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Wealthy N.Y. Town Sued by SEC Over Loan Aid for Restaurateur.

- **Restaurant owner lavished officials with cash, food, trips**
- **SEC says officials concealed financial risks from bondholders**

The city of Oyster Bay, New York, and its former supervisor were sued by the Securities and Exchange Commission for failing to disclose that the municipality guaranteed loans for a local restaurant owner who allegedly lavished officials with cash, trips and other bribes.

The Long Island city defrauded bondholders by failing to reveal that it co-signed for $20 million of loans for the unidentified businessman, according to the SEC. The agency said Tuesday that the obligations should have been disclosed to investors, given that the loans could have eaten up nearly a fifth of its annual budget.

“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 New York office, said in a statement. “Investors were deprived of information they needed to understand the town’s true financial condition.”

In return for the loan guarantees, the SEC said the businessman provided city officials with free meals, cash and other gifts, including overseas trips to Italy, India, South Korea and Mexico.

The former Oyster Bay supervisor, John Venditto, pleaded not guilty after he was charged last year by federal prosecutors in a related corruption case along with the Nassau County Executive Edward Mangano and his wife, Linda, according to the New York Times. Venditto was named in a superseding indictment Tuesday that included charges of securities fraud, as well as bribery and obstruction of justice.

Marc Agnifilo, an attorney with Brafman & Associates who is representing Venditto, said his client denies the charges. “It doesn’t really change the complexion of the case at all,” Agnifilo said. “I don’t see any new facts of any note.”

Jonathan Pickhardt of Quinn Emanuel Urquhart & Sullivan, the defense attorney for the town listed on the SEC’s statement, did not immediately respond to an emailed request for comment and a phone message left with his assistant.

Debt issued by Oyster Bay, a collection of villages with some 300,000 residents and one-time home to President Theodore Roosevelt, had an AAA rating at the time of the guarantees, according to the SEC. That rating has since tumbled, with S&P Global Ratings dropping it to junk last year because of a history of running budget deficits.

Bloomberg

By Rebecca Spalding

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