PRESS RELEASE

Federal Deposit Insurance Corporation

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SETTLEMENT OF LAWSUIT AGAINST FORMER FDIC AND RTC CONTRACTORS

The suit described in PR-49-97 (7-18-97) was settled by an agreement between the United States Department of Justice, William W. Lange, Alisha A. Jensen Lange, Lange Financial Corporation, Asset Clearinghouse, Inc., and Richard H.W. Bennett, executed by all parties on November 13, 1998. That agreement contains a statement that it does not constitute an admission of liability or an admission of the truth, substantial merit or validity of any previously disputed claim or factual assertion.

THREE FORMER FDIC AND RTC CONTRACTORS SUED IN MULTI-MILLION DOLLAR FRAUD CASE

FOR IMMEDIATE RELEASE

FDIC Inspector General Gaston L. Gianni, Jr., announced today that the Justice Department filed suit July 15 against three California residents charging them with fraud that resulted in nearly $3.6 million in profits from contracts issued by the FDIC and the former Resolution Trust Corporation (RTC) to auction assets.

This case is the result of an ongoing investigation by the FDIC Office of Inspector General. The defendants named in the lawsuit are:

- William W. Lange of Corona Del Mar,
- Alisha A. Jensen Lange (William Lange's wife) of Corona Del Mar, and
- Richard H.W. Bennett of Yorba Linda. Mr. Bennett is a certified public accountant and the brother-in-law of Alisha Lange.

The civil complaint, filed pursuant to the False Claims Act, alleges that the defendants fraudulently acquired contracts and overbilled the two agencies for work performed. The three were allegedly responsible for more than 2,500 false claims submitted to the FDIC and the RTC.

In the scheme outlined in the lawsuit, Ms. Lange owned "on paper" a sham company called LFC Real Estate Clearinghouse, Inc. (LFCREC). The company in fact was created, owned and operated by her husband, William Lange. The Langes improperly certified that LFCREC was woman-owned, enabling the firm to obtain lucrative government contracts. Those contracts, procured from 1992 through 1994, called for the LFCREC to auction property for the FDIC and the RTC that the agencies had acquired from failed financial institutions.

According to the lawsuit, LFCREC fraudulently obtained contracts to perform more than a dozen auctions in California, Texas, Louisiana, Massachusetts, Connecticut and New Jersey. The shell company was paid more than $1 million in commissions, approximately one percent of the assets sold. LFCREC was also reimbursed more than $2.5 million for expenses the firm claimed to have incurred in connection to the auctions.

The civil complaint alleges that LFCREC was a shell company for Lange Financial Corporation, a Newport Beach firm that is one of the largest auctioneers in the country with several subsidiaries. In addition to falsely stating that LFCREC was woman-owned, LFCREC allegedly hired subsidiaries of Lange Financial to perform auction-related work and failed to disclose that the subsidiaries were "related companies." The subsidiaries purportedly overbilled for services, including charging the government $80 per hour for work that cost $24 per hour. Mr. Bennett allegedly prepared and submitted "padded" bills to the FDIC and RTC.

Under federal law, the Langes and Mr. Bennett are potentially liable for damages of up to three times the nearly $3.6 million paid to LFCREC, and up to $10,000 in fines for each of the more than 2,500 alleged false claims. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) provides an additional $5 million penalty for making false statements designed to influence the RTC and the FDIC.

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