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December 20, 2012

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The Honorable William H. Webster
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James P. Hoffa, General President
International Brotherhood of Teamsters
25 Louisiana Avenue, NW
Washington, DC 20001

Re: Proposed Charges Against Local 120 Former Officers
Bradley D. Slawson, Bradley A. Slawson and Former Employee
And Member Todd Chester

Dear Mr. Hoffa:

Enclosed are the Independent Review Board's (IRB) report and accompanying exhibits concerning Local 120 former Officers Bradley D. Slawson, Bradley A. Slawson and former employee and member Todd Chester. This report is forwarded to you for appropriate action under Section G, paragraphs (d) and (e) of the March 14, 1989 Consent Order entered in United States v. IBT, 88 Civ. 4486 (S.D.N.Y.).

Upon review of the report, if you deem it appropriate, charge(s) under Article XIX of the IBT Constitution should be filed. You have ninety days within which to file the charge(s), hold a hearing and forward a final written report to the IRB. Pursuant to paragraph I(9) of the IRB Rules, not meeting this deadline may be considered a failure to cooperate with the IRB. Copies of hearing transcripts should be furnished to the IRB and to the Chief Investigator.

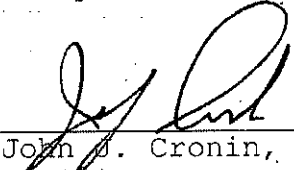
Pursuant to the Consent Order of the United States District Court, S.D.N.Y.
United States -v- International Brotherhood of Teamsters 88 CIV. 4486 (LAP)

If you decide to reject the IRB's recommendation, you must provide a written explanation with the specific reasons for failing to accept. Within seven days of receipt of this letter, please inform the IRB of the actions planned.

Very truly yours,

Members of the
Independent Review Board

By:



John J. Cronin, Jr.
Administrator

Enclosures

cc: Members of the General Executive Board, w/Exhibits
Bradley T. Raymond, Esq., w/Exhibits
Tara M. La Morte, AUSA, w/Exhibits
Brian Toder, Esq., w/Exhibits
Bradley D. Slawson, w/Exhibits
Bradley A. Slawson, w/Exhibits
Todd Chester, w/Exhibits

To: James P. Hoffa, IBT General President
From: Members of the Independent Review Board
Re: Recommended Charges against former Local 120 officers Bradley D. Slawson, Bradley A. Slawson and former Local 120 employee and member Todd Chester
Date: December 20, 2012

I. RECOMMENDATIONS

The Independent Review Board ("IRB") recommends to the IBT General President that charges as described below based on the evidence summarized in the report be filed against former Local 120 Secretary Treasurer Bradley D. Slawson ("Slawson, Sr."), former Local 120 President Bradley A. Slawson ("Slawson, Jr."), and former Local 120 employee and member Todd Chester ("Chester").

A. Bradley Slawson, Sr.

It is recommended that Slawson, Sr. be charged with embezzling \$90,000 of Local funds through a scheme to pass the Local funds to his friend, Todd Chester, through Stone Construction, Inc. ("Stone"), the general contractor on the Local's building project. It is also recommended that he be charged with embezzling \$68,100 from the Local through taking money without authority and without a union purpose from the Bar and Gaming Operation. It is further recommended that he be charged with embezzling as detailed in the report for causing the Local to pay expenses he incurred without a union purpose.

In addition, it is recommended that he be charged with violating the Consent Order and the IBT Constitution by committing an act of racketeering under 18 U.S.C. §1961(1), bank fraud in violation of 18 U.S.C. §1344. He submitted and caused to be submitted with his co-schemers false documents to Bank Mutual. Further, it is recommended he be charged with breaching his

fiduciary duties to the members by failing to properly protect and monitor the over \$3,000,000 he caused the Local to borrow.

In addition, as detailed in the report, it is recommended that Slawson, Sr. be charged with violating the Bylaws and with entering into a sham collective bargaining agreement.

B. Slawson, Jr.

It is recommended that Slawson, Jr. be charged with embezzling \$72,700 from the Local by taking for himself money without authority and union purpose from the Bar and Gaming operation. In addition, he should be charged with embezzlement for causing the Local to pay expenses for which there was no union purpose.

In addition, Slawson, Jr. should be charged with violating the Consent Order and the IBT Constitution by committing an act of racketeering as defined in 18 U.S.C. §1961(1), to wit, bank fraud in violation of 18 U.S.C. 1344. He did this through submitting and scheming with his co-schemers to submit false documents in connection with a loan Bank Mutual extended to the Local 120 Building Holding Company. In addition he breached his fiduciary duties to the members in not properly monitoring and protecting the Local assets to wit the proceeds of the loan, the Local strike funds and the over \$200,000 in sporting tickets the Local purchased.

Slawson, Jr. should be charged with failing to cooperate with the IRB in violation of Consent Order and the IBT Constitution. As detailed in the report, he intentionally gave misleading testimony at his IRB sworn examination. He also should be charged with violating his oath to obey the Bylaws for the Bylaw violations detailed in the report.

C. Todd Chester

Todd Chester should be charged with embezzling while a member assets of the Local. When manager of the Local owned Bar in 2010 and 2011 he took inventory from the Bar for a non-union purpose.

II. JURISDICTION

The General President has jurisdiction over the recommended charges under Article XIX, Section 11(a) of the IBT Constitution. Charges may be preferred against Chester, a former member, under Article XIX, Section 1(g) of the IBT Constitution.

III. INVESTIGATIVE FINDINGS

A. Local 120

Local 120, located in Blaine, Minnesota, has approximately 11,661 members who are employed as drivers, helpers and truck terminal employees, over the road, city transfer, cold storage, grocery and market drivers. (Exs. 304, 326) In addition to Blaine, Local 120 has offices in Fargo, North Dakota; Des Moines and Dubuque, Iowa; Sioux Falls, South Dakota and Mankato, Minnesota. (Ex. 304,326) The International put the Local into emergency Trusteeship on November 13, 2012 based on an IRB recommendation. (Ex. 6025)

B. Bradley D. Slawson

Slawson, Sr. was the Secretary-Treasurer and principal officer of Local 120. (Ex. 1 at 6-7; Ex. 306)¹ He has been a member of the IBT since 1970. (Exs. 306, 309) In January 1984, he was elected Vice-President of Local 544. (Ex. 306) In 1998, Local 544 merged into Local 120. (Ex. 1 at 8) In October 2007, he became President of Local 120.² (Ex. 306) Slawson, Sr. was also the Vice President of Joint Council 32. (Ex. 1 at 5-6) He was appointed an International Representative in 1999. (Ex. 1 at 10-11) In 2010, Slawson, Sr. was appointed an International Vice President. (Ex. 1 at 11)³ He lost his bid in 2011 for re-election to that office. He was Co-

¹ He had been the principal officer of Local 120 since late 2006. (Ex. 1 at 5-7) In 2007, the Local changed its Bylaws and the Secretary-Treasurer became the principal officer. (Ex. 300 at 4) Slawson, who had been President, then became the Secretary-Treasurer. (Ex. 1 at 6-7)

² He had been the Vice-President and Recording Secretary before becoming President. (Ex. 1 at 7)

³ Slawson, Sr. testified that he had been an International Vice-President until March 2012. (Ex. 1 at 11)

Chairman of the Minnesota Teamster Health & Welfare Fund and the Food Pension Plan. (Ex. 1 at 6; Ex. 306) Slawson, Sr. was also the Vice President of the Local 120 Bar and Gaming Board. (Ex. 1 at 6) His dues were paid through November 2012. (Ex. 309) In 2011, Slawson, Sr. received a salary of \$122,922 from Local 120, which included \$15,600 he received from the Local 120 Bar and Gaming operations. (Exs. 304, 320) He also received a salary of \$79,500 as an International Vice President.⁴ (Ex. 319) In addition, he received \$8,100 from Joint Council 32. (Ex. 307) Slawson, Sr.'s total earnings from Teamster entities in 2011 were \$210,522. (Exs. 304, 319, 307, 320)

C. Bradley A. Slawson

Slawson, Jr. was the President of Local 120. (Ex. 2 at 5; Ex. 306) In approximately 1987, he became a member of the IBT when he joined Local 544. (Ex. 2 at 5-6; Ex. 306) In 1996, Slawson, Jr. was elected Recording Secretary of Local 544. (Ex. 2 at 6) In 1998, Local 544 merged with Local 120. (Ex. 1 at 8; Ex. 2 at 6) After the merger, Slawson, Jr. became a business agent with Local 120. (Ex. 2 at 6) About a year later, he became Recording Secretary of Local 120. (Ex. 2 at 6) He was also the President of the Local 120 Bar and Gaming Board. (Ex. 320; Ex. 2 at 11) In 2011, Slawson, Jr. was also an International Representative. (Ex. 319) His dues have been paid through October 2012. (Ex. 308) In 2011, Slawson, Jr. received a salary of \$120,535 from Local 120, which included \$18,000 from the Bar and Gaming operations. (Exs. 304 and 320) He also received \$6,000 from the Local 120 PAC. (Ex. 2 at 16) In 2011, he also earned \$18,000 as an International Representative. (Ex. 319) Slawson, Jr.'s total earnings in 2011 from Teamster entities were \$144,535. (Exs. 304, 319, 320; Ex. 2 at 16)

⁴ The Form LM-2 for 2011 for the IBT listed Slawson, Sr. as "Intl VP/Intl Rep". (Ex. 319)

D. Todd Chester

Todd Chester was a member of Local 120 and a Local employee from July 2010 through August 2011. (Exs. 2020, 2021) Slawson, Sr. hired him to oversee the operations of the Local owned bar in Fargo, N.D. (Ex. 1 at 209-211; Ex. 2 at 60-63, 88-90) Chester was issued a withdrawal card on September 1, 2011. (Ex. 2021)

E. Local 120's Purchase of Land and Construction of the Building

1. Introduction

In 2007 and 2008, Local 120 purchased land and constructed a new office building in Blaine, Minnesota. (Exs. 1000, 1001) The general contractor for the building's construction was Stone Construction. (Ex. 1001) In November 2007, that company and Local 120 entered into a "Cost of the Work Plus a Fee" construction contract with a guaranteed maximum price of \$3,091,514. (Ex. 1001) There were two change orders to this contract that resulted in an increased maximum price of \$3,185,429. (Exs. 1002-1004) Under this "Cost of the Work Plus a Fee" contract, Stone was to charge the Local actual costs as defined in the contract and a fixed fee for its efforts. (Ex. 1001) Under the contract, the Local had the explicit right to examine Stone's records to ensure the costs Stone was passing on to the Local were actually incurred and were appropriate costs to be charged to the Local under the contract. (Ex. 1001 at 7, 8) If the sum of costs and fixed fee were less than the maximum guaranteed price, the lesser sum was what the Local would have paid. The Local paid the maximum contract price plus the costs of the change orders. (Ex. 1002) Slawson, Sr., who signed the contract on behalf of Local 120, opted not to exercise the Local's right to audit contract costs. (Ex. 1001)

Within the Local, the only officers or employees to see loan related documents and the documents related to Stone's activities were the principal officer, Slawson, Sr., his son, the Local's President, Slawson, Jr. and his other son, Lyle Slawson, a then Local employee. (Ex. 4

at 15, 18-19, 24-26, 33-34; Ex. 10 at 20-28) The Slawsons, who were fiduciaries over the members' money, never caused the Local or any of its agents to examine Stone records for underlying costs despite having the explicit authority to do so under the Stone contract. (Ex. 1001)

Slawson, Jr. claimed he had no involvement in the construction project beyond what the other Executive Board members had. (Ex. 2 at 34-36) The records contradicted that claim. Indeed, from the start of the project the contractors only communicated with the three Slawsons and no other Local 120 officers or employees, but for rare occasions. (Exs. 6005-6013) This was despite Slawson, Sr. representing to the members that then Recording Secretary Louis Miller ("Miller") would also be on the Local's building committee. (Ex. 113)⁵ The only Executive Board member Slawson, Sr. included on emails about the building project was Slawson, Jr. (Exs. 6014-6016) In fact, on emails from and to Stone Construction, Slawson Jr. was addressed or copied along with Lyle and Slawson, Sr. was not an addressee. (Exs. 6014, 6018-20) These included Stone's first Construction Payment application. (Ex. 6021)

Todd Chester, a personal friend of the Slawsons who also had familial and business ties to them, received \$90,000 from the money Stone received from the Local. (Ex. 1 at 185, 189-194; Ex. 2 at 47-51; Ex. 1005) In contrast, Stone's total fee under the contract was \$135,282. (Ex. 1001 at 3)⁶ In Stone's books, the payments to Chester were recorded as a cost of the contract to the Local. (Ex. 1008 at 6) The service he provided was to introduce Stone to

⁵ After the Building Holding Company was created, among its board members only the two Slawsons were on the emails from the contractors and service providers. The other two board members, Miller and Dean Cypher, were not included.

⁶ In fact, Stone's fee under the contract should have been \$125,282 because pursuant to a later agreement, it had agreed it would defer \$10,000 from its fee to compensate the Local for a cost it incurred. (Ex. 10 at 58-59) It does not appear Stone ever deferred the \$10,000 as agreed. Lyle Slawson, who handled day to day matters on the project, could not indicate any document that showed Stone gave the Local the \$10,000 credit that was due from Stone. The Local produced no document showing it received the credit. (Ex. 10 at 58-59) Stone also took a fee for its work on two change orders. (Ex. 1065)

Slawson, Sr. (Ex. 1009) This was not an approved cost under the contract. (Ex. 1001) Chester was not on the list of proposed vendors Stone submitted to the Local on January 17, 2008.

(Ex. 1007) There were other vendors listed in Stone's records as receiving payments who also were not included on the list of proposed vendors that Stone gave to the Local and according to the Slawsons, they did not know of having any involvement with the project. (Ex. 1007; Ex. 1 at 104; Ex. 2 at 58-59; Ex. 10 at 61-62; Ex. 1008) The payments to Chester were never claimed as such by Stone in the sworn statements of costs submitted to the bank in order for Stone to receive payment. (Ex. 1025) Stone could only mischarge costs to the contract, such as the payments to the Slawson family friend, if it were on notice that the Slawsons would never cause Stone's records of contract costs to be examined.

Indeed, the manner of Stone's retention as a general contractor was suspicious. Slawson, Sr. testified Chester asked him if Chester's client, Stone, could submit a bid on the Local's building project. (Ex. 1 at 130)⁷ On June 22, 2007, Local 120 had received a contract proposal from another builder, Ryan Companies, which had retained the architect to design the building and which had done some work on the project. (Exs. 1010, 1011; Ex. 1 at 133-134) On July 27, 2007, the day after Stone submitted a proposal to Slawson, Jr., without any analysis of the bids from the expert the Local retained to assist in evaluating proposals, Slawson, Sr. called a telephone poll of the Local's Executive Board to vote on awarding the contract to Stone. (Exs. 1012, 1019) This was contrary to Slawson, Sr.'s stated practice of making no decision on the project without consulting with experts the Local retained. (Ex. 1 at 75, 136-138) Moreover, it was the only time Slawson, Sr. sought Executive Board approval to retain an expert among the several retained for the building project. Both Slawsons strongly advocated Stone be retained

⁷

Chester was a real estate agent and bar owner. (Ex. 1009)

over Ryan. (Ex. 4 at 22-25; Ex. 5 at 31-33) Given that an actual contract with Stone was not signed until November, the reason for urgency was not apparent. (Ex. 1001) Almost immediately after its initial bid, Stone's proposal price began increasing until by November it was substantially higher than its initial bid and the Ryan proposed contract price. (Exs. 1001, 1019, 1020) Slawson, Sr., although an experienced negotiator, did not view the differing prices as an opportunity to negotiate with either company for a lower price for the Local. (Ex. 1 at 141-144; Ex. 6038)⁸ Slawson, Sr.'s experience allowed him to know an initial offer "was the beginning of a negotiation." (Ex. 6038)

In addition to the \$90,000 paid to Chester, Stone failed to pay to the Local money it owed. For example, in connection with a financial guarantee the City of Blaine required for site improvement, the Local through the construction loan transferred \$26,961 to Stone to put into an escrow account to be returned upon the city's approval of the improvements. (Exs. 1013, 1008, 1021) The Local could have funded this escrow itself in which case the City of Blaine would have returned the money to the Local directly. (Ex. 1014) Instead, Slawson, Sr. had Stone fund the escrow with Local money, removing the Local as the party to whom the money would be returned. (Exs. 1014, 1021) In October 2008, the City of Blaine returned the \$26,961 to Stone. (Ex. 1013) The contract explicitly provided that when the Local funded any obligations that resulted in refunds it was to receive credit from Stone for the refund. (Ex. 1001 at 6) Stone never returned the money to the Local. (Ex. 1008) Neither the Slawsons nor the Local's attorneys made any attempt to collect it. (Ex. 10 at 56)⁹

⁸ According to Slawson, Sr., he told Staubach, the Local's real estate expert, to tell Ryan to match Stone's earliest proposal. (Ex. 1 at 146) Since Stone's first bid was quickly changed to a higher one by Stone, Slawson's claim is evidence of nothing. He never asked Ryan to match Stone's ever-increasing costs' quotes.

⁹ During his sworn examination Lyle Slawson was asked about a performance bond estimated on Stone's November 5, 2007 cost estimate to be \$25,664. (Ex. 10 at 56; Ex. 1017) The actual cost of the financial guarantee required by the City of Blaine was an escrow payment of \$26,961 and a performance bond. (Ex. 1021)

The Local did not receive records of all draws taken against the construction loan to pay contractors. (Ex. 10 at 43; Exs. 1023-1025)¹⁰ When the Local wired \$410,000 to Bank Mutual in July 2008, the Slawsons had to obtain the bank account information from Thomas Gilbert ("Gilbert") who was still involved as he sought the transfer. (Ex. 1027; Ex. 1073)¹¹ To make the \$410,000 transfer, which Slawson, Sr. and Slawson, Jr. authorized, Slawson, Sr. caused the Local to withdraw \$189,130 from dedicated strike fund accounts in violation of the then Bylaws. (Ex. 1028; Ex. 300 at 42) Indeed, as detailed below, the Slawsons on multiple occasions violated this and other Local Bylaws in connection with the building project.

2. Background

a. The Staubach Company

According to Slawson, Sr., beginning in approximately 2004 or 2005, the Local began to assess moving to another location. (Ex. 1 at 146) According to him, the Local wanted a turnkey project, one in which the Local would just pay for the building and move into it. (Ex. 1 at 108-109) Instead, despite that assertion, Slawson, Sr. entered into a project that required the Local to monitor closely the costs of construction to protect its assets. (Ex. 1001)

On March 10, 2006, Local 120 entered into a Memorandum of Understanding with The Staubach Company—Minnesota, Inc. ("Staubach"). (Ex. 1029)¹² Slawson, Sr. signed the

¹⁰ There were eight "Application and Certification for Payment" forms signed by Stone and the architect and submitted to Bank Mutual. (Ex. 1025) In response to document requests from the Chief Investigator, the Local produced four of these eight forms, Applications 1, 3, 4 and 5. (Exs. 1023, 1024) The Local subsequently produced Application 8. (Ex. 1128) The Local did not produce Applications 2, 6 and 7. (Exs. 1023-1024) For the draw on Applications 2 and 3, the Local had unsigned fund disbursement authorizations in the Local's records. (Ex. 1129)

¹¹ It is unclear why Gilbert was involved in this transaction which occurred after American Pride was no longer the disbursing agent for the construction loan funds. He may have had some relationship with First USA Title.

¹² The memorandum of understanding was dated January 26, 2006, but was signed on March 10, 2006. (Ex. 1029)

agreement with Staubach on behalf of the Local. (Ex. 1029) Pursuant to it, Local 120 engaged Staubach as "Exclusive Commercial Real Estate Broker of Record and Project Management Consultant in the pursuit of the construction of a building or the purchase of an existing building." (Ex. 1029) Pursuant to this agreement, Staubach was to be paid a brokerage commission on the sale of the land which was described as being customarily paid by the seller and an additional fee of 3.5% of the total project cost. (Ex. 1029) On August 17, 2007, the Staubach agreement was amended to increase the payment for services to 5% of the total project cost. (Ex. 1029)¹³ Slawson, Sr. signed this amendment to the Staubach agreement. (Ex. 1029)¹⁴ The Executive Board did not approve either the initial agreement or the amended agreement with Staubach. (Exs. 189-222; Ex. 300 at 4)¹⁵ John Mueller was one of the Staubach representatives who dealt with the Local. (Ex. 1014)

b. Pope Architects

On August 20, 2007, on behalf of the Local, Slawson, Sr. signed a contract with Pope Architects. (Ex. 1030) There was no Executive Board approval for this contract. (Ex. 201-222; Ex. 300 at 4) Under this contract, Pope was to be paid \$62,500. (Ex. 1030 at 15) Jim Johnson was a Pope representative who dealt with the Local. (Ex. 1024)

c. Kavaney & Associates

In 2007, Kavaney & Associates began to provide legal services to the Local in connection with the building project. (Ex. 6035) There was no Executive Board approval to hire

¹³ It is unclear why the payment to Staubach was increased. The other change in the amended contract was a change in the anticipated completion date of the project from August 31, 2007 to May 1, 2008. (Ex. 1029 at 4)

¹⁴ Staubach was paid \$37,043.10 when the land was purchased. (Exs. 1031, 1033) According to the closing statement, this amount was paid from the seller's funds. (Ex. 1031) In addition, Stone paid Staubach \$71,023 on February 7, 2008 and \$51,058 on June 30, 2008 for a total of \$122,081 as its fee on the contract with the Local. (Ex. 1034)

¹⁵ At the March 17, 2006 Executive Board meeting, after the Staubach agreement was signed, Slawson, Sr. reported that Staubach was "... being used to find or build a new location for Local 120. ..." (Ex. 203) There was no vote taken to approve using Staubach. (Ex. 203)

Kavaney & Associates to perform this work. Between October 2007 and December 2007, the Local paid Kavaney & Associates \$28,486.00 for services rendered between July and November 2007. (Ex. 6035)

d. American Pride

American Pride represented the Local in several capacities in connection with the land purchase and building construction. (Ex. 1 at 75-76; Ex. 1015) It acted as a mortgage broker in finding a lender. (Ex. 1 at 75-76)¹⁶ Slawson, Sr. had previously entered into a sham “working agreement” with American Pride and he hawked its services to the members under the deceitful description it was a union company. (See pages 73-89 below) After the loan was made, American Pride also acted for a time as the disbursement agent for the funds from the Local’s construction loan. (Ex. 1015) Thomas Gilbert, the CEO of American Pride, managed the process for American Pride and remained involved after First USA Title replaced American Pride. (Exs. 1027, 1036, 1073; Ex. 1 at 74; Ex. 10 at 32) American Pride provided assistance to Slawson, Sr. in preparing and filing the Local’s loan application. (Ex. 1 at 74-76) American Pride Title Services was also the settlement agent when the Local purchased the land and closed on its loan. (Exs. 1031, 1032)¹⁷ The Executive Board did not approve using the services of American Pride.¹⁸

The Local could not produce any written agreement between it and American Pride. Nor could the Local provide any document that reflected the cost to the Local for American Pride’s

¹⁶ At one point, Slawson, Sr. claimed American Pride was going to be a tenant in the newly constructed building but the Company eventually decided against that. (Ex. 204)

¹⁷ American Pride Home Services was a group of companies, “The American Pride Family of Companies” which included American Pride Title and American Pride Financial Group. (Exs. 1037-1039)

¹⁸ Slawson, Sr. claimed under oath there was a bidding process to select American Pride to serve as the mortgage broker for the Local and American Pride submitted the lowest bid for the cost of the services they were going to provide. (Ex. 1 at 75-76) There was no support for this claim. In response to the Chief Investigator’s request for any and all documents supporting this testimony, the Local did not produce any bids, including any bid from American Pride. (Exs. 442, 445) Slawson, Sr. also suggested that Staubach selected American Pride. (Ex. 1 at 77)

post-closing services for making the applications to draw on the loan and for disbursing the loan money after settlement.¹⁹ Slawson, Sr. testified that American Pride “kind of handled the financial relationship with the selected bank.” (Ex. 1 at 75-76) Lyle Slawson testified that throughout the process all transactions between the Local and Bank Mutual were done by American Pride. (Ex. 10 at 30-32) Slawson, Jr., although on emails with American Pride, claimed he did not know American’s Pride role regarding the building. (Ex. 2 at 45-46, 56-57, Exs. 6010, 6011, 6015, 6016, 6021)

During an Executive Board meeting on August 17, 2007, Slawson, Sr. reported to the Executive Board that “it looks like we will go with American Pride for the loan which will be a 5 year loan with a 30 year amortization.” (Ex. 221) This was misleading. The Local’s mortgage and construction loan was obtained from Bank Mutual not American Pride. (Exs. 1035 and 1040)

Consistent with Slawson, Sr. keeping from the Executive Board that Bank Mutual was the lender, according to an internal Bank Mutual memorandum dated September 7, 2007, an American Pride representative instructed representatives of Bank Mutual not to directly contact any Local representatives and to have all communication with American Pride. (Ex. 1041) Lyle Slawson testified that the Local did not receive records of all the draws American Pride distributed from the Local’s loan. (Ex. 10 at 43) Gilbert from American Pride handled the relationship between the Local and Bank Mutual. (Ex. 10 at 30-32)²⁰ Gilbert also instructed

¹⁹ In response to a request for “Any and all records reflecting the cost of American Pride’s services and how such cost was calculated”, the Local provided HUD closing statements. (Exs. 442, 445) From the HUD closing statements for the land purchase, American Pride entities were paid a total of either \$21,605.80 or \$21,780.80 at around the time the Local purchased the land. (Exs. 1031-1032) This was for the land closing. (Exs. 1031-1032) No records were produced showing the cost of American Pride’s services for disbursing funds from the Local’s construction loan. (Exs. 442, 445) Bank Mutual produced a Disbursing Agreement. (Ex. 1015, 1074)

²⁰ In a September 7, 2007 memorandum, a representative of Bank Mutual working on the Teamster construction loan application wrote:

Bank Mutual to not send interest billings to the Local. (Ex. 1042) Rather, he asked that the Local be sent receipts for the interest after the payments with a copy sent to American Pride. (Ex. 1042)

Bank Mutual, American Pride and the Local 120 Building Holding Company entered into a Disbursing Agreement, dated November 9, 2007. (Ex. 1015) Slawson, Sr. signed for the Building Holding Company. (Ex. 1015) Miller, then the Local's Vice President and a Director of the Building Holding Company, was not aware that American Pride controlled disbursements from the Local's construction loan. (Ex. 4 at 7, 25, 33-34) Slawson, Jr. claimed to be unaware of American Pride's role, although he was included along with his father and brother on emails between American Pride and the Slawsons involving its role in disbursing funds. (Ex. 2 at 45-46, 56-57, Exs. 6010, 6011, 6015, 6016, 6021)

Pursuant to this agreement, whenever the Building Holding Company sought a draw from the construction loan, the Building Holding Company was required to submit to American Pride and Bank Mutual a signed application for an advance. (Ex. 1015 at 2) It does not appear that the Building Holding Company or the Local submitted any requests for draws signed by the Building Holding Company or the Local. The Disbursing Agreement also required the submission for each draw of a "completed application for certificate of payment." (Ex. 1015 at 2) These applications Stone and Pope completed and then submitted to American Pride for submission to Bank Mutual. (Ex. 1025; Ex. 10 at 30-32; Ex. 1 at 75-77) Once Bank Mutual

(continued...)

"To date I have dealt exclusively with the Broker. The Teamsters have a very good relationship with the Broker that entails finding housing for members, insurance for members and other sundry services as well as procuring financing. The Broker is hesitant to have any contact between a financial institution and the Teamsters until the financing is approved and accepted. They do not want to run the risk of a third party jeopardizing the relationship (as would be usual for any business and one of their best customers). When final approval is given I will be meeting directly with the principals of the Teamsters."

(Ex. 1041)

approved a request for payment, it issued the draw to American Pride which then disbursed the money to the applicable contractor, Stone or to Pope. (Ex. 1043)²¹ The agreement did not explain how American Pride would be compensated for its services. (Ex. 1015)

3. The Land Purchase Agreement

In approximately December 2006, the Local began the process of purchasing land in Blaine on which to construct a new building. (Ex. 212; Ex. 1 at 130) The details of the eventual purchase were never described to the members. The members did not approve the terms and conditions of the Local's purchase of land and construction of the building as required. (Exs. 100-144; Ex. 300 at 11)

Earlier, according to the minutes of the February 16, 2006 general membership meeting, at that meeting:

Brad [Sr.] reported on the leasing or building of a new Local 120 building due to the issues we have at the present location. Brad reported that the lease for our present location runs out in October 2007 and that a building committee will be formed to address these issues and make a decision as to the move at a new location. Brad reported that Joint Council 32 may also join in on this project so all Teamster locals are in one location.

Brad then answered questions and concerns from the membership.

A motion was made . . . and seconded . . . to allow Local 120 to enter into a loan of up to 10 million dollars for the purpose of building or leasing a new location for Local 120. Motion Carried.

(Ex. 119)²² This resolution, more than a year prior to the Local's purchase of the land and construction of the building and when the members had no knowledge of the actual cost of the

²¹ Later in the process, First USA Title began receiving the draws and disbursing the funds. (Ex. 1016) Neither the Local nor the Bank produced a Disbursing Agreement pursuant to which First USA Title disbursed funds from the Local's construction loan.

²² According to Slawson, Sr., in late 2006 the Joint Council eventually decided not to join Local 120. (Ex. 1 at 155)

project or the terms of the loan, did not constitute membership approval for the terms and conditions of the Local's land purchase and construction as the Bylaws required. (Ex. 300 at 11)

The minutes of the Local 120 general membership meeting on April 12, 2007 reported that the members voted "to give the Executive Board the authority to purchase land and build a new building." (Ex. 130)²³ As discussed below, this purported delegation of the membership's responsibility under the Bylaws to the Executive Board did not constitute the requisite membership approval for the terms and conditions of the real estate transaction. Under the IBT Constitution, Bylaws cannot be amended by a membership resolution. (Ex. 302 at 43) On April 13, 2007, the Local's Executive Board "... approve[d] the purchase of the land and the new building." (Ex. 217)

On June 29, 2007, the Executive Board meeting minutes reported that, "John Hughes explained the purchase agreement for the land on which to construct the new Local 120 building. Art Walsh explained the building plans and contract for the new Local 120 building." (Ex. 219)²⁴ Hughes was an attorney who represented the Local in the real estate and construction transactions. (Ex. 1 at 108, 129-130)²⁵ At that meeting, Slawson, Sr. reported that he had "... signed an agreement to get started on the purchase agreement for the land." (Ex. 219)

²³ The minutes of this meeting stated, "Brad gave a detailed report on the land in Blaine for the new building. Brad also explained the cost of the new building. Brad answered questions and concerns from the membership on the new building. Brad stated that he won't rule out a new dues assessment in the future, but he believes it is possible to build the new building without it." (Ex. 130) The minutes of the April 12, 2007 membership meeting also contained the following statements:

"A motion was made and seconded to take a vote for the new building. Motion Carried.

A motion was made and seconded to give the Executive Board the authority to purchase land and build a new building. Motion Carried.

There was a call from the floor to take a standing count on the vote. The outcome was the same."

(Ex. 130)

²⁴ It appears the contract referred to in these minutes was the proposed Ryan contract which was dated June 22, 2007. (Ex. 1010)

²⁵ It is not clear who Art Walsh was. There was a real estate attorney Arthur D. Walsh in St. Paul. (Ex. 1051)

On July 13, 2007, the Executive Board approved the purchase agreement for the land. (Ex. 220)²⁶ On July 24, 2007, on behalf of Local 120, Slawson, Sr. signed a purchase agreement to purchase approximately 2.83 acres in Blaine, Minnesota from Cloverleaf Office Partners, LLC for \$7.50 per square foot. (Ex. 1000) Pursuant to this agreement, the Local also agreed to pay a proportionate share of a total of \$513,549 in expenses. (Ex. 1000 at 2)²⁷ The specific sum of the cost of the land purchase was not in the agreement. (Ex. 1000) Calculating the cost of the land using the figures in the contract, the cost of the land purchase was \$1,077,382.91. (Exs. 1000, 1044)²⁸ There was no membership approval for the terms and conditions of this purchase agreement. As discussed below, the actual transfer of the land took place in November 2007. (Exs. 1031, 1032)

On October 25, 2007, a Staubach representative sent an email to Lyle Slawson stating that he had left a message for Hughes, the Local's real estate attorney "... not to accept progress payments for the road construction, only accept escrowing the amount at this time." (Ex. 1045)²⁹ Had the Local accepted this money in 2007, the Local would have had \$75,598 which could have been used for the building.³⁰ Ten months later, on July 15, 2008, Lyle Slawson asked attorney

²⁶ The minutes of this meeting contained the following statement, "Brad Slawson, Sr., Secretary-Treasurer gave an updated report on the new building. A motion made and seconded to move forward and sign a purchase agreement for the purchase of the land on which to build the new Local 120 office building. Motion Carried." (Ex. 220)

²⁷ According to the purchase agreement, these expenses totaling \$513,549 were for "land area for common ponding and drainage", "civil engineering and design fees" and "soil correction." (Ex. 1000 at 2)

²⁸ According to the purchase agreement, the price of the land was \$7.50 per square foot. (Ex. 1000) The Local was purchasing approximately 2.83 acres. (Ex. 1000 at Exhibit A) There are 43,560 square feet per acre. (Ex. 1044) Accordingly, the Local purchased 123,274.8 square feet (2.83 multiplied by 43,560). The cost was \$924,561. (\$7.50 multiplied by 123,274.8). (Ex. 1044) In addition to the price of the land; the Local agreed to pay its proportionate share of expenses totaling \$513,549. (Ex. 1000 at 2) The total property was 9.51 acres. (Ex. 1000 at 2) The Local's share, 2.83 acres, was 29% of the total property. (Ex. 1044) Accordingly the Local was responsible for \$152,821.91, which is 29% of \$513,549. (Ex. 1044) The total amount the Local owed under the purchase agreement was \$1,077,382.91. (Ex. 1044)

²⁹ The owner of the land had agreed to pay a portion of the cost of constructing a road on the property. (Ex. 10 at 60) During his sworn examination, Lyle Slawson testified that he had no memory of this email. (Ex. 10 at 59-60)

³⁰ As discussed below, this was the amount the land owner eventually paid the Local. (Ex. 1047)

John Hughes to send an invoice for a portion of the road construction to the original land owner. (Ex. 1046) Only at that later time, was the seller asked to transfer the funds for its portion of the road construction costs. (Ex. 1046) On December 23, 2008, the Local received a check in the amount of \$75,598 for the road construction from the land's seller. (Ex. 1047) The consequence of not taking the money when available ten months earlier as of October 25, 2007 was the Local could inflate the cost of the project by that amount on its application to increase the construction loan in approximately July 2008.³¹

4. Creation of the Local 120 Building Holding Company

The Slawsons established a Building Holding Company to own the building in an effort to limit potential liability of the Local. (Ex. 1 at 165-168; Ex. 2 at 40) On September 28, 2007, the Secretary of State of Minnesota issued a certificate of incorporation for the Teamsters Local 120 Building Holding Company. (Ex. 1048) Slawson, Sr. was the sole incorporator. (Exs. 1049, 1053) According to the Articles of Incorporation for the Building Holding Company which Slawson, Sr. signed, the initial directors of the Company were Slawson, Sr., Slawson, Jr., Miller and Dean Cypher ("Cypher"). (Ex. 1049) Slawson, Sr. appointed the directors. (Ex. 2 at 38-39; Exs. 1050, 1049) During his sworn examination, when asked who appointed the directors to the Building Holding Company, Slawson, Sr. "guessed" that the Executive Board had appointed the directors. (Ex. 1 at 166) There was no Local 120 Executive Board approval to form the Building Holding Company or to appoint directors to the Building Holding Company. (Exs. 189-291) Consistent with the documents, Slawson, Jr. testified that Slawson, Sr. appointed him to the Building Holding Company. (Ex. 2 at 38-39) During his IRB sworn examination, when Miller was shown the "Minutes of First Meeting of the Incorporator and

³¹ According to Bank Mutual records, the Bank approved the initial loan on October 15, 2007. (Ex. 1058)

Board of Directors of Teamsters Local 120 Building Holding Company”, Miller testified that Slawson, Sr. called him into that meeting. (Ex. 4 at 26-27)

The Local produced unsigned minutes for the Building Holding Company dated September 28, 2007 which were titled “Minutes of First Meeting of the Incorporator and Board of Directors of Teamsters Local 120 Building Holding Company.” (Ex. 1066) In response to a subpoena, Bank Mutual, which made the construction loan to the Building Holding Company, produced these same minutes signed by Slawson, Sr.. (Ex. 1050) According to these minutes, the meeting began at 11:00 a.m. and Slawson, Sr. reported that the Articles of Incorporation had been filed and the incorporator, which was him, appointed four directors to the Board of Directors of the Building Holding Company: Slawson, Sr., Slawson, Jr., Miller and Cypher. (Exs. 1050, 1049) At that time, Slawson, Sr. was the Local’s Secretary-Treasurer, Slawson, Jr. was the Local’s President, Miller was the Local’s Vice President and Cypher was a business agent resident in the Local’s North Dakota office. (Ex. 222; Ex. 4 at 27; Ex. 1 at 196) According to the minutes, the Board elected Slawson, Sr. to be President of the Building Holding Company, Slawson, Jr. to be Vice President, Miller as Secretary-Treasurer and Cypher as Recording Secretary of the Building Holding Company. (Ex. 1050)

The Local produced a second document that was minutes of the Building Holding Company Board of Directors, also dated September 28, 2007. These were titled “Minutes of the First Special Meeting of the Board of Directors of Teamsters Local 120 Building Holding Company.” (Ex. 1054) According to these Special Meeting minutes, the meeting started at 11:00

a.m. and the Slawsons and Miller were present while Cypher attended "electronically".

(Ex. 1054)³² The minutes stated,

Brad Slawson, Sr. reported that the purchase of a parcel of land in Blaine, Minnesota by Teamsters Local 120 was scheduled to close on October 4, 2007 and that Teamsters Local 120's interest in the purchase agreement is to be assigned to the Corporation so that title in the land will vest in the Corporation. The Corporation will then own the land subject to the underlying mortgage, which mortgage must be consented to by the Corporation. After the closing and the land is transferred to the Corporation, construction and financing of a building to be used by Teamsters Local 120 and other tenants will immediately commence.

A motion was made and seconded to approve the transfer of Teamster Local 120's interest in the Blaine, Minnesota land to the Corporation and to cooperate with Teamsters Local 120 in any way to allow and facilitate the financing and construction of the land and a building to be constructed on the land.

(Ex. 1054)

5. False Minutes Purporting to Transfer the Local's Interest in the Purchase Agreement to the Building Holding Company

The Local produced a third set of minutes also dated September 28, 2007. These had the different title: "Board of Directors Meeting of Teamsters Local 120." (Ex. 1055) The appearance of these minutes is substantially different from the other minutes for the Building Holding Company Board that day (Compare Ex. 1055 with Exs. 1050 and 1054) Given the physical difference between this third set of minutes and the first two sets, and the action the third set reflects, the change in title omitting a reference to the Building Holding Company was done to make it appear these were Local 120 Executive Board minutes and not minutes of the Building Holding Company Board. According to the Local 120 Board of Directors' minutes, Slawson, Sr. made the following motion which the four directors unanimously approved:

³² Although the two meetings were reportedly both held on September 28, 2007 at 11:00 a.m., in the minutes of one meeting Cypher was listed as present and in the minutes of the other meeting Cypher was listed as attending "electronically." (Ex. 1050, 1054)

That Teamster Local 120 consent to the transfer and assignment of its interest in that purchase agreement dated July 24, 2007 for Lot 1, Block 1 Cloverleaf Common Second Addition, Anoka County, Minnesota to the Teamsters Local 120 Building Holding Company and further authorize the guaranty of the mortgage to finance the purchase of the property and construction of a building on the property.

(Ex. 1055) Thus, these minutes in their text purport to have what the title misleadingly describes as the Board of Directors of Local 120 take an action only the Executive Board of Local 120 had the power to do. According to the minutes of this "Board of Directors Meeting of Teamsters Local 120", both Slawsons and Miller were present and Cypher attended by conference call.

(Ex. 1055)³³ Slawson, Jr., who was not the Recording Secretary, signed these minutes.

(Ex. 1055; Ex. 2 at 40-44)

When shown these minutes during his sworn examination, Slawson, Jr. described them as Building Holding Company minutes. (Ex. 2 at 40-41) Slawson, Sr. and Slawson, Jr. both testified that the action reflected in these minutes was done at the direction of the attorneys Martin Costello and John Hughes.³⁴ (Ex. 2 at 41; Ex. 1 at 167-168) Costello, who represented the Slawsons at the IRB testimony where they stated under oath he advised them to do it, subsequently denied he gave such advice. (Ex. 1125)

These minutes were submitted to Bank Mutual. (Ex. 1055)³⁵ They purported to authorize the Local's transfer of its interest in the land purchase agreement to the Building Holding Company. (Ex. 1055) Furthermore, these minutes purported to memorialize the authorization of the Local to be the guarantor of the mortgage to finance the land purchase and building construction. (Ex. 1055) Initially, the Local produced these minutes to the Chief

³³ The minutes of this meeting did not state the time of the meeting. (Ex. 1055)

³⁴ Costello was an employee of the Local. (Exs. 304, 322) In addition, his law firm, Costello and Hughes, did work for the Local (Exs. 304, 322)

³⁵ Bank Mutual is a federally insured Bank. Submission of intentionally false documents to it would be a federal crime, 18 U.S.C. §1344.

Investigator among a group of Local 120 Special Executive Board meeting minutes. (Ex. 1067)³⁶
However, as Slawson, Jr. admitted, these minutes did not reflect Local 120 Executive Board action. (Ex. 1055; Ex. 2 at 40-42)

The Board of Directors of the Building Holding Company did not have the authority to transfer the Local's interest in the purchase agreement to the Building Holding Company. Nor did the Board of Directors of the Building Holding Company have any authority to make Local 120 the guarantor of the mortgage for the purchase of the property and construction of the building. As described below, without the requisite Executive Board authorization, on November 1, 2007, on behalf of the Local, Slawson, Sr. signed a Guaranty for the \$3,382,966 mortgage and construction loan dated November 9, 2007 that made the Local responsible for repayment of the loan. (Ex. 1075) This misleading document was also submitted to Bank Mutual. (Ex. 1075)³⁷

Article 3.3 of the Construction Loan agreement Slawson, Sr. signed on behalf of the Building Holding Company required that, "The execution and delivery to Lender of the Loan Documents, and the performance by Borrower of its obligations thereunder, are within Borrower's power as a non-profit corporation, have been duly authorized by proper organizational action on the part of Borrower. . ." (Ex. 1040 at 3) Under the Agreement, the Local 120 Building Holding Company was the Borrower. (Ex. 1040) The minutes given the bank misleadingly titled "Board of Directors Meeting of Teamsters Local 120" appeared to be

³⁶ By letter dated September 30, 2011, the Local produced among other documents these minutes in response to a request from the Chief Investigator for all Local Executive Board, Special Executive Board and membership meeting minutes. (Ex. 402) The document included before the September 28, 2007 "Board of Directors Meeting of Teamster Local 120" was minutes of an August 18, 2008 "Special Executive Board Meeting of Local Union #120" and the minutes produced following the September 28, 2007 minutes were minutes of a "Special Executive Board Meeting of Local Union #120" dated January 18, 2007. (Ex. 1067)

Subsequently, the Local produced these minutes with Building Holding Company minutes. (Ex. 1083)

³⁷ When documents were received from Bank Mutual in response to a subpoena, such documents were Bates stamped with the prefix "Mutual."

designed to deceive the Bank into believing the Local duly authorized the actions to transfer assets the Building Holding Company pledged and to act as guarantor.

The Slawsons' claimed reliance on counsel would not be a defense for their actions, even if true. The advice they claim they were given was that a shell company could transfer the assets of another entity to itself without the second entity's authorization. No experienced union officials, as the Slawsons were, could rely on a lawyer's advice that the Board of a shell corporation whose members only the officers appointed, could without permission of the Local Executive Board transfer Local assets to itself and make the Local a guarantor on an over three million dollar loan. If the advice was given, it was wrong on its face and the Slawsons would have known it. There could be no reliance on such advice. Moreover, one lawyer, who represented the Slawsons at their testimony, denied he gave the advice they claimed he did.

(Ex. 1125)

6. The Mortgage Application

In addition to the false minutes Slawson, Jr. signed and the false guaranty for the Local Slawson, Sr. signed, they caused other inaccurate statements to be made to the bank in the mortgage approval process. According to records obtained by subpoena from Bank Mutual, prior to the mortgage and loan being approved, American Pride submitted to Bank Mutual an undated estimate of project costs for the construction of a new Local 120 building which estimated that the price of the land was \$1,218,286. (Exs. 1056, 1074) This was \$140,904 more than the cost of the land in the signed July 24, 2007 land purchase agreement pursuant to which the land cost was \$1,077,382. (Exs. 1000, 1044, 1056) According to an October 2, 2007 internal Bank Mutual memorandum, which was dated shortly before the bank approved the construction loan on October 15, 2007, the Bank determined after speaking with the broker, American Pride, that the inflated price American Pride, the Slawsons' co-schemer, reported for the land purchase

was based upon the inaccurate claim of a purchase of 3.20 acres of land, not the actual 2.83 acres in the July 24, 2007 land purchase agreement. (Exs. 1000, 1056, 1058) According to the October 2, 2007 internal Bank Mutual memorandum, the purchase price of the land was corrected to \$1,078,000. (Ex. 1057) This appears to have been a part of a pattern to inflate Local costs such as the refusal to accept the seller's road construction payment, to maximize the amount that could be borrowed.

It also appears that in order to satisfy the Bank's concern as to whether the Local had adequate cash flow to service the proposed debt, Slawson, Sr. substantially inflated the number of Local members in information provided to the Bank. (Exs. 1041, 1068, 1069) In a Bank Mutual internal memorandum dated September 7, 2007, a bank representative stated the Local had rapid recent growth in membership and that the bank had received a document that Brad Slawson signed which stated that the Local had a current membership of 19,750. (Ex. 1041)³⁸ In contrast to that claim, the Form LM-2 for 2007, which was subsequently filed, showed the Local had 10,936 members and the Form LM-2 for 2006, then on file, reflected 9,685 members. (Exs. 1068 and 1069) More members would have meant more dues money coming in monthly and this false claim would have led the bank to believe the Local's cash flow was greater than it was, easing the bank's concerns the Local was capable of servicing the debt.

According to internal Bank Mutual records, on approximately October 15, 2007, Bank Mutual approved a loan to the Building Holding Company of the lesser of \$3,382,966 or 80% of the appraisal to construct a new building. (Ex. 1058) The loan the Local secured from Bank Mutual through the Bank Holding Company was for \$3,382,966. (Ex. 1035)

³⁸

The Bank document did not indicate if it was Slawson, Sr. or Jr.. (Ex. 1041)

7. Construction General Contractor Ryan Companies

Since, approximately, December 2006, Ryan Companies, a union general contractor, was involved in preparing the plans for the construction of the Local's building. (Exs. 1076, 1059) On March 30, 2007, Ryan submitted a revised Design/Build proposal for the construction of the Local's new building which included "... architectural design, civil & landscape design, structural design, and complete construction services." (Ex. 1070) On approximately June 18, 2007, Ryan and the Local signed an interim agreement to provide design/build services for the construction of the new office for the Local. (Ex. 1060) Slawson, Sr. signed this agreement on behalf of the Local. (Ex. 1060)³⁹ Under this interim agreement, Ryan was to be paid a maximum of \$30,000 for specific work, including working with Pope Architects, which Ryan had retained, to prepare "architectural, civil, and landscaping drawings, and all other documents required for the City of Blaine submittal date of July 13, 2007." (Ex. 1060) There was no Executive Board approval for this agreement as required.

On June 20, 2007, Ryan sent an email to Slawson, Sr., Miller and representatives of Staubach stating that Ryan's guaranteed maximum price for the construction of the Local's building was \$2,875,722. (Ex. 1062) On June 22, 2007, Ryan sent the Local a draft contract with a guaranteed maximum price of \$2,875,772. (Ex. 1010 at 7) The contract was essentially one under which the Local would pay actual defined costs and a fixed fee with a guaranteed maximum price for the project. (Ex. 1010)

8. The Slawsons' Relationship with Todd Chester

The Slawsons were intertwined with Todd Chester. Both Slawson, Sr. and Slawson, Jr. were friends with Chester, had business relationships with him and had a familial relationship.

³⁹ In this agreement, it was anticipated that construction would start in September 2007 and the building would be completed in February 2008. (Ex. 1060)

(Ex. 1 at 185-189; Ex. 2 at 47-51) Slawson, Sr. has known Chester for many years. Chester is the father of one of Slawson, Sr.'s grandchildren. (Ex. 1 at 185-188) The grandchild appears to have been born sometime in 2008. (Ex. 2022 at 16, 26) Slawson, Sr. also has had business relationships with Chester. He testified he used Chester as a real estate broker when he purchased his home and to speculate on real estate. (Ex. 1 at 189-191) Checks passed between them. (Ex. 1071) In addition, in 2008, Chester arranged for Slawson, Sr. to be an investor with Chester and others in a planned bar near the Minnesota Twins new stadium. (Ex. 1 at 189-190)⁴⁰ In connection with this, on March 25, 2008, Slawson, Sr. stated he wrote a check to Chester for \$7,500. (Ex. 1064; Ex. 1 at 189-191)

Slawson, Jr. was a good friend of Chester whom Slawson, Jr. knew before he graduated from high school. The friendship deepened over time. (Ex. 2 at 48-50) For approximately the last seven years, Slawson, Jr. has been the Vice President of the Blaine Youth Hockey Association and his wife is the Blaine Youth Hockey Gaming Manager. (Ex. 2 at 49) The charitable gambling pull-tabs for the Blaine Youth Hockey Association are located in two bars that Chester has ownership interests in: Route 65 Pub and Grub and Mac and Chester's Standing Room Only. (Ex. 2 at 48-50) Slawson, Jr. advocated before the Blaine City Council that Route 65 Pub, Chester's bar, be granted a license for this purpose. (Ex. 1072) Chester acknowledged the gambling operations were important financially to the bar. (Ex. 1072)⁴¹ Slawson, Jr. is the uncle of one of Chester's children. (Ex. 1 at 188)

⁴⁰ According to Slawson, Sr., the project did not proceed because the building was declared an "historical building." (Ex. 1 at 189)

⁴¹ According to Slawson, Jr., the bars charged rent to the charity based on a percentage of the pull tabs sold. (Ex. 2 at 51-52)

9. Chester Introduced Stone Construction to the Slawsons and Without Any Analysis of the Proposals by the Local's Expert, the Slawsons Caused Stone To Be Immediately Selected as General Contractor

According to both Chester and Slawson, Sr., Chester introduced general contractor Stone Construction to Slawson, Sr. for the purpose of Stone making a bid to build the Local's new building. (Ex. 1009; Ex. 1 at 130) Slawson, Sr. testified that there was one conversation with Chester in which Chester asked if Stone could bid on the general contractor work for the planned new building. (Ex. 1 at 130-131) Slawson, Sr. told Chester that it could. (Ex. 1 at 130-131) Stone submitted to Slawson, Jr. a letter proposal, dated July 26, 2007, for the construction of the Local's building, which included a cost estimate. (Ex. 1019) The July 26 proposal from Stone was the earliest Stone proposal the Local produced to the Chief Investigator. (Ex. 1019)⁴² The next day, on Friday, July 27, 2007, Slawson, Sr. held a specially called telephone poll of the Local's Executive Board to approve using Stone for the construction of the Local's building. (Ex. 1012) The issue for the poll was as follows:

Local 120 has received a new bid from a different contractor to build our new building. The name of the company is Stone Builders. They have come in over \$200,000 cheaper with no negative modifications. Poll vote to approve using Stone Builders for the building. If approved, we will be signing the contract for these builders on Monday, July 30, 2007.

(Ex. 1012)⁴³ Both Slawsons strongly advocated making the switch to Stone. (Ex. 4 at 22-23; Ex. 5 at 31-33)⁴⁴ They did this without the Local's expert analyzing the contractors' submissions. (Ex. 1 at 137-138) The motion was approved. (Ex. 1012)⁴⁵ Stone was the only

⁴² The July 26, 2007 proposal Stone produced in response to a subpoena had a handwritten notation which stated, "Original Bid Submitted" (Ex. 1077)

⁴³ The Local produced an unsigned contract with Stone dated July 27, 2007, the same day as the telephone poll of the Executive Board. (Exs. 1012, 1052) Pursuant to this unsigned contract for which "the basis of payment is a STIPULATED SUM", the contract sum was \$2,512,113. (Ex. 1052)

⁴⁴ One Local officer recalled that he knew Slawson, Jr. had a connection with Stone through Chester. (Ex. 4 at 22-23)

⁴⁵ When asked during his sworn examination what the urgency was for selecting Stone so rapidly, Slawson, Sr. responded that Ryan was doing work on the building and the Local then received a bid that they