



# Department of Justice



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**FORMER EXECUTIVE OF NEW YORK-BASED TAX LIENS COMPANY  
PLEADS GUILTY TO BID RIGGING AT  
MUNICIPAL TAX LIEN AUCTIONS IN NEW JERSEY**

WASHINGTON – A former executive of a New York-based tax liens company who supervised the purchasing of municipal tax liens at auctions in New Jersey pleaded guilty today for his role in a conspiracy to rig bids for the sale of tax liens auctioned by municipalities throughout the state, the Department of Justice announced.

A felony charge was filed today in the U.S. District Court for the District of New Jersey in Newark, N.J., against former Vice President Stephen E. Hruby, of Hainesport, N.J. Under the plea agreement, which is subject to court approval, Hruby has agreed to cooperate with the department's ongoing investigation.

According to the felony charge, from at least as early as December 2002 until approximately February 2009, Hruby participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens in New Jersey by agreeing to, and directing others to, allocate among certain bidders which liens each would bid on. Hruby, and those under his supervision, proceeded to submit bids in accordance with their agreements and purchased tax liens at collusive and non-competitive interest rates.

"Today's guilty plea demonstrates that the Antitrust Division will not tolerate illegal conduct that harms distressed homeowners," said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "The division will continue to prosecute the perpetrators of anticompetitive bid rigging schemes at municipal tax lien auctions in New Jersey and elsewhere."

The department said that the primary purpose of the conspiracy was to suppress and restrain competition, in order to obtain selected municipal tax liens offered at public auctions at non-competitive interest rates. When the owner of real property fails to pay taxes on that property, the municipality in which the property is located may attach a lien for the amount of the unpaid taxes. If the taxes remain unpaid after a waiting period, the lien may be sold at auction. State law requires that investors bid on the interest rate delinquent homeowners will pay upon redemption. By law, the bid opens at 18 percent interest and, through a competitive bidding process, can be driven down to zero percent. If a lien remains unpaid after a certain

period of time, the investor who purchased the lien may begin foreclosure proceedings against the property to which the lien is attached.

According to the court documents, Hruby conspired with others not to bid against one another at municipal tax lien auctions in New Jersey. Because the conspiracy permitted the conspirators to purchase tax liens with limited competition, each conspirator was able to obtain liens which earned a higher interest rate. Property owners were therefore made to pay higher interest on their tax debts than they would have paid had their liens been purchased in open and honest competition.

A violation of the Sherman Act carries a maximum penalty of 10 years in prison and a \$1 million fine for individuals. The maximum fine for a Sherman Act violation may be increased to twice the gain derived from the crime or twice the loss suffered by the victim if either amount is greater than the statutory maximum.

Today's plea is the seventh guilty plea resulting from an ongoing investigation into bid rigging or fraud related to municipal tax lien auctions. On Aug. 24, 2011, Isadore H. May, Richard J. Pisciotta Jr. and William A. Collins each pleaded guilty to one count of bid rigging in connection with their participation in a conspiracy to allocate liens at New Jersey auctions. On Feb. 23, 2012, Robert W. Stein and David M. Farber each pleaded guilty to one count of bid rigging. On March 27, 2012, Robert E. Rothman pleaded guilty to one count of bid rigging in connection with his participation in this conspiracy.

Today's charge is part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force (FFETF). President Obama established the interagency FFETF to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets and recover proceeds for victims of financial crimes. For more information on the task force, visit [www.StopFraud.gov](http://www.StopFraud.gov).

The ongoing investigation is being conducted by the Antitrust Division's New York Field Office and the FBI's Atlantic City, N.J., office. Anyone with information concerning bid rigging or fraud related to municipal tax lien auctions should contact the Antitrust Division's New York Field Office at 212-335-8000, visit [www.justice.gov/atr/contact/newcase.htm](http://www.justice.gov/atr/contact/newcase.htm) or contact the Atlantic City Resident Agency of the FBI at 609-677-6400.

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