

# Hawai'i Monitor

Vol. 1 No. 10 • An Independent Monthly Newsletter about Politics and Money in Hawai'i • June 1991

## ATTORNEY GENERAL FACES POTENTIAL CONFLICTS

When the trustees of the state's Deferred Compensation Plan have legal questions they turn to the attorney general's office, despite the fact that the company holding the non-bid contract to administer the multi-million dollar program is owned in part by Attorney General Warren Price's wife and is represented by her law firm.

Price's 1989 marriage to attorney-lobbyist Sharon Himeno illustrates the difficulties that a two-career family faces when both are involved in public life and political affairs. Their marriage has entangled Price in a web of financial and political relationships which, like this one, carry the danger of actual or potential conflicts of interest.

Questions about such conflicts were not raised during legislative hearings on Price's reappointment as Attorney General which were held earlier this year, and he easily won Senate approval.

Price told *Hawai'i Monitor* that potential conflicts have not been an issue. "No one's raised that question with me," Price said. "Maybe someone out there is saying this, but apart from Fred Hemmings say-

ing something in a campaign speech, I've never heard of it."

Both Price and Himeno said that any conflicts can be handled by stepping aside from actions affecting their mutual interests.

However, because in public life appearances are often as important as substance, such concerns could potentially be damaging to any political aspirations which Price might have. Although Price denies having any political plans or ambitions, his name has surfaced repeatedly as a possible candidate for Governor in 1994.

### The Himeno connection

Sharon Himeno is the daughter of Stanley T. Himeno, best known as the longtime owner of Airport Volkswagen and developer of the Honolulu International Country Club in the Salt Lake area of Honolulu. The senior Himeno has also been involved in other developments in Honolulu and on the Kona coast.

Price says that he had represented Stan Himeno as an attorney in private practice, and that the two have "been friends for years

and years."

Price and Sharon Himeno were associated with the same downtown law firm beginning in the ear-

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*Attorney General Warren Price's marriage has entangled him in a web of financial relationships which carry the danger of actual or potential conflicts of interest.*

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ly 1980's, and both were active in John Waihee's successful 1986 campaign for governor. In a December 1986 interview with the Honolulu Advertiser, Price credited Sharon with drawing him into the Waihee campaign as advisor and legal counsel.

Following the election, Price was appointed Attorney General and Sharon Himeno went into practice with her brother-in-law,

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### Inside...

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*The federal prosecution of California State Senator Joseph Montoya*

*among next month's stories...  
Honolulu Magazine editor responds  
&*

*Rep. Sam Lee defends Philip Morris*

## Potential conflicts abound for Attorney General *from page 1*

Kenneth T. Okamoto. They are currently teamed up with Bettina W.J. Lum in the firm of Okamoto Himeno & Lum.

Price and Himeno were married in November 1989.

### Conflict of interest defined

State law prohibits any state employee from taking official action directly affecting "a business or other undertaking" in which the employee, their spouse, or dependent child "has a substantial financial interest."

A "financial interest" would include being an owner, director, or employee of a company, having a loan or other outstanding debts, or having an ownership interest in real or personal property.

This provision appears to apply to Attorney General Price when dealing with any matters relating to Himeno's business interests. It would also apply to actions that Himeno might be asked to take in her role as a member of a state board or commission, because board members are considered state "employees" for ethics purposes.

In 1987, Governor Waihee appointed Sharon Himeno to the state Land Use Commission, which administers statewide land laws. When her term expired in 1990, she immediately received an appointment to the Board of Land and Natural Resources, which regulates the State's considerable land holdings.

Himeno, whose legal specialty is not in the area of land or development law, says that she did not ask for or seek out the appointment to the LUC.

In 1989, while a member of the Land Use Commission, Himeno was retained as a lobbyist by Alexander & Baldwin, which reports paying her \$41,300.53 during that legislative session.

Although A&B has extensive land holdings and interests, Himeno says that she did not lobby on any matters that would have been affected by her role on the LUC.

"My lobbying for A&B was on the directors' liability statute," she said, and "it did not relate to land matters."

Despite the potential for conflicts, one knowledgeable critic of the Board of Land and Natural Resources described Himeno as a very strong addition to the board, and credited her competence and professional manner with increasing the board's ability to handle the complex issues before it.

In addition to Sharon's positions, Stanley Himeno was appointed to the Judicial Salary Commission and currently serves as its chair, and Bettina Lum, Sharon's law partner, is vice-chair of the Hawaii Information Network Corporation, known as Hawaii INC.

Hawaii INC made the news a year ago when a board member charged that political cronyism was behind the appointment of Senator Norman Mizuguchi's campaign chairman as executive director of the agency. Two board members resigned, and two other ex-officio members asked to be replaced, citing this and other problems.

### Getting "out of the loop"

Sharon Himeno and Warren Price both say that they have made every effort to keep family and financial relations from affecting their public roles.

Himeno told *Hawai'i Monitor* that she has been quite conservative and has recused herself from any situation that might be questioned. "If a client appears before the board, I always recuse myself," she said.

Since joining the Board of Land and Natural Resources last year, Himeno has publicly declared possible conflicts and stepped aside from matters involving a number of companies, including Hawaiian Electric, Kauai Electric, Alexander & Baldwin subsidiaries Matson Navigation Company and Kilauea Agronomics, Discovery Airways, Hawaiian Airlines, Aloha Airlines, Hemmeter Aviation, Roberts Ha-

wai and a number of car rental agencies.

Himeno said that because of the "sensitivity" of her situation, she also asked the State Ethics Com-

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***Both Price and Himeno say that they have made every effort to keep family and financial relations from affecting their public roles, and recuse themselves from any situation that might be questioned.***

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mission whether serving on a board or commission while her husband is attorney general would create a conflict.

According to Himeno, the Ethics Commission advised her that "there is no financial benefit to be gained from being on a board and, in the absence of a financial benefit, there is no conflict."

On those occasions when the attorney general's office must deal with a Himeno-related business, Price said that "I recuse on that and turn it over to Corinne."

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### HAWAII MONITOR

Vol. 1, No. 10 June 1991

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1750 Kalakaua Avenue, Suite 1306  
Honolulu, Hawai'i 96826  
Phone/fax (808) 955-8850

An independent and nonpartisan newsletter about politics and money in Hawai'i, published 12 times a year. Subscriptions are \$45 a year for institutions (including corporations, unions, and political committees), \$25 for individuals. Single issues \$2.50. Information on bulk purchases available on request.

*Hawai'i Monitor* relies on public information prepared by candidates and political committees and filed with the State Campaign Spending Commission, as well as on reports of the Commission. We believe that these official sources are factual and without error; however their accuracy cannot be guaranteed.

Responses to articles or expressions of opposing viewpoints are welcomed. Letters are subject to editing to fit in available space.

# A review of the federal prosecution of California State Senator Joseph Montoya

by John Panaton, U.S. Attorney's Office, Eastern District of California

On February 4, 1990, when a jury announced their verdict in the federal corruption trial of California State Senator Joseph Montoya, a milestone in the four year investigation was reached. Montoya's conviction on racketeering, extortion, and money laundering violations marked the first time in 33 years that a sitting California legislator had been convicted of abusing his public trust by selling his elected office....

## The early investigation

Code named "Brispec" for bribery-special interest, the investigation began in 1985 when agents from the Federal Bureau of Investigation started examining elected officials who received money in return for their legislative assistance. These agents were armed with a great deal of information from a variety of sources that money improperly influenced official action at the Capitol. In cooperation with the United States Attorney's Office in Sacramento, the agents presented a comprehensive undercover proposal to the Department of Justice's Undercover Operations Review Committee. The proposal was based on the recognition that bribery at the Capitol is a crime typically committed by two people, both of whom benefit and neither of whom are likely to cooperate....

The scenario proposed to the Committee, and ultimately approved by it, called for the introduction of a narrowly drawn bill to directly benefit an out-of-state company known as Gulf Shrimperies. This company, an FBI front operation located in Mobile, Alabama, supposedly wanted to expand its shrimp processing and distribution business to California. In order to construct a facility here, however, the company needed industrial bond financing that was unavailable under Cali-

formia law due to Gulf Shrimperie's low capitalization. Consequently, the proposal called for the introduction of legislation to exempt Gulf Shrimperies from certain capital requirements thus making it eligible for the financing. As drafted, the legislation had the practical

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**Montoya's conviction on racketeering, extortion, and money laundering violations marked the first time in 55 years that a sitting California legislator had been convicted of abusing his public trust by selling his elected office.**

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effect of applying to only the FBI company.

The proposal was approved after Sacramento authorities had satisfied the Committee that federal crimes were being committed at the Capitol and that traditional investigative techniques were unavailable. Thereafter, a source who had been working with the FBI for a lengthy period and who had contacts at the Capitol was enlisted to introduce an undercover agent to various legislators and their aides. Posing as the president of Gulf Shrimperies, the undercover agent began taping telephone calls and meetings which related to the passage of what has euphemistically been referred to as "Shrimp Bill I"-AB 3773. Introduced in early 1986, this legislation was the vehicle through which bribes and extortion payments would later be made....

On August 30, 1986, the Shrimp Bill was considered by the full California Assembly and passed 56-22. One month later, on September 30, Governor Deukmejian, after being advised of the nature of the legislation by the FBI, vetoed the measure.

## Flipping a staffer

Upon a review of the evidence and the available options, federal authorities decided to confront John Shahabian, a legislative participant who had become entangled in the passage of Shrimp Bill I. Shahabian, a key staffer to for-

mer Senator Paul Carpenter, had served as an intermediary between his employer and the undercover agent. During numerous meetings with the agent, Shahabian had made it clear that \$20,000 in contributions would be required in the Senate before passage of the measure could be assured.

When faced with highly incriminating tape recordings, photographs, and documentary evidence, Shahabian agreed to work with the government in its continuing investigation. The sole promise made to the veteran legislative aide was that any cooperation he provided would be factored into determining an appropriate disposi-

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John Panaton is Chief of the White Collar Crime Section in the U.S. Attorney's Office for the Eastern District of California. This article is excerpted from a longer article published in the *Prosecutor's Brief*, the newsletter of the California District Attorneys Association, Vol. XIII, No. 2, Spring 1990. It is reprinted here with the permission of the author and of the California District Attorneys Association.

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## **Federal prosecution of a California State Senator detailed** *from page 3*

tion of his case. Try as he might, Shahabian could not get prosecutors to commit to a specific position until he demonstrated his own good faith. By keeping the arrangement open-ended and holding out the possibility of freedom, the government provided an incentive to Shahabian to work diligently and to carefully follow instructions.

The 1986 undercover phase had made it clear that those outside the circle of Capitol influence were dealt with cautiously. With Shahabian now in tow, the investigation was afforded the unique opportunity to obtain recorded conversations through the use of a Capitol insider....

Shrimp Bill II was reintroduced as AB 4203 in basically the same form as its predecessor on February 19, 1988. Eventually AB 4203 was assigned to the Senate Banking and Commerce Committee. Shahabian, who previously had recorded conversations with Senator Alan Robbins, now solicited Robbins' advice. Robbins, a member of the committee, apologized that he would be unavailable for the hearing. Robbins recommended that Shahabian contact Senator Montoya. According to Robbins, Montoya would support passage of the bill in return for money.

Following up on Robbins' suggestion, Shahabian arranged a meeting with Montoya. Immediately upon mentioning the legislation, Montoya inquired whether the shrimp company was "doing well" and whether "they [could] be helpful" to him. When Shahabian responded that they had been very generous in the past, Montoya quickly agreed to look out for the legislation at the upcoming Banking and Commerce Committee hearing. Later in the conversation, Montoya made it clear that he expected a \$3,000 honorarium payment in return for his efforts.

Within days of this meeting, the bill was heard by the Banking and Commerce Committee. Montoya

attended, moved for the passage of the bill, and voted for it.

One week after Montoya shepherded the bill through the committee, Montoya met with Shahabian and the undercover agent at a restaurant near the Capitol. Dur-

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***Montoya inquired whether the shrimp company was "doing well" and whether "they [could] be helpful" to him.... Later in the conversation, Montoya made it clear that he expected a \$3,000 honorarium payment in return for his efforts.***

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ing the videotaped breakfast meeting, Montoya received a check for \$3,000. Although during his trial Montoya would claim the payment was an "honorarium," there was never any discussion about the legislation or its impact on California. The undercover agent emphasized to Montoya that the money paid to the senator was in return for his assistance in the passage of the measure. Montoya acknowledged the connection and assured the agent that "I'll be there" when the bill was to be voted on by the full Senate floor.

The bill subsequently passed through the Senate, with Montoya's vote, and was later vetoed by the Governor.

### **Going overt**

Prior to the veto, however, government officials confronted Assembly staffer Karin Watson. Ms. Watson, who held an influential position in the minority leader's staff, had indicated to Shahabian in a number of recorded meetings that at least \$12,500 would be necessary in order to have certain assemblymen support the Shrimp Bill. It was the government's hope that, faced with her extortionate

statements, Watson would follow Shahabian's path and cooperate. Such was not the case, though, and when Watson rejected the government's proposal, an alternative plan was put into action.

On the evening of August 24, 1988, immediately after Watson departed from the interview, approximately 30 FBI agents entered the State Capitol for the purpose of executing search warrants at four different legislators' offices. These warrants, obtained several days before in anticipation of Watson's decision, represented the initial step in the overt stage of the investigation.

Law enforcement officials realized that with the execution of the search warrants, the secrecy surrounding the two-year undercover operation would immediately burst. Consequently, a clear-cut game plan was agreed upon well in advance of Watson's confrontation. Teams were designated to conduct simultaneous interviews of numerous witnesses whose names had surfaced during the undercover operation. Grand jury subpoenas were prepared, and documentary evidence that needed to be obtained was catalogued. Because preserving the integrity of the covert operation had been the paramount consideration for two years, traditional investigative techniques had not been pursued. Now, however, with the cat out of the bag, personal financial documents, campaign statements, property records, and interview of potential extortion victims that had been put on the back burner loomed ahead.

An important source for potential criminal activity was provided by the campaign statements and the statements of economic interests filed by public officials. These records not only revealed a list of the politician's contributors but also gave investigators a profile of their personal financial situations.

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## *Inside a "public corruption" prosecution from page 4*

To analyze the mountains of documents gathered, the United States Attorney's office enlisted the expert assistance of the Internal Revenue Service early on in the overt phase.

A special agent was assigned full time to the project, and others were given specific tasks to perform.

For a variety of reasons, particular focus was immediately placed on Senator Montoya's role in the passage of Shrimp Bill II. After establishing an investigative plan, scores of individuals were contacted. Efforts were undertaken to interview lobbyists and citizens who had an interest in particular bills, as well as Montoya's employees, both past and present. More often than not, witnesses, particularly those who were in any way associated with the Legislature, were reluctant to testify. Apparently recognizing the thin line that exists between the bribery of a public official and the extortion of a victim, these witnesses professed ignorance or simply refused to cooperate. As a result, the grand jury was used extensively.

Following the execution of search warrants, a barrage of publicity ensued. Fortunately, a number of public spirited individuals who previously had legislative dealings with Senator Montoya came forward to reveal demands that he had made in connection with their bills. Each witness' statement, of course, required a great deal of corroboration and it wasn't until the late spring of 1989 that the government was prepared to present its proposed indictment to the federal grand jury.

### **The indictment**

In considering what charges to bring, prosecutors immediately recognized the tremendous value of the RICO statute. This most powerful criminal weapon was well suited to attack the type of systematic corruption demonstrated by Montoya's conduct. In essence, the statute prohibits a person em-

ployed by an enterprise from participating in the affairs of the enterprise through a pattern of racketeering activity.

In order to establish the requisite federal nexus, the enterprise must have engaged in or had activities affecting interstate commerce. Previous cases had established that the "enterprise" itself could be the office of a legislative official such as a state senator. The pattern of racketeering activity was easily found in the numerous acts either by Montoya and/or his staff of soliciting bribes and extorting payments....

Another major consideration in drafting the RICO count was to permit the prosecution to join several acts of criminal conduct in one indictment that might otherwise have been subject to a motion for severance. Federal attorneys were cognizant of the fact that each monetary demand made by Montoya to one witness had the tendency to corroborate and reinforce demands made to other witnesses. Prosecutors also feared that each demand or bribe solicitation standing alone could arguably be explained by the defendant. Thus, only by presenting numerous incidents over a period of years that were held together by common characteristics would the jury be able to fully comprehend the impact and magnitude of Montoya's behavior.

The predicate acts chosen to represent the "pattern of racketeering activity" were violations of the state bribery laws. In addition, Montoya was also charged with vio-

lations of the federal extortion statute known as the Hobbs Act. In essence, the Hobbs Act prohibits an individual from obtaining or attempting to obtain property from another under color of official

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**Federal District Court Judge Milton Schwartz:**  
*"The system can live with people who are not very competent. It can live with waste and inefficiency. It can live with legislators who may be lazy. It can survive all these things. But it cannot survive legislators who say 'my vote is for sale.'"*

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right. Unlike bribery, no quid pro quo is required to be shown. However, in the Ninth Circuit, mere gratuities to a public official are not prohibited by the Hobbs Act unless the public official induces the payments.

On May 17, 1989, a federal grand jury returned a 12 count indictment against Montoya and one of his principal aides, Amiel Jaramillo. In addition to charging Montoya with the Eastern District of California's first RICO violation, the grand jury also specified violations of the recently enacted money laundering statute and the Hobbs Act.

In 10 racketeering acts, the indictment set forth specific instances in which Montoya or his aide engaged in racketeering. Each instance spelled out an event where Montoya asked for something of value in connection with some official activity by him as a State Senator. In each of these acts, Montoya was charged with asking for a payment, such as a campaign contribution or an honorarium, in connection with identified legislative matters in violation of state bribery laws or the Hobbs Act.

Besides Montoya's conduct during the passage of the Shrimp Bill, other instances included a demand made to Ed Asner who served as a representative of the Screen Ac-

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## **Montoya case** *from page 5*

tor's Guild in 1985, a solicitation made through Montoya's staff to two Sacramento lobbyists who were associated with medical school legislation, and the pressure tactics employed against representatives from the National Football League Players' Association and athletic agents when various legislation affecting their interests came before Montoya.

### **Evidentiary issues**

After Jaramillo was severed from the case, United States District Court Judge Milton L. Schwartz scheduled Montoya's trial for December 4, 1989. The defendant, declaring that his intended to run for his Senate seat in early 1990, insisted on an early trial date.

Prior to the trial, the government prepared to address three evidentiary significant issues. First, it was extremely important to convince the court that witnesses who had been solicited for bribes should be able to testify as to their beliefs and opinions concerning the defendant's conduct. This "state of mind" testimony was critical to the government's proof since many of the witnesses could not recall the specifics of their conversations with Montoya. Instead, they were uniformly able to say that based on Montoya's words and actions, they believed that something of value would be required before he would provide assistance to them....

The second major evidentiary issue concerned the admissibility of the tape recording between Shahabian and Robbins wherein Robbins directed Shahabian to approach the defendant....

The final evidentiary hurdle to overcome dealt with the admissibility of Montoya's misuse of his campaign fund. The investigation had revealed that the defendant had routinely raided his fund, charging personal items such as videos, encyclopedias and clothing. Since the indictment charged acts of bribery

and extortion, the question invariably arose whether such "other act" evidence would be viewed by the court as too attenuated and prejudicial to present to a jury. Intense efforts were made to persuade the judge that this evidence was admissible since it provided a motive for Montoya to solicit payments. And when the defense suggested early in the trial that Montoya used his fund for legitimate campaign expenses, the door swung open.

All three evidentiary issues were decided in favor of the government....

### **The sentence**

On April 26, 1990, Joseph Montoya was sentenced to 78 months in prison. Federal District Court Judge Milton Schwartz who presided over the trial noted that "the system can live with people who are not very competent. It can live with waste and inefficiency. It can live with legislators who may be lazy. It can survive all these things. But it cannot survive legislators who say 'my vote is for sale. I'm here to vote the way I am paid and I will disregard the merits.'"

In handing down his sentence Judge Schwartz agreed with prosecutors that the defendant's sentence should be enhanced on the grounds that he had engaged in obstruction of justice during the trial. Noting that he believed Montoya had lied on the witness stand and had withheld key documents that had been subpoenaed by federal authorities, the Judge added an additional 15 months to Montoya's sentence....

## **Attorney General** *faces conflicts* *from page 2*

Corinne Watanabe serves under Price as the First Deputy Attorney General. Once this happens, Price has nothing more to do with the matter. "I'm just out of the loop," he said.

### **Diverse financial interests**

State records show, however, that Himeno and Price face a virtual obstacle course of potential conflicts.

Business registration records show that Sharon Himeno is secretary and director of the Himeno Corporation and, according to Price's financial disclosure on file with the State Ethics Commission, owns 40% of the company stock.

Stanley Himeno serves as chairman and CEO of the corporation, and his other daughter, Sandra Himeno Okamoto, is president, while his wife, Joyce, serves as treasurer.

Joining the Himeno family as members of the board are Sharon's law partners, Kenneth T. Okamoto and Bettina W.J. Lum, as well as Richard M. Okamoto.

The same cast of characters appear as officers of Regal Realty, Inc., a real estate brokerage and management firm.

The business interests of the Himeno Corporation are not apparent from the public record. Business registration records describe the company as engaged in the rental of commercial property, while Price's personal financial disclosure refers to it as a "real estate development" firm.

The company holds the lease on the former Airport Volkswagen site, and has other real estate investments.

The most recent financial disclosure statement filed with the State Ethics Commission by Attorney General Price indicates that Sharon Himeno retains ownership of 2% of the stock in the Honolulu Country Club, and has a 1/3-

## A.G. says all steps taken to avoid conflicts *from page 6*

interest in a real estate investment partnership formed with her law partners, Okamoto and Lum.

Himeno also reports that during 1990 she was a director of Hawaii International Japan, as well as an "advisory director" of Aloha Petroleum, and part-owner of a little known company called Hawaii Benefits, Inc.

### Insider benefits?

Hawaii Benefits was incorporated in 1982 and selected to administer the state's Deferred Compensation Plan, a program through which public employees can reduce current taxes by investing some of their salaries in a variety of tax shelters.

A closed meeting of the fledgling plan's Board of Trustees during the 1982 selection process brought charges of "insider" dealings from then-Senator Neil Abercrombie.

According to a Honolulu Star-Bulletin article of July 14, 1982, Abercrombie charged at a news conference that "the real reason the meeting was held in secret is because certain political insiders are locked in a struggle to secure the commissions on the multimillion-dollar sales which will be generated by the Deferred Compensation Plan program."

Abercrombie reportedly declined to name the "insiders" but said, "If that doesn't stink, if that doesn't smell of setting someone up, then what does?"

Abercrombie, now a member of Congress representing urban Honolulu, declined to discuss his earlier allegations with *Hawaii Monitor*, making it difficult to evaluate the charges.

However, when their deliberations were concluded, the Trustees had awarded the exclusive, non-bid contract to Hawaii Benefits, a small company owned in part by the Himeno family.

A company representative later told the Board of Trustees that Hawaii Benefits had been started

with no assets and little capital. Less than 10 years later, Hawaii Benefits now administers a program with 17,649 participants and a total of nearly \$188 million invested. With more than \$36 million in deferred income invested each year, the program is one of the largest in the country, ranking 8th in the nation in annual deferrals, 12th in total participants, and 13th in total assets.

Hawaii Benefits' contract was extended last year for a five-year term running through June 1996.

### A family affair

Despite this growth, Hawaii Benefits remains very much a family affair.

State records show that when the company was incorporated, Sharon Himeno held 25% of the stock while Sandra Himeno owned 10%. Stanley Himeno was one of the original directors and today serves as vice-chairman and director.

Sharon Himeno told *Hawaii Monitor* that she continues to own stock in the company and also serves as the firm's attorney.

William D. "Billy" Bye, whose firm, National Benefits, provided similar services in Minnesota and a few other states, owned 30% of the start-up company and initially served as vice-president and director. Today Bye is chairman and CEO.

"Billy" Bye had earlier been the business manager for the Minnesota Vikings professional football team under owner Max Winter, and Winter has also been on the Hawaii Benefits board since the beginning.

Bye's son, James, is now president of Hawaii Benefits, while Mary E. Bye serves as corporate secretary and Julianne Bye as treasurer.

The Byes also continue as officers and directors of the Minnesota-based National Benefits Inc.

James Ahloy, former president of Aloha Petroleum, was an original director of Hawaii Benefits and remains on the board today.

### Mehau joins Benefits board

Larry Mehau, the controversial and politically influential Big Island rancher, became a director of Hawaii Benefits during 1989, according to the corporation's annual report filed with the Department of Commerce and Consumer Affairs.

A company spokesman said that Mehau was named to the board after acquiring shares in the company from Stanley Himeno.

Price told *Hawaii Monitor* that he didn't have "the foggiest idea who is on the board." According to Price, "I didn't even know [about Mehau's position] until you asked the question just now."

However, while some observers might find the business ties between the family of the state's highest ranking law enforcement officer and Mehau surprising, Attorney General Price told *Hawaii Monitor* that he did not see any potential problems.

"You mean because he [Mehau] was investigated? As far as I know," Price said, "he hasn't been charged with anything."

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## Attorney General attempts to avoid conflicts *from page 7*

According to *Land and Power in Hawaii*, a book by Gavin Daws and George Cooper, Mehau was the subject of "vigorous criminal investigations from about 1978 till 1980 by three separate law enforcement agencies, coordinated by the federal Organized Crime Strike Force and including a hearing of evidence by an investigative grand jury...." The investigation ended with no charges being brought.

Responding to a suggestion that the relationship might still be expected to draw interest, Price responded, "Well, then, stand by for a law suit from Larry Mehau when he reads this question and answer."

### Other family matters

Soon after becoming Attorney General, Price asked the legislature to create a number of new positions, part of an effort to bring a "fresh, non-government perspective" into the office. He promptly named Sandra Himeno, Sharon's sister, to the newly created position of "special assistant".

According to Price, "When I hired her I did not know that she was going to become my sister-in-law." Price said that he had known Sandra for years, and "was extremely fortunate" to convince her to accept the position.

The job, which now pays \$57,800 annually, includes various administrative responsibilities, including legislative lobbying and liaison with the National Association of Attorneys General.

### Sales help erase debts

At the time that he took office, Price was dealing with both a pending divorce and a financial situation which he termed "desperate".

In a "position statement" filed as part of the divorce action, Price said that he and his former wife had a lifestyle that "far exceeded their joint incomes," and conse-

quently had "relied heavily on charge cards, personal loans and lines of credit to pay for their expenses."

In addition to three mortgages on two family homes, court documents describe debts which included tens of thousands of dollars in credit card charges, personal loans, and lines of credit, an estimated \$90,000 in unpaid taxes dating as far back as 1983, a \$31,000 loan on a "tax shelter" which was in default, and \$350,000 in corporate and personal debt stemming from problems facing his wife's travel agency, Plaza Unique Travel, which filed for bankruptcy in late 1986.

In order to settle the divorce and resolve their financial problems, Price and his former wife agreed to sell their two homes.

Property tax records and Price's financial disclosure statement show that their home on Kalalau Street in Hawaii Kai, where the couple had lived until 1982, was sold to Gensiro Kawamoto in December 1987 for \$313,191. Kawamoto gained notoriety for purchas-

ing more than 100 residential properties on O'ahu and later became embroiled in a controversy with the state over plans for building affordable housing.

Price says that Kawamoto "saw the listing and he called up. I've had no other dealings with Mr. Kawamoto except that."

The second home, located at Wailupe Circle, was reported sold in September 1988 to the Himeno Corporation.

The Himeno Corporation paid \$750,000, which Price described as "almost the price we were asking for it, which is what we agreed to hold out for."

The "fair treatment" provision of the state ethics law appears to bar a state employee from "soliciting, selling, or otherwise engaging in a substantial financial transaction with a subordinate or a person or business whom the...employee inspects or supervises in the...employee's official capacity."

However, it is uncertain how this provision would be applied in a situation involving such a mix of family, business, and personal relations. ■

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