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INVESTIGATIONS OFFICER, :
: Claimant, :
: - v - :
: AFFIDAVIT AND AGREEMENT :
: :
MICHAEL J. RILEY, :
VICE PRESIDENT, IBT :
PRESIDENT, JOINT COUNCIL 42 :
AND SECRETARY TREASURER, :
LOCAL 986, :
: Respondent. :
-----X

MICHAEL J. RILEY deposes and says, and agrees as follows:

1. I make this affidavit and agreement ("the Agreement") to resolve the charge filed against me on May 3, 1991 ("the charges") by the Investigations Officer Charles M. Carberry, appointed pursuant to the consent order entered March 14, 1989 in United States v. International Brotherhood of Teamsters, 88 Civ. 4486 (DNE) (SDNY) ("the Consent Order"). A copy of the charge is annexed as Exhibit A and is incorporated herein by reference. By letter of August 19, 1991, the Investigations Officer withdrew Counts One and Two of the Charge. That letter is annexed as Exhibit B.

2. I make this Agreement to resolve the remaining charge. This Agreement does not constitute an admission of that charge and is separate and not dependent on the withdrawal of charges One and Two.

3. Currently, I am an International Vice President, the President of Joint Council 42 and the Secretary Treasurer of Local 986. I have entered into this Agreement on the

understanding that the Investigations Officer will not pursue the attached charge against me.

4. As part of the settlement of the charge, I agree to pay \$40,760.00 to the general fund of Local 986. That amount represents repayment of the book value of seven vehicles given as retirement benefits to seven business agents of Local 986. Prior to his approval of this Agreement, I will certify to the Independent Administrator that I have paid \$40,760.00 to Local 986.

5. I acknowledge that I have fiduciary responsibilities to investigate and address any allegations of wrongdoing concerning union funds or concerning the integrity of any union official or employee with respect to union matters.

6. I understand that the Investigations Officer's agreement is limited to the charges attached and that he expressly reserves the right to pursue charges against any other officer or entity of the IBT, Joint Council 42 or Local 986, arising out of the allegations contained in the charges or as a result of any other investigations.

7. I agree that this Agreement will be submitted to the Independent Administrator for his review and approval. If approved by the Independent Administrator, I understand he will submit it to the district court for that court to enter it as an order.

8. The Investigations Officer makes no representation as to any action that may be taken by the Independent Administrator or the court with respect to this Agreement. In the event that either the court or the Independent Administrator do not approve this Agreement, I may elect to proceed with a

hearing on the charge.

9. I make this Agreement freely, under no duress or coercion of any kind, and after consultation with my attorney.

10. This Agreement is not effective until it has been signed below by the Investigations Officer and the Independent Administrator.



Michael J. Riley
MICHAEL J. RILEY
Secretary Treasurer
Local 986

Sworn to before me this
5th day of September, 1991

Gloria Hernandez
NOTARY PUBLIC

Jerrold S. Freed
JERROLD S. FREED, ESQ.
Attorney for Michael J. Riley

Agreed:

Charles M. Carberry
Charles M. Carberry
Investigations Officer

September
~~August~~ 6, 1991

Approved:

Frederick B. Lacey
Frederick B. Lacey
Independent Administrator

September
~~August~~ 12, 1991

SO ORDERED:

David N. Edelstein
David N. Edelstein
United States District Judge

~~August~~ 9/17, 1991

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INVESTIGATIONS OFFICER,

Claimant,

- against -

CHARGE

MICHAEL J. RILEY,
International Vice President,
President of the Joint Council 42,
Secretary Treasurer of Local 986,
(Los Angeles, California)

Respondent.
-----x

SIR:

You are hereby advised that the Investigations Officer has charged you with the violations listed below in accordance with the powers granted to him pursuant to Section F. (COURT APPOINTED OFFICERS), Paragraph 12(A) of the order entered in United States v. International Brotherhood of Teamsters, et al., 88 Civ. 4486 (DNE) (SDNY) on March 14, 1989. A copy of that order is attached.

The time and place for the hearing of this matter will be determined by the Independent Administrator, Frederick B. Lacey, and he will notify you accordingly.

You are charged as follows:

Charge One

You are charged with acting in a manner to bring reproach upon the IBT while an International Vice President and member of its General Executive Board and violating your oath and your fiduciary duties as an officer of the IBT by deliberately failing to investigate and remedy corruption and breaches of fiduciary duty by International Representative Earl D. Bush, in violation of Article II, section 2(a) and Article XIX, section 6(b) (1) (2) and (3) of the IBT Constitution:

TO WIT, while an International Vice President you have willfully disregarded your fiduciary duty to investigate and take appropriate remedial action with regard to the embezzlement of at least \$16,200 in union funds by Earl D. Bush ("Bush") while he was an International Representative and an officer of IBT Local 399, Los Angeles, California. Instead, you took steps to prevent the discovery of Bush's corruption, and to ensure the continued employment of Bush as an International Representative, although you knew or would have known as the result of an exercise of your fiduciary duties that Bush had embezzled thousands of dollars from his local by claiming expenses from the local that already had been paid by the IBT, as well as other allegations of misappropriating Local 399's assets and money.

An investigation into the allegations against Bush would have revealed that, during the years 1987 and 1988, Bush

regularly charged Local 399 for expenses that had already been paid by the IBT. During the period 1987 through 1988, Bush fraudulently took at least \$16,200 from Local 399 in this manner.

CHARGE TWO

You are further charged with acting in a manner to bring reproach upon the IBT, violating your oath, embezzling assets and money of the IBT in violation of Article II, section 2(a) and Article XIX, section 6(b) (1) (2) and (3).

TO WIT, as President of Joint Council 42 you are provided by the Joint Council with an automobile for round-the-clock business and personal use. All maintenance, gas and other costs and expenses associated with the car are fully paid on your behalf by the Joint Council.

Since at least the time you were appointed an International Vice President in October 1985 you have taken from the IBT a car allowance of \$300 per month. You have used no part of that specifically-designated IBT allowance to pay for or maintain an automobile; instead you have used it solely for your personal use. On or about January 10, 1986, after your appointment as an International Vice President, you caused the Joint Council Executive Board to pass a resolution purporting to "recognize[]" the allowance the IBT provided to you for an automobile as "accruing to President Riley in total," and purporting to allow you to keep the IBT-issued car allowance rather than turn it over to the Joint Council that paid for your car.

You never informed the IBT that the Joint Council you headed had already paid, and continues to pay, for the automobile expenses for which the IBT regularly has given you an allowance over and above your IBT salary. Nor have you told the IBT of your arrangement with Joint Council 42 that enabled you to convert this specifically designated allowance to your personal use and benefit.

Since the passage of the Joint Council 42 resolution, you have claimed and received from the IBT approximately \$18,000 in automobile allowances that you have converted to your personal use.

Charge Three

You are further charged with acting in a manner to bring reproach upon the IBT, violating your oath, and violating the by-laws of Local 986, in violation of IBT Constitution Article II, section 2(a) and Article XIX, section 6(b)(1)(2) and (3):

TO WIT, between 1984 and 1989 you, while Secretary Treasurer of Local 986, and other members of the Local 986 Executive Board agreed to give as gifts to officers and employees of the Local seven union-owned automobiles, which automobiles the Local had purchased for a total of approximately \$92,835.43.

During 1984, you and other members of the board gave to M.E. Anderson, then Local 986 president, an automobile purchased by the union in March 1984 for \$13,917.63. Also during 1984, you and other members of the Board gave to Bertram

J. Bergman, then Local 986 "coordinator" a car purchased by the union in April 1983 for \$7,870.56.

In or around September 1987, you and other members of the board purchased with Local 986 funds a 1985 Lincoln Town Car from Joint Council 42 for \$10,500. You gave this car to Vice President John Nash as a retirement gift.

On or about August 25, 1987, you and other members of the board caused to be sold to Michael Butorac, a Local 986 Business Agent, a 1986 Ford LTD that had been purchased by the Local in February 1986 for \$16,278.45. At the time of this sale, the book value of the car was at least \$8,000. You sold the car to Butorac for only \$3,000 and forgave the \$5,000 difference as a gift to Butorac.

During 1989, you and other members of the executive board gave as retirement gifts to (i) Lonnie Smith, a Local 986 Business Agent, a 1987 Ford Van the Local had purchased in August 1987 for a total price of \$17,008.07; (ii) Edmundo Peralta, a Local 986 Business Agent, a 1986 Ford Aerostar the Local had purchased in May 1986 for \$15,371.51; and (iii) Robert A. Garcia, a Local 986 Business Agent at 1985 Ford Van the Local had purchased in May 1985 for \$11,889.21.

These gifts of union-owned automobiles all were in violation of the Local 986 By-laws, section 15(C). That section mandates title to automobiles purchased by the union

shall remain with the Local union. These transfers of cars purchased with over \$92,000 in union funds served no legitimate interests of the members and were solely for the personal benefits of the officers and business agents to whom they were given.

Dated: New York, New York
May 3, 1991

Very truly yours,

Charles M. Carberry
Charles M. Carberry
Investigations Officer
599 Lexington Avenue
30th Floor
New York, New York 10022
(212) 326-3920

cc: Frederick B. Lacey, Esq.
James T. Grady, Esq.
Edward T. Ferguson, Esq.

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