

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

JAMES P. HOFFA
General President

25 Louisiana Avenue, NW
Washington, DC 20001



KEN HALL
General Secretary-Treasurer

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April 1, 2013

BY UPS GROUND DELIVERY

Mr. Todd Chester
21414 S Lake George Drive NW
Cedar, MN 55011

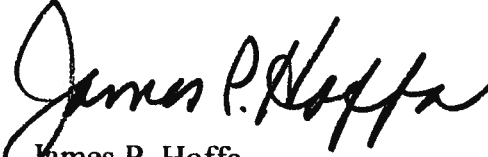
Re: Panel Report and Recommendations

Dear Sir and Brother:

You will find enclosed the Report and Recommendations of the Panel that conducted the hearings on the charges filed against you. I have had the opportunity to review the Panel's findings and conclusions and hereby adopt them as my own.

The Panel's recommendation is reissued as the decision of the General President.

Fraternally yours,


James P. Hoffa
General President

JPH/brm
Enclosure

cc: General Executive Board
Hearing Panel
Roland Acevedo, Esq.
Local Union 120
Independent Review Board
Charles M. Carberry, Esq.
Brian Toder, Esq.

**REPORT AND RECOMMENDATIONS OF HEARING PANEL
APPOINTED TO HEAR CHARGES AGAINST FORMER LOCAL 120
OFFICERS BRADLEY D. SLAWSON AND BRADLEY A. SLAWSON AND
FORMER EMPLOYEE AND MEMBER TODD CHESTER**

Introduction

On December 20, 2012, the Independent Review Board (“IRB”) issued a report and recommendation to International Brotherhood of Teamsters (“IBT”) General President James P. Hoffa that former Local 120 officers Bradley D Slawson (“Slawson Sr.”) and Bradley A. Slawson (“Slawson Jr.”) and former Local 120 employee and member Todd Chester be charged as follows:

Charge One – Slawson Sr.

Bringing reproach upon the Union, violating his oath of office, breaching his fiduciary duty and embezzling Local funds in violation of Article XIX, Section 7 (b)(1), (2) and (3) and Article II, Section 2 (a) of the IBT Constitution by scheming in 2007 and 2008 to embezzle \$90,000 of Local money for the benefit of Todd Chester.

Charge Two – Slawson Sr. and Slawson Jr.

Bringing reproach upon the Union, violating their oaths as members and breaching their fiduciary duties in violation of Article XIX, Section 7 (b) (1) and (2) and Article II, Section 2 (a) of the IBT Constitution by 1) causing false statements to be made to Bank Mutual to secure financing for Local 120’s building project and then failing to ensure that the loan proceeds were used only for Union business, 2) failing to monitor expenses charged to the building project by the general contractor thereby allowing the contractor to charge the maximum price under the building contract, 3) allowing the general contractor for the building project to charge the Local for \$90,000 paid to Todd Chester simply for introducing the contractor to the Local and 4) allowing the building contractor to pass on other inappropriate charges to the Local and improperly to retain \$35,000 the contractor owed to the Local.

Charge Three – Slawson Sr. and Slawson Jr.

Bringing reproach upon the Union and violating the Consent Order and the IBT Constitution in violation of Article XIX, Section 7 (b) (1), (2) and (11) of the IBT Constitution and Paragraph E (10) of the Consent Order by committing an act of racketeering by engaging in a scheme to defraud Bank Mutual into providing financing for the Local's building project. This conduct included causing false information to be submitted to Bank Mutual concerning actions authorized by Local 120, actions authorized by the Local's Building Holding Company and the number of members in Local 120.

Charge Four – Slawson Sr. and Slawson Jr.

Bringing reproach upon the Union, breaching their fiduciary duties, violating their oaths of office and embezzling Local funds in violation of Article XIX, Section 7 (b) (1), (2) and (3) and Article II, Section 2 (a) of the IBT Constitution by taking \$68,100 and \$72,700, respectively, between 2007 and 2012 from the Local 120 Bar and Gaming revenue without disclosure to the Local's members and without formal disclosure and approval by the Local's Executive Board.

Charge Five – Slawson Sr.

Bringing reproach upon the Union and violating his oath of office 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 by entering into a sham collective bargaining agreement with American Pride Home Services in order to accommodate this Company's marketing strategy. This conduct included using Local resources to help this Company market its products to Local 120 members and causing the Local to use this Company's services without required Executive Board approval.

Charge Six – Slawson Jr.

Providing false and misleading testimony under oath in violation of Article XIX Section 7 (b) (1) and (2) and Section 14 (i) and Article II, Section 2 (a) of the IBT Constitution by asserting falsely that he was unaware of an invoice from 7 Corners Printing and that he did not have a conversation with 7 Corners' owner, Dan Winter, concerning the invoice.

Charge Seven – Todd Chester

Embezzling and converting inventory from the Local 120 Bar in violation of his fiduciary duties while the manager of the Bar, a member of Local 120 and an employee of the Local in violation of Article XIX, Section 7 (b) (1), (2) and (3) and Article II, Section 2 (a) of the IBT Constitution by causing liquor inventory valued in excess of \$1,000 to be removed from the Bar and converted to his own use.

Charge Eight – Slawson Sr. and Slawson Jr.

Violating their oaths as members and officers in violation of Article XIX, Section 7 (b) (1) and (2) and Article II, Section 2 (a) of the IBT Constitution by failing to follow the Local's bylaws as follows:

- Failing to secure membership approval of transactions related to the Local's purchase of land and construction of a building in 2007 and 2008.
- Failing to secure Executive Board and membership approval of financing arrangements related to the Local's building project, including entering into a mortgage arrangement by the Building Holding Company for which the Local was designated as guarantor. This includes both the original mortgage and subsequent amendments.
- Improperly transferring dedicated funds from the Local's strike fund to its general fund for use in connection with the building project.
- Failing to "keep itemized records, showing the source of all money received and spent" in connection with the building project, failing to monitor expenditures by the project's contractor, failing to maintain copies of critical agreements and documentation of draws taken by the contractor from the Local's construction loan and other disbursements.
- Failing to secure Executive Board approval for the hiring of experts retained for the construction project and the Local's Bar and Gaming operation, including The Staubach Company, Pope Architects, Ryan Companies, American Pride Home Services, Kavaney & Associates and Todd Chester.

- Failing to secure Executive Board approval of stipends paid to the members of the Local's Bar and Gaming Board.
- Failing to hold the required proposal meeting with and ratification vote by affected members employed by American Pride Home Services in connection with the sham collective bargaining agreement signed with this Company.

Charge Nine – Slawson Jr.

Violating his oath of membership and fiduciary duty in violation of Article XIX, Section 7 (b) (1) and (2) and Article II, Section 2 (a) of the IBT Constitution by failing to ensure that Local assets were used solely for union purposes in connection with sporting event tickets purchased by the Local.

Charge Ten – Slawson Jr.

Violating his fiduciary duty and embezzling Local money in violation of Article XIX, Section 7 (b) (1), (2) and (3) and Article II, Section 2 (a) of the IBT Constitution by charging expenses to the Local which had no union purpose, including 1) \$194.50 for alcohol and food at the Teamster Bar in Fargo on August 21, 2011, 2) \$104.48 for drinks for members while he was a candidate for Local Union office on December 2, 2011 and 3) \$78.27 for alcohol and food for himself and a Local employee on October 14, 2009.

Charge Eleven – Slawson Sr.

Violating his fiduciary duty and embezzling Local money in violation of Article XIX, Section 7 (b) (1), (2) and (3) and Article II, Section 2 (a) of the IBT Constitution by charging expenses to the Local which had no union purpose, including 1) \$545.75 at the Local's Bar in Fargo on December 2, 2011, for drinks for members at a time when he was in Fargo to campaign for Bradley A. Slawson, 2) hotel and meal expenses for the same trip, 3) \$169.97 at the Route 65 Pub and Grub on September 8, 2010 while with another Local officer and Todd Chester and 4) charges on September 30, 2010 and February 22, 2011 at restaurants in the same city in which the Local is located.

General President Hoffa promptly filed the recommended charges, and appointed a Hearing Panel ("Panel") comprised of the following uninvolved members: Steve Mack, International Representative; Robert Mele, President of

Local 988, and Marcus W. King, President of Local 331. Brother Mack was designated to serve as the Panel's chair. The Panel was given the responsibility of hearing the evidence and making a full report to General President Hoffa.

By letters dated January 14, 2013, General President Hoffa notified Slawson Sr., Slawson Jr. and Todd Chester that a hearing on the charges was scheduled for February 28, 2013.

The hearing was conducted on February 28, 2013 at the offices of Local 120, located at 9422 Ulysses Street, N.E., Suite 120, Blaine, Minnesota. Slawson Sr. and Slawson Jr. were present at the hearing, and had the opportunity to submit evidence and testimony, cross examine witnesses and present arguments in support of their positions. The charges were presented by Roland R. Acevedo, Esq.; Slawson Sr. and Slawson Jr. were represented by Brian Toder, Esq. Todd Chester did not appear at the hearing; nor did he otherwise contest the charges against him.

The following findings and recommendations of the Panel are based on the entire record in this case, including exhibits and sworn testimony appended to IRB's report, the transcript of testimony at the Panel hearing, other documents entered into evidence, the Panel's consideration of the witnesses' testimony and demeanor at the hearing and the arguments of counsel.

Background

Local 120 has its principal office in Blaine, Minnesota. It has additional offices in Fargo, North Dakota, Des Moines and Dubuque, Iowa, Sioux Falls, South Dakota and Mankato, Minnesota. It has approximately 11,661 members. It was placed into trusteeship on November 13, 2012 based on a recommendation from the Independent Review Board.

Slawson Sr.

Prior to the trusteeship, Slawson Sr. was the Local's Secretary-Treasurer and principal officer. He has been a member of the IBT since 1970. He previously served as Vice President of Local 544 and President of Local 120. He also served as the Vice President of Joint Council 32. He was appointed as an International Representative in 1999, and was appointed as an International Vice President in 2010. His candidacy for re-election to that position in 2011 was unsuccessful.

In addition to the foregoing positions, Slawson Sr. also served as a trustee of the Minnesota Teamster Health and Welfare Fund and the Food Pension Plan, a director for the Local 120 Building Holding Company and as a Vice President of the Local 120 Bar and Gaming Board.

Slawson Jr.

Prior to the trusteeship, Slawson Jr. was the Local's President. He has been a member of the IBT since 1987. He previously served as Recording Secretary of Local 544, a Business Agent with Local 120 and Recording Secretary of Local 120. In addition, he was President of the Local 120 Bar and Gaming Board and was also a director for the Local 120 Building Holding Company.

In addition to the foregoing, Slawson Jr. served as an International Representative.

Todd Chester

Todd Chester was a member of Local 120 and an employee of the Local from July 2010 through August 2011. He was hired to oversee the bar the Local owned in Fargo, North Dakota. He was issued a withdrawal card on September 1, 2011. He is a close friend of the Slawsons, and is the father of Slawson Sr.'s grandchild.

Summary of IRB's Evidence Supporting the Charges

Charge One – Slawson Sr.

In 2007 and 2008, Local 120 purchased land and constructed a new Union hall in Blaine, Minnesota. The contractor hired to construct the building was Stone Construction. Its contract with the Local provided that it would receive its actual costs plus a fee, with a guaranteed maximum price. There were two change orders in the contract which increased the guaranteed maximum price to \$3,185,429. The Local ended up paying the guaranteed maximum price.

In 2008, Stone Construction made two payments to Todd Chester totaling \$90,000. According to Stone these payments reflected a "finder's fee" for Chester introducing Stone to Local 120. Chester is a close friend of Slawson Sr. and Slawson Jr. and the father of Slawson Sr.'s granddaughter. Stone's internal records for the project refer to the payment as a "realtor's fee," although it is

undisputed that Chester performed no work on the project, either as a realtor or in any other capacity.

Slawson Sr. admits that he “assumed” that Chester would receive a “finder’s fee” from Stone, but denies he knew specifically what was paid to Chester until he learned about it during IRB’s investigation. He denies having discussed this payment with other members of the Local’s Executive Board, although one former member of the Executive Board testified that Slawson Sr. told him that “Todd has got to get some money for this.” This comment provoked an argument in which Slawson Sr. was reportedly told “Absolutely not. You have told everyone he would get nothing and if, in fact, you did do that, it would be a [revolt or a mutiny].” Although the Local’s contract with Stone gave the Local the right to monitor Stone’s costs attributed to the project, Slawson Sr. did not do so. As indicated above, the Local ended up paying Stone the maximum guaranteed price for the project.

Charge Two – Slawson Sr. and Slawson Jr.

a) False statements to Bank Mutual.

Bank Mutual was the Local’s lender for the building project. Ultimately, the Local borrowed \$3,382,966 for the project. IRB’s investigation disclosed the following false statements provided to Bank Mutual in connection with the Local’s efforts to obtain financing for the project:

- Minutes, signed by Slawson Jr., purport to confirm a resolution proposed by Slawson Sr. assigning the Local’s interest in the real estate on which the new Union hall was to be built from the Local to the Local’s Building Holding Company and of the Local’s agreement to guarantee the mortgage. The minutes state they are from the Local’s “Board of Directors,” an entity which does not exist. In fact, the individuals identified in the minutes included Slawson Sr. and Slawson Jr. and were officers of the Building Holding Company. The Building Holding Company was not authorized to act on behalf of Local 120 or its Executive Board. The Executive Board did not approve the transfer of its interest in the real estate to the Building Holding Company or the Local’s guarantee of the loan.
- An internal memo from Bank Mutual states that information was provided to the bank by Slawson Sr. or Slawson Jr. indicating that Local

120 had 19,750 members instead of 10,936. The higher membership figure implied greater dues revenue than the Local actually was receiving.

b) Failure to monitor Stone's expenses.

Because the construction contract with Stone called for a "cost plus" arrangement, the contract provided that the Local had the right to monitor and verify all expenses charged to the project. Slawson Sr. took no steps to exercise that right. Indeed, when asked to produce documentation reflecting applications for disbursements of funds to Stone, the Local could produce only five of the eight signed applications. Slawson Sr. advised IRB's Chief Investigator that Local 120 did not approve these disbursements and left that to American Pride Home Services, the Local's attorneys, other vendors and the lender. No one at the Local tracked how the funds borrowed for the building project were spent. It only directed that its accountants review these costs after IRB's investigation was under way. Stone ended up charging the maximum under its contract. IRB's report alleged that \$266,708.57 received by Stone for the project was not accounted for in the costs identified by Stone for the project. After accounting for Stone's stated "profit" on the project of \$129,977.75, this left \$136,730 in unaccounted for payments to Stone.

c) The \$90,000 payment from Stone to Todd Chester.

As stated above, Stone made two payments to Todd Chester totaling \$90,000, which it characterizes as a "finder's fee" for introducing Stone to Local 120. Although this payment is clearly reflected as a cost for the project in Stone's internal records, the payment is not specifically reflected in documentation submitted to Bank Mutual for the purpose of requesting disbursements for the project. IRB alleges that the "finder's fee" was "buried in some other cost" paid from the project's loan proceeds.

d) Other inappropriate Stone charges that the Local failed to monitor.

IRB's report indicates that Stone charged for certain expenses that 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." The contract with the Local excluded from expenses that could be charged to the project Stone's overhead and general

expenses. A \$249,538 charge for “forklift usage” was one of these non-chargeable overhead expenses that appear to have been improperly charged to the Local.

In addition, IRB cited \$26,961 that was paid into an escrow account as a site improvement guarantee required by the City of Blaine. Once the City approved the improvements to the site, this amount was supposed to have been refunded to the Local. The funds were instead returned to Stone by the City on November 7, 2008. According to IRB, Stone did not return these funds to the Local.

Also, although Stone asserted its fee for the project was \$129,977.75, it submitted other documentation indicating it had actually received a fee of \$135,282. And, although Stone claimed it had reduced its fee by \$10,000 in February of 2008, the Local produced no documents confirming that in fact it did reduce its fee by that amount or that it had done anything to monitor Stone to ensure that it had done so.

Charge Three – Slawson Sr. and Slawson Jr.

The evidence supporting this charge is described above under the section detailing “false statements to Bank Mutual,” summarized under Charge Two.

Charge Four – Slawson Sr. and Slawson Jr.

Following a merger with Local 116, Local 120 owned and operated a bar and gaming facility in Fargo, North Dakota. Assets of this business and its revenues and costs are reported on the Local’s LM-2. This business was open to the public. Although it was owned and subsidized by the Local, its operations were controlled by a Bar and Gaming Board that was separate from the Local’s Executive Board. When Local 116 owned the bar, members of the Local’s Executive Board also served as members of the Bar and Gaming Board. After Local 120 assumed responsibility for the bar and gaming operation following the merger, Slawson Sr. and Slawson Jr. controlled the Bar and Gaming Board. Most recently, the Bar and Gaming Board was comprised of the two Slawsons and two employees of the Bar.

It is undisputed that the Slawsons collected stipends from the Bar and Gaming business which were increased significantly after Local 120 assumed responsibility for the bar. Between 2007 and 2012, Slawson Sr. received \$68,100 in stipends and Slawson Jr. (who was designated as the President of the Bar) received \$72,700. The Local’s Executive Board did not determine who would

serve on the Bar and Gaming Board and did not approve the stipends. These stipends were not disclosed to the membership or discussed at the Local's Executive Board meetings.

Charge Five – Slawson Sr.

Slawson Sr. signed two purported agreements with American Pride Home Services, one effective from January 5, 2005 until December 31, 2008 and the other effective from January 1, 2009 until December 31, 2013. The agreements state that the relationship between Local 120 and his Company “does not include collective bargaining” and they contain language providing that “[t]here will be no interference with, coercion or restraint regarding the ‘Company’ policies and compensation to its ‘Employees.’” The agreements provide for no pension fund, vacation or sick days and does not specify or regulate employee work hours. There is no provision for seniority. The agreements state that “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.”

The agreements specified the amount of dues for commissioned and salaried employees, and it is clear that the Company rather than the employees paid dues to the Local. The Company paid dues for one employee for two years after he retired and was no longer an employee.

There is no evidence that Slawson Sr. made sure that normal procedures for soliciting employee input for contract proposals and for ratifying the agreements were followed.

American Pride Home Services provides insurance, mortgage brokerage, closing services in connection with real estate transactions and, through a facility located in Washington State, printing services. It is clear that it entered into a relationship with Local 120 in order to help market these services to unions and union members. Slawson Sr. promoted them to Local 120's membership on a number of occasions.

Charge Six – Slawson Jr.

Slawson Jr. was a candidate for delegate at the Minnesota Farmer Labor Party Convention in 2008. He obtained campaign buttons and leaflets for this venture from vendors that also did business with the Local. Invoices from these

vendors for these services were not paid for several years. He instructed two Local 120 employees to tell the vendors to stop sending the invoices and that in return for this the Local would provide them with additional business. He also instructed one of the vendors, 7 Corners, to alter its invoice and send it to the slate on which he was a candidate for Local Union office. There is evidence that Slawson Jr. saw the 7 Corners invoice and spoke with the Company's owner, Dan Winter, and asked him to alter the invoice so that the charges were made to the candidate slate. In fact the invoice was so altered – many months after the Local Union election was finished.

Slawson Jr. testified under oath during his sworn examination by IRB that he did not see the 7 Corners invoice and did not contact Winter about altering it.

Charge Seven – Todd Chester

In 2010, Slawson Sr. hired Todd Chester, his close family friend, to serve as a consultant to the Bar and Gaming business in Fargo. He became a part time employee of the Local in July of that year and also became a member of Local 120. His employment ended just over a year later in August of 2011, and he was issued a withdrawal card by the Local in September of 2011. Neither his employment nor the terms of his employment were approved by the Executive Board. During the time when Chester was employed by the Local, he filed for bankruptcy.

Chester claimed to have had ownership interests in other bar businesses, although in his bankruptcy filing on November 4, 2011, he denied having an ownership interest in any bar. He told IRB in August of 2012 that he had ownership interests in three bars.

After assessing the Fargo Bar and Gaming operation, Chester advised the Bar and Gaming Board that there was excess inventory in the business. He stated he would address this problem by returning some of the product to the bar's distributors. He also took over directly the responsibility for ordering liquor. On several occasions, he directed that liquor inventory be removed from secure storage area and moved to an unlocked area. Subsequently, large amounts of liquor inventory disappeared. The bar's liquor suppliers denied having any record of providing credit to the bar for returned inventory.

IRB's report contains a comprehensive analysis showing that revenue derived from its inventory was inexplicably low. IRB concluded that Chester, a bankrupt bar owner, had both the means and motive to steal liquor inventory.

Combined with his false claim that inventory would be returned to the bar's liquor suppliers, it alleges that Chester diverted in excess of \$1,000 worth of liquor from the bar's inventory.

In fact, IRB's report contains a comprehensive analysis of discrepancies in 2010 and 2011 between the value of beer and liquor used at the bar and the revenues derived from sales of beer and liquor. The analysis included consideration of a normal shrinkage factor used for the industry by the IRS and some state taxing authorities. This analysis reflects that for 2010, revenue generated from beer and liquor sales was short of the usage of inventory during that period by \$143,621. For 2011, the analysis showed that revenue from beer and liquor sales was short of the usage of inventory by \$92,140.

Charge Eight – Slawson Sr. and Slawson Jr.

Evidence cited in IRB's report regarding the Slawsons' failure to follow the Local's bylaws includes the following:

- Purchase of the land for the new Union hall and the construction project.

The Local's bylaws require Executive Board approval for expenditures in excess of \$10,000 and, in addition, membership approval for expenditures in excess of \$40,000. In 2006, the membership passed a resolution granting the Executive Board the authority to enter into a mortgage for as much as \$10 million to purchase land and build a building that would house the Local and Joint Council 32. No property had been identified at that time and no mortgage terms had been determined. In late 2006, Joint Council 32 decided it would not be sharing space with Local 120.

Although Slawson Sr. told the Local's Executive Board that membership approval was required to purchase the Blaine property on which the building was later constructed, it is undisputed that membership approval was not obtained. Nor was Executive Board approval obtained for the transfer of the Local's interest in the property to the Building Holding Company.

Furthermore, although the bylaws required Executive Board approval of any loan or similar financing arrangement, it is also undisputed that Executive Board approval was not obtained with respect to the financing obtained for the building project, including the Local's guarantee of the loan. Nor did the Executive Board approve the terms of the modification to the construction loan in 2008, including

an additional guarantee provided by the Local and the pledging of additional collateral. These transactions were completed under the signature of Slawson Sr.

- Transfer of strike funds to general fund.

The Local's bylaws require that there be a strike fund dedicated exclusively "for the payment of strike benefits and strike expenses as the Local Union Executive Board shall determine." In violation of this provision, Slawson Sr. and Slawson Jr. authorized the transfer of \$189,130.87 from strike fund accounts to the Local's general fund for use in connection with the building project. Slawson Sr. claimed during IRB's investigation that the strike fund was "replenished" following these transfers. No documents support this claim. No Executive Board approval occurred with respect to the transfers either.

- Failure to keep itemized records, showing the source of all money received and spent.

Among other things, the Local's bylaws require the Secretary Treasurer, Slawson Sr. during the relevant period, to "keep itemized records, showing the source of all money received and spent," to maintain all "important documents and papers, correspondence" and to "keep a correct account of all monies paid to and paid out by the Local Union." IRB's report states that its investigation showed that Slawson Sr. failed to keep the documents and records required to be maintained by these provisions concerning the building project, including critical agreements and disbursement records.

- Failure to secure Executive Board approval for the hiring of experts.

The Local's bylaws require Executive Board approval for the hiring of "attorneys, accountants or other special or expert services." IRB's report states that its investigation showed that Slawson Sr. failed to obtain Executive Board approval for an array of experts hired for the building project or with respect to the hiring of Todd Chester as a consultant to the Bar and Gaming business.

- Failure to secure Executive Board approval for the stipends paid to members of the Bar and Gaming Board.

The Local's bylaws provide that only the Executive Board had the power to set salaries for the Local's officers and business agents. IRB's report indicates that its investigation showed that Slawson Sr. and Slawson Jr. failed to obtain

Executive Board approval for the payment and amount of stipends paid to them and other members of the Bar and Gaming Board.

- Bylaw violations related to the American Pride Home Services agreement.

As indicated above, the Local's bylaws require a proposal meeting with and ratification vote by affected members in connection with any contracts covering them. IRB's investigation showed that no proposal meetings and no ratification votes were conducted for the two agreements covering American Pride Home Service members. Slawson Sr. signed both agreements.

Charge Nine – Slawson Jr.

Between 2007 and 2011, Local 120 spent \$214,756.51 for sporting event tickets. The Local bought season tickets to games played by the Minnesota Twins (professional baseball), the Minnesota Vikings (professional football), the Minnesota Wild (professional hockey) and the University of Minnesota college hockey team.

Slawson Jr. admitted that he was responsible for distributing the tickets, keeping track of who used them and for ensuring that they were used for a proper union purpose. Despite this, he failed to fulfill this responsibility. Although he kept some information concerning the ticket use on a calendar, IRB's report states that in fact little or no record was kept with respect to who actually used each ticket or with respect to what union purpose existed.

Charges Ten and Eleven – Slawson Sr. and Slawson Jr.

IRB's report identifies a number of business expense abuses by the Slawsons. The evidence cited was as follows:

- Slawson Jr.

Slawson Jr. caused the Local to pay \$194.50 incurred at the Local's bar in Fargo on August 14, 2011. The receipt reflects that this amount was charged on his Union credit card at 1:21 am, Sunday morning. He listed the following persons as present with him: Slawson Sr., two business agents, the bar manager and "various members." The two business agents testified under oath that they were

not present. The Fargo Air Show occurred the previous day. There is no indication on the receipt of any union purpose for the payment.

Slawson Jr. also caused the Local to pay \$104.40 incurred at a Holiday Inn in St. Cloud Minnesota on December 2, 2011. The receipt reflects that this amount was charged on his Union credit card at 10:06 pm. Slawson Jr. wrote the following on the receipt: "Meals and Bevs, St. Cloud Area Member Meeting, Dave Shrunk & self with various members from Freight and Construction." There is no indication of what items were purchased, what members were present or what the union purpose was. Shrunk testified under oath that he was not present at that time. At the time, Slawson Jr. was a candidate in a contested Local Union election.

Slawson Jr. also caused the Local to pay \$78.27 incurred at a bar in Blaine, Minnesota on October 14, 2009. Most of the charge was for alcohol consumed by himself and Michael Klootwyk, another officer of the Local. The receipt indicates "E Board Meeting" and reflects that Slawson Jr. charged it on his Union credit card at 11:52 pm. A meeting of Local 120's Executive Board did not occur until the following morning.

- Slawson Sr.

In November and December of 2011, there was a contested election in Local 120 for the office of President. Slawson Jr. was running for re-election to this office. At this time, a number of officers who were part of the Slawson slate took vacation to campaign for Slawson Jr.

Slawson Sr. caused the Local to pay \$545.75 for drinks he bought for members on December 2, 2011 at the Local's bar in Fargo. He had taken vacation days so could campaign in Fargo on behalf of his son. A receipt indicates he charged this amount to his Union credit card at 1:22 am. He also caused the Local to pay for his dinner and for his hotel stay for this campaign trip.

Slawson Sr. also caused the Local to pay \$169.97 mostly for alcoholic drinks consumed by another Local officer, Todd Chester and himself on September 8, 2010. The charge was incurred at Chester's bar in East Bethel, Minnesota. He paid this charge using his Union credit card at 10:05 pm. He wrote on the receipt "Fargo Bar and Gaming mtg." There was no Bar and Gaming Board meeting on that date.

At 11:15 pm on September 30, 2010, Slawson Sr. charged \$250.25 on his Union credit card at the Ole Piper Inn in Blaine, Minnesota. The receipt indicates that in addition to Slawson Sr., Slawson Jr., another officer and two business agents were present. It also contains the following incoherent notation "Bus Dinner, co assigned to new agents." IRB's report indicates that the assignment could have been made at the Union hall, rather than at a bar across the street.

Finally, on February 22, 2011, Slawson Sr. charged \$162.26 on his Union credit card at a Jimmy Johns restaurant in Blaine, Minnesota. The receipt contains the following notation: "food & drinks, lunch, work place realignment all craft, Brad Sr." No names of members were listed. Nor was the purpose of the charge recorded.

Additional Evidence and Contentions

At the hearing and in their post hearing submission, Slawson Sr. and Slawson Jr. offered a number of arguments, including the following:

- 1) That the \$90,000 finder's fee paid to Todd Chester was paid by the Stone Construction, which was willing to accept a lower profit in order to keep its employees working, and there is no evidence directly proving that the payments were charged back to Local 120.
- 2) That Slawson Sr. had no prior knowledge of the payment of the finder's fee to Chester.
- 3) That all transactions related to the building project, the creation of a Building Holding Company and the borrowing of funds for the project were undertaken pursuant to legal advice.
- 4) That it is inconsistent to charge for Slawson Sr. to embezzling funds and, at the same time charge him with failing to monitor costs on the building project.
- 5) That no evidence shows that the \$26,961 placed in escrow to ensure completion of the building project was actually paid by the Local, so therefore there is no basis for charging the Slawsons for failing to monitor it.

- 6) That there is no evidence that the Slawsons defrauded Bank Mutual by misrepresenting the number of members of Local 120.
- 7) That the Bar and Gaming Board had the legal authority to approve and increase stipends for the Board's officers, and therefore the payment of stipends to the Slawsons without the approval of the Local's Executive Board was not embezzlement.
- 8) That the agreement between Local 120 and American Pride Home Services was not a "sham" contract.
- 9) That a membership resolution in 2006, authorizing Local 120 to enter into a loan for up to \$10 million was sufficient under the Local's bylaws to permit the Slawsons to enter into the various specific transactions related to the building project.
- 10) That it was sufficient that the Slawsons informed the Local's Executive Board about various transactions related to the building project without obtaining its explicit approvals.
- 11) That the transfer of assets from Local 120 to the Building Holding Company was done on advice of counsel.
- 12) That Slawson Sr. had authority under the bylaws to move funds from the Local's strike fund to its general fund.
- 13) That Slawson Sr. was permitted by the Local's bylaws to hire experts without obtaining Executive Board approval, provided he informed the Board.
- 14) That the Local's counsel informed the Executive Board on June 30, 2010 that Slawson Sr. could hire Chester as a consultant without Executive Board approval since this was a temporary position.
- 15) That various credit card charges for Slawson Sr. and Slawson Jr. identified in IRB's report as having no union purpose actually did have a proper union purpose.

- 16) That Slawson Jr. did not testify misleadingly regarding invoices for a company called "7 Corners" and whether he had a conversation with a principal of that company about them.
- 17) That Slawson Jr. was unfairly charged with having accepted a stipend from the Local's Bar and Gaming Board that was not approved by the Local's Executive Board.
- 18) That Slawson cannot be charged with failing to monitor and verify proper usage of the Local's sporting tickets because he "did not have custody of the tickets in 2007, 2008 and 2009, the years the Charge references" and that the evidence shows that the overwhelming majority of tickets were used by persons who were identified.
- 19) That IRB's investigation was flawed due to its failure to elicit testimony from various witnesses the Slawsons claim would have been able to provide relevant and exculpatory evidence and that an adverse inference should be drawn against IRB and/or the IBT since the witnesses were not interviewed and/or called to testify.
- 20) That IRB's investigation was the product of a "political vendetta" against the Slawsons in retaliation for Slawson Sr.'s candidacy for International Office in 2010 and 2011.

Analysis and Recommended Conclusions

The charges before us are extremely serious. They include allegations that one or both of Local 120's top two officers embezzled Union funds, breached their fiduciary duty, obstructed IRB's investigation by giving false testimony, committed bank fraud and caused the Local to enter into a sham contract. With respect to each of the charges enumerated above, we have carefully considered the evidence in the record, the testimony introduced at the hearing, the demeanor of witnesses and the verbal and written arguments of counsel. In this latter regard, we commend both attorneys for their professional presentations.

Before we address each of the separate charges, we are constrained to address the claim that the charges before us are the product of a political vendetta since Slawson Sr. ran unsuccessfully for International Office in the 2011 International Officer Election. The charges against Slawson Sr., Slawson Jr. and Todd Chester were initiated by IRB following an investigation by IRB's Chief

Investigator, Charles Carberry. By definition, IRB and its Chief Investigator are completely independent from the IBT and its officers. The repeated references in the Slawsons' submission to "IRB/IBT" seek without any factual basis to ignore this independence and to blur the obvious distinction between the IRB and the IBT. The IRB and its Chief Investigator comprise Court officers that were created by the Consent Decree in U.S. v. Teamsters, 88 Civ. 4486 (LAP). The persons filling these positions are not under the control or direction of the IBT. They report directly to the United States District Court for the Southern District of New York. IRB's members are required under the Consent Decree to be wholly neutral and independent with respect, among other things, to politics within the IBT. Despite the completely unsupported opinions set forth in a declaration purportedly from an attorney who says she represented the candidate slate on which Slawson Sr. ran against the Hoffa Hall slate during the 2011 International Officer election, there is not so much as a scintilla of evidence before us that IRB Chief Investigator Charles Carberry or IRB's members themselves harbored any political views concerning the 2011 election, much less hostility for Slawson Sr.'s candidacy. Nor is there any evidence that they acted upon any such sentiments. Indeed, given the backgrounds of the IRB members (William Webster served as Director of the FBI, among other positions; Benjamin Civiletti served as Attorney General of the United States; and Joseph DiGenova served as United States Attorney for the District of Columbia) we regard the charge that they have engaged in actions which amount to a "witch hunt" or which are "wholly political in nature" as completely without merit. Likewise, given Mr. Carberry's background as a federal prosecutor, we consider the charge of political motivation on his part to be without substance.

With respect to the IBT, there is no evidence that the IBT played any role whatsoever in initiating, directing or otherwise influencing IRB's investigation of matters in Local 120 or in IRB's decision to recommend charges. With respect to General President Hoffa's adoption of the charges, it is manifest that Mr. Hoffa took this action solely in accordance with the requirements of the Consent Decree. His letter adopting the charges expressly states that he has made no judgments whatsoever concerning the underlying merits of the charges. No evidence whatsoever supporting the claim that there is a political vendetta against the Slawsons by Mr. Hoffa, by IRB or by anyone else has been presented to us. We reject the arguments and the accompanying rhetoric given the total lack of evidence supporting them.

In addition, we note that Todd Chester has elected not to appear for the hearing on the charges against him, that Slawson Jr. has elected not to testify at the

hearing and that a number of other witnesses identified by the Slawsons' attorney as in possession of exculpatory evidence were not called to testify on their behalf. With respect to Chester, we consider the allegations against him to be uncontested and draw an inference adverse to him from his failure to appear. With respect to Slawson Jr., we likewise draw an inference adverse to him as a result of his failure to testify. Whatever legal privilege he may have in connection with testifying in civil or criminal proceedings, it is well settled that he enjoys no such privilege in proceedings conducted under Article XIX of the IBT Constitution. And, with respect to other witnesses identified by the Slawsons' lawyer as critical to their defense, we likewise draw inferences adverse to the Slawsons based on the failure to call them as witnesses or even to justify this failure with evidence showing that any of them refused voluntarily to cooperate. In this regard, while we recognize that subpoenas are not available under the IBT's internal disciplinary procedures under Article XIX of the IBT Constitution, we are aware of nothing that would have precluded the Slawsons from seeking to present testimony from any witness who was willing to appear voluntarily. The Slawsons offered no evidence that any of the various witnesses they criticized IRB for not interviewing or the IBT for not calling would have testified favorably to them, nor have they offered any evidence that any of these witnesses would have failed to appear voluntarily, if asked.

Charge One – Slawson Sr.

It is undisputed that Stone Construction paid Chester \$90,000 in two payments during 2008, which have been characterized as a "finder's fee" for introducing it to Local 120. It is also undisputed that Chester performed no work on the project either as a realtor or in connection with the building construction. Slawson Sr. admitted he "thought [that Chester] would get paid something," but denied he knew how much until after IRB's investigation was under way. We do not credit the contention that he did not know that Chester was being paid; rather, during his own testimony in his sworn examination by IRB he clearly conceded that he "thought [that Chester] would get paid something." At best, he turned a blind eye to this payment by failing to confirm it or the amount until confronted by it later during IRB's investigation.

We are not persuaded by Slawson Sr.'s denial that the \$90,000 payment was diverted from Local 120 and therefore not embezzled when Stone paid this amount to Chester as a "finder's fee." We have reached this conclusion for two reasons:

- 1) Stone's records clearly treat the \$90,000 payment as a cost of the project, and it is utterly implausible that Stone would have reduced its fee to a

comparatively nominal amount so it could pay Chester. We construe any ambiguities created by Stone's records and Slawson Sr.'s testimony against Slawson Sr., in view of his failure to call Chester or anyone from Stone to testify about this payment, and his failure to offer any explanation for failing to do so. In our view, he could not simply rest on the absence of more direct evidence given the undisputed evidence that a substantial payment was made by a Union vendor to Slawson Sr.'s close friend who performed no services remotely justifying it. The transaction, on its face, raised sufficient reason to infer that the vendor was providing a kickback indirectly to Slawson Sr. via Chester and we believe it was incumbent on Slawson Sr. to produce evidence supporting a contrary inference in these circumstances.

- 2) More importantly, even assuming for the sake of argument that Stone Construction merely reduced its fee for the project so it could pay Chester, as Slawson Sr. contends, and that Stone was willing to do this in order to keep its employees working during the bad economy, the amount of the reduction nonetheless properly belonged at all times to Local 120, not to Chester and not to Slawson Sr. In other words, if Stone was willing to accept a lesser fee in order to get Local 120's business, this savings clearly belonged to the Local. Slawson Sr.'s admission that he "thought" Chester would be paid something and professed lack of concern about how much clearly indicates his involvement in a scheme to divert funds that belonged to the Local to his close friend. Even the most charitable characterization of these facts would lead us to conclude that he exhibited deliberate indifference to this diversion of funds that, once again, plainly belonged to the Local in the circumstances presented here. It might be different if Chester had performed actual work, either as a realtor or in connection with the construction project itself, for which he could have been legitimately compensated. But, it is undisputed that he didn't. We believe the facts essentially boil down to Slawson Sr. allowing a payment to be paid by one of the Local's vendors to an individual who is his close friend when he also knew that the individual performed no services justifying the payment.

Accordingly, we believe that Charge One against Slawson Sr. is supported by the preponderance of reliable evidence and recommend that it be sustained.

Charge Two—Slawson Sr. and Slawson Jr.

Both Slawson Sr. and Slawson Jr. were fiduciaries and as such had responsibilities for ensuring that Union funds were spent solely for the benefit of the Union and its members. With regard to the specific allegations of fiduciary breach, we make the following findings:

a) Alleged false statements to Bank Mutual.

Although we do not understand the Slawsons to have fiduciary responsibilities to Bank Mutual, the lender for the Local's building project, they did have an obligation to ensure that the loan and related transactions were undertaken competently and in a manner calculated to protect the interests of the Local and its members.

The documents purporting to confirm the transfer the Local's interest in the Blaine real estate to the Local's Building Holding Company, on their face, clearly indicate that these responsibilities were not fulfilled. In particular, the purported minutes for a "Board of Directors Meeting of Teamsters Local 120," which confirm a transfer of the Local Union's interest in the real estate to the Local's Building Holding Company are perplexing. Of course, there was Board of Directors for the Building Holding Company and an Executive Board for the Local. The Local did not have a Board of Directors, as we believe both Slawsons clearly understood. Only the Local's Executive Board could approve the transfer of its interest in the Blaine property to the Building Holding Company. The Building Holding Company's Board of Directors could not unilaterally effectuate the transfer of the Local's interest to itself. And the vague reference to a "Board of Directors" for the Local on the document submitted to Bank Mutual, on its face, would have raised questions for any experienced Union official. Slawson Jr. signed these obviously flawed minutes, which reflect that the obviously flawed transaction was moved by Slawson Sr. The effort by the Slawsons to blame the Local's attorneys for this plainly improper transaction is not credible. IRB Exhibit 1125 confirms that contrary to their claims attorney Martin Costello denied giving advice on this issue. They made no attempt to elicit testimony from the other attorney they claim handled the real estate work on the project.

Worse, the same bogus minutes from same the nonexistent "Board of Directors" for the Local also purports to confirm a commitment by the Local to guarantee the loan to the Building Holding Company. Surely, it was unreasonable for either Slawson to think that the Building Holding Company could provide a

guarantee from Local 120 which only Local 120's Executive Board could provide. Once again, we discredit the blanket claims that these bogus transactions were undertaken pursuant to legal advice. The Local's former counsel, Martin Costello, denied he gave such advice. And the Slawsons made no attempt to present evidence from the other attorney who had allegedly provided it.

We do recognize that some questions have been raised about the implications of a document obtained from Bank Mutual, which suggests it may have been misled by one of the Slawsons concerning the number of members the Local had in connection with the Loan application. The memo references "an order signed by Brad Slawson, which shows a current membership of 19,750," substantially more than the approximately 12,000 members the Local actually had. Subsequent to the hearing, a copy of the actual "order" signed by Slawson Sr. was obtained. It appears to be an order for printing to be distributed to 19,750 of the Local's active members and retirees. It is not clear how this "order" came to be submitted to Bank Mutual in connection with the effort to obtain financing for the building project, so we do not at this time make any findings concerning whether or not this amounted to a breach of fiduciary duty by either Slawson.

Nonetheless, we do believe the preponderance of reliable evidence supports the charge that Slawson Sr. and Slawson Jr. breached their fiduciary duty in connection with the submission to Bank Mutual of bogus documentation purporting to confirm the Local's transfer of its interest in the Blaine real estate to the Building Holding Company, as well as the Local's guarantee of the loan.

b) Failure to monitor Stone's expenses.

Stone's contract for constructing Local 120's building was a "cost plus" arrangement. This meant that Stone would be paid for expenses of the project, and would also receive a specified profit. There was also a guaranteed cap on the cost of the project, which meant that if Stone's costs exceeded its estimates, its profit would be reduced. It is undisputed that Stone charged the maximum it was permitted to charge.

Precisely how Stone accounted for the project's costs is less than clear. The materials collected during IRB's investigation, in our view, demonstrate that the documentation provided by Stone to Local 120 was, at best, difficult to follow. For example, IRB identified \$26,961 which Stone listed as a project cost, which it paid to the City of Blaine to hold in escrow pursuant to a Site Improvement Performance Agreement. This Agreement was between the City and Local 120.

And, the obligation to make a “cash escrow” payment of \$26,961 was imposed by the Agreement on Local 120. The contention at the hearing that instead of the funds being charged to Local 120, Stone Construction simply made the cash escrow payment and then later recovered the funds from the City, is not documented or otherwise corroborated by any records.

Similarly, counsel for the Slawsons conceded during his opening statement that Stone was overpaid approximately \$32,000 for the project. This contention too is not documented or otherwise corroborated by records.

In our view, Slawson Sr.’s failure to insist upon and maintain consistent and coherent records demonstrating what costs were incurred by Stone and what costs were in fact charged to the Local appears to be pervasive. His failure to hold Stone accountable for its costs under a “cost plus” contract amounted in our view to plain and obvious breach of fiduciary duty. Indeed, had such accountability been compelled, there most likely would not have been a \$32,000 over payment to Stone or the other discrepancies described in IRB’s report, including the unexplained failure to return the Local’s “cash escrow payment” or the \$90,000 “finder’s fee” payment to Todd Chester for doing essentially nothing.

We believe the preponderance of reliable evidence supports the charge that Slawson Sr. breached his fiduciary duty by failing to monitor Stone’s costs.

Charge Three – Slawson Sr. and Slawson Jr.

Our conclusion, above, that the evidence demonstrates that Slawson Sr. and Slawson Jr. were responsible for the creation and transmittal of bogus minutes of a purported “Board of Directors” for the Local which purportedly approved the transfer of the Local’s interest in the Blaine real estate to the Local’s Building Holding Company as well the Local’s guarantee of the loan also supports the charge that both Slawsons engaged in a scheme to defraud Bank Mutual into loaning money on this project.

We recommend that Charge Three be sustained.

Charge Four – Slawson Sr. and Slawson Jr.

In our view, the Slawsons’ arguments to the effect that there is nothing wrong in their receiving stipends for their service on the Local’s Bar and Gaming Board and that these stipends were properly approved by the Bar and Gaming

Board completely miss the point. The Bar and Gaming operation belonged to Local 120. It is clear that Local 120 subsidized this operation. When a new point of sale system was needed, the Local paid for it. When a consultant was hired for the bar, the Local hired him and provided his compensation. To the extent the bar experienced losses, the Local covered them. And when the Local's officers incurred expenses they claimed related to the Bar and Gaming operation, they concededly charged them to the Local.

When the Fargo Bar and Gaming operation was owned by Local 116, the Bar and Gaming Board was essentially comprised of the same persons who comprised the Local's Executive Board. Under the Slawsons' regime, the composition of the Board was restricted and manipulated, to the extent that most recently it was comprised of only the Slawsons and two female bar employees who were not members of Local 120 or otherwise accountable to the Local's Executive Board. The Bar and Gaming Board approved substantial increases in the stipends paid to members of the Board, and in doing so did not disclose this to or seek approval from the Local's Executive Board.

We do not credit testimony suggesting that the manipulation of the composition of the Bar and Gaming Board was required because of a local requirement to have at least one member who was a resident of the City of Fargo. This does not explain the manipulation of the Board's composition such that the only members of Local 120's Executive Board who also sat on the Bar and Gaming Board were the two Slawsons. More importantly, it is clear to us that with the manipulated composition, the Bar and Gaming Board was left free to pay significantly increased stipends without accountability to the Local, the entity that owned the operation and was subsidizing it. The simple step of securing Executive Board approval of the stipends paid to Bar and Gaming Board members could easily have cured this problem.

The actions of the Slawsons in accepting stipends which were not so approved, in our view, breached their fiduciary duties. We recommend that Charge Four be sustained.

Charge Five – Slawson Sr.

A sham contract is one entered into by a labor union which does not have a legitimate collective bargaining purpose, such as when benefitting the supposed employer is the real purpose for the relationship. Sham contracts can be a vehicle by which corrupt activities between union officials and employers are conducted.

It is undisputed that Slawson Sr. signed two purported agreements with American Pride Home Services. These agreements expressly disclaimed the existing of a collective bargaining relationship, and clearly provided that the employer retained complete and unilateral discretion with respect to employee compensation, benefits, discipline and discharge. They provide no pension, vacation or sick days, and do not regulate working hours for employees.

The agreements were neither negotiated nor ratified as required by the IBT Constitution. And although they provided for union security, the evidence shows that the Employer did not deduct dues from employee wages in the manner required by Section 302 (c) (4) of the Labor Management Relations Act, but rather simply forwarded supposed dues to the Union on behalf of its employees. Indeed, it appears that the Employer paid dues on behalf of an employee for several years after the employee had retired and had no wages from which dues could be deducted.

A declaration provided by Slawson Sr. from this same retired employee certainly does nothing to bolster the claim that these were not sham contracts. Thus, he asserts that the principal benefit of being a Union member was that it made it easier for him to “achieve my employment goals,” which he described as selling the employer’s insurance products, mortgage brokerage and related services to union members. In fact, these were his employer’s objectives: increased sales through enhanced access to Union members. Slawson Sr. himself actively promoted American Pride Home Services to Local 120’s members on a number of occasions.

In our view, this situation presents a classic example of a sham agreement which violates basic trade union principles and the requirements of the IBT Constitution and the Local’s bylaws. It presented ample opportunity for corruption, and was accompanied by what appears to have been blatant violations of Section 302 in connection with the procedures used by the Company to meet its employees’ purported dues obligations under the “contract.” While we do not understand American labor law, the Consent Decree or the IBT Constitution to prescribe rigid rules about what is or is not a legitimate collective bargaining relationship, we are confident that the relationship Slawson Sr. sanctioned with American Pride Home Services was not one of those.

We recommend that Charge Five be sustained.

Charge Six – Slawson Jr.

It is undisputed that in connection with his candidacy for delegate to the Democratic National Convention in 2008, Slawson Jr. used two companies that also did business with Local 120 to create campaign buttons and leaflets. The vendors sent him bills for these services, but Slawson Jr. refused to pay them. He instructed two employees of Local 120 to tell the vendors to stop seeking payment from him in return for him assigning more business from the Local to them.

Slawson Jr.'s former administrative assistant testified during IRB's investigation that invoices from these two vendors, addressed to Slawson Jr. personally, were shown to him. She further testified that he told her to contact one of the vendors, 7 Corners, to tell the company to stop sending the invoices. She also testified that she was instructed by Slawson Jr. to contact 7 Corners and tell the company to change the invoice so that it could be paid. She testified she refused to do that. On December 18, 2009, an employee from 7 Corners wrote a letter to her referencing a phone call from Slawson Sr. to her boss, Dan Winter, asking him to change the name on the invoice so it could be paid. In fact the charges related to Slawson Jr.'s 2008 DNC delegate candidacy were subsequently added to an invoice to the Slawson Unity Slate, a fund created to pay expenses related to his campaign for Local Union office.

During his sworn examination by IRB, Slawson Jr. testified that he did not recall seeing the 7 Corners invoices and denied he had spoken with Mr. Winter about changing the invoice. We believe the evidence demonstrates that this testimony was misleading if not outright false.

We reach this conclusion not merely because of the December 18, 2009 letter from 7 Corners which states, in pertinent part, "I guess after sending this to you guys for payment [Slawson Sr.] called Dan W and asked him to change the name of the job to submit it to be paid that way." There are ample corroborating circumstances that make the conclusion that Slawson Sr. called Winter more than a "guess." Not the least of these is the fact that the invoice was subsequently altered by adding the 2008 charges to a more current invoice to Slawson Jr.'s Local Union election campaign, the testimony of Slawson Jr.'s former administrative assistant that she refused to call 7 Corners to request that the invoice be altered and metadata showing that the alteration specifically related to the invoice Slawson Jr. claimed he did not recall seeing. Simply put, we believe the evidence shows that Slawson Jr. was less than candid during his testimony about his awareness of the

unpaid invoices from 7 Corners and his direct efforts to shift his personal obligation over to his campaign.

The IBT Constitution requires that members cooperate with IRB in fulfilling its responsibilities under the Consent Decree. Testifying falsely or misleadingly in a sworn examination conducted by IRB violates this requirement. Slawson Jr.'s false and misleading testimony described above likewise violates this requirement. We recommend that Charge Six be sustained.

Charge Seven – Todd Chester

As indicated above, Chester did not appear at the hearing and thus did not contest the charge against him that he embezzled liquor from Local 120's Fargo bar while he was an employee and member of Local 120. We recommend that Charge Seven be sustained.

Charge Eight – Slawson Sr. and Slawson Jr.

In our view, the preponderance of reliable evidence clearly supports the charge that both Slawsons, on multiple occasions, violated the Local's bylaws. These violations include the following:

- Required membership approval was not obtained for the Local's purchase of the Blaine property. Nor was Executive Board approval obtained for the complex loan transactions entered into to finance the project. In our view, the membership resolution in 2006, which permitted the Executive Board to enter into a mortgage for up to \$10 million to purchase land and build a building was insufficient to cover these transactions. The purchase of the Blaine parcel was not submitted to the membership and the loan was not approved by the Executive Board. Nor is there any evidence that the membership or the Executive Board considered or approved the purported conveyance of the Local's interest in the Blaine property to the Local's Building Holding Company or the Local's guarantee of the financing for the project. These transactions were completed under the signature of Slawson Sr. The bogus minutes for a nonexistent Local "Board of Directors" were signed by Slawson Jr.
- We were presented with no records reflecting Executive Board or Membership approval of the transfer of \$189,130.87 from the Local's

dedicated strike fund to its general fund for use on the building project. Nor has any documentation been provided for Slawson Sr.'s assertion that the strike fund was "replenished." Both Slawsons were involved in the transfer.

- As indicated above, the lack of itemized records relating to the building project is striking. Slawson Sr. did not significantly challenge the evidence showing that he failed to keep documents and records relating to the project, including critical disbursement records.
- Likewise, it is undisputed that Slawson Sr. failed to obtain Executive Board approval for the Local's hiring of Chester to serve as a consultant and employee for the Local. The fact that Chester's responsibilities were apparently limited to the Fargo Bar and Gaming operations makes no difference. He was compensated by the Local, and his hiring was not approved by the Executive Board.
- It is also undisputed that Slawson Sr. failed to obtain Executive Board approval for the hiring of various experts in connection with the building project. Merely informing the Board of these actions was insufficient.

As discussed above, both Slawsons failed to obtain Executive Board approval for the stipends they received for serving on the Local's Bar and Gaming Board. The Bar and Gaming operation was owned and subsidized by the Local. Executive Board approval for the stipends was required.

- And, also as discussed above, Slawson Sr. failed to ensure that the bylaws were followed in connection with the agreements "negotiated" with American Pride Home Services.

We accordingly recommend that Charge Eight be sustained, as summarized above.

Charge Nine – Slawson Jr.

Between 2007 and 2011, Local 120 purchased in excess of \$200,000 in tickets to various sporting events, including season tickets to professional baseball games, professional football games, and professional and college hockey games. The records maintained by Slawson Jr. regarding the use of these tickets fail to

document who used the tickets or identify a proper union purpose for them. There is testimony that those records that were maintained were less than accurate, and that they understated Slawson Jr.'s personal use of the tickets.

We are puzzled by the claim in the Slawsons post hearing brief that charging Slawson Jr. for failing to monitor the ticket use in 2007, 2008 and 2009 was unfair since he did not have custody of the tickets during those years. He testified in his sworn examination that he had been responsible for monitoring the ticket use for between eight and ten years, which plainly would have encompassed those years. The claim that he did not have custody of the tickets during the three years identified above is not supported by the record.

We find that the preponderance of reliable evidence supports the charge that Slawson Jr. breached his fiduciary duty with respect to the Local's sporting tickets, and we recommend that Charge Nine be sustained.

Charges Ten and Eleven – Slawson Sr. and Slawson Jr.

Although hardly the most serious of the charges against them, the allegations concerning abuses of the Local's credit cards by Slawson Sr. and Slawson Jr. are troubling. With perhaps one exception, they reflect in our view a mindset that is at total odds with their fiduciary responsibility as Union officials.

Slawson Jr.

IRB's report identifies three problematic credit card receipts signed by Slawson Jr. A charge on August 14, 2011 at the Local's bar in Fargo, a charge on December 2, 2011 in St. Cloud, Minnesota, and a charge on October 14, 2009 in Blaine, Minnesota.

August 14, 2011.

This charge was for a total of \$194.50 for food and drinks at the Teamster bar in Fargo. The receipt was signed at or after 1:21 a.m., and indicates that, in addition to Slawson Jr., Slawson Sr., two business agents, an employee of the bar and "various members" were present. The Fargo Air Show was held the prior day. IRB's report indicates that two business agents listed by Slawson Jr. on the receipt as having been present, provided evidence that they were not present. Falsifying the presence of Union officials on receipts of this nature is one way in which charges having no proper union purpose can be concealed.

As part of his defense, Slawson Jr.'s lawyer asserts that there is no evidence that there was not a proper union purpose for running up a tab at the Teamster bar until 1:20 a.m. for Union officials and unidentified members. This misses the point. It was incumbent on Slawson Jr., or any official seeking to charge an expense to the Union, to identify a proper Union purpose for it. He did not do so, and we are hard pressed to identify one from the evidence before us. In our view, "good and welfare," as one witness described it, is not itself a justification for spending Union funds drinking and eating at Union expense.

December 2, 2011

This charge was for a total of \$104.40 at a Holiday Inn in St. Cloud, Minnesota. At this time, Slawson Jr. was a candidate in a contested Local Union election. The receipt states that business agent Dave Shrunk was also present, along with various unidentified members. Shrunk has testified he wasn't there.

For his part, and largely through the arguments of counsel since he did not testify, Slawson Jr. claimed that Shrunk was present at the same time as Slawson Jr. and that the charged expense was incurred incident to a holiday membership meeting in St. Cloud. Once again, no evidence is offered as to what proper union purpose existed for spending Union funds to entertain Slawson Jr. and whoever else may have been present, even if there was a holiday membership meeting earlier that evening. In this regard, it is not the IBT's burden to show the lack of proper Union purpose. It was, and is, Slawson Jr.'s burden to demonstrate the existence of a proper Union purpose, which he did not do.

October 14, 2009

This charge was for a total of \$78.27 at a sports bar in Blaine, Minnesota. Most of the charge was for alcoholic drinks and was signed by Slawson Jr. at approximately midnight. According to Slawson Jr.'s notation on the receipt, he and former Executive Board member Michael Klootwyk were present. The charge identifies the purpose as "E-Board mtg," but it is undisputed that the Local's Executive Board meeting did not occur until the following morning.

Without citing anything in the record, Slawson Jr.'s lawyer argues that Klootwyk and Slawson Jr. were at this sports bar until midnight drinking and discussing the agenda for the next day's Executive Board meeting and once again contends it is the IBT's burden to show the lack of proper Union purpose. Wrong.

It was, and is, Slawson Jr.'s burden to demonstrate a proper union purpose when he charged these expenses on his union credit card. Drinking with another Union officer at a bar until midnight, the night before an Executive Board meeting, is not by itself a proper union purpose.

Slawson Sr.

IRB's report identifies four problematic charges on the Local's credit card by Slawson Sr. One dated December 2, 2011 at the Teamster bar in Fargo, one dated September 8, 2010 at Todd Chester's bar in East Bethel, Minnesota, one dated September 30, 2010, at a restaurant in Blaine, Minnesota and one dated February 22, 2011 at a Jimmy John's restaurant also in Blaine.

December 2, 2011

This charge was for \$545.75 at the Teamster bar in Fargo. Slawson Sr. signed the receipt sometime after 1:22 am. Slawson Sr. had taken vacation time in order to campaign for Slawson Jr. in Fargo. The receipt references a membership meeting earlier that day, and what appears to be a sign in sheet from the meeting is attached. The receipt indicates the charges were entirely for alcohol. As indicated, we are aware of no "good and welfare" exception that would sanction the expenditure of union funds for a late night drinking binge, even if members were present after the membership meeting was completed.

September 8, 2010

This charge was for \$169.97 at Todd Chester's bar in East Bethel, Minnesota. The bill is almost entirely for alcohol, and the receipt lists one fellow officer and Todd Chester as being present. At the time, Chester was employed by the Local. The receipt states the purpose of the expense was for "Fargo Bar and Gaming mtg." There is no indicating that there meeting of the Bar and Gaming Board at that time. Nor is any proper union purpose identified. Certainly none was identified as a justification for the Local to pick up this expense. It was, once again, incumbent on Slawson Sr. to identify a proper purpose, which he has not done.

September 30, 2010

This charge was for \$250.25, and was incurred at a restaurant in Blaine, Minnesota. Listed on the check, in addition to Slawson Sr., were Slawson Jr., two

other former officers of the Local and two business agents, all of whom were based in Blaine. The purpose for the meeting was “Bus Dinner, co assigned to new agents.” Slawson Sr. testified this was a continuation of a meeting that started at the Local. The bill was signed sometime after 11:15 p.m.

We are not persuaded by this explanation. It was incumbent on Slawson Sr., as it is with any official seeking to charge expenses to the Union, to identify a proper purpose for the charge.

February 22, 2011

This charge was for \$165.25, and was incurred at Jimmy John’s in Blaine. The receipt states “food & drinks, lunch, work place realignment all craft, Brad Sr.” During his testimony, Slawson Sr. plausibly claimed that he decided the Local should cater lunch for the Local’s staff who were working on company realignments. He offered that in his judgment it made more sense to bring lunch in for the staff than having them go out to lunch which could lead to the loss of valuable time. Despite the cryptic notation he put on the receipt, we find his clarification of the proper union purpose for this charge credible.

In sustaining Charge Ten against Slawson Jr. and Charge Eleven, in part, against Slawson Sr., we believe it is important to point out that we are not suggesting that it is never appropriate to spend Union funds for meals and drinks, even occasionally for alcoholic drinks. What stands out to us with the charges identified by IRB here is that in many instances the charges were primarily for alcohol and at hours at which the claimed union purpose is implausible. Added to this, it is clear to us that neither Slawson made serious efforts to document a proper union purpose for the charges. As indicated previously, we reject the suggestion that there is a “good and welfare” rule which permits the expenditure of union funds for drinking binges after or before union meetings.

Recommended Penalties.

In formulating penalties under the IBT Constitution and under the Consent Decree, we are guided by principles of “just cause.” This means we will consider factors such as the nature and seriousness of the offense, the member’s prior service and disciplinary record, the member’s position in the Union and the existence of any mitigating circumstances. Progressive discipline may be appropriate in some situations.

The charged offenses here are extremely serious. The bulk of the offenses were committed by two experienced Union officials. In the case of Slawson Sr., they were committed by the highest ranking officer of the Local Union and a former member of the General Executive Board. Slawson Jr. was the second highest ranking officer in the Local. In the case of Chester, we note in particular that he has chosen not to contest serious allegations of embezzlement while he was a Union member, during a period in which the record shows that the Teamster bar in Fargo suffered substantial shortages in revenue from inventory that was either used or stolen: upwards of \$235,761. The preponderance of reliable evidence, including the adverse inference we draw from his failure to appear at the hearing to contest the charges, supports the conclusion that his embezzlement of liquor caused this shortage.

Although we are unaware that any of the charged members have previously faced disciplinary charges under Article XIX of the IBT Constitution, we are struck by the total lack of mitigating circumstances

Although we understand that we are not bound by the penalties imposed in prior disciplinary cases, we note that the range of penalties imposed in prior cases involving allegations such as those presented here includes permanent expulsion, suspension from office and membership and fines.

We accordingly recommend the following penalties here:

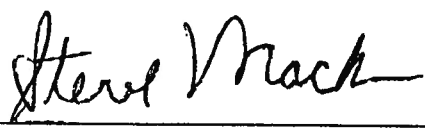
1. Slawson Sr. should be permanently barred from holding any office or employment with Local 120, the IBT or any affiliate of the IBT, including benefit funds, and including any employment as a contractor or consultant, effective immediately. In addition, effective immediately, he should be barred from holding membership in Local 120, or any other IBT affiliate, for a period of 10 years, and should be barred from any knowing association with members of the IBT until such time as he shall regain his membership in good standing. He should also be fined \$159,065.97, the amount he permitted Stone to divert to his friend (\$90,000), Chester, plus the amount of improper stipends he took from the Fargo bar (\$68,100) and the amount of the three inappropriate credit card charges described above (\$965.97). In addition to the 10 year bar from holding membership, he should not be eligible to reinstate his membership or to end his associational bar until such time as this fine is paid in full. The foregoing prohibition would mean that effective immediately neither Local 120, the IBT nor

any entities affiliated with the IBT shall pay Slawson Sr., nor shall he accept, any salary, gratuities, gifts, severance payments, allowances, consulting or other fees, benefit payments or contributions or other compensation of any kind, directly or indirectly, except that he may receive fully vested or accrued pension, vacation or other benefits he has already earned under any existing benefit plans or programs maintained or sponsored by Local 120, the IBT or any affiliates of the IBT, as well as health benefits in accordance with COBRA, provided he is eligible for them under any health plan under which he was covered prior to his removal from office.

2. Slawson Jr. should be permanently barred from holding any office or employment with Local 120, the IBT or any affiliate of the IBT, including benefit funds, and including any employment as a contractor or consultant, effective immediately. In addition, effective immediately, he should be barred from holding membership in Local 120, or any other IBT affiliate, for a period of 10 years, and should be barred from any knowing association with members of the IBT until such time as he shall regain his membership in good standing. He should also be fined \$73,077.17, the amount of improper stipends he took from the Fargo bar (\$72,700) plus the amount of the three inappropriate credit card charges described above (\$377.17). In addition to the 10 year bar from holding membership, he should not be eligible to reinstate his membership or to end his associational bar until such time as this fine is paid in full. The foregoing prohibition would mean that effective immediately neither Local 120, the IBT nor any entities affiliated with the IBT shall pay him, nor shall he accept, any salary, gratuities, gifts, severance payments, allowances, consulting fees, benefit payments or contributions or other compensation of any kind, directly or indirectly, except that he may receive fully vested or accrued pension, vacation or other benefits he has already earned under any existing benefit plans or programs maintained or sponsored by Local 120, the IBT or any affiliates of the IBT, as well as health benefits in accordance with COBRA, provided he is eligible for them under any health plan under which he was covered prior to his removal from office.
3. Chester should be permanently barred from holding any office or employment with Local 120, the IBT or any affiliate of the IBT, including benefit funds, and including any employment as a contractor

or consultant, effective immediately. In addition, effective immediately, he should be barred from holding membership in Local 120, or any other IBT affiliate, for a period of 10 years, and should be barred from any knowing association with members of the IBT until such time as he shall regain his membership in good standing. He should also be fined the amount of \$235,761, by which the Fargo bar's revenues were short of the liquor used during the period in which he was a member and a consultant to the bar. In addition to the 10 year bar from holding membership, he should not be eligible to reinstate his membership or to end his associational bar until such time as this fine is paid in full. The foregoing prohibition would mean that effective immediately neither Local 120, the IBT nor any entities affiliated with the IBT shall pay him, nor shall he accept, any salary, gratuities, gifts, severance payments, allowances, consulting fees, benefit payments or contributions or other compensation of any kind, directly or indirectly, except that he may receive fully vested or accrued pension, vacation or other benefits he has already earned under any existing benefit plans or programs maintained or sponsored by Local 120, the IBT or any affiliates of the IBT, as well as health benefits in accordance with COBRA, provided he is eligible for them under any health plan under which he was covered prior to the end of his employment with Local 120.

SO UNANIMOUSLY DECIDED AND RECOMMENDED, on March 28th, 2013.



Steve Mack

Robert Mele

Marcus King

or consultant, effective immediately. In addition, effective immediately, he should be barred from holding membership in Local 120, or any other IBT affiliate, for a period of 10 years, and should be barred from any knowing association with members of the IBT until such time as he shall regain his membership in good standing. He should also be fined the amount of \$235,761, by which the Fargo bar's revenues were short of the liquor used during the period in which he was a member and a consultant to the bar. In addition to the 10 year bar from holding membership, he should not be eligible to reinstate his membership or to end his associational bar until such time as this fine is paid in full. The foregoing prohibition would mean that effective immediately neither Local 120, the IBT nor any entities affiliated with the IBT shall pay him, nor shall he accept, any salary, gratuities, gifts, severance payments, allowances, consulting fees, benefit payments or contributions or other compensation of any kind, directly or indirectly, except that he may receive fully vested or accrued pension, vacation or other benefits he has already earned under any existing benefit plans or programs maintained or sponsored by Local 120, the IBT or any affiliates of the IBT, as well as health benefits in accordance with COBRA, provided he is eligible for them under any health plan under which he was covered prior to the end of his employment with Local 120.

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