

UNION CORRUPTION UPDATE

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*For Influential Leaders & Important Decision Makers:
Information on America's most corrupt & aggressive unions*

ELECTRICAL WORKERS (IBEW)

McAuliffe's Cronies Settle ERISA Suit for \$4.9 Million

Trustees of the Nat'l Elec. Benefit Fund must pay more than \$4.9 million to reimburse the fund under a consent order settling Dep't of Labor charges that they breached their fiduciary duties under ERISA by investing in a Fla. real estate limited partnership. The two trustees, [Jack Moore and John Grau](#), also agreed to pay a civil penalty of \$555,000 under the consent order signed Oct. 16 by the U.S. Dist. Judge Deborah K. Chasanow (D. Md., Clinton). The order resulted from a suit filed in May 1999 by DOL's Pension & Welfare Benefits Admin., alleging that the trustees imprudently loaned pension plan assets to a corporation for certain real estate purchases linked to tainted Clinton family fundraiser and Democratic Nat'l Committee Chairman Terence McAuliffe.

Moore and Grau denied the allegations, but entered into the agreement with DOL after Williams ruled in July that DOL could proceed with its suit. U.S. Dist. Judge Alexander Williams, Jr. (D. Md., Clinton), denied the trustees' motion for summary judgment, rejecting their contention that they did not breach their fiduciary duties because the real estate transactions had beneficial results.

According to Williams, the trustees arranged for the fund to become a limited partner in a partnership established to purchase real estate in Fla. The fund subsequently loaned \$10 million to the general partner of the partnership, McAuliffe, enabling him, through another company, to acquire and develop additional property. The trustees then took McAuliffe up on his offer to sell the fund shares in the partnership at a 15% discount, increasing the fund's interest to more than 88%. The partnership subsequently repurchased the fund's shares for more than \$30 million.

In announcing the victory, Labor Sec'y Elaine L. Chao said "[t]his aggressive settlement is part of our commitment to crack down on pension fund abuses by union and management officials. We will do everything in our power to protect union members' pensions from being preyed upon and misspent."

NEBF is operated jointly by the Int'l Bhd. of Elec. Workers, from which Moore retired as secretary in 1997, and the Nat. Electrical Contractors Ass'n. DOL was represented by Joan Roller, Myrna A. Butkovitz, and Richard T. Buchanan. James M. Kefauver and Ross D. Cooper of represented Moore and Grau. [BNA 10/18/01]

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In addition to the unions and organizations covered in this Union Corruption Update, readers can look forward to news and information on other corrupt and abusive unions in future editions.

All back issues of the Union Corruption Update can be viewed at NLPC's website (www.nlpc.org). Also available is a union-by-union and state-by-state index of all Union Corruption Update articles.

If you have story ideas or suggestions for future editions of Union Corruption Update, please email NLPC at nlpc@nlpc.org. Thank you.

Union Corruption Update is part of NLPC's Organized Labor Accountability Project which is investigating and exposing corruption and extremism in the Teamsters, LIUNA, AFL-CIO and many other union organizations. NLPC is a nonpartisan, nonprofit foundation promoting ethics and accountability in government through research, education and legal action.

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