



Department of Justice



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**CDR FINANCIAL PRODUCTS EXECUTIVE AND FORMER EXECUTIVE
PLEAD GUILTY IN NEW YORK TO BID-RIGGING AND FRAUD
CONSPIRACIES RELATED TO MUNICIPAL BOND INVESTMENTS**

WASHINGTON — An executive and a former executive of Rubin/Chambers, Dunhill Insurance Services, also known as CDR Financial Products, 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.

Zevi Wolmark, also known as Stewart Wolmark, the former chief financial officer and managing director of CDR, and Evan Andrew Zarefsky, a CDR vice president, pleaded guilty before U.S. District Judge Victor Marrero. CDR is a Beverly Hills, Calif.-based financial products and services firm. Wolmark and Zarefsky, together with CDR and its founder and president, David Rubin, were indicted on Oct. 29, 2009. Rubin and CDR pleaded guilty on Dec. 30, 2011.

Wolmark and Zarefsky 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. Wolmark and Zarefsky also pleaded guilty to one count of wire fraud in connection with those schemes.

“Through corruption and bid rigging, Zevi Wolmark and Evan Zarefsky reaped profits for their company by defrauding municipalities and denying them the competition they deserved,” said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Justice Department’s Antitrust Division. “Our investigation into the municipal bond derivatives industry has now led to guilty pleas by 12 financial executives and charges against six others.”

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, Wolmark admitted that, from 1998 until 2006, he and other co-conspirators favored certain providers when determining which provider would win contracts for investment agreements. Wolmark also admitted that he ensured that certain providers won by soliciting intentionally losing bids from other providers and manipulated bidding in return for unearned or inflated fees. Additionally, Wolmark admitted that he signed certifications that contained false statements regarding whether the bidding process for certain investment agreements complied with relevant Treasury regulations.

Zarefsky admitted that he supplied information to providers to help them win bids, allowed providers to lower their bids and solicited intentionally losing bids from some providers so that other providers could win certain contracts.

“Municipal bonds are issued to fund public works or otherwise serve a public purpose,” said FBI Assistant Director-in-Charge Janice K. Fedarcyk of the New York Field Office. “Bid rigging in the investment of bond proceeds effectively reduces the potential yield on those proceeds, meaning the actions of these defendants had an adverse impact on the public. This wasn’t just self-interest. It was self-interest that ran directly counter to the public interest.”

“Today’s guilty pleas by Zevi Wolmark and Evan Zarefsky represent a milestone in the government’s investigation,” said Special Agent in Charge Charles R. Pine of the Internal Revenue Service-Criminal Investigation (IRS-CI) New York Field Office. “CDR and the firm’s employees have effectively been removed from the municipal bond market and will no longer be able to manipulate and control the bid process for the reinvestment of tax-exempt municipal bond proceeds. This scheme to conceal kickbacks through complex derivative transactions has come to an end. IRS Criminal Investigation will continue to investigate those who violate the law for financial gain at the expense of taxpayers.”

The bid-rigging conspiracy with which Wolmark and Zarefsky are charged carries a maximum penalty of 10 years in prison and a \$1 million criminal fine. The fraud conspiracy with which they are charged carries a maximum penalty of five years in prison and a \$250,000 criminal fine. The wire fraud charge with which each defendant 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.

Including today’s guilty pleas, 12 individuals have pleaded 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.

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.

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