

**SEC reaches settlement with former J.P. Morgan executives over JeffCo bond deals**  
by Kent Faulk, October 5, 2015 – Al.com -

[http://www.al.com/news/birmingham/index.ssf/2015/10/sec\\_reaches\\_settlement\\_with\\_fo.html](http://www.al.com/news/birmingham/index.ssf/2015/10/sec_reaches_settlement_with_fo.html)

The Securities and Exchange Commission on Monday said it has reached a proposed settlement in a **civil fraud lawsuit** that claims two bankers paid \$8.2 million to friends of Jefferson County officials so their company could obtain \$5 billion in county bond business.

Attorneys for the SEC on Monday notified U.S. District Court Judge Abdul Kallon that a proposed settlement with former former J.P. Morgan Securities Inc. executives Charles LeCroy and Douglas MacFaddin "on all outstanding issues" had been reached in the 2009 lawsuit during a Sept. 29 mediation. A copy of the proposed settlement was not filed within the federal court case. The settlement, however, is not final and can't be presented to the judge until the five-member Commission approves it, according to a motion by the SEC attorneys. If approved, the commission will then file proposed final Judgments with the court to end the case, according to the SEC filing.

SEC attorneys expect the process of obtaining commission approval will take 60 days. So the SEC asked the judge on Monday for a stay in the case for 60 days while that process takes place. So if the SEC declines to approve the settlement, it would mean moving the date for the trial late March. Kallon in June had set the trial for Jan. 25. Kallon also ordered the case to mediation for a possible resolution. Both sides had until Oct. 31 to reach a settlement or face having the trial. Robert K. Levenson, attorney for the SEC, declined comment Monday. Efforts to reach attorneys for LeCroy and MacFaddin were unsuccessful prior to publication of this story. If the trial happens, several former Jefferson County Commissioners could have to testify. The SEC in 2009 filed the lawsuit against LeCroy and MacFaddin claiming the two men paid \$8.2 million to friends of Jefferson County officials so J.P. Morgan could obtain \$5 billion in Jefferson County municipal bond offerings and swap agreement transactions. LeCroy and MacFaddin deny they did anything wrong.

**A trial in the case had been postponed for several years, waiting for the deposition of a key witness, Douglas Goldberg, in the case.** Goldberg, a former official with CDR Financial Products Inc. based in Beverly Hills, Calif., pleaded guilty in March 2010 to charges in a New York federal court that he conspired to rig bids for investment agreements or other municipal finance contracts. He was sentenced to probation in May 2014. Goldberg refused to give a deposition in the Jefferson County case until after he had been sentenced.

Jefferson County's sewer financing woes began when it borrowed money to comply with a 1996 court order to stop sewage leaks from polluting area streams. Construction overruns and later bond swaps ultimately swelled the cost of the sewer project to more than \$3 billion. Others who have been deposed or had been asked to give depositions in the case have included former Jefferson County officials, including former **Jefferson County Commission President Larry Langford, former commissioner Bettye Fine Collins** and former **Jefferson County Commissioner Shelia Smoot.**

Smoot and former Jefferson County commissioners Jeff Germany and Mary Buckelew also were listed among the potential witnesses the SEC plans to call at the trial, according to court documents. The witness list also includes Montgomery investment banker Bill Blount, who served time for bribery related to the county's sewer bond deals. Langford is serving a federal prison sentence for his conviction on charges he accepted bribes in sewer bond deals. Buckelew pleaded guilty and was given probation in the case.

**J.P. Morgan agreed to pay \$75 million in penalties and forfeit \$647 million in fees to settle SEC claims.**