



Department of Justice



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NEW JERSEY COMPANY PLEADS GUILTY FOR ROLE IN BID RIGGING SCHEME AT MUNICIPAL TAX LIEN AUCTIONS

Investigation Has Yielded 11 Guilty Pleas

WASHINGTON – A New Jersey company in the business of receiving the assignment of municipal tax liens pleaded guilty today for its role in a conspiracy to rig bids for the sale of tax liens auctioned by municipalities in New Jersey, the Department of Justice announced.

A felony charge was filed today in U.S. District Court for the District of New Jersey in Newark, against Mercer S.M.E. Inc., a company located in Burlington, N.J. According to the charges, from at least 2003 until approximately February 2009, Mercer, in conjunction with a nonprofit corporation and others participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens in New Jersey. As part of the conspiracy, the co-conspirators agreed to allocate the liens on which each would bid. Among other things, Mercer was assigned tax liens it understood were purchased in accordance with the unlawful agreement.

“The conspirators agreed to coordinate their bids and allocate the tax liens amongst themselves, at the expense of distressed property owners,” said Scott D. Hammond, Deputy Assistant Attorney General for the Antitrust Division’s criminal enforcement program. “Today’s guilty plea sends a message that those who profit from illegal, anticompetitive conduct will be held accountable.”

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 property owners 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, Mercer, along with the nonprofit corporation which assigned some of its liens to Mercer, was involved in a conspiracy with others not to bid against

one another at municipal tax lien auctions in New Jersey. Since 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, the department said.

A violation of the Sherman Act carries a maximum penalty of \$100 million criminal fine for corporations. 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 victims if either amount is greater than the statutory maximum.

Today's plea is the 11th guilty plea resulting from an ongoing investigation into bid rigging or fraud related to municipal tax lien auctions. Eight individuals – Isadore H. May, Richard J. Pisciotto Jr., William A. Collins, Robert W. Stein, David M. Farber, Robert E. Rothman, Stephen E. Hruby and David Butler – and two companies, DSBD LLC and Crusader Servicing Corp., have previously pleaded guilty as part of this investigation.

Today's charge is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,700 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov.

This 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 or contact the Atlantic City Resident Agency of the FBI at 609-677-6400.

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