



Department of Justice



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FOUR NORTHERN CALIFORNIA REAL ESTATE INVESTORS AGREE TO PLEAD GUILTY TO BID RIGGING AT PUBLIC FORECLOSURE AUCTIONS

Investigations Have Yielded 35 Plea Agreements to Date

WASHINGTON – Four Northern California real estate investors have agreed to plead guilty for their role in conspiracies to rig bids and commit mail fraud at public real estate foreclosure auctions in Northern California, the Department of Justice announced.

Felony charges were filed today in the U.S. District Court for the Northern District of California in Oakland against Wesley Barta of Oakland, Irma Galvez of Pacheco, Calif., Stan Kahan of Berkeley, Calif., and Joseph Vesce of San Francisco.

To date, as a result of the department's ongoing antitrust investigations into bid rigging and fraud at public real estate foreclosure auctions in Northern California, 35 individuals, including Barta, Galvez, Kahan and Vesce, have agreed to plead or have pleaded guilty.

"These conspirators manipulated and suppressed the competitive process through their fraudulent and collusive conduct to the detriment of lenders and distressed homeowners," said Bill Baer, Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "The Antitrust Division will continue to pursue those responsible for these illegal activities."

According to court documents, for various lengths of time between June 2008 and January 2011, Barta and Vesce conspired with others not to bid against one another, but instead designated a winning bidder to obtain selected properties at public real estate foreclosure auctions in Contra Costa County, Calif. Barta and Vesce were also charged with a conspiracy to use the mail to carry out a scheme to fraudulently acquire title to selected Contra Costa County properties sold at public auctions, to make and receive payoffs and to divert money to co-conspirators that would have gone to mortgage holders and others by holding second, private auctions open only to members of the conspiracy. The department said that the selected properties were then awarded to the conspirators who submitted the highest bids in the second, private auctions. The private auctions often took place at or near the courthouse steps where the public auctions were held.

The same charges were brought against Galvez and Kahan for their involvement in similar conduct in Alameda County, Calif., from November 2008 through May 2010.

The department said that the primary purpose of the conspiracies was to suppress and restrain competition and to conceal payoffs in order to obtain selected real estate offered at Alameda and Contra Costa County public foreclosure auctions at non-competitive prices. When real estate properties are sold at these auctions, the proceeds are used to pay off the mortgage and other debt attached to the property, with remaining proceeds, if any, paid to the homeowner. According to court documents, these conspirators paid and received money that otherwise would have gone to pay off the mortgage and other holders of debt secured by the properties, and, in some cases, the defaulting homeowner.

“The continued success of our investigation into the bid rigging conspiracies at Northern California public foreclosure auctions is evident in today’s four guilty pleas,” said David J. Johnson, FBI Special Agent in Charge of the San Francisco Field Office. “The FBI will remain focused with the Antitrust Division in holding those accountable for such illegal acts.”

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 charge 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 \$1 million. A count of conspiracy to commit mail fraud carries a maximum sentence of 30 years in prison and a \$1 million fine. The government can also seek to forfeit the proceeds earned from participating in the conspiracy to commit mail fraud.

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, Calif. 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 415-436-6660, visit www.justice.gov/atr/contact/newcase.html or call the FBI tip line at 415-553-7400.

Today's 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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