

## **Indictment of Councilman Larry Seabrook**

### **Remarks of U.S. Attorney Preet Bharara**

**February 9, 2010**

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we unseal a 13-count Indictment charging New York City Councilman Larry Seabrook with federal corruption crimes – including extortion, money laundering, conspiracy, and fraud. Today's Indictment charges Councilman Seabrook with betraying the public trust principally in two ways:

First, the Indictment charges him with allegedly influencing the award of a boiler contract at the heart of the new Yankee Stadium. For those efforts, Councilman Seabrook allegedly asked for, and received, \$50,000 in secret payments.

Second, the Indictment charges him with successfully steering over \$1 million in City Council discretionary funds meant for the benefit of the Bronx community to non-profit groups that he himself controlled – in violation of the New York City Charter and federal law. More than half a million dollars of those funds ultimately found their way into the personal pockets of various Seabrook associates – namely, a girlfriend, his brother, his sisters, and his nephew.

As we allege today, Councilman Seabrook basically operated his own corrupt, City Council-funded friends and family plan.

I am joined here today by our partner in this and so many other important public corruption cases: the New York City Department of Investigation, represented by Commissioner Rose Gill Hearn. I want to congratulate the many dedicated investigators and auditors from DOI who worked so hard on this investigation, including: Associate Commissioner Yuval Hibshoosh, Assistant Commissioner Paul Balukas, Deputy Inspector General Laila Yu, Senior Investigative Auditor Maggie Xu, Examining Attorney Jeanine Girgenti, and Investigative Auditor Calvin Lam.

I also of course want to express my appreciation to the career prosecutors in my office who conducted this meticulous and thorough investigation: Assistant United States Attorneys Rua Kelly and Michael Bosworth, as well as Dan Stein, the Chief of our Office's Public Corruption Unit. And I want to thank our own investigators – Bob Ryan and Ron Gardella – for working so hard on this case.

Now, let me take a minute to review the crimes charged in today's Indictment.

First, the Indictment charges Councilman Seabrook with corruptly influencing a lucrative contract awarded in the building of the new Yankee Stadium.

This scheme is depicted in the chart here to my left.

Specifically, in the Spring of 2006, Councilman Seabrook pressed a Yankee consultant to recommend that the team give a lucrative subcontract for the new stadium's boilers to a particular manufacturer in the Bronx.

In part, because of Seabrook's influence, the consultant recommended that the Yankees should award the contract to Seabrook's favored company. The Yankees did so, even though the company had not submitted the lowest bid. The value of that contract? \$283,000.

As a reward for his efforts, Councilman Seabrook solicited a series of secret payments from the boiler manufacturer. In total, he received approximately \$50,000 for using his influence – or a little less than a quarter of the contract's total value.

But instead of taking direct payment of that reward, as alleged, Councilman Seabrook laundered the lion's share of that money through his political club.

Here's how: He had the boiler manufacturer, over time, give \$41,000 to his political club. Then Councilman Seabrook funneled that money back to himself by submitting phony expense receipts to the club's bookkeeper for, among other things: airline travel to Florida, gift cards at a local department store, luggage, books, parking fines, even flowers for his sister.

Some of these phony expenses were absurd on their face. Let me highlight just two examples described in the Indictment:

On one occasion, Councilman Seabrook expensed a bagel sandwich and a diet drink delivered to him at City Hall. With tax, that modest meal cost about seven dollars. But Councilman Seabrook submitted a doctored receipt claiming to have spent \$177 on that meal – and he was reimbursed by his political club in that amount.

On another occasion, Councilman Seabrook submitted four separate receipts for gas, purchased at the same pump on the same day, within the space of just 45 minutes.

Other examples of bogus expenses are laid out in the Indictment.

In a further effort to conceal his receipt of these secret payments, Councilman Seabrook failed to disclose any of the money he received from the boiler manufacturer on his required financial disclosure statements.

Now, beyond the corruption relating to Yankee stadium, today's Indictment also charges Councilman Seabrook with participating in fraud involving City Council discretionary funding.

Two points are important by way of background:

First, the New York City Charter expressly prohibits a public servant, like Councilman Seabrook, from using his position to “obtain any financial gain” for himself or for any “person or firm associated with” him.

Second, since 2002, Council members have been able to allocate millions of dollars a year to non-profit organizations largely at the discretion of individual Council members. Today's Indictment charges that, in violation of the City Charter that he swore an oath to follow, Councilman Seabrook used his discretion to successfully direct well over \$1 million to various non-profits that were basically his own alter-egos.

Although Councilman Seabrook acted as though he had an arms-length relationship with various non-profits, in truth he controlled them. In particular, as the Indictment describes: he negotiated their leases; he prepared their budgets; he installed his friends and family to run them; and he even operated his own District office in a space adjacent to the office shared by those non-profits.

In short, we allege that Councilman Seabrook used the power of his office to illegally channel taxpayer dollars to his girlfriend, his brother, his sisters, and his nephew, who ostensibly ran or worked for those non-profits.

To make matters worse, at the same time that Councilman Seabrook was quietly channeling taxpayer money to his non-profits, he was allegedly defrauding the City in another way. Specifically, as we allege: he directed the non-profit groups to inflate their rent costs to justify the large amount of money they were receiving from the City; in addition, various groups requested reimbursement for expenses that had already been reimbursed by the City; and on top of that, some of the non-profits billed the City for expenses that in fact were never even incurred. The cost to the City of this fraudulent billing alone was over \$200,000, according to the Indictment.

As today's charges demonstrate, without transparency and accountability in the legislative budget process, discretionary funding is ripe for abuse. One might say overripe. But rooting out corruption is and will continue to be a vital mission of this Office.

The cost of corruption is nothing less than the public trust, and that is a high price in a democracy. As I said a month ago when announcing charges against the former Majority Leader of the Yonkers City Council: "In our down economy, there are too many buildings with 'For Sale' signs hanging in the window; City Hall shouldn't be one of them."

Whether we find greed and corruption in a city council, or, for that matter, in an executive suite or boardroom on Wall Street, we will aggressively investigate and prosecute it.

Whether your power derives from your elective office or from your wealth, the public will not tolerate the abuse of power. And neither will we.

Now, it is my pleasure to introduce Rose Gill Hearn, the Commissioner of the New York City Department of Investigation.