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Southern District of New York*

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**MANHATTAN U.S. ATTORNEY CHARGES FORMER EMPLOYEE
BENEFIT FUNDS ADMINISTRATOR WITH EMBEZZLING
\$40 MILLION FROM CONSTRUCTION WORKERS' UNION FUNDS**

PREET BHARARA, the United States Attorney for the Southern District of New York, MARJORIE FRANZMAN, the 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, the 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, the Special Agent-in-Charge for the New York Field Office of the Internal Revenue Service, Criminal Investigation Division (IRS), announced today the indictment of MELISSA G. KING, former administrator of the Sandhogs' Union employee benefit funds, with embezzling approximately \$40 million from the employee benefits funds she administered.

According to the twelve-count Indictment and other documents filed in Manhattan federal court:

From September 2002 until December 2008, KING was the employee benefits fund administrator for 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), also known as the "Sandhogs." Local 147, which as of 2008 had approximately 1,000 members, represents workers employed in numerous construction projects in the New York City area.

The Sandhogs 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 retirement benefits, pension annuities, workers' compensation, severance payments, unemployment benefits, and certain medical expenses and death 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; collectively, the Local 147 Funds).

KING provided administrative services to the Local 147 Funds through the company that she controlled, King Care LLC (King Care). Among other things, KING, through King Care, was responsible for 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 2003, 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 the transfer of more than \$42 million by check from the bank accounts of the Local 147 Funds into an account at Bank of America controlled by her company, King Care (the King Care Account). The checks were in round numbers in amounts ranging from \$20,000 to \$65,000, sometimes several in a single day. The approximate amounts of the transfers per year are detailed below:

Year	Total (Approximate)
2002	\$1,040,000
2003	\$3,175,000
2004	\$4,205,000
2005	\$5,426,040

2006	\$7,677, 192
2007	\$11,240,000
2008	\$9,845,000
Total	\$42,608,232

Moreover, between 2002 and October 2009, more than \$40 million were transferred out of the King Care Account and used, primarily, to pay KING's personal expenses. These transactions included:

- \$7 million paid to American Express;
- \$5 million to pay for horses and horse-related expenses;
- \$500,000 transferred to an account at E-Trade Securities as payment for a horse;
- \$300,000 paid to Neiman Marcus, primarily for women's clothing;
- nearly \$1 million to Lugano Diamonds in Newport Beach, California, for jewelry and watches;
- over \$150,000 to the Ritz Carlton in Palm Beach;
- over \$900,000 to pay the mortgage on KING's Westchester County home;
- hundreds of thousands of dollars to pay for three housekeepers, a tutor for KING's children, and payments to KING's parents and others;
- nearly a hundred thousand dollars for approximately 13 hours of flight time on a private jet;
- over \$300,000 to purchase a 2005 Porsche Cayenne, a 2008 Mercedes-Benz S Class, a 2008 Mercedes-Benz CLK, and a 2008 Range Rover; and
- over \$11 million to other bank accounts held by King Care.

KING's contract with the Local 147 Funds was terminated as of December 31, 2008. She was previously arrested and is currently out on bail.

* * *

KING, 58, is charged with one count of theft and embezzlement in connection with employee benefit plans, and eleven 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 eleven money laundering counts, for a total of 115 years' imprisonment. All twelve counts also carry a maximum fine of \$250,000, or twice the gross gain or loss from the offense.

The Indictment also seeks forfeiture of all of the property KING purchased with the embezzled funds, including real estate, luxury vehicles, jewelry and precious stones, nine horses, and the contents of several bank accounts.

The case is assigned to United States District Judge JOHN G. KOELTL. KING is expected to be arraigned on indictment at a later date.

"As the long-standing administrator of the Sandhogs' Union employee benefit funds, Melissa King was entrusted with money that hard-working people counted on for their future retirement and medical care; instead, she allegedly pilfered huge sums for a personal spending spree of epic proportions. King is charged with stealing more than \$40 million dollars that was intended for the union's hard-working employees and used it to fund an extravagant lifestyle that included expensive jewelry, luxury cars, chartered jets, and even a stable of horses. This Office, working with our partners at DOL-OIG, DOL-EBSA, and IRS, is committed to prosecuting those who corrupt their positions of power to line their own pockets," said PREET BHARARA, the U.S. Attorney for the Southern District of New York.

"Today's indictment serves as a warning to third-party providers who deliberately embezzle union employee benefit funds and jeopardize the employment-related benefits of union members, including pension annuities, retirement benefits, and medical expenses. This office will continue to work tirelessly with the U.S. Attorney and our law enforcement partners to investigate crimes that undermine the financial well-being of these employee benefit funds," said DOL Deputy Inspector General DANIEL R. PETROLE.

"Melissa King's egregious conduct betrayed the trust of those American workers she was there to serve. Today's indictment sends a clear message that those who steal retirement and other benefit assets will be held accountable and prosecuted to the fullest extent of the law," said DOL-EBSA Assistant Secretary PHYLLIS C. BORZI.

"The role of IRS Criminal Investigation partnering with other law enforcement becomes even more important in embezzlement and fraud cases due to the complex financial transactions that can take time to unravel. In order to prove money laundering charges, we have to trace the monetary transactions over \$10,000

that were made with the proceeds of the crime for personal expenditures and to purchase assets. It requires experienced financial and investigative skills to accomplish this task," said IRS Special Agent-in-Charge PATRICIA J. HAYNES.

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 Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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