

Exclusive: California wires mask dealer half a billion dollars, then claws it back | CalMatters

By Laurel Rosenhall published: May 5, 2020

In Summary

California's massive deal with novice medical supplier Blue Flame mysteriously fell apart within hours. It's a case study of a pandemic-stricken state scrambling to navigate a chaotic marketplace — and the potential for fraud.

Update May 6, 2020: After this story posted last night, The Washington Post reported this morning that the U.S. Justice Department has opened a criminal investigation into Blue Flame Medical. The Post's anonymous sources said the inquiry is focused on the firm's troubled contracts with California and Maryland, and that Blue Flame's attorney declined comment on the federal probe.

On March 26, as the coronavirus pandemic was mounting and governors across America scrambled to secure medical supplies, the state of California wired almost a half-billion dollars to a company that had been in business for just three days.

The recipient: Blue Flame Medical LLC, a Delaware-based company headed by two Republican operatives who jumped into the medical supply business on March 23. The pair — Mike Gula from Washington, D.C., and John Thomas of Southern California — had vowed, in their words, to help “fight Covid-19 with the industry’s broadest product selection from hundreds of suppliers.”

Within hours of the enormous wire transfer, the deal was dead and California was clawing its money back — \$456.9 million, nearly half of what the Legislature had allocated for the state’s pandemic response. The payment to Blue Flame and cancellation of the deal six hours later were revealed in copies of checks, wire transfer receipts and emails obtained by CalMatters through a public records request.

It’s unclear why California decided to make such a large purchase for 100 million face masks from a new and untested company. Days ago, Maryland canceled its own order with Blue Flame and asked the state attorney general to investigate the company for its failure so far to deliver the supplies. And California Democratic Rep. Katie Porter also has raised questions about the company’s credibility.

Blue Flame’s attorney, Ethan Bearman of Los Angeles, said today he had no information about the California situation but criticized Maryland’s actions. He described it as “beyond comprehension” that Maryland is disputing the contract and said the company “fully intends” to honor it.

Still, California’s broken deal provides a look at the chaotic marketplace of medical supply procurement and the dollars at stake in the crisis that has killed nearly 70,000 Americans.

The federal government left it up to states to purchase the masks, gloves and other gear that can protect workers from contracting COVID-19. That spike in demand — combined with a global shortage of supplies — created a cottage industry of new suppliers and brokers. Now the FBI is warning states about “rapidly emerging fraud trends” in the procurement of medical supplies governments are desperately seeking to combat the pandemic.

“It’s been a Wild, Wild West of PPE sales and offers. The pricing and some of the conduct is scary.”

Direct Relief president Thomas Tighe

After the Blue Flame purchase fizzled, Gov. Gavin Newsom announced reaching a deal to buy nearly \$1 billion worth of face masks from a Chinese company called BYD. The masks have begun to arrive in California but Newsom has refused to release that contract or any details, arguing that doing so could imperil delivery of the supplies in the fragile and unpredictable marketplace.

“It’s been a Wild, Wild West of PPE sales and offers,” said Thomas Tighe, president of Direct Relief, a

nonprofit aid agency that sends supplies including personal protective equipment (PPE) to disaster sites.

“The pricing and some of the conduct is scary.”

Tighe doesn't have any experience with Blue Flame Medical, the company at the center of California's mysteriously canceled deal. But he said he's seen the normally low-key business of masks and gloves become a hotbed of confusion and competition as new actors dive into the fray.

“A strong desire to protect our health workers does lend itself to being exploited for financial gain by folks who are out to make money,” Tighe said.

Blue Flame's president has described the venture as an altruistic effort to help the United States deal with the pandemic by tapping into connections he and his business partner established through politics.

“We realized that I actually had some very good relationships with quite a few PPE manufacturers, all over the world,” John Thomas said April 15 on his “Thomas Guide” podcast.

“So we quickly put together an organization called Blue Flame. And we, I believe, are now one of the largest, if not the largest, supplier of COVID-19 supplies.”

Thomas, a political strategist, and Gula, a political fundraiser, drew attention in Washington, D.C., as soon as they launched. “Republican fundraiser looks to cash in on coronavirus,” read the headline on a March 27 [Politico article](#), which said Gula was leaving politics to devote himself to the new business. Thomas [told The New York Times](#) that their political connections helped them find suppliers and customers, but that they formed the company to help people, not to get rich.

Before launching Blue Flame, the pair worked together earlier this year on the campaign of Republican Don Sedgwick, who was seeking the Orange County congressional seat held by Porter. Sedgwick lost in the March primary.

Now Porter is raising concerns about Blue Flame and asking the federal government to ensure that such companies are charging fair prices. Blue Flame's founders have no experience providing medical supplies, and the company may amount to “a costly and burdensome middleman from which states and localities must now purchase supplies,” Porter wrote in an [April 8 letter](#) to the inspector general of the U.S. Department of Health and Human Services.

“Due to the life or death nature of the nationwide PPE shortage, we are concerned Blue Flame is indicative of a potentially growing trend,” Porter wrote.

“We realized that I actually had some very good relationships with quite a few PPE manufacturers, all over the world. So we quickly put together an organization called Blue Flame. And we, I believe, are now one of the largest, if not the largest, supplier of COVID-19 supplies.”

Blue Flame co-founder John Thomas

Porter declined an interview request from CalMatters. Blue Flame's Thomas [told the Orange County Register](#) that her letter is “absolutely absurd” and dismissed Porter's criticism as a politically motivated attack against the advisers of her former campaign rival.

On his podcast, Thomas said his company is trying to help states avoid fraud in their quest for medical supplies.

“There's a lot of bad actors right now going on in this marketplace — fraudulent inventory, price gouging, all these horrendous things, which is the last thing you should be doing in a crisis,” Thomas said. “And it's the exact opposite of what our company Blue Flame was started to do.”

The state of Maryland [canceled its \\$12.5 million order](#) with Blue Flame on Saturday — and asked the state attorney general to investigate — because the company did not deliver the face masks and ventilators the state ordered on April 1.

“Unfortunately, despite numerous requests for information and order status, Blue Flame Medical has yet to deliver any items under this order, or provide any pertinent data as to a pending shipment,” Maryland's director of procurement wrote in [a letter](#) to the company obtained by the Washington Post.

Maryland had ordered 1.5 million N95 masks and 110 ventilators, according to a [purchase order](#) The

Washington Post posted, and paid Blue Flame nearly \$6.3 million upfront.

California's order was a lot bigger — and so was its upfront payment. The state ordered 100 million N95 masks from Blue Flame, and its \$456.9 million payment amounted to a 75% deposit on the total bill, said Andre Rivera, a deputy director at the state Treasurer's Office.

Emails show a frenzy of activity as state employees hammered out the details involved in wiring the funds to Blue Flame's bank in Virginia. At 8:23 a.m. on March 26, a manager at the Treasurer's Office emailed another bank involved in the transaction:

"Hi Ana, I released a large wire transfer to Chain Bridge Bank just now. Can you please check on it and ensure it is completed quickly?" Natalie Gonzalez wrote.

"After a very eventful morning with the Blue Flame purchase, we are no longer moving forward with this vendor."

March 26 Email by California General Services Deputy director Andrew Sturmfels

She then informed her colleagues in state government that the money had been wired. An attorney in the Controller's Office replied at 9:11 a.m.: "A big thank you to all involved in getting these payments out the door. It is very much appreciated."

The bank manager emailed Gonzalez at 1:20 p.m. and said the wire transfer was completed. At 2:03 p.m., an official at the Department of General Services announced that the deal was off.

"After a very eventful morning with the Blue Flame purchase, we are no longer moving forward with this vendor," deputy director Andrew Sturmfels wrote in an email.

"Please provide my team... with whatever info and paperwork we need to submit in order to walk back the warrants and null the wire transfer request."

In a subsequent email Sturmfels wrote that the "wire transfer was processed on (the State Treasurer's) end but not completed. Funds are with (State Treasurer's Office)."

Rivera confirmed in an interview with CalMatters that California's state treasurer got the money back. "The wire was returned exactly the same day when it was canceled," he said.

But he referred questions about why California placed the order with Blue Flame and why the deal fell apart to the Department of General Services, which has not responded to multiple interview requests.

California lawmakers allotted \$1.1 billion for the state's pandemic response when they passed a sweeping emergency measure in mid-March. Newsom's administration has also dipped into a state disaster relief fund, and has said it expects the total cost of managing the crisis to reach \$7 billion.

While the state has cut many deals with private companies in response to the coronavirus, few of them — other than the \$1 billion contract with BYD for face masks — come close to the sum it sent Blue Flame. Most arrangements are for under \$20 million, according to a review of contracts the state released under a public records request. The state agreed to pay three companies between \$2 million and \$4 million each to refurbish or supply ventilators. It leased an arena in Sacramento for use as a temporary hospital at a cost of up to \$3 million, and leased a hospital near San Francisco for \$17.5 million. It's paying a life sciences company up to \$13.1 million to test Californians for COVID-19.

Masks, though, will play a critical role in getting California back to some semblance of normalcy as businesses are gradually allowed to open after nearly two months of being closed by public health orders.

"The PPE side of this is so foundational in our ability to open up," Newsom said Tuesday during a visit to a small business in Sacramento.

"We're very pleased in this state to have had substantial success in the last week in procurement of tens of millions of new masks that are now coming in, almost on a weekly basis."

So far, the state has prioritized delivering them to health care workers, first responders and nursing homes, Newsom said, but will soon also distribute them to grocery, transit and retail workers.

"As these product lines begin to open up and we have more of this product, we will start getting it out to

Newsom gets 'partners' in med supply deals: fed investigators | CalMatters

By Laurel Rosenhall published: May 6, 2020

In Summary

As feds probe, Newsom labeled big coronavirus supply deals gone awry "cautionary tales" and said they were averted in time to avoid costing taxpayers.

At least California didn't lose its half-billion dollars.

That was the quasi-upbeat message Gov. Gavin Newsom delivered today over the mounting scandal surrounding a politically-connected medical supply company now reported to be under federal investigation.

On Tuesday, CalMatters reported that California in March wired \$456.9 million to Blue Flame Medical LLC — a company that had been in business for just three days — then scrambled to get the money back when the deal mysteriously fell apart.

Newsom offered few specifics today about what went awry but acknowledged that mistakes were made. California, like other states, was "on a plane that we were building as we were flying" — referring to frenzied attempts by states to secure masks and other gear necessary to protect workers from the coronavirus.

Newsom did not mention Blue Flame by name in his daily briefing but said: "There were some larger contracts that didn't cost the taxpayers a penny but were cautionary tales."

"The good news is we learned a lot in that process from those previous contracts and we have partners now that we didn't have in the past, including the Department of Justice, the FBI and many others that are helping scrutinize these contracts," the governor said.

The Blue Flame controversy has renewed questions about whether Newsom is providing sufficient transparency to lawmakers and the public at large over how California is spending taxpayer dollars during the pandemic. And it's raised new questions about whether California is properly vetting vendors who are landing lucrative contracts from the state.

As he acknowledged chaos in the early efforts to obtain protective equipment, Newsom emphasized the success of the deal California eventually reached with a different company called BYD to provide hundreds of millions of face masks. By day's end, he had released the \$990 million contract he'd withheld from the public for weeks.



Gov. Gavin Newsom Photo by /Rich Pedroncelli, AP Photo/Pool

Earlier today, the Washington Post reported that the federal Department of Justice had opened an investigation into Blue Flame Medical, a company formed by two Republican political operatives in March that advertises itself as a provider of "healthcare logistics and hard to find medical supplies." The

Post cited two anonymous sources who said prosecutors are focused on contracts the company signed with Maryland and California, both of which were ultimately canceled.

Blue Flame's lawyer Ethan Bearman did not return messages today seeking comment about the reports of a federal investigation. But he told CalMatters on Tuesday that "Blue Flame Medical is devoted to getting masks and ventilators to the people in Maryland who so desperately need them" and that the company intends to deliver supplies that state ordered by June 30.

State officials in California still haven't explained the circumstances of the cancellation. But documents obtained through a public records request paint the picture of a mad dash as California raced, amid a mounting pandemic, to obtain supplies from a brand new vendor with little experience in the medical field.

Mike Gula, a political fundraiser in Washington DC, and John Thomas, a political consultant in Southern California, formed the Blue Flame Medical company in Delaware on March 23. Just two days later, emails show, state officials were coordinating the details of a large wire transfer to Blue Flame. And on March 26, the state Treasurer's Office wired the company \$456.9 million — nearly half of what the Legislature had allocated for the state's pandemic response. The payment was so large that in order to comply with banking regulations, the Treasurer's office split it into five checks, each under \$100 million.

It was a 75% deposit on a \$609 million order for 100 million N95 face masks, a deputy director in the Treasurer's Office said.

Then the deal collapsed even more quickly than it came together. Less than an hour after a bank manager emailed the Treasurer's Office to say the wire transfer was completed, an official at the Department of General Services emailed his colleagues that the state was "no longer moving forward with this vendor" and asked for paperwork to cancel the wire transfer.

Acting with urgency, or too rash?

The situation sheds light on the chaos many states have confronted in their quests to obtain medical supplies during the coronavirus pandemic. In addition to raising concerns about how the Newsom administration is vetting vendors, it also renews questions about whether the Legislature is being kept sufficiently in the loop.

"We are in a very weird position here where time is of the essence, but he has to find that happy place between urgency and being rash," said Bill Whalen, who was a speechwriter for former Gov. Pete Wilson. "He tends to lean over his skis sometimes."

Under the sweeping emergency measure lawmakers passed in March, Newsom's aides are supposed to give lawmakers 72-hour notice before spending funds allocated for the pandemic response. Letters informing lawmakers of Newsom's spending plans are posted on the Legislature's website. But none of them describe a March 26 purchase for masks or other personal protective equipment.

That's because the money paid to Blue Flame came from a different account focused on disaster relief that doesn't require notifying the Legislature, said H.D. Palmer, a spokesman for Newsom's Department of Finance.

But it means that lawmakers were in the dark on the state's enormous purchase from Blue Flame — as well as its unraveling.

"I wish the governor had been more engaging and forthright in involving the Legislature in the entire process," said GOP Assemblyman Jay Obernolte, who is the vice chair of the Assembly's budget committee.

"I understand that everyone was primarily concerned with addressing the crisis but we would like to be a partner to the administration."

Obernolte was among many lawmakers who were frustrated that Newsom hadn't released the state's \$1 billion contract with BYD, a Chinese company that agreed to make face masks for California after the Blue Flame deal collapsed. The governor's aides had argued that making the details public could imperil the delivery of the supplies in the chaotic marketplace for protective equipment.

Newsom changed gears today, saying enough of the ordered masks had arrived in California that he felt he could make the details public. He noted that delivery of N95 masks has been delayed because the

federal government is taking longer than expected to certify them, but added that millions of surgical masks have arrived ahead of schedule. His office of Emergency Services released the contract late in the day, and it says BYD will refund California \$247.5 million for the delay in certification.

The contract signed on April 7 shows that California paid \$3.30 per N95 mask, a price the governor's office described as an "exceptional value to taxpayers" because the average price at the time was between \$6 and \$7 per mask. On April 28, Los Angeles Mayor Eric Garcetti announced a deal to buy 24 million N95 masks — at 79 cents each.

Desperate for coronavirus help, California spending billions on no-bid contracts with little accountability

By Melody Gutierrez, Adam Elmahrek, Ben Poston, Kim Christensen

In a frantic effort to secure face masks and respond to the coronavirus crisis, California has committed to spend more than \$3.7 billion on no-bid contracts, scores of them with businesses that have no track record with the state.

A Times data analysis found that nearly a third of those funds — about \$1.2 billion — has been earmarked for suppliers of goods and services that do not appear in the state's database of contracts prior to the COVID-19 outbreak.

Since Gov. Gavin Newsom's emergency order on March 4, at least 80 were to first-time vendors, including a medical staffing firm that signed a \$500-million deal and a company headed by the former attorney general of Alabama, who secured orders for more than \$326 million for face masks and shields.

There have already been examples of questionable deals and alleged fraud across the country. The Times reported last month that California officials are paying more than 300% above list prices for masks. And a powerful California union that claimed to have discovered 39 million masks for healthcare workers fighting the novel coronavirus was duped in an elaborate scam uncovered by FBI investigators, authorities alleged.

Spending watchdogs acknowledge that state governments are under immense pressure to secure medical supplies during times of crisis.

But they caution that if officials don't adhere to accepted purchasing protocols, such as dealing only with companies that have direct lines to manufacturers and proven track records in government contracts, they could result in bad deals.

"Pandemic times lead to pandemic decisions, which are not usually well-thought-out," said Sergio Fernandez de Cordova, the chair of a media nonprofit in New York who is working with the consulting firm Raymond Associates LLC to secure better mask deals for government agencies.

The state's initial pandemic response is estimated to cost at least \$7 billion by the end of the year, and the Newsom administration has told lawmakers the state is counting on the federal government to pick up the bulk of those costs. But FEMA must first determine whether purchase prices were reasonable, according to a guidance drafted by the Office of Emergency Services.

Under California's emergency order, state agencies can make purchases and sign contracts without the usual accountability measures required for multi-million dollar deals, such as obtaining competitive bids or waiting for delivery before payment.

Jon Coupal, president of the Howard Jarvis Taxpayers Assn., said the public is generally forgiving of "decisions made on the fly in an emergency," but that transparency is paramount.

"When your house is on fire, taxpayers understand that you won't price-check hoses — you have to act quickly," he said. "But the state needs to come clean on what they bought and how it was negotiated."

It's unclear how much has been paid out so far.

Until Wednesday, one of California's largest and least transparent transactions had been a nearly billion-dollar contract for protective masks from Chinese automaker BYD.

Government contracts are public under state law. But Newsom's Office of Emergency Services had refused to make the BYD contract public or to disclose such relevant details as the price per mask, claiming that doing so "would introduce substantial and unnecessary risk to the state's ability to secure necessary supplies."

Documents subsequently obtained by The Times from the state treasurer's office through a public records request show that California agreed to pay \$3.30 per mask made by a BYD subsidiary, Global

Healthcare Product Solutions.

On Wednesday, Newsom abruptly shifted course to release the BYD contract, which revealed the company agreed that same day to reimburse the state \$247.5 million for a delay in the mask delivery. Newsom blamed government attorneys for the delay in releasing the contract.

“A lot of these contracts haven’t been made public as quickly as we would like them to be,” he said during a midday briefing streamed online. “And you, the public, deserve that information.”

Details on many other state deals worth hundreds of millions of dollars have been similarly hard to come by.

In contrast, when Los Angeles Mayor Eric Garcetti announced that the city would buy 24 million N95 masks over the course of two years at 79 cents each, the contract was released to The Times days later.

The potential peril of cutting deals with new suppliers was illustrated in late March when state officials abruptly clawed back a wire transfer of nearly \$500 million to a firm that was offering protective masks, according to state treasurer’s records.

The company, Blue Flame Medical LLC, was founded recently by two GOP operatives to provide coronavirus-related supplies. A company official did not return a call for comment. The deal’s collapse was first reported this week by CalMatters. The company had another contract with Maryland that was also canceled.

State officials say some companies with no record of previous business with California have so far delivered on their agreements.

The state agreed last month to pay \$2.8 million to a Pennsylvania outfit called Arnold’s Used Office Furniture to supply face masks to the corrections department.

The company, which has a furniture showroom in suburban Philadelphia, had not previously done business with the state, and its website touts conference room tables and cubicle dividers but not personal protective gear.

Messages left for company President Jordan Berkowitz, 33, a onetime teen poker prodigy who took over his family furniture business, were not returned.

Despite appearing to be new to the mask dealing industry, Arnold’s Used Furniture has delivered 1 million surgical masks ordered for 79 cents each and 650,000 KN95 masks are expected to be delivered next week at \$2.80 each, a corrections department spokeswoman said.

In addition to medical supplies, the state also has struck deals for services.

The California Department of Public Health signed a six-month contract on March 23 for up to \$1 billion with the healthcare staffing firm Aya Healthcare to provide workers at hospitals the state opened to help with the pandemic.

Aya Healthcare declined to comment on any of the particulars of the contract, citing a request from state public health officials.

“I can’t comment on that contract,” said Sophia Morris, vice president of account management at Aya Healthcare, which is headquartered in San Diego. “They’ve told me to redirect you back to them.”

The state’s public health department offered few details about the contract and is reviewing The Times’ request for its release, a spokeswoman said.

On April 3, the state public health department also inked a \$500-million deal with Medefis, a Nebraska-based company that maintains a national database of healthcare professionals for hire.

State procurement records show that Medefis, which has not previously worked with the state, billed for \$706,000 so far under the contract.

One of the state’s largest contracts, for more than \$300 million, went to Bear Mountain Development Co. LLC. The company was formed in 2014 by Troy King, who served as Alabama’s attorney general from 2004 to 2011. He mounted a losing campaign for the same post in 2018, and in March of this year he was knocked out of the race for a seat in the U.S. House when he finished fourth in Alabama’s Republican

primary.

On April 8, Mark Ghilarducci, the director of the Governor's Office of Emergency Services, cited Bear Mountain as an example of California "working with direct contracts" with large vendors to obtain tens of millions of masks.

Since then, the state has made deals with Bear Mountain totaling more than \$326 million for face shields and medical isolation masks, according to state procurement records.

It's unclear how and when King, 51, got into the medical supply business. He currently heads a small personal-injury law firm in Montgomery, Ala.

Alabama corporate records show he has been involved with a dozen businesses as an officer, organizer or registered agent. Several, including Rx Connections and Rx Solutions, appeared to be in the healthcare field, but they and most of the other business entities have been dissolved.

Among those still in existence is Innovate! Technologies Inc., which King formed in 2012. According to an article on the AL.com website in 2013, the company had developed a game called "O-craps!" offered to Indian casinos.

"It looks like a craps game," King told the website, "but it's bingo balls, bingo cards, daubing, etc. ... It's bingo."

King and Bear Mountain were included in a [recent ProPublica article](#) about another entrepreneur's failed effort to execute a \$34-million contract to deliver masks and other protective equipment to the Veterans Administration. King had offered to broker that deal but a spokeswoman told ProPublica that no agreement was made.

King didn't return phone calls and emails for comment for this story.

Bear Mountain's supplier appears to be Mimish-PPE, a New York company formed late last month, according to its website and state business filings. Mimish says on its website that it's fulfilling a California order with Bear Mountain for 400 million masks and 200 million face shields.

Mimish PPE shares the same Brooklyn address as Mimish Designs, which sells craft bean bags, throw pillows and other stylish goods.

Mimish representatives did not return phone calls and emails.

Times staff writers John Myers, Harriet Ryan, Dakota Smith and Paige St. John contributed to this report

A politically connected firm gets an \$800-million mask contract with California. Then it falls apart

By Adam Elmahrek, Melody Gutierrez

A nearly \$800-million deal California struck with a politically connected vendor of medical masks has collapsed after state officials said the company failed to deliver most of the supply, renewing questions over how the state is vetting vendors during the coronavirus crisis.

The scale of the contract with Bear Mountain Development Co. LLC came to light Friday when state officials, pressed by The Times, confirmed details of the deal, which is one of the largest made by California in its scramble for protective equipment. Former Alabama Atty. Gen. Troy King is listed on Bear Mountain's formation record as president of the Montgomery, Ala., company.

The state has been notifying federal authorities whenever contractors fail to deliver promised supplies. Among those vendors is Bear Mountain Development, according to two sources familiar with the issue. The state has not publicly accused the firm of wrongdoing.

Under one of its three contracts with California, Bear Mountain was supposed to deliver 400 million three-ply surgical masks and 200 million face shields, according to purchase order records the state provided to The Times.

Those records identify the company's local contact as Paul Bauer, a Sacramento lobbyist who works for the government relations firm Mercury Public Affairs.

"I was approached by the former attorney general of Alabama and agreed to be his local contact in Sacramento," Bauer said in a text message. "Bear Mountain is not a client of Mercury."

Bauer declined to provide details about his financial arrangement with Bear Mountain or why his Mercury email address is listed on the state purchase records.

State officials canceled the agreement May 2. By then, Bear Mountain was supposed to have delivered 60 million face shields and 120 million surgical masks, according to the records. By that point, the company had delivered only 489,000 face shields and fewer than 9.7 million surgical masks, said Monica Hassan, deputy director of the Department of General Services.

State officials did not provide details about why the company didn't deliver. Calls to Bear Mountain representatives were not returned Friday.

Brian Ferguson, a spokesman for the Governor's Office of Emergency Services, said the state did not pay any money upfront and would reimburse Bear Mountain for the masks that arrived.

"It would be our hope that all suppliers would fully fulfill their commitments," Ferguson said. "For those that do not, that is why we have strong contracting rules in place to protect taxpayers and so the state gets the commodities desperately needed."

Ferguson said he could not comment on any communication the state may have had with federal authorities related to the deal.

Some lawmakers called for an investigation into how the deal collapsed.

"This is unacceptable," said state Sen. Jim Nielsen (R-Gerber), who is asking a legislative committee to demand an audit of purchases of personal protective equipment. "The public needs to know what their money is being spent on, and that in this crisis time that product that is supposed to be lifesaving is effective and that it arrives."

"We have to figure out what is going on and why it looks so unprofessional," said state Sen. John Moorlach (R-Costa Mesa).

State governments have been under immense pressure to secure medical supplies during the COVID-19 pandemic, but spending watchdogs have called for greater transparency and accountability in how

California decides which businesses to make deals with.

Bear Mountain is one of at least 80 vendors awarded noncompetitive contracts under California's coronavirus emergency order that had never done business with the state before, according to a Times analysis.

Another was Blue Flame Medical LLC, a company founded recently by two GOP operatives who jumped into the personal protective equipment supply trade. State officials abruptly canceled a deal with Blue Flame after wiring nearly \$500 million to the firm, only to have to claw the money back.

A [Times analysis of California procurement](#) data found this week that the state has so far committed to spend more than \$3.7 billion on no-bid contracts under Gov. Gavin Newsom's March 4 coronavirus emergency order.

In response, Newsom defended the state's record on vetting companies, saying "not a dime was lost in the state of California."

"We were in the wild, Wild West period in the early part of this pandemic," Newsom said Wednesday.

The state's biggest contract for masks is a \$1-billion agreement with a subsidiary of the Chinese electric-auto manufacturer BYD Co. to provide 200 million N95 respirators a month.

Newsom's office for weeks [refused to release the document](#), even though government contracts are public under state law, but relented amid mounting pressure for the state to provide more details about the spending.

The contract showed that BYD [owed the state \\$247 million](#) for failing to secure federal certification of its masks in time for a May delivery. To date, BYD has sent the state 10 million surgical masks and none of the coveted N95 respirators.

Despite the issues, Newsom has stood by the BYD deal.

Mark Ghilarducci, director of the Office of Emergency Services, said this week that the worldwide shortage of protective equipment had created a marketplace rife with fraud. The state created a team to vet thousands of offers that poured in, but Ghilarducci said typical scrutiny had to be balanced with an immediate need for large quantities of the supplies.

He said the FBI, Department of Justice and Federal Emergency Management Agency have all been working with the state "to ensure that all of the different commodities that we were obtaining and the people we were dealing with were legitimate."

It was Ghilarducci who publicly announced the state was working with Bear Mountain at a news conference April 8 when he held up the company as an example of California "working with direct contracts" with large vendors to obtain tens of millions of masks.

Records released Friday detail two other agreements the state made with the firm for face shields and masks, including one for \$97,000 and another for \$15.6 million. State officials said the firm delivered the promised supplies on those two deals.

Bear Mountain was formed in 2014 by King, who served as Alabama's attorney general from 2004 to 2011. It's unclear how and when King, 51, got into the medical supply business. He heads a small personal-injury law firm in Montgomery, Ala.

Bear Mountain's supplier in the California deal appears to be Mimish PPE, a New York company formed late last month, according to its website and state business filings. Mimish said on its website that it was fulfilling a California order with Bear Mountain for 400 million masks and 200 million face shields. However, that claim was removed from the website after The Times reported on the deal this week.

Mimish PPE shares the same Brooklyn address as Mimish Designs, which sells craft beanbags, throw pillows and other stylish goods. Mimish representatives did not return phone calls and emails.