

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA
Criminal No. 18-CR-00197 (PAM/HB)

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	PLEA AGREEMENT AND
)	SENTENCING STIPULATIONS
v.)	
)	
LORI K. DETLOFF (3),)	
)	
Defendant.)	

The United States of America and Lori K. Detloff (hereafter “Defendant” or “LORI DETLOFF”) agree to resolve this case on the terms and conditions that follow.

This Plea Agreement binds only Defendant and the Antitrust Division of the United States Department of Justice (hereafter referred to as “the United States” or “the Government”). This Plea Agreement does not bind any other federal or state agency.

1. **Charges.** Defendant agrees to plead guilty to aiding and abetting the principal offense described in Count 4 of the Indictment, in violation of Title 18, United States Code, Section 1341 and Title 18, United States Code, Section 2(a). Defendant fully understands the nature and elements of the crime to which she is pleading guilty. In return for Defendant’s plea of guilty to Count 4 of the Indictment, the Government agrees to move at sentencing to dismiss Counts 1 through 3 and 5 through 9 of the Indictment against Defendant. The parties agree, however, that the conduct supporting the dismissed charges will be considered relevant conduct for sentencing purposes.

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U.S. DISTRICT COURT ST. PAUL

2. **Factual Basis.** Defendant agrees to the following facts and further agrees that, were this matter to go to trial, the United States would prove the following facts beyond a reasonable doubt.

From in or about September 2007 and continuing through in or about June 2015 (the "Relevant Period"), in the State and District of Minnesota and elsewhere, LORI DETLOFF aided and abetted a scheme to defraud the VICTIM COMPANIES, and for the purpose of executing such scheme caused mailings and interstate wirings to solicit and receive kickbacks, and submit false and fraudulent bids, estimates, and invoices to the VICTIM COMPANIES, related to repair and maintenance work performed on Real Estate Owned ("REO") properties owned or controlled by the VICTIM COMPANIES.

No later than early September 2007, LORI DETLOFF knew that the principal offense of mail fraud affecting a financial institution, as described below in the remainder of this statement of factual basis ("the Principal Offense"), was being committed or going to be committed. LORI DETLOFF had enough advance knowledge of the extent and character of the Principal Offense that she was able to make the relevant choice to walk away from the Principal Offense before all elements of the Principal Offense were complete. As described below in the remainder of this Factual Basis, LORI DETLOFF knowingly acted for the purpose of aiding the commission of the Principal Offense, and LORI DETLOFF had intent to defraud.

More specifically, during the Relevant Period, DETLOFF MARKETING AND ASSET MANAGEMENT, INC. (hereafter "DETLOFF MARKETING") was a corporation organized and existing under the laws of Minnesota, with its principal places of business in Eden Prairie, Hopkins, and Minnetonka, Minnesota. DETLOFF MARKETING was in the business of marketing and managing REO properties owned or controlled by the VICTIM COMPANIES. DETLOFF MARKETING was owned and operated by an "REO realtor," who managed repair and maintenance of REO properties for the VICTIM COMPANIES.

During the Relevant Period, LORI DETLOFF served as the accountant and bookkeeper for DETLOFF MARKETING. Acting through and on behalf of DETLOFF MARKETING, LORI DETLOFF was responsible for sending payments from DETLOFF MARKETING to contractors for work performed on REO properties for the VICTIM COMPANIES; sending invoices from DETLOFF MARKETING; and tracking payments received by DETLOFF MARKETING.

During the Relevant Period, the VICTIM COMPANIES were businesses that owned or controlled REO properties, also known as foreclosure properties, located within the State and District of Minnesota. The VICTIM COMPANIES included the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and financial institutions within the meaning of 18 U.S.C. § 20, including Wells Fargo Bank, National Association. After foreclosure, cleaning, repairs, and routine maintenance were often necessary before a REO property could be

re-sold. To manage such cleaning, repairs, and maintenance, the VICTIM COMPANIES relied on REO realtors, who specialized in managing and selling REO properties.

Beginning in or about September 2007, LORI DETLOFF aided and abetted the implementation of the Principal Offense by telling various contractors that the contractors were required to pay kickbacks (usually called “management fees”) in order to receive, or to continue to receive, work on REO properties owned or controlled by the VICTIM COMPANIES and managed by DETLOFF MARKETING. Thereafter, through in or about June 2015, LORI DETLOFF and others working on behalf of DELTOFF MARKETING, submitted and caused to be submitted false and fraudulent bids, estimates, and invoices to the VICTIM COMPANIES, which, unbeknownst to the VICTIM COMPANIES, included the kickback amounts in the price of the work charged to the VICTIM COMPANIES.

To aid and abet the Principal Offense, LORI DETLOFF: (a) demanded specific kickbacks from contractors; (b) referred to the kickbacks by various terms, including “management fees,” to conceal the true nature of these kickbacks; (c) knowingly concealed the kickbacks from the VICTIM COMPANIES by submitting and causing to be submitted to the VICTIM COMPANIES false and fraudulent bids, estimates, and invoices that affirmatively misrepresented the value of work received by the VICTIM COMPANIES; (d) sent invoices for kickbacks to the contractors, received payment of kickbacks from the contractors, and tracked whether the specific kickbacks were paid; and (e) when necessary, took measures to ensure certain contractors paid the kickbacks

demanded of them, such as threatening to withhold or actually withholding payments to contractors for work already done by those contractors.

On or about January 3, 2013, Defendant aided and abetted the Principal Offense by causing a mailing to be sent from DETLOFF MARKETING to Contractor B and Contractor B's company, containing invoice #35608, for a kickback in the amount of \$760.01.

In all, DETLOFF MARKETING received \$291,505 in kickbacks during the course of the scheme to defraud.

3. **Waiver of Other Rights.** Defendant understands and agrees that she has certain rights to file pretrial motions in this case; to plead not guilty to any criminal charge brought against her; to have a trial by jury, at which she would be presumed not guilty of the charge and the United States would have to prove every essential element of the charged offense beyond a reasonable doubt for her to be found guilty; to confront and cross-examine witnesses against her and to subpoena witnesses in her defense at trial; not to be compelled to incriminate herself; and to appeal her conviction, if she is found guilty. As part of this plea agreement, and based upon the concessions of the United States within this plea agreement, Defendant knowingly, willingly, and voluntarily gives up these rights in this case.

4. **Statutory Penalties.** The parties agree that each Count of the Indictment carries statutory penalties of:

- a. a maximum of 30 years imprisonment (18 U.S.C. §§ 1341, 1343, 1349);

- b. a maximum supervised release term of 5 years following any term of imprisonment (18 U.S.C. § 3559(a)(2); 18 U.S.C. § 3583(b)(1));
- c. a maximum fine in an amount equal to the greatest of (1) \$1 million, (2) twice the gross pecuniary gain the conspirators derived from the crime, or (3) twice the gross pecuniary loss caused to the victims of the crime by the conspirators (18 U.S.C. § 3571(b)(1) and (d));
- d. a mandatory special assessment of \$100.00 upon conviction for the charged crime (18 U.S.C. § 3013(a)(2)(A)); and
- e. payment of mandatory restitution to the victims of the offense (18 U.S.C. § 3663A).

5. **Revocation of Supervised Release.** Defendant understands that if she violates any condition of supervised release, she could be sentenced to an additional term of imprisonment up to the length of the original supervised release term, subject to the statutory maximum set forth in 18 U.S.C. § 3583.

6. **Guideline Calculations.** The parties acknowledge that Defendant will be sentenced in accordance with the Sentencing Reform Act, 18 U.S.C. § 3551, *et seq.* Nothing in this plea agreement should be construed to limit the parties from presenting any and all relevant evidence to the Court at sentencing. The parties also acknowledge that the Court will consider the United States Sentencing Guidelines in determining the appropriate sentence and stipulate to the following Guideline calculations.

- a. **Base Offense Level.** The parties agree that the base offense level is 7. U.S.S.G. § 2B1.1(a)(1).
- b. **Specific Offense Characteristics.** The parties stipulate that the gain that resulted from the offense is \$291,505. The parties therefore agree that the offense level should be increased by **12 levels** because the gain that resulted from the offense exceeded \$250,000 but was less than \$550,000, and the loss amount cannot reasonably

be determined. U.S.S.G. § 2B1.1(b)(1)(G) and Application Note 3(B).

- c. Role in the Offense Adjustment. Defendant reserves the right to make motions and arguments for a mitigating role adjustment under U.S.S.G. § 3B1.2. The United States reserves the right to oppose any such motions or arguments made by Defendant.
- d. Acceptance of Responsibility. The United States agrees to recommend that Defendant receive a **2-level** reduction for acceptance of responsibility, an additional **1-level** reduction for timely acceptance of responsibility, and to make any appropriate motions with the Court. However, Defendant understands and agrees that this recommendation is conditioned upon the following: (i) Defendant testifies truthfully during the change of plea and sentencing hearings; (ii) Defendant provides complete and truthful information to the Probation Office in the presentence investigation; (iii) Defendant continues to cooperate fully and truthfully with the United States as described in Paragraph 9 of this Plea Agreement; and (iv) Defendant commits no further acts inconsistent with acceptance of responsibility. U.S.S.G. §§ 3E1.1(a) and (b).
- e. Criminal History Category. Based on information available at this time, the parties believe that Defendant's criminal history category is **I**. This does not constitute a stipulation, but a belief based on an assessment of the information currently known. Defendant's actual criminal history and related status (which might impact Defendant's adjusted offense level) will be determined by the Court based on the information presented in the Presentence Report and by the parties at the time of sentencing.
- f. Imprisonment Range. If the adjusted offense level is **16** as calculated above, and the criminal history category is **I**, the Sentencing Guidelines range is **21 to 27 months**.
- g. Fine Range. If the adjusted offense level is **16**, the Guidelines fine range is **\$5,000 to \$50,000**. U.S.S.G. §§ 5E1.2(c)(3) and (h)(1).
- h. Supervised Release. The Guidelines advise a term of supervised release of **at least two years but not more than five years** of supervised release. U.S.S.G. § 5D1.2(a)(1).

- i. Sentencing Recommendation and Departures. Defendant reserves the right to make motions and arguments for departures or variances from the applicable Sentencing Guidelines range and to argue for a sentence outside the applicable Sentencing Guidelines range. The United States reserves the right to oppose any such motions or arguments made by Defendant. The United States agrees to recommend a sentence within the Guidelines range determined by the Court.

7. Discretion of the Court. The foregoing stipulations are binding on the parties, but do not bind the Court. The parties understand that the Sentencing Guidelines are advisory and their application is a matter that falls solely within the Court's discretion. The Court may make its own determination regarding the applicable Guideline factors and the applicable criminal history category. The Court may also depart from the applicable Sentencing Guidelines range. If the Court determines that the applicable Guideline calculations or Defendant's criminal history category is different from that stated above, the parties may not withdraw from this agreement and Defendant will be sentenced pursuant to the Court's determination.

8. Special Assessment. The Sentencing Guidelines require payment of a special assessment in the amount of \$100.00 for each felony count of which Defendant is convicted. U.S.S.G. § 5E1.3. Defendant agrees to pay the \$100 special assessment for each felony count of conviction before sentencing.

9. Cooperation. Defendant has agreed to cooperate with law enforcement authorities in the investigation and prosecution of other persons. This cooperation includes, but is not limited to, providing information and documents; being interviewed by law enforcement agents; submitting to a polygraph examination if the United States

deems it appropriate; and testifying truthfully at any grand jury, trial, or other judicial proceeding. Additionally, when called upon to do so by the United States in connection with any federal proceeding, Defendant's cooperation includes participating in affirmative investigative techniques, including but not limited to making telephone calls, recording conversations, and introducing law enforcement officials to other individuals, with all such activity being conducted only at the express direction and under the supervision of attorneys and agents of the United States. Furthermore, Defendant agrees to fully and completely disclose to the United States (a) the existence and location of any assets to which Defendant had any right, title, or interest during the existence of the Principal Offense or now has any right, title, or interest; and (b) the manner in which the proceeds of the Principal Offense were used. Defendant agrees to assist the United States in identifying, locating, returning, and transferring assets for use in payment of restitution and fines ordered by the Court.

The United States agrees to make the full extent of Defendant's cooperation known to the Court. To enable the Court to have the benefit of all relevant sentencing information to determine a fair and just sentence, the United States may request, and Defendant will not oppose, that sentencing be postponed until her cooperation is complete.

Finally, Defendant understands that the United States is not required to accept any tendered cooperation on Defendant's part. If the United States, in its sole discretion, chooses not to accept tendered cooperation, Defendant will not be allowed to withdraw

from the plea agreement based upon that ground. Nonetheless, Defendant has decided to plead guilty as set forth above.

10. **Restitution.** Defendant understands and agrees that the Mandatory Victim Restitution Act, 18 U.S.C. § 3663A, applies and that the Court is required to order Defendant to make restitution to the victims of its crime. Defendant understands and agrees that restitution will encompass the entire loss caused by the Principal Offense and will not be limited to any specific count of conviction. The parties stipulate that the gain amount in this case is a reasonable approximation of the loss to the victims. Defendant agrees to pay restitution in the amount of \$291,505, payable in full before the fifteenth (15th) day after the date of judgment.

Defendant agrees that she will fully and completely disclose to the United States the existence and location of all assets in which Defendant has any interest or over which Defendant exercises control, directly or indirectly, including those assets held by a spouse, nominee or other third party, or any business owned or controlled by Defendant. Defendant agrees to assist the United States in identifying, locating, returning, and transferring assets for use in payment of restitution and fines ordered by the Court, and to allow for forfeiture of such property or assets to the United States. Defendant agrees to complete a financial statement fully and truthfully before the date of sentencing. If requested by the United States, Defendant agrees to submit to one or more interviews or depositions under oath, and agrees to submit to polygraph examination to determine whether Defendant has truthfully disclosed the existence of all of her assets. This agreement does not limit the United States' authority to collect any remaining restitution.

debt by any and all means allowed under the Federal Debt Collection Procedures Act, including the filing of the lien created under 18 U.S.C. § 3613(c) as to any and all property or rights to property of Defendant.

11. **Debarment.** Defendant understands that she may be subject to suspension or debarment action by state or federal agencies other than the United States Department of Justice, Antitrust Division, based upon the conviction resulting from this Plea Agreement, and that this Plea Agreement in no way controls what action, if any, other agencies may take. However, the United States agrees that, if requested, it will advise the appropriate officials of any governmental agency considering such action of the fact, manner, and extent of the cooperation of Defendant as a matter for that agency to consider before determining what action, if any, to take. Defendant nevertheless affirms that she wants to plead guilty regardless of any suspension or debarment consequences of her plea.

12. **Waivers of Appeal and Collateral Attack.** Defendant understands that 18 U.S.C. § 3742 affords Defendant the right to appeal the sentence imposed in this case. Acknowledging this right, and in exchange for the concessions made by the United States in this plea agreement, Defendant hereby waives all rights conferred by 18 U.S.C. § 3742 to appeal Defendant's sentence. In addition, Defendant expressly waives the right to petition under 28 U.S.C. § 2255, including but not limited to any appeal or collateral attack raising any argument that the statute to which she is pleading guilty is unconstitutional or the admitted conduct does not fall within the scope of such statute. However, the waivers by Defendant noted above shall not apply to a direct appeal or

post-conviction collateral attack based on a claim of ineffective assistance of counsel or prosecutorial misconduct. Defendant agrees that there is currently no known evidence of ineffective assistance of counsel or prosecutorial misconduct. Defendant has discussed these rights with her attorney. Defendant understands the rights being waived, and she waives these rights knowingly, intelligently, and voluntarily.

13. **Freedom of Information Act Waiver.** Defendant waives all rights to obtain, directly or through others, information about the investigation and prosecution of this case under the Freedom of Information Act and the Privacy Act of 1974, 5 U.S.C. §§ 552, 552A.

14. **Forfeiture.** Defendant agrees and understands that the United States reserves its right to seek a money judgment forfeiture against Defendant in this action, and to proceed against any property of Defendant in a civil, criminal, or administrative forfeiture action if said property, real or personal, tangible or intangible, is subject to forfeiture under federal law.

The United States agrees that it will not seek a money judgment forfeiture against Defendant if, within 30 days of the execution of this Plea Agreement, Defendant or one of her Co-Defendants pays the full amount of the anticipated restitution judgment of \$291,505 to the paying Defendant's respective attorney, to be held in that attorney's trust account until the amount of the restitution judgment is finally determined. In that event, the relevant Defendant's attorney will release those funds to the Clerk of Court, District of Minnesota, to be applied towards the restitution judgment within seven business days of the entry of the Defendants' restitution judgment.

15. **Complete Agreement.** This is the entire agreement and understanding between the United States and Defendant. There are no other agreements, promises, representations, or understandings.

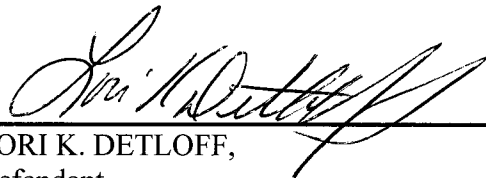
Date: 7/25/19

U.S. DEPARTMENT OF JUSTICE,
ANTITRUST DIVISION



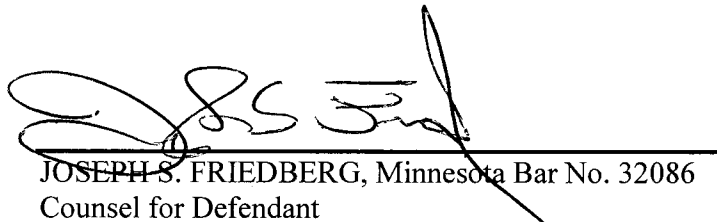
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LORI K. DETLOFF,
Defendant

Date: 7/25/19



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