

Statement of Reasons for Dismissing a Complaint  
Alleging the International Association of Heat and Frost Insulators And Allied Workers  
Improperly Imposed a Trusteeship over its Subordinate Body, Local 49  
on December 11, 2023

This Statement of Reasons is in response to a complaint filed with the United States Department of Labor (Department) on April 30, 2024, by a member of the International Association of Heat and Frost Insulators and Allied Workers alleging that the union imposed a trusteeship over Local 49 for a purpose not allowable under Section 302 of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA), 29 U.S.C. § 462.

The complaint alleged that Sam Schultz, the Vice President of the International Association of Heat and Frost Insulators and Allied Workers (International), imposed a trusteeship over Local 49 because of a grudge he held against the complainant and Local 49 due to their refusal to support a merger between Locals 49 and 34 in 2015 that eventually failed. Sam Schultz (IVP) was the Business Manager of Local 34 at the time of the failed merger. The complaint claimed that, as a result of this grudge, IVP Schulz executed a trusteeship over Local 49 as a retaliatory measure against duly elected officers and staff of Local 49, and that the trusteeship did not serve a lawful purpose mandated by Section 302 of the LMRDA. The complaint further alleged that the International failed to conduct a hearing on the trusteeship. For the following reasons, the complaint is dismissed.

Section 302 of the LMRDA allows trusteeships for the purpose of “correcting corruption or financial malpractice, assuring the performance of collective bargaining agreements or other duties of a bargaining representative, restoring democratic procedures, or otherwise carrying out the legitimate objects of such labor organization.” 29 U.S.C. § 462. A trusteeship established by a parent body for a valid purpose, in conformity with the procedural requirements of its constitution and bylaws, is presumed valid for eighteen months from the date of its establishment and is not subject to attack during such period except by clear and convincing proof that the trusteeship was not established or maintained in good faith for a purpose allowable under Section 302 of the LMRDA. 29 U.S.C. § 464(c).

Although the complainant asserted that IVP Schulz placed Local 49 into trusteeship as a retaliatory measure against Local 49 due to a failed merger in 2015, evidence disclosed during the Department’s investigation suggests otherwise. Article X, Section 16 of the International Constitution and Bylaws authorizes only the International President to impose a trusteeship over a subordinate body. In conformity with this provision, the International President, not IVP Schulz, authorized the trusteeship imposed on Local 49 on December 11, 2023. Also, IVP Schulz stated during the investigation that he did not

lead a push to merge Locals 34 and 49 and that only the International General President has the authority to merge local unions. IVP Schulz further stated that he did not carry a grudge against the complainant or Local 49 concerning the failed merger. Ultimately, the investigation found no credible evidence that the trusteeship was imposed over Local 49 as a retaliatory measure against the complainant or Local 49.

The initial Trusteeship Report, Form LM-15, the International filed with the Department on January 11, 2024, identifies three reasons for implementing the trusteeship, including: (1) to correct corruption or financial malpractice; (2) to assure the performance of collective bargaining agreements or other duties of bargaining representative; and (3) because the affairs of the local union were not being conducted in accordance with the constitution and bylaws of the International, or were being conducted in such a manner as to jeopardize the interests of the International Association or the local or its members. Specifically, the International found that Local 49 had failed to enforce the National Maintenance Agreement (NMA or Agreement), failed to properly register and enroll new apprentices, did not accurately report its per capita taxes for the apprentices to the International, and engaged in financial improprieties.

Concerning Local 49's failure to enforce the NMA, this agreement requires that any individual working under an NMA for more than seven days must be offered union membership in Local 49. Anyone working for a contractor under an NMA is required to be paid mechanic wages by the contractor unless the individual is enrolled in an apprenticeship program, in which case, the contractor may pay the individual apprenticeship wages. The Department's investigation determined that three individuals who were registered as apprentices with the State of Minnesota were not registered or enrolled in Local 49's apprenticeship program. Therefore, these individuals should not have been classified as apprentices under that program, and contractors should have paid them mechanic wages, instead of apprentice wages. Local 49, however, reported to contractors that these individuals were apprentices of Local 49. As a result, the contractors paid them apprentice wages, which is a lower rate of pay than mechanic wages. Further, although the individuals had worked more than seven days under an NMA, Local 49 had not offered them membership in Local 49, as required by the Agreement.

In addition, the Department's investigation established that Local 49 had not properly administered its apprenticeship program. Local 49 registered only 15 of Local 49's 38 apprentices with the State of Minnesota. Only 13 of the apprentices were on Local 49's membership roster, and only seven of them were registered with the International. The Department's investigation also found that Local 49 had repeatedly filed inaccurate Contractor's Reports it filed with the International, which may have resulted in Local 49 paying less than the required amount of per capita taxes to the International.

Further, the Department's investigation disclosed that the International had received several complaints that Local 49 officers were engaging in financial improprieties. The

investigation disclosed that a preliminary review of the local's financial records conducted by an outside accounting firm hired by the International found several questionable financial transactions, including a \$70,000 transfer of funds from the local's apprentice training fund to the local's general operating account. The local officers transferred the funds to purchase Christmas gift cards. According to the International's General Counsel, Local 49's apprenticeship program is a plan covered under the Employee Retirement Income Security Act (ERISA). Assets of an ERISA-covered plan, such as Local 49's apprenticeship program, must be used for the exclusive purpose of providing apprenticeship or training benefits to participants and defraying reasonable expenses of administering the plan. Local 49's use of apprenticeship program funds to purchase \$70,000 in Christmas gift cards was not for such exclusive purpose or training, or used to defray reasonable expenses of administering the plan. Therefore, Local 49's disbursement of such funds to purchase the gift cards was prohibited under the ERISA. For all of the reasons discussed above, the Department determined that the International placed Local 49 under a trusteeship for an allowable purpose under Section 302 of the LMRDA.

The complaint also alleged that the International failed to follow the procedural requirements under the International Constitution and Bylaws for imposing a trusteeship because the union did not hold a hearing before or after the removal of Local 49's officers and staff. Under the LMRDA, a trusteeship established by a labor organization in conformity with the procedural requirements of its constitution and bylaws and authorized or ratified after a fair hearing is presumed valid for eighteen months from the date of its establishment. 29 U.S.C. § 464(c). The trusteeship is not subject to attack during such period except by clear and convincing proof that the trusteeship was not established or maintained in good faith for a purpose allowable under Section 302 of the LMRDA. 29 U.S.C. § 464(c). The investigation found that the International established the trusteeship on Local 49 in conformity with the procedural requirements of the International Constitution and Bylaws and authorized or ratified after a fair hearing.

Article X, Section 16 of the International Constitution and Bylaws prescribes the procedural requirements for establishing a trusteeship. Section 16(b) of this provision reads, in relevant part,

The General President shall set a time and place for a hearing, for the purpose of determining whether a trusteeship shall be imposed or continued. The trustee may be appointed prior to such hearing; but in such event a hearing shall be scheduled withing a reasonable time (usually 30 days after the appointment of the trustee). In either case, at least 10 days' notice shall be given to the local union and its officers of the scheduled hearing. A member of the Board, or a designee of the General President, shall be appointed for the purpose of conducting such hearing, taking evidence, and submitting written findings and recommendations. The decision of the General President shall be transmitted to

the local union, which may appeal the decision to the next convention of the International Association.

Consistent with these procedural requirements, IVP Schulz, the International Secretary-Treasurer, and the International Representative for the Midwest notified the complainant in person on December 11, 2023, at the Local 49 union office that Local 49 was being placed under trusteeship. By letter dated December 11, 2023, the International General President appointed IVP Schultz as trustee of Local 49. Local 49 members were notified of the trusteeship in a letter dated December 14, 2023. The letter also informed members “the hearing [on the trusteeship] was scheduled for January 10, 2024, at 5:00 pm at Local Union 49. The address is 5771 US Highway 2, Hermantown, MN 55810.” When interviewed by the Department, the complainant acknowledged that a trusteeship hearing was held, and that he chose not to attend the hearing. The complainant provided the Department with the December 14 letter informing members of the hearing. Interviews with IVP Schultz and members of Local 49 confirmed that a hearing was held and that the hearing was fair. Local 49 was given ample opportunity to properly prepare for the hearing, and was allowed to present evidence and witnesses during these proceedings. Approximately 30 of Local 49’s 70 members attended the hearing. Everyone who wanted to speak was given an opportunity to do so. International officials also allowed individual members to speak with them in private outside of the hearing to discuss any concerns.

Following the trusteeship hearing, IVP Schulz presented his findings to the International General President. The hearing officer’s recommendation to the International General President was that the trusteeship be continued. The International General President adopted such recommendation. As demonstrated, the trusteeship was imposed in accordance with the procedural requirements of the International Constitution and Bylaws for an allowable purpose under the LMRDA and was ratified after a fair hearing.

Finally, the investigation found that on December 7, 2024, Local 49 conducted an election and installation of its officers for the purpose of terminating the trusteeship. On, March 5, 2025, the International filed the requisite Form LM-16 Terminal Trusteeship Report with the Department attesting to the restoration of Local 49’s full autonomy. The Department’s investigation found that the local’s autonomy has been fully restored.

For the reasons stated above, there was no violation of the LMRDA in the imposition of the trusteeship. Accordingly, this matter does not require further action on the part of the Department, and we are closing our file.