

**IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF MISSISSIPPI**

UNITED STATES OF AMERICA

v.

Case No. 1:20-MJ-009-DAS

THE CATHOLIC DIOCESE OF JACKSON

DEFERRED PROSECUTION AGREEMENT

Defendant The Catholic Diocese of Jackson, a Mississippi non-profit corporation (the "Diocese"), pursuant to authority granted by canon law and civil law, acting through the Reverend Lincoln Dall, Vicar General of the Diocese, and the United States Attorney's Office for the Northern District of Mississippi (the "USAO NDMS"), enter into this Deferred Prosecution Agreement (the "Agreement").

1. The USAO NDMS has conducted an investigation into the activities of the Diocese and Father Lenin Vargas, prior pastor of St. Joseph Catholic Parish, Starkville, MS, and Corpus Christi Catholic Mission, Macon, MS.

2. The USAO NDMS will file the attached Criminal Complaint and Affidavit in the United States District Court for the Northern District of Mississippi, charging the Diocese with misprision of a felony, in violation of 18 U.S.C. § 4.

3. The attached Criminal Complaint and Affidavit only state allegations by the USAO NDMS. Nothing in this Agreement shall be deemed an admission by the Diocese to any of the facts alleged in the Criminal Complaint and Affidavit.

4. Upon filing of the Criminal Complaint and Affidavit, the Criminal Complaint, its accompanying Affidavit, and this Agreement shall be publicly filed in the United States District Court for the Northern District of Mississippi.

Term of the Agreement

5. This Agreement is effective for a period beginning on the date on which the Complaint is filed and ending 12 months from that date (the "Term"). Subject to these provisions, if the USAO NDMS determines, in its sole discretion, that the provisions of this Agreement have been satisfied, the Agreement may be terminated early.

Prior Remedial Measures

6. The Diocese has requested a settlement of the allegations included in the attached Criminal Complaint and Affidavit. The Diocese has no prior criminal history and has repaid all victims requesting funds related to the Lenin Vargas fraud. The Diocese has cooperated with the USAO NDMS and agreed to continue to cooperate with the USAO NDMS in any ongoing investigation. The USAO NDMS acknowledges that, to date, the Diocese has made a robust response to ensure no future violations such as those alleged in the Complaint and Affidavit. Such prior remedial measures include the following:

A. Return of Donations

- The Diocese reviewed all payments made to Vargas; all international wire transfers made on behalf of Vargas; and, to the degree possible, identified victims that made donations on behalf of Vargas;
- On February 11, 2019, the Diocese began refunding parishioner donations related to Vargas' solicitations for medical expenses, the Mexican chapel and the Mexican orphanage;
- Beginning in late 2018 and continuing through 2019, GoFundMe returned all donations raised for Vargas through its website;
- After proper documentation was received by the Diocese, every person who requested a refund was given a refund -- no questions asked.

B. Staff Changes in Accounting and Chancery Office

- Carolyn Callahan
 - Promoted from Internal Auditor to Controller and Director of the Department of Temporal Affairs (CFO);
 - Attends priest council meetings upon request and provides input to revisions to the priest spending policies and the special collections policies;
 - Developed and oversees guidelines for foreign priests to follow when wiring money and donations collected in their parishes.
- Rev. Lincoln Dall has an accounting background and has worked for a CPA firm
 - Appointed as interim Director of Finance;
 - Appointed to replace Kevin Slattery as Vicar General.
- Callahan and Dall have worked together
 - To improve financial accounting of the Diocese and provide parish protocols to monitor priest fundraising and spending;
 - To update parish financial policies and procedures;
 - To implement new internal audit procedures for parishes;
 - To establish a new cloud-based parish accounting platform.

C. Improvements in Accounting for Donations and Priest Spending

- Currently implementing new protocols concerning, among other things, priest spending on business meals and mileage; priest reimbursement for car allowance, cell phone usage and personal items; priest solicitation of donations for charities;
- Currently implementing new protocols concerning annual internal audit procedures for all parishes within the Diocese.

D. Formation of New Review Board

- Many of Vargas' victims were elderly or vulnerable adults; so as a response, the Diocese created a new Code of Ethical Conduct Review Board charged with investigating charges of financial, emotional, or physical misconduct of elderly or vulnerable adults;

- Pope Francis's definition:

The new church laws define a vulnerable person very broadly, including anyone "in an infirm state, of physical or mental deficiency, or deprivation of personal freedom, that in fact, even occasionally, limits their capacity to intend or to want or in any way to resist the offense."

E. Fraud Prevention Hotline

- Created an anonymous toll-free hotline and online site with Lighthouse Services for parishioners and Diocesan employees to report financial fraud, compliance, ethics, and human resources concerns within parishes, schools, and the chancery office;
- Parishioners and Diocesan employees can call or use the online site to fill out a questionnaire (English and Spanish options), which will allow the person reporting to remain anonymous if so desired (they will be issued a case number for correspondence);
- Hotline complaints are reviewed by Carolyn Callahan, Fr. Lincoln Dall, Fr. Jason Johnston, Deacon John McGregor and Mary Woodward;
- If one of the above administrators is named in a complaint report, that person will not receive an email notification and cannot access the report; the others on the list will receive email/have access. The Diocese has the ability to let the person reporting know the Diocese has received the report and to give them updates on what has been done to resolve the complaint.

F. Revised Second Collection Policy

- Requires pre-approval from the Diocese and parish finance council;
- Mandates funds collected must be deposited into the parish bank account and paid directly by the parish to the named charity;
- For international charities, requires delivery of funds collected to the Diocesan Director of Temporal Affairs (Callahan), who distributes the funds and secures confirmation of receipt.

G. Lenin Vargas Laicization Process

- When Vargas left the country, Bishop Kopacz wrote the Archbishop in Vargas' home diocese in Mexico to notify him about Vargas and the revocation of his priest privileges by the Catholic Diocese of Jackson;
- Archbishop of Morelia (Carlos Garfia Merlos), the current Vice President of the Mexican Conference of Catholic Bishops, has informed the entire conference that Vargas does not have faculties to serve as a priest; and
- The Diocese has begun reviewing the process to initiate Vargas' laicization process (Canon Law removal by Vatican of all of rights to be and act as a priest).

H. Additional Measures

- The Diocese is prepared to implement additional measures including periodically hiring diocesan financial experts to review implemented changes to Diocesan financial structure and to suggest additional changes to protect Diocesan and parish financial resources;
- The Diocese is open to monitoring/reporting on additional measures taken and the results of its changes to the parish and priest financial reporting;
- The Diocese will seek to reconcile with all persons involved in the investigation and take no adverse action based on that involvement;
- Subject to the terms of the Agreement, the Diocese will meet and confer with parishioners to explain, within legal and canonical limits, the events which led to the investigation, the actions taken by the Diocese, and the steps taken to avoid similar issues in the future;
- The Diocese will appoint a Compliance Officer to monitor implementation of these improvements and compliance with this Agreement to ensure best efforts are used to avoid occurrence in the future of the activities alleged in the Complaint and Affidavit.

7. In light of the Diocese's cooperation in these matters, the interests of the United States and the interests of justice will be served if the USAO NDMS and the Diocese enter into this Agreement.

Continued Remedial Measures

8. The Diocese's cooperation is a material condition of this Agreement. The Diocese

will continue to cooperate fully with the USAO NDMS, and with any other government agency designated by the USAO NDMS, regarding any and all matters related to the conduct described in this Agreement and the Criminal Complaint and Affidavit.

9. The Diocese commits itself to exemplary ecclesiastical citizenship and the highest principles of honesty and integrity when communicating with its parishioners and when spending parishioner donations. The Diocese recognizes the sanctity and preeminence of the Diocesan-Parishioner relationship, and commits itself to a culture of openness, accountability, and compliance. To advance and underscore this commitment, the Diocese will take, or has taken, the stated remedial and compliance measures.

A. The Diocese shall implement and continue its implementation and operation of an effective financial compliance program to ensure that internal controls are in place to ensure best efforts to avoid occurrence in the future of the activities alleged in the Criminal Complaint and Affidavit (the "Compliance Program").

B. The Diocese will establish a Compliance Review Board to ensure best efforts to avoid occurrence in the future of the activities alleged in the Complaint and Affidavit. The Compliance Review Board will implement the Compliance Program and will include among its members Father John Bohn and Deacon John McGinley.

C. The Diocese will establish a Compliance Officer, who will be responsible for monitoring the day-to-day activities of the Compliance Program, and who will report directly to the USAO NDMS designee, federal law enforcement designee, the Bishop and the Compliance Review Board. The Compliance Officer will make periodic (at least quarterly) reports on the progress of the Compliance Program to the Bishop, the Compliance Review Board, the USAO NDMS designee, and federal law enforcement designee.

D. The Diocese has made substantial steps in the implementation of a Compliance Program. Within 30 days of this Agreement, the Compliance Officer, the Compliance Review Board, and appropriate the Diocese personnel will finalize a draft of the Compliance Program, according to the goals and parameters of this Agreement, which is subject to the approval of the USAO NDMS.

E. The Compliance Officer, the Compliance Review Board, and appropriate Diocesan personnel will meet quarterly with each other and with the USAO NDMS designee and federal law enforcement designee to monitor progress of the Compliance Program.

F. The USAO NDMS designee and federal law enforcement designee shall have the authority to meet with, and require reports from, the Compliance Officer on the progress of the Compliance Program.

G. The Compliance Officer and the Compliance Review Board will conduct training to ensure best effort to avoid occurrence in the future of the activities alleged in the Criminal Complaint and Affidavit.

H. The Diocese will maintain a Fraud Prevention Hotline as articulated above. The Diocese will communicate to its parishioners that they are requested to report any suspected suspicious activity by anyone associated with the Diocese to the Fraud Prevention Hotline to ensure best efforts to avoid occurrence in the future of the activities alleged in the Criminal Complaint and Affidavit.

I. The Diocese shall communicate to its employees, the Diocese personnel and agents that they are required to report any suspected suspicious activity by anyone associated with the Diocese to the Compliance Officer, the Compliance Review Board or the Fraud

Prevention Hotline, to ensure best efforts to avoid occurrence in the future of the activities alleged in the Criminal Complaint and Affidavit.

J. The Diocese will continue to seek to identify victims of Vargas' fraud to reimburse the Parishioners' losses.

K. The Diocese will continue with the implementation of accounting software to allow real time review of parish financial statements and contribution tracking by the Director of Temporal Affairs and designees (Diocesan Financial Staff). Diocesan Financial Staff will make annual personal contact with the Parish Finance Counsel designee for each parish in the Diocese to review parish financial statements.

L. The Diocese will establish permanent guidelines for priest fundraising and second collections, and implement permanent internal audit procedures for parishes according to the goals stated in the Agreement.

M. Donations outside of regular offertory and pre-approved second collections must be approved by the Diocese, reflected in Parish Financial Statements, and remitted to the Diocese or the parish for payment to the Donation recipient. Donations collected for services outside of the parish must be processed through the Diocese and remitted to the Diocese for payment to the Donation recipient.

N. The Diocese will continue to reconcile with all priests and parishioners involved in this investigation. The Diocese will not take or threaten to take any adverse action against any person based on their involvement in this investigation.

O. The cooperation provisions in this Agreement shall not apply if the USAO NDMS pursues a criminal prosecution against the Diocese.

P. This agreement to cooperate does not apply to any information provided by the Diocese to legal counsel in connection with the provision of legal advice and the legal advice itself, or to information or documents prepared in anticipation of litigation, and nothing in this Agreement shall be construed to require the Diocese to provide any such information or advice to the USAO NDMS or any other government designee.

Truthfulness

10. The Diocese's truthfulness is a material condition of this Agreement. The Diocese agrees to cooperate by giving full and truthful statements to USAO NDMS, and with any other government agency designated by the USAO NDMS, regarding any and all matters related to the conduct described in this Agreement, the Criminal Complaint and Affidavit. Furthermore, any Diocesan public statement made by anyone authorized to speak for the Diocese concerning the activities that resulted in this Criminal Complaint and Affidavit will be a full and truthful statement. Subject to cure rights described below, an untruthful statement as referenced above may constitute a breach of this Agreement.

11. The decision of whether an untruthful public statement will be imputed to the Diocese for the purpose of determining whether breach has occurred shall be in the good faith discretion of the USAO NDMS. If the USAO NDMS determines that a public statement is untruthful, the USAO NDMS shall so notify the Diocese, and the Diocese may avoid a breach of this Agreement by publicly repudiating such statement(s) within five business days after notification.

Conditional Release from Liability

12. In consideration of these undertakings by the Diocese, any prosecution of the Diocese for the conduct alleged in the attached and filed Criminal Complaint and Affidavit is

deferred for the Term. If the Court declines to defer prosecution for any reason, this Agreement shall be null and void, and the parties will revert to their pre-Agreement positions.

13. If the Diocese fully complies with all of its obligations under this Agreement, then at the conclusion of the Term, the USAO NDMS shall seek dismissal with prejudice of the Criminal Complaint.

Breach

14. Should the USAO NDMS determine, in good faith and in its sole discretion, that the Diocese has knowingly and willfully breached any material provision of this Agreement, the USAO NDMS shall provide written notice to the Diocese of the alleged breach and provide the Diocese with a two-week period from receipt of such notice in which to make a presentation to the USAO NDMS to demonstrate that no breach occurred, or, to the extent applicable, to demonstrate that the breach was not material or knowingly and willfully committed or has been cured. Should the Diocese fail to make a presentation to the USAO NDMS within the two-week period after receiving written notice of an alleged breach, or if USAO NDMS determines, in good faith and in its sole discretion, that the breach has not been cured, then the Diocese shall, in the discretion of the USAO NDMS, be subject to prosecution for any federal crimes of which the USAO NDMS has knowledge. Determination whether the Diocese has breached this Agreement rests solely in the good faith discretion of the USAO NDMS, and the exercise of discretion by the USAO NDMS under this paragraph is not subject to review in any court or tribunal outside the Department of Justice.

Waivers and Limitations

15. Rule 48(b) of the Federal Rules of Criminal Procedure and the Speedy Trial Act, 18 U.S.C. § 3161, et seq., provide that a court may dismiss an indictment, information or

complaint for unnecessary delay in presenting a charge to the grand jury, filing an information, or in bringing a defendant to trial. The Diocese requests that the USAO NDMS defer any prosecution of a violation of 18 U.S.C. § 4 for a period of 12 months. The Diocese consents to any delay from the date of this Agreement to the date of the initiation of the prosecution, as provided for in the terms expressed herein, shall be deemed to be a necessary delay. The Diocese waives and will not assert that such delay operated to deny its rights under Rule 48(b) of the Federal Rules of Criminal Procedure, the Speedy Trial Act, or that its prosecution is barred by the running of the statute of limitations. Moreover, any such prosecutions that are not time barred by the applicable statute of limitations on the date this Agreement is executed may be commenced against the Diocese in accordance with this Agreement, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and expiration of the Term. The Diocese waives any claims of improper venue with respect to any prosecution of the Diocese relating to the allegations stated in the Criminal Complaint and Affidavit. By this Agreement, the Diocese expressly intends to and does waive any rights in this respect. This waiver is knowing and voluntary and in express reliance on the advice of counsel. Any such waiver shall terminate upon final expiration of this Agreement.

Limitations on Binding Effect of Agreement

16. This Agreement is binding on the Diocese and the USAO NDMS but specifically does not bind any other component of the Department of Justice, other federal agencies, or any state, local or foreign law enforcement or regulatory agencies, or any other authorities, although the USAO NDMS will bring the cooperation of the Diocese and its compliance with its other obligations under this Agreement to the attention of such agencies and authorities if requested to do so by the Diocese.

Complete Agreement

17. This Agreement, including its attachments, states all the terms of the understanding between the Diocese and the USAO NDMS. No amendments, modifications or additions to this Agreement shall be valid unless they are in writing and signed by the USAO NDMS, the attorneys for the Diocese and a duly authorized representative of the Diocese.

18. The USAO NDMS has made no representations, assurances, or promises concerning what sentence may be imposed by the Court should the Diocese breach this Agreement and this matter proceed to judgment. Any such sentence is solely within the discretion of the Court and that nothing in this Agreement binds or restricts the Court in the exercise of such discretion.

AGREED:

FOR THE DIOCESE:

Date: June 29, 2020

Rev. Lincoln Dall

Lincoln Dall
Vicar General

Date: June 29, 2020

Mary Woodward

Mary Woodward
Chancellor

FOR THE DEPARTMENT OF JUSTICE:

WILLIAM C. LAMAR
United States Attorney
Mississippi Bar No. 8479

July 14, 2020

By: /s/ Scott F. Leary
SCOTT F. LEARY
Assistant United States Attorney
Mississippi Bar No. 8985

Attachment "A"

CERTIFICATE OF THE DIOCESE

I, Vicar General Lincoln Dall, have read this Agreement and carefully reviewed every part of it with outside counsel. I understand the terms of this Agreement and voluntarily agree, on behalf of the Diocese, to each of its terms. Before signing this Agreement, I consulted outside counsel for the Diocese. Counsel fully advised me of the rights of the Diocese, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into this Agreement.

I have carefully reviewed the terms of this Agreement with the Board of Directors of the Diocese. I have advised and caused outside counsel for the Diocese to advise the Board of Directors fully of the rights of the Diocese, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into the Agreement.

No promises or inducements have been made other than those contained in this Agreement. Furthermore, no one has threatened or forced me, or to my knowledge, any person authorizing this Agreement on behalf of the Diocese, in any way to enter into this Agreement. I am also satisfied with outside counsel's representation in this matter. I certify that I am the Vicar General for the Diocese and that I have been duly authorized by the Diocese to execute this Agreement on behalf of the Diocese.

Date: JUNE 29, 2020

THE CATHOLIC DIOCESE OF JACKSON

Rev. Lincoln Dall

Lincoln Dall, Vicar General

Attachment "B"

CERTIFICATE OF COUNSEL

I am counsel for the Diocese in the matter covered by this Agreement. In connection with such representation, I have examined relevant Diocese documents and have discussed the terms of this Agreement with the Diocese Board of Directors. Based on our review of the foregoing materials and discussions, I am of the opinion that the representative of the Diocese has been duly authorized to enter into this Agreement on behalf of the Diocese and that this Agreement has been duly and validly authorized, executed, and delivered on behalf of the Diocese and is a valid and binding obligation of the Diocese. Further, I have carefully reviewed the terms of this Agreement with the Board of Directors of the Diocese. I have fully advised them of the rights of the Diocese, of possible defenses, of the Sentencing Guidelines' provisions and of the consequences of entering into this Agreement. To my knowledge, the decision of the Diocese to enter into this Agreement, based on the authorization of the Board of Directors, is an informed and voluntary one.

Date: 6/29/2020

A handwritten signature in blue ink, appearing to read "Stephen M. Munn", written over a horizontal line.

Counsel for The Catholic Diocese of Jackson