



Department of Justice



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THREE FORMER UBS EXECUTIVES SENTENCED TO SERVE TIME IN PRISON FOR FRAUDS INVOLVING CONTRACTS RELATED TO THE INVESTMENT OF MUNICIPAL BOND PROCEEDS

WASHINGTON – Three former financial services executives were sentenced today in U.S. District Court for the Southern District of New York for their participation in frauds related to bidding for contracts for the investment of municipal bond proceeds and other municipal finance contracts, the Department of Justice announced.

Peter Ghavami, Gary Heinz and Michael Welty, all former UBS AG executives, were convicted on Aug. 31, 2012, after a five-week trial for their roles in the frauds. They were sentenced today by U.S. District Court Judge Kimba Wood. Ghavami was sentenced to serve 18 months in prison and to pay a \$1 million criminal fine; Heinz was sentenced to serve 27 months in prison and to pay a \$400,000 criminal fine; and Welty was sentenced to serve 16 months in prison and to pay a \$300,000 criminal fine.

“For years, these executives corrupted the competitive bidding process and defrauded municipalities across the country for important public works projects,” said Scott D. Hammond, Deputy Assistant Attorney General of the Antitrust Division’s criminal enforcement program. “The division will continue to prosecute those who subvert and corrupt competitive markets for personal profit.”

According to evidence presented at trial, while employed at UBS, Ghavami, Heinz and Welty participated in multiple fraud conspiracies and schemes with various financial institutions and with a broker, at various time periods from as early as March 2001 until at least November 2006. These financial institutions, or providers, offered a type of contract – known as an investment agreement – to state, county and local governments and agencies, and not-for-profit entities, 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. Public entities typically hire a broker to assist them in investing their money and to conduct a competitive bidding process to determine the winning provider.

At trial, the Department of Justice showed that while acting as providers, Ghavami, Heinz and Welty conspired with other providers and with a broker to corrupt the bidding process for more than a dozen investment agreements in order to increase the number and profitability of the agreements awarded to UBS. At other times, while acting as brokers, Ghavami, Heinz, Welty

and their co-conspirators arranged for UBS to receive kickbacks in exchange for manipulating the bidding process and steering investment agreements to certain providers. Ghavami, Heinz and Welty deprived the municipalities of competitive interest rates for the investment of tax-exempt bond proceeds that were to be used by municipalities to refinance outstanding debt and for various public works projects, such as for building or repairing schools, hospitals and roads. Evidence at trial established that they cost municipalities around the country and the U.S. Treasury millions of dollars.

During the trial, the government presented specific evidence relating to 26 corrupted bids, including 76 recorded conversations made by the co-conspirator financial institutions. Among the issuers and not-for-profit entities whose agreements or contracts were subject to the defendants' schemes were the commonwealth of Massachusetts, the New Mexico Educational Assistance Foundation, the Tobacco Settlement Financing Corporation of Rhode Island, the Hospital Authority of Forsyth County, Ga., and the RWJ Health Care Corp. at Hamilton in New Jersey.

"The charges against these individuals outline a deceptive scheme to subvert competition in the marketplace. Those who engage in this type of criminal activity not only stand to defraud public entities, but erode the public's trust in the competitive bidding process," said George Venizelos, Acting Director in Charge of the FBI in New York. "The sentences announced today remind the public that the FBI will continue to work with the Antitrust Division to ensure the integrity of competitive bidding in public finance."

"Those who manipulate the competitive bidding system to benefit themselves will be held accountable for their criminal activity," said Richard Weber, Chief, Internal Revenue Service – Criminal Investigation (IRS-CI). "The defendants conspired with others to corrupt the bidding process for more than a dozen investment agreements in order to increase the profitability of the agreements awarded to UBS. Quite simply, they enriched themselves at the expense of the towns and cities that needed the money for important public works projects such as building and repairing schools, hospitals and roads. IRS-CI is committed to using our financial expertise to uncover this kind of corruption."

Ghavami was found guilty on two counts of conspiracy to commit wire fraud and one count of substantive wire fraud. Heinz was found guilty on three counts of conspiracy to commit wire fraud and two counts of substantive wire fraud. Welty was found guilty on three counts of conspiracy to commit wire fraud.

A total of 20 individuals have been charged as a result of the department's ongoing municipal bonds investigation, and 19 have been convicted or pleaded guilty. Another individual awaits trial. Additionally, one company, Rubin/Chambers, Dunhill Insurance Services Inc. has pleaded guilty.

The sentences announced today resulted from an ongoing investigation conducted by the Antitrust Division's New York and Chicago Offices, the FBI and the IRS-CI. The division is coordinating its investigation with the U.S. Securities and Exchange Commission, the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York.

Today's charges were brought in connection with the President's Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. Attorneys' offices and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed nearly 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,900 mortgage fraud defendants. For more information on the task force, please 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 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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