

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.)	
)	
JEFFERY J. DETLOFF (2),)	
)	
Defendant.)	

The United States of America and Jeffery J. Detloff (hereafter "Defendant" or "JEFF 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 Count 1 of the Indictment, which charges Defendant with conspiracy to commit mail and wire fraud affecting a financial institution, in violation of Title 18, United States Code, Section 1349. Defendant fully understands the nature and elements of the crime to which he is pleading guilty. In return for Defendant's plea of guilty to Count 1 of the Indictment, the Government agrees to move at sentencing to dismiss Counts 2 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.

SCANNED

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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, JEFF DETLOFF conspired with others to engage in 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 to 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.

More specifically, during the Relevant Period, JEFF DETLOFF was a realtor licensed with the State of Minnesota. JEFF DETLOFF worked as a “REO realtor,” managing and selling REO properties for the VICTIM COMPANIES within the State and District of Minnesota and elsewhere. JEFF DETLOFF was also the owner, director, and chief executive officer of DETLOFF MARKETING AND ASSET MANAGEMENT, INC. (hereafter “DETLOFF MARKETING”). Acting through and on behalf of DETLOFF MARKETING, JEFF DETLOFF managed repair and maintenance of REO properties for the VICTIM COMPANIES.

During the Relevant Period, 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.

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, such as JEFF DETLOFF, who specialized in managing and selling REO properties.

In his capacity as a REO realtor, and acting on behalf of DETLOFF MARKETING, JEFF DETLOFF was able to choose, or influence the choice of, which contractor was assigned to perform the repair and maintenance work on a given REO property for the VICTIM COMPANIES. Also in this capacity, JEFF DETLOFF submitted and caused to be submitted bids and invoices from repair and maintenance contractors for work on a given REO property for the VICTIM COMPANIES.

During the Relevant Period, REO realtors, including JEFF DETLOFF, were required to abide by all guidelines issued by the VICTIM COMPANIES, as well as all applicable guidelines, regulations, statutes, and ethical codes. Among other things, these guidelines, regulations, statutes, and ethical codes (a) prohibited REO realtors from

soliciting or receiving kickbacks; and (b) required REO realtors to disclose to the VICTIM COMPANIES any payments received by a REO realtor in connection with any property owned or controlled by the VICTIM COMPANIES. JEFF DETLOFF was familiar with these guidelines, regulations, statutes, and ethical codes, and was responsible for ensuring the employees of DETLOFF MARKETING complied with them.

Beginning in or about September 2007, JEFF DETLOFF and others working on behalf of DETLOFF MARKETING put the scheme into effect 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, JEFF DETLOFF and others working on behalf of DETLOFF 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.

During the Relevant Period, and in furtherance of the scheme, JEFF DETLOFF (a) recruited contractors willing to pay kickbacks; (b) demanded specific kickbacks from contractors; (c) steered work on REO properties to contractors who agreed to pay kickbacks; (d) referred to the kickbacks by various terms, including “management fees,” to conceal the true nature of these kickbacks; (e) 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; (f) when necessary, took measures to ensure contractors paid the kickbacks demanded of them, such as threatening to withhold or actually withholding payment to contractors for work already done by these contractors; (g) failed to disclose the kickback payments to the VICTIM COMPANIES, although he had a duty to do so; and (h) procured sham bids and knowingly submitted those sham bids to the VICTIM COMPANIES to create a false appearance of competitive bidding and to conceal the fact that he steered work to contractors who paid kickbacks.

JEFF DETLOFF induced certain contractors to recruit other contractors into the scheme for the purpose of using those other contractors to create the false appearance of competitive bidding by providing sham bids. At least one of the recruited contractors paid kickbacks in exchange for receiving work from DETLOFF MARKETING.

In furtherance of the scheme to defraud, JEFF DETLOFF and others working on behalf of DETLOFF MARKETING knowingly (a) caused invoices for kickbacks to be delivered by mail to DETLOFF MARKETING's contractors, and (b) caused interstate wirings when depositing checks from contractors in payment of these kickbacks.

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

3. **Waiver of Other Rights.** Defendant understands and agrees that he has certain rights to file pretrial motions in this case; to plead not guilty to any criminal charge brought against him; to have a trial by jury, at which he 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 him to be found guilty; to confront and cross-examine witnesses against him and to subpoena witnesses in his defense at trial; not to be compelled to incriminate himself; and to appeal his conviction, if he 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 he violates any condition of supervised release, he 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.** The United States reserves the right to argue that the offense level should be increased by **4 levels** because Defendant was an organizer or leader and the criminal activity involved five or more participants. U.S.S.G. § 3B1.1(a). Defendant reserves the right to argue that he should receive a lesser aggravating role adjustment, if any.
- 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 **20** as calculated above, and the criminal history category is **I**, the Sentencing Guidelines range is **33 to 41 months**.
- g. Fine Range. If the adjusted offense level is **20**, the Guidelines fine range is **\$7,500 to \$75,000**. 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 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 Guidelines 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 Guidelines 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 charged conspiracy or now has any right, title, or interest; and (b) the manner in which the proceeds of the conspiracy 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 his 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 his conspiracy 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 he 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 his 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 he 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 he wants to plead guilty regardless of any suspension or debarment consequences of his 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 he 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 his attorney. Defendant understands the rights being waived, and he 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 his 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.

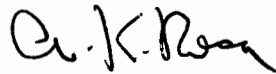
15. **Complete Agreement.** This is the entire agreement and understanding

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between the United States and Defendant. There are no other agreements, promises, representations, or understandings.

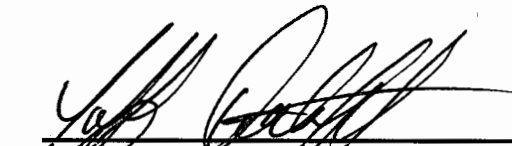
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U.S. DEPARTMENT OF JUSTICE,
ANTITRUST DIVISION

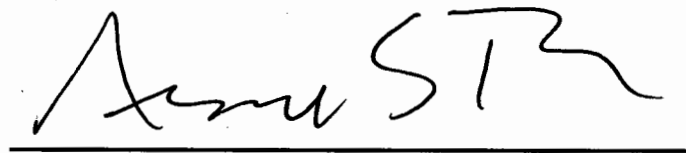


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JEFFERY J. DETLOFF,
Defendant

Date: 7/25/19


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