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PRESS RELEASE

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**81 YEAR OLD GOOD GOVERNMENT ADVOCATE TAKES ON
HARBOR DISTRICT; CLAIMS \$1.25 MILLION LOAN AND EXTENSION OF
LEASE VIOLATES GOVERNMENT CODE §1090 DUE TO CONFLICT OF
INTEREST; SAYS COMMISSIONER GREG DALE MUST GO**

Leo Sears, a longtime advocate for taxpayers' rights in Humboldt County, filed suit today claiming that California Government Code §1090 has been violated by the Harbor District and particularly by Second Division Commissioner Greg Dale, Operations Manager for Coast Seafoods.

"I really wanted to avoid filing this lawsuit. In my Letter to the Editor on September 16th, and in talking with Greg, I tried to get him to see that he should resign to remove the conflict of interests and the jeopardy not only to himself but to the Harbor district. As the Courts have said in this type of situation, 'No man can serve two masters.' Human nature being what it is, good government requires laws against conflict of interest."

The State Legislature recognized this when it enacted Government Code §1090 back in 1943 and the California Supreme Court applied §1090 correctly in the case of Thomson v. Call back in 1985. Sears alleges that "As the Supreme Court said, §1090 is not only intended to prevent conflicts of interest but also to prevent the appearance of conflicts of interest. The suit alleges §1090 was violated when Commissioner Greg Dale's employer, Coast Seafoods, loaned \$1.25 million to the Humboldt Bay Harbor District in a quid pro quo for receiving an extended and expanded lease on over 1,400 acres of tidelands on Humboldt Bay, at the same time that Greg Dale was holding the position of Southwest Operations Manager and Policy Advisor for Coast Seafoods Company, a subsidiary of the largest seafood processor on the West Coast, Pacific Seafoods".

"Many people in this community have been scratching their head since September 10th when the Harbor District signed a multi-year extension of the lease with Coast Seafoods in exchange for the \$1.25 million loan. All the commissioners knew that Greg Dale was the top ranking officer for Coast Seafoods in Humboldt County. The complaint alleges that even though when the lease was approved Mr. Dale was

absent, under §1090, the conflict of interest laws were violated. Leo believes that Commissioner Dale's interest in Coast Seafoods is not a remote interest and that it is not a non-interest. It doesn't fit any of the exceptions that would exempt him from being found to have engaged in a conflict of interest. Whether acting under poor advice or not, the law says he must no longer serve on the Commission."

§1090 packs a wallop – and it's necessary. And it is there for a purpose – to prevent exactly the kind of transaction that the Harbor District and Coast Seafoods entered into. §1090 says that the Lease Extension and the Limited Obligation Note for \$1.25 million signed on May 27 of 2014 are void. And to the surprise of many, including my attorney, case law under §1090 seems to say that the Harbor District does not have to return the \$1.25 million to Coast Seafoods." The law in California against conflict of interests is intended to be tough for a reason. And it is. And its impact teaches a lesson.

A good number of people told the Harbor Commissioners at public meetings that the existing conflict of interest of Mr. Dale rendered the proposed Lease Extension and the Limited Obligation Note void, but the commissioners ignored those citizens.

Last week, Sears' lawsuit was assisted significantly, when on Monday, September 28th, Greg Dale told the public that was in attendance at the luncheon meeting of the Fortuna Chamber of Commerce that he was the one who conceived the idea and pushed the idea of his employer, Coast Seafoods, making a loan to the Harbor District to assist in the removal of pulp processing liquors from the Harbor Districts recently purchased property at Samoa that was formerly the Freshwater Tissue Pulp Mill. The other Harbor Commissioners and their Executive Director accepted Coast Seafoods' proposal presented by Greg Dale in exchange for an extension on Coast Seafoods' loan proposal with the District.

"Violating §1090 doesn't mean that Greg Dale is a bad person, but it means he can no longer serve as a Harbor Commissioner. It is that simple. And that is the reason we filed this lawsuit, to make sure that the people of this County are protected against conflicts of interest – even when one of the goals of the illicit transaction may seem to be beneficent. No man, no office holder, no public entity is above the law. That is America."

Many citizens believe that the Harbor District failed to make sufficient effort to pursue alternative means of obtaining the funds to deal with the problem of the black liquors that the district knew were on the

pulp mill site when they purchased the site of the former LP pulp mill for \$1 while agreeing to indemnify the seller. Some local people believe that the Harbor District could have arranged with the Environmental Protection Agency (EPA) a deal similar to that which they ultimately achieved without having to borrow \$1.25 million from its lessee, Coast Seafoods. But even if that had not worked out, Mr. Sears suit alleges that §1090 of the Government Code prohibits what the District did with Coast Seafoods while Greg Dale served as both a commissioner of the District and as the top operations officer for Coast Seafoods in Humboldt County. Greg Dale's interest was not remote. It was not a "non-interest". His interest was direct, not remote, and falls within the purview of §1090. And therefore the deal, under the law, is void.