

Bond Case Briefs

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U.S. Court Questions ex-GE Bankers' Bid-Rigging Convictions.

NEW YORK (Reuters) – A U.S. appeals court on Tuesday questioned the convictions of three former banking executives at a unit of General Electric Co for being involved in a conspiracy to rig bids for contracts to invest municipal bond proceeds.

A three-judge panel for the 2nd U.S. Circuit Court of Appeals in New York appeared open at times to arguments by lawyers for the executives that the indictments were filed too late and that the convictions should be thrown out.

As part of a broad investigation into the \$3.7 trillion municipal bond market, the government had accused the three GE Capital bankers of conspiring with brokers to submit artificially low bids for municipal finance contracts.

Following a three-week trial that ended in May 2012, a federal jury in Manhattan found Dominick Carollo, Steven Goldberg and Peter Grimm guilty of conspiracy to commit wire fraud and to defraud the United States.

The case began after a grand jury indicted the three men on July 27, 2010. Lawyers for the defendants argued that because the contracts at issue were awarded before July 27, 2005, the alleged conspiracies fell outside the five-year statute of limitations.

The government claims the conspiracy continued when the defendants' employers paid artificially low interest rates to municipalities on their bond proceeds.

Judges on the 2nd Circuit panel on Tuesday peppered the government's lawyer with questions over how long such payments could be considered as falling within the statute of limitations.

"Is it definite or indefinite?" asked Judge Dennis Jacobs.

Judge Chester Straub also questioned how the conspiracy could be considered ongoing when the co-conspirators were in no position to withdraw from it.

"There is nothing to withdraw from," he said. "Everything has been accomplished other than the flow of money."

ECONOMIC BENEFITS

James Fredericks of the U.S. Justice Department's Antitrust Division said economic benefits continued to flow to General Electric, which was named a co-conspirator in the case.

"If the economic benefits stop accruing, the conspiracy is over," Fredericks said.

Fredericks said that a ruling for the defendants could hamstring the government in other corporate fraud cases.

Lawyers for the defendants also faced tough questions from the panel. Straub voiced concern over the economic benefits that accrued as a result of obtaining the investment contracts.

Howard Heiss of O'Melveny & Myers, an attorney for Grimm, told the appeals court that the interest payments, which are still being made today, were not acts in furtherance of the conspiracy, but the result of the conspiracy. The government's interpretation "makes no sense," he said.

"It means that this conspiracy is ongoing today despite the fact that (the defendants) are in jail," he said.

The government's probe into the manipulation of the municipal bond market has led to guilty pleas or convictions of 19 individuals, the government said in July. It has also ensnared such major financial institutions as JPMorgan Chase & Co and Bank of America Corp, which agreed to pay millions in fines to resolve their roles.

Last October, Goldberg was given a four-year prison term, while Grimm and Carollo were each sentenced to three years.

The case is U.S. v. Peter Grimm, et al, 2nd U.S. Circuit Court of Appeals, Nos. 12-4310, 12-4365, 12-4371.

(Reporting by Andrew Longstreth; Editing by Howard Goller and Leslie Adler)