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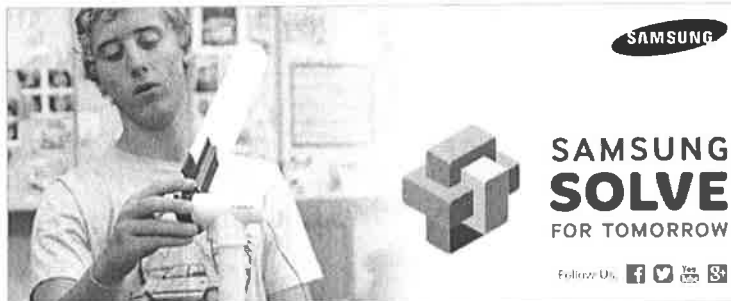
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Walter Pavlo, Contributor
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Muni Bond Rate-Rigging Kingpin, David Rubin, Gets Probation

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David Rubin, who pleaded guilty in December 2011, was sentenced to 2 years of probation and 500 hours of community service in federal court in Manhattan. According to the Federal Sentencing Guidelines, Rubin had "earned" 36 points for his criminal activity, deserving, again according to the guidelines, a prison term of 188-235 months ... that's 15-19 years! What earned him such a dramatic reduction? Cooperation, someone to testify against and a very sad personal story.

In October 2010, David Rubin, founder and sole owner of CDR Financial Products, Inc., and other executives of his firm were charged with fraud related to guaranteed investment contracts of municipal bonds. CDR, who was engaged by municipalities to invest large tranches of funds raised from bond offerings, was charged with colluding with banks to rig the investment returns (lower) those firms would have to pay to the municipalities in return for favors (kickbacks). [Rolling Stones' Matt Taibbi](#) wrote a piece on the practice in June 2012 entitled, "The Scam Wall Street Learned From The Mafia." As the title infers, Taibbi believed the 10-year long crime spree rivaled that of organized crime.

Rubin was named the ringleader of the fraud as he and CDR executives worked with major banking institutions to fix interest payment rates for municipalities across the country. The banks involved have settled with the Securities and Exchange Commission. Wells Fargo paid \$148 million, JPMorgan paid \$228 million, UBS paid \$160 million, Bank of America paid \$137 million and [General Electric paid \\$70.4 million](#). Class action lawsuits and settlements are still in the works.

Far from rolling over, Rubin was determined to take his case to trial, which was scheduled to begin in January 2012. In December 2011, Rubin was awaiting a decision on his motion to have his trial delayed from U.S. District Judge Victor Marrero. Rubin's lawyer, [Bradley Simon](#), requested in mid-December 2011 that the trial needed to be delayed



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GE Exec Trial For Bid-Rigging Munis

 **Walter Pavlo**
Contributor

would begin as scheduled. On December 30, 2011, shortly before the trial was to begin, Rubin pleaded guilty. A few weeks later, Rubin's co-defendants, [Z. Stewart Wolmark](#) and [Evan Zarefsky](#), who were to be tried at the same trial figured they would give up as well and pleaded guilty in January 9, 2012. There would be no trial for CDR as everyone involved, including the company, pleaded guilty.

Those who worked for Rubin, including Wolmark and Zarefsky were sentenced to prison (18 months and 8 months respectively). Still other CDR employees pleaded guilty earlier in the investigation resulting in Matthew Rothman being sentenced to 6 months, while Douglas Goldberg and Daniel Naeh await sentencing. Three executives from UBS went to trial and they were found guilty in August 2012. All three got prison time. Rubin's cooperation and testimony were central to those convictions. In another trial, [three executives from GE were found guilty](#), and all three received jail time ([these 3 were all released from prison](#) because an appeals court ruled the statute of limitations had expired to prosecute the crimes). Just this year, another guilty plea was won by the government when former Bank Of America exec [Phillip Murphy pleaded guilty](#) to conspiring to defraud bond investors in the bid-rigging scheme.

Prosecutors seemed to want a stiffer penalty for Rubin than the one handed down by U.S. District Judge Kimba Wood, who sentenced Rubin.

Prosecutors wrote of Rubin that "The Government submits that a 2 point enhancement is warranted for Abuse of Position of Trust 4 points for leader of a criminal activity involving 5 or more participants 2 point enhancement for offense involving sophisticated means the broker fees Defendants received for conducting bids where their corruption of that process rendered their services to the municipal issuers worthless." Makes CDR sound like a criminal enterprise headed by Rubin. However, unlike other cases where the government has called the judge out for not being tough enough during sentencing ([see case of Ty Warner sentence appeal by government](#)), there was no such appeal in this case.

According to [Bloomberg](#), [Judge Wood said](#) at Rubin's hearing that a prison sentence would be "a terrible injustice." It only became a "terrible injustice" because Rubin, like many white-collar defendants, had found a way to cooperate against others who would go to prison. Even people who worked at the direction of Rubin could not avoid prison because they had nobody left to tell on ... but that is how the system works.

Rubin, whose wife is thankfully still alive but battling cancer, has 7 children to care for at home and has been a noted philanthropist in Southern California. He has put his life on hold for years to aid the government and will forever lose his ability to participate in business as he once did. While it seems like he has paid a significant price for his crimes and has otherwise led an honorable life, there are many white-collar offenders who have done far more for society and whose crimes have affected fewer ... yet they are in prison for many years.

Most criminal cases involve guilty pleas over 95% of the time, so deals about expected prison time are cut in back halls of courtrooms everyday. In this case, Rubin got as good a deal as he could have hoped for, but others will serve his prison time.

because Rubin's wife was in the final stages of pancreatic cancer. According to a piece in the [WSJ](#), [Simon wrote in his motion](#), "As a result of this unparalleled distraction, Mr. Rubin will not be physically or mentally capable of meaningfully participating in his own defense." It seemed like a legitimate request. Judge Marrero denied the motion and said the trial, expected to last 2 months,

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I write on white-collar crime and how seemingly good, smart people are capable of doing the dumbest things. I am also interested in covering the consequences of these crimes and to provide a perspective that is much different than the mainstream stories on crime. Since 2003, I have presented my personal story of white-collar crime to universities, the FBI, various professional societies and ceremonies around the world. I co-authored

The author is a Forbes contributor. The opinions expressed are those of the writer.

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