



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, FEBRUARY 24, 2010
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**FORMER EMPLOYEE OF FINANCIAL PRODUCTS AND SERVICES FIRM PLEADS
GUILTY FOR ROLE IN BID-RIGGING AND FRAUD CONSPIRACIES INVOLVING
PROCEEDS OF MUNICIPAL BONDS**

WASHINGTON — A former employee of Rubin/Chambers, Dunhill Insurance Services Inc., also known as CDR Financial Products (CDR), a Beverly Hills, Calif.-based financial products and services firm, pleaded guilty yesterday for his 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.

According to the charges filed yesterday in the U.S. District Court in Manhattan, Daniel Moshe Naeh, also known as Dani Naeh, of Israel, engaged in separate bid-rigging and fraud conspiracies with companies that provide 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. Naeh also pleaded guilty to one count of wire fraud. According to the plea agreement, Naeh has agreed to cooperate with the ongoing investigation.

The department said in court documents that 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 primarily for contracts for the investment of municipal bonds 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.

Naeh admitted that, as a part of the bid-rigging conspiracy, from as early as 1998 until at least November 2006, he and other co-conspirators designated in advance which co-conspirator providers would be the winning bidder for certain investment agreements and submitted or caused to be submitted to CDR intentionally losing bids. According to the court documents, kickbacks in the form of fees that were inflated or unearned were paid to CDR in exchange for assistance from Naeh and other CDR co-conspirators in controlling the bidding process and ensuring that certain co-conspirator providers won the bids they were allocated.

As a part of the fraud conspiracy, from as early as August 2001 until at least November 2006, Naeh and others gave a co-conspirator provider 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. As a result of the information, the co-conspirator

provider won contracts at artificially determined price levels. In exchange for giving the provider information, CDR requested and received kickbacks from the provider and relied on the provider to submit intentionally losing bids when requested on other contracts.

On Oct. 29, 2009, CDR, along with its owner and president, David Rubin; former chief financial officer and managing director, Zevi Wolmark, also known as Stewart Wolmark; and vice president Evan Andrew Zarefsky, were indicted and charged with participating in bid-rigging and fraud conspiracies. The trial for CDR, Rubin, Wolmark and Zarefsky is scheduled to begin on Feb. 7, 2011.

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

The charges announced today resulted 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.

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 <http://www.justice.gov/atr/contact/newcase.htm>, or the FBI at 212-384-5000.

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