

Bond Case Briefs

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Stadium Financing Deal in N.Y. Town Ends in Fraud Charges.

Two officials intent on building a new baseball park in their town northwest of New York City were charged in what the U.S. called the first ever municipal bond-related criminal securities fraud over the financing.

The charges, accompanied by a U.S. Securities and Exchange Commission lawsuit, are meant to send a message that public officials must remain honest in the \$3.7 trillion municipal bond market that finances hospitals, highways and sports stadiums, Manhattan U.S. Attorney Preet Bharara said.

The two officials in Ramapo, about 40 miles (60 kilometers) from Manhattan, “kicked truth and transparency to the curb, selling over \$150 million of municipal bonds on fabricated financials,” Bharara said. “Whether you run a corporation or you lead a town, you’re not allowed to cook the books.”

Ramapo Town Supervisor Christopher St. Lawrence, 65, its highest-ranking elected official, and Aaron Troodler, 42, the former executive director of Ramapo Local Development Corp., lied about municipal finances for years, partly to hide the extent of losses incurred from financing the construction of the \$58 million ball park, the U.S. said.

St. Lawrence and Troodler pleaded not guilty Thursday in federal court in White Plains, New York. Each was released on a \$500,000 bond.

Rockland Boulders

Provident Bank Park, home to the Rockland Boulders of the independent Can-Am Association, was built even after more than 70 percent of the voters in Ramapo rejected a 2010 proposal to borrow \$16.5 million to fund the stadium and despite St. Lawrence’s claims that no public funds would be used for its construction.

The two men are also accused of lying about the state of the town’s finances to help sell bonds, whose price depended in part on the risks they posed. In fiscal year 2014, the town seemed to have a surplus of \$2 million, when the actual general fund had a deficit of \$16 million, according to the SEC.

St. Lawrence repeatedly inflated the town’s general fund with millions of dollars in fake receivables to conceal dwindling finances, Bharara said. For example, in 2010, the officials made it seem that Ramapo Local Development Corporation paid more than \$3 million to the town for a housing development. St. Lawrence continued to claim the town had earned the \$3 million even though the sale fell through after it was discovered the land was a natural habitat for rattlesnakes, Bharara said.

Ambulance Transfer

St. Lawrence also inflated the town's general fund balance by transferring more than \$12 million out of Ramapo's Ambulance Fund from 2009 to 2014, according to the indictment.

After misleading a credit rating agency about the town's general fund balance before its bonds were rated, St. Lawrence told Ramapo officials on a January 2013 conference call to refinance short-term debt quickly, "because we're going to have to all be magicians to get some of those numbers."

Provident Bank Park opened in the municipality of 127,000 people in 2011. It included amenities that became common during minor-league stadium construction boom from 1993 to 2003, such as club suites, wider seats and field-side taverns to replicate the major-league experience. The stadium has a capacity of more than 4,500.

St. Lawrence and Troodler are charged with eight counts of securities fraud and could face as long as 20 years in prison on each count.

In a parallel suit, regulators sued St. Lawrence, Troodler, the town's attorney, Ramapo and a deputy finance director for lying on 16 separate bond offerings. In addition to financial penalties, the SEC seeks a court order appointing an independent consultant for the town and its development corporation, a monitor to oversee its finances for five years and an order prohibiting town officials from participating in future municipal bond offers, according to Andrew Ceresney, SEC's enforcement division director.

Thursday's charges are also a first for the SEC, said George Greer, a partner in the Seattle office of Orrick, Herrington & Sutcliffe LLP. Orrick represented an underwriter on at least one of the Ramapo bond deals.

"There is a new message here," said Greer. "No matter how small an issuer you are, if anyone violates securities laws they will come after you."

Prosecutors have previously brought charges in other cases alleging municipal-bond bid rigging by bankers. Bank of America Corp., JPMorgan Chase & Co., UBS AG, Wells Fargo & Co. and General Electric Co. paid \$743 million in restitution and penalties after acknowledging that former employees engaged in illegal activity tied to running sham auctions.

Ramapo's fraud came to light following a whistle-blower's complaint, Bharara said at a news conference Thursday.

Melissa Reimer, Ramapo's director of fiscal services, sued the town and its officials, claiming she was defamed for reporting inappropriate financial activities.

The criminal case is: U.S. v. Christopher St. Lawrence, the SEC case is SEC v. Town of Ramapo, 16-cv-2779; the civil suit is Melissa Reimer v. The Town of Ramapo, 14-cv-7044, U.S. District Court, Southern District of New York (White Plains).

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by Patricia Hurtado and Darrell Preston

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