



Municipal Official Found Guilty of Securities Fraud in Connection with the Issuance of Municipal Bonds

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In May, 2017, a federal jury in the Southern District of New York found a public official guilty of twenty corruption-related charges in connection with the issuance of municipal bonds.

Christopher St. Lawrence had been serving as town supervisor and as town finance director of the Town of Ramapo, Rockland County, New York (the “Town”). Following a four-week trial in federal court in White Plains, Mr. St. Lawrence was found guilty of one count of conspiracy, eight counts of securities fraud and eleven counts of wire fraud with respect to bonds (the “Bonds”) issued by the Town and by the Ramapo Local Development Corporation (the “RLDC”), a non-profit corporation created and formed by the Town to pursue development initiatives in the Town.

It is of significance, especially to municipal issuers, as it marks what is believed to be the first conviction for municipal bond-related criminal securities fraud charges against public officials.

In May, 2010 the Town adopted a resolution to provide a guarantee of payments due on \$16,500,000 of bonds to be issued by the RLDC to finance a portion of the costs of construction of a new minor league baseball stadium.

In August 2010, a public referendum by the Town rejected the proposed guaranty by a margin of seventy percent (70%) of the votes.

Notwithstanding the overwhelming results of the referendum and a public statement by Mr. St. Lawrence that no public money would be used to construct the stadium, the Town and the RDLC issued various series of the Bonds, the proceeds of which were authorized to be applied to finance general public improvements, but a portion of which were applied to finance more than one-half of the \$58 million total cost of the new stadium.

The conviction of Mr. St. Lawrence arose pursuant to an indictment that charged Mr. St. Lawrence, who also served as a member of the RLDC's Board of Directors and RLDC's President, and N. Aaron Troodler, the former Executive Director of the RLDC and former Assistant Town Attorney for the Town, with, among other things, misleading investors with respect to the Town's declining financial situation in disclosure documents relating to the Bonds.

Mr. St. Lawrence and Mr. Troodler were alleged to have intentionally fabricated false receivables in order to conceal the actual deteriorating state of the Town's general fund and maintain the fund balance in the Town's general fund, its primary operating fund, balance positive rather than negative.

According to the Department of Justice, between 2009 and 2014, the Town's general fund faced deficits ranging between \$250,000 and \$14 million. As stated in the indictment, in addition to misleading investors in disclosure documents, Mr. St. Lawrence also deceived the Town's and RLDC's bond rating agency with respect to the actual status of the general fund balance.

Following the conviction of Mr. St. Lawrence, acting U.S. Attorney for the Southern District of New York Joon H. Kim stated: "As the jury found today after trial, Christopher St. Lawrence lied repeatedly to the investing public about the state of Ramapo's finances.

The integrity of the \$3.7 trillion municipal bond market is of critical importance to both investors and municipalities that rely on this market.

The verdict today in a case of public corruption meets securities fraud, stands as a victory for both honest government and fair financial markets." See Jack Casey, "Jury Finds Former Ramapo Town Supervisor Guilty of Criminal Fraud in First-of-a-Kind

Verdict," *The Bond Buyer*, May 22, 2017.

Prior to Mr. St. Lawrence's trial, Mr. Troodler pled guilty in March 2017 to conspiring with Mr. St. Lawrence to commit securities fraud and actually testified against Mr. St. Lawrence during his trial. Mr. Troodler's sentencing is currently set for this Fall.

The punishment Mr. St. Lawrence ultimately faces for his crimes of corruption will be decided during his sentencing in late fall. In addition to the criminal side of this matter, the Securities and Exchange Commission, who was thanked by prosecutors for assisting in the investigation and trial, still has a pending civil complaint filed against Mr. St. Lawrence, and others involved with the Town at the time of the indictment.

As the verdict in this case illustrates, federal and state prosecutors have focused their attention to the municipal bond market and the veracity of the disclosures made by issuers in order to protect investors and municipal issuers that participate in this market.

Public officials that intentionally take actions or omit to take actions that cause misleading statements to be disclosed to potential investors can be criminally charged, prosecuted and convicted as a result of such activities.

Particularly in the aftermath of this case, it is essential for municipal issuers and their officials entering the public bond market to be cognizant of the heightened emphasis on "truth and transparency" in providing information to the market and its participants.

If a municipal issuer has questions or concerns that arise during the bond financing process, we recommend that the issuer consult the professionals involved in the transaction to ensure compliance with governing securities laws and other applicable laws.

About the Authors

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