

SEC Settles Muni Bond Fraud Claims With 3 Town Officials

By **Hayley Fowler**

Law360 (June 5, 2018, 4:57 PM EDT) -- Three officials of the town of Ramapo, New York, have agreed to civil fines and a permanent injunction barring them from municipal bond offerings to resolve U.S. Securities and Exchange Commission allegations they perpetrated a bond fraud, according to consent judgments filed in New York federal court Monday.

The SEC is seeking approval of the separate settlements with N. Aaron Troodler, the former executive director of the Ramapo Local Development Corp., Town Attorney Michael Klein and Deputy Finance Director Nathan Oberman, who allegedly helped Ramapo Town Supervisor Christopher St. Lawrence cook the town's books to hide its struggling finances from bond investors.

The officials have not admitted or denied the agency's allegations as part of the settlement.

Under the terms of the consent judgments, Troodler, Klein and Oberman are banned from future violations of securities laws and participation in municipal securities offerings. The SEC also ordered Klein to pay a \$25,000 civil penalty and to resign from his post as Ramapo's attorney. Oberman must cough up a \$10,000 penalty and similarly relinquish his position with the Rockland County town.

Counsel for Klein told Law360 on Tuesday that his client was pleased with the agreement.

"[Mr. Klein and his family] greatly appreciate the unwavering support of colleagues, friends and family during the pendency of the lawsuit," Derrelle Marcel Janey of Gottlieb & Janey LLP said in an email. "Further, Mr. Klein, town attorney for the town of Ramapo since 2002, has announced he will be retiring from the Ramapo Town Attorney's Office by the end of this month."

Janey said that Klein has worked for the town for 32 years.

The SEC and the U.S. Department of Justice alleged in separate 2016 cases that the officials misled investors in 16 municipal securities offerings connected to a \$60 million minor league baseball stadium project. Klein and Oberman were not criminally charged; St. Lawrence and Troodler were.

Prosecutors at the time touted the case as the first municipal bond-related criminal securities fraud charges against public officials.

According to the civil complaint, St. Lawrence was the so-called mastermind of the scheme to inflate the

town's operating fund from 2009 to 2014, while Troodler allegedly masked its financial statements with millions of dollars in false accounting entries.

The SEC accused Klein of concealing liabilities linked to the baseball stadium and misleading auditors about an extra \$3.08 million in the general fund the town supposedly received on a land deal that never went through. Oberman, who helped oversee Ramapo's finances, allegedly aided the scheme by transferring \$12.4 million from the town's ambulance fund over six years to buoy the general fund.

A federal judge sentenced St. Lawrence in December to 30 months in prison after a jury convicted him in May 2017 of conspiracy and wire and securities fraud in the DOJ's criminal case. The SEC has since claimed that verdict is grounds for summary judgment in its civil case against St. Lawrence, who argued in response that the parallel cases raised different issues.

Court documents show that Troodler pled guilty to criminal charges of conspiracy and securities fraud in March 2017, but escaped prison time.

The SEC does not comment on pending litigation.

Counsel for Troodler and Oberman did not respond Tuesday to requests for comment.

The SEC is represented by Alexander M. Vasilescu and Rhonda L. Jung.

Troodler is represented by Michelle Ann Gitlitz of Blank Rome LLP.

Klein is represented by Lawrence H. Schoenbach of the Law Offices of Lawrence H. Schoenbach and Derrelle Marcel Janey of Gottlieb & Janey LLP.

Oberman is represented by Gerard M. Damiani of the Law Offices of Gerard M. Damiani.

The case is Securities and Exchange Commission v. Town Of Ramapo, N.Y., et al., case number 7:16-cv-02779, in the U.S. District Court for the Southern District of New York.

--Editing by Dipti Coorg.