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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.

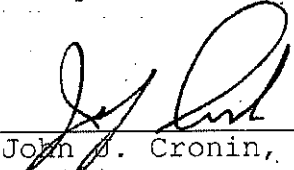
Pursuant to the Consent Order of the United States District Court, S.D.N.Y.
United States -v- International Brotherhood of Teamsters 88 CIV. 4486 (LAP)

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 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

company that provided expert services to the Local in connection with the building project for which Slawson, Sr. sought Executive Board approval. He did not seek it for Staubach, Ryan, the architect or lawyers.

The Local had hired Staubach to help it evaluate bids. (Ex. 1029; Ex. 1 at 77, 110-112) Yet Staubach did not evaluate the Stone proposal until after Slawson, Sr. caused Stone to be selected. (Ex. 1 at 130-132, 137-138) This was inconsistent with Slawson, Sr.'s claim he relied on the experts for all he did. (Ex. 1 at 75-77)⁴⁶

In 2008, Stone subsequently paid Chester a total of \$90,000 which Chester claimed was solely his fee for the introduction. (Exs. 1005, 1009) Stone's fee under the contract for being the general contractor for the entire project of actually constructing the building was \$135,282. (Ex. 1001 at 3; Ex. 1006) Slawson, Sr. admitted he knew that Chester was going to receive a fee in connection with the construction of the Local's building, but he did not determine the amount of the fee. (Ex. 1 at 132) Moreover, as discussed below, Slawson, Sr. affirmatively represented to some Local Executive Board members and other employees that Chester was not going to receive any payment in connection with the Local's new building. (Ex. 4 at 31-33; Ex. 5 at 34-35; Ex. 11 at 72)

The July 26, 2007 Stone proposal was for \$2,442,113, with alternate expenses not included. (Ex. 1019) Those totaled another \$296,895. (Ex. 1019)⁴⁷ Staubach's subsequent

(continued...)

thought was \$200,000 less. (Ex. 1 at 137) As discussed below, the contract with Stone was not signed until sometime in November 2007 at which time the contract was \$352,506 higher than Stone's July 26, 2007 proposal with all the alternates included. (Exs. 1001, 1019, 6037) It was \$215,742 higher than the price in Ryan's proposed contract. (Ex. 1001, 1010)

⁴⁶ It does not appear that Kavaney & Associates evaluated the July 26, 2007 Stone proposal until after Slawson, Sr. caused Stone to be selected. (Exs. 1012, 6035)

⁴⁷ As noted above, the Local produced an unsigned contract with Stone dated July 27, 2007 which had a contract sum for building the Local of \$2,512,113. (Ex. 1052)

analysis comparing the Ryan and Stone proposals showed several of the alternate expenses not included in Stone's proposal were included in the Ryan proposal. (Ex. 1078) For example, the alternate expenses in the Stone proposal included a building permit fee of \$21,500 and an \$80,000 allowance for winter conditions which would be projected additional costs above the proposal price. (Ex. 1019)⁴⁸ These were included in the Ryan proposal. (Ex. 1078) When all the alternate expenses were included in Stone's July 26, 2007 proposal, the total amount of the proposal was \$2,739,008. (Exs. 1019, 6037)

In an analysis of the Ryan and Stone proposals the Local produced, which was created by an unknown source and included a notation that it was printed on August 2, 2007 at 6:42 a.m., after Stone had already been selected in the telephone poll, the Ryan cost was described as \$119,264 over the Stone cost. (Ex. 1079)⁴⁹ This analysis did not include any reduction in Ryan's fee or contingency. It described Ryan as a union contractor and Stone as not. (Ex. 1079)⁵⁰ On Thursday, August 2, 2007, that same day, a Staubach representative informed Ryan that the Local had taken Ryan off the project. (Ex. 1080)⁵¹

In another analysis of the Ryan and Stone proposals that the Local produced, Staubach reported that there was a \$48,831 difference between the then Ryan proposal and the Stone proposal. (Ex. 1078)⁵² In this Staubach analysis, which Lyle Slawson represented was before

⁴⁸ It its later analysis, Staubach included these amounts in the Stone proposal. (Ex. 1078)


⁴⁹ In this undated analysis printed on August 2, 2007, the Ryan proposal was calculated to be \$2,875,772 and the Stone proposal was \$2,756,508. (Ex. 1079)

⁵⁰ According to Slawson, Sr., Local 120 was the third largest IBT construction Local. (Ex. 22 at 149) On August 1, 2007, a Staubach representative sent an email to Slawson, Sr., Slawson, Jr. and Lyle Slawson which stated that,

... Ryan was told today from both a structural steel firm and a mason that they knew Stone Construction to be an "Open Shop." I'm sure Stone intends to use all union labor on this project, but, Dave and I did not know that if they were an "open shop," if that would make a difference to you. ... (Ex. 1081)

⁵¹ On August 17, 2007, the Local issued a check to Ryan for \$27,000. (Ex. 1082)

⁵² In Lyle Slawson's listing of events relating to the building created in response to the IRB investigation which was provided to the Chief Investigator, he placed Staubach's analysis before August 2, 2007



the August 2 notification to Ryan, the Ryan proposal was calculated to be \$2,786,994 after Ryan offered to reduce its fee and the contingency amount in the proposal. (Ex. 1078) The Stone initial proposal was calculated to be \$2,738,113, after costs, such as winter conditions which were included in the Ryan proposal, were added to the Stone proposal of \$2,442,113. (Ex. 1078) The difference between the two companies' submissions then would have been \$48,831. (Ex. 1078)

During the August 17, 2007 Executive Board meeting, Slawson, Sr. "reported that Ryan has been taken off of the project and we are going with Stone, as Stone's bid was \$250,000 under Ryan's bid. . . ." (Ex. 221) At that point, Slawson, Sr. knew the difference between the two companies' proposals was much less. (Ex. 1078; Ex. 1 at 138-140) He knowingly exaggerated the difference to be \$250,000. (Ex. 221; Ex. 1 at 139-140, 145-146) The Slawsons did not share the documents analyzing the Ryan and Stone proposals with the Board members. (Ex. 4 at 23-25; Ex. 5 at 33; Ex. 6 at 18-20) The Executive Board was not given an explanation of the differences between the contracts or told that Staubach's analysis had determined a much smaller difference in the two proposals. (Ex. 4 at 22-25; Ex. 6 at 18-21; Ex. 5 at 31-34; Ex. 221) Indeed, on August 28, 2007, eleven days after Slawson, Sr.'s August 17, 2007 report to the Executive Board that Stone would be used to build the Local's new offices, the Stone proposal had already increased by \$235,959 to \$2,974,967. (Exs. 1019, 1020, 6037) Slawson, Sr. never proposed negotiating costs down with both companies. (Ex. 1 at 143-146)

(continued...)

when Ryan was notified by Staubach that the Local was going to use Stone instead of Ryan. (Ex. 1084 at entries 34-36) His list did not include the analysis showing a \$119,264 difference between the Ryan and Stone proposals. (Exs. 1084, 1079)

10. The Local's November 5, 2007 Contract With Stone

The contract that the Local eventually signed with Stone was dated typographically November 5, 2007, more than three months after the Slawsons caused the Board to act urgently in selecting Stone in the telephone poll. (Exs. 1001, 1012) It is unclear when this contract was actually signed since it contained a handwritten and initialed reference to a November 12, 2007 addendum to the contract. (Ex. 1001 at 11) Under this contract, which was a "Cost of the Work Plus a Fee" contract, the guaranteed maximum price of the construction of the building was \$3,091,514. (Ex. 1001 at 3) Slawson, Sr. signed this contract on behalf of the Local. (Ex. 1001 at 12)⁵³ This contract was \$352,506 more than Stone's July 26, 2007 proposal with the alternates included. (Exs. 1001, 1019, 6037) There was no Executive Board approval for the increased Stone contract. (Exs. 221-239) The minutes do not reflect that the Executive Board was ever told of the higher price.⁵⁴

Slawson, Sr. maintained under oath that he had entered into a fixed price contract so costs were not relevant. (Ex. 1 at 106, 110) He claimed the maximum contract price was the fixed price he had agreed to on the Local's behalf rather than a cap on how much the Local could pay as the contract explicitly provided. (Ex. 1 at 106, 110; Ex. 1001) In fact, because the contract with Stone was a "Cost of the Work Plus a Fee" contract with a guaranteed maximum price, Stone agreed to charge the Local for the contract costs of the work plus a fixed fee. (Ex. 1001) Article 5.1 of the contract provided, "The Owner shall pay the Contractor the Contract Sum in current funds for the Contractor's performance of the Contract. The Contract Sum is the Cost of

⁵³ The Local, not the Building Holding Company, entered into this contract with Stone, although the loan was to the Building Holding Company. (Ex. 1001)

⁵⁴ Slawson, Sr. claimed he kept the Executive Board informed of Stone's costs going up. (Ex. 1 at 144) The minutes did not reflect this. (Exs. 221-239; Ex. 4 at 23-25; Ex. 5 at 32-33)

the Work as defined in Article 7 plus the Contractor's Fee." (Ex. 1001 at 3)⁵⁵ Pursuant to the contract, Stone's fee was \$135,282. (Ex. 1001 at 3) The contract's wording indicated costs were not fixed. (Ex. 1001) In addition, Slawson, Sr. was advised by multiple law firms and a construction project manager. (Exs. 1029, 6035; Ex. 1 at 167-168)

The Stone contract gave the Local the right to monitor and verify Stone's payments to contractors which would have been unnecessary in a fixed price contract. (Ex. 1001 at 7)

Article 11 of the contract provided:

The Contractor shall keep full and detailed accounts and exercise such controls as may be necessary for proper financial management under this Contract, and the accounting and control systems shall be satisfactory to the Owner [the Local]. The Owner and the Owner's accountants shall be afforded access to, and shall be permitted to audit and copy, the Contractor's records, books, correspondence, instructions, drawings, receipts, subcontracts, purchase orders, vouchers, memoranda and other data relating to this Contract, and the Contractor shall preserve these for a period of three years after final payment, or for such longer period as may be required by law.

(Ex. 1001 at 7) In addition, the contract gave the Local's accountants the right to review Stone's final accounting. (Ex. 1001 at 8) Article 12.2.3 of the Stone contract under "Final Payment" contained the following provision: "The Owner's accountants will review and report in writing on the Contractor's final accounting within 30 days after delivery of the final accounting to the Architect by the Contractor." (Ex. 1001 at 8)

⁵⁵ Article 7 of the Stone contract provided the following regarding the "Cost of the Work":

The term Cost of the Work shall mean costs necessarily incurred by the Contractor in the proper performance of the Work. Such costs shall be at rates not higher than the standard paid at the place of the Project except with prior consent of the Owners. The Cost of the Work shall include only the items set forth in this Article 7.

(Ex. 1001 at 4)

As discussed below, Slawson, Sr., a fiduciary, did not direct an audit to be done to account for the over \$3,000,000 of the Local's money given to Stone.⁵⁶ Accordingly, the Local did not determine the actual cost of the project that the Contractor claimed had reached the maximum price or verify that all costs Stone claimed it made with the Local's money were allowable costs within the contract. Instead, based on Stone's untested representations, Slawson, Sr. ignored his fiduciary obligations and caused the Local to pay the guaranteed maximum price, which included a \$25,000 builder's contingency, plus the cost of the two change orders. (Exs. 1002, 1001, 1003, 1004, 1086)⁵⁷ Not disclosed to the Local in any document was the \$90,000 it paid through Stone as an introduction fee to Chester. (Ex. 1008 at 6; Ex. 1 at 116)

11. Slawson, Sr. and Slawson, Jr. Arranged for the Building Holding Company to Borrow \$3,382,966 without the Requisite Executive Board Approval

On behalf of the Building Holding Company, Slawson, Sr. signed a Mortgage Note and a Construction Loan Agreement dated November 9, 2007, pursuant to which the Building Holding Company borrowed \$3,382,966 to purchase the land in Blaine and to build a building on the land. (Exs. 1035, 1040) The interest rate on this loan was 6.75% per year and the maturity date of the loan was November 30, 2012. The balance of the loan was due on that date. (Ex. 1035)⁵⁸ In addition, on behalf of Local 120, Slawson, Sr. signed a Guaranty dated November 9, 2007, pursuant to which the Local agreed to guaranty that the Building Holding Company would comply with the Loan Document pursuant to which Bank Mutual loaned the Building Holding Company \$3,382,966. (Ex. 1075)

⁵⁶ Slawson, Sr. testified he had the Local's accountants look at aspects of the project. (Ex. 1 at 113-118) Indeed, the only time the Local employed accountants with respect to the construction contract was in 2012, not to check actual costs, but in an attempt to justify Slawson, Sr. blindly having the Local pay the maximum price. (Ex. 1085)

⁵⁷ The two change orders totaled \$93,915. (Exs. 1003 and 1004)

⁵⁸ According to the Local's LM-2 filed for 2011, as of December 31, 2011, the balance of the loan was \$3,540,678. (Ex. 304)

There was no Local 120 Executive Board approval for a Local guaranty on a loan to the Building Holding Company for \$3,382,966. (Exs. 213-239, 1083)

12. Purchase of the Blaine Land

On or about November 1, 2007, the Building Holding Company purchased the Blaine land for \$1,038,000. (Ex. 1031, 1032) This amount resulted from the calculations based upon the purchase agreement less \$40,000 the seller paid for a soil correction that took place before the closing on the land. (Ex. 10 at 67-68; Ex. 1000) In addition to the purchase price, around the time of the closing the Local also paid \$50,646 in settlement charges, including approximately \$21,780.80 to American Pride. (Exs. 1031, 1032)⁵⁹

American Pride Title, LLC was the settlement agent for the closing. (Ex. 1031) Lyle Slawson testified that Gilbert in either 2011 or 2012 told him that the Local did not bring down payment money to the actual closing and was allowed to pay it later. (Ex. 10 at 35) At around the time of the land purchase, on November 5, 2007 the Local made a wire transfer of \$200,000 to American Pride Title, LLC. (Exs. 1087, 1088) This was inaccurately described in Local records as "down payment to American Pride Title." (Ex. 1087) In violation of the Bylaws, Slawson, Sr. alone authorized this transfer by letter dated November 1, 2007. (Ex. 1089)⁶⁰

⁵⁹ In response to the Chief Investigator's request for documents regarding the land sale and building construction, the Local produced two different Settlement Statements for this transaction both dated November 1, 2007. (Exs. 1031, 1032) In one settlement statement, the Building Holding Company was to pay \$200,000 cash at the settlement. (Ex. 1031) The other version of the settlement statement included \$750,000 described as "Borrower cash at closing". (Ex. 1032) It is unclear why there are two versions of the settlement statement. (Ex. 1 at 162-164) The Local through Lyle Slawson received an explanation from Gilbert at American Pride in the course of the IRB investigation that the Local did not bring the \$200,000 down payment to the closing, but was allowed more time to make the down payment. (Ex. 10 at 33-35) The two Settlement Statements contained different amounts paid to American Pride entities: \$21,780.80 and \$21,605.80. (Exs. 1031, 1032)

⁶⁰ There was no second signature on this letter. (Ex. 1089) Pursuant to Section 8(C) of the Local's Bylaws, "the principal officer in conjunction with the President and Vice President, shall have the authority to disburse or order the disbursement of all monies necessary to pay the bills, obligations and indebtedness of the Local Union, which have been properly incurred as provided herein." (Ex. 300 at 4) This was one of many irregularities in how Slawson, Sr. proceeded in connection with the building project.

There was no membership or Executive Board approval for this \$200,000 payment. (Exs. 218-230, 127-140)

Subsequent to the \$200,000 payment, between January and July 2008, the Local paid an additional \$550,038 from Local accounts to either American Pride Title, the settlement agent, or Bank Mutual, which made the mortgage and construction loan. (Exs. 1027, 1090, 1091) The total of \$750,038 the Local transferred included: \$200,000 to American Pride on November 5, 2007; \$30,000 to American Pride on January 28, 2008; \$110,038.90 to American Pride on January 28, 2008 and \$410,000 to Bank Mutual on July 7, 2008. (Exs. 1088, 1089, 1027, 1090, 1091)⁶¹ There was no Executive Board or membership approval for any of these payments. (Exs. 127-144, 213-239)

13. Payment for the Construction of the Building

As discussed above, the Local and Stone entered into a "Cost of the Work Plus a Fee" contract dated November 5, 2007 which had a guaranteed maximum price to build the building of \$3,091,514. (Ex. 1001) That did not hold. As a result of two construction change orders Slawson agreed to, the total amount paid to Stone for the construction of the Local 120 building was \$3,185,429. (Exs. 1003, 1004, 1002)⁶² Bank Mutual disbursed this amount to Stone initially through American Pride Title, LLC and subsequently through a company called First USA Title. (Exs. 1043, 1016, 1092) All three Slawsons claimed they could not identify First USA Title despite it being responsible for disbursing over two million dollars of Local funds. (Ex. 2 at 58; Ex. 10 at 32; Ex. 1 at 103; Ex. 1092)

⁶¹ As discussed below, according to records subpoenaed from Bank Mutual, the \$410,000 paid to Bank Mutual was deposited into an LIP account which was a loan in process account. (Ex. 1058) The information as to which Bank and account number to wire it into had to come from Gilbert. (Ex. 1027)

⁶² These change orders were change order #1 for \$67,760 on April 10, 2008 and change order #2 for \$26,155 on July 30, 2008. (Exs. 1003, 1004)

Bank Mutual, the Building Holding Company and American Pride Title, LLC entered into a Disbursing Agreement dated November 9, 2007. (Ex. 1015) Pursuant to this agreement,

Whenever Borrower [the Building Holding Company] desires to obtain an advance from the Building Construction Reserve, Borrower shall submit to Lender and Title Company an application for advance signed by Borrower and in form and detail satisfactory to Lender and Title Company, including an itemized list of the type of work, the amount previously disbursed for such work, if any, and the amount requested to be disbursed under the draw request. Such request shall be accompanied by a completed application for certificate of payment. . . .

(Ex. 1015 at 2) Slawson, Sr. signed this Disbursing Agreement on behalf of the Building Holding Company. (Ex. 1015) Despite requests, the Local failed to produce to the Chief Investigator signed requests by the Building Holding Company to Bank Mutual requesting draws.

The Disbursing Agreement also required the submission for each draw of a "completed application for certificate of payment." (Ex. 1015 at 2) These applications were completed by Stone and Pope and submitted to American Pride and Bank Mutual. (Ex. 1025; Ex. 10 at 37-38 and 42-44) Once Bank Mutual approved a request for payment, it issued the draw to American Pride which then disbursed the money to the contractor, Stone. (Ex. 1043) Later in the project, Bank Mutual issued the draws to First USA Title which then disbursed the money to Stone. (Ex. 1092)⁶³

Lyle Slawson, who handled most of the day to day duties for the Local on the project at the request of his father, testified that the Local only rarely received any records about the draws on the Local's loan. (Ex. 10 at 42-44) The Local produced copies of five of the eight signed applications for certificate of payments which the general contractor, Stone, and the architectural

⁶³ Neither the Local nor Bank Mutual produced a Disbursing Agreement pursuant to which First USA Title disbursed funds from the Local's construction loan.

firm, Pope, approved. (Exs. 1023, 1024, 1128) The draws on the construction loan were based upon these applications for payment.

According to a June 14, 2012 Local letter to the Chief Investigator which Slawson, Sr. swore to the truth of under oath, "Teamsters Local 120 did not approve the draws, nor was it involved in the process." (Ex. 420 at 7) If true, this claim was contrary to the Disbursing Agreement the Building Holding Company entered into and contrary to Slawson, Sr.'s fiduciary duty to ensure that the Local's money in the construction loan was used properly. It was consistent with Lyle Slawson's testimony that the whole matter was handled outside the Local. (Ex. 10 at 43-44) Lyle knew of no one at the Local who was responsible for tracking the money the Local borrowed and how it was spent. (Ex. 10 at 44) The Slawsons did not want in the Local's possession records of what was happening or any information about the project costs.⁶⁴

As of approximately May 2008, First USA Title, instead of American Pride, began to receive draws on the Local 120 construction loan from Bank Mutual and then disbursed the draws to Stone. (Exs. 1016, 1092)

14. Payments Totaling \$90,000 from Stone to Todd Chester and Associates

As noted above, Chester was a close friend of the Slawsons and the father of one of Slawson, Sr.'s grandchildren. (Ex. 1 at 188) He was the owner of Todd Chester and Associates, a real estate company. (Ex. 1127; Ex. 1 at 190) Stone issued a \$15,000 check to Todd Chester and Associates on February 28, 2008 and a \$75,000 check on June 12, 2008. (Ex. 1005) The check stubs for these two checks included Stone's job number for the Teamster project, 07-067. (Ex. 1005)⁶⁵ In a Job Cost Report that Stone produced in response to a subpoena, the \$90,000

⁶⁴ Lyle Slawson only spoke to his father or brother about the developments in the project. (Ex. 10 at 27-30, 40-42, 62-63)

⁶⁵ The Stone checks to Chester were deposited the same day they were issued. (Ex. 1098)

total payment to Chester was included under the heading "Realtor Fee." (Ex. 1094)⁶⁶ The payment to Chester should have been included on the sworn "Application and Certification for Payment" forms Stone submitted to the bank. No such payment was included on these forms submitted to the bank. (Ex. 1025) It was buried in some other cost.

In response to a subpoena requiring all documents regarding the reason for the payment of \$90,000 to Chester, Stone produced no records. (Exs. 1095, 1097)⁶⁷ In a June 4, 2012 letter, Stone's counsel wrote,

After further conversation with my client, they were unable to locate any further communication regarding payments to Todd Chester & Associates. However, as we discussed, the payments represent the finders [sic] fee that was paid to Todd Chester & Associates. The finders [sic] fee represents 3% of the total project cost. The payment to Todd Chester & Associates with regard to the International Brotherhood of Teamsters project was made in two payments. The first payment of \$15,000.00 was made near the initiation of the project and the second payment of \$75,000.00 was made near the projects [sic] completion.

(Ex. 1096) Under the contract with the Local, Stone's fee for being the general contractor for the project was \$135,282. (Ex. 1001 at 3)⁶⁸

⁶⁶ The payments Stone made to Staubach were also included on its books under the "Realtor Fee" heading. (Ex. 1094) Unlike it did with Chester's payments, the payment applications Stone submitted to the bank identified Staubach. (Ex. 1025)

⁶⁷ The subpoena to Stone required the production of the following documents, among others:

"10. Any and all documents reflecting any and all agreements with Todd Chester and Associates, Todd Chester or any other entity or individual associated with Todd Chester, including but not limited to, all documents regarding money paid to Todd Chester and Associates, including any finder's fee.

11. Any and all documents related to any reason for the payment of \$90,000 to Todd Chester and Associates."

(Ex. 1095) In contrast to the complete lack of documentation for Stone's payments to Chester on the Teamster project, Chester had received a payment of \$15,400 from Stone on September 18, 2006 for another project unrelated to the Teamsters. (Ex. 1126) For that payment, there was an email invoice from Chester to Paul Stone at Stone Construction which stated, "Regarding the commission due on the construction of building for Mike Stewart. As was negotiated, the commission due to Todd Chester and Associates for the amount of \$15,400. This is for the representation for the building for Mike Stewart, also known as American Tool and Grinding." (Ex. 1126) Not only was no contract produced but also no invoices from Chester to Stone for the Teamster project.

⁶⁸ Three percent of the total project cost, \$3,185,429, would have been \$95,562, more than the \$90,000 Chester was paid. If he was paid three percent, there was no reason for Chester to agree to over \$5,000 less. The 3% claim appears to be a belated attempt to explain the payment. It seems odd that Chester would be paid a percentage of total costs while Stone was paid a fixed fee. If Stone performed honestly, there was no economic

In response to a subpoena requiring the production of "[a]ny and all records regarding any and all services provided in connection with Local 120 Building Holding Company's purchase of land and construction of a building in Blaine, Minnesota including, but not limited to, any and all contracts, agreements, reports, correspondence and emails", other than the two check stubs, Chester did not provide any documents regarding the \$90,000 Stone paid him in connection with the Local 120 project. (Exs. 1099, 1009) Chester provided a written statement dated August 30, 2012 in which he asserted:

I did not have any dealing with the purchase of any land for the local 120 project. I did not have any dealings with the construction of the local 120 new building. My involvement was to introduce stone conduction [sic] to the principles [sic] of local 120 for the purpose of stone putting a bid to build the local 120 building. I do not have any e mails with stone all of our conversations were in person or by phone. . . . I have never needed or have had a written contract with stone for any project that I have been involved with stone construction.

(Ex. 1009)

As noted, there was no written agreement between Stone and Chester to support his receiving \$90,000. (Exs. 1009, 1096) Slawson, Sr. testified that at the time the Local hired Stone he assumed that Chester would get paid a finder's fee. (Ex. 1 at 132) Slawson, Sr. claimed that he did not think that it would be a cost to the Local. (Ex. 1 at 132) Although he had the ability under the contract to do so, he never caused the costs to the Local to be checked. (Ex. 1001; Ex. 1 at 116-119) Slawson, Sr. testified that he only learned Chester received \$90,000 during the IRB investigation and was surprised at the amount. (Ex. 1 at 192-193) Slawson, Sr. claimed he did not remember disclosing to the Local's Executive Board that

(continued...)

relationship under the contract between costs and profit to Stone. Stone when it used Chester as a finder did not know what the total costs would be. (Ex. 1001) The higher the costs the more it would pay Chester with no benefit to Stone. Even if Stone had paid a ridiculously high finder's fee of 50% of Stone's fee, Chester would not have gotten \$90,000.

Chester introduced Stone to the Local. (Ex. 1 at 133)⁶⁹ He further testified that he did not have any conversations with anyone at the Local about compensation for Chester. (Ex. 1 at 133) The Executive Board minutes did not reflect any disclosure of Chester's connection with Stone. Slawson, Jr. testified Chester attended one board meeting in connection with Stone. (Ex. 2 at 37-38)

Miller, who at the time was Vice President of the Local and a Director of the Building Holding Company, did not know of any payments to Chester in connection with the Teamster building. (Ex. 4 at 31) Miller recalled that around the time the new building was almost completed,

... Brad Slawson, Sr. and I were walking through the building, and he mentioned to me, he goes, you know, "Todd has got to get some money for this."

And my reaction was "Absolutely not. You have told everyone he would get nothing and if, in fact, you did do that, it would be a" -- I can't remember if I said it would be a "revolt" or a "mutiny by everyone that's here."

And he said, "Well, just keep it to yourself. Okay fine, we won't," or something to that effect.

(Ex. 4 at 31-32)⁷⁰ Miller knew Slawson, Jr. had a connection with Stone through Chester. (Ex. 4 at 22-23) Indeed, the proposal from Chester's client Stone was addressed only to Slawson, Jr. (Ex. 1019)

Bryan Rademacher ("Rademacher"), who was a Local 120 business agent at the time and attended Executive Board meetings as part of his duties, did not know that Chester had received \$90,000 from Stone Construction. (Ex. 5 at 34) According to Rademacher, Slawson, Sr. stated that Chester "... found the land for the building but he wasn't going to be compensated." (Ex. 5

⁶⁹ There was no mention of Chester in either the minutes for the July 27, 2007 telephone poll or the August 17th meeting confirming the poll. (Exs. 1012, 221)

⁷⁰ The building would have been almost completed at the time Chester received the \$75,000 on June 12, 2008 from Stone. (Ex. 1005; Ex. 12 at 3; Ex. 1025) This was his second payment. (Exs. 1005) Slawson, Sr. claimed that he did not tell anyone that Chester should get money from the project. (Ex. 1 at 133)

at 34-35)⁷¹ A former business agent Thomas Ohlson, who also attended board meetings, testified that the Executive Board was never told of a connection between Chester and Stone. (Ex. 11 at 71-72) Ohlson recalled Slawson, Sr. and Jr. both stated that Chester had helped find the land in Blaine. (Ex. 11 at 71-72) Ohlson further testified that there was no discussion that Chester would receive a fee from the Local. (Ex. 11 at 72) There was no indication in any Local records that Chester had any involvement with any matter connected with the construction of the Local's new building.⁷²

15. Slawson, Sr. Failed to Exercise the Local's Right Under the Stone Contract to Monitor the Costs of the Project

As discussed above, the contract with Stone, which was based upon the actual cost of the project as defined in the contract plus a fixed fee to Stone, gave the Local the authority to monitor Stone's attributed costs both during the project and for three years after the project was completed. (Ex. 1001 at 7, 8) The Local paid the maximum price under the contract, plus the costs of two change orders. (Exs. 1001, 1002, 1086, 1003, 1004) Slawson, Sr., the Local's principal officer, failed to exercise his fiduciary duty to protect the Local assets by monitoring the costs being charged to the Local.⁷³ He did not have accountants for the Local review Stone's claimed expenses as the contract allowed the Local to do. (Ex. 1 at 115-122) This was a deliberate step in the scheme to funnel Local money to Chester.

An audit was necessary to determine how Stone spent the entire \$3,185,429 of Local 120's money Stone received, the maximum cost that the Local could have been paid. As Slawson, Sr. testified when referring to an alleged \$200,000 difference between the Stone and

⁷¹ Business agents attended Executive Board meetings. (Exs. 177-291; Ex. 5 at 25; Ex. 11 at 36)

⁷² When asked whether he thought Chester would get a fee, Slawson, Jr. testified, "It really wasn't something that crossed my mind because Todd was only there, I think, one Executive Board board meeting and wasn't part of the project." (Ex. 2 at 37-38)

⁷³ As Lyle Slawson testified only the three Slawsons were involved and no one at the Local monitored costs. (Ex. 10 at 27-30, 40-42, 44, 54-56, 62-63)

Ryan proposals, "... That's a lot of money to us." (Ex. 1 at 137) The Stone contract involved millions of dollars. Yet he took no steps to review on what Stone had spent \$3,185,429 of the Local's money.

Besides misleadingly claiming costs were irrelevant by erroneously describing the contract as a fixed price contract, Slawson, Sr. also falsely claimed that Staubach and Pope, the architect, were monitoring Stone's actual expenses. (Ex. 1 at 106, 110-111, 114, 118-119) Indeed, although Slawson, Sr. claimed that Pope was responsible for monitoring the actual costs of the project, this was contrary to the contract between Pope and the Local which he signed and that provided that, "The issuance of a Certificate of Payment shall not be a representation that the Architect has . . . ascertained how or for what purpose the Contractor has used money previously paid on account of the Contract Sum." (Ex. 1 at 106, 110-111, 114, 118-119; Ex. 1030 at 4-5) Moreover, the Stone contract Slawson, Sr. signed explicitly stated that the architect was entitled to rely on the accuracy of the information the contractor supplied. (Ex. 1001 at 8) The contract provided that by taking action on Stone's applications for payments, the architect was not representing that they did an audit of Stone's documentation. (Ex. 1001 at 8) Indeed, Article 12.1.9 of the Stone contract specifically provides that, "Such examinations, audits and verifications, if required by the Owner, will be performed by the Owner's accountants acting in the sole interest of the Owner." (Ex. 1001 at 8) Moreover, Lyle Slawson acknowledged that a Pope representative explained this to him in telephone conversations after the IRB investigation began. (Ex. 10 at 37-39)

With respect to Slawson, Sr.'s claim that Staubach was monitoring Stone's costs, Staubach's memorandum of understanding that Slawson, Sr. signed did not provide that

monitoring Stone's actual costs was one of the services it was to supply. (Ex. 1029)⁷⁴ Staubach's fee was 5% of the total cost of the building project. (Ex. 1029) It was the only contractor on the project whose fees rose as building costs did. Given that, it was not credible that the Local's principal officer would rely on Staubach to be the monitor of Stone's actual costs since higher costs would benefit Staubach. Moreover, there was no document the Local produced that indicated either any step Staubach took to monitor costs or any reliance of the Local on any such monitoring.

During his IRB sworn examination, Slawson, Sr. also misleadingly claimed that Legacy Professionals ("Legacy"), the Local's certified public accounting firm, also did work verifying the contractor's costs. (Ex. 1 at 125-126) Subsequent to Slawson, Sr.'s IRB sworn examination, the Local was asked to produce, "Any and all documents related to the work Brad Slawson, Sr. testified on September 25, 2012 that Legacy Professionals had done in connection with the building, including anything related to the auditing of costs. Any bills from Legacy for this work should be included." (Ex. 442) In response, by letter dated October 11, 2012, the Local produced minutes of a Special Executive Board meeting dated August 22, 2012. Those minutes reported:

Brad [Sr.] reported on the IRB findings of a \$176,000.00 shortfall relating to the construction of the office building in Blaine, MN. Brad is ordering for a thorough audit to be done on all expenditures regarding the construction of the office building. . . .

A motion was made and seconded to hire Legacy Professionals, at a cost of \$150.00 per hour, to perform an audit on the expenses and exchanges of checks relating to the construction of the office building in Blaine, MN.
Motion Carried.

⁷⁴ The Staubach agreement provided that Staubach would "[a]id in the development and monitoring of construction related budgets and monitor such budgets which includes identification of potential problems with the budget and a recommended course of action." (Ex. 1029 at 2) Slawson, Sr. acknowledged that Staubach's role was to review projected costs and determine whether work was being done according to schedule. (Ex. 1 at 118-119)

(Exs. 443, 1100) ⁷⁵ Despite this statement to the Board, Legacy did no audit of expenses. The Local produced documents to the IRB dated October 9, 2012 from Legacy which summarized the construction draws and interest and showed amounts which totaled \$3,678,466, the full amount of the Bank Mutual construction loan. (Ex. 1085) Legacy also provided a "schedule of payments from draws and down payment amount" which showed to what entity the money was initially paid, including \$3,185,429 paid to Stone. (Ex. 1085) It did not show Stone's payments to subcontractors. (Ex. 1085) Legacy did not analyze any records relating to the genuineness, accuracy or appropriateness of the costs Stone claimed under the contract, which was the issue referred to in the IRB's subpoena application. (Exs. 1085, 1101) This was far from the thorough examination of costs Slawson, Sr. claimed to the Executive Board he would have Legacy undertake.

Legacy's October 9, 2012 analysis was completed after Slawson, Sr.'s September 25, 2012 IRB sworn examination. (Ex. 1085; Ex. 1 at 1) Legacy was hired at Local expense to assist Slawson, Sr. and the Local in making a presentation to the IRB and not to monitor the Local's costs at the time of construction. The accountants had never been employed on the project to protect the members' money. Lyle Slawson testified during the course of the project Legacy never contacted him asking for information. (Ex. 10 at 55)

Slawson, Sr. also misleadingly testified that real estate attorneys who represented the Local were also monitoring Stone's costs. (Ex. 1 at 111-112) No documents the Local produced supported this claim. The contract Slawson, Sr. signed recognized it was an accountant's task.

⁷⁵ This was a Special Meeting of the Executive Board Members. Unlike with a regular meeting, the business agents were not present. (Ex. 1100) In addition, the minutes of a Special Board Meeting were not read to the members. (Ex. 1 at 27-28) It appears that the "\$176,000.00 shortfall" Slawson, Sr. referenced as an IRB finding was a statement in an IRB subpoena application dated August 17, 2012 for, among other things, records from Stone. (Exs. 1100, 1101) The subpoena application contained a statement that, "... at least \$179,737.35 of the Local 120 construction loan money Stone received, which totaled \$3,185,429, was unaccounted for based upon the records Stone has produced to date." (Ex. 1101) As noted below, \$266,708.57 was unaccounted for from Stone's check register. (Ex. 1002, 1008)

(Ex. 1001 at 7-8) Slawson, Sr.'s claims that he relied on the architect, lawyers, accountants and the project management company to monitor costs were all false. Indeed, Lyle Slawson, who during the project kept all the Local's records relating to it and dealt with all the Local's professionals on the project weekly, testified he knew of no one at the Local who was watching over the Local's money. (Ex. 10 at 19, 30-34, 43-44, 54-56)

Stone's check register listed checks totaling \$2,918,720.43 for payments on the Teamster project. (Ex. 1008)⁷⁶ Stone received \$3,185,429 from Bank Mutual for the project. (Ex. 1002) Accordingly, based on what Stone produced there was \$266,708.57 of money received from the Local unaccounted for in Stone's check register. (Exs. 1002, 1008) In a September 6, 2012 letter to the Chief Investigator, Stone contended that Stone's profit was \$129,977.75. This left \$136,730.82 unaccounted for in costs. Stone also claimed there were estimated additional expenses which were "paid in-house through payroll and overhead expenses or items Stone Construction has in stock at its office which are used for job site and would not be listed separately on our estimates or draw forms." (Ex. 1065)⁷⁷ In its letter, Stone listed various estimated additional costs, such as "forklift usage on site for (6) months", which totaled \$249,538. (Ex. 1065) Pursuant to the Stone contract with the Local, certain expenses of this type were specifically excluded from the "Cost of the Work" such as "overhead and general expenses, except as may be expressly included in Article 7." (Ex. 1001 at 6)⁷⁸ The Stone contract also expressly excluded from the "Cost of the Work," "Rental costs of machinery and

⁷⁶ This check register included the \$90,000 paid to Todd Chester and Associates. (Ex. 1008 at 6) It also included the \$26,961 paid to the City of Blaine that was eventually returned to Stone and was never sent back to the Local. (Ex. 1008)

⁷⁷ In Stone's September 6, 2012 letter, it referenced a \$179,737.35 figure which had been mentioned in the IRB's subpoena application as possible unaccounted for Local funds at Stone. (Exs. 1065, 1101)

⁷⁸ Article 7 of the Stone contract specified "Costs to be Reimbursed". (Ex. 1001 at 4-6)

equipment, except as specifically provided in Section 7.5.2.” (Ex. 1001 at 6) ⁷⁹ Stone’s claimed in-house and additional costs appear not to be appropriate under the contract. This further evidenced an audit was necessary to insure Stone was not attributing improper overhead and other costs to the Local’s contract costs.

a. Other Diversions of Money Due the Local

The City of Blaine required a financial guarantee for the site improvement performance. (Ex. 1021) In connection with this financial guarantee, the Local through the construction loan gave \$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) On November 21, 2007, Stone issued a check for this amount to the City of Blaine. (Ex. 1021) According to an email from a Staubach representative to Slawson, Sr. in September 2007, the Local could have escrowed the money itself and, thus, have had the money directly returned to it. (Ex. 1014) Instead, Slawson, Sr. had the money run through Stone for it to forward the Local’s money to the City of Blaine for the escrow. (Exs. 1014, 1021; Ex. 10 at 55-57) He put an unnecessary intermediary between the Local and its money. The City of Blaine returned the \$26,961 to Stone by check dated November 7, 2008. (Ex. 1013) This was not a cost of the project. Article 9 of the Stone

⁷⁹ Section 7.5.2 provided:

“Rental charges for temporary facilities, machinery, equipment, and hand tools not customarily owned by construction workers that are provided by the Contractor at the site, whether rented from the Contractor or others, and costs of transportation, installation, minor repairs and replacements, dismantling and removal thereof. Rates and quantities of equipment rented shall be subject to the Owner’s prior approval.”

(Ex. 1001 at 5)

In addition to the amounts described in its letter to the Chief Investigator’s office, Stone’s check register and supporting documents also referenced equipment rental. (Ex. 1008 at 6; Ex. 1102) For example, on April 21, 2008 Stone paid \$7,140.36 to Morgan Chase Homes, which was a residential home builder. (Ex. 1008 at 6; Exs. 1102, 1103) According to Stone’s records, this amount was paid for the rental of a Thawzall machine for nine days. (Ex. 1102) It is unclear whether, even if used on the project and not somewhere else, the cost of such equipment rental was proper under Article 7.5.2 of the Stone contract. (Ex. 1001 at 5) Moreover, even if it was proper, it appears that under Article 7.5.2 of the Stone contract, the Local was required to give prior approval for that type of cost. (Ex. 1001 at 5) There was no indication in the records of prior Local approval, suggesting it was a cost Stone was hiding. None of the Slawsons had heard of Morgan Chase Homes. (Ex. 1 at 104; Ex. 2 at 58-59; Ex. 10 at 62)

contract provided that refunds "shall accrue to the Owner," which was the Local. (Ex. 1001 at 6) Stone never returned the money to the Local as the contract required. (Ex. 1008) The Slawsons made no attempt to collect this money. (Ex. 10 at 55-57)⁸⁰ If Slawson, Sr. had not put an unnecessary step in the escrow process, the money would have been returned directly to the Local or set off against Stone's fee. (Ex. 1001 at § 9.1) Had Slawson, Sr. directed that an audit be conducted of Stone's records, it would have been determined that the Local was owed this amount.

Stone appears to have failed to pay other money owed the Local. Pursuant to the contract with the Local, Stone's fee was \$135,282. (Ex. 1001 at 3) In addition, Stone claimed it received a five percent (5%) fee on the two change orders equaling \$4,695.75. (Ex. 1065)⁸¹ Based upon an issue regarding soil grading with the Local's land, in approximately February 2008, it appears that Stone agreed to reduce its fee by \$10,000, making its fee \$125,282 plus \$4,695.75 for the change orders. (Exs. 1065, 1104; Ex. 10 at 58-59)⁸² According to a September 6, 2012 letter from Stone to the Chief Investigator, Stone stated that its total profit was \$129,977.75. (Ex. 1065)⁸³ Stone's letter claiming its fee was actually reduced appears to contradict the final payment application Stone submitted to Bank Mutual. (Ex. 1006) In that payment application which a Stone representative signed on October 28, 2008, Stone stated that it had received its fee of \$135,282. (Ex. 1006) Stone did not issue checks to itself for its fees but kept money received

⁸⁰ During his sworn examination, Lyle Slawson was asked about a performance bond estimated on Stone's November 7, 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. (Exs. 1014, 1021)

⁸¹ The agreement between Stone and the Local did not set forth how Stone's fee would be adjusted for changes in the work. (Ex. 1001 at 3)

⁸² Because of the same soil issue, Staubach agreed that its fee would be reduced by \$23,977.50. (Ex. 1105) According to Stone's records, Staubach received two checks totaling \$122,081 for the Teamster project. (Ex. 1034) This was the reduced fee. (Exs. 1034, 1105)

⁸³ According to the September 6, 2012 letter from Stone, in addition to the \$125,282 fee, Stone also received a fee of \$4,695.75 which represented 5% of two change orders which totaled \$93,915. (Ex. 1065)

from the draws. (Ex. 1008) Lyle Slawson could not indicate any document that showed the Local received the \$10,000 reduction in Stone's fees in any form. (Ex. 10 at 58-59)

16. Slawson, Sr. and Slawson, Jr. Caused Local 120 Strike Fund Money To Be Improperly Used to Pay for the Construction of the Local's Building

On the instructions of Slawson, Sr. and Slawson, Jr., on July 7, 2008, \$410,000 was wired from the Local's general fund to Bank Mutual. (Ex. 1027; Ex. 2 at 54-55)⁸⁴ As described below, in violation of the Local's then Bylaws, \$189,130.87 in Local strike fund money was improperly deposited into the Local's general fund and then became part of the \$410,000 wire transfer. (Exs. 1028)⁸⁵

As noted, there was no Executive Board or membership approval for the \$410,000 payment. (Exs. 136-144, 226-239)⁸⁶ The Local did not have the Bank Mutual account information and had to get it from Gilbert. (Ex. 1027) According to Local records, this \$410,000 was part of the \$750,000 down payment for the land purchase and building construction. (Exs. 1028, 1058) According to records subpoenaed from Bank Mutual, the \$410,000 paid to Bank Mutual was deposited into an "LIP account", a loan in process account. (Ex. 1058) According to Bank Mutual records, on August 5, 2008, Bank Mutual sent the \$410,000 to First USA Title along with additional funds from the loan to cover three payment

⁸⁴ The \$410,000 was comprised of \$119,130 from a strike fund account at Smith Barney; \$90,890 from a certificate of deposit at Central Bank; \$23,000 from the Teamster Credit Union; \$106,991 from a certificate of deposit at Wells Fargo and \$70,000 from a strike fund checking account. (Ex. 1028, 1106-1110) With the exception of the \$70,000 which was deposited into the Local's general fund on July 2, 2008, each of the above amounts were deposited into the Local's general fund on July 3, 2008. (Ex. 1110) On July 3, 2008, the Slawsons authorized wire transfer instructions to the bank asking that the \$410,000 be wired on July 7, 2008. (Ex. 1027)

⁸⁵ Slawson, Jr. testified that he made no attempt to verify where the \$410,000 was coming from. (Ex. 2 at 54-58)

⁸⁶ Slawson, Jr. testified that he assumed that this payment was discussed with the Executive Board. (Ex. 2 at 55) It was not. (Exs. 226-239)

applications Stone submitted. (Exs. 1111, 1112)⁸⁷ First USA Title was a company all three Slawsons denied they knew about at the time of the transfer. (Ex. 2 at 58; Ex. 10 at 32; Ex. 1 at 103) The amount that then passed through First USA Title at that time was \$914,107.46. (Ex. 1092) On August 6, 2008, First USA Title sent a check for that amount to Stone. (Ex. 1092)⁸⁸

As of June 30, 2008, the Local had \$216,927.05 in its strike fund accounts. (Ex. 316) On July 2, 2008, \$70,000 was transferred from the Local's strike fund to the Local's general fund. (Ex. 1108) On July 2, 2008, Slawson, Sr. authorized all money from the Local's strike fund account at Smith Barney to be wired into the Local's general fund. (Ex. 1109) On July 3, 2008, \$119,130.87 was transferred from that Smith Barney account to the Local's general fund. (Ex. 1107) In a letter dated October 11, 2012 after his sworn examination, Slawson, Sr. acknowledged that the strike fund money totaling \$189,130.87 was part of the \$410,000 wired to Bank Mutual. (Ex. 1028) After the July 7, 2008 \$410,000 wire transfer, the balance in the Local's general fund was a negative \$42,786.59. (Ex. 1110) The use of strike fund money for the building construction violated Section 33(B) of the Local's then Bylaws which required that strike fund money "... shall be used exclusively for the payment of strike benefits and strike expenses as the Local Union Executive Board shall determine. . . ." (Ex. 300 at 42)

During his sworn examination, Slawson, Sr. claimed that any strike fund monies that were used for something other than strike related expenses were immediately replenished. (Ex. 1 at 179-180) By letter dated October 11, 2012, Slawson, Sr. claimed that the strike fund money used as part of the \$410,000 was replenished because, apparently solely in his mind, he designated other general fund money as strike fund money. (Ex. 1028) In this letter, Slawson,

⁸⁷ There were two payouts from the Local's construction loan on August 5, 2008. (Ex. 1112) The first draw on that date from the construction loan was \$242,169.77 at which point the draws had reached the maximum amount of the first loan, \$3,382,966. (Ex. 1112) The second draw on August 5, 2008 was for \$261,937.69 which was part of the increased loan discussed below. (Ex. 1112)

⁸⁸ The total amount of the Local's money First USA Title disbursed was \$2,208,465.10. (Ex. 1092)

Sr. claimed that four accounts were "set aside for the strike fund". (Ex. 1028) There were no documents supporting his claim. According to the letter, "as Secretary-Treasurer and Principal Officer of Local 120, Brad Slawson, Sr., has personally monitored and maintained the existence of the above-described accounts and CDs, and their respective balances, as being set aside for the strike fund." (Ex. 1028) Despite that representation, the four accounts Slawson, Sr. claimed were "set aside for the strike fund" continued to be described in Local records as general fund money after the strike funds were depleted. (Exs. 1028, 1123, 1124)

17. No Requisite Approval for the July 31, 2008 Amendment Increasing the Construction Loan and Mortgage Note by \$295,500

On or about July 31, 2008, the Building Holding Company received approval from Bank Mutual of \$295,500 that it sought from the Bank to be added to the maximum amount of the construction loan. (Ex. 1113)⁸⁹ As described below, Slawson, Sr. signed the documents necessary for this additional loan on behalf of the Building Holding Company, including the amended mortgage note and amended construction loan. (Exs. 1113-1116) The Local's Executive Board did not approve borrowing this additional \$295,500. (Exs. 226-239; Ex. 4 at 30-31; Ex. 1083) Furthermore, Slawson, Sr., without Executive Board approval, signed on behalf of the Local an "Amendment to Guaranty" dated July 31, 2008, pursuant to which the November 9, 2007 Guaranty was amended to increase the Local's guaranty to match the increased principal balance to \$3,678,466, an increase of \$295,500. (Exs. 1116, 226-239) In addition, as discussed below, again without required Executive Board approval, as additional collateral for the loan, Slawson, Sr. granted Bank Mutual a "first lien security interest" in two Local 120 accounts which totaled \$122,718.41. (Exs. 1114, 1117, 1118)

⁸⁹ This was done less than two months after Stone made its last payment to Todd Chester and Associates of \$75,000 on June 12, 2008. (Ex. 1005)

Moreover, Slawson, Sr. submitted an additional false document to Bank Mutual in support of this 2008 borrowing. (Ex. 1119) Slawson, Sr. signed a July 31, 2008 "President's Certificate Concerning Action of the Board of Directors Taken in Writing in Lieu of Meeting Teamster Local 120 Building Holding Company." (Ex. 1119) This document was submitted to Bank Mutual in connection with the \$295,500 to be added to the loan. (Ex. 1119) According to Slawson, Sr., John Hughes, an attorney who represented the Local, prepared this President's Certificate. (Ex. 1 at 171-175) Slawson, Sr. certified as to the accuracy of the facts in the document. (Ex. 1119) This document stated the following:

The undersigned DOES HEREBY CERTIFY that:

I am the duly elected and acting President of TEAMSTERS LOCAL 120 BUILDING HOLDING COMPANY, a Minnesota non-profit corporation (the "Company"); and

The below resolutions were adopted by a duly authorized written action of the Board of Directors, effective as of July 31, 2008.

"The undersigned, constituting the entire Board of Directors of TEAMSTERS LOCAL 120 BUILDING HOLDING COMPANY, a Minnesota non-profit corporation (the "Company"), acting pursuant to Minnesota Statutes and the Company's Bylaws, hereby adopts, in writing, the following resolutions, effective as of July 31, 2008.

WHEREAS, the Board of Directors of the Company have all the requisite authority to manage the affairs and assets of the Company and to direct and appoint its officers or managers to manage the affairs and assets of the Company;

* * *

WHEREAS, the Board of Directors of the Company have determined that it is in the best interests of the Company to increase the amount Loan by \$295,500 to finance the completion of the project and to sign and deliver to Lender all such amendment, security and other documents ("Amendment Documents") required in connection with increasing the amount of the Loan to \$3,678,466 and amending the Loan Documents; it is therefore

RESOLVED, that the Company shall agrees [sic] to increase the Loan to \$3,678,466 and to execute and deliver to Lender the Amendment Documents; and

FURTHER RESOLVED, that any officer of the Company, including, but not limited to, Brad Slawson, Sr., is authorized and directed to execute and deliver the Amendment Documents and any and all documents required by Lender, its counsel or its title insurer; . . .

(Ex. 1119) Slawson, Sr. claimed the other directors were given a copy of this resolution and agreed to it. (Ex. 1 at 174)

Contrary to this "President's Certificate" Slawson, Sr. signed on July 31, 2008, the Building Holding Company Board did not approve the request to increase the loan by \$295,500. (Exs. 1119, 1083; Ex. 4 at 29-31) Nor contrary to his certification was there any "duly authorized written action of the Board of Directors." (Ex. 1083) Despite requests, the Local and the Building Holding Company did not produce any records or any other writing setting forth any resolution by the Building Holding Company Board to increase the loan by \$295,500 or any agreement by its members to do that. (Exs. 419; 1083) There was no document of any kind given to the IRB despite requests as to how the four directors of the Building Holding Company registered their vote for this purported action. (Ex. 1083) Article IX of the Articles of Incorporation of the Building Holding Company provided:

Any action required or permitted to be taken at a meeting of the Board of Directors may be taken by written notice signed by the number of directors required to take the same action at a meeting of the Board of Directors at which all directors were present. When written action is taken by less than all directors, all directors as provided in this Article must be notified immediately of the text and effective date. Failure to provide such notice does not invalidate the written action.

(Ex. 1049 at 3) No such document was produced. (Ex. 1083)

Miller, who was the Secretary-Treasurer of the Building Holding Company and the Local's Vice President at the time, did not know of the \$295,500 increase in the construction

loan. (Ex. 4 at 29-31; Ex. 1050) He never agreed to it. (Ex. 4 at 29-31) Slawson, Jr., another member of the Building Holding Company Board, testified that he did not recall this increase in the construction loan. (Ex. 2 at 42-44)

Pursuant to the Amendment to Construction Loan that Slawson, Sr. signed without any authority to do so, the Building Holding Company "grants to Lender [Bank Mutual] a first lien security interest in, and assigns to Lender the entirety of its rights in (until the Loan is repaid in full)" a certificate of deposit with a balance of \$66,197.09 and a "term share account" with a balance of \$56,521.32. (Ex. 1114 at 4) These were Local accounts for which the Building Holding Company had no power to grant a security interest. As noted below, these also were two of the accounts Slawson, Sr. claimed he "set aside" unknown to anyone else, including the bank, as strike fund accounts after money had been taken from the strike fund to pay the \$410,000 to Bank Mutual in early July. (Exs. 1028, 1114)

F. The Slawsons and Chester Embezzled Local Funds from the Bar and Gaming Subsidiary

1. Background

Teamster Local 120 operated a Bar and Gaming facility in Fargo, North Dakota that was open to the public. (Exs. 320, 2000; Ex. 7 at 9) Teamster Local 116 previously operated the Bar and Gaming operations. (Ex. 327) In March of 2007, Local 116 merged into Local 120. (Ex. 332) At that time, Local 120 assumed the ownership and control over the operations of the Bar and Gaming facility. (Ex. 328 at 52; Ex. 2000; Ex. 8 at 13-14; Ex. 7 at 8, 12; Ex. 14 at 6) The Bar and Gaming was doing business as "The Teamsters Club."

The gaming operation was licensed in North Dakota for charitable gaming under the name, "Teamsters". (Exs. 6032, 2002) The Bar's alcohol license was also under that name. (Ex. 2133) The Bar was a for profit business. (Ex. 2001) The federal tax Forms 990 were filed

for "Teamsters" as a corporation and an organization exempted from income tax. (Exs. 2001, 2002) There also were Forms 990-T filed to report the unrelated taxable income earned by the exempt organization. (Ex. 2001) The Form 990-T contained information for the for-profit Bar, without Gaming information included. (Ex. 2001) The "Teamsters" was incorporated in North Dakota. (Ex. 2002) Its Articles of Incorporation were restated in 2007, along with the certificate of incorporation, when Local 120 absorbed Local 116. (Ex. 2 at 64-65; Ex. 2002)

The Bar and Gaming operations were part of the Local. The Bar and Gaming operations' financial performances were included in the Local balance sheet and reflected on the Forms LM-2 as a subsidiary. (Exs. 304, 322, 2000) The Bar and Gaming employees were listed on the Form LM-2 as Local employees. (Exs. 304, 322, 323, 328, 330) The Bar and Gaming operations were Local owned and should have been under the Local's control but, in fact, the Slawsons controlled the operations and not the Local's Executive Board.

2. Local 116

When Local 116, which was located in Fargo, controlled the Bar and Gaming operations, all the members of the Local Executive Board were also the members of the Bar and Gaming Board. (Ex. 13 at 11-12; Ex. 7 at 11; Ex. 8 at 9) They would meet after Executive Board meetings to discuss bar and gaming matters as the Bar and Gaming Board. (Ex. 7 at 11)⁹⁰ It was the Local 116 Executive Board that made decisions concerning the Bar. (Ex. 8 at 12-14; Ex. 7 at 9-12; Ex. 13 at 6-7) The Bar and Gaming Board, which was comprised of the members of the Local Executive Board, made the decisions on donations from the Gaming funds. (Ex. 8 at 26-30; Ex. 7 at 11-12; Ex. 13 at 12; Ex. 14 at 6-7) Local 116 Executive Board members received

⁹⁰ Under North Dakota law, the governing board of an organization eligible to conduct a charitable gaming operation is primarily responsible for the proper determination and use of net proceeds (as defined). N.D. C.C. § 53-06.1-06(3). The net proceeds are those to be used for charitable deductions after allowable expenses are deducted. The Local 120 Gaming operation has operated continuously at a loss since 2008. (Ex. 2000) This was partly because of the amounts allocated to Gaming operations for stipends paid to the Bar and Gaming Board members. (Exs. 2014, 2001, 2011, 2077)

a monthly stipend for being on the Executive Board. (Ex. 14 at 7-8) This also covered Gaming Board duties. (Ex. 14 at 7; Ex. 7 at 14-16)

In contrast, the Local 120 Bar and Gaming Board has remained separate from the Local Executive Board and the Slawsons kept it outside of its control. (Exs. 2080-2128; Ex. 1 at 199-203) The Executive Board of Local 120 did not create the Bar and Gaming Board. (Exs. 214-291) Nor did the Local's Executive Board appoint any of the Bar and Gaming Board members during the years the Local controlled the Bar. (Exs. 1 at 201-206; Exs. 214-291) There were no Bylaws governing the operations of the Bar and Gaming Board. (Ex. 2 at 65; Ex. 2005) There were Articles of Incorporation restated in 2007, that provided limited guidance. (Ex. 2002; Ex. 2 at 64-65) Slawson, Sr., and not the Local Executive Board, appointed the members of the Bar and Gaming Board. (Ex. 13 at 13-14; Ex. 2008) He also removed them on his sole authority. (Ex. 2099; Ex. 7 at 18-19)

The size of the Bar and Gaming Board has varied during the years Local 120 owned the Bar and Gaming Operations. (Exs. 2080-2128; Ex. 1 at 201-202) It was as high as nine members and as low as four. (Exs. 2080-2128) Its major function under North Dakota law was to decide to what charities the money the Gaming operation generated for charitable contributions was to be donated. (Ex. 2131; NDCC § 53-06.1-06 (3)) In 2012, the Board consisted of the two Slawsons and two non-IBT members who were at-will employees of the Bar and worked there at the Slawsons' pleasure. (Ex. 2 at 10-11, 66)

The Slawsons were the only individuals to be on the Bar and Gaming Board continuously throughout the period Local 120 owned the Bar. During that period, the Board averaged 8.4 meetings annually. (Exs. 2080-2128) The meetings averaged 59 minutes in length. (Exs. 2074, 2080-2128) Since 2007, many of the Bar and Gaming Board members have either been officers

or business agents of Local 120 who were fiduciaries under federal labor law, 29 USC § 501(a). (Exs. 2080-2128) The Slawsons, other Executive Board members and business agents who were on the Bar and Gaming Board personally received additional money from Bar and Gaming revenues above their authorized Local salaries for serving on that Board. (Exs. 2001, 2009-2012)⁹¹ The Local Executive Board did not approve those additional payments from Local funds to Local officers and employees as the Bylaws required it to do. (Ex. 300 at 9-12, 14; Exs. 214-291) The Slawsons and other Bar and Gaming Board members could not seize the Local money for themselves as they did. These payments, which the Bar and Gaming Board members took for themselves, increased over time, even as the losses from the operations increased. (Exs. 2001, 2009-2012) For example, in 2010, in the course of the year stipends for the Board's President went from \$1,000 monthly to \$1,400 to \$1,500. (Exs. 2091, 2107, 2106) The Bar and Gaming operations, according to its financial statements, lost \$165,742 that year. (Ex. 2000) The amount paid to the Board members was 42% of that loss. (Ex. 2011) The stipends were never disclosed at a Local 120 general membership meeting. (Exs. 127-176) According to Local Executive Board minutes, these stipends were never discussed at a Local Executive Board meeting. (Exs. 214-291) The minutes of the Executive Board meetings would have been read to the members. (Ex. 1 at 26-27)

The restated Articles of Incorporation from March 2007 for the "Teamsters", the corporation through which Local 120 operated the Bar and Gaming, and for which the Certificate of Incorporation was also restated on March 15, 2007, after the merger, provided in Article VI in pertinent part:

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to the members, trustees, officers, or other private

⁹¹ Half of the stipend was allotted as an expense to the Bar and the other half to the Gaming operation as an expense. (Ex. 2001)

persons, except that the corporation shall be authorized and empowered to pay any reasonable compensation for services rendered and to make payments and distributions in furtherance of the purpose set forth in Article VI hereof.

(Ex. 2002) This was merely a statement of what the Corporation could do. It is not guidance as to how Local union officers who have power over a Union owned subsidiary should act. See, United States v. LaBarbara, Jr., 129 F.3d 81 (2d Cir. 1997) (embezzlement for union officer to take funds from a Local subsidiary); United States v. Busacca, 936 F.2d 232 (6th Cir. 1991), cert. den., 112 S. Ct. 595 (1991) (unauthorized expenditure for personal benefit is embezzlement). This provision in the restated Articles of Incorporation of a Local Union entity did not give Local officers and employees without the approval of the Executive Board, the authority to divert Local assets to themselves. The Slawsons and other Board members could not spend union money on themselves without the Union authority to do so and for a valid union purpose. See, United States v. LaBarbara, Jr., supra; United States v. Bane, 583 F.2d 832, 835-836 (6th Cir. 1978), cert. den., 439 U.S. 1127 (1979) (authorized expenditure made with fraudulent intent and without a union benefit is embezzlement). Indeed, the Local 120 Executive Board never approved these Articles of Incorporation. (Exs. 214-291) The Local Executive Board had never authorized any individuals to control the Bar and Gaming operations, which were Local property. (Exs. 214-291) These operations were a Local subsidiary, which the Local owned completely; unauthorized payments from it to the Slawsons was embezzlement. See, United States v. LaBarbara, Jr., 129 F.3d 81 (2d Cir. 1997); United States v. Bane, 583 F.2d 832, 835-836 (6th Cir. 1978), cert. den., 439 U.S. 1127 (1979) (authorized expenditure made with fraudulent intent and without a union benefit is embezzlement.) The Slawsons remained fiduciaries over the Local's assets. They also remained obligated to follow the Local Bylaws which governed their compensation. (Ex. 300 at 13-14; Ex. 302 at 147-148)

An example of how the Slawsons acted in their self-interest and in conflict with that of the members occurred in September of 2010, shortly after the retirement of Dean Cypher as the Bar and Gaming Board's President. Donald Walz ("Walz"), who was a Local 120 business agent and former Local 116 officer, served on the Gaming Board under both Locals. (Ex. 13 at 11, 13-14) He received a call in his Fargo office from Slawson, Sr. (Ex. 13 at 13-14) Present with Slawson, Sr. on the speaker phone were Slawson, Jr., and Bryan Rademacher, the Local's then Recording Secretary. (Ex. 13 at 13-14) These three were also on the Bar and Gaming Board. (Ex. 2108) Slawson, Sr. told Walz to take notes. (Ex. 13 at 13-14) Slawson, Sr. told Walz that the Bar and Gaming Board President would be Slawson, Jr. at \$1,500 a month, Slawson, Sr. would be Vice President at \$1,300 a month, Rademacher, Recording Secretary at \$1,100 and Walz, a Trustee at \$1,000 a month. (Ex. 13 at 13-14) The conversation ended. (Exs. 2108, 2001; Ex. 13 at 14)⁹² The minutes of the September 30, 2010 Bar and Gaming Board meeting reflected a Board meeting by telephone and these Board and compensation changes. (Ex. 2108)⁹³ In fact, only two months earlier, in July, the stipend for the President had been increased from \$1,000 to \$1,400. (Ex. 2091, 2106) The Bar and Gaming Board members, who, at best, were self-appointed, caused without any Local 120 Executive Board approval, additional Local funds to be diverted to themselves personally. In doing so, they did not take into account the economic conditions of the Local or the lack of profitability of the Bar and the Gaming operations, or even whether, under the Articles of Incorporation, this compensation was reasonable for the services performed. (Ex. 2107) The Bar and Gaming operations were losing money. (Ex. 2000) Indeed, Slawson, Sr. had testified that the Local was in bad economic

⁹² Only two months before in July, the President's stipend had been increased from \$1,000 a month to \$1,400. (Exs. 2091, 2106)

⁹³ The stipends were split with half from the Bar operations and half from the Gaming operations. (Ex. 2001)

condition in 2010. (Ex. 22 at 37-41) As a consequence, he claimed he was cutting costs to the bone. (Ex. 22 at 37-41)

For the period from March 2007 through August 2012, Slawson, Jr. received \$72,700 above his authorized salary and Slawson, Sr. received \$68,100 above his salary from Bar and Gaming revenue. (Exs. 2001, 2008, 2012) From March 2007 through August 2012, the money diverted from revenues and paid to all Bar and Gaming Board members totaled \$335,832. (Exs. 2001, 2077, 2011, 2012) Exhibit 2011 is a schedule of the amounts the officers and business agents the Local employed received from the Bar and Gaming revenues. The Local's members were never told about these stipends. (Exs. 127-176)⁹⁴

Slawson, Sr. and Slawson, Jr. claimed a North Dakota lawyer, Dan Phillips, told them they could take the Bar and Gaming operation money for themselves. (Ex. 1 at 205-207; Ex. 2 at 81-84) If any such advice were given, it could not be relied on. Any union officer would know a lawyer's advice that a self-appointed board of a union subsidiary composed of union fiduciaries could direct union money to themselves without complying with the Local's Bylaws was transparently wrong. Both Slawsons signed the Form LM-2s and knew these operations were Local owned and the money from them was a Local asset. (Exs. 304, 322, 323, 328, 330)

By diverting these revenues to themselves and other Bar and Gaming Board members, the Slawsons left the operations with insufficient revenues to cover costs. As a result, the Local had to use money from the general fund to pay the Bar and Gaming operations' expenses such as taxes, equipment purchases and salaries. (Ex. 2000)

⁹⁴ The Form LM-2 for 2011 listed \$122,922 for gross salary for Slawson, Sr. (Ex. 304) This amount was calculated by deducting \$17,648 for auto related allowances from his total wage statement amount of \$124,970.64. (Ex. 6002) To the resulting amount of \$107,322, \$15,600 he received from the Bar and Gaming subsidiary was added. The LM-2 never identified the specific amount or source of money he or any other employee was receiving from the Bar and Gaming Operations. (Ex. 304)

3. Lack of Disclosure of Bar and Gaming Information to the Local Members and to the Executive Board

Proof of the Slawsons' fraudulent intent in taking the money for themselves from the Local's Bar and Gaming funds can also be inferred from the lack of disclosure of these payments. Over the five years Local 120 operated the Teamsters Club in Fargo, its members and the Executive Board as a whole were told nothing about the payments to the Slawsons and little about the finances of the operation. For example, at the February 12, 2009 Executive Board meeting Slawson, Sr. announced the Local had received a \$50,000 check from the Bar and Gaming operations. (Ex. 241) He also announced that because the Bar was paying \$3,000 a month to the Local for rent, the Local would receive a total of \$86,000 for that year from the Bar and Gaming operations. (Ex. 241) These minutes were read at a membership meeting on February 12, 2009. (Ex. 146) Slawson, Sr. did not explain that the \$50,000 was reimbursement for money the Bar and Gaming operations owed the Local. (Exs. 241, 2014) Nor did he mention the money he and some other Local officers and employees were taking for themselves from the subsidiary. (Ex. 2014)

At the January 15, 2012 general membership meeting, Slawson, Jr. announced that the Local was not subsidizing the Bar. (Ex. 172) He did not inform the members that, contrary to what his father had previously told the Executive Board and what was read to the members almost three years earlier, the Bar and Gaming operations were no longer paying \$36,000 a year rent to the Local. (Exs. 241, 146, 172) Instead, he and his father had decided to let the Bar and Gaming operations use the Local facilities for free, a subsidy of \$36,000 a year, as well as to continue allowing the Bar to have interest free credit from the Local. (Exs. 2000, 2017) In February 2012, Slawson, Jr. informed the members that the Bar had made approximately \$14,000 in profit. (Ex. 173) Subsequently, he never informed the members that his father in

March 2012 had forgiven, without Executive Board approval, a total of \$257,064 in debt the Bar and Gaming operations had owed to the Local and to the Building Holding Company.

(Exs. 2018, 174-176)⁹⁵ The members were also never told that the Slawsons, Jr. and Sr., in addition to their Local compensation, were receiving \$18,000 and \$15,000 annually from the Bar and Gaming operations. (Exs. 127-176) Nor was that information found in the Executive Board minutes. On the Forms LM-2, the payments to the Slawsons from the Bar and Gaming were not identified as to source or amount and hidden in the total of "wages". (Exs. 304, 322, 323, 328, 330)

4. Todd Chester – Local 120 Employee and Bar Consultant

In February 2010, Slawson, Sr. retained the Slawson family friend and the father of one of his grandchildren, Todd Chester, as a consultant on the operations of the Bar. (Ex. 1 at 209-212; Ex. 6027) He started in July 2010, as a part time Local employee. His salary was \$26,000 annually. (Ex. 2020) In addition, for 2011, the cost of Chester's benefits to the Local was \$9,748. (Ex. 2019) Unlike the full time Bar employees, Slawson gave Chester, a part time Local employee, health insurance benefits. (Ex. 2019) Chester also became a member of Local 120. (Ex. 2021) There were no terms set on his hours to be spent on Local 120 tasks. (Ex. 7 at 27-28) Chester filed for bankruptcy on November 4, 2010, while a Local employee. (Ex. 2022) He continued as a Local employee through August 2011. (Ex. 2020) Although he acted as a consultant in February, the Executive Board was not told of Chester's being used to provide expert advice until June 2010. (Ex. 257) The Board never voted on his being used as an expert. Nor did it vote on the terms of his employment when Slawson, Sr. made him an employee. The

⁹⁵ In addition to the \$230,583 owed to the Local which Slawson, Sr. forgave, he also forgave \$26,481 the Bar and Gaming operations owed to the Building Holding Company. (Ex. 2018) The total amount Slawson, Sr. forgave was \$257,064. (Ex. 2018)

Bylaws required both votes. (Ex. 300) Chester attended his first Bar and Gaming Board meeting in October 2010. (Exs. 2104-2108)

In using Chester as a consultant, hiring him as an employee for his expertise, and in setting the terms of his employment as a Local employee, all without Executive Board approval, Slawson, Sr. violated the Local 120 Bylaws. (Ex. 300 at 4-5, 14; Ex. 1 at 209-212)⁹⁶ As discussed below, the Bylaws provided the Executive Board needed to approve the Secretary-Treasurer's selection of someone to provide special or expert services. (Ex. 300 at 4-5) That was Chester's claimed role. (Ex. 1 at 185-192, 209-212; Ex. 2 at 47-53) The Local Bylaws also required that the Executive Board set the terms of employment for a Local employee, including salary and benefits. (Ex. 300 at 14) Slawson, Sr. solely set the terms for his close family friend. (Ex. 2 at 60-63; Ex. 1 at 209-212) Indeed, the Board was not told of Chester's involvement until several months after he acted as a consultant. (Ex. 257) Unusually, Chester's name was not disclosed in the Executive Board minutes for the meeting when Slawson announced his hiring as an employee. (Ex. 257)

Slawson, Sr. told the Bar and Gaming Board that Chester was a successful bar owner who would set things right. (Ex. 5 at 22) In several places Chester himself has given conflicting versions of his ownership of Bars. In a newspaper story, on May 27, 2009, Chester was described as the owner of the Route 65 Pub and Grub. (Ex. 2027) In connection with an application in 2009 to the Blaine City Council for the Route 65 Pub and Grub to run games of chance on behalf of the Blaine Youth Hockey Association, Chester, with Slawson, Jr., the Vice President of the Hockey Association present, claimed to be the manager of the Route 65 Pub and Grub, although apparently he had signed a contract as an owner. (Ex. 2024 at 23; Ex. 2025 at 5,

⁹⁶ Slawson, Sr. said he insisted on this to establish Chester, as management, was on the other side of the wall from the Local's non-union bar employees. (Ex. 1 at 212)

6; Ex. 2 at 48-49) In his bankruptcy filing on November 4, 2010, under oath, Chester asserted he had no ownership interest in any bar. (Ex. 2022 at Schedule B Items 13 and 14) He listed himself as the manager of the Route 65 Pub and Grub. (Ex. 2022 at Schedule I p. 2 Current Monthly Income of Debtor). On the other hand, in an August 2012 statement to the IRB in response to a subpoena requiring the production of "[a]ny and all documents reflecting Todd Chester's experience in bar and gaming operations including any bar ownership or management experience", Chester claimed to have been an owner in three bars, one of which was the Route 65 Pub and Grub, including during the period of time covered in his bankruptcy application. (Exs. 2022, 2023)

Chester at \$500 a week as a part-time employee with no set number of hours received a higher salary than all the full-time Bar employees but the manager. (Ex. 2003; Ex. 1 at 208-212; Ex. 5 at 21-22) Unlike those full time Bar employees, he also received health insurance as a benefit. (Ex. 1 at 212; Ex. 2019) For the month he was paid as a consultant, he submitted a report claiming he worked 48 hours. (Ex. 2020) Subsequently, when he became an employee no reports of his hours were filed. In Chester's expense submissions to the Local when he was an employee, he claimed 39 trips to Fargo from July 2010 through August 2011. (Exs. 2072, 2073)

The Slawsons represented to the Bar employees that Chester was their boss. (Ex. 15 at 7-8) In his bankruptcy filing, Chester described his position at the Teamsters as manager. (Ex. 2022, Schedule I p. 2. Current Income for Debtor) Chester, the bankrupt owner of another bar, was in control of the Local's Bar's inventory. (Ex. 15 at 8-10) He made trips to the bar, reviewed records and debriefed employees on the business. (Ex. 2073; Ex. 15 at 8; Ex. 2 at 63, 88-89; Ex. 8 at 25-26) Chester told the Bar and Gaming Board one of the problems the Bar had

was excess inventory for both liquor and beer. (Ex. 1 at 215-217; Ex. 2 at 88-89; Ex. 2 at 91-92; Ex. 13 at 29-30, 32-33) He explained he would partly address this by returning some product. (Ex. 1 at 215-216; Ex. 2 at 91-92; Ex. 13 at 30)⁹⁷ As soon as Chester took charge, he told Denise Little ("Little"), an experienced bartender who had previously ordered liquor, that the function would now be that of the inexperienced Bar manager, Leann Kresbach ("Kresbach"). (Ex. 17 at 6-7; Ex. 15 at 8-10)⁹⁸ Eventually, during his time at Local 120, Chester directly took over the purchasing of inventory. (Ex. 2138; Ex. 15 at 8-9)

Chester told Kresbach that no liquor should be ordered until he dealt with what he described as excess inventory. (Ex. 15 at 9) At different points during his employment, Chester instructed several employees, including Little and Kresbach, to remove liquor from the inventory area and store it in an unlocked storage room. (Ex. 15 at 13-14; Ex. 17 at 6-8) Chester also had the key to the locked liquor storage area. (Ex. 15 at 11) He told several people, including the Slawsons, that he would return inventory for credit to the wholesalers who had sold it to the Local. (Ex. 1 at 215-216; Ex. 2 at 91-92; Ex. 15 at 12; Ex. 16 at 10) He also told a Local business agent, Don Walz, who was a member of the Bar and Gaming Board and whose office was in the same Fargo building as the Bar, that he was going to return liquor to wholesalers for credit for the Bar. (Ex. 13 at 30-32) Walz learned Chester caused the removal of cases of liquor from the Bar which Walz saw kept in a storage area. (Ex. 13 at 28-32) At a point thereafter, Walz noticed the liquor was gone. (Ex. 13 at 30-31)

⁹⁷ Chester never made any reports to the Local 120 Executive Board regarding the Bar. (Exs. 258-281)

⁹⁸ During her employment at the Bar, her last name was Kresbach. (Ex. 15 at 4) At the time of her sworn statement, her name was Wixo. (Ex. 15 at 4) In this report, she is referred to as Kresbach.

The liquor wholesalers for the Bar during the period Chester was manager were subpoenaed. No wholesaler had any record of giving a credit for liquor to the Bar for return of product during the period of Chester's employment. (Exs. 2075, 2076, 2043, 2046, 2049, 2052)

Little, who was a bartender at the bar from 2007 until 2011, testified that Chester told her to have certain inventory removed and placed in a storage area. (Ex. 17 at 4, 6-8) This was early in his tenure. (Ex. 17 at 6) He also had others besides Little remove inventory to the storage area. (Ex. 17 at 7-8) The former bar manager, Kresbach, testified that in 2011 shortly before she was fired in April, Chester also had her remove inventory which would allegedly be given away as prizes at benefits. (Ex. 15 at 12-15) She only knew of a bottle or two that was given away. (Ex. 15 at 13) That inventory also disappeared. (Ex. 15 at 14-15)

Two former employees of the Bar, Amber Tougas and Kresbach, recalled a Bar and Gaming Board meeting in Fargo at which Chester suggested the Bar run a fake benefit for a non-existent sick baby or other false cause to generate more sales since the benefit would attract more customers. (Ex. 16 at 12-14; Ex. 15 at 17-19) There would not be, as with a legitimate benefit, any donation to charity. (Ex. 16 at 12-15; Ex. 15 at 17-19) Chester explained the scheme in some detail. (Ex. 15 at 17-19; Ex. 16 at 12-15) Kresbach, whom Chester supervised, objected. (Ex. 15 at 17-19) She was fired the next month. (Ex. 15 at 17-19) At the Bar Board meeting, Slawson, Jr. asked the employees to find a way Chester's suggestion could be implemented. (Ex. 15 at 19) Another employee, who was present and also objected, remembered Slawson, Jr. initially going along with Chester's scheme before agreeing with others that it could not be done. (Ex. 16 at 14-15) The employees discussed Chester's proposal with Walz shortly after it happened. (Ex. 13 at 29)

Assumptions in the Bar industry for estimating revenue that should have been generated from inventory have used projected markups of between 300 to 500%. (Ex. 2062 at 28; Ex. 6034) In 2007, the Bar's margin was 229%. (Ex. 6030) In 2008, the first full year of Local 120 control, it decreased to 184%. (Ex. 6030) In 2009, it was at 188%. (Ex. 6030) In 2010, it was at 170% and in 2011, at 187%. (Ex. 6030) In the 14 months Chester was employed in 2010 and 2011, the margin was 178%. (Exs. 6029, 6030) These percentages showed that, throughout Local 120's control over the Bar, revenue generated from inventory was inexplicably low. As discussed below, it was consistent with the missing anticipated revenues that would have been generated from the products reported as used in Local records but not reported as sold in Local records in 2010 and 2011.

Inventory was being diverted from the Bar's operations. As a bankrupt bar owner who controlled the Local 120 Bar's inventory because of the position Slawson, Sr. improperly appointed him to, Chester had both means and motive to remove inventory. Chester instructed several Bar employees to gather liquor for it to be returned. Chester's false claims to Bar and Gaming Board members and employees that inventory would be returned to wholesalers for a credit, which returns did not happen, appeared designed to provide a false explanation for the missing inventory. As a member, Chester was liable for embezzling union assets. (Ex. 302 at 148)

To protect against employee theft, upon Chester's recommendation shortly after he started as an employee point of sales cash registers were installed at the Bar in September 2010. (Ex. 1 at 215; Ex. 2 at 91) After their installation, the continuing low profit margins on inventory and the discrepancy between inventory reported as used and product reported as sold

to customers established that at that point, at least, the problem was missing inventory and not unreported sales or employee theft at the retail level. (Ex. 2 at 90-91; Ex. 1 at 215; Ex. 6030)

5. Discrepancies Between Amount of Alcoholic Beverages Used and the Amount Reported Sold

An analysis of Bar records for 2010 and for 2011 showed that the amount of alcohol products used exceeded the amount of beverages recorded as sold at the Bar for those two years. (Ex. 2031) Used product is the difference between starting inventory plus product purchased during the year and the year-end inventory.⁹⁹ A deduction for shrinkage was allowed in all calculations. The inventory for most of that period was under the control of Slawsons' bar

⁹⁹ The Bar's starting inventory as of January 1, 2010 was \$13,353. (Ex. 2000) The ending inventory on December 31, 2010 was \$11,749. (Ex. 2000) The ending inventory on December 31, 2011 was \$11,749. (Ex. 2000)

Shrinkage is an allowance for undocumented loss of saleable inventory that some state taxation authorities and the IRS use in calculating whether taxable revenue from sales reported corresponded with the revenue amount of inventory used would have generated. A shrinkage factor is used to give credit for breakage, pilfering, and spillage that may occur during the period and for which there was no contemporaneous proof. Absent specific documentation, the IRS has used a spillage factor of 5-8% for bars and restaurants. (Ex. 6036 at 4-9) Each state uses different calculations. (Ex. 2137; Ex. 2062 at 32) In the analyses in this report, 2% was used for bottled beer, 10% for draft beer, and 20% for liquor. These were at the high end of allowances that could be found to be used by any state authority. The liquor allowance used in this analysis was 20% as opposed to 15%, the highest rate found in a state. (Ex. 2137) By using the highest percentage employed, this report gives more benefit to the bar owner than any of the state taxing authorities recognized. For example, the Audit Manual for Bars and Restaurants of the Sales and Use Tax Department of the California State Board of Equalization provide shrinkage factors as below:

0806.42: Overpouring and Spillage for Liquor

A 12% allowance is given to the extent of total distilled spirits purchased (excludes beer and wine). This allowance is commonly referred to as an "overpouring and spillage allowance." The "overpouring and spillage allowance" accounts for factors such as overpouring, spillage, waste, and breakage. Any adjustment greater than 12% for the overpouring and spillage allowance must be clearly explained in the audit working papers and well documented by the taxpayer. Section 0806.55 "Draft Beer-Drink Size and Product Loss" provides in pertinent part:

"To account for draft losses a standard 10% overpour and spillage allowance is provided. The 10% overpour and spillage allowance accounts for draft beer overpour, spillage, and waste (e.g., inaccessible beer left in the keg, cleaning or flushing keg lines, waste in tapping a new keg or re-tapping, etc.)."

Section 0806.60 "Breakage Allowance for Bottled Beer" provides:

"A standard 1% allowance is provided to the extent of total bottled beer purchased. This allowance is commonly referred to as a breakage allowance. Any adjustment greater than the 1% allowance must be clearly explained in the audit working papers and well documented by the taxpayer."

(Ex. 2064)

This report's use of higher shrinkage percentages decreased the amount of revenue that the Bar should have generated from produce used but not sold. Tax authorities auditing the Bar for unreported income are likely to be less generous.

expert, Todd Chester. (Ex. 1 at 215-216; Ex. 2 at 88-92; Ex. 15 at 8-10) (Exs. 2031-2039, 2053, 2054)

a. Beer

The Bar sold both bottles of beer and draft beer in 12 oz cups. (Exs. 2031, 2032, 2036, 2037, 2040, 2041) An analysis of purchase and inventory records for 2010 showed it used bottles and kegs equal to 155,403 servings of beer. (Exs. 2031, 2032, 2036, 2037, 2040, 2041)¹⁰⁰ As noted above, for purposes of analysis, a 2% shrinkage loss factor for bottle beer and a 10% one for draft beer was applied. As a consequence, after allowed shrinkage, 148,532 units of beer would have been used in that period. (Exs. 2031, 2032, 2036, 2037, 2040, 2041) That year, the Bar recorded sales of 106,560 units of beer. (Exs. 2031, 2059, 2065, 2066) This was a 41,972 unit difference between product used according to purchase and inventory records and beer reported as sold. (Exs. 2031, 2059, 2065, 2066) Using the average sales price of beer sold in 2010 and multiplying it by the product used, sales should have generated \$350,084 in gross revenues. (Exs. 2031, 2033, 2059) The beer revenue the Bar reported for 2010 was \$251,158. (Exs. 2031, 2059, 2065, 2066) There was an unaccounted for difference of \$98,926 in lost gross revenue on beer sales. (Ex. 2031)¹⁰¹

The analysis of beer purchases and inventory records in 2011 showed that 135,074 units of beer were used. (Exs. 2031, 2034, 2035, 2038, 2039, 2041, 2043) This included the reduction for shrinkage calculated at the rate used above for 2010. The sales records showed that in 2011, the Bar sold 105,283 units. (Exs. 2031, 2059) There was an unexplained 29,791 unit difference between used and sold. (Exs. 2031, 2034, 2035, 2038, 2039, 2041, 2043) In 2011, the reported gross revenue from beer sales was \$218,651. (Exs. 2031, 2059) Multiplying the average price

¹⁰⁰ This was 108,378 bottles of beer and 47,025 cups of beer combined. (Ex. 2031)

¹⁰¹ Chester was in charge of inventory for the last six months of 2010. (Ex. 15 at 9)

of a unit of beer sold by the units of beer used that year, the gross revenue should have been \$280,521. (Exs. 2031, 2054)¹⁰² There was a shortfall of \$61,870 between reported revenue and the revenue that should have been generated on the beer used from inventory. (Ex. 2031)¹⁰³

For 2010 and 2011, the combined difference between the projected revenue on beer used and the actual revenue on beer sold was \$160,796 less than projected. (Exs. 2031, 2044-2052, 2055-2056, 2057)

b. Liquor

A similar analysis was performed for units of liquor used in 2010 and in 2011 and units recorded as sold in those years. (Ex. 2031) A shrinkage loss allowance of 20% was included in the used total. In determining a unit, a 1.5 oz serving, which was on the high end of industry standards of between 1 oz and 1.5 oz., was used. (Ex. 2062 at 28) This was the unit the Bar used. (Ex. 17 at 9-10)¹⁰⁴ In 2010, the Bar records of purchases and inventories showed 103,529 units of liquor were used. (Exs. 2031, 2044, 2046, 2047, 2049) After applying a 20% shrinkage loss factor, 82,823 units for sale were available in 2010. (Ex. 2031) The Bar's records showed 67,543 units were sold. (Exs. 2031, 2058, 2065, 2066) In 2011, Bar records showed 92,521 units of liquor were used. (Exs. 2031, 2045, 2046, 2048) After applying a 20% shrinkage loss factor, there were 74,017 units for sale in 2011. (Exs. 2031, 2045, 2046, 2048, 2049, 2051, 2052) The Bar's records showed 62,829 units were reported as sold. (Exs. 2031, 2045, 2046, 2048, 2049, 2051, 2052) Accordingly, the difference between used and sold in 2010, was 15,280 units and in 2011, it was 11,188 units. (Exs. 2031, 2065, 2066, 2058)

¹⁰² According to an analysis of the Bar's sales records, the average price was \$2.35696 in 2010 and \$2.076795 in 2011. (Exs. 2031, 2053, 2059, 2065, 2066)

¹⁰³ In 2011, Chester controlled the inventory for eight months. (Ex. 2 at 90-92; Ex. 5 at 23)

¹⁰⁴ Denise Little, the supervising bartender, stated in 2010 and 2011 the Bar used 1.5 oz per drink. (Ex. 17 at 9-10)

Using an average sales price for liquor sold in the 2010 period, the gross revenue on the liquor used should have been \$242,262. (Exs. 2031, 2045, 2048, 2049, 2051, 2052)¹⁰⁵ The revenue reported on liquor sold in 2010 was \$197,567. (Exs. 2031, 2045, 2048, 2049, 2051, 2052) This was \$44,695 below revenue projected on what was used in 2010. (Ex. 2031) In 2011, the revenue on liquor used should have been \$200,259. (Exs. 2031, 2056, 2045, 2046, 2048, 2049, 2051, 2052) The revenue reported on liquor sold was \$169,989. (Ex. 2031)¹⁰⁶ This resulted in a revenue difference of \$30,270 in 2011 below what inventory used should have generated. (Ex. 2031) For 2010 and 2011, the combined difference between revenues that should have been generated on liquor used and revenues on liquor reported as sold was \$74,965. (Ex. 2031)¹⁰⁷

The total difference in revenue projected from beer and liquor used as compared to sales reported for 2010 and 2011 was \$235,761. (Ex. 2031)

¹⁰⁵ In 2010, the average sales price was \$2.92506. (Exs. 2031, 2055, 2058, 2065, 2066)

¹⁰⁶ The average sales price in 2011 was \$2.70559. (Exs. 2031, 2056, 2058)

¹⁰⁷ If no shrinkage allowance was used, the missing revenue in 2010 would have been \$105,262 and in 2011, it would have been \$80,334. (Ex. 2031)

TWO YEAR ANALYSIS OF DIFFERENCES BETWEEN INVENTORY USED AND SOLD

Year	Units of Liquor Used ¹⁰⁸	Revenue Units used should have generated	Units of Liquor Sold	Revenue Reported ¹⁰⁹	Unaccounted for Units	Unexplained Revenue Lost
2010	82,823	\$242,263	67,543	\$197,567	15,280	\$44,695
2011	74,017	\$200,259	62,829	\$169,989	11,188	\$30,270
Totals	156,840	\$422,522	130,372	\$367,556	26,468	\$74,965

Year	Units of Beer Used ¹¹⁰	Revenue Units used should have generated	Units of Beer Sold	Revenue Reported ⁵⁵	Unaccounted for Units	Unexplained Revenue Lost
2010	148,532	\$350,084	106,560	\$251,158	41,972	\$98,926
2011	135,074	\$280,521	105,283	\$218,651	29,791	\$61,870
Totals	283,606	\$630,605	211,843	\$469,809	71,763	\$160,796

¹⁰⁸ "Used" is beer and liquor purchased and not reflected in ending inventory less a deduction for spillage, pilfering and spoilage.

¹⁰⁹ For the year ended 2010 the Local 120 outside accountant, who prepared Local 120's audited Financial Statement, reported gross sales of Liquor and Beer of \$430,378 after removing 7% sales tax. (Exs. 2000, 2031) Local 120's sales records for this period reflect gross sales of liquor and Beer of \$448,725. (Exs. 2031, 2058, 2059, 2065, 2066) The difference is \$18,347 more gross sales reported by sales records. The difference is unexplained. If the smaller gross sales figure is used (\$430,378), as reflected in the accountant's Financial Statement, the resulting deficiency would be \$161,968 (the sum of \$44,695, \$98,926 (from table above) and \$18,347). If the Local's sales records are used, the resulting deficiency would be \$143,621 (the sum of \$44,695 and \$98,926 from the above table). (Exs. 2000, 2031)

For the year ended 2011 the Local 120 outside accountants, who prepared Local 120's audited Financial Statement, reported gross sales of Liquor and Beer of \$413,627 after removing the 7% sales tax. (Exs. 2000, 2031, 2057) Local 120's sales records reflect gross sales of \$388,640. (Exs. 2031, 2058, 2059, 2066) The difference is \$24,987 more gross sales. If the larger Gross Sales figure is used (\$413,627), as reflected in the audited Financial Statement for 2011, this would result in unaccounted for sales of \$67,153. (\$61,870 plus \$30,270 from the table above less \$24,987) If the Local's sales records are used (\$388,640), the resulting deficiency would be \$92,140 (the sum of \$61,870 and \$30,270 from above table).

In sum, for the two years, the accountant, not using actual sales records, reported a net difference of \$6,640 (\$24,987 less \$18,347) of increased reported sales over the sales records figure used in the chart above. The accountant did not rely on the sales records. His figures were derived from the Local's Quick Books. (Ex. 2031) All figures in the analyses in this report excluded sales tax. (Exs. 2031, 2057)

¹¹⁰ "Used" is beer and liquor purchased and not reflected in ending inventory less a deduction for spillage, pilfering and spoilage.

c. Analysis of Inventory for Captain Morgan's Spiced Rum

From July 2010 through August 2011, Chester was the Bar manager and was actively involved in inventory management. (Ex. 17 at 6-7; Ex. 15 at 8-9; Ex. 2138; Ex. 1 at 211-216; Ex. 2 at 61, 90-92; Exs. 2020, 2021) In September 2010, the Bar installed Point of Sale Registers as Chester had recommended. (Ex. 2 at 90-91) These allowed detailed analysis by product. (Exs. 2058, 2059) As discussed below, a sample of one particular product was analyzed for September through December 2010 and for all of 2011. (Exs. 2068-2070) There was a significant difference between the number of bottles the Bar records reported it used of this product and the number of bottles the Bar reported it sold during this period. (Exs. 2068-2070)

For the four-month period of September 2010 through December 2010, the Bar purchased 276 one liter bottles of Captain Morgan's Spiced Rum ("Captain Morgan"). (Exs. 2047, 2068)¹¹¹ During the same period, according to sales records, the Bar sold 116.5 one liter bottles of Captain Morgan. (Exs. 2058, 2068) As a consequence, on December 31, 2010, the Bar should have had an inventory of Captain Morgan of, at least, 159.5 bottles, (276 purchased less 116.5 sold).¹¹² Yet, the ending inventory was reported as 28 bottles. (Ex. 2067) Thus, 131.5 bottles were unaccounted for. (Ex. 2068) The Bar paid \$13.94 a bottle for Captain Morgan. (Exs. 2048, 2058, 2067, 2068) Applying a 20% shrinkage factor to the missing inventory, the wholesale value of the unaccounted for Captain Morgan during these months was \$1,466. (Exs. 2049, 2058, 2067, 2068)¹¹³ This inventory after shrinkage would have generated additional gross revenue of \$7,383. (Exs. 2047, 2058, 2067, 2068)¹¹⁴

¹¹¹ These were the only months in 2010 for which POS records were available.

¹¹² If there had been any Captain Morgan in inventory at September 1, it should have increased the ending inventory number.

¹¹³ Without the shrinkage allowance it would have been \$1,833. (Ex. 2068)

¹¹⁴ Without the shrinkage allowance, this would have been \$9,229. (Ex. 2068)

A similar analysis was done for Captain Morgan for the period from January 1, 2011 through December 31, 2011. As of December 31, 2010, the Bar had an inventory of 28 liters of Captain Morgan. (Ex. 2067) In the next twelve month period the Bar purchased 697 one liter bottles of Captain Morgan. (Exs. 2049, 2069) During this same period, according to sales records, the Bar sold 299 liters of Captain Morgan. (Exs. 2058, 2070) As of December 31, 2011, the Bar Inventory reported 12 liters of Captain Morgan in inventory. (Ex. 2071) That resulted in 414 liters unaccounted for. (Exs. 2069, 2070) The Bar paid \$14.54 for a liter of Captain Morgan during this period. (Exs. 2049, 2070, 2069) After applying a 20% shrinkage factor to the missing inventory, the wholesale value of the unaccounted for Captain Morgan during this period was \$4,815. (Ex. 2068)¹¹⁵ This unaccounted for inventory, after being adjusted for shrinkage, would have generated additional gross revenues of \$23,389. (Exs. 2069, 2070)¹¹⁶

Captain Morgan is a product that Chester's Route 65 and Grub highlighted as being sold there. (Ex. 2078)

G. Slawson, Sr. Brought Reproach Upon the IBT by Entering Into Sham Collective Bargaining Agreements

The Local, through Slawson, Sr. in 2005, entered into a sham agreement with an employer. It was done to allow the company to deceitfully claim for commercial reasons that it was unionized when it hawked its products to union members, its target market. The arrangement with the employer which explicitly excluded collective bargaining from its terms, continued through at least November 13, 2012. Slawson promoted the company's services to Local 120 members, stressing it was a Local 120 company and sending out several mailings for

¹¹⁵ Without applying the shrinkage factor this would have been \$6,020. (Ex. 2068)

¹¹⁶ Without applying the shrinkage factor this would have been \$23,620. (Ex. 2068)

the company on Local letterhead. He also had the Local use the Company's services. The contract was renewed in 2009 for a five year term with no changes. This was done without a proposal meeting or a ratification vote by the effected members as the Local Bylaws required. The employer continued to pay some non-working members' dues.

1. Background

On May 11, 2004, at a general membership meeting, Slawson, Sr. introduced Buck Luymes, an employee of American Pride Home Services ("APHS"). (Ex. 104) Slawson, Sr. pronounced American Pride a "100% union company." (Ex. 104; Ex. 1 at 85-86) Luymes proceeded to market the company's services to the members. (Ex. 104) Earlier that day, Luymes was present at a Local 120 Executive Board meeting. (Ex. 181; Ex. 1 at 79-82) This was the first introduction of American Pride to Local 120. Slawson, Sr. arranged it so the company could pitch its products. (Ex. 20)

A month later, the minutes for the June 23, 2004 Local 120 Executive Board meeting reported that American Pride was one of the companies the Local was organizing. (Ex. 182) Subsequently, the December 16, 2004 Executive Board minutes reflected that Local 120 had successfully organized American Pride. (Ex. 188) Slawson, Sr. was unable to explain what happened to the previous union that allegedly had represented the American Pride employees. (Ex. 1 at 55-56) No Local records showed what the earlier union was or how Local 120 displaced it and organized the American Pride employees.

After Slawson, Sr. had given his sworn statement to the IRB, he sent a letter to the Chief Investigator dated October 18, 2012, in response to an IRB document request to Local 120 for documents relating to its replacement of an earlier union representing American Pride. (Ex. 445) In that letter, Slawson, Sr. affirmed, "Local 120 did not decertify or otherwise replace any prior union at American Pride." (Ex. 445)

2. American Pride Contracts

There was an undated "Working Agreement" between Local 120 and American Pride Home Services in effect from January 5, 2005 until December 31, 2008. (Ex. 5000)¹¹⁷ Slawson, Sr. was a signatory on behalf of the Local. (Ex. 5000) Kevin Goldade and Thomas Gilbert signed as President and CEO of APHS, respectively. (Ex. 5000) The agreement did not describe either what APHS was or what entities were included. (Ex. 5000) Under the Agreement, Local 120 was to be the sole representative of all American Pride employees, except supervisory employees with specified powers. (Ex. 5000 at 3) Slawson testified that the contract also covered printers working for American Pride in Washington State. (Ex. 1 at 93) The printers were allowed to simultaneously belong to another union as well as to the IBT through Local 120, according to Slawson. (Ex. 1 at 90-93)¹¹⁸

The first Agreement with the Local was for a four year term from January 5, 2005 through December 31, 2008. (Ex. 5000) The preamble of this Agreement stated a reason for the Agreement was to provide employees of APHS with "good compensation and decent working conditions." (Ex. 5000 at 3) Yet, in Article 2, Section 1, the Agreement provided, "There will be no interference with, coercion or restraint regarding the 'Company' policies and compensation to its 'Employees'." (Ex. 5000 at 3) Indeed, the agreement Slawson, Sr. entered into with the employer specifically stated, "This relationship does not include collective bargaining." (Ex. 5000 at 3) The company had both commissioned and salaried employees and full time and part time employees. (Ex. 5000; Ex. 19 at 10) The Agreement in Article 15 specifically excluded wages from its scope. (Ex. 5000 at 8) The Agreement also did not provide

¹¹⁷ Slawson, Sr. testified that there was no difference between a working agreement and a collective bargaining agreement. (Ex. 1 at 58-59) He described the American Pride agreement as a collective bargaining agreement. (Ex. 1 at 58)

¹¹⁸ There were American Pride Local 120 members resident in Washington State. (Ex. 5004)

for any employer pension fund contribution, vacation days or paid sick days. (Ex. 5000)¹¹⁹ Nor did it regulate daily or weekly work hours. (Ex. 5000)

Article 6, entitled "Seniority and Discipline Action Guidelines for Appropriate Conduct" provided no benefit for seniority. (Ex. 5000 at 6) The Article's language provided, *inter alia*, "[w]here appropriate, a policy of progressive employee discipline will be followed by supervisors." (Ex. 5000 at 6) There was no detail as to when such a policy would be appropriate. In any event, the concluding sentence of the Article negated the Local's right, if any, to insist on progressive discipline. It provided, "Notwithstanding this progressive disciplinary procedure policy, the Company reserves the right to administer discipline in such manner as it deems appropriate to the circumstances and may, in its sole discretion, eliminate any or all of the steps in the discipline process." (Ex. 5000 at 6-7 (emphasis added)) Indeed, termination of an employee for allegedly not performing to company standards was explicitly left to the sole discretion of the company. (Ex. 5000 at 6) As a consequence, Slawson, Sr. committed the Local to providing no protection with respect to employer discipline of members who were American Pride employees, along with providing no collective bargaining on their behalf.

The sole apparent benefit the contract provided to members working at APHS was an illusory one that the company would pay 75% of the employee's portion of a premium for medical insurance coverage, if elected, for each eligible full time person who purchased health insurance or Medicare supplement insurance. (Ex. 5000 at 8) Article 13, Section 2, provided, if they elected it, all full time employees, were eligible for this benefit, "61 days after their hiring

¹¹⁹ The Agreement also provided in Article 12 that, "reasonable requests for leave of absence shall be granted. Requests shall be reasonable for: 1) maternity, 2) compelling personal reasons, 3) sickness 4) Union leave." (Ex. 5000 at 7-8) There were no details as to amount of unpaid sickness or maternity leave an employee could take.

packet, including a background check, is completed.” (Ex. 5000 at 8) There was no definition of full time employee. (Ex. 5000) Part-time employees received no benefits. There was no definition of “hiring packet” or any guidelines on when such packet and background investigation should be completed. There was no description of what the insurance coverage was required to cover, including whether family coverage fell within the provision. (Ex. 5000)

The dues language in the contract was unique in Local 120 contracts. (Ex. 11 at 22-23) The Working Agreement between the Employer and the Local made the amount of dues to be paid per member a matter of contract between the two parties. (Ex. 5000 at 4) Dues to the Local under this agreement were \$55 a month for a commissioned employee and \$35 a month for a salaried employee. (Ex. 5000 at 4) The initiation fee for a member under the agreement was one month’s dues. (Ex. 5000 at 4) When asked why dues amounts as opposed to a pure check off provision were in the contract, Slawson, Sr. testified that it was probably done at the request of members so that they would not forget the dues amount. (Ex. 1 at 68-71) The explanation was not credible.

At his sworn examination, Slawson, Sr. was asked if he knew of other Local 120 contracts that had the amount of dues in the contract. (Ex. 1 at 69) Slawson, Sr. suggested that the amount of dues might also be found in the Local’s bakery contracts. (Ex. 1 at 69) The Chief Investigator requested those contracts from the Local. (Ex. 444) In response, the Local produced an agreement between Wonder/Hostess of Minneapolis and Locals 160 and 120 in force from June 9, 2002 through June 11, 2005. (Ex. 5002) That contract, while recognizing check-offs for dues, did not include the monthly amount of the dues to be paid, as did the American Pride contract. (Ex. 5002 at 1) Local 120 also produced pursuant to the IRB request an agreement between Metz Baking Company and Local 120, effective from May 12, 2003

through May 12, 2007. (Ex. 5016) Again, there was a check-off provision but there was no provision, as in the American Pride contract, listing the amount of the dues to be paid. (Ex. 5016 at 23-24) The American Pride dues provision was exceptional at Local 120. (Ex. 11 at 22-23)

A business agent, Thomas Ohlson ("Ohlson"), whom Slawson assigned to American Pride, testified Slawson told him the employer would pay the dues. (Ex. 11 at 22) The dues language in the agreement was consistent with that. That has been the pattern with American Pride. Local records indicated that an American Pride member, Paul Nelson ("Nelson"), who had been retired for several years, was continuing to pay dues. (Ex. 5003) Unknown to him, American Pride continued to pay his Local 120 dues after he was no longer employed. (Ex. 5003; Ex. 19 at 10-11)¹²⁰ Indeed, Slawson, Sr. after his IRB sworn statement had a conversation with Gilbert of American Pride in which the company confirmed paying former employees' dues. (Ex. 5012)

Shortly after the first contract was signed, two other Local 120 business agents received it and both of them recognized it was a sham contract that provided no benefits to the members. (Ex. 11 at 25) Later, at the February 17, 2005 membership meeting, Ohlson would introduce as the American Pride steward Buck Luymes, the American Pride salesman who had pitched the members in 2004. (Exs. 104, 110)¹²¹

On April 20, 2009, for the period covering January 1, 2009 through December 31, 2013, the Local entered into a new five year "Working Agreement" with American Pride Home

¹²⁰ As of July 31, 2012 there were only three dues paying members of American Pride. (Ex. 5003) One was Nelson, the retired member above and one was in Washington state. (Ex. 5003) After the sworn examinations of the Slawsons, the Local sent a letter to Gilbert of American Pride confirming the company had been paying dues of the employees for several years. (Ex. 5012) According to Slawson, Sr.'s letter, Gilbert stated that the company paid dues for employees who no longer worked at the company because he thought the employee might come back. (Ex. 5012)

¹²¹ In the minutes Luymes is spelt as Lyman. (Ex. 110) According to IBT records, neither under Buck Lyman or Luymes was he a Local 120 member. (Ex. 5004)

Services. (Ex. 5001) Other than the duration which was changed from four years to five, all terms, including the amount of dues, and the specific exclusion of "collective bargaining" remained the same as in the previous Agreement. (Exs. 5000 and 5001) Slawson, Sr. also signed the second Agreement on behalf of the Local as did business agent Ohlson. (Ex. 5001) Gilbert signed for APHS. (Ex. 5001 at 8) Between the two contracts, the Local committed itself to not engaging in collective bargaining and not involving itself in employer discipline of its members for a total of nine years. (Exs. 5000, 5001) Since it was the sole representative of the employees, the Agreement could be used to keep out unions which actively might represent the members.

3. American Pride Home Services

The company's website available in 2012 listed two APHS offices: 10267 University Avenue, N.E., Blaine, MN 55434, described as the Midwest Regional Office, and 7023 N.E. 175th St., Kenmore, WA 98028, described as the Western regional office. (Ex. 5015) On its website, APHS represented that, "All employees of the American Pride Family of Companies are members of Teamsters Local Union 120." (Ex. 5015) The family of companies was undefined. (Ex. 5015) The services provided included: insurance, printing, mortgage brokering and closing services in connection with real estate transactions. (Ex. 5015) In a letter Slawson, Sr. signed on Local 120 letterhead soliciting Local 120 members in 2007 to buy group term life insurance through American Pride, Slawson, Sr. also described American Pride as a "100% Union company" and defined it as "American Pride Home Services LLC and its subsidiaries, including American Pride Financial Group, LLC". (Ex. 5005)¹²² Additional American Pride entities

¹²² A previous solicitation letter on Local letterhead was sent for American Pride in 2005. (Ex. 1 at 34-35, 94-95) There may have been a third. (Ex. 1 at 34-35, 94-95). In a conversation with a bank representative in connection with the Local's loan application in 2007, Gilbert told the bank official the importance to his company of the revenue that was generated from Local 120 members. (Ex. 1041)

included American Pride Real Estate LLC and the now defunct American Pride Title.

(Exs. 5017, 5018) The companies had different addresses. (Exs. 5017, 5018) Thomas Gilbert, Kevin Goldade and Dean Hoff owned each company. (Ex. 5006) American Pride also provided printing services which in 2006, 2007 and 2008, the Local would use to print its newsletter. (Ex. 1 at 90) Slawson, Sr. also testified American Pride printers were included under the contract. (Ex. 1 at 90-91)

A Dun & Bradstreet Business Background Report in 2012 noted American Pride Home Services, LLC as having one office in Minneapolis, Minnesota. (Ex. 5007) It was described as a mortgage broker with 20 employees including officers. (Ex. 5007) Thomas Gilbert, Kevin Goldade and Dean Hoff were listed as managing directors. (Ex. 5007)¹²³ Gilbert was listed as the company's top executive. (Ex. 5007) The company's business started in 2003. (Ex. 5007) This report did not include the other American Pride companies that Slawson represented to the members were covered by the agreement with Local 120, such as American Pride Financial Group. (Exs. 5007, 5005)

In his personal bankruptcy filing of May 2012, Kevin Goldade, one of the principals of American Pride Home Services, specifically listed four American Pride entities: American Pride Home Services, LLC in Blaine, Minnesota, American Pride Real Estate, in Minneapolis, Minnesota, American Pride Title, listed as being defunct and without an address, and American Pride Financial Group in the State of Washington. (Ex. 5006)

Nelson, a former Teamster Local 320 business agent who worked for American Pride, testified as to how the Company's marketing strategy was aimed at union members. (Ex. 19 at

¹²³ The report generated on August 7, 2012 noted the information had not been fully revised since October 14, 2009. (Ex. 5007)

7-8) Indeed, on its website, American Pride Home Service, stressed the affiliation with Local 120. It proclaimed:

"Union

American Pride. Union Proud.

American Pride is a 100% union label company. All employees of the American Pride family of Companies are members of Teamsters Local Union No. 120. Why do labor unions across the country use and continue to refer their members to American Pride? Because at American Pride we care and it shows. Here you will find a level of client care and service unparalleled and unmatched anywhere in the industry. American Pride is a B4 UNION company, which promotes Be Union, Buy Union, Build Union, Borrow Union. Union members have a choice when it comes to keeping their money and business in the union family." (Ex. 5015)

Its owner admitted the relationship with Local 120 was of significant financial importance to American Pride. (Ex. 1041) Slawson, Sr. had close ties with American Pride. He frequently promoted American Pride within the Local, more often than any other company. (Exs. 104, 112, 132, 133, 181, 5005; Ex. 9 at 22; Ex. 5 at 30-31; Ex. 20; Ex. 11 at 32-33; Ex. 1 at 34-35, 94-95) For example, the minutes of the General Membership meeting of April 14, 2005 noted that:

Brad [Slawson, Sr.] gave a report on the benefits of the Minnesota Teamsters Credit Union and American Pride Company and the offerings they provide for the membership and their families. Brad encouraged those present to join and use the services offered. Brad reported that American Pride is made up of all Teamster members which belong to Local 120.

(Ex. 112 at 3)

On September 8, 2005 at the membership meeting, Buck Luymes was a guest speaker on American Pride's Life Insurance program for members of Local 120. (Ex. 114 at 1-2) In 2005,

Slawson, Sr. also used Local 120 letterhead to solicit members to use American Pride services. (Ex. 197; Ex. 1 at 34-35, 94-95) Slawson, Sr. also made a proposal in 2005 to the Local Funds to use American Pride's real estate investment services. (Ex. 5014)

Two years later in September 2007, Slawson, Sr. would pitch American Pride insurance to the members at another meeting. (Ex. 132 at 2) Slawson, Sr. also at the same meeting had American Pride employee, Jeff Churchfield, make an additional solicitation to the members to buy the American Pride insurance. (Ex. 132 at 3) Again in 2007, Slawson solicited members on Local 120 letterhead to purchase term life insurance through American Pride, which he identified as a Local 120 employer. (Ex. 5005) There was no Executive Board approval to use Local 120 letterhead and its membership list to solicit business for a commercial enterprise. (Ex. 221-223) There may have been a third mailing. (Ex. 1 at 34-35, 94-95)

During the Local's planning and construction of a new building, Slawson had frequent closed door meetings at the Local 120 offices with Gilbert. (Ex. 11 at 35) Slawson, Sr. without Executive Board approval as Local 120's Bylaws required, used American Pride Title both as a mortgage broker for the Local and to disperse over four million dollars from the Local's construction loan and mortgage accounts at a bank to the construction company and other contractors on the new building project in 2007 and 2008. (Exs. 1015, 1031; Ex. 300 at 11)¹²⁴ This included both the loan and \$750,000 from the Local's general fund. (Exs. 1015, 1027, 1073) Neither the Local nor American Pride had a document showing how it was to be paid for

¹²⁴ Despite being requested, the Local and American Pride both were unable to produce a document that memorialized this business relationship. There was no document provided memorializing how American Pride would get paid for its services. At some point, Gilbert continued acting for the Local even though a different company, First USA Title, was disbursing the Local's loan money. (Exs. 1027, 1016, 1073, 1130) The Slawsons claimed they were unaware of the change. (Ex. 1 at 103; Ex. 2 at 58; Ex. 10 at 32)

the disbursement services. (Ex. 1015)¹²⁵ Slawson, Sr. misrepresented to the Executive Board that American Pride was providing the mortgage for the Local. (Ex. 221) Slawson allowed American Pride to maintain records of financial transactions in the multi-million dollar loan which records were never provided to the Local. (Ex. 10 at 43) Prior to the Bank approving the loan, Slawson and Gilbert misrepresented to the lender, which had concerns over the Local's cash flow being adequate to cover loan payments, that the Local membership had increased by over 9,000 members in 2007, when it had not. (Exs. 1041, 1068, 1069)

4. Slawson, Sr. Caused Local Contract Procedures to Be Not Followed with Respect to American Pride

The Local's Bylaws required that prior to negotiating a contract the Local's representative meet with the members to discuss the issues of concern to them. (Ex. 300 at 37) When a proposed contract was reached, the Bylaws required a ratification vote by the effected members. (Ex. 300 at 37) The Local business agent involved in the negotiations maintained records for both the proposal meeting and the ratification vote. (Ex. 1 at 52-54, 67; Ex. 11 at 6-7; Ex. 2 at 22-26) The Local was unable to produce proposal meeting or ratification records for both the first and second American Pride contracts.

Slawson recognized a proposal meeting as an "absolute requirement" at Local 120. (Ex. 22 at 44-45) With respect to the initial contract, there was no proposal meeting with the effected members to discuss the upcoming negotiations and their concerns. Both Slawson, Sr. and Ohlson, the only two Local 120 employees to be involved with American Pride at the time, testified they did not attend any. (Ex. 1 at 68; Ex. 11 at 14-16) As noted, there were no Local

¹²⁵ There were documents stating American Pride was paid \$21,605.80 or \$21,780.80 in connection with closing costs on the mortgage. (Exs. 1031, 1032) There is nothing to show what American Pride was paid for work after the closing when it was acting as disbursing agent.

records establishing any meeting occurred.¹²⁶ Slawson, Sr. also knew none had occurred for the second contract. (Ex. 1 at 74; Ex. 11 at 26-30)

In connection with the ratification vote on the first contract, at Slawson's request, Ohlson accompanied him to a meeting held at the American Pride offices in Blaine, MN. (Ex. 11 at 15-16) Slawson then met with approximately 15 employees for the first time for a ratification vote. (Ex. 11 at 15; Ex. 1 at 67) Gilbert and Goldade, the owners, were also present throughout the vote. (Ex. 11 at 16, 19) Having owners monitor members' discussion and vote on a contract was contrary to Local practice. (Ex. 11 at 16)

Ohlson, the business agent Slawson, Sr. assigned to American Pride, occasionally visited the American Pride office in Blaine after the initial meeting. (Ex. 11 at 30) These visits were for no purpose. (Ex. 11 at 30) The Local 120 membership roster for American Pride employees over the years showed members in distant states, including Washington and Wisconsin. (Ex. 5004) No contact was made with these members. (Ex. 11 at 30-31)

The Local's standard procedure was that before a contract expired the Local would send a letter to the employer informing it that the Local wanted to bargain for a new contract. (Ex. 9 at 20-21; Ex. 11 at 7; Ex. 5 at 13) Slawson, Sr. signed the Local's opener letter, dated September 30, 2008, sent to Gilbert at American Pride. (Ex. 5008) Ohlson and Slawson, Jr. were copied on the letter. (Ex. 5008)

As the contract came up for renewal in 2008, Ohlson asked Slawson, Sr. what he should do. Slawson, Sr. told Ohlson the contract terms would be the same and to call Gilbert. (Ex. 11 at 26-27) Gilbert said it would be the same contract. (Ex. 11 at 28) The only difference between the first contract and the second one four years later was that the duration was increased

¹²⁶

Such records should have been kept. (Ex. 11 at 9; Ex. 2 at 25)

to five years. (Exs. 5000, 5001) As a result, the same contract terms were included in a new working agreement with a longer duration period. As with the first one, there was no proposal meeting with the members to hear their demands or discuss issues. (Ex. 11 at 15-18) There was no ratification vote on the second contract. (Ex. 11 at 15-18) In neither the first nor the second contract process was any member part of the negotiating committee. (Ex. 11 at 15-18, 26-29) This also was contrary to Local practice. (Ex. 5011; Ex. 2 at 22-26)

Slawson, Sr. denied he introduced American Pride to the Local. (Ex. 1 at 52-55) He claimed he discussed organizing American Pride and the initial contract with Thomas Keegel, Local 120's then principal officer in 2005, who at that time also was the International Secretary Treasurer. (Ex. 1 at 52-55) Keegel was traveling often. (Ex. 1 at 72) Slawson claimed he discussed with Keegel the issues arising from organizing American Pride's commissioned employees. (Ex. 1 at 71-72) He also claimed prior to entering into it, he showed Keegel the proposed American Pride contract that excluded collective bargaining from the union-employer relationship. (Ex. 1 at 71-72) Keegel, according to Slawson, approved going ahead with that contract. (Ex. 1 at 71-72)

Keegel recalled that Slawson, Sr. was the one who introduced American Pride to Local 120 to provide the company a platform to sell its products to members at union meetings. (Ex. 20) The Local's records confirmed that. (Exs. 104, 181) Keegel denied both discussing organizing American Pride with Slawson, Sr. and reading the proposed contract. (Ex. 20) The minutes and Ohlson's testimony support Keegel's sworn statement. (Ex. 20; Ex. 11 at 15-16, 19-21; Exs. 104, 181)

In an alternative version, Slawson also claimed that everything with American Pride was done by Ohlson alone, despite Slawson claiming he had given the contract to and discussed it

with Keegel. (Ex. 1 at 68, 72) Slawson admitted attending the ratification vote on the first contract. (Ex. 1 at 67) He claimed he might have been too busy to read the contract he signed. (Ex. 1 at 60)

Slawson's close relationship with American Pride undercut his claim that this was a company he had little to do with. Slawson asserted there was nothing unusual about the multiple mailings he did to the members on behalf of American Pride on Local letterhead or his allowing the Company to attend several membership meetings to promote its services to members. (Ex. 1 at 34-35, 86, 89, 94-96) Yet no other company had that done for it repeatedly. He compared the repeated solicitations of members to use American Pride Services to one mailing the Local did for American Income Life in 2011. (Ex. 1 at 34-35) That company made a donation of \$5,000 to a Local event for that one time mailing. (Ex. 1 at 35) On the other hand, American Pride gave nothing to the Local for the more frequent marketing Slawson, Sr. did on its behalf. (Ex. 1 at 35; Ex. 19 at 8)

Slawson also claimed that American Pride was no different in asserting its work force was unionized than was ULLICO, the union owned insurance company, or American Income Life, both of which had product marketing that targeted union members. (Ex. 1 at 86; Ex. 5010) In fact, neither ULLICO nor American Income Life portrayed their workforces as unionized. (Ex. 5010) Moreover, American Income Life and ULLICO were actual insurance companies; American Pride was an insurance broker.

In 2009, when Slawson signed the second sham arrangement with American Pride, he was both the principal officer of the Local, a Joint Council 32 Trustee and an International Representative. (Exs. 323, 319 and 5019) That contract continued in force until, at least, the emergency Trusteeship was imposed on Local 120. (Ex. 5001)

5. Slawson, Sr.'s Actions Conflicted with Local Statements On Organizing

Section 4 of the Local 120 Bylaws makes a specific goal of the Local, "[t]o safeguard, advance and promote the principle of fair collective bargaining." (Ex. 300 at 2) On Local 120's website, under "Organizing", it described the matters a union typically negotiated on behalf of employees with an employer. The Local stated:

Organizing

Stronger Voice

Union members have a voice in determining what they want in terms of wages, hours and working conditions. Contract negotiations are at the core of the labor movement. They occur when employees join together to negotiate workplace issues with their employer. The end result is a contract that spells out in black and white all of the terms both parties agree to, from pay rates and benefits, to a grievance procedure, time off and more. Union members generally elect a bargaining team made up of a few of their coworkers to join expert negotiators from the Teamsters Local 120 in negotiations with management. Once the bargaining team reaches a tentative agreement with management, they present the proposal to their coworkers for a vote. This is called ratification process. The contract only goes into effect if a majority of the employees approve the tentative agreement. Contract specifics will vary from one worksite, or employer, to the next, but generally include provisions on:

- Wages, hours and benefits;
- Health and safety
- Non-discrimination;
- Contract length;
- Discipline;
- Seniority;
- Union Security;
- Grievance procedures; and
- Arbitration.

In non-union worksites, management alone dictates the terms and conditions of employment. No discussion. Decision are simply made without regard to the employees who bear the consequences.

(Ex. 5011)

Ironically, the final portion of that description, "[i]n non-union worksites, management alone dictates the terms and conditions of employment. No discussion", also describe the two agreements Slawson, Sr. entered into with American Pride covering its employees for nine years. In violation of the Local's Bylaws, there was no discussion with members as to what the members' concerns were before either the initial contract or the second one were negotiated. (Ex. 300 at 37; Ex. 11 at 15-16) A process Slawson declared was essential. (Ex. 22 at 44-45) Gilbert drafted the first contract; there were no negotiations. (Ex. 11 at 15) The members did not even have a pretextual vote on the second contract. (Ex. 11 at 26-27, 29-30)

In the National Labor Relations Act, 29 U.S.C. § 152(5) a "labor organization" is defined as, "any organization of any kind...in which employees participate and which exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rate of pay, hours of employment, or conditions of work." Not one of the issues the statute provided a labor organization would deal with employers about concerning employees was covered in Slawson, Sr.'s agreements with American Pride. Whatever Slawson had been doing in binding Local 120 to these agreements, it was not to have it act as a labor organization.

These Local 120 agreements Slawson, Sr. signed, fell far short of both meeting Local 120's proclamation of the benefits of IBT membership and the actions of a labor organization as defined in the NLRA. Indeed, collective bargaining specifically was excluded from the contracts' scope. The only possible benefit provided under the contracts was an employer contribution of 75% to the premium for an undefined health insurance policy for which a full time employee became eligible after an undefined time, if the employee elected to receive it.

(Exs. 5000, 5001) Full-time employee was another undefined term which given the lack of contract definitions on work week, was meaningless.¹²⁷ There were no guidelines as to when any employee working for a commission was a full time employee, unlike in the Local's Bakery contracts. (Ex. 5002 at 2; Ex. 5016 at 4; Exs. 5000, 5001) There was suspiciously no detail as to the health insurance, including whether it would cover families. The agreement did not memorialize whether the employer was required to contribute to insurance that provides major medical, dental and vision coverage. There were no guidelines on acceptable deductibles. There was no final date as to when the employer must provide the benefit to a new employee. Nothing about the illusory benefit was "spelled out in black and white" as the Local 120 website proclaimed would be in a contract the Local negotiated. (Ex. 5011) In addition, the company was allowed to reopen the insurance contribution clause if "a change in federal law or taxation alters the economic impact of the contribution for insurance." (Ex. 5001 at 7) There was no guideline on the degree of change that triggered that right. (Ex. 5001 at 7) The contract had no arbitration provision for resolution of disputes or of discipline. (Exs. 5000, 5001)

Article 14 of the Agreements provided, "Since most employees are on a commission basis, the "Company" reserves the right to alter and change the commission schedule as necessary to mitigate any economic or industry change that occurs from time to time." (Ex. 5000 at 8; Ex. 5001 at 8) The contracts did not provide any protection on maintaining current commission rates or any guidelines as to calculations. (Exs. 5000, 5001) Part-time workers had the same dues schedule and received nothing under the contract for being members. (Ex. 5000 at 4; Ex. 5001 at 4; Ex. 19 at 9-10)

¹²⁷ Indeed, the company hired part time employees who were Local 120 members, paid the same dues as full time employees and received no benefits at all under the contract. (Ex. 19 at 10; Ex. 5000)

In sum, the contract provided no benefits, no minimal guidelines on compensation even for salaried employees, no provisions concerning rate changes on commissions, no seniority rights, no limit on daily or weekly hours, no procedures to protect an employee from arbitrary employer disciplinary decisions, including termination, no grievance procedures and no provision for arbitration. The Agreement explicitly allowed the Company in its sole discretion to impose discipline, including termination. Astonishingly, the relationship between the Union and the Company explicitly did not include collective bargaining but did include the amount of employees' dues owed to the Local. Dues amounts were part of the contractual agreement between the employer and the Local. In addition to the terms of the contract, both the failure of the Local to follow its procedures for members to participate in proposals with respect to collective bargaining agreements and that the employer paid the employee's dues also evidence this was a sham contract.

H. Slawson, Jr. Lied Under Oath and Failed to Cooperate with the IRB

At his September 26, 2012 IRB sworn testimony, Slawson, Jr. knowingly gave misleading testimony. In June 2008, Slawson, Jr., then Local President, ran at the Minnesota Democratic Farmer Labor Party (DFL) Convention for delegate to the Democratic National Convention supporting Barack Obama. (Ex. 4000; Ex. 2 at 119; Ex. 3 at 14) In connection with his personal campaign for delegate, Slawson, Jr. used two vendors who also did business with the Local to create campaign buttons and leaflets. (Ex. 3 at 14, 27) Slawson, Jr. for several years did not pay the invoices the vendors sent him for these services. (Exs. 4001, 4002, 6033)¹²⁸ Instead, he instructed two Local 120 employees to tell the vendors that in return for stopping seeking payment from him for his debts, he would cause the vendors to receive additional Local

¹²⁸

These invoices remained unpaid as of at least May 2012. (Ex. 4002)

business. (Ex. 3 at 17-19; Ex. 9 at 26-35) Eventually, Slawson, Jr. instructed one of the vendors to alter the invoice previously sent to him and to send the altered invoice as a bill to the Slawson Unity State which ran in the Local election in 2008, for which slate the vendor also did work. After the IRB made inquiries concerning these unpaid debts, Slawson, Jr. solicited a Local employee to present a false story. When he testified about the use of the vendors and his instructions to employees during the IRB investigation, Slawson, Jr. made false and misleading statements under oath. (Ex. 2 at 119-131)

1. The Delegate Campaign

In June 2008, at the DFL convention in Rochester, MN, Slawson, Jr. ran for delegate to the Democratic National Convention in support of then candidate Obama. (Ex. 3 at 14)¹²⁹ This campaign was a late decision made at the state convention, after he was approached by other party members. (Ex. 3 at 24) As a result, he needed campaign material to be produced quickly. (Ex. 3 at 24-25) He discussed this with Rhys Ledger ("Ledger"), the Local's Director of Organizing and Government Affairs, who was also at the Convention. (Ex. 3 at 4, 14) Ledger solicited two vendors at the Convention, who also did work for the Local, about producing the material. (Ex. 3 at 24-27) The first, 7 Corners Printing ("7 Corners"), gave a cost quote for printing campaign material and the second, Tschida Printing ("Tschida"), gave one for making campaign buttons. (Ex. 3 at 24, 27-28) Because of the short time available in which to produce the material, the vendors charged above normal prices. (Ex. 3 at 26-27) Ledger explained the higher prices to Slawson. (Ex. 3 at 26) Slawson confirmed that he understood these were personal expenses and agreed to the prices. (Ex. 3 at 26-27) Ledger placed the orders with the

¹²⁹ The Convention was held in Rochester, MN from June 6 through June 8, 2008. (Ex. 4000) Slawson lost the election for delegate. The invoice from Tschida Printing was dated June 9, 2008. (Ex. 3 at 39-40; Ex. 4002)

vendors. (Ex. 3 at 27-28) He informed the vendors that Slawson and not the Local would pay. (Ex. 3 at 26-27)

Consistent with Ledger's representation that Slawson, Jr. would pay, the vendors subsequently sent invoices personally to Slawson at the Local. (Exs. 4002, 4003; Ex. 9 at 27-28)¹³⁰ These went unpaid.¹³¹ Slawson instructed Ledger to go to Tschida Printing to tell the principal that Slawson was not going to pay his debt but, instead, he would cause the vendor to receive additional work from the Local. (Ex. 3 at 16-17) According to records Tschida provided, this personal debt was for \$560.68 for work done on June 8, 2008. (Ex. 4002) Ledger went to Tschida, but claimed he did not tell the vendor about Slawson's proposed arrangement. (Ex. 3 at 17-20) He discussed with the vendor the available new business which was printing the Local's newsletter. (Ex. 3 at 18) Slawson, Jr. controlled which vendors received Local business. (Ex. 3 at 15, 31-32) Tschida in 2010 began to print the Local's newsletter. (Ex. 4004) The June 2008 invoice to Slawson, Jr. for the work at the convention remained unpaid as of November 2012, more than four years later. (Ex. 6033)

Kristine Hakala ("Hakala"), who had been an administrative assistant for Slawson, Jr. at Local 120, testified that she received and opened Slawson's mail from 2008 through 2010. (Ex. 9 at 29) She saw the invoices from the two vendors for the DFL convention services for Slawson that were addressed to Slawson personally. (Ex. 9 at 28-30) Because they were his personal expenses, they came to her rather than to the Local bookkeeper. (Ex. 9 at 29) She placed these with his other mail on his desk. (Ex. 9 at 29) On several occasions, Slawson, Jr.

¹³⁰ Invoices from 7 Corners and Tschida for work they did on behalf of the Local were normally addressed to the attention of Local 120. (Ex. 9 at 27-30; Ex. 4002) The invoice for \$560.68 for work at the DFL Convention dated June 9, 2008 was the only invoice Tschida sent to Local 120 that was addressed to Slawson, Jr.. (Ex. 4002; Ex. 9 at 28-30) Although there was a 7 Corners invoice addressed to Slawson, Jr. at the Local, it was not produced. (Ex. 9 at 27-30; Ex. 4003)

¹³¹ In a November 15, 2012 letter to the International General President, the CEO of Tschida indicated it still had not been paid for the work it had done for Slawson at the 2008 DFL Convention. (Ex. 6033)

instructed her to call 7 Corners, where she knew one of the employees well. (Ex. 9 at 32) He told her to tell the vendor to stop sending the invoice and that in return for not paying his obligation, Slawson would ensure 7 Corners would get additional Local business. (Ex. 9 at 30) She recalled that on occasion Slawson, Jr. gave this instruction to her and to Ledger for separate vendors, 7 Corners and Tschida, when the three were in Slawson's office. (Ex. 9 at 30-33)¹³² She did not follow Slawson's instructions. (Ex. 9 at 30-34)

The 7 Corners business records corroborated Hakala's testimony. These included an email from Hakala to Brenda Pogue Boardman ("Boardman") at 7 Corners dated July 14, 2008, a month after the convention, in which Hakala stated that she heard 7 Corners did Slawson, Jr. a "big" favor at the convention and as a result the company should expect the Local's business. (Ex. 4007) The second was a letter dated December 18, 2009, from Boardman to Hakala noting 7 Corners had been having difficulty collecting the money Slawson owed it for the work for the convention. (Ex. 4003) Boardman wrote that pursuant to Slawson's request the owner of 7 Corners created an altered invoice with a different name "of the job." (Ex. 4003) Boardman solicited Hakala to help insure the outstanding old debt reflected in the new altered invoice was paid by year end. (Ex. 4003)

Boardman wrote essentially a collection letter seeking Hakala's help in getting payment on Slawson's debt from the June 2008 convention before year end 2009:

We still had this past due invoice for Junior that was from him trying to become a delegate last September at the Rochester DFL Convention.¹³³

¹³² Ledger did not remember this. (Ex. 3 at 24-25) Slawson testified as to a conversation in his office when he told Hakala and Ledger together to deal with what he categorized as Tschida's misdirected invoice. (Ex. 2 at 124-127)

¹³³ The Rochester DFL convention was held in June 2008. (Ex. 4000) However, as shown below, the altered invoice was created in September 2009. (Ex. 4001) Despite being covered by a subpoena to it (Ex. 4012) 7 Corners never produced the invoice for work at the convention "for Junior" that was referenced in Boardman's letter.

I guess after sending this to you guys for payment, he called Dan W¹³⁴ and asked him to change the name of the job to submit it to be paid that way.

Can you see if you can get this paid so we can receive the funds in 2009?

(Ex. 4003)¹³⁵

The document properties [metadata] for the 7 Corners letter addressed to Hakala indicated the document was created on December 18, 2009 at 2:36 pm. (Ex. 4005) The company stored it under the computer file name "Teamsters Local 120-Inv. #13004." (Ex. 4005) The author was "Customer Service." (Ex. 4005) There was one change to the document on December 18, 2009. (Ex. 4005)

The following facts further established Slawson's attempt with the acquiescence of the 7 Corners' owner to have his personal bill improperly shifted to his election slate, the Slawson Unity Slate. A 7 Corners' document that listed invoices to the Slawson Unity Slate showed a ticket date of November 24, 2008 for five different orders 7 Corners allegedly completed for the Slate. (Ex. 4006) Four of the invoices were dated December 12, 2008. (Ex. 4006)¹³⁶ The fifth invoice, number 13004, had an invoice date of September 28, 2009. (Ex. 4001) The description on that invoice was for "Slawson Unity Slate-Teamsters Local 120, Pat "PJ" Walker and Paul Slattery." (Ex. 4001) It was allegedly for 1000 posters. (Ex. 4001) This last one was invoiced ten months after the order was allegedly placed. (Ex. 4001) The invoice number of 13004 was the same as the computer file name which contained the correspondence about the earlier invoice for work at the convention altered at Slawson, Jr.'s request. (Exs. 4001, 4003, 4005) The other four invoices all had the Multi-Ticket invoice number 11648. (Exs. 4009-4010) The file name

¹³⁴ Dan Winter was the owner of 7 Corners. (Ex. 4008; Ex. 9 at 25)

¹³⁵ 7 Corners did not produce to the IRB an invoice that would have reflected work done for Slawson, Jr. at the convention as noted in Boardman's letter. (Ex. 4003) It did produce the newly created invoice discussed below which changed the name as Slawson requested. (Exs. 4003, 4001)

¹³⁶ The Local election was in December 2008. (Ex. 143)

for the suspicious "Slawson Unity Slate-Teamsters Local 120", invoice number 13004 was "Teamsters Local 120, invoice 13004." (Ex. 4001)¹³⁷ This matched the metadata from Boardman's letter to Hakala seeking collection for the work done at the convention. (Exs. 4001, 4003, 4005)

The other four Slawson Unity printing jobs with ticket dates of November 24, 2008, were invoiced on December 12, 2008, less than thirty days after the services were ordered. (Ex. 4009) Only the job, 13004, was invoiced on September 28, 2009, ten months after it was allegedly placed, and long after the 2008 election, but consistent with when Boardman indicated Slawson had asked Winter to alter the invoice. (Exs. 4003, 4001) Indeed, the other four had been paid by then. (Ex. 4009) There was another job, invoice number 11604, for the slate with a November 26, 2008 ticket date that was invoiced on December 1, 2008, again less than thirty days after performance and months before 13004, allegedly placed earlier, was invoiced. (Exs. 4006, 4010) Moreover, in response to a court-issued subpoena, 7 Corners provided a list of invoices of jobs it performed for the Local and for slates in union elections. (Exs. 4006, 4010) The 13004 invoice number was not in sequence with the other invoices from November 2008. (Ex. 4010) However, it was in sequence with other invoices, created in 2009. (Ex. 4014)¹³⁸

Slawson's debt to both vendors remained unpaid for years. (Exs. 4013, 4002, 6033) On April 2, 2012, the IRB filed an application with the court overseeing the Consent Order to obtain subpoenas for the vendors' records relating to the unpaid invoices. (Ex. 4012) Once filed, that application was a publicly available document. Following the filing of the request for the subpoenas, Slawson, Jr. requested Ledger to obtain from the two vendors, Tschida and 7

¹³⁷ All five have consecutive ticket numbers from 59726 through 59730. (Ex. 4010 [col. 6]) The one for 13004 has the number 59729. (Ex. 4010)

¹³⁸ For example, invoice 12956 had an order date of August 20/21, 2009 and invoice 13123 had an order date of September 25, 2009. (Ex. 4014) Invoice 13004, with an invoice date of September 28, 2009, fell between these dates and not those with an order date of November 24, 2008. (Ex. 4014)

Corners, any documents the vendors produced to the IRB in response to the subpoenas. (Ex. 3 at 21-23) Slawson, Jr. also told Ledger in Slawson's office that there was no issue for the IRB because, contrary to what Ledger knew was the fact based on an explicit earlier discussion with Slawson, Slawson now claimed his candidacy was for the Local's benefit and the expenses incurred were Local expenses and not personal ones. (Ex. 3 at 21-23) Ledger understood that Slawson was telling him this so that Ledger would give this false explanation if he were questioned about these debts. (Ex. 3 at 21-23)

At his IRB sworn examination on September 26, 2012, Slawson, Jr. testified that he was at the DFL convention in Rochester with Ledger and Hakala. (Ex. 2 at 119-122)¹³⁹ Executives of the DFL approached him to run as a delegate to the DNC on behalf of Obama because of all Local 120 had done for the party. (Ex. 2 at 119-120) Slawson would be a labor representative. He agreed. (Ex. 2 at 120) When he returned to the convention the next morning, he saw on a table along with campaign literature for other candidates, Slawson buttons and fliers. (Ex. 2 at 121-122) He assumed these materials were paid for by the DFL or the PAC. (Ex. 2 at 120-125) He had no discussions during the convention with anyone concerning vendors' bills. (Ex. 2 at 120-125) As head of the PAC, if he truly thought the PAC paid for them without his knowing, he certainly would have asked a question. He did not. (Ex. 2 at 15, 124-125)

Slawson, Jr. further testified that later, when he received a bill from Tschida for the buttons, he was surprised to receive it. (Ex. 2 at 125-126) He called Ledger and Hakala into his office. (Ex. 2 at 125-126) He told them both that the PAC or the DFL should handle it. (Ex. 2 at 125-126) Slawson, Jr. testified that he did not recall receiving any other invoice for work at the

¹³⁹ According to Hakala's testimony and Local 120 records, she was not working at the Local then. (Ex. 4011; Ex. 9 at 26) She was at the convention but not to assist Local 120. (Ex. 9 at 25-26)

convention. (Ex. 2 at 129) 7 Corners made the flyers for Slawson, Jr. at the convention. (Ex. 2 at 121; Ex. 9 at 27; Ex. 3 at 27-28)

The vendors' records corroborated the witnesses who testified under oath that Slawson, Jr. had incurred a personal debt to 7 Corners at the convention which he did not pay. (Ex. 3 at 17-19; Ex. 9 at 30-37; Exs. 4001, 4007, 4003, 4005, 4006, 4010, 4014, 6033) He later attempted to cause a personal debt to be paid out of his slate's campaign donations. (Ex. 4003)¹⁴⁰

Although Slawson, Jr. testified that he did not recall receiving any invoice for work at the convention other than the Tschida invoice for buttons (Ex. 2 at 125-129), Hakala testified that Slawson, Jr. repeatedly got invoices from 7 Corners addressed to Slawson, Jr. personally for work at the convention. (Ex. 9 at 28-30) She placed the invoices in his inbox. (Ex. 9 at 28-30) The Boardman letter corroborated Hakala's testimony that Slawson, Jr. received invoices from 7 Corners for work done for him at the convention. (Ex. 4003; Ex. 9 at 27-28)

Slawson, Jr. falsely testified that he never had any discussion with Dan Winter, the head of 7 Corners, about an invoice addressed to him. (Ex. 2 at 129) The vendor's contemporaneous documents and Hakala's testimony contradicted him. (Ex. 4003) Hakala testified that Slawson, Jr. repeatedly asked her to contact 7 Corners regarding the invoice for work at the convention. (Ex. 9 at 29-34) After Hakala refused, Slawson, Jr. contacted Winter. (Ex. 9 at 33) Boardman's December 18, 2009 letter also reflected that Slawson, Jr. contacted Winter. (Ex. 4003) The Boardman letter reflected that Slawson, Jr. called Winter "and asked him to change the name of the job to submit it to be paid that way." (Ex. 4003; Ex. 9 at 34)

Moreover, the absence of an invoice from 7 Corners for the June 2008 work for flyers at the convention for Slawson, Jr., is further proof that Slawson, Jr. testified falsely. The

¹⁴⁰ The absence of any mention of Slawson's failed campaign for delegate in any Executive Board or membership minutes or any PAC document, all evidence this was a personal, not a union matter. (Exs. 100-291; Ex. 3 at 26-27)

contemporaneous documents – the email from Hakala to Boardman and Boardman’s letter to Hakala - establish 7 Corners did the work for Slawson, Jr. in 2008 and an invoice was sent. (Exs. 4007, 4003, 4009) Yet pursuant to subpoena, 7 Corners did not produce it. From the metadata on the Boardman letter it was indicated the missing invoice was connected to the later 13004 invoice. (Ex. 4005) The absence of that invoice for the convention work corroborates that Slawson, Jr. requested it be changed and the out of sequence invoice 13004 that was produced proves his request was carried out.

I. Slawson, Jr. Breached his Fiduciary Duty in Failing to Insure over \$200,000 of Local Owned Sporting Tickets Were Used for a Union Purpose

Between 2007 and 2011, the Local spent \$214,756.51 for tickets to sporting events. (Exs. 3000-3013) These included season tickets to the Minnesota Twins baseball team (“Twins”), the Minnesota Vikings football team (“Vikings”), the Minnesota Wild National Hockey League team (“Wild”) and the University of Minnesota hockey team (“Gophers”). (Exs. 3000-3013) The Twins season tickets totaled \$113,677.00, the Vikings tickets \$10,710.00, the Wild tickets \$76,885.51 and the Gophers tickets \$13,484.00. (Exs. 3000-3013)

The cost of the tickets to all of the sporting events each year was as follows:

<u>Year</u>	<u>Cost</u>
2007	\$ 34,733.01
2008	\$ 38,318.50
2009	\$ 55,973.00
2010	\$ 44,491.00
2011	\$ 41,241.00
Total	\$ 214,756.51

(Exs. 3001-3014)

In 2009, the Department of Labor conducted an audit of Local 120. (Ex. 1 at 39-40; Ex. 325) Slawson, Sr. stated that during the audit a Department of Labor agent discussed the sporting tickets with him and Costello, the Local’s lawyer. (Ex. 1 at 41-43) Slawson, Sr. stated

that after the audit he sat down with all the officers and business agents "to make sure that we always followed the rules on sporting tickets". (Ex. 1 at 43) Slawson, Sr. testified that he recognized sporting tickets "are a hot button item, so we want to make sure it's done right, that nobody is going to get all the tickets, and make sure that they are distributed amongst our membership . . .". (Ex. 1 at 43) He further stated that the member who used the tickets to go to the sporting event had to be identified in the records. (Ex. 1 at 44) He also understood that all Local expenses needed to have an identified union purpose. (Ex. 1 at 41; Ex. 325)

Slawson, Jr. testified the Local had four season tickets for the Twins games, four season tickets for the Wild games and two season tickets for the Gophers games. (Ex. 2 at 132) The Local also purchased four season tickets for the Vikings games in 2007. (Exs. 216, 3007) Each year the Executive Board approved the purchase of the season and post season tickets to the various sporting events. (Exs. 216, 218, 219, 225, 228, 232, 235, 240, 242, 244, 245, 249, 250, 254, 257, 260, 263, 272, 274, 282, 289) On the Form LM-2s the tickets for the Twins and Wild were described as tickets for members. (Exs. 322, 323, 304)

Slawson, Sr. said that the Local employees recognized that any Local expenditure required that the Local record the five W's: Who, What, Where, When and Why. (Ex. 1 at 41) For the tickets the What, Where and When were automatically shown. The Local had to keep track of who actually used the tickets and that the tickets were used for a valid union purpose ("the Why"). (Exs. 3015-3031) Slawson, Jr. acknowledged it was his responsibility to keep the tickets and record the use of the tickets. (Ex. 2 at 131-134, 140; Ex. 1 at 44) Slawson, Jr. testified that he knew that the tickets were Local assets and that the tickets must be used for union business. (Ex. 2 at 138) Despite this, he failed to cause both the union purpose for the tickets and who actually used the tickets to be recorded.

Slawson, Jr. explained he would have his staff prepare calendars for all the teams and these would be used to track the use. (Ex. 2 at 133-134; Ex. 3017-3033) He testified he distributed the tickets to the games in several different ways. One was for anyone who was interested in having the tickets to a specific game to come to his office and let him know for what game the person wanted the tickets. (Ex. 2 at 133) Another way was to divide the tickets among the business agents and then "just [have them] pass them out". (Ex. 2 at 133) When the tickets were given to the business agents in the past Slawson, Jr. would not record the name of the individual who purportedly received the tickets from the agent. (Ex. 2 at 134-136) He stated that for the last two or three years, however, he had instructed the business agents that they had to give him the name of the individual who actually received the tickets. (Ex. 2 at 134-136) When Slawson, Jr. gave the tickets to a business agent he would write the name of the business agent on the calendar. (Ex. 2 at 133-136) In his absence, his secretary would do this. (Ex. 2 at 133-134) When the agent then gave the tickets to a steward or to a member, the business agent was to come to Slawson, Jr.'s office and write down on the calendar the name of the individual to whom the business agent gave the tickets. (Ex. 2 at 135-139) Slawson, Jr. noted that the majority of the time when he gave the tickets to the business agent, the business agent would know then to whom he was going to give the tickets. (Ex. 2 at 135-139) When that happened, Slawson, Jr. would put the name of the recipient of the tickets in the calendar, but not all ticket users would be named. (Ex. 2 at 135-136) Even if complied with, this system was deficient and would not show all the users of the tickets. The business agent only gave Slawson, Jr. the name of the individual who received the multiple tickets. (Ex. 2 at 134-135) There was no provision for recording union purpose.

According to Slawson, Jr., another way tickets were distributed was to have drawings for the tickets at membership meetings. (Ex. 2 at 133-134) In fact, this was a rare method of distribution. A review of the membership meeting minutes for the period from January 2007 through May 2012 disclosed that at only six meetings were tickets given to members at meetings.¹⁴¹ In each of these instances, Twins tickets were given out and the name of the member who received the tickets was noted in the minutes. (Exs. 157, 158, 166, 167, 174, 176) The minutes did not reflect there were any raffles or awarding of tickets to members for any of the other teams. (Exs. 127-176)

In addition, Slawson claimed sometimes the tickets were donated to charity. (Ex. 2 at 133-134) There was some indication of this on the calendars. (Exs. 3015, 3028) There was no mention of such gifts in Executive Board minutes where charitable donations were listed. These minutes were detailed, even including the giving of a hat to the Local's lawyer. (Ex. 257)

An additional alleged use of the tickets was to give tickets to a member when he signed up for the PAC. (Ex. 2 at 136-137) Slawson, Jr. also stated he gave tickets to Ledger, the Strategic Campaign Director, for lobbying purposes. (Ex. 2 at 136-137) Slawson, Jr. testified that if Ledger gave the tickets to someone, either Ledger or he would put the name of the individual who received the tickets in the calendar. (Ex. 2 at 137) One other use, he explained was the Local gave tickets to employees to attend one game a year. (Ex. 2 at 139-140)

The calendars of sporting events Slawson, Jr. maintained were reviewed for the years 2007 through 2011. (Exs. 3015-3031) In a number of instances there were not any names listed

¹⁴¹ These meetings included April 15, 2010, May 23, 2010, April 10, 2011, May 26, 2011, March 18, 2012 and May 20, 2012. (Exs. 157, 158, 166, 167, 174, 176) These minutes contained the names of thirteen members who received Twins tickets. (Exs. 157, 158, 166, 167, 174, 176)

as to who used the tickets.¹⁴² Rarely, were all the names for who used the tickets for a game listed. Most importantly, in almost all instances there was no union reason recorded as to why the person who received the tickets was given tickets to a sporting event. (Exs. 3015-3031) Being shown some calendars at his sworn statement, Slawson, Jr. testified that on several occasions the name of the individual who used the tickets was not listed on the calendar, but only the name of a business agent or the name of a Local 120 office, i.e., "Fargo" office was printed on the calendar. (Ex. 2 at 140-141) Slawson, Jr. testified that in those instances he did not know the ultimate recipient of the tickets and there was no Local record of the users. (Ex. 2 at 140-143) In many instances only the last name or first name was listed in the calendar. In addition, many of the names were illegible. (Exs. 3015-3031)

1. Minnesota Twins Baseball Tickets

Local 120 purchased four season tickets to 81 Twins home games each year. (Ex. 3001-3006; Ex. 2 at 132) The costs of these tickets were:

<u>Year</u>	<u>Cost</u>
2007	\$ 6,600.00
2008	\$ 19,763.00
2009	\$ 37,142.00
2010	\$ 26,836.00
2011	\$ 23,336.00
Total	\$ 113,677.00

(Exs. 225, 235, 240, 249, 250, 257, 260, 282, 3001-3006)¹⁴³

¹⁴² In 2007, there were eight blank spaces on the calendar. In 2008, there were six blank spaces on the calendar. In 2009, there were two blank spaces on the calendar. In 2010, there were eight blank spaces on the calendar. In 2011, there were thirteen blank spaces on the calendar. In addition, in many instances there was only a first or last name or initials listed and in many instances the names could not be read. (Exs. 3016-3020)

¹⁴³ In 2009, the Twins participated in post season play. They played one game at home before they were eliminated. On September 28, 2009, the Local issued check number 51185 in the amount of \$5,955 to the Twins for post season tickets. (Exs. 3001, 3002) When the Local purchased the season tickets for the 2010 year, the Local received a set-off from the Twins for the 2009 post season tickets which they had purchased and not used. (Exs. 249, 250, 3002-3006)

Local 120 held membership meetings each month except for June, July and August. (Exs. 100-176) The baseball season began in early April and ended in late September or early October. Each year the Local purchased four tickets to each of the 81 games the Twins played at home for a total of 324 tickets. (Exs. 3001-3006; 3015-3020) A review of the membership meeting minutes for the period from January 2007 through December 2009 disclosed that no tickets to Twins games were given to members at meetings in those years. (Exs. 127-153) A review of the membership meeting minutes for the period from January 2010 through May 2012 disclosed that Twins tickets were given out at each of six meetings. (Exs. 154-176) In 2010, tickets to Twins games were given to two members at both the April 15 and May 23, 2010 meetings. (Exs. 157 and 158) In 2011, tickets to Twins games were given to three members at the April 10 meeting and to one member at the May 26, 2011 meeting. (Exs. 166-167) In 2012, tickets to Twins games were given to two members at both the March 18 and May 20, 2012 meetings. (Exs. 174, 176) Of the 1,620 tickets purchased over five years, at most, forty-eight tickets were given out at membership meetings, assuming a winning member was given four tickets.¹⁴⁴

According to the Local's minutes, no tickets for the other teams were ever raffled off. (Exs. 127-176, 3015-3020)

2. Minnesota Vikings Football Tickets

At the March 16, 2007 Executive Board meeting, the Board voted to purchase season tickets to the 2007 Vikings home football games. (Ex. 216) On April 2, 2007, the Local issued check number 37115 to the Minnesota Vikings for \$10,060. (Ex. 3007) In 2007, the most expensive season ticket to a Viking football game was \$1,160. (Ex. 3032) The Local paid

¹⁴⁴ The minutes were unclear as to whether members were given all four tickets to each game. (Ex. 157, 158, 166, 167, 174, 176)

\$4,640 for the four tickets and additional \$5,360 for four VIP Tent ticket packages for each game that included "Vikings alumni autograph opportunities, live music, cheerleader visits, a special Viking novelty gift, parking, and a lower level game ticket". (Ex. 3033)

In 2007, the Vikings played nine home games. (Exs. 3015, 3021) The calendar Slawson, Jr. maintained indicated the date and time of the game and the team the Vikings played. (Ex. 3021) The calendar also listed the name of an individual who allegedly received all four tickets for that game. (Ex. 3021) Assuming he went, the names of the other three individuals who attended the first eight games were not listed. For the last game, the Local listed "ABF Blaine". (Ex. 3021) The calendar did not list the names of any individual who attended this game. (Ex. 3021) The union reason for any of the tickets being used was not recorded. (Exs. 3015, 3021)¹⁴⁵

The total cost of tickets to the Vikings football games in 2007 was \$10,060. (Ex. 3007) There was no record of any Vikings football tickets being given to or raffled off to members at any of the membership meetings in 2007. (Exs. 127-135)

3. Minnesota Wild Hockey Tickets

Local 120 purchased four tickets to Wild hockey games for the 2007/2008 to 2011/2012 seasons. (Exs. 3009-3010) Slawson, Jr. testified that the Local had purchased tickets to the Wild for the last five years. (Ex. 2 at 132) The Wild played forty-one games each year in Minneapolis. (Exs. 3015, 3022-2026) The cost of these tickets was:

<u>Year</u>	<u>Cost</u>
2007	\$ 15,775.01
2008	\$ 16,177.50
2009	\$ 15,323.00
2010	\$ 14,635.00
2011	\$ 14,975.00

¹⁴⁵

The Board voted not to purchase season tickets to the Vikings games for 2008. (Ex. 228)

Total \$ 76,885.51

(Exs. 218, 232, 242, 244, 254, 289, 3010)¹⁴⁶

In 2011, the Local paid \$14,975 for season tickets to Wild hockey games. (Exs. 3009-3010) The Local made eight payments of \$1,497.50 each between March and November 2011 and a final payment of \$2,995 in December. (Exs. 3009-3010) Slawson Sr. testified under oath that the Local had a "loss" every month in 2011. Because of the financial condition he claimed he had been forced in April 2011 to lay off a business agent approximately a month after the Local renewed the season tickets. (Ex. 22 at 37-38, 41)

As with those for all teams, the entries in the calendars Slawson Jr. maintained for the Wild games failed to identify the union purpose for the use of tickets for any game. (Exs. 3015, 3022-3026) All the end users of the tickets were not identified. (Exs. 3015, 3022-3026) There were no minutes reflecting any Minnesota Wild hockey tickets being given to or raffled off to members at any of the membership meetings between January 2007 and May 2012. (Exs. 127-176) Yet, on the calendar that Slawson, Jr. maintained it was indicated that tickets to Wild games were distributed at the March 15, 2009 and April 10, 2011 membership meetings. (Exs. 3024, 3026, 147, 166) Suspiciously, no names were listed. (Exs. 3024, 3026, 147, 166) The minutes for those meetings did not list any Wild tickets being given to any member. (Exs. 147, 166) The Local minutes were detailed consistently in listing anything given away, including Teamster jackets. (Exs. 127-148, 150-176) If the tickets were actually given away, the Local's practice would have been to list them.

¹⁴⁶ In 2010, the cost of four season tickets to Wild hockey games was \$14,635.00. (Exs. 3009-3010) The Wild gave ticket holders different payment options. The Local elected to pay the cost of the 2010 season tickets in two equal payments of \$7,317.50 each. (Exs. 3009-3010) On March 19, 2010, the Local issued check number 53546 in the amount of \$10,677.50 to the Minnesota Wild. (Exs. 3009-3010) The Local paid the first installment of \$7,317.50 for the season tickets and \$3,360 for playoff tickets. (Exs. 3009-3010) On June 18, 2010, the Local issued check number 55086 in the amount of \$3,957.50 to the Minnesota Wilds to pay for the second installment. (Exs. 3009-3010) The Local had the \$3,360 which they paid for the playoff tickets applied to the cost of the season tickets. The total cost the Local paid was \$14,635.00. (Exs. 3009-3010)

4. University of Minnesota Golden Gophers Hockey Tickets

Every year, from 2007 through 2011, the Local purchased three season tickets to the Gophers hockey team. (Exs. 3011-3012) The Gophers played between twenty-one and twenty-four home games each of those years. This usually included two exhibition games. The cost of tickets each year was as follows:

<u>Year</u>	<u>Cost</u>
2007	\$ 2,298.00
2008	\$ 2,378.00
2009	\$ 2,858.00
2010	\$ 3,020.00
2011	\$ 2,930.00
Total	\$ 13,484.00

(Exs. 3011-3013)

In June 2011, the Local paid \$2,930 for season tickets to the Gopher hockey games.

(Exs. 3011-3012) That purchase was made during a time as Slawson, Sr. swore during a lawsuit that the Local had been "losing money" and he had been forced to lay-off a business agent because of "economic reasons". (Ex. 22 at 37-38, 41)

On the calendars that Slawson Jr. maintained for the Gopher hockey tickets only the name of one individual for each game was listed for all years. (Exs. 3027-3031) In addition, there was never a recording of what the union purpose was for the tickets used. (Exs. 3015, 3027-3031) On the 2011 calendar Slawson, Jr. maintained it was noted on January 7, 2011 that the tickets to that Gopher hockey game had been raffled off at a membership meeting. (Exs. 3015, 3027-3031) A review of the 2011 membership meeting minutes did not indicate that any Gopher hockey tickets were given to any member. (Exs. 3031, 163-171) As noted, meeting minutes were characteristically detailed in listing anything that was given away.

J. Slawson, Sr. and Slawson, Jr. Embezzled from Local 120 By Causing the Local to Pay for Personal Expenses

Local 120 officers and business agents had Local credit cards. (Ex. 1 at 17-18, 23; Exs. 3036, 3037, 3040) Slawson, Sr. stated that he instructed all employees with a Local credit card that it was for authorized union business only. (Ex. 1 at 18) When the credit card bills came in every month, Kristine Rademacher, the Local's bookkeeper, according to Slawson, Sr., "... collates them goes through them, makes sure that the 5 Ws are on every bill, and that the expense is within the guidelines ...". (Ex. 1 at 18, 21; Ex. 304) He stated that the five Ws were Who, What, When, Where and Why. (Ex. 1 at 21) Every month he received a Quickbook report that listed all Local expenses, including employee charges, and he would go through the report "item by item" for every bill the Local paid. (Ex. 1 at 18, 21) Slawson, Sr. stated that every two or three months he would "... go through the actual receipts. ...". (Ex. 1 at 18-19)

Slawson, Sr. recognized that the Local's credit card should primarily be used for meals when the individual was out of town. (Ex. 1 at 23-24) Employees could use the credit card for meals in town in "certain situations, such as meeting with an employer and a steward". (Ex. 1 at 23-24) While the Local did not have a written policy about using the Local's credit card for meals in town when only employees of the Local were present, Slawson, Sr. swore that it followed the Department of Labor guideline in this situation which was that such meals were "frowned upon and should be the exception to the rule versus the rule". (Ex. 1 at 5, 24)

He testified that he reviewed every request for reimbursement of an expense that was not put on a union credit card. (Ex. 1 at 23-24) In doing so, he testified he strictly applied the test it needed to be for a union purpose. (Ex. 1 at 18-19, 23-24)

In May 2009, the Department of Labor conducted an audit of Local 120. (Ex. 325) On May 27, 2009, the Department sent the Local a letter to the Local's President summarizing its

findings. (Ex. 325) In this letter to Slawson, Jr., they stated that they had conducted an exit interview with Slawson, Sr. and Costello, the Local's attorney, and discussed their findings with them. (Ex. 325) The second item listed in the letter was "Meal Expense". The letter stated the following:

Local 120 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$2,500. Itemized receipts provided by restaurants to officers and employees must be maintained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the record keeping requirement of LMRDA Section 206.

Local 120 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

(Ex. 325)

Despite this specific criticism of the Local's prior inadequacies in the Department of Labor letter addressed to him, Slawson, Jr. as well as Slawson, Sr. failed to comply with the basic requirements and Slawson, Sr. continued to approve expenses being paid without adequate explanations.

The Department of Labor website, under Office of Labor Management Standards ("OLMS"), listed its guidance for the use of Union credit cards. (Ex. 334) A policy example given was that union credit cards were only to be used for "...meals necessary for conducting union business while in a travel status". (Ex. 334) It further stated that the receipt for group meal expenses must include "... (a) a written explanation of the specific union business conducted (it is insufficient to simply record 'union business' - you must be more specific than

that), (b) the full names and (c) titles of all persons incurring the food and beverage charges".

(Ex. 334)

1. Slawson, Jr.'s Embezzlement

Slawson, Jr. embezzled on at least three occasions from the Local through submitting false justifications for expenses the Local paid on his behalf. In one, Slawson, Jr. caused the Local to pay for a \$194.50 bill incurred on August 14, 2011, at 1:21 a.m. Sunday morning, at the Teamster Club in Fargo, ND. (Ex. 3098, Ex. 2 at 115-117) This was the night of the Fargo Air Show. (Ex. 14 at 11-12; Ex. 7 at 39-40) The bill for alcoholic drinks and food was \$162.50. (Ex. 3098) There was a tip of \$32.00. (Ex. 3098) He listed on his receipt the following as present with him: Slawson, Sr., Donny Walz and Brian Nowak, who were Fargo business agents, Kathy Sauvageau, who was the Teamster Club Manager, himself and "various members." (Ex. 3098; Ex. 2 at 115-117) He placed the charge on his union credit card. (Ex. 2 at 115-117; Ex. 3098) The Local paid his credit card bill.

The two business agents he listed as being present both stated under oath that they were not there. (Ex. 14 at 12-13, 18-19; Ex. 7 at 38-42) That Saturday, August 13, was the day of the Fargo Air Show. (Ex. 7 at 38-40) Both Nowak and Walz were at their lake homes outside of Fargo that night. (Ex. 14 at 18, 19; Ex. 7 at 39-40) Nowak had been with the Slawsons at the Bar the previous night when no union business was being done. (Ex. 14 at 18-19)

There was no scheduled union meeting in Fargo for the early morning hours of Sunday in August.¹⁴⁷ There was no union purpose for the expense. The vague description "various members" was something Slawson, Jr. had been specifically alerted to in writing by the

¹⁴⁷

Monthly Local membership meetings were suspended for June, July and August. (Ex. 167)

Department of Labor as being inadequate. (Ex. 325) There was no union purpose for the Local to be paying for drinks and food for the Slawsons with the bar manager.

In the second false claim, Slawson, Jr. caused the Local to pay for an expense he charged on December 2, 2011 at the Holiday Inn in St. Cloud. (Ex. 3097) He wrote on the receipt, "Meals and Bevs, St. Cloud Area Member Meeting, Dave Shrunk & self with various members from Freight and Construction." (Ex. 2 at 111-112; Ex. 3097) The amount claimed was \$104.40 at 10:06 P.M. (Ex. 3097) There was no description of what items were bought, what the union purpose was and who the "union members" were. (Ex. 3097) The Department of Labor had alerted Slawson, Jr. in writing to the inadequacy of such descriptions. (Ex. 325)

Business agent Dave Shrunk ("Shrunk"), whom Slawson, Jr. noted as present on the receipt, testified under oath that he was not present with Slawson, Jr. at the Holiday Inn at that time. (Ex. 6 at 13-15) Shrunk had been at a formal meeting with members. (Ex. 6 at 9-13) Slawson, Jr., was also at that meeting. (Ex. 6 at 8-9) Immediately after the meeting, Shrunk and some members went to the Holiday Inn, which he left at 8:50 P.M. (Ex. 6 at 9-10) Slawson, Jr. was not present at that time. (Ex. 6 at 9-10) To his explanation for the charge for his expenses at the Holiday Inn that evening, Shrunk attached a list of the members' names who were at the meeting. (Ex. 6 at 9-11; Ex. 3106) Slawson, Jr.'s receipt was also from the Holiday Inn bar but for later that night. (Exs. 3097, 3106)

On December 2, 2011, when Slawson, Jr. was using Local money to allegedly buy drinks for members according to his receipt, he was involved in a contested election for the President of Local 120. (Ex. 13 at 4-5; Ex. 3097) Slawson, Jr., a candidate, should not have been using Local resources to buy drinks for voters to promote his candidacy. 29 USC § 401(g)¹⁴⁸

¹⁴⁸

Title 29 USC 401(g) provides:

On the third occasion, on October 14, 2009 Slawson, Jr. charged \$78.27 on his union credit card for himself and another officer, Michael Klootwyk ("Klootwyk"), at Majors Sports Cafe in Blaine, Minnesota.¹⁴⁹ (Ex. 3034, 3038) The receipt indicated that the entire charge was for alcoholic drinks, except for \$12.70 for "cross-cut fries" and "chix mozz combo". (Ex. 3038) Slawson, Jr. noted on the back of the credit card receipt "E Board Mtg". (Ex. 3038) The credit card receipt indicated that Slawson, Jr. paid the charge at 11:52 p.m.. (Ex. 3038) The Executive Board meeting was not held until the next day, October 15, 2009 at 10:45 a.m. (Ex. 249) There was no union purpose for the union to pay for Slawson, Jr.'s and Klootwyk's drinks and snack. The Local paid the bill.

2. Slawson, Sr. Embezzled Local Money By Causing It to Pay for Food and Drink Without a Valid Union Purpose

In November and December 2011, the Local had a contested election for President. Slawson, Jr. was challenged by Thomas Ohlson. (Ex. 13 at 5, 8-9, Ex. 14 at 14-16) The entire Slawson slate, which included the officers and all incumbent business agents but Ohlson, campaigned for Slawson, Jr. (Ex. 14 at 16) Slawson, Sr. made the business agents in North Dakota, Walz and Nowak, use vacation days so that they could accompany him to their shops as he campaigned for Slawson, Jr.. (Ex. 13 at 5-7; Ex. 14 at 16-18) Pursuant to his instructions, Nowak and Walz each took off the same three days, November 28, 29 and 30, 2011. (Exs. 6023, 6024; Ex. 13 at 5-7; Ex. 14 at 16-18) This left no business agent on active duty for the shops they covered and their taking vacation simultaneously was contrary to Local policy.

(continued...)

No moneys received by any labor organization by way of dues, assessment, or similar levy, and no moneys of an employer shall be contributed or applied to promote the candidacy of any person in any election subject to the provisions of this subchapter. Such moneys of a labor organization may be utilized for notices, factual statements of issues not involving candidates, and other expenses necessary for the holding of an election.

¹⁴⁹ Slawson, Jr. worked out of Local 120's offices in Blaine while Klootwyk worked out of Local 120's offices in Iowa. (Ex. 306)

(Ex. 14 at 16-17, Ex. 13 at 5-7, Exs. 6024, 6023) Slawson, Jr. approved the vacation requests. (Exs. 6023, 6024; Ex. 14 at 18)

While in North Dakota to campaign, taking vacation time himself on November 29 and 30, on December 2, 2011, Slawson, Sr. spent \$545.75 of Local money at Teamsters Lounge in Fargo at 1:22 a.m. to buy drinks for the Local members. (Exs. 6004, 6022; Ex. 13 at 5-7; Ex. 14 at 16-18) This late night at the bar for the members was a misuse of Local funds. There was no union purpose and he was in Fargo to campaign for his son. After actively campaigning for his son for days, Slawson, Sr. then used Local funds to buy drinks for members. (Exs. 6004, 6022, 6023, 6024; Ex. 14 at 15-18; Ex. 13 at 6-7) On November 30, 2011, Slawson, Sr. was on vacation and campaigning. (Ex. 6022; Ex. 13 at 5-8; Ex. 14 at 16-18) Yet he claimed reimbursement for a cash expense from the Local for dinner that day and caused the Local to pay for his hotel stay in Fargo that evening. (Exs. 6039, 6040) There was no union purpose for that expense either.

In another instance of spending Local money for a non-union purpose, on September 8, 2010, Slawson, Sr. charged \$169.97 on his union credit card for himself, fellow Local officer Rademacher and then Local 120 employee Todd Chester at Chester's Route 65 Pub & Grub in East Bethel, Minnesota. (Exs. 3096, 3065) The entire bill was for alcoholic drinks, except for \$24.48 for "8 chx wings & deluxe". (Ex. 3065) He charged the bill at 10:05 p.m.. (Ex. 3065) Slawson, Sr. noted on the back of the credit card receipt "Fargo Bar and Gaming mtg". (Ex. 3065)¹⁵⁰ The Local paid the bill. There was no union purpose.

Similarly, on September 30, 2010, Slawson, Sr. charged \$250.25 on his union credit card for himself and two other Local officers, Slawson, Jr. and Rademacher, and two business agents,

¹⁵⁰ The Bar & Gaming Board had a meeting on September 30, 2010: There were no minutes of any Bar and Gaming meeting on September 8, 2010. (Exs. 2080-2128)

William Wedebrand and Tom Erickson, at the Ole Piper Inn in Blaine, Minnesota. (Exs. 3096, 3069) All the Local employees were Blaine based. (Ex. 306) The credit card receipt indicated that Slawson, Sr. paid the charge at 11:15 p.m.. (Ex. 3069) There was no itemized receipt as to what was purchased. (Ex. 3069) The Local records showed the Ole Piper supplied itemized receipts in connection with other charges. (Exs. 3086, 3062) Slawson, Sr. noted on the back of the credit card charge "Bus Dinner, co assigned to new agents". (Ex. 3069) The assignment of agents could have been done at the Local's offices. The Local paid the bill. There was no union purpose.

On February 22, 2011, Slawson, Sr. charged \$165.26 on his union credit card at Jimmy Johns in Blaine, Minnesota. (Exs. 3035, 3080) Slawson, Sr. noted on the back of the receipt "food & drinks, lunch, work place realignment all craft, Brad Sr.". (Ex. 3080) No names were listed. (Ex. 3080) There was no reason for the members to pay for food for Slawson, Sr. and other unnamed persons. The Local paid the bill.

K. Slawson, Sr. and Slawson, Jr. Repeatedly Violated the Local Bylaws

Slawson, Sr., the Local's principal officer and Secretary-Treasurer, and Slawson Jr., the President, systematically violated the Local's Bylaws. Slawson, Sr. and Jr. violated the Bylaws when they took Local funds for themselves for being on the Bar and Gaming Board without the Local Executive Board's approval.

In addition, Slawson, Sr. caused the Local to violate Bylaw provisions in connection with the land purchase and the construction of the Local's building. These Bylaw violations included the failure to obtain membership approval for the purchase of the land; the failure to obtain Executive Board and members' approval for the initial mortgage and construction loan in the amount of \$3,382,966; the failure to obtain Executive Board and membership approval for borrowing an additional \$295,500; the failure to have the Executive Board approve Slawson,

Sr.'s selection of experts; the use of strike fund monies in connection with the construction of the building and the failure to keep financial records at the Local showing how the Local's money was spent for the construction of the Local's building. Slawson, Jr. also violated the strike fund provision when he caused the wiring of \$410,000 from the general fund which included \$189,130.87 improperly taken from strike funds.

In addition, Slawson, Sr. violated the Bylaws when he hired other experts, such as Chester at the Bar, without the requisite Executive Board approval. He also violated the Bylaws when he failed to get Executive Board approval for the terms and conditions of employment of some Local employees.

1. By law Violations Regarding the Land Purchase and Construction

a. Purchase of Land

Section 14(B) (8) of the Local 120 Bylaws provides the following:

The Principal Executive Officer, together with the President shall have the authority to lease, purchase or otherwise acquire in any lawful manner for and on behalf of the organization any and all real estate or other property, rights and privileges, whatsoever deemed necessary for the prosecution of its affairs, and which the organization is authorized to acquire, at such price or consideration and generally on such terms and conditions as it thinks fit, and at its discretion pay therefore either wholly or partly in money or otherwise, up to Ten Thousand Dollars (\$10,000) for any one asset. The Local Union Executive Board shall have the authority to make such expenditures over Ten Thousand Dollars (\$10,000) up to a maximum of Forty Thousand Dollars (\$40,000) for any one asset. General membership approval shall be required for such expenditures in excess of Forty Thousand Dollars (\$40,000) for any one asset.

(Ex. 300 at 11) ¹⁵¹ Slawson, Sr. acknowledged membership approval was needed for expenditures over \$40,000. (Ex. 1 at 25) As described above, the members did not approve the terms and conditions of the Local's purchase of land and construction of the building which cost

¹⁵¹ The Bylaw file from the IBT had a letter from the General President to Slawson, Sr. stating that the amounts in this Bylaw provision should be \$5,000 and \$10,000 instead of \$10,000 and \$40,000. (Ex. 336)

in excess of \$40,000. See pages 14-17 above. The land was purchased in November 2007.

(Ex. 1031)

As described above at pages 14-15, there was a vague membership resolution in February 2006 granting the Executive Board the power to enter into a mortgage as high as 10 million dollars to buy land and build a building that the Joint Council would also use. (Ex. 119) At the time of the February 2006 membership vote, there were no mortgage terms to consider and no definite asset to be purchased. Being without any knowledge of the terms of any loan or of the land being purchased, the members could not exercise the judgment the Bylaws required.

Moreover, the membership could not delegate its responsibility under the Bylaws to the Executive Board. To change a Bylaw requirement, the Bylaws needed to be amended, which could not be done without complying with the requirements of the IBT Constitution for amending Local Bylaws. (Ex. 302 at 43) In addition, the proposed building plans subsequently were materially changed because in late 2006 the Joint Council decided not to join Local 120, so even the sketchy information before the membership earlier had substantially changed. (Ex. 1 at 155) Whatever was approved, it was not the transaction the Local actually entered into.

Slawson, Sr. needed specific membership approvals for the land purchase and the mortgages actually entered into. (Ex. 300 at 11) To give any informed decision regarding the "terms and conditions" of the real estate transaction as the Bylaws required, the members at a minimum would have needed to know what land was being purchased, its size, its cost, the amount borrowed, the amount of any down payment, the interest rate, and the length of the mortgage. For the purchase of the land and borrowing the funds to construct the building which took place in November 2007, the members and the Executive Board were never provided with

the information necessary to make the decision the Bylaws required them to make before the Local could enter into such transactions.

Slawson, Sr. knew the requirement for membership approval for the purchase of the land, yet he chose to ignore it. (Ex. 1 at 25) Indeed, at the December 5, 2006 Executive Board meeting, which was after the February 2006 membership vote described above, Slawson, Sr. discussed the possible purchase of the Blaine land and told the Executive Board, including Slawson, Jr., that, "any official action taken on a purchase will be voted on by the membership." (Ex. 212)¹⁵² Yet, despite his recognition of the requirement, this was not done. When the land was actually purchased in November 2007 (Ex. 1031), there was no membership approval.

b. Borrowing Money

Pursuant to Section 14(B)(3) of the Local 120 Bylaws, the Local's Executive Board has the authority to "[l]oan and borrow monies **directly and indirectly** for such purposes and with such security, if any, as it deems appropriate, and with such arrangements for repayment as it deems appropriate, all to the extent provided by law." (Ex. 300 at 10 (emphasis added)) This Bylaw provision was violated when Slawson, Sr. and Slawson, Jr. caused the Local's Building Holding Company to secure loans with the Local as guarantor for the purchase of the land and the construction of the building.

The Local's Executive Board did not approve the terms of the November 9, 2007 Mortgage Note and Construction Loan Agreement for \$3,382,966 that Slawson, Sr. entered into and for which he bound the Local as guarantor. (Exs. 1040, 1035, 1075) This Loan was secured

¹⁵²

The December 5, 2006 Executive Board meeting minutes reported:

Brad Slawson, Sr., President reported on a new office building for Local 120 and it looks like the Blaine location will work. Brad stated the cost of the new building will be slightly higher than the projected rent of our existing location. Brad has made intent to purchase the property to hold it; however this does not mean we are fully committed. Brad stated any official action taken on a purchase will be voted on by the membership.

(Ex. 212)

through giving the Bank misleading minutes Slawson, Jr. signed for the "Board of Directors Meeting of Teamsters Local 120", purporting to establish the Local transferred assets to the Building Holding Company which transfer had never been approved. (Ex. 1055)

Similarly, the Local's Executive Board did not approve the terms of the July 31, 2008 "Amendment to Mortgage Note" and "Amendment to Construction Loan Agreement" Slawson, Sr. entered into which increased the maximum amount of the loan to \$3,678,466, an increase of \$295,500 and for which Slawson, Sr. caused Local 120 to be the guarantor. (Exs. 1113-1114, 1116) In addition, without the requisite Executive Board approval, for this increase in the loan, Slawson, Sr. pledged as additional collateral a total of \$122,718 in two Local 120 accounts. (Exs. 1114, 1117, 1118) Slawson, Sr. signed the initial mortgage note and construction loan agreement, the amended mortgage note and construction loan agreement and the guaranty for both the original loan and the amended loan. (Exs. 1113, 1114, 1116, 1117, 1118, 1075, 1040, 1035) (These are fully discussed above, at pages 32-33, 49-52)

The Bylaw provision requiring Executive Board approval covers the borrowing of "monies directly and indirectly." (Ex. 300 at 10) Slawson, Sr., aided by Slawson, Jr., failed to comply with this Bylaw provision. This would also have required membership approval since it was in connection with the construction of a building. (Ex. 300 at 11) Section 14(B)(8) of the Bylaws was violated. (Ex. 300 at 11)

c. Strike Fund

Pursuant to Section 33(B) of the Local's Bylaws in effect in 2007 and 2008 titled "Fraternal Benefits",

There shall be set aside the sum of Two (\$2.00) Dollars per month of each members [sic] dues for the purpose of financing this strike fund, and such sum set aside shall be used exclusively for the payment of strike benefits and strike expenses as the Local Union Executive Board shall determine. The strike fund shall be frozen at Two Hundred and Fifty Thousand

(\$250,000) Dollars and the Two (\$2.00) Dollars per month going into the strike fund shall then remain in the general fund to be designated for the purpose of negotiations, organizational work and good and welfare of the membership. When the strike fund goes below Two Hundred Thousand (\$200,000) Dollars the Local Union shall resume setting aside the sum of Two (\$2.00) Dollars per month of each members [sic] dues into the strike fund until it again reaches Two Hundred Fifty Thousand (\$250,000) Dollars.

(Ex. 300 at 42) In violation of this Bylaw provision, \$189,130.87 in Local strike fund money was improperly deposited into the Local's general fund. (Ex. 1028) This strike fund money was part of the \$410,000 that was wired from the Local's general fund to Bank Mutual on Slawson, Sr.'s and Slawson, Jr.'s instructions. (Exs. 1027, 1028; Ex. 2 at 54-55)

As of May 31, 2008, the Local had a total of \$266,927.05 in four accounts which were described in Local and bank records as strike fund accounts. (Ex. 318)¹⁵³ In a violation of the Bylaws, on June 16, 2008, Slawson, Sr. directed that \$50,000 be transferred from the Local's strike fund account at Central Bank to the Local's general fund. (Ex. 1121)¹⁵⁴ It was transferred. (Ex. 1121)

In addition to the improper \$50,000 transfer out of the Local's strike fund account at Central Bank, as described above, in July 2008, Slawson, Sr. also authorized the transfer of monies from two strike fund accounts into the Local's general fund as part of the \$410,000, he and Slawson, Jr. authorized be wired to Bank Mutual. (Ex. 1027, 1028) As of June 30, 2008,

¹⁵³ One of the four strike fund accounts was at Smith Barney and had a balance of \$118,373.45 as of May 31, 2008. (Ex. 318). In Smith Barney account records, this account was described as "General Drivers, Helpers and Truck Terminal Employees Local No. 120 -Strike Fund" (Ex. 1107) One of the other strike fund accounts was at Central Bank and had a balance of \$122,312.23 as of May 30, 2008. (Exs. 318, 1121, 1122) The Central Bank account statement identified this account as "Minnesota Teamsters Local #120 Strike Fund". (Ex. 1121) The monies described in this report were taken from these two strike fund accounts.

¹⁵⁴ On June 16, 2008, the Local's bookkeeper sent Slawson, Sr. an email which stated:
"Jerry Hentges, President of Central Bank called me and indicated that our checking account was negative most of last week and as of tomorrow it will be at a negative \$34,000.00 We may have enough money posted by tomorrow to cover that amount, if not Jerry suggested we transfer money out of the strike fund account. I'm sure the bank won't cover our overdraft charges much longer."

(Ex. 1121) In response, Slawson, Sr. wrote, "Move \$50,000 into it as we will need it anyway." (Ex. 1121)

the Local had \$216,927.05 in its strike fund accounts. (Ex. 316) On July 2, 2008, \$70,000 was transferred from the Local's strike fund account at Central Bank to the Local's general fund. (Ex. 1108) On July 2, 2008, Slawson, Sr. authorized all money from the Local's strike fund account at Smith Barney to be wired into the Local's general fund. (Ex. 1109) On July 3, 2008, \$119,130.87 was transferred from that Smith Barney account to the Local's general fund. (Ex. 1107) In a letter dated October 11, 2012 after his IRB sworn examination, Slawson, Sr. acknowledged that this strike fund money was part of the \$410,000 wired to Bank Mutual. (Ex. 1028) After the July 7, 2008 \$410,000 wire transfer, the balance in the Local's general fund was negative \$42,786.59. (Ex. 1110) The use of strike fund money for the building construction violated Section 33(B) of the Local's Bylaws which explicitly required that strike fund money "... shall be used exclusively for the payment of strike benefits and strike expenses as the Local Union Executive Board shall determine. . . ." (Ex. 300 at 42)

During his sworn examination, Slawson, Sr. claimed that any strike fund monies that were used for something other than strike related expenses were immediately replenished. (Ex. 1 at 179-181) In response to a letter from the Chief Investigator for all information regarding this alleged replenishment, by letter dated October 11, 2012, Slawson, Sr. claimed that the strike fund money used as part of the \$410,000 was replenished because, apparently solely in his mind, he designated other general fund money as strike fund money. (Exs. 442, 1028) In this letter, Slawson, Sr. claimed that four accounts were "set aside for the strike fund". (Ex. 1028) There were no documents supporting his claim. According to the letter, "as Secretary-Treasurer and Principal Officer of Local 120, Brad Slawson, Sr., has personally monitored and maintained the existence of the above-described accounts and CDs, and their respective balances, as being set aside for the strike fund." (Ex. 1028) The four accounts Slawson, Sr. claimed were "set aside for

the strike fund” continued to be described in Local records as general fund money. (Exs. 1028, 1123, 1124)¹⁵⁵

As of July 31, 2008, after the improper use of the strike fund monies, the total balance in the Local’s strike fund accounts was \$28,739.31. (Ex. 317) This was under the \$200,000 threshold below which deposits into the strike fund of \$2.00 per member per month were to be made pursuant to Paragraph B of Section 33 of the Bylaws. (Ex. 300 at 42; Exs. 1117, 1118) Nevertheless, the Local did not start funding the strike fund accounts at that time. (Exs. 317, 1122, 1107, 1108)

The Local rarely had an amount as high as \$410,000 in its general fund. This was an extraordinarily large amount for the Local to transfer out of the general fund. Yet, Slawson, Jr. claimed he had no memory of it and did not know where the money came from. (Ex. 2 at 54-55) For example, in the middle of June, the previous month, the general fund had a negative balance. (Ex. 1121) Monthly dues receipts in June 2007 were \$563,924.30 which had to cover operations. (Ex. 6000) To authorize the \$410,000 transfer, Slawson, Jr. needed to determine the Local had the money and where this unusually high amount came from. In authorizing the transfer without determining where the money came from as he claimed, Slawson, Jr. consciously avoided knowing of the strike fund violation. Thus, in turning a blind eye to the source of funds, his transfer authorization was as if it was made with that knowledge the money was from the strike fund. United States v. Gonzales, 172 F.3d 39 (2d Cir. 1999).

The Bylaw provision provided that strike funds could only be used for the payment of strike benefits and expenses “as the Local Union Executive Board” determined. (Ex. 300 at 42)

¹⁵⁵ Moreover, for two of these same accounts, an account at Union Bank with a balance of \$66,197.09 and account number 601 at the Teamster Credit Union in the amount of \$56,521.32, that Slawson, Sr. claimed he had designated strike fund accounts (Ex. 1028), on July 31, 2008, Slawson, Sr. signed deposit control agreements giving Bank Mutual a security interest in the accounts as collateral for the increased construction loan. (Exs. 1117, 1118)

Here the Slawsons used the funds both for an improper purpose and without Executive Board approval.

Several months after the money was transferred out of the Local's strike fund accounts to fund the construction of the building, the Local's Bylaws were amended to remove the above referenced Paragraph B of Section 33. (Exs. 145-147; 301)¹⁵⁶

d. Lack of Financial Records

Local 120 Bylaw Section 10(A) required the Secretary Treasurer to "keep itemized records, showing the source of all money received and spent." (Ex. 300 at 5) Section 10(C) required the Secretary Treasurer to keep important records. (Ex. 300 at 5) Section 10(D) required the Secretary Treasurer to "keep a correct account of all monies paid to and paid out by the Local Union . . .". (Ex. 300 at 6) In connection with the over four (4) million dollars spent on the land and construction of the building, Slawson, Sr., the Secretary Treasurer, failed to meet his obligations under Article 10. He did not keep the itemized records of money spent as required. Nor did he keep a correct account of monies paid. Nor did he keep all important records at the Local as required.

For example, the Local did not have records of how Stone spent over \$3,000,000 of the Local's money after it received it from American Pride or First USA Title. The Local had a right to those records. (Ex. 1001 at 7) They were essential for it to monitor contract costs. Under the Stone contract, the Local had the authority not only to audit Stone's payments and Stone's final accounting but also to get copies of its records. (Ex. 1001 at 7) As discussed above, Slawson, Sr. chose not to direct that such an audit be done or the records be requested. An examination of

¹⁵⁶ The Bylaw amendment was read to the members at the January, February and March 2009 membership meetings. (Exs. 145-147) At the March 15, 2009, the members voted to eliminate Paragraph B from Section 33 of the Bylaws. (Ex. 147) The Bylaw amendment was submitted to the IBT for approval as Article VI, Section 4 of the IBT Constitution required. (Ex. 301-302) On March 23, 2009, the IBT approved the Bylaw amendment removing Paragraph B from Section 33 of the Bylaws. (Ex. 335) The amendment removing Paragraph B from Section 33 of the Bylaws became effective on that date. (Exs. 302 and 335)

the Local's records could not show how that money was actually spent, as, for example, the \$90,000 payment to Slawson's intimate Chester.¹⁵⁷

In addition, neither the Local nor the Building Holding Company had a copy of the Construction Loan Agreement with Bank Mutual dated November 9, 2007 which Slawson, Sr. signed. (Ex. 420 at 3)¹⁵⁸ This was vital to establish the Local's rights. Similarly, the Local did not have Stone's cost sheet which showed how the \$3,091,514 amount in the Stone contract was calculated. (Ex. 1086)¹⁵⁹ The Local also did not have the Disbursing Agreement between the Building Holding Company, Bank Mutual and American Pride which set forth how the Local's construction loan monies were to be disbursed. (Ex. 1015)¹⁶⁰

Section 3(B) of the Bylaws provided that "All books, records and financial documents shall be kept at the principal office of the Local Union." (Ex. 300 at 1) Slawson, Sr., the Secretary Treasurer, violated this section. He allowed American Pride, a firm he retained without Executive Board approval, to provide expert advice in securing a mortgage and distributing draws from the Local's construction loan, to keep records and financial documents in its possession. (Ex. 1015; Ex. 1 at 74-77; Ex. 10 at 22-23, 31) Slawson, Sr. did not have those records pertaining to over four million dollars of Local funds kept at the Local as required. (Ex. 10 at 30-31, 40, 54, 61)¹⁶¹

¹⁵⁷ Records reflecting how Stone spent the Local's money were obtained by subpoena from Stone. (Exs. 1094, 1095)

¹⁵⁸ A copy of this Construction Loan Agreement was obtained from Bank Mutual by subpoena. (Ex. 1040 and 1074)

¹⁵⁹ This cost sheet was obtained from Stone by subpoena. (Ex. 1095)

¹⁶⁰ A copy of this Disbursing Agreement was obtained by subpoena from Bank Mutual. (Ex. 1015 and 1074)

¹⁶¹ Lyle Slawson testified that the Local did not always receive from American Pride the records regarding American Pride's disbursement of the draws. (Ex. 10 at 43)

As discussed above, for the wire transfer of \$410,000 to Bank Mutual, the Local had no records for the distribution of this money other than an incomplete wire transfer request.

(Ex. 1027) Slawson, Sr. and Slawson, Jr. authorized this transfer. (Ex. 1027)

2. Slawson, Sr. Hired Experts without the Executive Board Approval the Bylaws Required

Local 120 Bylaw Section 8(A) provided that the principal officer can select experts or providers of special services to assist the Local. (Ex. 300 at 4) That selection was subject to Executive Board approval. (Ex. 300 at 4)¹⁶² Contrary to this Bylaw provision, the Executive Board did not approve the agreements for expert services Slawson, Sr. entered into with Staubach, Ryan and Pope. Nor did the Slawson, Sr. obtain the requisite Board approval for the Local to use the services of American Pride, attorney Katrina Joseph or Kavaney and Associates.

For example, on March 10, 2006, Local 120 entered into a Memorandum of Understanding with Staubach. (Ex. 1029)¹⁶³ Slawson, Sr. signed the agreement with Staubach on behalf of the Local without any Executive Board approval. (Exs. 1029, 201-212)¹⁶⁴ On June 18, 2007, the Local entered into an interim agreement with Ryan pursuant to which Ryan was to "... provide Design/Build services for the construction of your new office facility in Blaine." (Ex. 1060) Slawson, Sr. signed this agreement. (Ex. 1060)¹⁶⁵ There was no Executive Board approval for this contract. 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. 213-231) Similarly, there was no Executive Board approval to use American

¹⁶² This Bylaw provision provided that the Local's principal officer, "... shall also select the attorneys, accountants or other special or expert services to be retained by the Local Union subject to the approval of the Local Union Executive Board." (Ex. 300 at 4)

¹⁶³ The memorandum of understanding was dated January 26, 2006, but was signed on March 10, 2006. (Ex. 1029)

¹⁶⁴ Staubach was paid a total of \$122,081 from the Local's construction loan. (Ex. 1034)

¹⁶⁵ The maximum amount to be paid to Ryan under this interim contract was \$30,000. (Ex. 1060)

Pride as the Local's mortgage broker, to disburse funds from the Local's construction loan or to manage the Local's relationship with Bank Mutual. (Exs. 213-231) Moreover, there was no Executive Board approval for the Local to retain Kavaney and Associates. (Exs. 213-226, 6035)

In 2010, Slawson, Sr., after having used him as a paid consultant, hired Chester as an expert in connection with the Bar. (Ex. 2020; Ex. 1 at 209-210) The Local Executive Board did not approve hiring Chester as an expert. (Ex. 257) At the June 30, 2010 Executive Board meeting, Slawson, Sr. reported, "We have hired a consultant for the Teamsters Club in Fargo. . . ." (Ex. 257) Chester was not identified in the minutes. (Ex. 257) Chester had been employed as a consultant in February and became an employee in July. (Ex. 2020)

Moreover, Slawson, Sr. violated Section 16(D) of the Bylaws by not having the Executive Board set the terms and conditions of employees he hired. (Ex. 300 at 14)¹⁶⁶ For example, in violation of Section 16(D) he hired Chester as a Local employee and set the terms and conditions of his employment, including giving him the benefit of health insurance as a part time employee, a benefit full time Bar employees did not receive. (Ex. 1 at 212) He did the same when setting the terms and conditions of employment for Katrina Joseph, a lawyer he hired in February 2006 as associate counsel to Local 120. (Ex. 202) There was no Executive Board approval for this hiring as the Bylaws required. (Ex. 202) Attorneys are expressly covered by Section 8(A) of the Bylaws. (Ex. 300 at 4)

¹⁶⁶

Section 16(D) of the Local's Bylaws provides in pertinent part:

The Local Union Executive Board may from time to time provide the terms and conditions of employment for officers, employees and representatives of this organization including, but not limited to, such fringe benefits as vacations with pay, holidays, sick leave, time off for personal leave and, in connection therewith, any disability or sickness, health and welfare and retirement benefits and activities and facilities relating thereto, any may from time to time provide changes thereto, as well as additional compensations and allowances.

(Ex. 300 at 10) Section 14(B)(2) provides that the Executive Board shall "[p]rovide the salaries, expenses and allowances for officers and Business Agents in accordance with Section 16 of these Bylaws. . . ." (Ex. 300 at 10)

3. Payments to Slawson, Sr. and Slawson, Jr. to Themselves from Bar and Gaming Funds Violated the Bylaws

Bylaws Section 14(B)(2) provided that the Executive Board alone had the power to set salaries for Local officers and business agents. (Ex. 300 at 10)¹⁶⁷ In taking over \$140,000 for themselves from the Bar and Gaming operations without Executive Board approval, the Slawsons violated this section.

The Bar and Gaming operations were a wholly owned subsidiary of the Local. (Ex. 304, 322, 323, 328) Slawson, Sr. and Jr. violated Section 14(B)(2) of the Bylaws when they received money from the Bar for serving on the Local 120 Bar and Gaming Board. (Ex. 300 at 10) These payments were in addition to their Local salaries. (Ex. 2001) These stipends were awarded to the Bar Board's members by themselves in violation of the explicit provision of the Local's Bylaws that the Executive Board needed to approve the salaries of officers and business agents. (Ex. 2106-2107; Ex. 300 at 10, 14) As fully explained at page 53 above, the Bar's assets were the Local's. (Exs. 304, 322, 323, 328) Its expenses and revenues were blended into the Local's financial statements. (Ex. 2000) Slawson, Sr. and Slawson, Jr. were the only members of the Bar and Gaming Board who were on it continuously since Local 120 acquired the Bar. (Exs. 2084-2128)

The Bar and Gaming Board was never created by any actions of the Local 120 Executive Board. (Exs. 214-391) Its members awarded these payments to themselves. At the same time the Slawsons were paying themselves out of Bar and Gaming revenues, the Bar was borrowing money interest free from the Local. (Exs. 2014, 2018) For example, the Local paid bar managers Joni Tillich's and Chester's salaries, the Bar's back taxes and for its new POS system. (Exs. 2014-2020) At the end of 2011, the Bar and Gaming operations owed \$357,783 to the

¹⁶⁷ Section 14(B)(2) provides that the Executive Board shall "[p]rovide the salaries, expenses and allowances for officers and Business Agents in accordance with Section 16 of these Bylaws. . . ." (Ex. 300 at 10)

Local. (Ex. 2018) The Bar and Gaming Board members served at the pleasure of Slawson, Sr.. (Ex. 13 at 13-15) The money paid from Local funds to the Bar and Gaming Board members increased as the Bar's annual losses increased. (Ex. 2000, 2001, 2011) Indeed, raises were given in the stipend the Bar Board members received for this money-losing operation even during the period for which Slawson, Sr. swore under oath that the Local was in bad financial condition causing him to search desperately for ways to control expenses, including "laying off" an elected business agent. (Ex. 22 at 146-152)

From March 2007 to August 2012, Slawson, Sr., took an additional \$68,100 from Local funds without Executive Board approval. (Exs. 2001, 2012, 2077) In that period, Slawson, Jr. took \$72,700 without Executive Board approval. (Exs. 2001, 2077, 2012)

4. Slawson, Sr. Violated the Bylaws in Connection with the American Pride Sham Agreement

Pursuant to Section 27(A) of the Local Bylaws, prior to negotiating a collective bargaining agreement, a Local representative is required to meet with the members to determine bargaining proposals. (Ex. 300 at 37; Ex. 22 at 44-45) ¹⁶⁸ In addition, pursuant to Section 27(C) of the Local Bylaws and Article XII, Section 1(b) of the IBT Constitution, a contract ratification vote of the effected members was mandatory. (Ex. 300 at 37; Ex. 302) ¹⁶⁹ In connection with the agreement the Local entered into with American Pride in 2008, both these provisions were violated.

¹⁶⁸ Section 27(A) of the Bylaws provides, "Whenever a collective bargaining agreement is about to be negotiated, modified or extended at the request of this Local Union, the principal executive officer shall call a meeting at which the membership shall determine and authorize the bargaining demands to be made." (Ex. 300 at 37)

¹⁶⁹ Section 27(C) of the Bylaws provides. "Ratification of agreements or amendments shall be subject to vote in the same manner as provided for in connection with bargaining demands as set forth in section 27(A),..." (Ex. 300 at 37)

As detailed above at pages 82-84, in connection with the current agreement between the Local and American Pride, there was no ratification vote or proposal meeting, as Slawson, Sr. knew. (Ex. 300 at 37; Ex. 1 at 68; Ex. 11 at 26-30)

IV. ANALYSIS

A. **Standard of Proof**

The standard of proof for establishing the charges as proven against Slawson, Sr., Slawson, Jr. and Chester is the preponderance of evidence. Rules and Procedures for Operation of the Independent Review Board, Para. J(6) ("[i]n order to be sustained, the proposed . . . charges . . . contained in the Investigative Report, must be supported by a preponderance of reliable evidence."); United States v. IBT [Simpson], 931 F. Supp. 1074, 1089 (S.D.N.Y. 1996), aff'd, 120 F.3d 341 (2d Cir. 1997).¹⁷⁰

B. **Slawson, Sr., Slawson, Jr. and Chester Embezzled from Local 120**

The IBT Constitution prohibits embezzlement or conversion of union funds. IBT Const. Art. XIX, Section 7(b)(3). The standard for embezzlement under federal labor law, 29 U.S.C. § 501(c), is instructive in interpreting the IBT Constitutional provisions. Investigations Officer v. Calagna, Decision of the Independent Administrator at 11 (May 9, 1991), aff'd, United States v. IBT [Calagna], 141 L.R.R.M. 2236 (S.D.N.Y. 1991). For the Slawsons to be found to have embezzled Local 120 funds, it must be established that they acted with fraudulent intent to deprive Local 120 of its funds. See, United States v. Welch, 728 F.2d 1113, 1118 (8th Cir. 1984) (under any test, union officials violate Section 501(c) only when they possess fraudulent intent to deprive the Union of its funds"); Investigations Officer v. Caldwell, Decision of the Independent

¹⁷⁰ In addition, Article XIX, Section 1(e) of the IBT Constitution provides that internal union disciplinary charges must be proven by a preponderance of the evidence.

Administrator at 7 (February 9, 1993), aff'd, United States v. IBT [Caldwell], 831 F. Supp. 278, 283 (S.D.N.Y. 1993).

Slawson, Sr. and Slawson, Jr. were fiduciaries with respect to Local 120 funds, 29 U.S.C. § 501(a).¹⁷¹ As such, they had an obligation to only spend Local money for union purposes. Determining whether a union official had the requisite intent to embezzle should be done, “on the basis of ‘all of the evidence considered together’ and ‘in light of all the surrounding circumstances.’” United States v. Welch, *supra*, 728 F.2d at 1119 (quoting Morissette v. United States, 342 U.S. 246, 275-76 (1951)). “[I]t is permissible to infer from circumstantial evidence the existence of intent.” United States v. Local 560, 780 F.2d 267, 284 (3d Cir. 1985) *cert. den.* 476 U.S. 1140 (1986) (citation omitted) The Court of Appeals for the Second Circuit has stated that key factors in determining the issue of fraudulent intent are whether there was authorization from the union for the expenditure and a benefit to the union for the payments at issue. *See, e.g., United States v. Butler*, 954 F.2d 114, 118 (2d Cir. 1992). These principles apply to the Slawsons’ embezzlement of Bar and Gaming funds, their embezzlement of union funds to pay for charges without a union purpose and Chester’s embezzlement of bar inventory.

1. Slawson, Sr. and Slawson, Jr. Embezzled When They Took Bar and Gaming Stipends Without Approval

In taking Local money for themselves from the Bar and Gaming subsidiary without authorization, both Slawsons embezzled Local funds. *See, United States v. LaBarbara, Jr.*, 129

¹⁷¹ 29 USC §501(a) provides:

The officers, agents, shop steward, and other representatives of a labor organization occupy positions of trust in relation to such organization and its members as a group. It is, therefore, the duty of each such person, taking into account the special problems and functions of a labor organization to hold its money and property solely for the benefit of the organization and its members and to manage, invest, and expend the same in accordance with its constitution and bylaws and any resolutions of the governing body adopted thereunder. . .

F.3d 81 (2d Cir. 1997) (officer's unauthorized transfer of Local assets from Local subsidiary to himself was embezzlement). A fiduciary's unauthorized payment to himself from the principal's assets is prohibited and never in the principal's interest. (Restatement (Third) of Agency § 8.05, § 8.06(i) (2006)). The payments from the subsidiary were unauthorized. No union purpose was served.

They violated the explicit Bylaw provision governing how a Local 120 officer's compensation was to be authorized. (Ex. 300 at 14-15) Slawson, Sr.'s and Slawson, Jr.'s violation of the Bylaw requiring the Executive Board to approve their compensation also was evidence of their intent to defraud, United States v. IBT [Wilson, Dickens and Weber], 787 F. Supp. 345, 352 (S.D.N.Y. 1992) (in reviewing an embezzlement finding for expenditures made without the Executive Board approval the Local's Bylaws required, the Court held, "Dickens' and Weber's failure to comply with [the Bylaws] gives rise to an inference of fraudulent intent."), aff'd in part, 978 F.2d 68 (2d Cir. 1992). Other evidence of the intent to embezzle the stipends received without authority from the Bar and Gaming subsidiary was the concealment of the payment from the members. These stipends were never disclosed at a membership meeting. Moreover, these payments were never disclosed in the Executive Board minutes which were read at the membership meetings.

2. Slawson, Sr. Embezzled \$90,000 for Chester from Local Construction Funds

The evidence that Slawson, Sr. embezzled from Local funds to cause Chester to receive \$90,000 from Local funds is substantial. Slawson and Chester had a close relationship. Slawson, Sr. knew Chester to be an agent of Stone. After Chester approached Slawson, Sr., on Stone's behalf, the Slawsons acted to steer the construction contract to Stone as general contractor. The day after the submission of the Stone bid, Slawson Sr. called for a telephone poll

of the Executive Board to have it vote to replace Ryan Construction with Stone. On that call and at a subsequent Board meeting, he and his son both advocated strongly that Stone be selected over Ryan. Slawson, Sr. did this without having Staubach, the expert he had hired to assist him in the selection process, analyze the two bids. Slawson, Sr. initially misrepresented to the Board the economic difference between the bids. Between that July telephone poll and the Board's August reaffirmation of that poll, Slawson, Sr. had learned the difference between the two bids, even absent further negotiations, was substantially less than the \$200,000 he had misleadingly claimed in July. He never told the Board that Chester was a beneficiary of the selection of Stone.

Stone did not enter into a contract with the Local until November. This was a costs plus fixed fee contract with a maximum guaranteed price. That contract provided that the Local had the right under the contract to audit the costs the general contractor was charging to Local. The general contractor claimed that the costs reached the maximum allowable under the contract, in addition to the amounts that change orders had added. Despite both Slawson, Sr.'s ready employment of experts and his being a fiduciary over the members' money, during the three years the contract allowed the Local to examine Stone's records and audit the costs, he chose not to do it, despite the maximum price having been paid.

The failure to audit evidenced Slawson, Sr. consciously avoided learning of Chester's fee and other irregularities in Stone's expense claims and failures to credit the Local for moneys it owed it. E.g., United States v. Svoboda, 347 F.3d 471 (2d Cir. 2003) (proof of the conscious avoidance of knowledge is the equivalent of proof of actual knowledge). As a consequence, Slawson, Sr. can be deemed to have known Stone paid Chester from Local money in its possession.

As in the Stone selection process, the failure to use an expert for an audit is persuasive evidence Slawson, Sr. did not want a third party to interrupt his scheme to funnel Local money to Chester. Indeed, Slawson, Sr. had told Miller, the Local's Vice President, that Chester should get money out of the project. When Miller objected, Slawson, Sr. instructed him to keep the conversation to himself.

Stone paid Chester \$90,000 and improperly charged that under the contract as a cost to the Local. In claims for draws made on the loan, Stone never disclosed this cost to the bank. It never disclosed Chester in a list of vendors given to the Local. Stone could only have buried the improper payment to Chester in the contract's costs if it knew Slawson, Sr. was not going to have the Local exercise its right to audit under the contract. United States v. IBT [Salvatore], 754 F. Supp. 333, 339 (S.D.N.Y. 1990) (failure to investigate propriety of payments to officer evidence of intent to embezzle).

The size of Chester's alleged finder's fee of \$90,000 for one conversation with Slawson, Sr. was grossly disproportionate to what Stone itself was to be paid as its fee. Stone's claim that Chester's fee was to be 3% of the total costs of the contract is nonsensical. Since Stone was getting a fixed fee, there would be no business reason to pay Chester based on the size of the contract. There was no document evidencing this alleged agreement. It is not credible that if the cost was found to have been invalid under the contract, Stone would have paid Chester \$90,000 out of the \$129,978 Stone claimed it received as a fee. Stone could only agree to the bogus disproportionate fee if Slawson, Sr. made it understood there would be no audit and the cost would not be challenged.

In sum, Slawson, Sr., who pushed hard with unnecessary haste for his close family friend's client to get the contract, made a conscious decision to avoid the Local learning of a

money pass to Chester out of its funds. Slawson, Sr., who claimed not to make any decision on the project without expert advice, did so twice and Chester benefited both times: when Slawson, Sr. pushed for Stone to be chosen before a Staubach analysis and when Slawson, Sr. accepted Stone's statement as to costs without an audit.

3. Chester's Embezzlement

Chester as a member of the Local was covered by the IBT's Constitution prohibition of embezzlement. (Ex. 302 at 147-148) During Chester's time as manager of the Local's Bar, substantial inventory was missing. Chester had instructed Bar employees to remove stock and store it for return to vendors. Those removed items disappeared. Chester had misleadingly told Local officers and business agents on the Bar and Gaming Board that he was going to return excess inventory to wholesalers. That did not occur. That was evidence of his fraudulent intent. Chester had keys to all locks. Under Chester's management, the Bar was also posting low margins for return on inventory, corroborating that all inventory being used was not being sold through the Bar.

Chester's personal circumstance gave him a motive to steal. Chester had filed for personal bankruptcy in November 2010. In his petition, under oath he falsely concealed his continuing ownership interest in a bar, Route 65 Pub and Grub, deceiving his creditors and filing a false document with the Bankruptcy Court. To a bankrupt bar owner, stolen inventory would have been a substantial benefit. In addition, Chester revealed his readiness to steal in his proposed scheme to run a fraudulent charitable event at the Fargo Bar.

C. Slawson, Sr. and Slawson, Jr. Brought Reproach Upon the IBT And Committed An Act of Racketeering When Committing Bank Fraud in Obtaining a Construction Loan from Bank Mutual

The Slawsons violated both the Consent Order and the IBT Constitution by committing an act of racketeering. (Ex. 6031 at 6-7; Ex. 302 at 147-150) Slawson, Sr. and Slawson, Jr.

caused misleading statements to be made to Bank Mutual, a federally insured bank, to obtain a loan of over \$3,000,000 from the bank to the Local's Building Holding Company. The Bank required that in connection with the loan it be provided with proof that the Local had transferred its property interests to the Building Holding Company and that the Local had agreed to be a guarantor for the loan to the Building Holding Company. As fully discussed above, the Local's Executive Board did neither. Instead, the Slawsons in 2007 submitted to the bank minutes from the "Board of Directors of Teamsters Local 120", a non-existent group. These minutes, which Slawson, Jr. signed and Slawson, Sr. caused to be submitted, falsely purported to memorialize the Local's agreeing to be a guarantor and to transfer its assets. In addition, in connection with the application for an increase in the loan in 2008, Slawson, Sr. falsely certified in a document that alleged actions of the board of the Building Holding Company took place when in fact they had never occurred (See pages 49-52 above). The document was submitted to the Bank. This falsified action was also necessary for the Bank to agree to the loan increase.

On yet another occasion Slawson, Sr. caused the bank to be informed the Local's membership had increased by over 9,000 members in 2007, when it had not. The increased members would have meant a significantly increased monthly cashflow alleviating the bank's concerns over the Local's ability to service its loan repayments. Through this pattern of false statements the Slawsons caused the bank to lend funds to the Local's Building Holding Company. As a result, the Slawsons committed bank fraud. United States v. Barrett, 178 F.3d 643, 647-48 (2d Cir. 1999); 18 U.S.C. §1344.

In submitting false documents to the Bank in connection with the extension of credit to the Local and its affiliate Building Holding Company, the Slawsons violated several federal

criminal statutes and exposed the Local to criminal liability. 18 U.S.C. §§ 371, 1014, 1344.¹⁷² NY Central & H.R. Co. v. United States; 212 U.S. 481 (1909) (an entity can be liable for crime committed by its agents); United States v. Koppers Co., 652 F.2d 290 (2d Cir. 1981), cert. denied, 454 U.S. 1083 (1981) (same). Such conduct brought reproach upon the union. Indeed, a violation of 18 USC 1344 is defined as an act of racketeering in 18 USC § 1961(1) and, as such, explicitly forbidden under the Consent Order and the IBT Constitution. (Ex. 302 at 147-150; Ex. 6031 at 6, 10)

D. Slawson, Sr. and Slawson, Jr. Breached Their Fiduciary Duties to the Members In Connection with the over \$3,000,000 the Local Borrowed

Pursuant to 29 U.S.C. §501(a), Slawson, Sr. and Slawson, Jr. were fiduciaries with respect to the Local's funds.

The officers, agents, shop stewards, and other representatives of a labor organization occupy positions of trust in relation to such organization and its members as a group. It is, therefore, the duty of each such person, taking into account the special problems and functions of a labor organization to hold its money and property solely for the benefit of the organization and its members and to manage, invest, and expend the same in accordance with its constitution and bylaws and any resolutions of the governing body adopted thereunder. . .

Section 501 imposes the broadest possible fiduciary duty on union officials. See, United States v. Bane, 583 F.2d 832, 834-35 (6th Cir. 1978), cert. denied, 439 U.S. 1127 (1979); see also, Johnson v. Nelson, 325 F.2d 646 (8th Cir. 1963) (Section 501 should receive a broad

¹⁷² Title 18 USC §1344 provides in pertinent part:

Whoever knowingly executes, or attempts to execute, a scheme or artifice --

* * *

(2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations or promises;

shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both.

Bank Mutual meets the definition of financial institution under the statute.

interpretation). The purpose of the section is to deal with the misuse of union funds and union property in every manifestation by union officials. See, Hood v. Journeymen Barbers, Hairdressers, Cosmetologists and Proprietors International Union 454 F.2d 1347, 1354 (7th Cir. 1972).

In the Carey case, the IRB held that the information Carey had about large political expenditures the IBT made were "sufficient to impose on Carey a fiduciary duty to inquire further about any relation or tie between Carey's own campaign fundraising and the IBT's payment to an advocacy group like Citizen Action. The circumstances involving the IBT at the time mandated that Carey inquire into the purposes of the contributions." In re Carey, July 27, 1998 IRB Decision at 23; aff'd, United States v. IBT, 22 F. Supp. 2d 135 (S.D.N.Y. 1998), aff'd, 247 F.3d 370 (2d Cir. 2001). Here, given the amounts of money involved, the type of contract the Local signed, the contractor claiming the job cost the maximum guaranteed price and Slawson, Sr.'s knowledge of Chester probably receiving a fee, Slawson, Sr. breached his fiduciary duty to ensure the Local's money was used properly by doing nothing to monitor the costs the Local was paying Stone. His use of experts of all types, except accountants to check Stone's costs, and Staubach to analyze Stone's bid before the rushed Executive Board telephone poll to retain Stone, are telling. He knowingly breached his fiduciary duties. Slawson Sr., "by his entire course of conduct, he abdicated his fiduciary responsibilities." In re Carey, supra at 34. By allowing the costs to go unexamined under the circumstances known to him, Slawson, Sr. wrongfully "equate[d] the satisfaction of a fiduciary obligation with passivity and willful ignorance." (United States v. IBT [Sansone], 792 F. Supp. 1346, 1354 (S.D.N.Y.), aff'd, 981 F.2d 1362 (2d Cir. 1992)), as a consequence," "[i]t is permissible to draw negative inferences

from the failure of a union fiduciary to act when he has an affirmative duty to do [so]’.” (United States v. IBT [Salvatore], 754 F. Supp. 333, 339 (S.D.N.Y. 1990).

Slawson, Jr. breached his fiduciary duties to the members in connection with the loan by signing false minutes which were submitted to the Bank to assist in obtaining the loans and by steering the work to Stone to enrich his friend Chester. Despite Slawson, Jr. denying knowing Chester was involved, the evidence shows his knowledge. Stone’s bid and subsequent emails were addressed to Slawson, Jr. and not Slawson, Sr. Miller recalled that Slawson, Jr. had a connection with Stone through Chester. Slawson, Jr. pushed for the hiring of Stone vigorously. He helped his father conceal information from the Executive Board through the creation of fraudulent minutes.

E. Slawson, Jr. Lied Under Oath and Failed to Cooperate with the IRB

Article XIX, Section 14(i) of the IBT Constitution provides:

All officers, members, employees and representatives of the International Union and its affiliated bodies shall cooperate fully with the Independent Review Board in the course of any investigation or proceedings undertaken by it. Unreasonable failure to cooperate with the Review Board shall be deemed to be conduct which brings reproach upon the Union, and which is thereby within the Review Board’s investigatory and decisional authority.

(Ex. 302) The giving of intentionally misleading testimony during an IRB sworn examination violates §14(i) of the IBT Constitution. In Re: Mireles & Roa Decision (October 17, 2000 IRB Decision at 38-39), aff’d, United States v. IBT, 166 LRRM 2890 (S.D.N.Y. February 21, 2001); In Re: Terrence Freeman, (January 31, 2000 IRB Decision) aff’d, United States v. IBT, 164 LRRM 2813 (S.D.N.Y. June 14, 2000).¹⁷³ In addition, failure to cooperate with the IRB is a violation of the consent decree. (Ex. 6031 at G(c)) As detailed above, at his September 26, 2012

¹⁷³ In addition, false statements under oath in an IRB proceeding pursuant to U.S. v. International Brotherhood of Teamsters, 88 Civ. 4486 (S.D.N.Y.) violates 18 USC § 1623. See, U.S. v. Wilkinson, 137 F.3d 214, 225 (4th Cir. 1998); United States v. Kross, 14 F.3d 751, 754 (2nd Cir. 1994).

IRB sworn testimony, Slawson, Jr. knowingly gave false testimony when he testified that he was unaware of any invoice directed to him from 7 Corners and that he never had any discussion with Dan Winter, the head of 7 Corners, about an invoice addressed to him. (Ex. 2 at 129)

F. Defenses

The Slawsons both claimed that in filing the minutes labeled "Board of Directors Meeting of Teamsters Local 120", purporting to be the Local's approval to transfer the Local's assets to the Building Holding Company and for it to be the guarantor of the Bank's loan to the Building Holding Company they relied on the advice of Martin Costello, the Local's general counsel, and John Hughes, a real estate attorney. Costello, who represented the Slawsons at their testimony in which they claimed they relied on his advice, subsequently denied he gave the advice. In addition, the Slawsons claimed in taking money from the Bar and Gaming subsidiary to pay themselves, they relied on the advice of Dan Phillips, a North Dakota attorney.

For reliance on the advice of counsel to be a defense negating the Slawsons' intent to embezzle, the Slawsons need to demonstrate (1) the request for advice of counsel on the legality of a proposed action, (2) that full disclosure of the relevant facts was made to counsel, (3) that they received advice from counsel that the proposed action would be legal, and (4) they relied in good faith on counsel's advice. CE Carlson, Inc. v. SEC, 859 F.2d 1429 (10th Cir. 1988); United States v. Martorano, 767 F.2d 63 (3rd Cir. 1985). In both instances in which the Slawsons claimed they relied on counsel (1) the Building Holding Company transferring the assets of the Local to itself and authorizing the Local to act as a guarantor on a loan and (2) paying themselves out of the revenues of the Bar and Gaming subsidiary without any Executive Board approval, the claimed advice was so obviously wrong that there could be no good faith reliance, if in fact the advice was given based on full disclosure of the facts. If that advice were given, it would have been a step in the fraudulent schemes and not a defense. United States v. Martorano,

767 F.2d 63 (3rd Cir. 1985). The Slawsons claim in both instances is that they relied on counsel's advice that an owner's property could be taken without his permission. There was no right to rely on such obviously wrong advice.

V. PROPOSED CHARGES

Based on the foregoing, it is recommended that the IBT General President charge Bradley D. Slawson, Bradley A. Slawson and Todd Chester as follows:

CHARGE ONE - BRADLEY SLAWSON, SR.

While Secretary-Treasurer of Local 120, you brought reproach upon the union, violated your oath of membership, breached your fiduciary duties and embezzled Local funds in violation of Article XIX, Section 7(b)(1), (2) and (3) and Article II, Section 2(a) of the IBT Constitution, to wit:

As described above, in 2007 and 2008 you schemed to illegally embezzle \$90,000 of Local money for the benefit of Todd Chester.

CHARGE TWO - BRADLEY SLAWSON, SR. AND BRADLEY SLAWSON, JR.

While Secretary-Treasurer of Local 120 and President respectively, you breached your fiduciary duties to the members, violated your oath as a member and brought reproach on the IBT by failing to ensure the Local's money was spent solely for union purposes in violation of Article XIX, Section 7(b)(1) and (2) and Article II, Section 2(a) of the IBT Constitution, to wit:

As described above, you caused false statements to be made to Bank Mutual to secure a loan and then failed to ensure the loan proceeds were used for union business as described above. You failed to protect the Local by not having Stone's claimed costs examined, despite the general contractor charging the maximum price under the contract. As a result, you allowed the general contractor to improperly charge \$90,000 in payments to Todd Chester & Associates and

other inappropriate costs to the Local and also not give the Local at least an additional \$35,000 the contractor owed it.

CHARGE THREE - BRADLEY SLAWSON, SR. AND BRADLEY SLAWSON, JR.

While Secretary-Treasurer and President of the Local respectively, you brought reproach upon the IBT, violated the Consent Order and the IBT Constitution by committing an act of racketeering, as described above, by engaging in a scheme to defraud Bank Mutual into lending money to Local 120 and its Building Holding Company in violation of Article XIX, Section 7(b) (1), (2) and (11) of the IBT Constitution and Paragraph E(10) of the March 14, 1989 Consent Order to wit,

You and your co-schemers caused false information to be submitted to Bank Mutual in connection with efforts to obtain loans. This included misrepresentations as to actions Local 120 authorized, Building Holding Company action and the number of members in Local 120.

CHARGE FOUR - BRADLEY SLAWSON, SR. AND BRADLEY SLAWSON, JR.

While Secretary-Treasurer and President respectively, you brought reproach upon the IBT, breached your fiduciary duty, violated your oath of office and embezzled Local funds in violation of Article XIX, Section 7(b)(1), (2) and (3) and Article II, Section 2(a) of the IBT Constitution, to wit:

Without authority and in violation of the Local Bylaws, between 2007 and 2012 you took \$68,100 and \$72,700, respectively from Local 120's Bar and Gaming subsidiary's revenue. These payments were not disclosed to the members or formally to the Local 120 Executive Board, although some other Board members who also received improper payments knew.

CHARGE FIVE - BRADLEY SLAWSON, SR.

While an officer of Local 120, you brought reproach upon the IBT and violated your oath of membership in violation of Article XIX, Section 7(b)(1) and (2) of the IBT Constitution and

Sections 27(A) and (C) of the Local's Bylaws when you entered into a sham collective bargaining agreement with American Pride Home Services to wit:

In 2009, you bound the Local to a contract with American Pride Home Services, which agreement excluded collective bargaining, provided no protection to members against arbitrary employer discipline and left compensation as a matter of employer discretion. You caused the Local's Bylaws to be violated, which required the Local to hold proposal meetings with effected members and ratification votes. You entered into this agreement in order to accommodate the employer's marketing strategy of being a union employer. You used Local resources to help American Pride to market its products to Local 120 members. In addition, you caused Local 120 to use American Pride services without required Executive Board approval.

CHARGE SIX - BRADLEY SLAWSON, JR.

While President of Local 120, on September 26, 2012, while under oath, you gave misleading testimony to the Independent Review Board in violation of Article XIX, Section 7(b)(1), (2) and Section 14(i) and Article II, Section 2(a) of the IBT Constitution, to wit,

You falsely claimed that you were unaware of an invoice from 7 Corners directed to you and that you did not have any conversation with Dan Winter about it.

CHARGE SEVEN - TODD CHESTER

While a Local 120 employee and member, you embezzled and converted inventory from the Local 120 Bar in violation of your fiduciary duties and Article XIX, Section 7(b)(1), (2) and (3) and Article II, Section 2(a) of the IBT Constitution to wit:

While the manager of Local 120's Bar and an employee of Local 120, you caused liquor from inventory in amounts in excess of \$1,000 to be removed from the Local premises and converted to your use as described above.

CHARGE EIGHT - BRADLEY SLAWSON, SR. AND BRADLEY SLAWSON, JR.

While Secretary Treasurer and President, respectively, you repeatedly violated the Local's Bylaws in violation of your oaths as a member and an officer in violation of Article XIX, Section 7(b)(1) and (2) and Article II, Section 2(a) of the IBT Constitution to wit:

You repeatedly violated the Local 120 Bylaws as described in the above report at pages 113-126.

CHARGE NINE - BRADLEY SLAWSON, JR.

While President of Local 120, you breached your oath of membership and violated your fiduciary duties by not ensuring Local assets were used for union purposes in violation of Article XIX, Section 7(b)(1) and (2) and Article II, Section 2(a) of the IBT Constitution, to wit,

As described above, from 2007 through 2012 while responsible for over \$200,000 in Local purchased tickets to sporting events, you did not ensure the tickets were only used for valid union purposes.

CHARGE TEN - BRADLEY SLAWSON, JR.

While President of Local 120, you breached your fiduciary duty and embezzled Local money by charging expenses made without any union purpose to the Local in violation of Article XIX, Section 7(b)(1), (2) and (3) and Article II, Section 2(a) of the IBT Constitution, to wit:

As described above, on August 14, 2011 at 1:21 a.m. Sunday, you charged \$194.50 to the Local for alcohol and food at the Teamster Bar in Fargo on Saturday night and early Sunday morning for you, your father and Kathy Sauvageau. You misrepresented who was present. There was no union purpose for the charge.

On December 2, 2011, in St. Cloud, MN, you charged \$104.48 to the Local at the Holiday Inn. You misrepresented who was present and claimed you bought drinks for members with union funds while you were a candidate in a contested election.

On October 14, 2009 you bought alcoholic beverages and food for yourself and a fellow Local employee, charging \$78.27 to the Local. You claimed this 11:52 p.m. charge was in connection with an Executive Board meeting that was held the next day on October 15 at 10:45 a.m.

CHARGE ELEVEN - BRADLEY SLAWSON, SR.

While Secretary Treasurer, you breached your fiduciary duty and embezzled Local money by charging expenses made without any union purpose to the Local in violation of Article XIX, Section 7(b)(1), (2) and (3) and Article II, Section 2(a) of the IBT Constitution, to wit:

As described above, on December 2, 2011, you spent \$545.75 of Local money at Teamsters Lounge in Fargo at 1:22 a.m. to buy drinks for members. At that time, you were in Fargo to campaign for your son whose position was contested in a Local election. While using vacation days to campaign, you also caused the Local to pay for your dinner and hotel.

On September 8, 2010 at 10:05 p.m. you charged \$169.97 at the Route 65 Pub and Grub in East Bethel, Minnesota with another Local officer and Todd Chester. There was no union purpose for the charge.

As described above, you also caused the Local to pay for charges on September 30, 2010 and February 22, 2011 at restaurants in Blaine where the Local is located. There was no union purpose for these charges.

Exhibit # Exhibits 1-22: Sworn Examinations and Affidavits

- 1 Sworn Examination of Bradley D. Slawson, Sr. dated September 25, 2012
- 2 Sworn Examination of Bradley A. Slawson, Jr. dated September 26, 2012
- 3 Sworn Examination of Rhys Ledger dated July 28, 2012
- 4 Sworn Examination of Louis Miller dated July 26, 2012
- 5 Sworn Examination of Bryan Rademacher dated July 27, 2012
- 6 Sworn Examination of David Schrunck dated July 26, 2012
- 7 Sworn Examination of Donald Walz dated July 27, 2012
- 8 Sworn Examination of Lori Walz dated July 27, 2012
- 9 Sworn Examination of Kristine Hakala dated July 26, 2012
- 10 Sworn Examination of Lyle Slawson dated September 27, 2012
- 11 Sworn Examination of Thomas Ohlson dated September 28, 2012
- 12 Louie Miller Sworn Affidavit dated October 18, 2012
- 13 Sworn Examination of Donald Walz dated October 13, 2012
- 14 Sworn Examination of Brian Nowak dated October 13, 2012
- 15 Sworn Examination of Leann M. Wixo dated October 13, 2012
- 16 Sworn Examination of Amber Tougas dated October 13, 2012
- 17 Sworn Examination of Denise Little dated October 13, 2012
- 18 Bryan Rademacher Sworn Affidavit dated October 18, 2012
- 19 Sworn Examination of Paul Nelson dated September 27, 2012
- 20 C Thomas Keegel Sworn Affidavit dated October 11, 2012
- 21 Excerpt of Thomas Ohlson Sworn Examination dated April 20, 2012
- 22 Bradley Slawson Sr. Sworn Examination dated April 27, 2012

Exhibits 100-291: Minutes

- 100 General Membership Minutes for January 18, 2004
- 101 General Membership Minutes for February 12, 2004
- 102 General Membership Minutes for March 14, 2004
- 103 General Membership Minutes for April 15, 2004
- 104 General Membership Minutes for May 11, 2004
- 105 General Membership Minutes for September 12, 2004
- 106 General Membership Minutes for October 14, 2004
- 107 General Membership Minutes for November 21, 2004
- 108 General Membership Minutes for December 16, 2004
- 109 General Membership Minutes for January 9, 2005
- 110 General Membership Minutes for February 17, 2005
- 111 General Membership Minutes for March 13, 2005
- 112 General Membership Minutes for April 14, 2005
- 113 General Membership Minutes for May 22, 2005
- 114 General Membership Minutes for September 8, 2005
- 115 General Membership Minutes for October 20, 2005
- 116 General Membership Minutes for November 20, 2005
- 117 General Membership Minutes for December 15, 2005
- 118 General Membership Minutes for January 8, 2006
- 119 General Membership Minutes for February 16, 2006
- 120 General Membership Minutes for March 19, 2006
- 121 General Membership Minutes for April 13, 2006
- 122 General Membership Minutes for May 21, 2006
- 123 General Membership Minutes for September 10, 2006
- 124 General Membership Minutes for October 19, 2006
- 125 General Membership Minutes for November 19, 2006
- 126 General Membership Minutes for December 14, 2006
- 127 General Membership Minutes for January 7, 2007
- 128 General Membership Minutes for February 15, 2007
- 129 General Membership Minutes for March 18, 2007
- 130 General Membership Minutes for April 12, 2007
- 131 General Membership Minutes for May 20, 2007
- 132 General Membership Minutes for September 9, 2007

- 133 General Membership Minutes for October 18, 2007
- 134 General Membership Minutes for November 18, 2007
- 135 General Membership Minutes for December 20, 2007
- 136 General Membership Minutes for January 20, 2008
- 137 General Membership Minutes for February 7, 2008
- 138 General Membership Minutes for March 16, 2008
- 139 General Membership Minutes for April 17, 2008
- 140 General Membership Minutes for May 4, 2008
- 141 General Membership Minutes for September 7, 2008
- 142 General Membership Minutes for October 16, 2008
- 143 General Membership Minutes for November 20, 2008
- 144 General Membership Minutes for December 18, 2008
- 145 General Membership Minutes for January 22, 2009
- 146 General Membership Minutes for February 12, 2009
- 147 General Membership Minutes for March 15, 2009
- 148 General Membership Minutes for April 16, 2009
- 149 General Membership Minutes for May 17, 2009
- 150 General Membership Minutes for September 13, 2009
- 151 General Membership Minutes for October 15, 2009
- 152 General Membership Minutes for November 22, 2009
- 153 General Membership Minutes for December 17, 2009
- 154 General Membership Minutes for January 10, 2010
- 155 General Membership Minutes for February 11, 2010
- 156 General Membership Minutes for March 28, 2010
- 157 General Membership Minutes for April 15, 2010
- 158 General Membership Minutes for May 23, 2010
- 159 General Membership Minutes for September 16, 2010
- 160 General Membership Minutes for October 17, 2010
- 161 General Membership Minutes for November 1, 2010
- 162 General Membership Minutes for December 19, 2010
- 163 General Membership Minutes for January 13, 2011
- 164 General Membership Minutes for February 20, 2011
- 165 General Membership Minutes for March 24, 2011
- 166 General Membership Minutes for April 10, 2011
- 167 General Membership Minutes for May 26, 2011
- 168 General Membership Minutes for September 15, 2011
- 169 General Membership Minutes for October 16, 2011
- 170 General Membership Minutes for November 17, 2011
- 171 General Membership Minutes for December 29, 2011
- 172 General Membership Minutes for January 15, 2012
- 173 General Membership Minutes for February 16, 2012
- 174 General Membership Minutes for March 18, 2012
- 175 General Membership Minutes for April 19, 2012
- 176 General Membership Minutes for May 20, 2012
- 177 Executive Board Minutes for January 26, 2004
- 178 Executive Board Minutes for February 12, 2004
- 179 Executive Board Minutes for March 12, 2004
- 180 Executive Board Minutes for April 15, 2004
- 181 Executive Board Minutes for May 11, 2004
- 182 Executive Board Minutes for June 23, 2004
- 183 Executive Board Minutes for July 23, 2004
- 184 Executive Board Minutes for August 23, 2004
- 185 Executive Board Minutes for September 10, 2004
- 186 Executive Board Minutes for October 14, 2004
- 187 Executive Board Minutes for November 19, 2004
- 188 Executive Board Minutes for December 16, 2004
- 189 Executive Board Minutes for January 6, 2005
- 190 Executive Board Minutes for February 17, 2005
- 191 Executive Board Minutes for March 11, 2005

192 Executive Board Minutes for April 14, 2005
193 Executive Board Minutes for May 20, 2005
194 Executive Board Minutes for June 23, 2005
195 Executive Board Minutes for July 15, 2005
196 Executive Board Minutes for August 26, 2005
197 Executive Board Minutes for September 8, 2005
198 Executive Board Minutes for October 20, 2005
199 Executive Board Minutes for November 18, 2005
200 Executive Board Minutes for December 15, 2005
201 Executive Board Minutes for January 6, 2006
202 Executive Board Minutes for February 16, 2006
203 Executive Board Minutes for March 17, 2006
204 Executive Board Minutes for April 13, 2006
205 Executive Board Minutes for May 19, 2006
206 Executive Board Minutes for June 9, 2006
207 Executive Board Minutes for July 14, 2006
208 Executive Board Minutes for August 30, 2006
209 Executive Board Minutes for September 15, 2006
210 Executive Board Minutes for October 19, 2006
211 Executive Board Minutes for November 17, 2006
212 Executive Board Minutes for December 5, 2006
213 Executive Board Minutes for January 6, 2007
214 Special Executive Board Minutes Dated January 18, 2007
215 Executive Board Minutes for February 15, 2007
216 Executive Board Minutes for March 16, 2007
217 Executive Board Minutes for April 13, 2007
218 Executive Board Minutes for May 18, 2007
219 Executive Board Minutes for June 29, 2007
220 Executive Board Minutes for July 13, 2007
221 Executive Board Minutes for August 17, 2007
222 Executive Board Minutes for September 7, 2007
223 Executive Board Minutes for October 18, 2007
224 Executive Board Minutes for November 16, 2007
225 Executive Board Minutes for December 20, 2007
226 Executive Board Minutes for January 18, 2008
227 Executive Board Minutes for February 7, 2008
228 Executive Board Minutes for March 16, 2008
229 Executive Board Minutes for April 17, 2008
230 Executive Board Minutes for May 4, 2008
231 Executive Board Minutes for June 25, 2008
232 Executive Board Minutes for July 11, 2008
233 Executive Board Minutes for August 18, 2008
234 Special Executive Board Minutes Dated August 18, 2008
235 Executive Board Minutes for September 5, 2008
236 Special Executive Board Minutes Dated September 5, 2008
237 Executive Board Minutes for October 17, 2008
238 Executive Board Minutes for November 21, 2008
239 Executive Board Minutes for December 18, 2008
240 Executive Board Minutes for January 22, 2009
241 Executive Board Minutes for February 12, 2009
242 Executive Board Minutes for March 13, 2009
243 Executive Board Minutes for April 16, 2009
244 Executive Board Minutes for May 17, 2009
245 Executive Board Minutes for June 11, 2009
246 Executive Board Minutes for July 10, 2009
247 Executive Board Minutes for August 28, 2009
248 Executive Board Minutes for September 13, 2009
249 Executive Board Minutes for October 15, 2009
250 Executive Board Minutes for November 20, 2009

251 Executive Board Minutes for December 17, 2009
 252 Executive Board Minutes for January 29, 2010
 253 Executive Board Minutes for February 11, 2010
 254 Executive Board Minutes for March 26, 2010
 255 Executive Board Minutes for April 15, 2010
 256 Executive Board Minutes for May 21, 2010
 257 Executive Board Minutes for June 30, 2010
 258 Executive Board Minutes for July 16, 2010
 259 Executive Board Minutes for August 20, 2010
 260 Executive Board Minutes for September 16, 2010
 261 Special Executive Board Minutes Dated September 24, 2010
 262 Special Executive Board Minutes Dated September 30, 2010
 263 Executive Board Minutes for October 15, 2010
 264 Executive Board Minutes for November 1, 2010
 265 Executive Board Minutes for December 17, 2010
 266 Executive Board Minutes for January 13, 2011
 267 Special Executive Board Minutes Dated January 17, 2011
 268 Special Executive Board Minutes Dated January 23, 2011
 269 Special Executive Board Minutes Dated February 7, 2011
 270 Executive Board Minutes for February 18, 2011
 271 Special Executive Board Minutes Dated February 26, 2011
 272 Executive Board Minutes for March 24, 2011
 273 Executive Board Minutes for April 8, 2011
 274 Executive Board Minutes for May 26, 2011
 275 Executive Board Minutes for June 9, 2011
 276 Special Executive Board Minutes Dated June 10, 2011
 277 Special Executive Board Minutes Dated July 5, 2011
 278 Special Executive Board Minutes Dated July 12, 2011
 279 Executive Board Minutes for July 22, 2011
 280 Executive Board Minutes for August 22, 2011
 281 Special Executive Board Minutes Dated August 22, 2011
 282 Executive Board Minutes for September 15, 2011
 283 Special Executive Board Minutes Dated October 14, 2011
 284 Executive Board Minutes for October 14, 2011
 285 Executive Board Minutes for November 17, 2011
 286 Executive Board Minutes for December 29, 2011
 287 Executive Board Minutes for January 13, 2012
 288 Executive Board Minutes for February 16, 2012
 289 Executive Board Minutes for March 16, 2012
 290 Executive Board Minutes for April 19, 2012
 291 Executive Board Minutes for May 18, 2012

Exhibits 300-336: General Documents

300 Bylaws of Local 120
 301 Amendment to Bylaws dated March 23, 2009
 302 Excerpts from IBT Constitution
 Disc of Documents in Binder titled: "Teamsters Local # 120, Teamsters Club, Bar & Gaming" submitted to IRB on
 303 September 18, 2012 by Martin Costello, Local 120 General Counsel
 304 DOL Form LM-2 for Local 120 for the year 2011
 305 Dues history for Paul Nelson
 306 IBT Local 120 Website Page
 307 DOL Form LM-2 for Joint Council 32 for 2011 year
 308 Dues history for Bradley A Slawson
 309 Dues history for Bradley D Slawson
 310 Dues history for Mike Klootwyk
 311 Dues history for Bryan Rademacher
 312 Dues history for Paul Slattery
 313 Dues history for Mike Irrgang

314 Dues history for Troy Gustafson
 315 No Exhibit
 316 Local 120 Balance Sheet as of June 30, 2008
 317 Local 120 Balance Sheet as of July 31, 2008
 318 Local 120 Balance Sheet as of May 31, 2008
 319 Excerpt of 2011 IBT Form LM-2
 320 Excerpt of 2011 Form 990 for Teamsters Club Bar and Gaming
 Form W-2's from Teamsters Club issued to Bryan Rademacher, Bradley A. Slawson, Bradley D. Slawson, Michael
 321 Klootwyk
 322 DOL Form LM-2 for Local 120 for the year 2010
 323 DOL Form LM-2 for Local 120 for the year 2009
 324 Local 120 Balance Sheet as of August 31, 2008
 325 DOL Letter dated May 27, 2009 to Brad A. Slawson Jr.
 326 Excerpt from IBT Roster Book
 327 DOL Form LM-2 for Local 116 for the year 2006
 328 DOL Form LM-2 for Local 120 for the year 2007
 329 Checking Balance Sheet as of July 10, 2008
 330 DOL Form LM-2 for Local 120 for the year 2008
 331 Excerpt from 2006 IBT Audit of Local 120
 332 Records regarding Locals Merged into Local 120
 333 City & State of Locals Merged into Local 120
 334 DOL Website Re: Union Credit Card policy
 335 IBT Letter to Local 120 dated March 23, 2009
 336 IBT Letter to Local 120 dated June 15, 2007

Exhibits 400-456: Correspondence

400 September 1, 2011 letter to Local 120 from IRB
 401 September 1, 2011 letter to IBT from IRB
 402 September 30, 2011 letter to IRB from Local 120
 403 November 1, 2011 letter to Local 120 from IRB
 404 November 14, 2011 letter to IRB from Local 120
 405 November 7, 2011 letter to IRB from Local 120
 406 December 2, 2011 letter to Local 120 from IRB
 407 December 16, 2011 letter to IRB from Local 120
 408 January 30, 2012 letter to Local 120 from IRB
 409 February 17, 2012 letter to IRB from Local 120
 410 February 4, 2012 letter to Local 120 from IRB & February 28, 2012 email to Local 120 from IRB
 411 February 13, 2012 letter to IRB from Local 120
 412 February 10, 2012 letter to Local 120 from IRB
 413 February 10, 2012 letter to IRB from Local 120
 414 March 2, 2012 letter to IRB from Local 120
 415 March 2, 2012 letter to Local 120 from IRB
 416 March 8, 2012 letter to Local 120 from IRB
 417 March 16, 2012 letter to IRB from Local 120
 418 March 13, 2012 letter to Local 120 from IRB
 419 June 1, 2012 letter to Local 120 from IRB
 420 June 14, 2012 letter to IRB from Local 120
 421 June 15, 2012 Letter from Local 120 to IRB
 422 June 22, 2012 letter to Local 120 from IRB
 423 July 14, 2012 letter to IRB from Local 120
 424 July 5, 2012 letter to IRB from Local 120
 425 July 6, 2012 letter to Local 120 from IRB
 426 July 19, 2012 letter to IRB from Local 120
 427 August 3, 2012 letter to Local 120 from IRB
 428 August 16, 2012 letter to IRB from Local 120
 429 August 7, 2012 letter to Local 120 from IRB
 430 August 20, 2012 letter to IRB from Local 120
 431 August 21, 2012 letter to IRB from Local 120

432 October 5, 2012 letter to IRB from Local 120
 433 August 16, 2012 letter to IBT from IRB & Letter to Local 120 from IRB
 434 August 28, 2012 letter to Legacy Professionals LLP from IRB
 435 August 29, 2012 letter to Local 120 from IRB
 436 September 10, 2012 letter to IRB from Local 120
 437 August 29, 2012 letter to Local 200 from IRB
 438 September 7, 2012 letter to Local 120 from IRB
 439 September 30, 2011 letter to IRB from Local 120
 440 September 21, 2012 letter to Local 120 from IRB
 441 September 21, 2012 letter to IBT from IRB
 442 October 2, 2012 letter to Local 120 from IRB
 443 October 11, 2012 letter to IRB from Local 120
 444 October 9, 2012 letter to Local 120 from IRB
 445 October 18, 2012 letter to IRB from Local 120
 446 October 12, 2012 letter to Local 120 from IRB
 447 October 16, 2012 letter to Local 120 from IRB
 448 October 22, 2012 letter to IRB from Local 120
 449 October 4, 2011 Letter to IRB from Local 120
 450 October 14, 2011 Letter to IRB from Local 120
 451 October 17, 2011 Letter to IRB from Local 120
 452 October 21, 2011 Letter to IRB from Local 120
 453 October 28, 2011 Letter to IRB from Local 120
 454 November 1, 2011 Letter to IRB from Local 120
 455 October 25, 2012 Letter to IRB from Local 120
 456 October 30, 2012 Letter to IRB from Minneapolis Teamsters Construction Division Pension Fund

Exhibits 1000-1130: Real Estate

1000 Purchase Agreement dated July 24, 2007 Between Local 120 and Cloverleaf Office Partners Re: Land in Blaine
 1001 Contract between Stone Construction and Local 120 dated November 5, 2007
 1002 Stone Construction Receipt and Waiver of Mechanic's Lien Rights
 1003 Change Order Dated July 30, 2008
 1004 Change Order Dated April 10, 2008
 1005 Stone Construction checks issued to Todd Chester dated June 12, 2008 and February 28, 2008
 1006 Final Application and Certification for payment
 1007 Email dated January 17, 2008 from Stone Construction to Local 120 regarding Subcontractor Supplier List
 1008 Stone Construction Check Register dated August 28, 2012
 1009 Todd Chester Statement dated August 30, 2012
 1010 Ryan Companies Draft Contract dated June 22, 2007
 1011 Agreement between Ryan Companies and Pope Associates dated June 25, 2007
 1012 Excerpt of Executive Board Minutes Regarding Telephone Poll conducted July 27, 2007

 1013 City of Blaine check dated November 7, 2008 for \$26,961 issued to Stone Construction for Performance Bond Return
 1014 Email dated September 25, 2007 from Staubach to Slawsons
 1015 Disbursing Agreement - Bank Mutual & Building Holding Company, dated November 9, 2007
 1016 Bank Mutual Email regarding change in Disbursing Agent
 1017 Document 43 from Lyle Slawson chronology - November 7, 2007 Email
 1018 No Exhibit
 1019 Stone Construction Proposal to Brad Slawson, Jr., dated July 26, 2007
 1020 Stone Construction Estimate dated August 28, 2007
 1021 Stone Check #55239 for \$26,961 issued to City of Blaine and Site Improvement Agreement with City of Blaine
 1022 Quickbooks Printout of check issued from Local 120 to First USA Title dated August 1, 2008 for \$4,413.65

 1023 December 16, 2011 Local 120 response to IRB Request including partial index for Local 120 document production
 1024 Application and Certifications for Payment #1, 3, 4 & 5 that were produced by Local 120
 1025 Application and Certifications for Payment #1 - #8
 1026 No Exhibit
 1027 Documents regarding \$410,000 wire transfer
 1028 October 11, 2012 letter to Local 120 from IRB

Memorandum of Understanding dated January 26, 2006 with Staubach Company, executed on March 10, 2006 with
1029 amendment written in on August 17, 2007
1030 Contract with Pope Architects dated August 20, 2007
1031 HUD Settlement Statement dated November 1, 2007 (borrower cash \$ 200,000)
1032 HUD Settlement Statement dated November 1, 2007 (borrower cash \$ 750,000)
1033 American Pride check issued to Staubach
1034 Stone Checks to Staubach dated February 7, 2008 for \$71,023 and June 30, 2008 for \$51,058
1035 Mortgage Note for the \$3,382,966 Mortgage and Construction Loan dated November 9, 2007
1036 Disbursing agreement Thomas Gilbert signed as CEO of American Pride
1037 American Pride Website printout
1038 Excerpt from Kevin Goldade's Bankruptcy petition
1039 Brad Slawson 2007 letter to members regarding American Pride
Construction Loan Agreement dated November 9, 2007 between Bank Mutual and Teamsters Local 120 Building
1040 Holding Company
1041 Bank Mutual memorandum dated September 7, 2007
1042 Bank Mutual Email dated November 2, 2007
1043 American Pride checks issued to Stone Construction
1044 Computation of Proportionate Share of Purchase Price of Land Purchase Agreement prepared by IRB
1045 Email dated October 25, 2007 from Staubach representative to Lyle Slawson
1046 Lyle Slawson email dated July 15, 2008
1047 Records regarding \$78,598 paid to Local 120 by Cloverleaf Common
1048 Certificate of Incorporation for Teamsters Local 120 Building Holding Company
1049 Articles of Incorporation for Local 120 Building Holding Company
Signed Minutes of the First Meeting of the Incorporator and Board of Directors of Teamsters Local 120 Building
1050 Holding Company dated September 28, 2007 provided by Bank Mutual
1051 Arthur D. Walsh Attorney Profile
1052 Standard Form of Agreement between Teamsters Local 120 and Stone Construction dated July 27, 2007
1053 Call and Waiver of Notice dated September 28, 2007
Minutes of First Special Meeting of the Board of Directors of Teamsters Local 120 Building Holding Company Dated
1054 September 28, 2007
1055 Minutes of Board of Directors Meeting of Teamsters Local 120 dated September 28, 2007 produced by Bank Mutual
1056 American Pride Undated Project Cost
1057 Bank Mutual memorandum dated October 2, 2007
1058 Bank Mutual memorandum dated July 21, 2008
1059 Ryan Companies Letter dated December 22, 2006
1060 Interim Agreement with Ryan Companies US, Inc. dated June 18, 2007
1061 Ryan Companies Proposal dated March 30, 2007
1062 E-Mail dated June 20, 2007 from Ryan Companies
1063 Letter from Ryan Companies to Local 120 dated July 17, 2007
1064 Check dated March 25, 2008 from Bradley D. Slawson to Todd Chester for \$7,500
1065 Letter from Stone Construction to IRB dated September 6, 2012
Unsigned "Minutes of First Meeting of the Incorporator and Board of Directors of Teamsters Local 120 Building
1066 Holding Company"
1067 Excerpt of Special Meeting Minutes Produced by Local with Bates Stamp #7723, #7724, #7725
1068 Excerpt from 2006 LM-2 for Local 120
1069 Excerpt from 2007 LM-2 for Local 120
1070 Ryan Companies Proposal dated March 30, 2007
1071 Checks between Todd Chester & Bradley D. Slawson, Sr.
1072 Excerpts for East Bethel Council Minutes - dated July 1, 2009
1073 Email from Thomas Gilbert to Lyle Slawson dated June 10, 2008
1074 Subpoena to Bank Mutual
1075 Guaranty dated November 9, 2007
1076 Ryan Companies letter dated December 22, 2006
1077 Stone Proposal (from Stone subpoenaed records) dated July 26, 2007
1078 Cost comparison between Ryan and Stone Construction prepared by Staubach
1079 Cost comparison between Ryan and Stone Construction Printed on August 2, 2007
1080 Letter from Ryan Companies to Bradley Slawson Sr., dated August 7, 2007
1081 Email from Staubach to Lyle Slawson dated August 1, 2007

- 1082 August 17, 2007 Local issued check to Ryan Companies
- 1083 June 14, 2012 letter from Local 120 to IRB with attached minutes
- 1084 Lyle Slawson's Overview of Building Project dated September 19, 2012
- 1085 Legacy Professionals' Construction Audit dated October 9, 2012 and related documents
- 1086 December 18, 2007 cost sheet from Stone
- 1087 Records of \$200,000 wire transfer to American Pride
- 1088 American Pride Title bank records regarding \$200,000 transfer from Local
- 1089 Letter from Local 120 to Citigroup SmithBarney dated November 1, 2007
- 1090 Letter dated January 28, 2008 from Local 120 to Community State Bank

- 1091 Local records and American Pride Title bank records for January 28, 2008 transfer of \$30,000 to American Pride
- 1092 First USA checks to Stone Construction
- 1093 American Pride check # 16647 dated February 4, 2008 to Pope for \$53,334.89
- 1094 Stone Construction Job Cost Report dated August 28, 2012
- 1095 Subpoena to Stone Construction dated August 20, 2012
- 1096 Letter dated June 4, 2012 from Mark Berglund to IRB
- 1097 Excerpts from Stone Construction subpoena responses dated May 2, 2012 and September 26, 2012
- 1098 Todd Chester deposit slips for Stone Construction checks
- 1099 Subpoena to Todd Chester & Associates dated August 20, 2012
- 1100 Special Executive Board meeting minutes dated August 22, 2012
- 1101 August 17, 2012 subpoena application for Stone Construction and others
- 1102 Stone check and invoice for Morgan Chase Homes
- 1103 D&B report for Morgan Chase Homes
- 1104 Memorandum dated February 1, 2008 regarding Stone Construction deferment of \$10,000
- 1105 Email dated March 14, 2008 from Staubach to Brad Slawson, Sr.
- 1106 Local 120 Letter to Central Bank dated June 18, 2010 regarding Strike Fund Account
- 1107 Records regarding Transfer of Strike Funds to General Fund (\$119,130.87)
- 1108 Records regarding Transfer of Strike Funds to General Fund (\$70,000)
Letter dated July 2, 2008 from Local 120 to Citigroup SmithBarney regarding closing account and wire funds to
- 1109 Central Bank
- 1110 Quickbook excerpts regarding \$410,000
- 1111 Bank Mutual handwritten notes
- 1112 Bank Mutual Loan Statement for 2008
- 1113 Amended Mortgage Note dated July 31, 2008
- 1114 Amendment to Construction Loan agreement dated July 31, 2008
- 1115 Amendment to Mortgage, Security Agreement and Fixture Financing Statement dated July 31, 2008
- 1116 Amendment to Guaranty dated July 31, 2008 between Teamsters Local 120 and Bank Mutual
- 1117 Deposit Account Control Agreement dated July 31, 2008 regarding Union Bank and Trust Certificate of Deposit
- 1118 Deposit Account Control Agreement dated July 31, 2008 regarding Teamsters Credit Union term share account
- 1119 President's Certificate Concerning Action of Board of Directors dated July 31, 2008
- 1120 IRB Carey Decision dated July 27, 1998
- 1121 Records regarding Transfer of \$50,000 from Strike Fund to General Fund
- 1122 Local 120 Quickbooks records regarding strike fund
- 1123 Statement of Assets and Liabilities as of June 30, 2009
- 1124 Statement of Assets and Liabilities as of June 30, 2010
- 1125 Email from Martin Costello to Charles Carberry dated October 15, 2012
- 1126 Todd Chester email to Stone Construction regarding September 2006 payment from Stone Construction
- 1127 Lexis printout regarding Todd Chester & Associates
- 1128 October 28, 2008 Email from Stone to Lyle Slawson & Pope Architects
- 1129 Bank Mutual Fund Disbursement Authorizations dated February 21, 2008 and March 26, 2008
- 1130 Bank Mutual memorandum to Local 120 dated July 10, 2008 and copy of check dated December 15, 2008

Exhibits 2000-2138: Bar & Gaming

-
- 2000 Excerpts from Legacy Professionals' Audited Financial Statements 2007-2011
 - 2001 Teamsters Club 990 Tax Returns for 2007-2011
 - 2002 Teamsters Club Articles of Incorporation
 - 2003 Records regarding Bar Wages
 - 2004 Teamsters Club Employee Handbook

Local 120 Response to IRB request dated November 1, 2011 stating "No Current Bylaws in Place" for Bar & Gaming Operations

2005 Operations

2006 Bar & Gaming Minutes dated December 13, 2007

2007 Bar & Gaming Minutes dated June 28, 2012

2008 Bar & Gaming Minutes dated September 30, 2010

2009 Records Reflecting Bar & Gaming Stipend Payments for Bradley Slawson

2010 Records Reflecting Bar & Gaming Stipend Payments for Bradley A Slawson

2011 Schedule of Teamsters Club Salaries

2012 Local 120 Bar & Gaming Salaries of Local 120 Executive Board Members

2013 Teamsters Club Profit & Loss Schedule for 2007-2011

2014 Excerpt from Martin Costello's Documents Re: Legacy Work Papers

2015 Analysis of Bar & Gaming Profit or Loss

2016 IRS Publication 535

2017 Teamsters Account Quick Report for Building Rent (Bar Rent to Local) for Period March 2007 to August 2012

2018 IRB's Forgiveness of Debt Calculation and excerpt from Legacy Work Papers

2019 Todd Chester Healthcare Benefit Cost for 2011 from Legacy Work Papers

2020 Todd Chester Salary for 2010-2011

2021 Todd Chester Dues History dated July 20, 2012

2022 Todd Chester Bankruptcy Filing

2023 Todd Chester Letter dated August 30, 2012 in response to subpoena

2024 East Bethel City Council Meeting minutes dated July 1, 2009

2025 East Bethel City Council Meeting minutes dated May 20, 2009

2026 Letter from Robert Smieja Re: Route 65 Pub & Grub

2027 Newspaper Article dated May 27, 2009

2028 Bar Profit & Loss Reports for period March 2007 - Dec 2011

2029 Not Used

2030 Not Used

2031 Analysis of Alcohol Sales Based on Purchases for 2010, 2011

2032 Schedule of Teamsters Bar Total Beer Sales for 2010 Based on Vendor Purchases from Bergseth Bros

2033 Excerpt of Bergseth Brothers Subpoenaed Records for 2010 year

2034 Schedule of Teamsters Bar Total Beer Sales for 2011 Based on Vendor Purchases from Bergseth Bros

2035 Excerpt of Bergseth Brothers Subpoenaed Records for 2011 year

2036 Schedule of Teamsters Bar Total Beer Sales for 2010 Based on Vendor Purchases from D-S Beverages

2037 Excerpt of D-S Beverages Subpoenaed Records for 2010 year

2038 Schedule of Teamsters Bar Total Beer Sales for 2011 Based on Vendor Purchases from D-S Beverages

2039 Excerpt of D-S Beverages Subpoenaed Records for 2011 year

2040 Schedule of Teamsters Bar Total Beer Sales for 2010 Based on Vendor Purchases from Beverage Wholesalers

2041 Excerpt of Beverage Wholesalers Subpoenaed Records for 2010 year

2042 Schedule of Teamsters Bar Total Beer Sales for 2011 Based on Vendor Purchases from Beverage Wholesalers

2043 Excerpt of Beverage Wholesalers Subpoenaed Records for 2011 year

2044 Schedule of Teamsters Bar Liquor Sales Projection for 2010 Based on Vendor: Ed Phillips & Sons of ND

2045 Schedule of Teamsters Bar Liquor Sales Projection for 2011 Based on Vendor: Ed Phillips & Sons of ND

2046 Excerpt of Subpoenaed Records from Ed Phillips & Sons Re: Liquor Purchases for 2010-2011 years

2047 Schedule of Teamsters Bar Liquor Sales Projection for 2010 Based on Vendor: Northwest Beverages

2048 Schedule of Teamsters Bar Liquor Sales Projection for 2011 Based on Vendor: Northwest Beverages

2049 Excerpt of Subpoenaed Records from Northwest Beverages Re: Liquor Purchases for 2010-2011 years

2050 Schedule of Teamsters Bar Liquor Sales Projection for 2010 Based on Vendor: Republic National Distributing

2051 Schedule of Teamsters Bar Liquor Sales Projection for 2011 Based on Vendor: Republic National Distributing

2052 Excerpt of Subpoenaed Records from Republic National Distributing Re: Liquor Purchases for 2010-2011 years

2053 Schedule of Average Sales Price of Beer 2010

2054 Schedule of Average Sales Price of Beer 2011

2055 Schedule of Average Sales Price of Liquor 2010

2056 Schedule of Average Sales Price of Liquor 2011

2057 Record Regarding North Dakota Sales Tax Rate of 7%

2058 Menu Item Sales Report for Liquor for Period: September 7, 2010-December 31, 2011

2059 Menu Item Sales Report for Beer for Period: September 7, 2010-December 31, 2011

2060 No Exhibit

2061 No Exhibit

2062 State Sales Tax Liquor Audits by Michael Dillon, Esq.

2063 No Exhibit
2064 California Board of Equalization Appeals Division Summary for Board Hearing
2065 Schedule of Group Sales Report Analysis of Sales January 2, 2010 - September 5, 2010
2066 Group Sales Report for Teamsters Bar for the Period: January 2, 2010 - September 7, 2010
2067 Bar Ending Inventory for 2010 Based on Accountant's Financial Statements
2068 Schedule of Teamsters Bar Sales of Captain Morgan for Sept.- Dec. 2010
2069 Schedule of Teamsters Bar 2011 Orders of Captain Morgan Spiced Rum from Northwest Beverages
2070 Schedule of Teamsters Bar Captain Morgan Drinks Sold and Average Price in 2011
2071 Teamsters Bar Liquor Physical Inventory Count dated December 27, 2011
2072 Schedule of Trips Made by Todd Chester to Fargo, ND for 2010, 2011 years
Checks Issued to Todd Chester for Reimbursed Expenses for period February 2011 to September 2011 from
2073 QuickBooks Report
2074 Schedule of Duration of Bar & Gaming Executive Board Meetings
2075 Schedule of Teamsters Bar Liquor Returns for 2010-2011 Years
2076 Excerpt of Subpoenaed Records from Northwest Beverages- Teamsters Club Liquor Returns for 2011
2077 QuickBooks Printout of Checks Issued in 2012 for Bar Stipends
2078 Website Page for Route 65 Pub & Grub
Excerpt from Exhibit 303 showing \$50,000 payment from Bar & Gaming to Local recorded in Accountant's work
2079 papers
2080 Bar & Gaming Executive Board meeting of January 1, 2007
2081 Bar & Gaming Executive Board meeting of February 8, 2007
2082 Bar & Gaming Executive Board meeting of February 20, 2007
2083 Bar & Gaming Executive Board meeting of February 28, 2007
2084 Bar & Gaming Executive Board meeting of April 15, 2007
2085 Bar & Gaming Executive Board meeting of June 14, 2007
2086 Bar & Gaming Executive Board meeting of July 26, 2007
2087 Bar & Gaming Executive Board meeting of September 18, 2007
2088 Bar & Gaming Executive Board meeting of October 29, 2007
2089 Bar & Gaming Executive Board meeting of December 13, 2007
2090 Bar & Gaming Executive Board meeting of January 10, 2008
2091 Bar & Gaming Executive Board meeting of February 14, 2008
2092 Bar & Gaming Executive Board meeting of April 15, 2008
2093 Bar & Gaming Executive Board meeting of July 25, 2008
2094 Bar & Gaming Executive Board meeting of September 11, 2008
2095 Bar & Gaming Executive Board meeting of December 11, 2008
2096 Bar & Gaming Executive Board meeting of February 8, 2009
2097 Bar & Gaming Executive Board meeting of March 12, 2009
2098 Bar & Gaming Executive Board meeting of April 9, 2009
2099 Bar & Gaming Executive Board meeting of May 14, 2009
2100 Bar & Gaming Executive Board meeting of August 5, 2009
2101 Bar & Gaming Executive Board meeting of October 8, 2009
2102 Bar & Gaming Executive Board meeting of November 12, 2009
2103 Bar & Gaming Executive Board meeting of January 7, 2010
2104 Bar & Gaming Executive Board meeting of February 5, 2010
2105 Bar & Gaming Executive Board meeting of March 21, 2010
2106 Bar & Gaming Executive Board meeting of July 27, 2010
2107 Bar & Gaming Executive Board meeting of September 30, 2010
2108 Bar & Gaming Executive Board meeting of October 21, 2010
2109 Bar & Gaming Executive Board meeting of November 29, 2010
2110 Bar & Gaming Executive Board meeting of December 29, 2010
2111 Bar & Gaming Executive Board meeting of January 16, 2011
2112 Bar & Gaming Executive Board meeting of March 22, 2011
2113 Bar & Gaming Executive Board meeting of April 13, 2011
2114 Bar & Gaming Executive Board meeting of May 11, 2011
2115 Bar & Gaming Executive Board meeting of June 9, 2011
2116 Bar & Gaming Executive Board meeting of July 27, 2011
2117 Bar & Gaming Executive Board meeting of August 24, 2011
2118 Bar & Gaming Executive Board meeting of September 15, 2011
2119 Bar & Gaming Executive Board meeting of October 19, 2011

- 2120 Bar & Gaming Executive Board meeting of November 17, 2011
- 2121 Bar & Gaming Executive Board meeting of December 29, 2011
- 2122 Bar & Gaming Executive Board meeting of January 16, 2012
- 2123 Bar & Gaming Executive Board meeting of February 10, 2012
- 2124 Bar & Gaming Executive Board meeting of March 28, 2012
- 2125 Bar & Gaming Executive Board meeting of April 11, 2012
- 2126 Bar & Gaming Executive Board meeting of May 20, 2012
- 2127 Bar & Gaming Executive Board meeting of June 28, 2012
- 2128 Bar & Gaming Executive Board meeting of August 2, 2012
- 2129 Internal Revenue Code 26 USC § 61
- 2130 Joni Tillich Severance pay \$7,500 from QuickBooks
- 2131 North Dakota Gaming Laws
- 2132 Joni Tillich Salary paid by Local 120 for 2009 & 2010 years
- 2133 Teamsters Club Alcohol License - Excerpt of ND AG office Current License List for Alcoholic Beverage
- 2134 Title 29 USC § 501
- 2135 Blaine Youth Hockey Association Board Meeting minutes April 23, 2012
- 2136 World Press news article
- 2137 Schedule of Shrinkage Allowance By State
- 2138 Description of Todd Chester's recommendation regarding the Bar operation (Excerpt from binder Exhibit 303)

Exhibits 3000-3106: Misuse of Local Funds

- 3000 Summary Schedule of Costs of Sporting Events by Team 2007 – 2011
- 3001 Schedule Showing Cost of Twins Tickets 2007 – 2011 and Vendor Report
- 3002 Local 120 Checks to Minnesota Twins from 2007 – 2011
- 3003 Bradley A Slawson Jr. Credit Card Statement for Cycle Ended October 2, 2009
- 3004 Bradley A Slawson Jr. Credit Card Statement for Cycle Ended November 2, 2009
- 3005 Bradley D Slawson Sr. Credit Card Statement for Cycle Ended October 2, 2010
- 3006 Bradley A Slawson Jr. Credit Card Statement for Cycle Ended November 2, 2010
- 3007 Schedule Showing Costs of Minnesota Vikings Tickets 2007 & 2009, Vendor Report and Check
- 3008 Bradley D Slawson Sr. Credit Card Statement for Cycle Ended December 2, 2009
- 3009 Schedule Showing Cost of Wild Hockey Tickets 2007 – 2011 and Vendor Report
- 3010 Local 120 Checks to Minnesota Wild 2007 - 2011

- 3011 Schedule Showing Cost of University of Minnesota Gophers Hockey Tickets 2007– 2011, Vendor Report and Checks
- 3012 Checks issued for Gophers
- 3013 Bradley A Slawson Jr. Credit Card Statement for Cycle Ended May 2, 2010
- 3014 Summary Schedule Showing the Cost of Tickets by Year
- 3015 Schedule Showing Distribution of Sporting Event Tickets Between 2007 and 2011
- 3016 Calendar of Twins Games 2007
- 3017 Calendar of Twins Games 2008
- 3018 Calendar of Twins Games 2009
- 3019 Calendar of Twins Games 2010
- 3020 Calendar of Twins Games 2011
- 3021 Calendar of Vikings Games 2007
- 3022 Calendar of Wild Tickets 2006 – 2007 Season
- 3023 Calendar of Wild Tickets 2007 – 2008 Season
- 3024 Calendar of Wild Tickets 2008 – 2009 Season
- 3025 Calendar of Wild Tickets 2009 – 2010 Season
- 3026 Calendar of Wild Tickets 2010 – 2011 Season
- 3027 Calendar of Gopher Tickets 2006 – 2007 Season
- 3028 Calendar of Gopher Tickets 2007 – 2008 Season
- 3029 Calendar of Gopher Tickets 2008 – 2009 Season
- 3030 Calendar of Gopher Tickets 2009 – 2010 Season
- 3031 Calendar of Gopher Tickets 2010 – 2011 Season
- 3032 Website Showing Cost of Vikings Tickets for 2007
- 3033 Website Showing VIP Packages for Vikings Games in 2007
- 3034 2009 Schedule of Credit Card Receipts for Meals Among Local 120 Executive Board Members and Employees
- 3035 2011 Schedule of Credit Card Receipts for Meals Among Local 120 Executive Board Members and Employees

3036 Excerpt from Credit Card Statement Cycle ending October 2, 2009 for B. A. Slawson (1 charge)
3037 Excerpt from Credit Card Statement Cycle ending October 2, 2009 for B. D. Slawson (4 charges)
3038 Excerpt from Credit Card Statement Cycle ending November 2, 2009 for B. A. Slawson (1 charge)
3039 Excerpt from Credit Card Statement Cycle ending November 2, 2009 for D. Walz (1 charge)
3040 Excerpt from Credit Card Statement Cycle ending November 2, 2009 for B. Rademacher (1 charge)
3041 Excerpt from Credit Card Statement Cycle ending November 2, 2009 for T. Ohlson (2 charges)
3042 Excerpt from Credit Card Statement Cycle ending December 2, 2009 for B. D. Slawson (5 charges)
3043 Excerpt from Credit Card Statement Cycle ending February 2, 2010 for M. Klootwyk (1 charge)
3044 Excerpt from Credit Card Statement Cycle ending March 2, 2010 for D. Cypher (1 charge)
3045 Excerpt from Credit Card Statement Cycle ending March 2, 2010 for B. D. Slawson (2 charges)
3046 Excerpt from Credit Card Statement Cycle ending April 2, 2010 for B. A. Slawson (1 charge)
3047 Excerpt from Credit Card Statement Cycle ending April 2, 2010 for B. D. Slawson (2 charges)
3048 Excerpt from Credit Card Statement Cycle ending April 2, 2010 for M. Klootwyk (1 charge)
3049 Excerpt from Credit Card Statement Cycle ending May 2, 2010 for C. Hubner (2 charges)
3050 Excerpt from Credit Card Statement Cycle ending May 2, 2010 for Knudtson (1 charge)
3051 Excerpt from Credit Card Statement Cycle ending May 2, 2010 for B. A. Slawson (1 charge)
3052 Excerpt from Credit Card Statement Cycle ending May 2, 2010 for B. D. Slawson (1 charge)
3053 Excerpt from Credit Card Statement Cycle ending May 2, 2010 for Rademacher (1 charge)
3054 Excerpt from Credit Card Statement Cycle ending June 2, 2010 for Knudtson (1 charge)
3055 Excerpt from Credit Card Statement Cycle ending June 2, 2010 for Ledger (1 charge)
3056 Excerpt from Credit Card Statement Cycle ending June 2, 2010 for B. D. Slawson (1 charge)
3057 Excerpt from Credit Card Statement Cycle ending June 2, 2010 for Rademacher (1 charge)
3058 Excerpt from Credit Card Statement Cycle ending June 2, 2010 for Jenkins (1 charge)
3059 Excerpt from Credit Card Statement Cycle ending July 2, 2010 for Knudtson (1 charge)
3060 Excerpt from Credit Card Statement Cycle ending July 2, 2010 for B. D. Slawson (1 charge)
3061 Excerpt from Credit Card Statement Cycle ending August 2, 2010 for Knudtson (1 charge)
3062 Excerpt from Credit Card Statement Cycle ending September 2, 2010 for Erickson (1 charge)
3063 Excerpt from Credit Card Statement Cycle ending September 2, 2010 for B. D. Slawson (3 charges)
3064 Excerpt from Credit Card Statement Cycle ending October 2, 2010 for Knudtson (3 charges)
3065 Excerpt from Credit Card Statement Cycle ending October 2, 2010 for B. D. Slawson (4 charges)
3066 Excerpt from Credit Card Statement Cycle ending November 2, 2010 for Erickson (1 charge)
3067 Excerpt from Credit Card Statement Cycle ending November 2, 2010 for Rademacher (2 charges)
3068 Excerpt from Credit Card Statement Cycle ending January 2, 2011 for B. A. Slawson (1 charge)
3069 Excerpt from Credit Card Statement Cycle ending November 2, 2010 for B. D. Slawson (3 charges)
3070 Excerpt from Credit Card Statement Cycle ending December 2, 2010 for Klootwyk (1 charge)
3071 Excerpt from Credit Card Statement Cycle ending December 2, 2010 for B. D. Slawson (3 charges)
3072 Excerpt from Credit Card Statement Cycle ending January 2, 2011 for Rademacher (2 charges)
3073 Excerpt from Credit Card Statement Cycle ending August 2, 2010 for Hubner (1 charge)
3074 Excerpt from Credit Card Statement Cycle ending February 2, 2011 for Wedebrand (3 charges)
3075 Excerpt from Credit Card Statement Cycle ending February 2, 2011 for B. D. Slawson (4 charges)
3076 Excerpt from Credit Card Statement Cycle ending February 2, 2011 for Erickson (1 charge)
3077 Excerpt from Credit Card Statement Cycle ending February 2, 2011 for Jenkins (1 charge)
3078 Excerpt from Credit Card Statement Cycle ending February 2, 2011 for Rosenthal (1 charge)
3079 Excerpt from Credit Card Statement Cycle ending March 2, 2011 for Klootwyk (2 charges)
3080 Excerpt from Credit Card Statement Cycle ending March 2, 2011 for B. D. Slawson (1 charge)
3081 Excerpt from Credit Card Statement Cycle ending April 2, 2011 for Rademacher (1 charge)
3082 Excerpt from Credit Card Statement Cycle ending April 2, 2011 for B. D. Slawson (2 charges)
3083 Excerpt from Credit Card Statement Cycle ending February 2, 2011 for Klootwyk (3 charges)
3084 Excerpt from Credit Card Statement Cycle ending May 2, 2011 for Rademacher (1 charge)
3085 Excerpt from Credit Card Statement Cycle ending May 2, 2011 for B. D. Slawson (2 charges)
3086 Excerpt from Credit Card Statement Cycle ending April 2, 2011 for Klootwyk (1 charge)
3087 Excerpt from Credit Card Statement Cycle ending June 2, 2011 for Ledger (1 charge)
3088 Excerpt from Credit Card Statement Cycle ending July 2, 2011 for Klootwyk (1 charge)
3089 Excerpt from Credit Card Statement Cycle ending June 2, 2011 for B. A. Slawson (1 charge)
3090 Excerpt from Credit Card Statement Cycle ending March 2, 2011 for B. D. Slawson (1 charge)
3091 Excerpt from Credit Card Statement Cycle ending June 2, 2011 for Klootwyk (1 charge)
3092 Excerpt from Credit Card Statement Cycle ending April 2, 2011 for Walz (1 charge)
3093 Excerpt from Credit Card Statement Cycle ending April 2, 2011 for Jenkins (1 charge)
3094 Excerpt from Credit Card Statement Cycle ending April 2, 2011 for Nowak (1 charge)

- 3095 Excerpt from Credit Card Statement Cycle ending April 2, 2011 for Hubner (1 charge)
- 3096 2010 Schedule of Credit Card Receipts for Meals Among Local 120 Executive Board Members and Employees
- 3097 Charge receipt for B A Slawson: Holiday Inn \$104.40 dated December 2, 2011
- 3098 Charge receipt for B A Slawson: Teamsters Lounge \$194.50 dated August 14, 2011
- 3099 Distance between Blaine - Coon Rapids
- 3100 Distance between Blaine - East Bethel
- 3101 Distance between Blaine - Ham Lake
- 3102 Distance between Blaine - Minneapolis
- 3103 Distance between Blaine - Roseville
- 3104 Distance between Blaine - Spring Lake Park
- 3105 Distance between Blaine - St. Paul
- 3106 Charge Receipt for Holiday Inn \$ 549.07 dated December 2, 2011

Exhibits 4000-4014: Vendor Services

- 4000 DFL Convention Schedule
- 4001 7 Corners Printing Invoice #13004 dated September 28, 2009
- 4002 Tschida Printing Invoice #3868 dated June 9, 2008
- 4003 Letter from B Boardman to Kriss Hakala dated December 18, 2009
- 4004 Tschida Printing Invoice Summary showing Invoice dated 2/2/11 open
- 4005 META Data
- 4006 7 Corners Printing Invoices to Local 120 for period: January 2008-December 2008
- 4007 Email chain dated July 14, 2008 between Kriss Hakala and Boardman
- 4008 7 Corners Printing website
- 4009 7 Corners Printing Invoice #11648 dated December 12, 2008
- 4010 Chart Showing Ticket Date, Invoice Date, Name and Description from November 24, 2008
- 4011 Local 120 Employee QuickReport for January 1, 2007-October 21, 2012
- 4012 Subpoena application letter and subpoena
- 4013 Paid/ Unpaid 7 Corners invoices
- 4014 7 Corners 13,000 series 2009 invoices

Exhibits 5000-5019: American Pride Sham Contract

- 5000 American Pride agreement for the period January 5, 2005 through December 31, 2008
- 5001 American Pride agreement for the period January 1, 2009 through December 31, 2013
- 5002 Agreement between Local 120 and Wonder/Hostess
- 5003 Dues history for employees of American Pride who were paid through August 2012
- 5004 Dues history for all employees of American Pride since 2005
- 5005 Letter from Local 120 to members regarding American Pride (2007)
- 5006 Bankruptcy filing for Kevin Goldade
- 5007 D&B Business Report for American Pride Home Services, LLC
- 5008 Letter dated September 30, 2008 from Local 120 to American Pride Home Services
- 5009 John L. Sang Forensic Expert Resume and Report
- 5010 Ullico & American Income Life Insurance website excerpt
- 5011 Local 120 Website section regarding Organizing
- 5012 Letter dated October 8, 2012 from Local 120 to American Pride Home Services
- 5013 Memo to File dated November 1, 2011
- 5014 Email dated December 3, 2006 from L. Dickinson to Brad Slawson Sr.
- 5015 American Pride website printout
- 5016 Agreement for Metz Baking for period May 12, 2003-May 12, 2007
- 5017 American Pride Title Lexis Nexis Report
- 5018 American Pride Real Estate Lexis Nexis Report
- 5019 DOL Form 2009 LM-2 for Joint Council 32

Exhibits 6000-6025: Charge Report Exhibits

- 6000 Local 120 Profit & Loss Statement for June 2007 from QuickBooks
- 6001 Local 120 Profit & Loss Statement for July 2007 from QuickBooks
- 6002 Local 120 Wage Statement issued December 29, 2011 for B. D. Slawson

6003 Local 120 Form W-2 issued to B D Slawson for 2011 year
6004 B. D. Slawson credit card charges of \$545.75 incurred at Teamsters Lounge December 2, 2011
6005 Email dated April 7, 2006 from Staubach Company to K. Hakala, B. D. Slawson, L. Slawson
6006 Email dated October 6, 2006 from Staubach Company to B. D. Slawson, B. A. Slawson
6007 Email dated December 12, 2006 from Staubach Company to B. D. Slawson, B. A. Slawson, L. Slawson
6008 Emails dated December 20, 2006 from Staubach Company to B. D. Slawson, B. A. Slawson, L. Slawson
Email dated June 29, 2007 from Ryan Companies to B. D. Slawson, B. A. Slawson, L. Slawson, J. Mueller, D. Foley,
6009 J. Johnson regarding Enclosed Semi Parking Area
6010 Email dated September 10, 2007 from Tom Gilbert to David Foley
6011 Email dated October 31, 2007 from Staubach Company to B. D. Slawson, B. A. Slawson, L. Slawson
6012 Email dated January 24, 2008 from John Hughes to B. A. Slawson
6013 Email dated February 21, 2008 from Staubach Company to B. A. Slawson, L. Slawson
6014 Email dated May 2, 2007 from B.D. Slawson to L. Slawson regarding Design Meeting with Builders
6015 Email dated July 17, 2007 from B.D. Slawson to L. Slawson, B.A. Slawson regarding IBT Building
6016 Email dated December 5, 2007 from B.D. Slawson to B.A. Slawson
6017 Email dated December 7, 2007 from Staubach Company to Paul Stone
6018 Email dated December 14, 2007 from Stone Construction to Staubach Company
6019 Email dated December 19, 2007 from Staubach Company to L. Slawson
6020 Email dated January 28, 2008 from Stone Construction to Staubach Company
Email dated January 17, 2008 from Pope Architects to Tom Gilbert regarding payment application #1 for Stone
6021 Construction
6022 Email dated November 21, 2011 from B.D. Slawson to K. Rademacher
6023 Request for vacation days taken by D. Walz dated December 6, 2011
6024 Request for vacation days taken by B. Nowak stamped December 13, 2011
6025 Local 120 Trusteeship Notice dated November 9, 2012
6026 Rules & Procedures of the IRB
6027 Checks Issued to Todd Chester for Reimbursed Expenses for period February 2010 from QuickBooks Report
6028 Teamsters Bar Profit & Loss QuickBooks report for period March 2007 - December 2011
6029 Teamsters Bar Profit & Loss QuickBooks report for period July - August 2011
6030 Teamsters Bar Gross Mark-up Schedule 2007-2011
6031 Consent Decree
6032 North Dakota Office of Attorney General Current License List for State Gaming
6033 Letter dated November 15, 2012 from Tschida Printing
6034 Food Service Warehouse article Re: Alcoholic Beverage Pricing
6035 Billing records for Kavaney and Associates
6036 Excerpt from IRS Bars and Restaurants Audit Technique Guide
6037 Schedule of Stone Proposal Changes
6038 Teamster Local 120 Press Release dated February 15, 2012
6039 Brad Slawson Sr's Expense Report dated December 9, 2011
6040 Excerpt from Brad Slawson Sr's credit card statement for cycle ending December 2, 2011