



# Department of Justice



**United States Attorney Benjamin B. Wagner  
Eastern District of California**

FOR IMMEDIATE RELEASE  
FRIDAY, FEBRUARY 4, 2011  
WWW.JUSTICE.GOV/USAO/CAE

CONTACT: LAUREN HORWOOD  
PHONE: (916) 554-2706

## **CALIFORNIA REAL ESTATE EXECUTIVE PLEADS GUILTY TO BID RIGGING AT PUBLIC FORECLOSURE AUCTIONS**

WASHINGTON – A real estate executive pleaded guilty today in U.S. District Court in Sacramento, Calif., to conspiring to rig bids and commit mail fraud at public real estate foreclosure auctions held in San Joaquin County, Calif., Christine Varney, Assistant Attorney General of the Department of Justice’s Antitrust Division, and Benjamin B. Wagner, U.S. Attorney for the Eastern District of California, announced.

Richard W. Northcutt pleaded guilty to conspiring with a group of real estate speculators who agreed not to bid against each other at certain public real estate foreclosure auctions in San Joaquin County. The primary purpose of the conspiracy was to suppress and restrain competition and to obtain selected real estate offered at San Joaquin County public foreclosure auctions at non-competitive prices, the department said in court papers.

According to the court documents, after the conspirators’ designated bidder bought a property at a public auction, they would hold a second, private auction, at which each participating conspirator would bid the amount above the public auction price he or she was willing to pay. The conspirator who bid the highest amount at the end of the private auction won the property. The difference between the price at the public auction and that at the second auction was the group’s illicit profit, and it was divided among the conspirators in payoffs. According to his plea agreement, Northcutt participated in the scheme from September 2008 until October 2009.

To date, including Northcutt, four individuals have pleaded guilty in U.S. District Court for the Eastern District of California in connection with this investigation. On April 16, 2010, Anthony B. Ghio pleaded guilty to participating in a conspiracy to rig bids at public foreclosure auctions held in San Joaquin County. On June 24, 2010, John R. Vanzetti and Theodore B. Hutz also pleaded guilty in Sacramento to participating in the conspiracy.

“With our law enforcement partners, we are vigorously pursuing bid rigging conspiracies in real estate foreclosure auctions that allow individuals to gain illegal profits and take advantage of adverse situations,” said Assistant Attorney General Varney. “The Antitrust Division has expanded its investigation into anticompetitive practices in real estate foreclosure auctions beyond the Sacramento area into northern California.”

“By rigging public auctions of foreclosed properties, the defendants who have pleaded guilty as a result of this investigation illegally manipulated the market for residential real estate,” said U.S. Attorney Wagner. “Improving the transparency and integrity of that market is a principal objective of these prosecutions. The investigation will continue.”

Northcutt pleaded guilty to bid rigging, a violation of the Sherman Act, which carries a maximum penalty of 10 years in prison and a \$1 million fine. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine. Northcutt also pleaded guilty to conspiracy to commit mail fraud, which carries a maximum sentence of 30 years in prison and a \$1 million fine.

These charges arose from an ongoing federal antitrust investigation of fraud and bidding irregularities in certain real estate auctions in San Joaquin County. The investigation is being conducted by the Antitrust Division’s San Francisco Office, the U.S. Attorney’s Office for the Eastern District of California, the FBI’s Sacramento Division and the San Joaquin County District Attorney’s Office. Trial attorneys Barbara Nelson and Tai Milder from the Antitrust Division’s San Francisco Office and Assistant U.S. Attorney Russell L. Carlberg are prosecuting the case.

Today’s charges are part of efforts underway by President Barack Obama’s Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. One component of the task force is the national Mortgage Fraud Working Group, co-chaired by U.S. Attorney Wagner. For more information on the task force, visit [www.StopFraud.gov](http://www.StopFraud.gov).

Anyone with information concerning bid rigging or fraud related to real estate foreclosure auctions should contact the Antitrust Division’s San Francisco Office at 415-436-6660 or visit [www.justice.gov/atr/contact/newcase.htm](http://www.justice.gov/atr/contact/newcase.htm), the U.S. Attorney’s Office for the Eastern District of California at 916-554-2700, or the FBI’s Sacramento Division at 916-481-9110.

###