

# Chapman Client Alert

July 14, 2017

Current Issues Relevant to Our Clients

## Former Ramapo, New York Director of Finance Guilty of Criminal Fraud

Christopher St. Lawrence, the former Director of Finance for Ramapo, New York (the “Town”), was found guilty by a federal jury of 20 counts of conspiracy, securities fraud and wire fraud in connection with municipal bonds issued by the Town and by the Ramapo Local Development Corporation (“RLDC”), a local not-for-profit corporation (established under state law) to further economic development in the Town. This verdict is the first of its kind in a trend of increased enforcement actions within the municipal industry. Our article discussing the increased trend in enforcement of the federal securities laws in the municipal industry can be found [here](#).

In April 2016, the Securities and Exchange Commission (“SEC”) charged the Town, the RLDC and four Town officials, including St. Lawrence, with fraud for allegedly not properly disclosing a deteriorating financial situation in general bond offering documents. The SEC alleged that Town officials resorted to fraud to hide the strain in the Town’s finances caused by the financing of a controversial minor league baseball stadium and by the Town’s declining sales and property tax revenues.

In a joint effort with the SEC, the office of the U.S. Attorney for the Southern District of New York, along with the FBI, brought criminal charges against St. Lawrence and N. Aaron Troodler, Executive Director of the RLDC and an Assistant Town Attorney. This is the first criminal securities fraud prosecution involving municipal bonds in the country. Andrew J. Ceresney, Director of the SEC Enforcement Division, said, “We won’t stand for public officials and employees who resort to alleged accounting trickery to mislead investors who are investing in their financial futures as well as the future betterment of our communities.”

In addition to serving as Director of Finance, St. Lawrence was also the Town Supervisor and the President of the RLDC. The RLDC, developer of the stadium, retained authority to issue municipal bonds guaranteed by the Town. Between September 2010 and September 2015, the Town issued 14 series of municipal bonds, largely for various municipal purposes, and the RLDC issued two series of municipal bonds, which were guaranteed by the Town. The complaints alleged that the municipal bonds issued by the RLDC financed more than half of the \$58 million cost of constructing the stadium, despite the rejection by approximately 70% of Town voters in a referendum to authorize the Town to guarantee the RLDC-issued bonds, as well as a public statement by

St. Lawrence that no public funds would be used to finance the stadium.

The criminal complaint alleged, among other things, that St. Lawrence and Troodler deliberately used fraud to hide the deterioration of the Town’s finances and to deflect political blame for the stadium project. The complaint further alleged that St. Lawrence and Troodler engaged in a scheme to defraud investors in the bond issues by making “materially false and misleading statements and omit[ing] material facts regarding the finances of the Town and the RLDC.” The fraud was committed largely by inflating the Town’s and the RLDC’s financial information, fabricating receivables, and lying to the bond rating service providing the investment rating on the municipal bonds. This misinformation allegedly resulted in the municipal bonds trading above their true value, thereby causing large monetary losses to investors.

The jury rejected two of the defense’s arguments that no investors were harmed as all of the Town’s and RLDC’s bonds were at all times fully and timely paid, and that St. Lawrence received no personal financial gain in connection with the alleged fraudulent activity.

After St. Lawrence’s guilty verdict was announced, Joon H. Kim, the Acting United States Attorney for the Southern District of New York, highlighted its historic precedence in a press release: “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.”

The jury found St. Lawrence guilty of 11 counts of wire fraud, each carrying a maximum sentence of 20 years in prison, eight counts of securities fraud, each carrying a maximum sentence of 20 years in prison, and one count of conspiracy, which carries a maximum sentence of five years in prison. He was acquitted of one count of securities fraud and one count of wire fraud. St. Lawrence is scheduled for sentencing on September 28, 2017, and has filed motions for acquittal or a new trial, both of which motions are still pending. Troodler entered into a plea agreement in March 2017 and awaits sentencing, also scheduled for September 2017.

### For More Information

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If you would like further information concerning the matters discussed in this article, please contact a member of our Public Finance Group or visit us online at [chapman.com](http://chapman.com).

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