

December 13, 2021

To: San Simeon CSD Directors

Cc: District Counsel

Subject: Cease and Desist re: GES-Charles Grace's Violation of Terms and Conditions of 2021 Amendment and Restatement of Professional Services Agreement between GES and the San Simeon Community Services District.

Under the 2021 Amendment and Restatement of Professional Services Agreement (hereinafter "Agreement") between GES and the San Simeon Community Services District, Charles Grace and owner of single member LLC Grace Environment Services (hereinafter "GES") is prohibited from being an officer of San Simeon CSD. GES owner Charles Grace must cease and desist acting in any way as the San Simeon CSD General Manager, an officer position of the district.

The Agreement contains the following clause:

Section IX(N) Interest of GES

*"GES covenants that it presently has no interest, (and shall not acquire any such interest without prompt notification to SSCSD), direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the services hereunder. GES further covenants that, in the performance of this Amendment and Restatement, no subcontractor or person having such an interest shall be employed. **GES certifies that no one who has or shall have any financial interest under this Amendment and Restatement is an officer or employee of SSCSD, respectively.** It is expressly agreed that, in the performance of the services hereunder, GES shall at all times be deemed an independent contractor and not an agent or employee of SSCSD, respectively." [Emphasis added]*

This clause is there for obvious reasons to protect the district and community from major conflicts-of-interest if GES's owner (ultimate financial interest) Charles Grace or any other GES employee with financial interests in GES were to be the General Manager/Officer of San Simeon CSD.

Despite this clear and important clause Chair Kellas proceeded to swear in Charles Grace as SSCSD General Manager on October 13, 2021 and under the old 2016 agreement with GES. Grace then proceeded to place his signature as SSCSD General Manager on a major contract with Dudek for the Coastal Hazards Response Plan. Grace has now signed another contract as SSCSD General Manager.

Grace acting or representing himself in any way as the SSCSD General Manager is in direct violation of the GES agreement. Clause N is there to protect the district from serious conflicts-of-interests that would occur.

It must be noted that this conflict-of-interest clause was in the 2016 GES agreement with San Simeon CSD and flagrantly violated for years. Then, this year after investigations

proceeded by the District Attorneys Office, Charles Grace and his attorneys formally stated to the District Attorney's Office that he is and never was the San Simeon CSD General Manager under state law. Grace went further to clean up things by quietly changing the district website position titles and amending prior years financial interest Form 700's to change his position from SSCSD GM to "contractor/consultant". These changes and his formal attorneys position statement were concealed from the community for as long as possible by the directors and then believed to be "General Manager" Grace. The 2016 Agreement is now void ab initio per Grace's stipulation agreement with the Fair Political Practices Commission as approved November 2021.

Mr. Charles Grace is the owner of single member Grace Environmental Services LLC. As the sole owner of GES he has the ultimate financial interest in GES. The Agreement is clear: "GES certifies that no one who has or shall have any financial interest under this Amendment and Restatement is an officer or employee of SSCSD, respectively.

GES owner Grace cannot be or act as the SSCSD General Manager, an officer of the district, yet that is what he is doing as evidenced by his signing one or more SSCSD contract's as the SSCSD General Manager to presenting the SSCSD General Manager's report at each board meeting. GES is in clear violation of the Agreement.

Further, the district needs to remain aware that under Government Code TITLE 6. DISTRICTS [58000 - 62262] DIVISION 3. COMMUNITY SERVICES DISTRICTS [61000 - 61250] PART 2. INTERNAL ORGANIZATION [61020 - 61070] CHAPTER 4. District Officers [61050 - 61053] Section 61050(a), a Community Services District is required to appoint a General Manager as an Officer of the Community Services District to operate legally as a Community Services District.

By GES owner Grace's actions, San Simeon CSD has again been left operating illegally as a CSD without a required General Manager as it has for at least six years.

It is demanded that GES's sole member/owner, Charles Grace, immediately cease and desist acting in any manner as the SSCSD General Manager, an officer's position of SSCSD. This is a clear violation of the Agreement by GES.

Sincerely,



Henry Krzciuk  
San Simeon Resident