

Press Release

Long Island Town and Former Top Official Charged With Defrauding Municipal Investors

FOR IMMEDIATE RELEASE

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Washington D.C., Nov. 21, 2017 — The Securities and Exchange Commission today charged Oyster Bay, New York, and its former top elected official with defrauding investors in the town's municipal securities offerings by hiding the existence and potential financial impact of side deals with a businessman who owned and operated restaurants and concession stands at several town facilities.

According to the SEC's complaint filed in U.S. District Court for the Eastern District of New York, Oyster Bay agreed several years ago to indirectly guarantee four separate private loans to the vendor totaling more than \$20 million. The agreement to indirectly guarantee the debts allegedly stemmed from the concessionaire's longstanding close relationship with then-town supervisor John Venditto and other officials that involved gifts, bribes, kickbacks, and political support.

The SEC's complaint alleges that Oyster Bay and Venditto deliberately concealed the indirect loan guarantees when they should have been disclosed in connection with the town's 26 securities offerings from August 2010 to December 2015. According to the complaint, this information was material to current and prospective investors due to the potential impact on the town's finances.

For example, in one scenario outlined in the SEC's complaint, the town could have been required to make a termination payment of approximately \$16 million (approximately 16 percent of the town's operating budget) within 60 days had the vendor defaulted on the loans.

"As alleged in our complaint, Oyster Bay and its most senior elected official concealed from its municipal investors that the town had gone to great lengths and taken on financial risk in an unusual decision to assist a vendor. Investors were deprived of information they needed to understand the town's true financial condition as they made investment decisions," said Sanjay Wadhwa, Senior Associate Director of the SEC's New York Regional Office.

In a parallel action, the U.S. Attorney's Office for the Eastern District of New York today filed a superseding indictment that included securities fraud charges against Venditto.

The SEC's complaint charges Oyster Bay with violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. Venditto is charged with violations of Section 17(a)(1) and (a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5. He also is charged with liability under Section 20(a) of the Exchange Act as a controlling person for the violations by the town, and with aiding and abetting violations.

The SEC's continuing investigation is being conducted by the SEC's New York office and the Enforcement Division's Public Finance Abuse Unit, including Alison R. Levine, Ladan F. Stewart, Charles Riely, Creighton L. Papier, Joseph Chimienti, and Jonathan Wilcox. The SEC's litigation will be led by Alexander M. Vasilescu, Ms. Levine, and Ms. Stewart. The case is being supervised by Mr. Wadhwa, LeeAnn Ghazil Gaunt, and Mark R. Zehner. The SEC appreciates the assistance of the U.S. Attorney's Office for the Eastern District of New York and the Federal Bureau of Investigation.

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Related Materials

- [SEC Complaint](#)