

Contact: Ed Bair
K.I.D. Recall
Phone 541-892-0607

8728 Spring Lake Road
Klamath Falls, OR 97603
etbfarm@aol.com

K.I.D. Recall

Press Release

KID Recall Opponents Questioned by Oregon Secretary of State

Campaign financing violations alleged

**Klamath Falls, Oregon
September 30, 2016**



A copy of the September 27, 2016 letter sent by the Oregon Secretary of State's office to KID Directors Cheyne and Smith.

After receiving a complaint alleging campaign financing violations, the Secretary of State Elections Division (SOS) sent letters this week to Klamath Irrigation District (KID) board members Brent Cheyne, Kenneth Smith and KID patron Al Fronsdaahl questioning political activities and advocacy related to the KID recall elections without the formation of political action committee. The Secretary of State asked specific questions regarding campaign finances, expenditures and contributions and requested a response no later than October 7, 2016.

KID board members Ken Smith, Grant Knoll and Brent Cheyne are each targeted for recall, driven by concerns of over escalating legal fees being paid to a new out-of-town team of attorneys, the alarming departure of several long-time district employees, and the secretive nature of decision-making being employed by the KID board majority. Both Cheyne and Smith are the subjects of a recall vote that will take place October 12, 2016. A separate election to recall Knoll will take place November 7, 2016.

“KID resources and relationships are rapidly eroding since the new KID board majority assumed control in January,” said recall petitioner Ed Bair, a life-long KID patron.

The former general manager, renowned for nearly 30 years expertise in water issues with KID, was terminated in the first month. The long-time general counsel, whose grandfather and father also represented KID for decades, resigned shortly thereafter. An interim general manager lasted three months and refused to stay. An office administrator resigned.

“These elected directors are behaving more like a Fortune 50 company rather than a small irrigation district with limited resources,” said Jim Carleton, who farms near Merrill. “In less than five months, the board majority has hired four new outside law firms and we’re going to pay a new manager from Texas – who has no district or water management experience – 100 grand per year.”

The new manager from Texas will be paid \$20,000 more than the previous manager, who worked nearly 30 years at KID. Cheyne, Knoll and Smith also refused to place a normal and typical probationary clause in the new contract.

KID’s legal budget for 2016 was \$70,000. This year, they have already spent over \$200,000 on

attorneys, and recently announced that they have hired another attorney from California who KID will pay \$475 per hour.

"There's no reason for district patrons to pay yet another outside attorney to intervene in the Hoopa litigation against the Bureau of Reclamation," said Luther Horsley, another KID patron. "That's what the Klamath Water Users Association (KWUA) does. They could have easily joined with KWUA in defending Project water rights instead of going this expensive and inefficient route."

The board majority and their New York City attorney have literally cost KID millions of dollars with their non-actions on the C Flume. KID lost a \$3.5 million grant from Reclamation that KWUA had worked to secure after complaints and threats were made by attorney Larry Kogan, hired to oversee the C Flume contract. Before he was fired five months after he was hired, Kogan was paid \$130,000 - and accomplished nothing. The delay in signing the final contract has now resulted in a construction project that will now span the course of two years, adding further costs that district patrons will bear.

Review of Kogan's last invoice indicates that, starting on June 28, he began drafting a memorandum, described as "KID contracts siphoning off cash flow needed to service C Canal flume BOR financing debt". Kogan's work continued until July 14, the day he was supposedly fired in a 2-1-0 KID board vote (Smith voted against firing, Cheyne and Knoll abstained). He billed for this work on 9 days, costing KID patrons at least \$8,500.

Kogan's final "work product" was a 50-plus page memo that reveals absolutely nothing in support of alleged misdeeds by the earlier board, which included Dave Cacka and KID recall chief petitioners Ed Bair and Ross Fleming. That didn't stop Cheyne, Knoll and Smith's supporters from trying to create the illusion that something nefarious happened with an earlier KID board as this project was being developed. Now, the Secretary of State's office is investigating whether the paid ads and mailers sent to KID patrons carrying this myth are legal, or not.

The letter addressed to Cheyne and Smith from the SOS (attached) notifies Cheyne and Smith that the state office has "conducted a search in the online ORESTAR application (which is used by candidates and political action committees to set up or file committee paperwork) and searched for committee that are associated with the recall election; the search executed no results even though there is clearly political advocacy related to the recall being paid for and disseminated in the Klamath Irrigation District."

As part of the investigation into the alleged violations, the SOS, among other things, is requiring Cheyne and Knoll to provide information on the unknown parties responsible for the content and payment of the advertisement or mailings, identified as "zones 1, 2 & 3 patrons"?

The SOS also sent a separate letter to Fronsdaahl, a KID patron. Fronsdaahl in September mailed or placed copies of a lengthy letter in KID patrons mailboxes, essentially carrying the message outlined in Kogan's lengthy memo.

"If you are responsible for these advertising and mailings, please explain why you have not set up a committee to oppose the recall of each of the candidates," the SOS letters state to Fronsdaahl, Cheyne and Smith.

The SOS has given Cheyne, Smith and Fronsdaahl until October 7th to respond. For more information on the upcoming October 12 recall, please visit the joint website that incorporates the concerns of all three recall actions: kidrecall.org. If you have any questions about perceived technicalities associated with upcoming election, please do not hesitate to contact Ed Bair.

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