



# Department of Justice



FOR IMMEDIATE RELEASE  
FRIDAY, DECEMBER 30, 2011  
[WWW.JUSTICE.GOV](http://WWW.JUSTICE.GOV)

AT  
(202) 514-2008  
TTY (866) 544-5309

## **CDR FINANCIAL PRODUCTS AND ITS OWNER PLEAD GUILTY TO BID-RIGGING AND FRAUD CONSPIRACIES RELATED TO MUNICIPAL BOND INVESTMENTS**

WASHINGTON – A Beverly Hills, Calif.,-based financial products and services firm, and its founder and owner pleaded guilty today in the Southern District of New York for their participation in bid-rigging and fraud conspiracies related to contracts for the investment of municipal bond proceeds and other related municipal finance contracts, the Department of Justice announced.

Rubin/Chambers, Dunhill Insurance Services, also known as CDR Financial Products, and David Rubin, CDR founder and owner, pleaded guilty before U.S. District Judge Victor Marrero in the Southern District of New York. Rubin and CDR, along with Zevi Wolmark, also known as Stewart Wolmark, the former chief financial officer and managing director of CDR, and Evan Andrew Zarefsky, a vice president of CDR, were indicted on Oct. 29, 2009. The trial for Wolmark and Zarefsky is scheduled to begin on Jan. 3, 2012, in the Southern District of New York.

Rubin and CDR each pleaded guilty to participating in separate bid-rigging and fraud conspiracies with various financial institutions and insurance companies and their representatives. These institutions and companies, or “providers,” offered a type of contract, known as an investment agreement, to state, county and local governments and agencies throughout the United States. The public entities were seeking to invest money from a variety of sources, primarily the proceeds of municipal bonds that they had issued to raise money for, among other things, public projects. Rubin and CDR also pleaded guilty to one count of wire fraud in connection with those schemes.

“Mr. Rubin and his company engaged in fraudulent and anticompetitive conduct that harmed municipalities and other public entities,” said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Justice Department’s Antitrust Division. “Today’s guilty pleas are an important development in our continued efforts to hold accountable those who violate the antitrust laws and subvert the competitive process in our financial markets.”

According to court documents, CDR was hired by public entities that issue municipal bonds to act as their broker and conduct what was supposed to be a

competitive bidding process for contracts for the investment of municipal bond proceeds. Competitive bidding for those contracts 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.

During his plea hearing, Rubin admitted that, from 1998 until 2006, he and other co-conspirators supplied information to providers to help them win bids, solicited intentionally losing bids, and signed certifications that contained false statements regarding whether the bidding process for certain investment agreements complied with relevant Treasury Regulations. Additionally, Rubin admitted that he and other co-conspirators solicited fees from providers, which were in fact payments to CDR for rigging or manipulating bids for certain investment agreements so that a particular provider would win that agreement at an artificially determined price.

“Mr. Rubin and his firm were trusted with public money and confidence to assist municipalities with issuing bonds,” said FBI Assistant Director in Charge Janice K. Fedarcy. “Contrary to his agreement and the law, Mr. Rubin shirked his responsibilities while defrauding taxpayers. Thankfully, this bid-rigging scheme, where Mr. Rubin decided the winners and losers, is over.”

“IRS is the federal agency responsible for compliance with tax laws applicable to the issuance of tax-exempt municipal bonds,” said Special Agent in Charge Charles R. Pine of the Internal Revenue Service-Criminal Investigation (IRS-CI) New York Field Office. “Today’s guilty pleas by David Rubin and CDR are the result of a coordinated effort by the Department of Justice and IRS-Criminal Investigation. Depriving municipalities of investment earnings and diverting arbitrage via illegal agreements and kickbacks will not be tolerated. IRS-Criminal Investigation agents will continue to investigate fraud in the municipal bond market and recommend prosecution against those who have participated in the fraudulent scheme.”

The bid-rigging conspiracy with which Rubin is charged carries a maximum penalty of 10 years in prison and a \$1 million criminal fine. The fraud conspiracy with which Rubin is charged carries a maximum penalty of five years in prison and a \$250,000 criminal fine. The wire fraud charge with which Rubin is charged carries a maximum penalty of 20 years in prison and a \$250,000 criminal 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.

CDR faces a maximum criminal fine on the bid-rigging charge of \$100 million. The fraud conspiracy and wire fraud offenses with which CDR is charged each carry a maximum criminal fine of \$500,000. 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.

Rubin is the tenth individual to plead guilty in an ongoing federal investigation into the municipal bonds industry, which is being conducted by the Antitrust Division's New York Field Office, the FBI and IRS-CI.

In addition, Dominick Carollo and Peter S. Grimm, formerly of GE Funding Capital Market Services, and Steven E. Goldberg, formerly of GE Funding Capital Market Services and FSA, were indicted on July 27, 2010, and are scheduled to begin trial in April 2012. Three former UBS employees, Peter Ghavami, Gary Heinz and Michael Welty, were indicted on Dec. 9, 2010.

Today's guilty pleas are 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 about the task force, visit [www.stopfraud.gov](http://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 212-335-8000, the FBI at 212-384-5000, or IRS-CI at 212-436-1761, or visit [www.justice.gov/atr/contact/newcase.htm](http://www.justice.gov/atr/contact/newcase.htm).

###

11-1719