

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

DOC # 2

UNITED STATES OF AMERICA

Criminal No. 10 CRM 803

v.

Filed:

DOUGLAS LEE CAMPBELL,

Violations: 15 U.S.C. § 1
18 U.S.C. § 371
18 U.S.C. § 1343

Defendant.

INFORMATION

The United States of America, acting through its attorneys, charges:

1. DOUGLAS LEE CAMPBELL ("CAMPBELL") is hereby made defendant on the charge stated below.

COUNT ONE - CONSPIRACY TO RESTRAIN TRADE
(15 U.S.C. § 1)

I. THE RELEVANT PARTIES AND ENTITIES

During the period covered by this Count:

2. Defendant CAMPBELL, a resident of New York, New York, was an employee of Bank A, a financial institution that was a national bank. Bank A was headquartered in Charlotte, North Carolina and marketed financial products and services, including services as a provider of investment agreements and other municipal finance contracts to various municipalities located throughout the United States.

3. From approximately June 1998 through approximately June 2002, defendant CAMPBELL worked in Bank A's municipal derivatives group, as Senior Vice

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President and a marketer of investment agreements and other municipal finance contracts. From approximately June 1998 through approximately September 2001, CAMPBELL worked at Bank A's offices located in Charlotte, North Carolina and from approximately September 2001 through approximately June 2002, at Bank A's offices located in New York, New York. CAMPBELL'S compensation, including bonus, was based on, among other things, the amount of revenues generated by the municipal derivatives group.

4. Whenever in this Count reference is made to any act, deed, or transaction of any corporation, such allegation shall be deemed to mean that the corporation engaged in such act, deed, or transaction by or through its officers, directors, agents, employees, or other representatives while they were actively engaged in the management, direction, control, or transaction of its business affairs.

5. Various other persons and entities, not made defendants herein, participated as co-conspirators in the offense charged herein and performed acts and made statements in furtherance thereof. They include Rubin/Chambers Dunhill Insurance Services, Inc. and certain of their employees (collectively, "CDR"). CDR, located in Beverly Hills, California, marketed financial products and services, including services as a broker or advisor to various municipal issuers located throughout the United States.

II. BACKGROUND

6. Municipal bonds are issued by government entities, such as states, counties, and cities, or quasi-governmental entities, such as public authorities and school, utility or

water districts, to raise money for operating funds or for specific projects, such as the construction of public facilities, and to refinance outstanding municipal debt. In some instances, the entity issuing the bond turns the money over to a not-for-profit entity, such as a school or hospital, or to an entity that will spend the money for a specific public purpose, such as the construction of low-cost housing or waste treatment facilities. Both the entities that issue municipal bonds and the entities that receive and spend the money are, unless otherwise stated, collectively referred to herein as “issuers,” “municipal issuers,” or “municipalities.” In 2007 and 2008, combined, approximately \$800 billion in municipal bonds were issued in the United States.

7. The money an issuer raises from a municipal bond offering (“bond proceeds”) is typically spent over a period of time rather than immediately, in one lump sum. The issuer frequently invests some or all of the bond proceeds in an investment product (sometimes referred to as an “investment agreement”) that is designed for its specific needs. Investment agreements vary in size from a few hundred thousand to several hundred million dollars, and in duration from as short as one month to as long as thirty years.

8. Major financial institutions, including banks, investment banks, insurance companies, and financial services companies (collectively “providers”) sell investment agreements and other municipal finance contracts through their employees or agents. Bank A is such a provider, and sold investment agreements and other municipal finance contracts through its employees or agents, including defendant CAMPBELL.

9. Issuers usually select providers of investment agreements through bona fide competitive bidding procedures that are designed to comply with federal tax law and United States Department of the Treasury regulations relating to the tax-exempt status of municipal bonds. Compliance with these regulations is monitored by the Internal Revenue Service (“IRS”), which is entitled to receive a portion of the earnings from a municipality’s investment agreement under certain circumstances. Among other things, each provider submitting a bid typically certifies that specific Treasury regulations have been followed, including that the provider did not consult with any other potential provider about its bid and that all providers had an equal opportunity to bid, commonly referred to as the no “last looks” provision.

10. Issuers often hire third parties (“brokers”) to act as their agents in conducting a bona fide competitive bidding process and complying with the relevant Treasury regulations. CDR was such a broker. The broker’s fee for conducting a bona fide competitive bidding process is generally paid by the winning provider, which takes account of the cost of such broker’s fee when calculating its bid and generally discloses the fee to the issuer.

11. A provider usually becomes aware of an upcoming bid from a broker. In some cases, the broker decides which providers will be solicited to bid without consulting with the issuer or any of the other professional representatives advising the issuer. A provider typically receives a bid package (specifications and bid forms) from the broker, usually via e-mail. A typical bid package contains, among other things, the bid

specifications, which detail the type of investment agreement or other municipal finance contract for which bids are being solicited, the date and time of the bid, and under what circumstances the bid will take place. A typical package also requires each provider that submits a bid to make certain representations, including that a bona fide bid was conducted and that the bidding process conformed to the relevant Treasury regulations. A provider usually submits its bid to the broker orally over the telephone at a time identified in the bid specifications, and then sends a conforming copy of the bid via facsimile to the broker.

12. After reviewing the bids to ensure conformity with the specifications, the broker informs the issuer of the outcome of the bid, including the identity of the winning, qualified bidder and, if appropriate, any conditions that deviate from the specifications. Brokers are often required by issuers to provide written certification that the bidding procedures complied with the relevant Treasury regulations.

13. Depending on the structure of the bid, providers may be asked to quote only the interest rate to be paid on funds on deposit for the duration of the agreement or they may be asked to submit a bid in the form of a dollar amount or date (sometimes referred to as the "price" or "price level" of a bid). In a typical investment agreement, providers are asked to quote only an interest rate and, generally, the agreement is awarded to the provider quoting the highest rate.

14. Many brokers that conduct bona fide competitive bidding for investment agreements subject to the Treasury regulations also are hired by municipal issuers and other quasi-governmental entities to conduct bona fide competitive bidding in connection with the award of other contracts involving public funds, even though those contracts are not subject to the Treasury regulations. These contracts (collectively, “other municipal finance contracts”), include, but are not limited to, investment agreements for taxable municipal bonds; investment agreements for funds borrowed by entities in which the federal government or any municipal entity is a participant; and derivative contracts, which are contracts between a municipal issuer and a financial institution that are designed to manage or transfer some or all of the interest rate risk associated with a municipal bond issue. They do not include underwriting contracts.

III. DESCRIPTION OF THE OFFENSE

15. From as early as 1998 until approximately September 2005, the exact dates being unknown to the United States, DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and unknown, engaged in a combination and conspiracy in unreasonable restraint of interstate trade and commerce in violation of Section 1 of the Sherman Act (15 U.S.C. § 1).

16. The aforesaid combination and conspiracy consisted of an agreement, understanding, and concert of action among DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and

unknown, the substantial terms of which were to allocate and rig bids for investment agreements or other municipal finance contracts brokered by CDR.

IV. THE MANNER AND MEANS BY WHICH THE
CONSPIRACY WAS CARRIED OUT

17. For the purpose of forming and effectuating the aforesaid combination and conspiracy, DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and unknown, did those things which they combined and conspired to do, including, among other things:

(a) designating in advance of the submission of bids brokered by CDR which provider among the co-conspirator providers would be the winning bidder for certain investment agreements or other municipal finance contracts;

(b) discussing and agreeing on the prices or price levels that Bank A and other co-conspirator providers would bid for certain investment agreements or other municipal finance contracts;

(c) submitting or causing to be submitted to CDR intentionally losing bids for certain investment agreements or other municipal finance contracts with the understanding that co-conspirator providers submitting the intentionally losing bids would be allocated other investment agreements or other municipal finance contracts. The intentionally losing bids made it appear both to the municipalities and, where appropriate, to the IRS, that CDR had solicited potential providers that would and did compete for those agreements and contracts, when, in fact, they had not;

(d) falsely certifying and forwarding false certifications that the bidding for certain investment agreements or other municipal finance contracts was in compliance with the relevant Treasury regulations or was otherwise competitive;

(e) agreeing to pay and paying CDR kickbacks in the form of fees that were inflated, relative to the services performed, or unearned. These kickbacks were in exchange for CDR's assistance in controlling and manipulating the bidding process and for ensuring that certain co-conspirator providers, including Bank A, won the bids they were allocated. Unlike the fees CDR was paid as a broker for conducting the bidding process, these fees were not disclosed to the municipalities that had hired CDR or to the IRS; and

(f) paying municipalities or causing municipalities to be paid artificially determined or suppressed yields for the duration of certain investment agreements or other municipal finance contracts, thereby increasing the profitability of those agreements or contracts for the winning co-conspirator provider for their duration.

18. For example, on numerous occasions, Bank A recommended to a municipality that it hire CDR, typically where Bank A was the underwriter on an upcoming bond issue. In exchange, CDR attempted to ensure and did ensure that Bank A won one or more of the investment agreements associated with that bond issue by recommending terms for the investment agreements that favored Bank A, selecting other providers to bid that would and did submit intentionally losing bids, and, after receiving

information from defendant CAMPBELL regarding the price or price levels it intended to bid, telling the other providers what prices or price levels to bid. As a result, Bank A increased its profits from the investment agreements by paying interest to the municipality for the duration of the investment agreements at a rate that was artificially determined or suppressed.

V. INTERSTATE TRADE AND COMMERCE

19. From as early as 1998 until approximately September 2005, pursuant to the investment agreements and other municipal finance contracts that are the subject of this Count, defendant CAMPBELL and co-conspirators caused substantial amounts of money to be transferred between Bank A and municipal issuers and other government or quasi-governmental entities throughout the United States.

20. The activities of defendant CAMPBELL and co-conspirators with respect to the aforementioned investment agreements and other municipal finance contracts were within the flow of, and substantially affected, interstate trade and commerce.

VI. JURISDICTION AND VENUE

21. The aforesaid combination and conspiracy was formed and carried out, in part, within the Southern District of New York within the five years preceding the filing of this information.

IN VIOLATION OF TITLE 15, UNITED STATES CODE, SECTION 1

COUNT TWO - CONSPIRACY
(18 U.S.C. § 371)

The United States of America further charges:

22. DOUGLAS LEE CAMPBELL (“CAMPBELL”) is hereby made a defendant on the charge stated below.

23. Paragraphs 2 through 4 and Paragraphs 6 through 14 of Count One of this Information are repeated, realleged, and incorporated in Count Two as if fully set forth in this Count.

VII. THE RELEVANT PARTIES AND ENTITIES

24. Various other persons and entities, not made defendants herein, participated as co-conspirators in the offense charged herein and performed acts in furtherance thereof. They include Rubin/Chambers Dunhill Insurance Services, Inc. and certain employees of Rubin/Chambers Dunhill Insurance Services, Inc (collectively, “CDR”). CDR, located in Beverly Hills, California, marketed financial products and services, including services as a broker or advisor to various municipal issuers located throughout the United States.

VIII. DESCRIPTION OF THE OFFENSE

25. From as early as 1998 until approximately September 2005, the exact dates being unknown to the United States, in the Southern District of New York and elsewhere, DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including

Bank A and CDR, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, to wit, to violate Title 18, United States Code, Section 1343, and to defraud the United States and an agency thereof, to wit, the Internal Revenue Service ("IRS") of the United States Department of the Treasury, all in violation of Title 18, United States Code, Section 371.

26. It was a part and an object of the conspiracy that DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and unknown, unlawfully, willfully, and knowingly would and did devise and intend to devise a scheme and artifice to defraud municipal issuers and to obtain money and property from municipal issuers by means of false and fraudulent pretenses, representations, and promises, namely, a scheme to deprive municipal issuers of money by causing them to award investment agreements and other municipal finance contracts at artificially determined or suppressed rates, and to deprive the municipal issuer of the property right to control their assets by causing them to make economic decisions based on false and misleading information, and for the purpose of executing such scheme and artifice, and attempting to do so, would and did transmit and cause to be transmitted by means of wire, radio or television communication in interstate or foreign commerce any writings, signs, signals, pictures or sounds, in violation of Title 18, United States Code, Section 1343.

27. It was further a part and an object of the conspiracy that DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and unknown, would and did defraud the United States and the IRS by impeding, impairing, obstructing, and defeating the lawful government functions of the IRS in the ascertainment, computation, assessment, and collection of revenue due and owing from municipal issuers and in exercising its responsibilities to monitor compliance with Treasury regulations related to tax-exempt municipal bonds, in violation of Title 18, United States Code, Section 371.

IX. THE MANNER AND MEANS BY WHICH THE
CONSPIRACY WAS CARRIED OUT

The manner and means by which the conspiracy was sought to be accomplished included, among others, the following:

28. Through the control and manipulation of the bidding for investment agreements and other municipal finance contracts, DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and unknown, attempted to increase the number and profitability of investment agreements and other municipal finance contracts awarded to Bank A by the municipal issuers that used CDR as their broker.

29. For the purposes of effectuating the aforesaid conspiracy DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and unknown, did those things which they conspired to do, including, among other things:

(a) discussing and agreeing with CDR which of Bank A's competitors should and should not be solicited to submit bids for particular investment agreements or other municipal finance contracts;

(b) receiving information from CDR about the prices, price levels, rates, conditions or other information related to competing providers' bids, including in some instances, the exact price, price level, or rate of competing providers' bids;

(c) adjusting Bank A's bid after CDR gave defendant CAMPBELL information about the prices, price levels, rates, conditions or other information related to competing providers' bids;

(d) submitting or causing to be submitted intentionally losing bids to CDR for certain investment agreements or other municipal finance contracts to make it appear that Bank A had competed for those agreements or contracts, when in fact, it had not;

(e) agreeing to pay and causing Bank A to pay CDR kickbacks, in the form of fees that were inflated, relative to services performed, or unearned. These kickbacks were in exchange for CDR's assistance in controlling and manipulating the competitive bidding process and were not disclosed to the municipal issuers that hired CDR or to the IRS;

(f) misrepresenting to municipal issuers or their bond counsel that the bidding process was bona fide and in compliance with Treasury regulations or was otherwise competitive;

(g) certifying, causing to be certified, and forwarding certifications to municipal issuers or their bond counsel that the bidding process for certain investment agreements or other municipal finance contracts was bona fide and in compliance with Treasury regulations or was otherwise competitive when, in fact, it was not;

(h) causing municipal issuers to award investment agreements and other municipal finance contracts to Bank A, which agreements and contracts the municipal issuers would not have awarded to Bank A if they had true and accurate information regarding the bidding process;

(i) enabling Bank A to perform investment agreements or other municipal finance contracts at artificially determined or suppressed rates that deprived and will continue to deprive municipal issuers of money and property; and

(j) causing municipal issuers not to file required reports with the IRS or to file inaccurate reports with the IRS, and on occasion, to fail to give the IRS or the Treasury money to which it was entitled, thus jeopardizing the tax-exempt status of the underlying bonds.

X. OVERT ACTS

30. In furtherance of the conspiracy and to effect the illegal objects thereof, DOUGLAS LEE CAMPBELL, the defendant, and co-conspirators, including Bank A and CDR, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

(a) On numerous occasions, at or about the time the bid specifications stated that bids were due, defendant CAMPBELL participated in interstate telephone calls during which he received information from CDR about the prices, price levels, or conditions of bids from other providers. Defendant CAMPBELL then used that information to determine Bank A's bid. On some occasions, CDR told defendant CAMPBELL that he could lower Bank A's bid and still win the bid and, at times, suggested the exact amount by or to which the bid could be reduced. Defendant CAMPBELL followed these suggestions. As a result of this bid manipulation, Bank A was awarded and has performed and is scheduled to continue to perform investment agreements and other municipal finance contracts at artificially determined or suppressed levels that deprived and will continue to deprive municipal issuers of money and property;

(b) On numerous occasions, at or about the time the bid specifications stated that bids were due, defendant CAMPBELL participated in interstate telephone calls during which CDR asked defendant CAMPBELL to submit intentionally losing bids for investment agreements or other municipal finance contracts. CDR provided defendant

CAMPBELL with prices, price levels or other information, which defendant

CAMPBELL used to determine Bank A's bid;

(c) On numerous occasions, defendant CAMPBELL participated in interstate telephone calls with CDR during which they made or sought to make arrangements for CDR to receive kickbacks;

(d) On numerous occasions, defendant CAMPBELL and co-conspirators, including CDR, misrepresented to municipal issuers or their bond counsel the circumstances under which investment agreements and other municipal finance contracts were bid;

(e) On numerous occasions, defendant CAMPBELL and co-conspirators, including CDR, certified, caused to be certified, and forwarded certifications to municipal issuers or their bond counsel that the bidding process for certain investment agreements or other municipal finance contracts was bona fide and in compliance with the Treasury regulations or was otherwise competitive when, in fact, it was not;

(f) On numerous occasions, Bank A performed investment agreements or other municipal contracts and made payments to municipal issuers via interstate wire transfer at artificially determined or suppressed rates. Bank A continues to perform some of these agreements and contracts; and

(g) With respect to the award of an investment agreement for a state development finance authority, defendant CAMPBELL and co-conspirators, including Bank A and CDR, committed the following overt acts, among others:

(i) on or about April 15, 2002, the day of the bid, during an interstate telephone call between California and New York, New York, CDR arranged for another provider to submit an intentionally losing bid for the investment agreement;

(ii) on or about April 15, 2002, based on information received from CDR, defendant CAMPBELL submitted a bid for the investment agreement at a rate lower than he was otherwise prepared to bid and Bank A was awarded the contract at that artificially suppressed rate; and

(iii) beginning on approximately July 1, 2002 and continuing until at least June 30, 2005, Bank A made interest payments at a rate that was artificially determined and suppressed, including a final payment of principal and interest of approximately \$ 6,276,912.57 on or about June 30, 2005.

IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 371

COUNT THREE - WIRE FRAUD
(18 U.S.C. § 1343)

The United States of America further charges:

31. DOUGLAS LEE CAMPBELL ("CAMPBELL") is hereby made a defendant on the charge stated below.

32. Paragraphs 2 through 4 and 6 through 14 of Count One are repeated, realleged and incorporated in Count Three as if fully set forth in this Count.

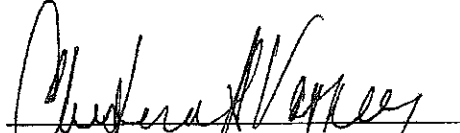
XI. DESCRIPTION OF THE OFFENSE


33. From as early as 1998 until approximately September 2005, in the Western District of North Carolina and elsewhere, DOUGLAS LEE CAMPBELL, the defendant, and other persons known and unknown, unlawfully, willfully, and knowingly, devised and intended to devise a scheme and artifice to defraud municipal issuers and to obtain money and property from these municipal issuers by means of false and fraudulent pretenses, representations, and promises, namely, a scheme to deprive municipal issuers of money by causing them to award investment agreements and other municipal finance contracts through multiple brokers, including CDR, and others known and unknown, at artificially determined or suppressed rates, and to deprive municipal issuers of the property right to control their assets by causing them to make economic decisions based on false and misleading information, and for the purposes of executing such scheme and artifice, and attempting to do so, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate commerce, writings, signs, signals, pictures, or sounds the following:


34. On or about June 30, 2005, via interstate wire transfer from Charlotte, North Carolina to St. Louis, Missouri, Bank A made a payment of approximately \$ 6,276,912.57 to a state development finance authority, which payment was artificially determined and suppressed because on April 15, 2002, CAMPBELL obtained information from CDR that allowed him to submit a bid with a rate lower than the rate he was otherwise prepared to bid. CAMPBELL used the information provided by CDR, submitted a bid at the lower rate and Bank A was awarded the investment agreement.

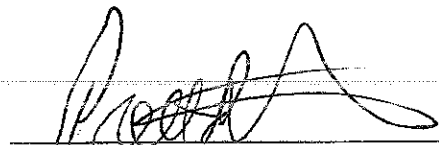
IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 1343

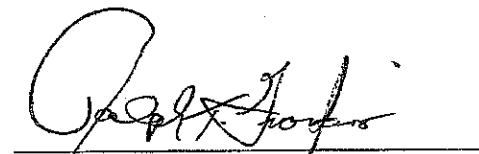
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