



PRESS RELEASE

Federal Deposit Insurance Corporation

August 23, 1999

Media Contact:
Samuel Holland (202-416-2912)

FLORIDA AUCTIONEER PLEADS GUILTY TO EMBEZZLING FUNDS FROM THE FDIC

FOR IMMEDIATE RELEASE

FDIC Inspector General Gaston L. Gianni, Jr., announced today that Jay Sugarman of North Miami Beach, FL, President of Jay Sugarman Auctioneers (JSA), a division of American Auctioneers, Inc., also of North Miami Beach, and JSA pled guilty on August 16, 1999, to charges of embezzling \$118,130 from the proceeds of auctions he conducted for the FDIC in the early 1990s. The plea agreement has been filed in the U.S. District Court for the Southern District of Florida, Miami, FL.

This investigation was conducted by the FDIC's Office of Inspector General.

The FDIC, as receiver of failed FDIC-insured banks, manages and sells the institutions' assets, including furniture, fixtures and equipment, through auctions and other means.

The FDIC contracted with Sugarman and JSA to organize and conduct numerous "absolute" auctions (in which no minimum opening bid is required) and sales in the Miami area and elsewhere from September 3, 1990, through February 29, 1992.

Sugarman and JSA received commissions from individual purchasers through a common industry practice known as a "buyer's premium" (a fee added to the price that a buyer pays for the merchandise). The FDIC paid Sugarman and JSA only for certain advertising and labor costs associated with each auction and sale. They were required to remit to the FDIC the total proceeds from those auctions and sales, minus the advertising and labor costs and certain credits approved by the FDIC. Sugarman and JSA were also required to provide the FDIC a recapitulation ("recap") following each auction and sale, reflecting among other things the items sold, the winning bid amounts



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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and the total proceeds from each auction and sale. Sugarman and JSA furnished the FDIC with recaps from September 13, 1990, through March 13, 1992.

Jay Sugarman pled guilty to a misdemeanor charge that he embezzled less than \$1,000 from the proceeds of an auction he conducted for the FDIC on February 8, 1992. On February 21, 1992, Sugarman submitted to the FDIC a recap purportedly listing the total proceeds, but which substantially misrepresented and underreported them. The funds remitted by Sugarman to the FDIC were based on the fraudulent amount.

Sugarman also entered a guilty plea on behalf of JSA to a felony charge that JSA embezzled \$118,130 from the proceeds of a series of auctions the firm conducted for the FDIC between September 3, 1990, and February 29, 1992. Following the auctions and sales, JSA submitted to the FDIC fraudulent recaps, also substantially misrepresenting and underreporting the total proceeds received from each auction and sale. JSA made payments to the FDIC based on the fraudulent amounts.

Sentencing has been scheduled for November 2, 1999, in Miami, FL.

Last Updated 08/23/1999
