



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER
REBEKAH CARMICHAEL
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600

DOL-OIG
JEFFREY LAGDA
PUBLIC INFORMATION OFFICE
(202) 693-5230

DOL-EBSA
GLORIA DELLA
PUBLIC INFORMATION OFFICE
(202) 693-8666

IRS
JOSEPH FOY
PUBLIC INFORMATION OFFICE
(212) 436-1032

**MANHATTAN U.S. ATTORNEY CHARGES FORMER ADMINISTRATOR OF
CONSTRUCTION WORKERS UNION EMPLOYEE BENEFIT PLANS WITH
EMBEZZLING TENS OF MILLIONS OF DOLLARS**

PREET BHARARA, United States Attorney for the Southern District of New York, MARJORIE FRANZMAN, Special Agent-in-Charge for the New York Regional Office of the United States Department of Labor, Office of Inspector General ("DOL-OIG"); JONATHAN KAY, Regional Director for the New York Regional Office of the United States Department of Labor, Employee Benefits Security Administration ("DOL-EBSA"); and PATRICIA J. HAYNES, Special Agent-in-Charge for the New York Field Office of the Internal Revenue Service, Criminal Investigation Division ("IRS"), announced that MELISSA G. KING was arrested yesterday on charges of embezzling tens of millions of dollars from the employee benefit plans she administered on behalf of the Compressed Air and Free Air Foundations, Tunnels, Caissons, Subways, Cofferdams, Sewer Construction Workers Local 147 of New York, New Jersey States and Vicinity AFL-CIO ("Local 147"). KING was arrested at

her Irvington, New York residence by DOL-OIG and IRS agents.

According to the Complaint unsealed yesterday in Manhattan federal court:

Local 147, which had approximately 1,000 members as of 2008, represents workers employed in numerous construction projects in the New York City area. The union, and the employers with whom the union has collective bargaining agreements, have established plans that provide various employment-related benefits to Local 147's members, including pension annuities, workers' compensation, vacation, and other benefits. These plans include the Local 147 Construction Workers Retirement Fund; the Local 147 Construction Workers Annuity Fund; and the Local 147 Construction Workers Additional Security Benefits Fund ("ASB Fund"), which provides severance, vacation, unemployment, workers' compensation, unreimbursed medical expenses, and death benefits (collectively, the "Local 147 Funds").

KING provided administrative services to the Local 147 Funds through the company that she controls, King Care LLC ("King Care"). Among other things, KING, through King Care, was responsible for undertaking various administrative tasks on behalf of the Local 147 Funds, such as collecting employer contributions, maintaining bank accounts, determining eligibility for benefits, paying claims to beneficiaries, filing reports with regulators, maintaining a general ledger of the funds' income and expenses, and providing reports to the funds' trustees. Since 2002, KING had written agreements with Local 147, which provided that King Care was to be paid up to \$15,000 per month for each of the Local 147 Funds -- for a total of \$45,000 per month for the three Funds, and a total of \$540,000 annually. The agreements further provided that King Care might bill the Local 147 Funds for hiring staff and for expenses related to King Care's services.

However, between 2002 and 2008, KING caused at least \$42 million to be transferred, in the form of checks, from the bank accounts of the Local 147 Funds into a bank account controlled by King Care (the "King Care Account"). The approximate amounts of the transfers per year are detailed below:

<u>YEAR</u>	<u>TOTAL</u> (Approximate)
2002	\$1,040,000
2003	\$3,175,000
2004	\$4,205,000
2005	\$5,426,040

<u>YEAR</u>	<u>TOTAL</u> (Approximate)
2006	\$7,677,192
2007	\$11,240,000
2008	\$9,845,000
TOTAL	\$42,608,232

Moreover, between 2002 and October 2009, tens of millions in embezzled funds were transferred out of the King Care account through check, wire transfers, and other means in transactions that appear unrelated to the Local 147 Funds. These transactions included at least: \$7 million paid to American Express; \$3 million paid to various entities that sell, maintain, and transport horses; \$700,000 paid to a diamond company; \$500,000 transferred to E-Trade Securities; \$300,000 paid to Neiman Marcus; \$150,000 paid to the Ritz Carlton Palm Beach; \$10 million transferred to other bank accounts held by King Care; and \$600,000 transferred to the "Trust Agreement between Jerome and Mabel King."

KING's contract with the Local 147 Funds was terminated as of December 31, 2008.

KING, 58, is charged with one count of theft and embezzlement in connection with employee benefit plans, and eight counts of money laundering. If convicted, KING faces a maximum sentence of five years in prison on the embezzlement count, and 10 years in prison on each of the eight money laundering counts; all nine counts also carry a maximum fine of \$250,000, or twice the gross gain or loss from the offense.

KING was presented yesterday in Manhattan federal court before U.S. Magistrate Judge KEVIN NATHANIEL FOX and released on a \$10 million bond.

U.S. Attorney BHARARA stated: "Employees work hard for their benefits and depend on plan administrators to be caretakers, not thieves. These charges bespeak a massive alleged betrayal of trust. They also demonstrate this Office's commitment to holding accountable those who line their pockets by looting the benefit funds of hardworking people."

DOL Acting Inspector General DANIEL R. PETROLE stated: "Third Party Administrators who threaten the integrity of the employee benefit plans of hard-working Americans will be

thoroughly investigated. My office is committed to working with the U.S. Attorney and our law enforcement partners to vigorously protect participant employee benefit plan funds."

"The theft of tens of millions of dollars in employee benefit assets jeopardizes the retirement security of approximately 1,000 union workers and their families. This alleged crime is particularly egregious in light of the duty that plan officials and service providers have to protect plan assets from abuse," said PHYLLIS C. BORZI, Assistant Secretary of the Employee Benefits Security Administration.

Mr. BHARARA thanked DOL-OIG, DOL-EBSA, and IRS for their outstanding investigative work, and said that the investigation is continuing.

This case is being prosecuted by the Office's Complex Frauds Unit. Assistant United States Attorneys JOSEPH P. FACCIPONTI and JASON HERNANDEZ are in charge of the prosecution.

The charges contained in the Complaint are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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