

Ted Rohrlich

Subject: Center for Public Accountability Interview Request

From: Ted Rohrlich
Sent: Thursday, September 03, 2009 1:46 PM
To: 'Albert Senella'; Scott Taylor
Cc: Silvia Cadena
Subject: RE: Center for Public Accountability Interview Request

Dear Mr. Senella.

Thank you for your response to my e-mail.

My door is open to you, Mr. Taylor and Ms. Cadena if you change your mind and wish to discuss these matters further. We are working on a report that, as you know, is in a draft stage. We would be happy to sit down with you and go over every detail.

Sincerely,
Ted Rohrlich

From: Albert Senella [mailto:asenella@Tarzanatc.org]
Sent: Thursday, September 03, 2009 1:37 PM
To: Ted Rohrlich; Scott Taylor
Cc: Silvia Cadena
Subject: RE: Center for Public Accountability Interview Request

I'll reiterate what I told you the other day. Your calculations and assumptions are incorrect. It is clear that you've already drawn conclusions and written a draft report without checking any facts with us. We have provided and will continue to provide accurate, thorough information to the County of Los Angeles with whom we have contracts, not to SEIU.

From: Ted Rohrlich [mailto:Ted.Rohrlich@seiu721.org]
Sent: Wednesday, September 02, 2009 11:40 AM
To: Albert Senella; Scott Taylor
Cc: Silvia Cadena
Subject: Center for Public Accountability Interview Request

Dear Mr. Senella and Mr. Taylor,

I am once again inviting you to straighten us out if we are wrong.

In essence, we estimate that at least \$22 million in extra costs have been or will be incurred by Tarzana Treatment Center, apparently to benefit insiders such as yourselves.

Part of this involves executive compensation that appears excessive. We calculated that over the past 11 years, you two and the CFO have received \$11.7 million in overall compensation. Through extensive comparisons to what others in similar positions are paid, we calculated that roughly half of that--\$5.6 million—was excessive and observe that TTC could have spent that money to expand or improve client services.

We also calculate that TTC could have saved at least \$14 million over the long term if it had purchased major properties it leases from board members.

The long-term excess cost of leasing was calculated by using the same formula that TTC used a decade ago to prove that it would be less expensive to buy its Long Beach property than to rent.

We also calculated that the organization paid \$2.4 million in legal fees – above and beyond a very generous salary and other forms of compensation– to Mr. Taylor, who is listed in Martindale-Hubbell as having a solo practice.

Further, we calculated that the rents that TTC's board-member landlords charged ranged from 150% to 300% of going rates.

For example, based on extensive capitalization rate data we collected for San Fernando Valley commercial buildings, we estimated that the rent that Baird Enterprises LLC charged Tarzana resulted in a capitalization rate of 21%. At the time, we found that the market average capitalization rate for office property sales in the San Fernando Valley was 7.2%.

Our analysis of capitalization rates assumes that, as in the lease we have seen, TTC is responsible for maintenance, insurance and property taxes. We have assembled quite a bit of information that circumstantially supports that assumption, not the least of which is the finding by the Los Angeles County Auditor-Controller that board member-landlords' actual costs were comprised of depreciation, amortization and interest.

If you believe our assumption is incorrect, however, I invite you again to please show us copies of the leases. I say "again" because you declined to do so when we spoke on the telephone yesterday.

We have also noted that lease subordination agreements were filed in connection with loans that board member-landlords took out on their properties. The signatures on the lease subordination agreements raise questions about potential conflicts of interest. In addition, we would like to know what the loans were used for and specifically, the extent to which they were used to improve the properties.

We have also noted that TTC has disclosed in the public documents we have examined the names of only three executives who participate in the non-qualified incentive benefit plan, also known as the management savings plan. They are you two and the CFO.

We would like to know who else is in the plan and to what extent. We would also like to see the plan documents to establish all sources of the plan's funds.

We note that TTC has publicly reported contributing more than \$3.5 million to the plan over the last ten years and that you two and the CFO cashed in a total of \$993,821 from the plan in FY 2006-2007 and FY 2007-2008, leaving \$3.2 million that has yet to be redeemed.

Finally, we have questions about the degree of independence of TTC's board.

When we spoke by telephone yesterday, you declined to meet with me, indicated that you felt I was biased and cited a headline that you said appeared on the Center for Public Accountability's website as a reason. I knew nothing about the headline at the time but learned subsequent to our conversation that it was put up on what was intended to be a designer's mockup of the Website. The Website has not yet been launched, although a Google search engine took a snapshot of the mockup. The headline was based on an early draft of the Center's report which, like any research project, is a work in progress until it is published.

At this point, I believe the headline, which said, "Self-dealing Schemes Siphon Off Millions," is accurate. But of course I have not yet had the opportunity to review with you the information that I and my colleagues have collected. As I told you on the telephone, we will not publish anything that you show us is inaccurate. It benefits no one to publish incorrect information. Further, if you have responses to or explanations of any elements of the fact pattern outlined above, we will be pleased to publish your response.

Our plan as of now is to publish next week.

Accordingly, I am once again inviting you to straighten us out if we are wrong

Sincerely,

Ted Rohrlich

Research Coordinator

Center for Public Accountability