

CORPORATE COMPLIANCE ALERT

4/16/14

Prominent Illinois Businessman and Former County Treasurer Sentenced in Sherman Antitrust Case

Southern Illinois businessman Barrett R. Rochman, head of Rochman Investments, was sentenced in United States District Court in East St. Louis to 16 months in prison and fined \$30,000 for his role in a scheme to rig tax lien sales in exchange for campaign contributions. The sentence was the maximum penalty recommended by U.S. Sentencing Guidelines for Rochman's violations of the Sherman Antitrust Act. Former Madison County, Illinois Treasurer Fred Bathon, a key participant in the "pay to play" scheme and the beneficiary of the campaign contributions, was sentenced by the same court to 30 months in prison and a \$20,000 fine in December 2013.

Illinois tax lien auctions invite investors to bid on the purchase of tax lien certificates issued against delinquent taxpayers. Bids open at no more than the statutory maximum of 18% and through competitive bids, the rate can be driven as low as 0%. The bidder offering the lowest percentage rate is allowed to purchase the tax lien. The property owner must then pay the amount of the lien, plus the interest rate assessed by the winning bidder, in order to redeem the property. When conducted in a fair environment, the auctions benefit financially distressed homeowners by reducing the amount that they have to pay to save their property from foreclosure. The system, however, reduces the profit made by tax lien buyers, creating the environment in which the bid-rigging scheme engaged in by Rochman and others flourished.

The scheme, undertaken by Bathon, Rochman and two others, cheated more than 10,000 Madison County property owners out of more than \$2 million in excessive interest and penalty payments. In exchange for the rigged auctions, the lien buyers, including Rochman, donated more than \$140,000 to Bathon's reelection campaigns. The U.S. attorney responsible for prosecuting the case, Stephen R. Wiggington, indicated that by 2007 and 2008, "the bid rigging and price fixing was so pervasive that distressed homeowners were charged the statutory maximum interest rate on nearly every property lien sold." In fact, during one auction in late 2007, over 99% of the tax liens were awarded at the maximum rate.

While the criminality of the bid-rigging scheme in the Rochman case may seem obvious, the line between capitalism and unfair competition can sometimes be less distinct, with multiple federal and state laws governing economic and business activity. Roetzel's white-collar litigation and corporate compliance attorneys are available to assist you with any questions regarding the provisions of the Sherman Antitrust, Clayton Antitrust, and other relevant federal and state antitrust laws. Please contact the following Roetzel attorneys for further information:

Anthony J. Calamunci
419.254.5247 | acalamunci@ralaw.com

Donald S. Scherzer
216.615.7418 | dscherzer@ralaw.com

Brian E. Dickerson
202.570.0248 | bdickerson@ralaw.com

Jonathan R. Secrest
614.723.2029 | jsecrest@ralaw.com

James L. Ervin, Jr.
614.723.2081 | jervin@ralaw.com

Nicole Hughes Waid
202.906.9572 | nwaid@ralaw.com

Thomas M. Larned
202.697.4892 | tlarned@ralaw.com

Amanda M. Knapp
216.615.7416 | aknapp@ralaw.com