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Southern District of New York*

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MANHATTAN U.S. ATTORNEY CHARGES
BRONX CITY COUNCILMAN
WITH PUBLIC CORRUPTION CRIMES

*Larry Seabrook Allegedly Solicited \$50,000 In Secret Payments For
Influencing Award Of Subcontract At New Yankee Stadium;
Seabrook Also Accused Of Fraudulently Steering More Than
\$1 Million In New York City Council Discretionary Funds To
Non-Profits He Controlled To Benefit His Friends And Family*

PREET BHARARA, the United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), announced today the unsealing of a 13-count Indictment against New York City Council Member LARRY SEABROOK. SEABROOK, who represents the 12th Council District in the Bronx, is charged with, among other federal crimes: (1) receiving \$50,000 in corrupt payments for influencing the award of a lucrative subcontract at the new Yankee Stadium; (2) fraudulently steering over \$1 million in New York City Council discretionary funds to non-profit organizations he controlled to benefit his girlfriend, his brother, his sisters, and his nephew; (3) fraud related to a New York City Fire Department ("FDNY") diversity initiative; and (4) fraud related to a New York City Council job placement program. SEABROOK is also charged with conspiracy and money laundering crimes. SEABROOK, 58, surrendered to authorities this morning, and is expected to be presented later today in Magistrate court in Manhattan federal court.

According to the Indictment unsealed today in Manhattan federal court:

Seabrook's Official Duties

SEABROOK's official duties as a member of the New York City Council (the "Council") have included: voting on legislation, representing and advocating for the interests of his constituents, and allocating New York City funds to non-profit organizations. Since January 2006, SEABROOK has also served as chair of the Council's civil rights committee.

The New York City Charter provides that: "No public servant shall use or attempt to use his or her position as a public servant to obtain any financial gain, contract, license, privilege or other private or personal advantage, direct or indirect, for the public servant or any person or firm associated with the public servant." The Charter continues: "A person or firm [associated] with a public servant includes a spouse, domestic partner, child, parent or sibling; a person with whom the public servant has a business or other financial relationship; and each firm in which the public servant has a present or potential interest."

Seabrook's Receipt Of \$50,000 In Secret Payments For Influencing Award Of Subcontract At New Yankee Stadium

The New Yankee Stadium Boiler Subcontract

In the Spring of 2006, the New York Yankees (the "Yankees") were preparing to begin construction of a new stadium in the Bronx. A particular developer (the "Developer") served as the Yankees' representative in connection with this project, and a particular general contractor (the "Contractor") was hired. In June 2006, the Contractor prepared to solicit bids for a subcontract to furnish two boilers for the stadium, identifying four bidders for the work by June 16, 2006.

Around this time, SEABROOK, in his capacity as a Council Member, began to lobby the Yankees to award the boiler contract to a Bronx boiler manufacturer (the "Bronx Boiler Manufacturer") which was not among the four previously-identified bidders. Specifically, SEABROOK contacted one of the principal consultants retained by the Yankees to serve as a liaison between the Yankees and the Bronx community (the "Yankees' Representative"). SEABROOK also personally toured the Bronx Boiler Manufacturer's facilities with one of its executives (the "Bronx Boiler Executive") and the Yankees' Representative.

Over the summer of 2006, the Yankees solicited bids from the four previously-listed boiler manufacturers and the Bronx Boiler Manufacturer, who submitted the second-lowest bid. On September 18, 2006, an employee of the Developer sent an e-mail to a Yankees executive requesting authorization to award the boiler subcontract to the Bronx Boiler Manufacturer, stating: "Please be advised there is a \$13,000 premium to pay for this work because [the Bronx Boiler Manufacturer] is a Local Business Enterprise and heavily supported by a local politician." That same day, the Yankees Executive authorized the award of the boiler subcontract to the Bronx Boiler Manufacturer. Between May and October 2007, the Contractor paid the Bronx Boiler Manufacturer in excess of \$283,000 for work performed in connection with the boiler subcontract.

Corrupt Payments To Seabrook

Between July 2006 and April 2009, SEABROOK directly solicited a series of secret payments from the Bronx Boiler Executive, in the form of checks from the personal account of the Bronx Boiler Executive or a corporate account of the Bronx Boiler Manufacturer. On all but two occasions, SEABROOK personally filled out the payee and amount sections of the checks and the Bronx Boiler Executive signed them. At SEABROOK's direction, the checks were primarily issued to the North East Bronx Community Democratic Club, a political club that SEABROOK operated and controlled (the "Political Club"). On one occasion, SEABROOK directed payment to his personal checking account, and on another to a non-profit organization which he controlled. In most cases, SEABROOK personally endorsed, and in some cases even deposited, the checks he solicited from the Bronx Boiler Executive, which totaled \$50,000.

The Laundering Of Benefits Through Seabrook's Political Club

After routing the corrupt payments to the Political Club, SEABROOK took the money for his own use by submitting to a signatory on the Political Club's checking account receipts for purported expenditures he had made in connection with Political Club business. SEABROOK then directed the signatory to reimburse him through checks made out directly to him, or to a certain credit card company, to pay for, among other things: airline travel to Florida, gift cards at a local department store, luggage, books, parking fines, and flowers for SEABROOK's sister.

In support of his claims for reimbursement for purported Political Club-related expenditures, SEABROOK submitted a number of forged or doctored receipts. In one example,

SEABROOK submitted a receipt for a bagel sandwich and diet beverage that he had purchased near City Hall. The original cost of this purchase was approximately \$7, but the receipt had been doctored so that the cost of the purchase appeared to be approximately \$177.

SEABROOK also submitted receipts for hundreds of dollars of expenses that he had not, himself, incurred. These included receipts for expenses incurred in New York at a time when he was traveling in Florida; for expenses apparently incurred by SEABROOK's family; and for expenses that could not have been incurred by SEABROOK, including four separate receipts for gas that was purchased at the same gas station pump within the space of approximately 45 minutes. SEABROOK also sought reimbursement for over \$2,700 of expenditures that had, in fact, already been reimbursed -- either by the Council or, in some cases, by the Political Club itself. Additionally, SEABROOK submitted receipts for over \$7,000 in expenses incurred outside of New York State (where the Political Club was based), including over \$1,800 in Florida and over \$4,700 for gas he purchased in New Jersey, where he neither lived nor worked.

Seabrook's Fraudulent Steering Of More Than \$1 Million In Council Discretionary Funds To Non-Profits He Controlled

In addition to the corrupt payments scheme described above, the Indictment unsealed today also charges SEABROOK with fraudulent steering more than \$1 million in Council discretionary funds to non-profits he controlled that employed his friends and family.

Background

Since at least 2002 through 2009, the Council has allocated millions of dollars annually to non-profit organizations, commonly known as "discretionary funds," typically in connection with specific Council initiatives. Each Council Member is assigned a certain amount of discretionary funds annually, to be distributed to community-based non-profit organizations. Barring objection from the Council's Finance Division, the non-profit organization enters into a contract with an intermediary, typically a New York City agency, which is responsible both for the actual disbursement of the discretionary funds as well as oversight of the way in which the non-profit organization spends the funds. Should the non-profit organization fail to abide by the terms of its contract, fail to provide adequate services, or otherwise fail to properly account for its expenditures, the relevant City agency can decline to

disburse funds to the non-profit organization and may even terminate the contract.

Overview Of Seabrook's Discretionary Funds Fraud Scheme

From 2002 through 2009, SEABROOK directed or attempted to direct at least \$2.5 million of Council discretionary funds to purportedly independent non-profit organizations doing work to benefit the community. In truth and in fact, however, SEABROOK controlled these non-profit organizations, negotiating the leasing of their office space, creating their budgets, and making their personnel decisions. In the end, more than \$1 million in Council discretionary funds were disbursed to the non-profit organizations that SEABROOK controlled.

The non-profit organizations SEABROOK controlled were funded exclusively by funds allocated, in the first instance, by the Council, primarily at the direction of SEABROOK. Of the funds that the non-profit organizations received from the Council, approximately \$530,000 ultimately was disbursed among SEABROOK's girlfriend, brother, two sisters, and nephew.

SEABROOK knew these non-profit organizations were not doing enough legitimate work to justify the funds they were receiving from the Council. In order to continue the City's disbursement of funds to the groups, however, SEABROOK and others made material omissions and misrepresentations to the City and to the Council, specifically by failing to disclose that the non-profit organizations were associated with him and that the funds allocated to the organizations would benefit his friends and family.

SEABROOK and others also made false and inflated claims to the City and to the Council about the expenses that the non-profit organizations were incurring, in order to continue the flow of Council discretionary funding. For example, SEABROOK and his co-conspirators defrauded the City of approximately \$44,150 by requesting reimbursement for expenses which already had been reimbursed by another entity, and approximately \$66,650 by requesting reimbursement for expenses that do not appear to have been incurred by the non-profit organizations at all.

Furthermore, rather than leasing space directly from the landlords of the properties they used, SEABROOK arranged for his non-profit organizations to enter into forged "sub-leases" with another organization SEABROOK controlled (called the African-American Bronx Unity Day Parade, or the "Unity Day Parade") which in turn leased the space directly from the actual

landlords. Each year, three of SEABROOK's non-profit organizations paid the Unity Day Parade a substantially greater amount than the rent paid to the actual landlord. In connection with this rent scheme alone, SEABROOK and his co-conspirators defrauded the City of approximately \$102,900.

The FDNY Diversity Program Fraud

In the summer of 2005, in an effort to increase diversity in the ranks of the New York City Fire Department (the "FDNY"), the Council allocated approximately \$1.5 million to, among other things, recruit and train women and minorities to pass the firefighter examination. Certain of these funds which were not disbursed during that fiscal year were instead "rolled over" to the following fiscal year. In the interim, the Council sought to identify colleges and other organizations that could successfully implement the FDNY diversity initiative and effectively use the funds allocated by the Council for that purpose.

In 2006, SEABROOK recommended that one of the non-profit organizations he controlled, the North East Bronx Redevelopment Corporation ("NEBRC"), receive approximately \$300,000 of funds that the Council had allocated to the FDNY diversity initiative. SEABROOK also recommended that a certain college in Manhattan (the "College") -- at which he was an adjunct professor -- receive \$450,000 in other funding relating to this initiative. The Council ultimately allocated \$750,000 to the College, and directed the College to subcontract with NEBRC in the amount of \$300,000.

SEABROOK made these recommendations even though he knew that a certain City agency (the "City Agency") had audited NEBRC's contracts to receive Council discretionary funding and found widespread financial mismanagement and accounting improprieties, as well as a failure to achieve the performance goals set by those contracts. In fact, a representative of the City Agency discussed these problems directly with SEABROOK. Representatives of the City Agency also indicated that it intended to rate NEBRC "unsatisfactory" in the City's vendor database, thereby affecting NEBRC's ability to continue doing work with the City. In the early fall of 2006, DOI began an investigation of the organization, and in October 2006, a representative of a different City agency informed SEABROOK of the DOI investigation, noting that DOI had instructed that City agency not to move forward with any contracts with NEBRC.

SEABROOK and others did not disclose to the Council that the City Agency had identified serious problems at NEBRC, that NEBRC was under investigation by DOI, or that the funds allocated to NEBRC would benefit individuals close to SEABROOK. Although NEBRC ultimately did engage in some limited recruitment activity in connection with the FDNY diversity initiative, it did not provide any of the mentoring, training, or physical conditioning that it had represented it would provide. In fact, mentoring and training sessions only took place on seven occasions in the Bronx, provided by unpaid volunteers associated with a separate organization of African-American firefighters.

Throughout this time, however, SEABROOK and others continued to vouch for the NEBRC to the College and to the media. In the end, the funds that NEBRC received for the FDNY diversity initiative were disbursed to, among others, SEABROOK's girlfriend; SEABROOK's sister, who served as a "consultant" for the initiative and was paid \$10,000 to write a six-page report; and SEABROOK's nephew, who served as a "recruiter."

The Jobs To Build On Program

In 2007, the Council allocated millions of dollars to the Jobs To Build On Program ("JTBO"), a job training and employment initiative spearheaded by SEABROOK and others. A certain workers' education and training organization (the "Workers' Organization") ultimately was charged with the responsibility of administering JTBO funds.

The Workers' Organization sought to identify community-based organizations with which it could partner to more effectively provide employment and training services throughout the City in connection with the JTBO initiative. SEABROOK recommended that the Workers' Organization partner with NEBRC and another of his non-profits, falsely representing that they were entities with whom the Workers' Organization could contract to effectively provide employment and training services. The Workers' Organization entered into a \$350,000 contract with NEBRC and a \$195,000 contract with the other SEABROOK non-profit.

On a number of occasions when a program coordinator for the Workers' Organization made an unannounced visit to NEBRC's office, the office was closed. The Workers' Organization also found that NEBRC grossly underperformed the services it was obligated to provide under the contract and provided inadequate or false documentation in support of the services it was allegedly providing and the expenses it was incurring pursuant to its contract, including doctored checks and fraudulent intake

forms. Similarly, the Workers' Organization had serious concerns about the performance, administration, and financial management of the other SEABROOK non-profit. Because of those concerns, and because the City froze the approximately \$925,458 in additional discretionary funds that SEABROOK had otherwise attempted to allocate to this non-profit, the Workers' Organization decided to suspend its contract with the non-profit and refused to continue funding it.

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A chart setting forth the charges contained in the Indictment against SEABROOK and the maximum potential penalties for each offense is attached. The Indictment also seeks forfeiture of the proceeds of the crimes set forth above.

Mr. BHARARA praised the work of DOI in the investigation of this case. Mr. BHARARA also thanked the New York Yankees for their cooperation and assistance in the investigation. He added that the investigation is continuing.

United States Attorney PREET BHARARA stated:
"Councilman Larry Seabrook allegedly operated his own corrupt, City Council-funded friends and family plan. The cost of corruption is nothing less than the public trust, and that is a high price in a democracy. 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 in an executive suite or boardroom on Wall Street, our Office 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."

DOI Commissioner ROSE GILL HEARN said, "Councilman Seabrook served himself as well as his friends and family at the public's expense, the indictment charges. He extorted \$50,000 to help a local business sell its boilers to the Yankees, pumped more than a million taxpayer-dollars out of the City Council to his non-profit organizations, and plundered well-intentioned training and diversity programs meant to help the very people he was elected to serve, it is charged. This indictment is the latest chapter in an ongoing investigation by DOI and the U.S. Attorney for the Southern District into the manipulation of discretionary funding."

The case is being prosecuted by the Office's Public Corruption Unit. Assistant United States Attorneys RUA M. KELLY and MICHAEL S. BOSWORTH are in charge of the prosecution.

The charges contained in the Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.

10-044

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United States v. Larry Seabrook

| Count | Charge | Maximum Penalties |
|-----------|-------------------------------|---|
| 1 | Receiving Unlawful Gratuities | 10 years in prison; a fine of the greater of \$250,000 or twice the gain or loss from the offense |
| 2 | Extortion | 20 years in prison; a fine of the greater of \$250,000 or twice the gain or loss from the offense |
| 3 | Travel Act | 5 years in prison; a fine of the greater of \$250,000 or twice the gain or loss from the offense |
| 4 | Money Laundering | 20 years in prison; a fine the greater of \$500,000 or twice the value of the laundered funds |
| 5, 8, 11 | Mail/Wire Fraud Conspiracy | 20 years in prison; a fine of the greater of \$250,000 or twice the gain or loss from the offense |
| 6, 9, 12 | Mail Fraud | 20 years in prison; a fine of the greater of \$250,000 or twice the gain or loss from the offense |
| 7, 10, 13 | Wire Fraud | 20 years in prison; a fine of the greater of \$250,000 or twice the gain or loss from the offense |