



Department of Justice



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FIVE NORTHERN CALIFORNIA REAL ESTATE INVESTORS INDICTED FOR BID RIGGING AND FRAUD AT PUBLIC FORECLOSURE AUCTIONS

Investigations Have Yielded 50 Plea Agreements and Five Indictments to Date

WASHINGTON – A federal grand jury in San Francisco returned a nine-count indictment against five real estate investors for their role in bid rigging and fraud at foreclosure auctions in Northern California, the Department of Justice announced.

The indictment, filed today in U.S. District Court for the Northern District of California in Oakland, California, charges Northern California real estate investors John Michael Galloway, Nicholas Diaz, Glenn Guillory, Thomas Joyce and Charles Rock with participating in a conspiracy to rig bids and a scheme to defraud mortgage holders and others. The indictment alleges that the defendants agreed not to compete at public foreclosure auctions in Contra Costa County, California, and diverted money to themselves and others that should have gone to mortgage holders and other beneficiaries.

To date, 50 individuals have pleaded guilty or agreed to plead guilty to criminal charges as a result of the department's ongoing antitrust investigations into bid rigging and fraud at public foreclosure auctions in Northern California. In addition, 21 real estate investors have been charged in five multi-count indictments for their roles in bid rigging and fraud schemes at foreclosure auctions in Alameda, Contra Costa and San Francisco counties.

“The Antitrust Division will continue to cooperate with its law enforcement partners to bring to justice those who undermine the competitive market for foreclosed properties,” said Brent Snyder, Deputy Assistant Attorney General for the Antitrust Division's criminal enforcement program. “Public auctions are meant for the public, not for an elite group conspiring together for their own profit.”

The indictments allege, among other things, that as early as June 2008 until about January 2011, the defendants conspired to rig bids to obtain numerous properties sold at foreclosure auctions in Contra Costa County, negotiated payoffs for agreeing not to compete, held second, private auctions known as “rounds,” concealed those rounds and payoffs, and, in the process, defrauded mortgage holders and other beneficiaries.

“These charges demonstrate our continued commitment to investigate and prosecute individuals and organizations responsible for the corruption of the public foreclosure auction process,” said David J. Johnson, FBI Special Agent in Charge of the San Francisco Field Office. “The FBI is committed to work these important cases and remains unwavering in our dedication to bring the members of these illegal conspiracies to justice.”

Each violation of the Sherman Act carries a maximum penalty of 10 years in prison and a \$1 million fine for individuals. Each count of mail fraud carries a maximum sentence of 20 years in prison and a \$1 million fine. The government can also seek to forfeit the proceeds earned from participating in the mail fraud schemes. The maximum fine for the Sherman Act charges 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 \$1 million.

Today’s charges are the latest filed by the department in its ongoing investigation into bid rigging and fraud at public real estate foreclosure auctions in San Francisco, San Mateo, Contra Costa and Alameda counties, California. These investigations are being conducted by the Antitrust Division’s San Francisco Office and the FBI’s San Francisco Office. Anyone with information concerning bid rigging or fraud related to public real estate foreclosure auctions should contact the Antitrust Division’s San Francisco Office at 415-934-5300, or call the FBI tip line at 415-553-7400.

The charges were brought in connection with the President’s Financial Fraud Enforcement Task Force. The task force was established 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 nearly 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,900 mortgage fraud defendants. For more information on the task force, please visit www.StopFraud.gov.

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