

Bond Case Briefs

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Former Illinois Town Official to Pay Steep Penalties in SEC Case.

Jan 28 (Reuters) – A federal judge ordered the former comptroller and financial adviser to Harvey, Illinois, to pay more than \$200,000 as part of a judgment over the misuse of municipal bond proceeds.

Federal District Judge Amy St. Eve ordered Joseph Letke to pay disgorgement, interest and penalties totaling \$217,115 and barred him from participating in any municipal bond deals, the Securities and Exchange Commission said in a release posted late Tuesday.

Letke was not available for comment.

The SEC is tightening oversight of the municipal bond market, which had long escaped regulatory scrutiny, and also of individuals involved in bond deals. In November it charged a Michigan city and two of its former leaders with fraud over a municipal bond offering. One of the officials had to pay a much smaller fine of \$10,000.

In court in September, Letke, an accountant, said he had health issues and was “virtually destitute” because of the case.

“The federal government came into my offices – an accountant – over a year ago and asked me to participate or cooperate, and I said no,” he told the judge. “And they said, ‘We will run you over with a train and you will not be able to get a job at McDonald’s when we are finished with you.’”

Harvey has already settled with federal regulators. The case took an unusual turn this summer when the SEC obtained a restraining order against a bond sale that Harvey had prepared.

Starting in 2008, the city sold \$14 million in bonds for the construction of a Holiday Inn that would be repaid from dedicated hotel-motel and sales tax revenues. It then diverted at least \$1.7 million to fund its daily operations and also made \$269,000 in undisclosed payments to Letke, the SEC alleged.

In June, when it learned that Harvey would return to the \$3.7 trillion municipal bond market, the SEC asked a federal court in Illinois to block the sale. By law, municipal bond issuers do not have to involve federal regulators in planned debt sales.

(Reporting by Lisa Lambert; Editing by Leslie Adler)