

UNITED STATES DISTRICT COURT

for the

District of Columbia

United States of America)

v.)

Anthony Wendel Frederick)

Case: 1:15-mj-00582

Assigned To : Magistrate Judge G. Michael Harvey

Assign. Date : 9/10/2015

Description: Criminal Complaint & Arrest

Defendant(s)

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of April 2013 to June 2014 in the county of in the District of the District of Columbia, the defendant(s) violated:

Code Section

Offense Description

29 U.S.C. 501(c)

Any person who embezzles, steals, or unlawfully and willfully abstracts or converts to his own use, or the use of another, any of the moneys, funds, securities, property, or other assets of a labor organization of which he is an officer, or by which he is employed, directly or indirectly, shall commit the offense.

This criminal complaint is based on these facts:

See attached Affidavit of Michael T. Adkins, Special Agent, Federal Bureau of Investigation

Continued on the attached sheet.

Complainant's signature

Complainant's signature

Michael T. Adkins, Special Agent, FBI

Printed name and title

Sworn to before me and signed in my presence.

Date: 09/10/2015

Judge's signature

Judge's signature

City and state: Washington, District of Columbia

Magistrate Judge G. Michael Harvey

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Table with 2 columns: Code Section (29 U.S.C. 501(c)), Offense Description (Any person who embezzles, steals, or unlawfully and willfully abstracts or converts to his own use, or the use of another, any of the moneys, funds, securities, property, or other assets of a labor organization of which he is an officer, or by which he is employed, directly or indirectly, shall commit the offense.)

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2. Your Affiant is familiar with the information contained in this Affidavit based upon the investigation Your Affiant has conducted, his training and experience, and information provided to him by other law enforcement officers who have engaged in the instant investigation and in investigations involving prohibited payments, bribery, theft, and fraud.

3. Your Affiant's investigation was based, among other sources, upon interviews with officials, employees, and officers in LIUNA and Local 657; and the internal records of LIUNA and Local 657; and the bank records of Local 657 and STS Contracting.

4. This Affidavit is being submitted for the limited purpose of supporting applications for a criminal complaint. Thus, I have not set forth each and every fact learned during the course of this investigation.

FACTS AND CIRCUMSTANCES

5. The facts and circumstances set forth below in this Affidavit demonstrate that there is probable cause to believe that Anthony Wendel Frederick has committed the offense of theft from a labor organization in violation of 29 U.S.C. § 501(c).

A. Background

6. Laborers International Union of North America (LIUNA) is a labor organization that represents laborers in the construction industry. Local 657 represents construction laborers in the Washington, D.C. area and five adjacent counties. Local

657's union hall is located at 5201 1st Place, N.E. Washington DC. 20011, and in 2013, Local 657 began construction of a new training center across the street at 5332 1st Place, N.E. Washington, DC 20011.

7. ANTHONY FREDERICK served as business manager for Local 657, its highest operational office, for over ten (10) years. In June 2014, LIUNA removed FREDERICK from office following its investigation of the allegations set forth below.

8. STS General Contracting and MZ Trust Construction ("STS Contracting") is a construction firm based in Greenbelt, Maryland. STS Contracting claims on its website (stsinvestmentgroupllc.com) that it does major construction work such as refineries and stadiums, in the United States throughout the Middle East. Your Affiant's investigation--which included financial and bank records for STS Contracting--produced no evidence that STS Contracting is conducting the construction projects listed on its website.

B. Prior Investigation by LIUNA

9. In June 2014, LIUNA initiated an audit of the finances of Local 657. As a result, the LIUNA Inspector General determined that Local 657 had paid the firm, STS Contracting, a total of \$1,093,747 for remodeling work at the existing Local 657 union hall between May 2013 and March 2014, but that STS Contracting, at most, had performed approximately \$100,000 in actual work.

10. The LIUNA Inspector General auditor also found that, between May 2013 and March 2014, Local 657 had paid \$587,730 to STS Contracting for expediting services in obtaining building permits for a new training center being built by another construction firm. The LIUNA auditor determined that the charges for these expediting services to be greatly disproportional. Before engaging STS Contracting, FREDERICK had engaged a different permit expediter who agreed to charge a total of \$45,000 to expedite permits for the training center project for beginning to occupancy. According to the LIUNA auditor, Local 657 paid \$20,000 to STS Contracting for expediting an excavation permit which costs \$143. In some instances, Local 657 paid more than \$20,000 to STS Contracting for renewals of existing permits which can be accomplished in a minute over the internet—a service for which experienced expeditors typically charge approximately \$250.

11. As a result of the investigation of the LIUNA Inspector General, LIUNA dismissed FREDERICK, placed Local 657 in trusteeship, and referred the matter to the Department of Justice for consideration of criminal charges against FREDERICK.

C. Secret Transfer of Funds from Local 657 to STS Contracting

12. On May 8, 2013, a principal in STS Contracting prepared a six-page "Project Proposal" for remodeling of the existing Local 657 hall detailing the work STS Contracting would perform for the proposed price of \$1,459,593.84. On May 15, 2013, the same individual produced a two-page proposal to expedite the permitting process

with the District of Columbia for the training center project for the fee of “\$20,000 plus the permit fee.” FREDERICK signed both the proposals but never showed the proposals to the Local 657 Executive Board or any other official or employee of LIUNA.

13. FREDERICK failed to request authorization for those substantial expenditures from the Local 657 Executive Board, or any other evidence that the Executive Board or Local 657 membership had approved the expenditures in accordance with Article IX of LIUNA's Uniform Local Union Constitution. Several executive board members were unaware that FREDERICK had transferred \$1.7 million of Local 657 funds to STS Contracting until the LIUNA audit uncovered that fact. Likewise, FREDERICK failed to request or obtain approval for those expenditures from the international body of LIUNA though he was required to do so by the LIUNA Code of Best Practices.

14. Beginning on May 30, 2013 and continuing to the June 2014 audit, FREDERICK signed each of thirty-seven (37) checks made out from the Local 657 treasury to STS Contracting totaling more than \$1.7 million.

<u>Date</u>	<u>Amount of Check</u>
May 30, 2013	\$4,295.00
June 4, 2013	\$227.00
June 4, 2013	\$11,880.00

June 14, 2013	\$2,480.00
June 18, 2013	\$13,773.00
July 9, 2013	\$20,000.00
July 19, 2013	\$40,000.00
July 23, 2013	\$151,572.00
July 26, 2013	\$41,000.00
August 9, 2013	\$28,000.00
August 26, 2013	\$80,000.00
August 28, 2013	\$486.92
September 5, 2013	\$50,000.00
September 10, 2013	\$99,645.00
September 25, 2013	\$85,000.00
October 3, 2013	\$64,500.00
October 4, 2013	\$250.80
October 17, 2013	\$500.00
October 17, 2013	\$50,000.00
October 18, 2013	\$71,449.00
November 7, 2013	\$97,000.00
November 20, 2013	\$80,490.00
December 2, 2013	\$80,700.00
December 16, 2013	\$87,000.00
December 23, 2013	\$88,750.00

January 1, 2014	\$96,700.00
February 3, 2014	\$60,150.00
February 6, 2014	\$20,000.00
February 12, 2014	\$26,790.00
February 27, 2014	\$509.00
February 28, 2014	\$40,100.00
March 10, 2014	\$20,143.00
March 12, 2014	\$36,501.00
April 30, 2014	\$60,000.00
May 7, 2014	\$20,000.00
May 7, 2014	\$5,200.00
May 14, 2014	\$50,000.00
Total	\$1,734,641.72

15. During the same period, STS Contracting sent invoices to FREDERICK which affirmatively indicated that a multitude of renovation work were being performed on the Local 657 union hall when in fact little if any work had been done. For example, STS Contracting billed Local 657 over \$300,000 for "excavation" at the union hall when no excavation was performed. In fact, STS Contracting had performed no more than some stucco work on two sides of the building and light kitchen renovation at the Local 657 union hall.

16. On June 27, 2014, a vice-president in LIUNA interviewed FREDERICK concerning the above matters. FREDERICK claimed that he thought that the money paid to STS Contracting was reasonable but could not remember any of the other firms who bid on the project. FREDERICK also stated that he believed nearly \$600,000 was what it cost to expedite building permits on a construction project with a budget of \$2.7 million.

C. Disposition of Local 657 Funds Received by STS Contracting

17. In May 2013, the two principals of STS Contracting opened a checking account at Amalgamated Bank. Thereafter, those two individuals deposited all the checks from Local 657 into that account, and subsequently, withdrew the entire \$1.7 million over the course of the next 16 months. As of October 31, 2014, the account for STS Contracting carried a balance of \$793.63. Those withdrawals fall into three general categories:

1. STS Contracting purchase of house for FREDERICK

18. FREDERICK began directing payment of Local 657 funds to STS Contracting in May 2013. On June 2, 2013, a Maryland realtor sent FREDERICK and a principal in STS Contracting an email about having fun shopping for houses. On June 18, FREDERICK signed a contract to buy a single family detached house at 14721 Dunbarton Drive, Upper Marlboro, Maryland.

19. On July 23, a corporation named "ROC Construction" was formed in Maryland with FREDERICK given as the contact person. Also on July 23, 2013, FREDERICK signed another contract to buy 14721 Dunbarton Drive, Upper Marlboro, Maryland with "ROC Construction, LLC" as the buyer and himself as "Managing Member" of ROC Construction. The same day, a principal in STS Contracting purchased a cashier's check from the STS Contracting's bank account in the name of the seller of 14721 Dunbarton Drive in the amount of \$175,000.

20. On August 9, 2013, ROC CONSTRUCTION received title by deed to 14271 Dunbarton Drive in Upper Marlboro, Maryland for a sales price of \$560,000 (deed accepted by Anthony W. Frederick, Sr. for ROC CONSTRUCTION, LLC). STS Contracting provided \$225,000 in funds to pay the down payment on the house at 14271 Dunbarton Drive--the aforementioned \$175,000 check and an additional one in the amount of \$50,000. From August 2013 through November 2014, FREDERICK resided at 14271 Dunbarton Drive and 14271 Dunbarton Drive.

2. Formation of ORC Construction, LLC

21. On July 23, 2013, the principals of STS Contracting incorporated "ORC CONSTRUCTION" in Maryland with FREDERICK's wife, Ms. Carmen Smith, listed as owning 51 per cent. Over the course of months in 2013 and 2014, the principals of STS Contracting transferred more than \$624,000 from STS Contracting to an account at Amalgamated Bank they opened in the name of ORC Construction.

22. Thereafter, the principals of STS Contracting wrote 186 checks from the account. Approximately sixty-five (65) of those checks totaling thousands of dollars were made payable to FREDERICK, the principals of STS Contracting, or their family members. As of October 31, 2014, the account for ORC Construction had a balance of \$28.50.

3. Remainder of funds transferred to cash, to STS Principals, and unknown third parties

23. Beginning in May 2013, several of the withdrawals made by the principals in STS Contracting were more than \$400,000 in cash, or used to buy personal items, entertainment, shopping trips, hotels, and overseas travel. None of those withdrawals are consistent with a contractor performing construction or renovation work in the Washington, D.C. area such as payments to subcontractors, purchases of construction tools or materials, or payments to meet payrolls.

SUMMARY OF INVESTIGATION

24. As a result of this investigation, Your Affiant believes there is probable cause to believe that FREDERICK has engaged in theft from a labor organization in violation of 29 U.S.C. § 501(c).

25. Title 29, United States Code, section 501(c), prohibits the officers or persons employed by a labor organization from stealing or embezzling the property or assets of that labor organization. To establish a violation of section 501(c), 1) an officer or

person employed; 2) by a labor organization; 3) steals or embezzles the property of the labor organization; 4) with fraudulent intent.

26. From May 2013 through March 2014, ANTHONY FREDERICK signed numerous checks for unauthorized expenditures from the Local 657 treasury to STS Contracting totaling near \$1.73 million. There is no evidence within the LIUNA Inspector General's investigation or in the subsequent investigation conducted by Your Affiant that FREDERICK sought or received the authorization of the Local 657 Executive Board or membership for those expenditures to STS Contracting in accordance with Article IX of LIUNA's Uniform Local Union Constitution. A hallmark of fraudulent intent is lack of authorization for the questioned expenditure under the organization's governing rules. United States v. DeFries, 129 F.3d 1293, 1307 (D.C. Cir. 1997).

27. Additional factors strongly indicate that FREDERICK has engaged in a theft from Local 657 in the transfer of approximately \$1.73 million to STS Contracting. First, it appears that little or no construction or renovation work has been performed by STS Contracting since the first check was issued in May 2013. Nonetheless, FREDERICK continued to secretly transfer several checks in the \$80,000-100,000 range steadily over the course of 16 months even though no work was being performed. With respect to the expediting permit fees for the new training center, the nearly \$600,000 transferred from Local 657 by FREDERICK dwarfed the \$45,000 the prior expediter sought and,

could not possibly have been accommodated under the \$2.7 million budget for the entire project.

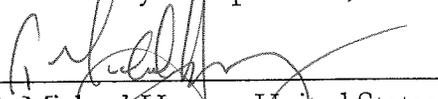
28. Finally, though it is not required to commit a section 501(c) offense, FREDERICK benefitted personally from the expenditures of Local 657 to STS Contracting. Through the straw corporation of ROC Construction, the proceeds of the transfer of funds from Local 657 to STS Contracting were used by FREDERICK to purchase 14271 Dunbarton Drive.

29. In light of all those factors, and additional inculpatory evidence not discussed herein, there exists probable cause to conclude that FREDERICK has engaged in a theft from a labor organization, that is Local 657, in the amount of \$1.7 million in violation of 29 U.S.C. § 501(c).



MICHAEL T. ADKINS
Special Agent, Federal Bureau of Investigation

Sworn to and subscribed before me
this 10th day of September, 2015



G. Michael Harvey, United States Magistrate Judge