

Hawai'i Monitor

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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-

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.

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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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-

waii and a number of car rental agencies.

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

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.

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

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-

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A.G. says all steps taken to avoid conflicts

James Ahloy, former president

interest in a real estate investment partnership formed with her law partners Okamoto and Isumi. Himeno also reports that during 1990 she was a director of Hawaii International Japan, as well as an advisory director of Aloha Petro-

with no assets and no 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

of Aloha Petrochemical was a former director of Hawaii International Japan and remains on the board today. **Mehau joins Benefits board** Larry Menga, the controversial and politically influential Big Island land rancher, became a director of

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 *Hawai'i 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

ily 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 *Hawai'i 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 Bye's also continue as officers and directors of the Minnesota-based National Benefits Inc.

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 *Hawai'i 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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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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