



**United States Department of Justice  
United States Attorney's Office  
District of Minnesota**



# News Release

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## **White Bear Township man sentenced in connection to \$2 million fraudulent loan scheme**

MINNEAPOLIS – Earlier today in federal court, a 59-year-old White Bear Township man was sentenced for his role in a \$2 million fraudulent loan scheme. United States District Court Judge Joan N. Ericksen sentenced Richard A. Sand to 30 months in prison on one count of aiding and abetting wire fraud and one count of aiding and abetting money laundering. Sand, an attorney, was charged in a superseding indictment on July 13, 2010, along with two co-defendants, and pleaded guilty on March 28, 2011.

On August 9, 2011, one of those co-defendants, Brenda Epperly, age 60, of Oak Grove, was sentenced to six months in prison on one count of aiding and abetting wire fraud. She also pleaded guilty on March 28. A sentencing date for the third defendant, Donald W. Krause, age 50, of Plymouth, has not been scheduled. On March 28, he pleaded guilty to one count of aiding and abetting wire fraud and one count of aiding and abetting money laundering.

In their respective plea agreements, the defendants admitted using property transactions to defraud a lending institution. Specifically, on February 21, 2008, a purchase agreement was executed for the \$1.6 million sale of an Orono residence to a corporation, RSN Companies, at which Krause was a general partner. The next day Krause sold that residence to Sand's 86-year-old mother for \$2.6 million, \$1 million more than was paid for the property the previous day. Pursuant to the terms of that transaction, Sand's mother was to pay approximately \$600,000 in cash, and the balance of the purchase price was to be acquired through a bank loan. To obtain the \$2 million loan, a false loan application was submitted, and based on that application, a \$2 million loan was approved by Bank of America.

On March 20, 2008, the loan proceeds were wired to Epperly, a closing agent at a title company, for distribution at the time of closing. However, the following day, Epperly dispersed

\$900,000 of the loan funds to RSN Companies. Then, on March 22, 2008, the defendants used some of that money to purchase a cashier's check in the amount of \$602,018.78, which was subsequently submitted as the cash payment Sand's mother was to make as her equity contribution to the property purchase. Epperly then falsified the HUD-1 Settlement Statement provided to the lending institution, indicating that Sand's mother had provided over \$600,000 in cash. As a result, the bank was misled into believing that Sand's mother had a financial stake in the purchase, when, in truth, that was not the case.

On March 22, 2008, Krause purchased another cashier's check with the loan proceeds. This check, in the amount of \$224,371.08, was made payable to the Ramsey County Sheriff's Department and was used by Krause and Sand to redeem a foreclosed property Sand owned in St. Paul. In addition, Sand used an additional \$170,000 in loan proceeds for his own benefit. At their plea hearings, Krause admitted receiving approximately \$50,000 as a result of this fraud.

For his crimes, Krause faces a potential maximum penalty of 20 years in federal prison for aiding and abetting wire fraud and ten years for money laundering. Judge Ericksen will determine his sentence at a future hearing, yet to be scheduled.

This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division, the Minnesota Department of Commerce, and the U.S. Secret Service. It is being prosecuted by Assistant U.S. Attorney James E. Lackner.

This law enforcement action is in part sponsored by the interagency Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. It 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, 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.

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