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SEC Charges Oyster Bay, New York, With Bond Fraud.

NEW YORK/WASHINGTON — The U.S. Securities and Exchange Commission on Tuesday charged Oyster Bay, New York and former town supervisor John Venditto with defrauding municipal bond investors by concealing side deals with a local restaurateur.

Prosecutors also added 21 new criminal charges, including securities and wire fraud, to an indictment against Venditto, who had originally been charged with corruption in October 2016, along with Nassau County Executive Edward Mangano.

That case revolved around dealings involving Mangano, Venditto and the restaurateur, identified in court papers as Harendra Singh, who was charged in a separate federal case in September 2015.

All have pleaded not guilty. Their lawyers did not immediately respond to requests for comment.

Venditto, 68, of Massapequa, invoked his constitutional right against self-incrimination and declined to testify to SEC staff, according to the SEC's civil complaint.

His criminal case is among the first alleging securities fraud in connection with municipal bond sales.

In what authorities have called the first case of that type, Christopher St. Lawrence, the elected supervisor of Ramapo, New York, was convicted on May 19 in connection with a baseball stadium financing.

The SEC said Oyster Bay and Venditto concealed from investors in 26 securities offerings from August 2010 to December 2015 how the town had agreed to indirectly guarantee four private loans worth more than \$20 million to Singh.

According to the SEC, the decision "to go to such great lengths" to help Singh, identified as the "concessionaire" in its complaint, stemmed from his "long and close relationship" with town and county officials, involving gifts, bribes, kickbacks and political support.

The SEC said the guarantees would have been material to investors because of their potential financial impact, including a possible \$16 million payout, or 16 percent of Oyster Bay's operating budget, in 2013 in the event of a default.

Oyster Bay comprises 36 villages and hamlets, and has close to 300,000 people.

"Oyster Bay and its most senior elected official concealed from its municipal investors that the town had gone to great lengths and taken on financial risk in an unusual decision to assist a vendor," Sanjay Wadhwa, senior associate director of the SEC's office in New York, said in a statement.

Mangano, a Republican, will end eight years as Nassau County executive at the end of December.

He did not seek re-election, and along with Venditto faces a possible trial in January, court records

show. Mangano's wife Linda was also indicted.

The SEC case is SEC v Town of Oyster Bay, New York et al, U.S. District Court, Eastern District of New York, No. 17-06809. The criminal case is U.S. v. Mangano et al in the same court, No. 16-c-00540.

By REUTERS

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(Reporting by Jonathan Stempel and Mohammad Zargham; Editing by Tom Brown)

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