New York Suburb, Officials Charged in Landmark Bond Fraud Case.

NEW YORK — An elected official of a New York City suburb was charged on Thursday with defrauding investors who helped finance a controversial minor league baseball stadium, in what authorities called the first criminal securities fraud prosecution involving municipal bonds.

Christopher St. Lawrence, the elected supervisor of Ramapo, New York, was charged in an indictment with securities fraud, wire fraud and conspiracy, as was N. Aaron Troodler, a former executive director of the non-profit Ramapo Local Development Corp.

In addition, the U.S. Securities and Exchange Commission sued Ramapo, the RLDC, St. Lawrence and Troodler, along with Town Attorney Michael Klein and Deputy Finance Director Nathan Oberman.

The case, filed in federal court in White Plains, New York, follows U.S. regulators' push in recent years to bring civil actions against misconduct in the $3.7 trillion U.S. municipal bond market.

At a news conference in Manhattan, U.S. Attorney Preet Bharara called the Ramapo case a "landmark" first to result in criminal securities fraud charges, adding: "I suspect it will not be the last."

St. Lawrence, 65, and Troodler, 42, pleaded not guilty during a court hearing on Thursday. Both were released on a $500,000 bond.

Authorities said bond investors lost millions of dollars because the defendants concealed Ramapo's deteriorating finances, caused in part by the $58 million cost of building the ballpark, which is home to the Rockland Boulders.

The costs to build what is now called Provident Bank Park came even though voters refused by a 70 percent margin to approve guaranteeing bonds to pay for its construction and St. Lawrence said later that private funds would be used, prosecutors said.

St. Lawrence and Troodler "kicked truth and transparency to the curb," Bharara said.

John Phelan, a lawyer for Ramapo and the RLDC, declined to comment. A lawyer for St. Lawrence did not respond to requests for comment, while Troodler's lawyer, Joseph Poluka, declined to comment beyond details of his client's plea.

Authorities said the fraud began in 2010, the same year voters overwhelmingly rejected a $16.5 million plan to build the ballpark, and lasted through 2015.

The SEC said Ramapo raised more than $300 million during that period, including $85 million of "new money," because the defendants hid financial strains that were also caused by the town's declining sales and property tax revenue.

Authorities said St. Lawrence once told colleagues to refinance some debt fast because “we’re going to have to all be magicians” to meet the promises he made to an agency that was about to rate Ramapo bonds.

Bharara said the probe of the finances of Ramapo, which is 28 miles northwest of New York City and had a population of 126,595 as of the 2010 census, began with a whistleblower complaint.

The Federal Bureau of Investigation searched Ramapo’s municipal offices in May 2013 after an audit by New York’s state comptroller criticized the funding of the stadium and the cost to taxpayers.

In its lawsuit, the SEC is seeking, among other things, a court-appointed monitor for Ramapo and RLDC and an order restricting them from issuing bonds for five years unless they hire lawyers to review the accuracy of their offering documents.

By REUTERS

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