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Southern District of New York***

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**U.S. ARRESTS CONTRACTORS FOR \$6.5 MILLION
LABOR FRAUD AND BRIBING UNION EMPLOYEES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and GORDON S. HEDDELL, the Inspector General for the United States Department of Labor, announced that PATRICK NOEL MCCAUL and JAMES DERMOT MCGONNELL were arrested today for participating in an eleven-year scheme to defraud the carpenters union benefit funds by using non-union labor, paying union carpenters off-the-books, and bribing shop stewards and an employee of the union benefit funds to assist in the fraud. According to the Indictment unsealed in Manhattan federal court earlier today:

McCAUL and MCGONNELL are the owners of Tri-Built Construction Inc. ("Tri-Built"), a drywall contractor that, until recently, operated in New York City and the vicinity. Tri-Built had signed a collective bargaining agreement with the District Council of New York City and Vicinity of the United Brotherhood of Carpenters and Joiners (the "District Council," or the "Carpenters Union") agreeing to use union labor and pay union wages and benefits to all carpenters employed on Tri-Built's jobsites. Between 1993 and 2004, Tri-Built, holding itself out as a union contractor, was hired for numerous construction projects in New York City, including public projects financed by the Dormitory Authority of the State of New York ("DASNY"), such as a large construction project at Kings County Hospital in Brooklyn.

From 1993 through May 2004, McCAUL and MCGONNELL engaged in a scheme to defraud the union and its benefit funds, as well as DASNY and other real estate developers, by paying a large percentage of Tri-Built's workers cash, at a non-union rate,

without any benefits or tax withholdings. This, in turn, enabled McCAUL and McGONNELL to underbid jobs -- knowing that Tri-Built never intended to comply with its collective bargaining and prevailing wage obligations.

To avoid detection of their fraud, McCAUL and McGONNELL bribed union shop stewards on several Tri-Built jobsites to submit false shop steward reports under-reporting the true number of carpenters and hours worked on those jobsites. McCAUL and McGONNELL also paid money to a then-employee of the union benefit funds to destroy internal union records that might reveal the fraud during a union-conducted audit of Tri-Built. The fraud on the carpenters union benefit funds, alone, totaled at least \$6.5 million.

For instance, during the one-week period from April 14, 2004 through April 20, 2004, Tri-Built's internal business records show that Tri-Built employed approximately 37 carpenters at its jobsite at Kings County Hospital in Brooklyn, New York, and that those carpenters worked a total of 1,313 hours. Yet, in the benefits reports that Tri-Built submitted to the District Council for that same week, Tri-Built reported only 23 carpenters working at the Kings County jobsite, for only 683 hours. Accordingly, just for this one week, at this one jobsite, Tri-Built failed to pay union wages or to make any contributions to the District Council Benefit Funds for approximately 630 carpenters hours -- nearly half of the hours worked by carpenters at that jobsite during the week in question. The shop steward report submitted that week, by a shop steward who was receiving monetary bribes from McCAUL and McGONNELL, reported only 21 carpenters on the Kings County jobsite (omitting approximately 16 carpenters from the report). Similarly, for that same week, NOEL McCAUL signed and submitted false payroll records to DASNY certifying that only 18 carpenters had worked that week at Tri-Built's Kings County Hospital jobsite (omitting approximately 19 carpenters from the report).

MCCAUL and MCGONNELL are charged in the Indictment with one count of conspiracy, one count of embezzlement from an employee benefit plan, and one count bribing union employees. They each face a maximum sentence of five years' imprisonment on each of the charges, and the forfeiture of at least \$6.5 million.

MCCAUL, 48, was arrested today at his home in Ardsley, New York. MCGONNELL, 51, was arrested in Brooklyn, New York. He currently resides in Maspeth, New York. MCCAUL was presented earlier today before United States Magistrate Judge GABRIEL W. GORENSTEIN. He has been released on a \$1 million bond secured by his home in Ardsley, New York. MCGONNELL is expected to be presented later this afternoon.

Mr. GARCIA thanked the U.S. Department of Labor-Office of the Inspector General for its assistance in this investigation.

Assistant United States Attorney LISA ZORNBERG is in charge of the prosecution.

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

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