

Bond Case Briefs

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Ex-GE Bankers Win Reversal of Convictions for Bid-Rigging.

Three former General Electric Co. (GE) bankers won an appeal of their convictions for defrauding cities and the federal government in a bid-rigging scheme involving municipal bonds.

The federal appeals court in Manhattan reversed the 2012 convictions of Steven Goldberg, Peter Grimm and Dominick Carollo on Nov. 26, without immediately providing a reason. The men were ordered released from prison the next day.

The three were found guilty in May 2012 of conspiracy to commit fraud by manipulating auctions for municipal bond investment contracts. U.S. District Judge Harold Baer sentenced Goldberg to four years and Grimm and Carollo to three years in federal prison.

The defendants appealed, claiming the government waited too long to charge them and that Baer should have declared a mistrial after a key prosecution witness disappeared and tried to kill himself before defense lawyers were able to complete their cross-examination. The witness, Adrian Scott-Jones a former broker for Tradition NA, was later sentenced to 18 months in prison for his role in the case.

A three-judge panel of the appeals court reversed the convictions, saying an opinion will be issued "in due course."

The government claimed that from August 1999 to November 2006 the men gave kickbacks to brokers hired by local governments to solicit bids, win auctions and increase their profits. The charges grew out of a five-year investigation by antitrust prosecutors into the \$3.7 trillion municipal bond market.

Bond Money

The case focused on guaranteed investment contracts, which cities buy with the money raised from selling bonds. The arrangement lets the cities earn money on the funds until they're used for projects such as waste treatment plants, hospitals and roads.

The appeals case is U.S. v. Grimm, 12-04310, U.S. Court of Appeals for the Second Circuit (Manhattan). The lower-court case is U.S. v. Carollo, 1:10-cr-00654, U.S. District Court, Southern District of New York (Manhattan).

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