



Department of Justice



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FORMER AGENT OF FINANCIAL PRODUCTS AND SERVICES COMPANY PLEADS GUILTY FOR ROLE IN FRAUD CONSPIRACIES INVOLVING PROCEEDS OF MUNICIPAL BONDS

WASHINGTON A former agent of a financial products and services company pleaded guilty today for his participation in fraud conspiracies related to contracts for the investment of municipal bond proceeds and other municipal finance contracts, the Department of Justice announced.

According to plea proceedings today in U.S. District Court in New York City, Adrian Scott-Jones, a resident of Morriston, Fla., pleaded guilty to participating in two separate fraud conspiracies with companies that provide a type of contract, known as an investment agreement, to public entities throughout the United States, such as state, county and local governments and agencies. These public entities were seeking to invest money from a variety of sources, primarily the proceeds of municipal bonds that they issued to raise money for, among other things, public projects. Scott-Jones also pleaded guilty to one count of wire fraud. According to the plea agreement, Scott-Jones has agreed to cooperate with the ongoing investigation.

The department said in court documents that Scott-Jones' former company, located in North Palm Beach and Ocala, Fla., marketed financial products and services, including services as a broker or advisor to various public entities that issue municipal bonds. Public entities typically hire a broker to conduct a competitive bidding process for the award of investment agreements. Major financial institutions, including banks, investment banks, insurance companies and financial services companies, are among the providers of investment agreements and other related municipal finance contracts. Competitive bidding for these agreements is the subject of regulations issued by the U.S. Department of the Treasury and is related to the tax-exempt status of the bonds.

According to court documents, Scott-Jones participated in one fraud conspiracy from as early as September 2001 until at least November 2006, and in a second fraud conspiracy from as early as August 1999 until at least November 2006. In each conspiracy, Scott-Jones gave co-conspirator providers information about the prices, price levels or conditions in competitors' bids, a practice known as a "last look," which is explicitly prohibited by U.S. Treasury regulations. Scott-Jones also solicited and received intentionally losing bids for certain investment agreements and other municipal finance contracts. As a result of the bid manipulation, the co-conspirator providers won contracts at artificially determined price levels, which deprived municipal issuers of money and property.

The court documents also charge that Scott-Jones and co-conspirators misrepresented to municipal issuers or their bond counsel that the bidding process was in compliance with U.S. Treasury regulations. This caused the municipal issuers to award investment agreements and other municipal finance contracts to providers that otherwise would not have been awarded the contracts if the issuers had true and accurate information regarding the bidding process. Such conduct caused municipal issuers to file inaccurate reports with the Internal Revenue Service (IRS) and thus placed the tax-exempt status of the underlying bonds in jeopardy.

Each of the fraud conspiracies for which Scott-Jones is charged carries a maximum penalty of five years in prison and a \$250,000 fine. The wire fraud charge carries a maximum penalty of 20 years in prison and a \$250,000 fine. The maximum fines for each of these offenses may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

This is the sixth guilty plea to arise from an ongoing investigation into the municipal bonds industry, which is being conducted by the Antitrust Division's New York Field Office, the FBI and IRS Criminal Investigation. The department is coordinating its investigation with the Securities and Exchange Commission, the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York.

Three former employees of Rubin/Chambers, Dunhill Insurance Services Inc., also known as CDR Financial Products, a Beverly Hills, Calif.-based financial products and services firm that acted as a broker of investment agreements and other municipal finance agreements, have pleaded guilty to bid-rigging and fraud conspiracies in relation to the ongoing investigation. Two other individuals have also pleaded guilty to charges related to the ongoing investigation.

As a result of the ongoing investigation, three former financial services executives were indicted on July 27, 2010, for participating in fraud schemes and conspiracies related to the bidding for investment agreements. In addition, CDR, two of its employees and one former employee were charged in October 2009 for participating in bid-rigging and fraud conspiracies and related crimes. The CDR trial is scheduled to begin on Sept. 12, 2011.

Today's guilty plea is part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit www.StopFraud.gov.

Anyone with information concerning bid rigging and related offenses in any financial markets should contact the Antitrust Division's New York Field Office at 212-264-0390 or visit www.justice.gov/atr/contact/newcase.htm, or the FBI at 212-384-5000.

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