

MINUTES
NATIONAL POSTAL MAIL HANDLERS UNION
LOCAL 308'S EXECUTIVE BOARD MEETING
October 20, 2009

The Executive board meeting was held at the Local 308 Headquarters in Philadelphia, PA.

Executive Board members present:

John Macey	Local President
Tony Branco	Local Treasurer
John Gibson	Local Vice President
Ed Tucker	Recording Secretary
Robert Singleton	PA State Executive Board Member
Steve Bahrle	NJ State Executive Board Member
Quentin Seth	DE State Executive Board Member

After Pledge of Allegiance, Local President Macey suggested that minutes from June 30, 2009 meeting be accepted by the Board since Board had opportunity to review minutes and make any necessary corrections and additions within 21 days of meeting. An official motion was then made by Brother Gibson for official acceptance of the minutes of June 30, 2009 meeting seconded by Robert Singleton. Motion passed unanimously by the Board.

Macey indicated that although we had an agenda the meeting would be primarily focusing in on the financial situation of our Local with Accountant Tyler Geiman sitting in on our meeting at no charge to the Local. He would be making a presentation to the Board. President Macey revealed that the Tuesday before his trip to New Orleans he received a phone call revealing some things from the past that were disturbing and that Tyler would shed some light on this during his presentation.

The meeting was then turned over to Tyler Geiman. He proceeded to tell us of an issue that is more of a legal issue than an accounting issue. His first comment consisted of his opinion that the best practice is not to include detailed transcripts of the meeting minutes for legal reasons in case there is litigation. He suggested consulting with legal council on the best practice involving this issue. He also suggested the minutes not be posted on the website for everyone. Perhaps a password could restrict it for Union members only. Brother Bahrle absolutely agreed with him on this issue. Brother Gibson interjected that he did not think it was possible we could do that in any sound matter. If you gave a password to the Union member he could give that to his wife, lawyer or anyone for that matter. I don't know how you protect that and furthermore, this Board has already voted on it and unanimously agreed to post them on the website. If someone wants to bring it back up and vote on it that is another issue. He also reminded us that Local 300 posts all minutes on the website and it is one of the more volatile Locals in the country. Brother Branco suggested that we should present to Local Lawyers to get a legal opinion. Brother Bahrle was concerned about management and other locals using some of the information

against us and indicated that he was against it. He also felt that information could be shared at a Union Meeting not on the web. Brother Seth indicated he had mixed feelings about it since membership has a right to know to a certain extent yet management could use some of it against us. Brother Tucker suggested it is catch 22, on one hand we are absolutely about transparency and members right to know yet we certainly do not want some of the information used against us and come back to harm us later. Certainly we all voted to put the minutes on the web so until we come up with another motion and vote to change the practice we should keep posting the minutes on the web. Brother Bahrle suggested we should talk to Attorney Josem and go with what he recommends. Brother Gibson stated he is obviously in favor of posting minutes and is not sure what is contained in the minutes that could result in some legal jeopardy as Tyler indicated. He has no problem with Attorney Josem reviewing the minutes to see if there is any information that could pose some legal problems down the line. However, that is a lot different than political problems down the line, the members who pay our salaries and who make this Union run have a right to know what we are doing, what we are saying, what we are spending their money on and what kind of discussions or debates we are having at this level. Brother Gibson indicated he agrees with Brother Quentin in that the members have a right to know what we are doing. To slide back the other way at this point is a mistake, however it may be fine tuned for any legal liability that may be imposed. Brother Gibson acknowledged there might be some financial details that may not be for public disclosure with the notion, however, that at branch meetings we are completely wide open about the financial details and state of affairs of our Local. Brother Gibson indicated he would be in favor of modifying the minutes that are posted for purposes of legal liability. Brother Singleton agreed that we need to modify the minutes because a lot of people are misinterpreting a lot of the things that are going on. President Macey indicated he agreed with the entire board and felt we should review the minutes and then have the attorney review them for his input and possible legal ramifications. Brother Seth suggested we suspend the posting of the minutes until the council has an opportunity to voice their opinion on the issue, however, motion was defeated. (See Motion 2 below)

Then Brother Gibson introduced a motion for our Lawyer to review minutes and post them and that full versions be available for members upon request and at branch meetings. (See Motion 3 below for entire motion) Motion passed by a 5 to 1 margin with one abstainer.

Present Macey turned the meeting over to Brother Gibson who presented information concerning his meeting with central PA district leadership over the Wilkes-Barre situation. Those in attendance were John Gibson, Robert Singleton, Bob Glycenfer, William Smith, Doug Hilbert and Bob Lewis. It was an informational meeting where we wanted to get a idea on exactly what sections of Article 12 the Postal Service was relying on to implement the consolidation of mail processing at the Wilkes-Barre facility. All questions were answered but they did not have specific details on the number of employees impacted due to the possibility of employee retirements. There is an indication from management that they were going to retain as many as 5 to 7 mail handlers at the Wilkes-Barre facility. Obviously, that will impact the mail handlers at that facility. There

are 42 total mail handlers that are currently assigned to that facility so at least 35 people less any incentive motivated retirements that may occur. The gaining facility of Scranton and Lehigh Valley staffing numbers may be flexible; for example, that if five people retire they are not going to add five people. The staffing will be moved down according. They are not going to add extra people from Wilkes-Barre which was our hope. Scranton is only 17 miles from Wilkes-Barre as opposed to over 70 miles for Lehigh Valley. Discussion also included the OTDL list, the 120-day waiting period, vacation scheduling, and the parties reached an agreement on how we are going to handle these issues. Overall it was a productive meeting, however it is a bad situation for the employees at Wilkes-Barre as they are losing their jobs for the most part.

President Macey indicated about a month ago he gave Tyler a call for an update on when we were going to get a copy of our audit. Other phone calls involving Bruce Learner (National's legal council), and Regina Herzig who is an attorney out of Cleary Josem's office have been made as well. The Local made a payment of \$5000 to the IRS and the plan included Tyler to file appropriate IRS forms and take a wait and see approach. It was then realized by the parties that we should actually use an actual tax attorney in lieu of our local attorney due to the situation being worse than expected and due to the complexity of situation.

Accountant Tyler Geiman along with Regina has been a party to all discussions with the IRS. Tyler Geiman is considered power-of-attorney for the local and he asked for a transcript from the IRS. A transcript basically tells the organization what has been paid and what has been filed. Once the accountant received this information from the IRS some revelations became apparent. There are some problems going back to the late nineties and 2001 as well. However, the IRS has made it perfectly clear as long as the local tries to make progress in dealing with these different matters they are not planning to levy the Local's accounts. In light of that the IRS made it clear in what order they want things addressed. First of all before the IRS will enter into any negotiation regarding payment schedule and payment of interest and penalties, everything must get filed. Payroll taxes need to be addressed first specifically the returns for 2007 and 2008. Those returns have all been done and are in the mail today. The financial reports show that about \$200,000 is owed, however, that does not include penalties and interest. The Board discussed previous accountants and how they were paid substantial monies to handle the Local's finances. The next item is the 990Ts. In 1998, \$15,000 was deposited towards the 990T but nothing was ever filed. In 2001 the 990T was never filed and that was revealed in the transcripts. The Transcripts shows that 2004, 2005, 06, 07 are not on this list either. Year 2008 was filed and the accountant feel it was filed accurately, however, the Local did not have the money to pay the taxes, which equaled to about \$44,000. Year 2009 has not had any money paid out in estimated tax payments for associate money (the same as prior years). These are supposed to be paid quarterly. The accountant suggested that the Local needs to consult legal council about state taxes but his opinion is that we are not obligated to pay PA state taxes on associate member dues.

Then President Macey discussed possibilities of borrowing money from National and having National's tax attorneys handle payment plans with Local 308 making payments

to National. This may be in his opinion the most cost efficient method of handling this situation. However, Brother Gibson stated it seems that “we are half-way committed to doing that, which Brother Gibson does not think we should be. Accountant Tyler has provided us with estimates that could approach \$1,000,000 however until we know exactly what we are dealing with here I don’t think we should be talking about loans or anything until we see what the liabilities are going to be. First we need to get a tax attorney to investigate what the tax is going to be and what he can do for us. The first thing we need to do is see if National will pick up the tab on paying a tax attorney.”

Gibson reminded the Board of the discussion held during the last executive board session on June 30, 2009 involving a question on whether in the event of inappropriate financial findings, could the Local recoup some of the money through the bond company. Cassie R. Ehrenberg, Esquire of Cleary & Josem LLP was supposed to investigate the bond agreement. It was also discussed as to whether or not penalties and interest on unpaid taxes could be recouped from the Bond Company. Ms. Ehrenberg indicated at the time that she could not answer without reading the complete legal contract that was agreed upon with the Bond Company. With this in mind Brother Gibson made a motion for the law firm to give us an analysis by week’s end on the bond agreement to ascertain whether we can go after the bond company for the fiduciary irresponsibility of Carthon and Phillips. Motion passed unanimously (See motion 4 below).

President Macey then recommended establishing a budget committee. Tyler Geiman suggested that he could build a budget / forecast model and he indicated he had provided this service to other organizations. He would provide this at no additional expense. The key is to take a hard look at all expenses. His plan consists of one day with a select few to come up with this model. It allows you to create different scenarios involving cutting expenses. For example, the model could show what would happen and impact of cutting salaries by maybe 20% across the board or cutting mileage etc. The numbers could be plugged into the model so that you could see how much saving could occur by implementing these changes. Local 305 took some big cuts because they could not afford to keep doing what they were doing without going in the negative. Tyler suggested we do this immediately and make the tough cuts to try to get out of this situation.

The accountant stated he could not release the audit and feel comfortable with it until there is a resolution on these outstanding issues. This is why the audit is in draft form rather than a final version. It has nothing to do with any problems in regards to your time as officers but has to do with his comfort level with the numbers, which are estimates at this point in time. The 990T returns must be finalized before he will feel comfortable with this audit.

Brother Gibson reminded us that the previous accounting firm accountant Alan Gubernick had explained to the Board that he could put a system in place and do LM2 reports but no longer do audits due to strict accounting changes resulting from the Enron debacle. Accountant Tyler Geiman indicated that he cannot do our bookkeeping and must maintain his independence. That is why the local hired a temp to do the

bookkeeping. He still maintains that he could do LM2 reports and audit as long as he does not maintain the bookkeeping.

Discussion then centered on soliciting for individuals to be on the budget committee. Brother Seth, Brother Gibson and Brother Singleton all volunteered to be a part of that committee that would do brainstorming with our accountant. It was also noted that the entire board would be apart of the final budget committee decisions that had to be made.

The next phase of the meeting involved Treasurer Branco going over the financial report with accountant Tyler Geiman present for much of the days Executive Board's session. Discussion revolved around Q and A between brother Branco and the Board. Specifically Brother Gibson addressed some items that stood out and they are listed as follows:

1. Auto Expense for the Quarter reporting today is \$8900, Quarter before \$10,600 but the first quarter was \$2300.

Q: Why is it significantly higher the last two quarters?

A: Brother Branco suggested that the bills came in later from one quarter to the next. Also gas and insurance is included in the auto expense which fluctuate from quarter to quarter.

2. Employee health benefits went from \$2300 in the first quarter of the year to \$4300 in the quarter we are reporting today.

Q: Is there an increase in health premiums or increase in co-pays etc.?

A: Brother Branco indicated when he was working with Carrie yesterday they moved some of these things around in quick books, however it did not affect the bottom line but did affect some categories. Health benefits were one of them. Brother Branco also suggested he would have to bring up quick books and scroll down to see items included in the categories.

3. Employee Benefits increased from \$0 in the first quarter since it is not reported to almost \$4600 in the second quarter to almost \$11,000 in the third quarter.

Q: Why the increase? What is that?

A: Brother Branco indicated he would have to drill down in quick books to see what it consisted of.

4. Equipment rental for the first quarter \$448, for the second quarter \$2800 for the current quarter \$4600.

Q: What are we renting that almost doubled our expenses?

A: We are renting the Pitney Bowes machine and the copier.

Q: Why the increase?

A: Again treasurer would have to refer to quick books.

Q: Brother Bahrle asked if there are any other equipment rentals other than this

Office.

A: No.

(Discussion included trying to get postage machine cheaper than \$1000 every quarter. President Macey indicated that we are getting a less expensive machine shortly.)

5. Insurance showed for the first quarter \$8400, \$3300 the second quarter to back over \$7000 in the quarter we are reporting today.

Q: Why the middle quarter was less than the other quarters? It appears to be an anomaly.

A: Brother Branco to get back to Board on this.

6. Member relations showed first quarter \$250., second quarter is \$0, third quarter is \$22,000. The quick report showed three checks going to Clementon Park in the quarter -two for \$10,000 and one for \$1000 but curiously there is a miscellaneous category that shows a minus \$15,765.

Q: What does this mean?

A: Accountant Tyler indicated it means a negative disbursement of \$15,765 and he indicated the new report fixed this as Carrie caught the mistake. The new number is \$264. It has been fixed.

Brother Gibson informed us that this is a topic of discussion out there and that he had sent a belated e-mail from a member of this organization to the E-Board questioning the Clementon Park situation. President Macey indicated that the \$21,000 was the money that individuals gave us for the tickets to pay Clementon Park. The Local ended up spending approx. \$9000 even though President Macey was only authorized to spend only \$5000. What really happened was excessive money was spent for food and it was not managed properly.

7. Repairs for the first two quarters were \$0., however \$3000. repairs for the current quarter.

Q: Why the disparity?

A: Brother Branco revealed this is for a company called Miles Technology who installed the telephone system and the network for the Local. They were called out for a couple of repairs.

Q: Did they indicate they were not going to stand by their work?

A: Brother Branco would have to drill down in quick books to elaborate on each repair.

8. Temp help cost \$15,000 in the first quarter of April and May and we are down to to about \$1100. That cost is probably due to temporary help who substitutes for Barb when she is out.

9. Accounting costs were a huge amount because of work Tyler Geiman has done for us recently.

10. Legal Services were \$900 for first two quarters, and then it jumped to \$5000.
 Q: What are we having done that caused the huge spike?
 A: Brother Branco indicated he would break that down for the Board by reviewing quick books.
11. Regular Phones were about \$4000 the first two quarters then it jumps to about \$6000 the current quarter.
 Q: Are we adding phones or are they becoming more expensive?
 A: Brother Branco indicated certainly we did not add any phones and will have to look into to it.
12. Cell phones jumped from about \$3000 the first two quarter to \$8400 in the current quarter today.
 Q: Did we buy more phones? Do we know why it is so much more?
 A: President Macey and Brother Branco did not know why the increase but will take a look at it.

Discussion included President Macey stating he was going to propose that Non-Executive Board members would be required to hand in their phones in the future.

13. Salaries were spiked due to steward pay. However Brother Gibson is still interested in knowing what we are spending code 84 on. Code 84 is a controllable expense at this point and he would like to see what we are spending and how we are spending it.

The following motions were made and approved or disapproved during the meeting:

1. Motion: Vice President Gibson made a motion to accept minutes. Motion was seconded by Robert Singleton.

Motion passed unanimously

2. Motion: DE State Rep. Seth made a motion to suspend posting minutes on website until council meets and has input.
 Motion was seconded by PA Rep. Singleton.

Motion failed by a margin of 4 to 2

John Macey - No
Tony Branco- No
John Gibson- No
Ed Tucker - No
Robert Singleton Yes
Steve Bahrle- Abstain

Quentin Seth – Yes

- 3. Motion:** Vice-President Gibson made a motion to consult with legal Council Bill Josem on reviewing our minutes for purposes of protecting us against some legal jeopardy and from this point forward the minutes of October 20, 2009 be reviewed to protect the legal interest of the local before posting with the caveat that only the posted version would be redacted to prevent anything that is potentially harmful. It should be noted that the full minutes would be available to any member for review and also to be read at unit meeting. Motion was seconded by President Macey.

Motion passed by a 5 to 1 margin

John Macey - Yes
Tony Branco- Yes
John Gibson- Yes
Ed Tucker - No
Robert Singleton Yes
Steve Bahrle- Abstain
Quentin Seth – Yes

(Post-Motion discussion included cost of implementing motion and possibility of revisiting in the event it becomes cost prohibitive)

- 4. Motion:** Brother Gibson made a motion to have Cassie R. R. Ehrenberg, Esquire of Cleary & Josem LLP to review legal contract with the Bond Company to see whether penalties and interest on unpaid taxes could be recouped from the Bond Company. Furthermore that her response be provided to the the Board by week's end. Motion was seconded by Brother Bahrle.

Motion passed unanimously

- 5. Motion:** President Macey made a motion to pay stewards six hours for disputed pay voucher. Motion was seconded by Brother Singleton

Motion Passed by a 5 to 0 margin with 2 abstains

John Macey - Yes
Tony Branco- Abstain
John Gibson- Yes
Ed Tucker - Yes
Robert Singleton Yes
Steve Bahrle- Abstain
Quentin Seth – Yes

The Board after, thorough analysis and debate over various cost-cutting alternatives, determined that the most cost-efficient venue for the mandatory executive and council meetings would be to have them at the Tropicana in Atlantic City, NJ. Analysis consisted of cost of room, by-law provisions concerning food allotment, mileage, and environment conducive to conducting business.

The Board readdressed the issue of getting a tax attorney again. Mark Gardner had previously suggested to President Macey we could use the tax attorney from National out of Bruce Learner's office for no charge. Then the next issue is to file 990T. It was suggested that we contact National to verify that no cost would be assessed if we used the Tax Lawyer from National.

The next phase of the meeting included the remaining members of the Executive Board discussing charges filed against Brothers Macey and Branco by Brother Campellone. After considerable discussion the board decided that the charges against President Macey were frivolous and without merit, however, charges against Brother Branco would have to be decided by a trial. Letters will be sent to the charging party of our decisions. He will be able to appeal the decision involving President Macey within 15 days upon receipt of letter to the National President per Local constitution. In regards to the latter decision he will be notified of time and place of trial to present evidence of his allegations.

The meeting concluded after a discussion of charges initiated by Nick Campellone. The next meetings will be December 9th, 10th, 11th to be held at the Tropicana in Atlantic City, NJ.

Respectfully submitted,

J. Edwin Tucker

Ed Tucker
Recording Secretary
NPMHU/ Local 308

