



UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

Douglas J. McCarron
General President

To: All Members of the Local Unions Affiliated with the Pacific Northwest Regional Council of Carpenters
From: General President Douglas McCarron
Re: Notice of Trusteeship Hearing
Date: December 17, 2021

Date: Saturday, January 29, 2022
Times: 8:30 a.m.-12:00 p.m. PST; 1:30 p.m. to 5:00 p.m. PST
Location: The Westin Seattle
(In the hotel's Grand Ballroom 2 & 3)
1900 5th Avenue
Seattle, WA 98101

The purpose of this letter is to advise all members that a trusteeship hearing will be held on Saturday, January 29, 2022. There will be two sessions: 8:30 a.m. to 12:00 p.m. PST and 1:30 p.m. to 5:00 p.m. PST. The hearing will be held in The Westin Seattle hotel's Grand Ballroom 2 & 3 located at 1900 5th Avenue, Seattle, WA 98101. All members of the Local Unions affiliated with the Pacific Northwest Regional Council of Carpenters ("Regional Council" or "Council") can attend and give testimony if they choose. Non-members will not be allowed to attend. Please be advised that attendance at the hearing will be enforced in strict compliance with applicable local, state, and federal law, guidelines, directives, etc., issued concerning the COVID-19 pandemic.

The hearing committee will be chaired by the General Vice President Frank Spencer. The Committee will independently report the its recommendations and findings to the UBC General Executive Board and the Regional Council. The Chairman shall have the discretion and authority to extend or shorten the hours of the hearing.

The purpose of the hearing is to determine whether trusteeship over the Regional Council should continue. The grounds that the hearing committee will consider are set forth below.

I. INTRODUCTION

On October 25, 2021, the UBC was asked by the Regional Council's Executive Committee, including its former Executive Secretary-Treasurer, to impose a trusteeship. (See Resolution signed by all Executive Committee Members). The Executive Committee unanimously "welcome[d] and consent[ed]" to the trusteeship for the purpose of providing "independent

supervision and oversight” and “an independent investigation” into the election vote rigging that had been discovered by its staff during the WWA-AGC Master Labor Agreement ratification vote. The UBC was also asked broadly to investigate other matters that it determines necessary.

That same day, the UBC placed the Regional Council under trusteeship and appointed Jim Gleason, a 41-year member, as Supervisor. Since the trusteeship began the UBC has confirmed through witness interviews that vote rigging occurred not only during the 2021 WWA-AGC MLA ratification vote, but also during the 2019 EWA MLA ratification vote. It also found widespread instances of financial malpractice, including one Representative taking double-pay and his Lead approving it.

II. NEED TO RESTORE THE DEMOCRATIC PROCESS

A. Vote Rigging in the WWA AGC MLA Ratification Vote

In 2021, the AGC agreement in Western Washington came up for re-negotiation. Tentative agreements were reached and recommended by the Council for membership approval. The members rejected Tentative Agreements (“TA”) #1 and #2. When it became apparent that TA #3 would suffer a similar fate and not pass, the Council’s then-, now former, EST, Evelyn Shapiro, embarked on a scheme to fix the vote.

She recruited Juan Sanchez, the Council’s Director of Organizing, to help fix the vote to “yes” on behalf of the members who had not yet voted. He obtained the members’ UBC identification number which allowed him to vote for members who had not yet voted. The scheme came to light after dozens of members called complaining that they were unable to vote because the online voting systems showed that they had already voted.

B. Vote Rigging in the EWA MLA Ratification Vote

In 2019, the Eastern Washington MLA was up for re-negotiation. Dan Hutchins, the Council’s Contract Administrator, negotiated a new MLA. The membership resisted the agreement. So, during the ratification vote, Hutchins was instructed by EST Shapiro “to fix the fucking vote” to ensure its passage. During the UBC investigation, Hutchins admitted that he did fix the ratification vote.

III. FINANCIAL MISMANAGEMENT AND OTHER IRREGULARITIES

A. Failure to Disclose: June 2020 Pension Allocation Survey

In March 2020, the members’ pension funds suffered severe losses due to one of its hedge fund investments. One of its managers, Allianz, managed several hedge funds that lost between 90% and 50% of the pension funds’ investments. The losses totaled over \$250 million dollars or approximately 17% of the pension funds. These losses contributed to the defined benefit pension fund’s continued underfunding—meaning the defined benefit pension fund did not and currently does not have sufficient assets to pay all the pension benefits it has promised the members.

The Regional Council's trustees, including EST Shapiro, did not disclose these substantial losses to the members. Instead, EST Shapiro and the Regional Council asked the members to allocate an additional part of their CBA pension allocation towards paying off this underfunding. In June 2020, the members allocated an additional amount to pay down this underfunding.

The EST and the other union pension fund trustees failed to inform the members of these losses. It was not until February 2021, almost a year after the losses occurred, that the EST and the union trustees informed the members of the massive pension losses, and that was only after the General President directed them to do so.

B. Failure to Obtain Adequate Fiduciary Liability Insurance

At the time of the Allianz hedge fund investments, the members' pension funds had assets of over \$2 billion dollars. The pension funds invested in many different types of investments. The funds invested in typical publicly traded equities and fixed income investments. The funds also invested hundreds of millions of dollars in private equity, real estate, and hedge funds. Private equity, real estate, and hedge funds investments are inherently more complex and thus riskier than investing in the publicly traded stock market.

Despite this increased complexity and risk to the members' pension funds, EST Shapiro and other union-appointed trustees never increased the pension funds' liability insurance. Liability insurance is intended to protect the members when the trustees are negligent. One trustee, Ken Ervin, admitted that he did not understand the Allianz hedge funds investment at the time he voted to invest the members' pension funds in the Allianz hedge funds. In this case, they had obtained only \$5 million in insurance even though the Allianz hedge funds alone were hundreds of millions of dollars which then suffered losses of over \$250 million dollars.

C. Double-Dipping Pay and Overtime

During the independent investigation, it was discovered that Ken Ervin, a Council Representative, and Kristine Cole, his Lead, were engaged in a double-dipping overtime pay scheme and theft of union time. They both worked out of the Lacey location.

They both also held officer positions with Local Union 129: Ervin was the Financial Secretary, and Cole was the Recording Secretary. Their officer duties for Local Union 129 also occurred at the Lacey location.

According to the Council's policies, all overtime must be approved by the Representative's Lead. Ervin requested overtime payments from the Council for attending Local Union 129's meetings. Cole approved the overtime hours submitted by Ervin. At the same time, Ervin was also being paid by Local Union 129 to attend the same meetings. Ervin was paid twice by two separate entities for attending the same meetings. Cole also was an officer of Local Union 129 and knew of these double-payments and continued to approve.

D. Renovating Home on Union Time

Prior to 2020, Ken Ervin was the Lead for the Regional Council. Kristine Cole was a Representative under his Lead. Representatives have come forward alleging that Cole had renovated her home on union time., which she was able to get away with this because Ervin covered for her.

E. Auditor Discovered Financial Mismanagement

During the independent investigation, an outside auditor audited the Council's records. He quickly determined several irregularities:

1. Council Trustees failed to review all books/bank accounts: The Council Trustees' review of the books and records were inadequate. They did not review all bank accounts, the petty cash account, or any investment accounts. They did not review the detail activity and bank statements for the Market Recovery, NCA Fund, Relief Fund, SBA Fund, SSF Account, Toy Drive Fund, and the Savings and Contingent Accounts.
2. Council failed to have adequate controls over Political Action Funds (PAC): At times the contributions to the PAC fund exceeded state limits. No controls were placed on the amount the Political Director could donate without Executive Committee approval.
3. Failure to timely and fully document Market Recovery grants:
 - a. Approvals for Market Recovery grants were done verbally.
 - b. No routine procedure was followed to provide the Market Recovery Director with the available amounts and outstanding commitments.
 - c. The Market Recovery Funds commitment liabilities were not reported on the Council's LM-2 report filed with the U.S. Department of Labor.
 - d. Representatives did not visit the job sites of contractors who received Market Recovery grants to verify union hours and the number of union employees prior to the distribution of funds.
4. Scholarship Fund: State law requires the Council to make a filing with the State. The Council failed to do so.
5. Non-Representatives getting UBC Pensions and Vehicles: To allow non-Representative staff to participate in the UBC Pension Plan and receive a union vehicle, the Council "designated" the communications department, the IT department, and certain office staff as "Representatives" even though that was not their job title or role. Based on this false designation, EST Shapiro improperly provided them with vehicles and allowed them to participate in the UBC pension plan.
6. Failure to collect dues on all wages paid: Certain Representatives did not pay dues on all gross wages. In addition, twenty (20) temporary staff employees were hired to assist with Covid vaccinations, but no supplemental dues paperwork was sought or obtained, and no dues were collected.

7. Council hired a public relations firm to organize for it: The Council paid a public relations firm over \$75,000 to help organize *one* company. The firm failed. Organizing is the job of union representatives, not public relations firms.
8. Overstaffed, Under-Performing, and Unnecessary Hirings:
 - a. The EST recently hired a comptroller who was totally unqualified for the position. After eight (8) months at work, the newly hired comptroller still did not understand the rudimentary obligations of her position. Virtually all the work that the Comptroller should be performing was already being done by the accounting staff.
 - b. The EST hired an Assistant Human Resources person from North Carolina. The Council provided him moving expenses to move to Kent to work for the Council. No explanation was given as to why someone local could not have been hired instead.
 - c. The EST hired 15 Representatives-in-Training, including 3 in Alaska which brought the number of Alaska staff positions to 9. However, the membership in Alaska is approximately 1,200. The timing and need for these 3 Rep-in-Training positions, especially when no organizing activities were being done, remains a mystery.
 - d. In addition, Alaska has 9 staff members yet on average visit only an average of 3 jobs per day. The Eastern Washington location had 9 staff who on average visited only 4 jobs per day. One Kent location staff member stated that he only visited one job per week and instead answered calls while working from home.
 - e. The EST hired 5 employees for a Communications Department that was run out of the Portland office. This staff took over the room that was previously utilized by the Representatives who were involved in organizing. Not only did the EST have a large communications department, but the EST also paid outside public relations firms thousands of dollars to assist with communications.

IV. COLLECTIVE BARGAINING FAILURES

Multiple instances of collective bargaining failures have been uncovered. The Council routinely signs project only agreements with contractors, and failed to strategize a course of action to obtain full MLA or compliance agreements. For instance, the Lead from Local 70, Miguel Perry, was asked by a project agreement contractor for a meeting to discuss signing a full compliance agreement. Perry let this request slip through the cracks and continued to sign the contractor to project only agreements. This is a waste of union resources and time, which could be better utilized organizing, servicing the members and seeking agreements from other contractors.

V. NO ORGANIZING

Organizing has been the main focus for the Carpenters Union since 1995. The UBC devotes substantial resources and training dollars to assist in organizing, covering bottom-up organizing

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and top-down area standards campaigns. The ITC in Las Vegas has dedicated programs for such activities.

Three years ago, the EST secretly stopped all area standards campaign activities. For instance, Pedro Espinoza, who works in the Central Puget Sound area, was told to stop organizing and was transferred into another department. No area standards targets were followed. The team room white boards in Western Washington were clean when the UBC arrived. The Portland organizing room had been taken over by the Communications Department. Staff accountability became virtually nonexistent. Covid accelerated this lack of oversight

Members may call (253) 945-8800 if they have questions regarding the hearing including the date, time, and location of the hearing.

A final determination in this matter will be made by the UBC General Executive Board after receipt and consideration of the hearing committee's report and recommendations.

Fraternally yours,


Douglas J. McCarron
UBC GENERAL PRESIDENT

Cc: Frank Spencer, General Vice President
Jim Gleason, Supervisor, PNRCC
Local Unions Affiliated with the PNRCC

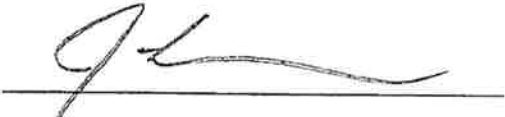
Enclosed: Resolution signed by all Executive Committee Members

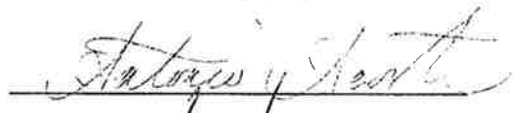
EXECUTIVE COMMITTEE RESOLUTION

We, the undersigned members of the Executive Committee of the Pacific Northwest Regional Council of Carpenters, and members of the United Brotherhood of Carpenters and Joiners of America ("UBC"), welcome and consent to the UBC Trusteeship. We need independent supervision and oversight to promptly take control, lock down and preserve the electronic voting system to prevent tampering. We need an independent investigation into the election vote rigging that Regional Council staff uncovered and into other matters the UBC determines necessary. And, we need the UBC to take corrective actions to fix the problems found. In addition, each of us as UBC members pledge our full cooperation with the UBC.

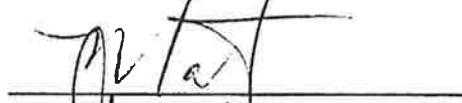


















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