

Press Release

Mayor in Illinois Settles Muni Bond Fraud Charges

FOR IMMEDIATE RELEASE

2016-93

Washington D.C., May 19, 2016 — The Securities and Exchange Commission today announced that the mayor of Harvey, Ill., has agreed to pay \$10,000 and never participate in a municipal bond offering again in order to settle fraud charges.

The SEC alleges that Eric J. Kellogg was connected to a series of fraudulent bond offerings by the city. Investors were told that their money would be used to develop and construct a Holiday Inn hotel in Harvey, but instead city officials diverted at least \$1.7 million in bond proceeds to fund the city's payroll and other operational costs unrelated to the hotel project.

According to the SEC's complaint filed in the U.S. District Court for the Northern District of Illinois, Mayor Kellogg exercised control over Harvey's operations and signed important offering documents the city used to offer and sell the bonds. Based on his control of the city, Kellogg is liable for fraud as a control person under Section 20(a) of the Securities Exchange Act.

"Investors were told one thing while the city did another, and Kellogg was in a position to control the bond issuances and prevent any fraudulent use of investor money. His days of participating in muni bond offerings are over," said LeeAnn Ghazil Gaunt, Chief of the SEC Enforcement Division's Public Finance Abuse Unit.

Kellogg agreed to settle the charges without admitting or denying the SEC's allegations. The settlement is subject to court approval.

The SEC's investigation was conducted by Sally J. Hewitt, Eric A. Celauro, and Brian D. Fagel of the Public Finance Abuse Unit, with assistance from Scott J. Hlavacek and Eric M. Phillips of the Chicago Regional Office.

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Related Materials

- [SEC complaint](#)