident Agency, 7815 N. Palm Avenue, Suite 320, Fresno, California.

[REDACTED] advised he has been working in the construction industry since he was a teenager. [REDACTED] worked with his father, who was a contractor. [REDACTED] graduated from [REDACTED] and worked for a few different construction companies before starting [REDACTED] in 1993. [REDACTED] was the prime contractor on school district construction projects. [REDACTED] normally performed construction work in Madera, Merced, Modesto and sometimes Manteca. [REDACTED] typically self performed on certain aspects of the construction projects including: grading, paving, site concrete, rough framing, and finish carpentry. [REDACTED] self performed when he could do the work cheaper than the bids he received from subcontractors for the same work. If a subcontractor bid cheaper, then [REDACTED] would use the subcontractor rather than self perform.

In 2005 and 2006, before lease-leaseback contracts became prevalent with school districts, [REDACTED] was doing roughly \$30,000,000 to \$40,000,000 in annual revenue. Since lease-leaseback contracts have become the industry standard, [REDACTED] school construction jobs dried up almost overnight. [REDACTED] began to see in 2007 and 2008 jobs going to the same contractors over and over again.

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██████████ began to see the contract prices for lease-leaseback jobs were 20% more than the same job done using the traditional bid method. Today ██████████ has one school district job that is in litigation, but no new jobs are on the horizon. ██████████ noted the dispute he filed litigation on only involved approximately \$10,000, but the district withheld over a million dollars of payments for work already completed. ██████████ owes that money to subcontractors and had to file a lawsuit to get the money or risk forfeiting the entire amount.

██████████ current source of income comes from residential real estate construction which he does through a company called ██████████

██████████ alleged the widespread use of lease-leaseback has led to a corrupt system of awarding school district construction contracts. Two law firms: LOZANO SMITH (LS) and ATKINSON, ANDELSON, LOYA, RUUD, & ROMO (AALRR) represent 90% of the school districts from Fresno to Sacramento. ██████████ believed the two firms are perpetrating a scheme to direct school contracts to certain contractors who pay hidden consulting fees to the firms. LS is the law firm who represents FRESNO UNIFIED SCHOOL DISTRICT.

██████████ has heard school districts began using lease-leaseback contracts because traditional hard bid contracts often resulted in costly litigation. In ██████████ experience the school districts own attorney's, LS and AALRR, were often the cause of the costly litigation on every construction project. ██████████ advised some sort of dispute during large construction projects is common. The disputes are normally over small amounts in comparison to the overall contract. When LS and AALRR got involved they started holding payments from the contractors not just for the disputed amount, but for all unpaid billings, often amounting to millions of dollars. By law the contractor has one year to dispute any claims or the unpaid amounts are forfeited. So instead of having a dispute over a relatively small amount, such as thousands of dollars, the contractor is forced to file a lawsuit with the school district over millions of dollars.

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██████████ advised the law firms touted lease-leaseback contracts as a way to avoid costly litigation which had become common with traditional bid contracts. Lease-leaseback contracts are less prone to litigation, but the contracts often are priced 20% more than traditional bid contracts. ██████████ found it ironic that the contractors who filed the most lawsuits were the ones who ended up getting all the lease-leaseback jobs. OPINSKI also noted F & H CONSTRUCTION and MICHAM CONSTRUCTION were on the verge of bankruptcy and suddenly are receiving a large percentage of lease-leaseback contracts.

After lease-leaseback ██████████ noticed all the contractors who were getting school district work were union. In 2009 met with JAY BRADSHAW of the NORTHERN CALIFORNIA CARPENTERS UNION main office in Oakland, to discuss becoming a member company in the union. ██████████ said he wanted to join the union, but asked BRADSHAW to explain to him why only certain contractors were getting jobs. BRADSHAW explained that all the contractors getting jobs were paying consulting fees to LS and AALRR using shell companies. School district management and boards are not business and construction experts and often rely heavily on the advice of their hired outside council. After receiving consulting fees from contractors LS and AALRR use their influence at their client school districts to have contracts awarded to certain contractors.

BRADSHAW explained he was told by ██████████ at the meeting, that F & H CONSTRUCTION was using a company called Western Ranch LLC to pay consulting fees to AALRR. F & H CONSTRUCTION primarily does construction jobs in Merced, Modesto, and Manteca. Before lease-leaseback F & H CONSTRUCTION was nearly bankrupt and then suddenly began getting all the work in Merced and Manteca. ██████████ advised someone at F & H CONSTRUCTION also explained they were using a shell company to pay consulting fees to AALRR and LS to get school district contracts. ██████████ could not remember the name of the F & H employee.

BRADSHAW explained to ██████████ he could join the union, but would have to meet with LS and AALRR to get the details of the shell company

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he was to set up and how much he needed to pay in consulting fees to the law firms. [REDACTED] joined the union for a short time in an effort to help get jobs in Merced. [REDACTED] did not want to do anything illegal and did not meet with the law firms to set up a shell company. [REDACTED] believes all the construction companies obtaining lease-leaseback contracts were paying consulting fees to LS and AALRR through shell companies, including HARRIS CONSTRUCTION in Fresno and MICHAM CONSTRUCTION in Woodlake.

Sometime between 2010 and 2011 Merced High School District announced a large construction project. One of the contract requirements for the prime contractor was to use a certain percentage of local area subcontractors. The local representative for the NORTHERN CALIFORNIA CARPENTERS UNION, [REDACTED] could not remember the name, explained that F & H CONSTRUCTION AND BERNARDS CONSTRUCTION wanted to use [REDACTED] company to qualify for the local area subcontractor percentage. F & H CONSTRUCTION or BERNARDS CONSTRUCTION would list [REDACTED] as a subcontractor and have him submit invoices for work completed. This would allow the the prime contractor to meet the requirement, but in reality [REDACTED] would not be doing any work, but would receive up to \$100,000 for letting the prime contractor use his company to funnel money.

[REDACTED] recently was elected to the MERCED HIGH SCHOOL DISTRICT board of trustees. OPINSKI's reason for becoming a trustee was to try to uncover the corrupt practices of the district. So far the AALRR, who represents the district, has advised employees not to respond to [REDACTED] requests for information about the lease-leaseback contracts.

[REDACTED] advised TONY SMITH was an employee of the NORTHERN CALIFORNIA CARPENTERS UNION who left on bad terms. SMITH may be someone willing to provide information about the union and construction company corruption.

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**Recommended Action:** File to Existing Case

**Entities:**

Lozano Smith (Main, Organization, U.S. Person? Unknown)

JAY BRADSHAW (Main, Person, U.S. Person? Unknown)

*Name/Biographical Information*

Name: JAY BRADSHAW

Minor? No

Has Diplomatic Status? No

[REDACTED] (Complainant, Person, U.S. Person? Unknown)

*Name/Biographical Information*

Name: [REDACTED]

Born: [REDACTED]

Minor? No

Has Diplomatic Status? No

*Communication Account*

Type: Telephone

Account: [REDACTED]

Comment: cell

*Identification Number*

Social Security Account: [REDACTED]

*Location*

Address: [REDACTED]

City: [REDACTED]

State: CA

Zip Code: [REDACTED]

Country: United States

Comment: [REDACTED]

Atkinson, Andelson, Loya, Ruud & Romo (Main, Organization, U.S. Person? Unknown)

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## FEDERAL BUREAU OF INVESTIGATION

Date of entry 12/02/2015

[REDACTED], date of birth [REDACTED], social security number [REDACTED], cell phone number [REDACTED], was interviewed telephonically. After being advised of the identity of the interviewing Agent and the nature of the interview, [REDACTED] provided the following information:

[REDACTED] advised he met with a former carpenters union representative to discuss union members working with school district attorneys to pay a consulting fee to get guaranteed school district construction contracts. The carpenters union represents drywall, cabinet, and ceiling workers. The former union representative said he had never heard of such a practice taking place.

Many school districts use a pre-qualification criteria to approve subcontractors for future contracts. [REDACTED] said this is really a mechanism the school district attorneys have created to weed out non-union subcontractors from getting work. The school districts don't realize the pre-qualification is purposefully weeding out non-union subcontractors.

HARRIS CONSTRUCTION and MICHAM CONSTRUCTION are both union contractors, which means they have to use union subcontractors even if a non-union subcontractor is cheaper.

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Investigation on 11/04/2015 at Fresno, California, United States (Phone)

File # 194B-SC-6550860

Date drafted 11/16/2015

by Jeremy Crider