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INVESTIGATIONS OFFICER,
Claimant,

-v-

TEAMSTERS LOCAL 507,
Respondent.

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AFFIDAVIT and AGREEMENT

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THE EXECUTIVE BOARD OF TEAMSTERS LOCAL 507, by each of its undersigned and sworn members (collectively, the "Executive Board") deposes, says and agrees as follows:

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1. The Executive Board makes this Affidavit and Agreement (the "agreement") to resolve charges filed against Local 507 on February 27, 1990 (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 charges is annexed as Exhibit A and incorporated herein by reference. By execution of this agreement, the Executive Board neither admits nor denies any wrongdoing as alleged in the charges.

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2. The Executive Board represents that no payments of any kind have been made by Local 507 to Harold Friedman or Anthony Hughes pursuant to resolutions passed by the Executive Board on September 16, 1988, April 7, 1989 and August 11, 1989 regarding the payment of severance pay to Harold Friedman and Anthony Hughes (the "severance resolutions"). The Executive Board further represents that no severance pay, or payments of any kind in the nature of severance pay, have been made to Harold Friedman or Anthony Hughes by Local 507.

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3. The Executive Board represents that no raise in salary has been given by Local 507 to Secretary Treasurer Barbara Walden pursuant to a resolution of the Executive Board passed May 22, 1989 regarding an increase in her salary from \$600 per week to \$3,000 per week in the event Harold Friedman leaves office in Local 507 for any reason. The Executive Board further represents that (i) Barbara Walden's salary from Local 507 is currently \$600 per week; (ii) she participates in employee benefit plans, including health and pension benefits and vacation entitlements applicable to all employees of Local 507; (iii) she is entitled to reimbursement of reasonable and necessary expenses she incurs in the course and scope of her employment and office in Local 507; and (iv) and she receives no additional remuneration from Local 507 of any kind.

4. The Executive Board agrees that within three business days of the execution of this agreement it shall be duly adopted

resolution rescind the severance resolutions.

5. The Executive Board agrees it shall not hereafter adopt any resolution nor in any other manner authorize the payment of severance pay or any other similar kind of remuneration incident to leaving office to Harold Friedman, except in the event that his conviction in United States v. Harold Friedman, et al., No. Cr. 86-114 (N.D. Ohio) ("Friedman's conviction") is reversed or vacated by a court of competent jurisdiction and Friedman is thereafter acquitted of all charges against him in said case or all charges against him in said case are dismissed.

6. The Executive Board agrees that it shall not hereafter adopt any resolution nor in any other manner authorize the payment of severance pay or any other similar kind of remuneration incident to leaving office to Anthony Hughes, except in the event his conviction in United States v. Harold Friedman, et al., No. Cr. 86-114 (N.D. Ohio) ("Hughes' conviction") is reversed or vacated by a court of competent jurisdiction and Hughes is thereafter acquitted of all charges against him in said case or all charges against him in said case are dismissed.

7. The Executive Board agrees that within three business days of the execution of this agreement it shall by duly adopted resolution rescind the resolutions passed May 22, 1989 conferring the status of "member in good standing" on Harold Friedman should

and Anthony Hughes, 10/2/89
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he leave office in Local 507.

8. The Executive Board agrees that it shall hereafter pass no similar resolution conferring, or in any other manner authorizing, the status of "member in good standing" on Harold Friedman, except in the event Friedman's conviction is reversed or vacated by a court of competent jurisdiction and he is thereafter acquitted of all charges against him in said case or all charges against him in said case are dismissed. In that event, the Executive Board may confer such status retroactive to May 22, 1989.

9. The Executive Board agrees that it shall hereafter pass no similar resolution conferring, or in any other manner authorizing, the status of "member in good standing" on Anthony Hughes, except in the event Hughes' conviction is reversed or vacated by a court of competent jurisdiction and Hughes is thereafter acquitted of all charges against him in said case or all charges against him in said case are dismissed. In that event, the Executive Board may confer such status retroactive to May 22, 1989.

10. The Executive Board agrees that no later than three business days after the execution of this agreement it shall by duly adopted resolution rescind the resolution passed May 22, 1989 authorizing a pay increase for Barbara Walden in the event Harold Friedman leaves office.

Handwritten notes and initials on the left margin, including "P.L.", "H.Y.", and "A.".

11. The Executive Board agrees that it shall pass no resolution, or in any other manner authorize, a salary increase or any other increase in Barbara Walden's remuneration from Local 507, except for (i) annual cost of living increases no greater than the highest percentage increase obtained by Local 507 for its members in any current collective bargaining agreement; and (ii) increases in employee fringe benefits applicable to all employees of Local 507. In the event Local 507 wishes to confer any greater increase upon Barbara Walden, it must first demonstrate, by sworn affidavit submitted to the Independent Administrator, that such increase is appropriate based upon Ms. Walden's skills, experience, duties, responsibilities and performance as an officer of Local 507. Any such submission shall also be submitted to the Investigations Officer, who shall have an opportunity to respond to the submission. No such increase shall be given to Barbara Walden unless it shall first have been approved by the Independent Administrator.

P.L.
H.Y.

12. The Executive Board agrees it shall pass no resolution authorizing, nor authorize in any other manner, the payment of severance pay to any officer, business agent, assistant business agent, organizer, or any other employee of the local who is terminated for cause, or required to leave office or employment

by operation of law, or pursuant to disciplinary charges under the provisions of the Constitution and Bylaws of the International Brotherhood of Teamsters or the Constitution and bylaws of Local 507.

13. The Executive Board has entered into this agreement on the understanding that the Investigations Officer agrees he will not pursue the charges, currently scheduled to be heard before the Independent Administrator beginning July 9, 1990, or at any time thereafter and the Investigations Officer will not file charges against any individual member of the Executive Board arising out of the factual allegations in these charges.

14. The Investigations Officer's agreement is limited to the provisions of Paragraph 13. The Investigations Officer expressly reserves the right to investigate and pursue any other charges against Local 507, its Executive Board or any of its officers and members except as expressly provided herein. Nothing in this agreement shall be construed as limiting, modifying or amending in any manner the powers and duties of the Investigations Officer as set forth in the Consent Order.

15. Nothing in this agreement shall be construed as limiting, modifying or amending in any manner the responsibilities and duties of the members of the Executive Board under (i) federal, state or common law; (ii) the constitution and by laws of Local 507; (iii) the Constitution and Bylaws of

the IBT; or (iv) the Consent Order.

16. Nothing in this agreement shall be construed as limiting, modifying or amending in any manner the powers of the Executive Board under (i) federal, state or common law; (ii) the constitution and bylaws of Local 507; or (iii) the Constitution and bylaws of the IBT, except as specifically set forth in this agreement.

17. This agreement shall be submitted to the Independent Administrator for his review and approval. The Investigations Officer makes no representation as to any action that may be taken by the Administrator or the court with respect to this agreement.

18. Each member of the Executive Board makes this agreement freely, under no duress or coercion of any kind.

19. In the event any position on the Executive Board becomes vacant and a successor is appointed to any position on the Executive Board, any such successor shall be required to execute this agreement prior to assuming the office to which he is appointed.

P.L.
B.H.
J.

20. This agreement shall not be effective until it has been signed below by the Investigations Officer and the Independent Administrator.

J. Michael Murray

J. MICHAEL MURRAY, Attorney at Law
Notary Public, State of Ohio
My commission has no expiration date.
Section 147.03 R. C.

Barbara Walden

BARBARA WALDEN
Gary Presser

GARY PRESSER
William Jurevicius

WILLIAM JUREVICIUS
Gerald Yondex

GERALD YONDEX
Paul Labuda

PAUL LABUDA

Agreed:

Charles M. Carberry

Charles M. Carberry
Investigations Officer

Approved:

Frederick B. Lacey
Independent Administrator

embezzled and converted to its own use and the use of others;

Violating Article XXI of the Constitution and By-laws of Local 507, by willfully failing to hold the money and property of the union solely for the benefit of the union and instead participating in schemes to convert and embezzle union money for its own use and the use of others;

Violating Article II, § 2(a) of the IBT Constitution, by conducting itself in a manner to bring reproach upon the IBT; and

Violating 29 U.S.C. § 501:

TO WIT:

The Local 507 executive board endorsed, participated in and abetted schemes to defraud the membership of the Local of its funds and property. In addition, the executive board breached its fiduciary duties to the members of the union by deliberately failing to investigate breaches of fiduciary duty by fellow officers of Local 507. Instead, the executive board of Local 507 has devoted its efforts, and local union funds, to schemes and devices designed to assist members of the board to escape the consequences of their criminal acts.

In or about May 1986, Jackie Presser, Harold Friedman and Anthony Hughes were charged in an indictment filed in the United States District Court for the Northern District of Ohio in an action entitled United States v. Jackie Presser, et al.,

Cr. No. 86-114 (D. Ohio) (the "Indictment"). Presser, Friedman and Hughes were respectively the Secretary-Treasurer, President and Recording Secretary of Local 507, as well as office holders in various Local 507 benefit plans and other union offices. In the Indictment, Presser, Friedman and Hughes were charged with racketeering, embezzlement of union funds and making false statements to the United States Department of Labor.

Presser died on July 8, 1988. On or about January 13, 1989, after a jury trial, Friedman and Hughes were convicted of embezzlement and racketeering. Friedman was also convicted of making false statements to the Department of Labor. On or about May 26, 1989, Friedman and Hughes were sentenced by the district court. The court (i) placed Friedman and Hughes on probation for four years and (ii) forfeited Friedman and Hughes' offices in Local 507, Local 507 affiliated benefit and pension plans, Local 19 of the Bakery, Confectionery and Tobacco Workers International Union and Local 19 affiliated benefit and pension plans. The court also forfeited Friedman and Hughes' Local 507 Pension Fund credits and Hughes' Local 507 salary for the period January 1, 1978 through December 31, 1981. Also, the district court fined Friedman \$35,000 and Hughes \$30,000. Imposition of sentence and statutory debarment from union office pursuant to 29 U.S.C. § 504, was stayed pending appeal by Friedman and Hughes of their convictions.

On or about June 12, 1989, as a result of his felony convictions, Friedman was required to resign his position as an International Vice President of the IBT pursuant to the Consent Order entered March 14, 1989.

On or about July 26, 1989, the Investigations Officer filed charges against Friedman and Hughes with the Independent Administrator. The Investigations Officer charged that Friedman and Hughes had violated Article II, § 2(a) of the IBT Constitution by bringing reproach upon the union through their embezzlement and racketeering convictions. On January 10, 1990, the Independent Administrator issued a decision, finding that the elements of the Investigations Officer's charges had been established after a hearing. The Administrator imposed on Friedman and Hughes a suspension from all of their IBT affiliated positions for one year. The Independent Administrator stayed the imposition of the suspension pending review of the January 10 decision by the district court.

In the period before, during and after (i) the convictions of Friedman and Hughes in federal court for embezzlement, racketeering and making false statements; and (ii) the disciplinary hearings and suspension of Friedman and Hughes by the Independent Administrator, the Local 507 executive board participated in a scheme to assist Friedman and Hughes to evade the financial consequences of their crimes. Rather than exercise its fiduciary duty to the local membership

by investigating the activities of Friedman and Hughes, the executive board instead conducted a scheme to funnel hundreds of thousands of dollars of union money to Friedman and Hughes, directly and indirectly, in the form of specially constructed severance and other improper benefits to Friedman and Hughes. These schemes to reward Friedman and Hughes had no benefit to the members of Local 507.

Three months after the jury had rendered its verdict of Friedman and Hughes' guilt of embezzlement and racketeering, on or about April 7, 1989, the executive board of Local 507 unanimously passed a motion that its convicted President Harold Friedman should be paid a salary at an effective rate of \$156,000 per year, "which shall be over and above any of [his] other earnings." In the same motion, the board approved a \$2600 per year raise for Friedman's convicted co-defendant Hughes, raising his salary to \$59,800 per year from the local. At this same meeting, the executive board attempted to insure that Friedman and Hughes would continue to collect these salaries in the event the court's sentence of Friedman and Hughes included an order barring them from holding union office.

In addition, the board unanimously voted to divert still more of the Local's assets to its two convicted members, passing motions to "ratify and reconfirm" certain "severance pay resolutions" that had been adopted by the board the previous year, on or about September 18, 1988, in anticipation

of the trial of Friedman and Hughes. That earlier resolution had been adopted despite the board's knowledge that Friedman and Hughes had been charged with embezzlement and racketeering at Local 507 and despite the board's abandonment of its duty to determine if Friedman had betrayed the trust of the members of Local 507.

The board's resolution of September 18 purported to provide for "severance" pay equal to two years "gross salary" in the same amount received in the last year in office by both Friedman and Hughes. This resolution provided for "severance" pay to be paid to Friedman and Hughes when they "leave[] office, whether [they] leave[] voluntarily or involuntarily, whether as a result of election, retirement, operation of law, or the like." This resolution was thus drafted to guarantee these "severance" payments no matter how grossly Friedman and Hughes had betrayed the trust of union members. At the April 7, 1989 meeting of the board, even after Friedman and Hughes had been convicted, the board nonetheless "ratified" its earlier resolution designed to insulate Friedman and Hughes from the financial consequences of their crimes by approving a severance package for the two convicted felons totalling approximately \$432,000.00. In so doing, the board completely abandoned its duties to the members.

This resolution was drafted at the express direction of Friedman, one of its beneficiaries. Friedman presided over

both the meeting at which it was passed before his trial and the one at which it was "ratified" after his conviction. These resolutions were not for the benefit of the members of Local 507 and furthered no legitimate union interest. Instead, the sole purpose of the resolutions was to provide Friedman and Hughes with undeserved severance pay, measured by deliberately inflated salaries, in the event their convictions resulted in their debarment from union office.

At its next meeting, on or about May 22, 1989, the Local 507 executive board furthered its efforts to reward Friedman and Hughes for their proven breaches of trust. At that meeting, four days before Friedman and Hughes' sentencing, the board passed unanimously a motion to install Friedman's wife Barbara Friedman (sometimes referred to as "Barbara Walden") to serve the unexpired term of the deceased Jackie Presser as Secretary-Treasurer of Local 507. Prior to her appointment as the principal officer of Local 507, Barbara Friedman had been its office manager.

The motion to appoint Barbara Friedman as a figurehead officer of Local 507 continued her salary at the \$600 she was paid each week as office manager. However, the executive board passed an extraordinary measure that demonstrated the sham nature of her appointment. In anticipation of Friedman's ouster from office by the court, the board passed unanimously a motion that "in the event President Harold Friedman leaves

office for any reason . . .the salary of the secretary-treasurer Barbara Friedman shall be increased from \$600 per week to \$3000 per week" This motion to give the Local 507 former office manager a \$120,000.00 raise was made at a meeting at which her husband, Harold Friedman presided. It passed unanimously with no questions or discussion. The executive board took these steps even though the members of the executive board knew that, by operation of law, Friedman would be subject at his imminent sentencing to an order barring him from holding union office. This was done solely to feather Friedman's nest.

These motions, which were drafted at Friedman's direction and passed at a meeting over which he presided, were not for the benefit of the membership of Local 507. The motions served no legitimate union interest. The purpose of the motions was to provide Friedman with an undeserved income from the local union of at least \$152,000, paid indirectly to him through Barbara Friedman as the sham principal officer of the local. This improper conversion of union cash to the Friedman household is in addition to the approximately \$312,000 "severance" payment the board had approved in the previous meeting to be paid to Friedman in the event he was barred from office as a result of his convictions.

The board also has attempted to guarantee Friedman and Hughes would continue to be "members in good standing of the

local" in the event the court barred them from office. At its meeting on May 22, 1989, the executive board unanimously passed, again without question or discussion, motions granting Friedman and Hughes "a leave of absence to be taken by him should it become necessary for him to leave office for any reason, and allow him to remain a member in good standing for the entire duration of said leave of absence" This guarantee of "good standing" is, according to the board's motion, "to remain in effect for a period of up to ten years from the date of this resolution." The motions allowing Friedman and Hughes to continue as members of the local in "good standing," despite their convictions for embezzlement and labor racketeering, were an artifice designed by the board to protect the felons' qualification to run for union office and to enjoy other union benefits requiring membership in "good standing."

Soon after Friedman and Hughes were charged by the Investigations Officer, the Local 507 board held its next meeting, on or about August 11, 1989. At that meeting, the board further enhanced its conversion of assets to Friedman by increasing the amount of local union money to be funneled to him in the guise of "severance pay" pursuant to the May 22, 1989 resolution. At that meeting, over which Friedman presided, the board unanimously passed a resolution drafted at Friedman's direction to ensure that his "severance" package was

not diminished by taxes. Under this amendment to the resolution passed in anticipation of Friedman's sentencing on May 22, the board defined Friedman's reward for his conviction to include gross salary "defined as the amount of pay, including taxes, that Friedman received during the last full year of his employment prior to leaving office."

The passage of this motion was not for the benefit of the members of Local 507 and served no union interest. Its sole purpose was to increase even further the amount of union monies to be converted to Friedman in the event his conviction is affirmed by the court of appeals, or the charges against Friedman lodged by the Investigations Officer resulted in Friedman's departure from union office.

In further breach of its fiduciary duties to the members of Local 507, the executive board has never investigated in any way the breaches of duty and crimes of Friedman and Hughes. Despite the serious charges made against the two former board members, it has not questioned them or conducted any independent inquiry. Instead, the board rewarded the two convicted embezzlers and racketeers in its midst by (i) passing lucrative severance packages to insulate Friedman and Hughes from any financial consequences of their crimes; (ii) promoting Friedman's wife to the principal executive position in the union and approving a \$120,000 raise for her in

the event Friedman is forced to leave office by the court or the Independent Administrator; and (iii) passing resolutions to ensure that, despite their felony convictions and any consequent debarment from union office, Friedman and Hughes will remain on a "leave of absence" as "members in good standing" of the local.

WHEREFORE, the Investigations Officer requests that the Administrator, pursuant to Article VI, §§ 2 and 4 and Article XIX, § 9 of the International Brotherhood of Teamsters Constitution (i) declare the motions passed at the board meetings on (a) September 18, 1988 (establishing the "severance" packages for Friedman and Hughes), (b) April 7, 1989 (approving Friedman's and increasing Hughes' salaries after their convictions, and "ratifying" the September 18, 1988 "severance" resolutions), (c) May 22, 1989 (approving a \$120,000 raise for Barbara Friedman if Harold Friedman leaves office and granting "leaves of absence in good standing" to Friedman and Hughes), (d) August 11, 1989 (increasing Friedman's undeserved "severance" to include any "taxes due thereon") all to be void as fraudulent and violative of the IBT Constitution and the By-laws of Local 507 and 29 U.S.C. § 501(c); (ii) to order the board to irrevocably repeal each of these resolutions; and (iii) issue any such other orders and

relief that the Administrator determines are just and appropriate in this proceeding.

Very truly yours,

Charles M. Carberry

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

Dated: New York, New York
February 27, 1990

Enclosure

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