

# Bloomberg

---

## Ex-CDR Chief Rubin Spared Prison in Muni Bid-Rigging Case

By Bob Van Voris - Mar 12, 2014

CDR Financial Products Inc. founder David Rubin was spared prison for his role in a municipal bond bid-rigging scheme that involved employees of some of the world's biggest financial institutions.

Rubin, 52, was sentenced to two years' probation and 500 hours of community service today by U.S. District Judge Kimba Wood in Manhattan. The judge also ordered Rubin and CDR to pay \$3.5 million in fines. Because CDR is defunct, Rubin must guarantee his former firm's \$2 million share.

Rubin, who must also make as much as \$2.1 million in restitution, pleaded guilty on behalf of himself and his Beverly Hills, California-based firm in 2011, admitting he took kickbacks for running sham auctions for investments. He was charged in a federal probe of bid and auction rigging in the municipal bond market.

A prison sentence would be "a terrible injustice," Wood said at a hearing today, citing Rubin's guilty plea and cooperation with authorities, as well as his philanthropy and his wife's terminal cancer.

"I have deep remorse and great regret for my actions," Rubin told Wood, during an address in which he frequently broke down with emotion. "I am particularly sorry to my wife for having put her through this ordeal."

### Bond Proceeds

CDR was hired by public entities that issue municipal bonds to act as their broker and to conduct a competitive bidding process for investing bond proceeds, according to prosecutors. Instead, employees of the firm took kickbacks for running sham auctions, prosecutors said.

Three former CDR employees were sentenced in August to prison terms ranging from six months to 18 months.

Bank of America Corp., JPMorgan Chase & Co., UBS AG (UBSN), Wells Fargo & Co. and General Electric Co. have paid \$743 million in restitution and penalties after acknowledging that former employees engaged in illegal activity.

After his plea, Rubin agreed to aid the federal probe and testified at the 2012 trial of former UBS managing director Peter Ghavami and two former colleagues. All three men were convicted of rigging bids for contracts for investing municipal bond proceeds and sentenced to prison, Ghavami for 18 months.

A letter to Wood in which prosecutors detailed Rubin's cooperation wasn't publicly available.

## Seven Children

Rubin's lawyer, Bradley Simon, told Wood that his client has seven children, three of whom still live at home. Rubin's wife was diagnosed with cancer five years ago, about the same time Rubin was charged, he said. In one instance, a government lawyer prepared Rubin to testify in a criminal case just outside the Los Angeles hospital room where his wife was being treated for a medical emergency.

Wood said Rubin's last five years have been "his own private prison."

"On Dec. 20, 2011, David accepted responsibility for his wrongdoing and entered guilty pleas," Simon said in a memo to the court filed on Jan. 31. "The guilty pleas are a black stain on an otherwise exemplary life."

Rubin and CDR both pleaded guilty to two counts of conspiracy and one count of wire fraud, according to the government. Rubin, CDR's sole shareholder, pleaded guilty for the company.

"To the extent a judge forgives," Wood told him today, "I forgive you."

The case is U.S. v. Rubin/Chambers, Dunhill Insurance Services Inc., 09-cr-01058, U.S. District Court, Southern District of New York (Manhattan).

To contact the reporter on this story: Bob Van Voris in federal court in Manhattan at [rvanvoris@bloomberg.net](mailto:rvanvoris@bloomberg.net)

To contact the editors responsible for this story: Michael Hytha at [mhytha@bloomberg.net](mailto:mhytha@bloomberg.net) Andrew Dunn, Mary Romano