



Department of Justice



FOR IMMEDIATE RELEASE
TUESDAY, NOVEMBER 19, 2013
WWW.JUSTICE.GOV

AT
(202) 514-2007
TTY (866) 544-5309

SIX INVESTORS INDICTED FOR THEIR ROLES IN BID RIGGING SCHEME AT MUNICIPAL TAX LIEN AUCTIONS IN NEW JERSEY

Investigation Has Yielded 20 Charges to Date

WASHINGTON – A federal grand jury in Newark, N.J., returned an indictment against six investors for their roles in a conspiracy to rig bids at auctions conducted by New Jersey municipalities for the sale of tax liens, the Department of Justice announced.

The indictment, filed today in U.S. District Court for the District of New Jersey in Newark, charges four individuals, Joseph Wolfson, Gregg Gehring, James Jeffers Jr. and Robert Jeffrey, and two entities, Betty Simon Trustee LLC and Richard Simon Trustee, with participating in a conspiracy to rig bids at tax lien auctions in New Jersey. According to the indictment, from at least as early as 1998 and continuing until as late as February 2009, the investors participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens in New Jersey by agreeing to allocate among certain bidders which liens each would bid on. The indictment alleges that the investors proceeded to submit bids in accordance with the agreements and purchased tax liens at collusive and non-competitive interest rates.

Joseph Wolfson, of Margate, N.J., was a part-owner of two entities that invested in municipal tax liens, Betty Simon Trustee and Richard Simon Trustee, both of Northfield, N.J. Gregg Gehring, of Newton, N.J., was employed by a major tax lien investment company as a vice president. James Jeffers Jr., of Burlington, N.J., was a bidder for Crusader Servicing Corp., which pleaded guilty to its role in the conspiracy in September 2012, and also a bidder for Crusader's successor corporation. Robert Jeffrey, of Bradenton, Fla., was a bidder for both Crusader and its successor corporation.

“The individuals and entities charged today demonstrated a blatant disregard for the competitive process by allocating the purchase of certain municipal tax liens by, from time to time, flipping a coin, drawing numbers out of a hat or drawing from a deck of cards,” said Leslie C. Overton, Deputy Assistant Attorney General for the Antitrust Division. “The Antitrust Division remains committed to prosecuting those who thwart the competitive bidding process.”

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. 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.

The indictment alleges, among other things, that from at least as early as 1998 and continuing until as late as February 2009, prior to the commencement of certain tax lien auctions in New Jersey, the investors and their co-conspirators agreed not to compete for the purchase of certain municipal tax liens.

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 \$1 million statutory maximum.

Including today's charges, 20 individuals and entities have been charged as part of an ongoing investigation into bid rigging or fraud related to municipal tax lien auctions in New Jersey. To date, 11 individuals – Isadore H. May, Richard J. Pisciotta Jr., William A. Collins, Robert W. Stein, David M. Farber, Robert E. Rothman, Stephen E. Hruby, David Butler, Norman T. Remick, Robert U. Del Vecchio Sr., and Michael Mastellone – and three companies, DSBD LLC, Crusader Servicing Corp., and Mercer S.M.E. Inc., have 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.

###