



CITY OF OAKLAND  
**newsrelease**  
Office of the City Attorney

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## **Oakland Sues Major Financial Firms for Bid-Rigging, Conspiring to Cheat Taxpayers**

OAKLAND, CA – On Wednesday, April 23, the City of Oakland filed a federal antitrust lawsuit against some of the nation's most powerful financial firms, including AIG Financial Products, Bank of America, Bear Stearns, JPMorgan Chase, Wachovia Bank and others.

City Attorney John Russo held a press conference to announce the lawsuit, which charges the companies with conspiring to gouge taxpayers in Oakland and other American cities through illegal price fixing and bid rigging.

The lawsuit alleges that financial companies and brokers agreed among themselves to give cities artificially low bids for Guaranteed Investment Contracts, which cities use to earn interest on municipal bond funds. By conspiring to avoid competitive bidding, financial companies were able to give cities abnormally low interest rates, thereby cheating taxpayers out of a legitimate rate of return on their money.

This collusion among competitors is a clear violation of federal and state antitrust laws, which prohibit any agreement by companies to fix prices, rig bids or allocate specific customers.

"Local governments, including Oakland, are starved for resources to hire police, to pay school teachers, to maintain roads and to fund essential programs," City Attorney Russo said. "Financial industry executives are making obscene amounts of money while their companies conspire to gouge cities with unfair and uncompetitive bids. How much is enough?"

Oakland has purchased hundreds of millions of dollars worth of Guaranteed Investment Contracts from defendants named in the suit. Damages to the City of Oakland could be in the hundreds of thousands of dollars. Across the country, cities, counties, school districts and other public entities have been overcharged in the tens of millions of dollars, if not more. Similar lawsuits have been filed against financial firms by the State of Mississippi, the Charlestown County School District and other local governments in southern states.

Oakland's lawsuit was filed as federal authorities in the Department of Justice, the Securities and Exchange Commission and the Internal Revenue Service conduct an unprecedented investigation into bid rigging in the municipal bond market.

Bank of America has announced that it will cooperate with the Department of Justice investigation in return for amnesty from antitrust prosecution. Bank of America also agreed to a \$14.7 million settlement with the IRS relating to the company's role in providing Guaranteed Investment Contracts.

Oakland has bought Guaranteed Investment Contracts from at least two companies that have received subpoenas as part of the federal investigation. Authorities also served subpoenas on at least a dozen other companies that have been involved in bidding for Guaranteed Investment Contracts with Oakland.

The San Francisco law firms of Loeff, Cabraser, Heimann & Bernstein and Moscone, Emblidge & Quadra are working on Oakland's lawsuit at no cost to the City.

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