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6 UNITED STATES DISTRICT COURT
7 EASTERN DISTRICT OF WASHINGTON

9 UNITED STATES OF AMERICA,

10 Plaintiff,

11 vs.

12 BLAKE ALAN CARLSON,

13 Defendant.

CR-05-180-4-LRS

Plea Agreement

14
15 Plaintiff United States of America, by and through James A. McDevitt,
16 United States Attorney for the Eastern District of Washington, and George J.C.
17 Jacobs, III, Assistant United States Attorney for the Eastern District of
18 Washington, and Defendant, BLAKE ALAN CARLSON, and the Defendant's
19 counsel, John O. Cooney, Jr., agree to the following Plea Agreement:

20 1. Guilty Plea and Maximum Statutory Penalties:

21 The Defendant, BLAKE ALAN CARLSON, agrees to plead guilty to Count
22 One of the Indictment filed on October 5, 2005, charging the Defendant with
23 Conspiracy to Commit Wire Fraud and Mail Fraud, in violation of 18 U.S.C. §§
24 371, 1341 and 1343.

25 The Defendant, BLAKE ALAN CARLSON, understands that the charge
26 contained in the Indictment is a Class D felony. The Defendant, BLAKE ALAN
27 CARLSON, also understands that the maximum statutory penalty for Conspiracy
28

1 to Commit Wire Fraud and Mail Fraud, in violation of 18 U.S.C. §§ 371, 1341 and
2 1343, is not more than 5 years imprisonment; a fine not to exceed \$250,000; a
3 term of supervised release of not more than 3 years; the payment of restitution;
4 and a \$100 special penalty assessment.

5 The Defendant, BLAKE ALAN CARLSON, understands that a violation of
6 a condition of supervised release carries an additional penalty of re-imprisonment
7 for all or part of the term of supervised release without credit for time previously
8 served on post-release supervision.

9 2. The Court is Not a Party to the Agreement:

10 The Court is not a party to this Plea Agreement and may accept or reject this
11 Plea Agreement. Sentencing is a matter that is solely within the discretion of the
12 Court. The Defendant understands that the Court is under no obligation to accept
13 any recommendations made by the United States and/or by the Defendant; that the
14 Court will obtain an independent report and sentencing recommendation from the
15 U.S. Probation Office; and that the Court may, in its discretion, impose any
16 sentence it deems appropriate up to the statutory maximums stated in this Plea
17 Agreement.

18 The Defendant acknowledges that no promises of any type have been made
19 to the Defendant with respect to the sentence the Court will impose in this matter.
20 The Defendant understands that the Court is required to consider the applicable
21 sentencing guideline range, but may depart upward or downward under the
22 appropriate circumstances.

23 The Defendant also understands that should the sentencing judge decide not
24 to accept any of the parties' recommendations, that decision is not a basis for
25 withdrawing from this Plea Agreement or a basis for withdrawing this plea of
26 guilty.

1 3. Waiver of Constitutional Rights:

2 The Defendant, BLAKE ALAN CARLSON, understands that by entering
3 this plea of guilty the Defendant is knowingly and voluntarily waiving certain
4 constitutional rights, including:

- 5 (a). The right to a jury trial;
6 (b). The right to see, hear and question the witnesses;
7 (c). The right to remain silent at trial;
8 (d). The right to testify at trial; and
9 (e). The right to compel witnesses to testify.

10 While the Defendant is waiving certain constitutional rights, the Defendant
11 understands the Defendant retains the right to be assisted through the sentencing
12 and any direct appeal of the conviction and sentence by an attorney, who will be
13 appointed at no cost if the Defendant cannot afford to hire an attorney. The
14 Defendant also acknowledges that any pretrial motions currently pending before
15 the Court are waived.

16 4. Elements of the Offense:

17 The United States and the Defendant agree that in order to convict the
18 Defendant of Conspiracy to Commit Wire Fraud and Mail Fraud, in violation of
19 18 U.S.C. §§ 371, 1341 and 1343, the United States would have to prove beyond a
20 reasonable doubt the following elements:

- 21 (a). First, beginning at least by on or about August 4, 1999, and
22 continuing thereafter up to and including on or about August
23 11, 2005, in the Eastern District of Washington and elsewhere,
24 there was an agreement between at least two of the individuals
25 charged in the Indictment to commit mail fraud and wire fraud;
26 (b). Second, the Defendant, BLAKE ALAN CARLSON, became a
27 member of the conspiracy knowing of at least one of its objects
28 and intending to accomplish it; and

1 (c). Third, the Defendant, BLAKE ALAN CARLSON, or another
2 conspirator, performed at least one overt act for the purpose of
3 carrying out the conspiracy.

4 5. Factual Basis and Statement of Facts:

5 The United States and the Defendant stipulate and agree that the following
6 facts are accurate; that the United States could prove these facts beyond a
7 reasonable doubt at trial; and that these facts constitute an adequate factual basis
8 for BLAKE ALAN CARLSON's guilty plea. This statement of facts does not
9 preclude either party from presenting and arguing, for sentencing purposes,
10 additional facts which are relevant to the guideline computation or sentencing,
11 unless otherwise prohibited in this agreement.

12 Business records obtained during the investigation and analyzed by the
13 Department of Homeland Security, United States Secret Service, revealed that
14 during the period August 4, 1999, to August 11, 2005, the diploma mill businesses
15 operated by Dixie and Steve Randock sold approximately \$4.7 million in
16 fraudulent academic products to thousands of consumers throughout the world.

17 The investigation was initiated on January 5, 2005, when the United States
18 Secret Service, Spokane Resident Office, joined a multi-agency investigation into
19 a number of internet-based virtual "schools." The internet-based virtual "schools"
20 were fraudulently selling high school and college degrees. "Saint Regis
21 University," "Robertstown University," "James Monroe University," "James
22 Monroe University High School," and "Trinity Christian School" were among the
23 "schools" the Washington State Attorney General's Office was investigating, the
24 "schools" were believed to be operating at 14525 North Newport Highway, Mead,
25 Washington, and 601 East Seltice Way, Suite 8B, Post Falls, Idaho. The "schools"
26 were being operated under various business names including "A+ Institute,"
27 "AEIT," and most of their business transactions were conducted via the internet
28 and e-mail. The investigation revealed that one of the methods of payment for the

1 “degrees” was PayPal, which was described as a third party billing company that
2 collects fees from the “diploma buyers” and forwards the money to “AEIT,” “A+
3 Institute” and other entities designated by the owner operators of the “schools.”

4 In July 2004, the Attorney General of the State of Washington opened a
5 case in the name of “Saint Regis University” in response to information obtained
6 from the Washington State Higher Education Coordinating Board’s Degree
7 Authorization program, who advised that there was an internet-based “diploma
8 mill” allegedly based out of Spokane, Washington, which was selling fraudulent
9 high school, graduate, and post graduate degrees. Other information obtained by
10 the Washington State Attorney General’s Office was from the Commissioner of
11 the Commission on Proprietary Education, of the State of Indiana, regarding
12 approximately seventy-six Chrysler workers who purchased fraudulent degrees
13 from the “diploma mill” in Spokane. On July 20, 2004, an investigator with the
14 Washington State Attorney General’s Office received further information that
15 WTHR 13 TV in Indianapolis, Indiana, in an undercover capacity, had purchased a
16 “degree” from “Saint Regis University,” and the return envelope showed “A +
17 Institute, 14525 North Newport Highway, Mead, Washington, 99021. In
18 September 2004, information was received that at family gatherings an individual
19 had overheard Heidi Lorhan and her mother, Dixie Randock, talking about the
20 day-to-day operations of ‘Saint Regis University,’ and overheard Heidi Lorhan
21 state that she was receiving approximately \$5,000-\$7,000 per month from the
22 business. In September 2004, investigators received information from an
23 individual that Alexander Wallace, the “Minister-Counselor” at the Liberian
24 Embassy in Washington, D.C. had told him that ‘Saint Regis University’ was not
25 recognized by the Liberian Ministry of Education as “Saint Regis University” had
26 advertised on its website.

27 In October 2004, investigators received an e-mail from a professor at an
28 American university indicating that on the official Liberian Embassy website, the

1 Embassy had denounced association with “Saint Regis University.” The following
2 is an excerpt from the posted disclaimer:

3 Evidence suggests that whatever documents the University claims to
4 have obtained from the Commission were never approved by the
5 Commission and do not bear the signature of the Chairperson.
6 Accordingly, the National Commission on Higher Education, Republic of
7 Liberia, hereby declares null and void whatever documents St. Regis
8 University may claim to possess emanating from the Commission

9 In October 2004, investigators also received an e-mail from the same
10 professor which had been sent to him by the proprietor of a credential evaluation
11 service. The proprietor had forwarded an e-mail he had received from Isaac
12 Roland, Director-General, National Commission on Higher Education, Republic of
13 Liberia, indicating that the Commission had never “at any time accredited
14 Robertstown University, as claimed falsely by certain unscrupulous individuals.”
15 In November 2004, investigators received additional information suggesting that
16 Robertstown University had never been accredited.

17 In December 2004, investigators received a letter from the Director of
18 International Education Services, American Association of Collegiate Registrars
19 and Admission Officers (AACRAO) indicating that AACRAO “considers Saint
20 Regis University to be comparable to an entity in the United States that does not
21 have regional academic accreditation by an accrediting body recognized by the
22 United States Department of Education.” In January 2005, investigators received
23 information that, in approximately 2001 or 2002, an individual had created a
24 private organization called the “National Board of Education” (NBOE) which
25 claimed that it could grant “official Liberian” accreditation to degree-granting
26 enterprises anywhere in the world. The information received by investigators
27 further suggested that this individual began working with Dixie Randock and her
28 associates. According to the information, NBOE sells Liberian accreditation for
\$50,000 and its advertising informed potential customers that payment of the
\$50,000 fee guarantees the award of accreditation. Information was also provided

1 indicating that Dixie Randock started a website (www.liberianembassy.com)
2 through a web provider called Web.com.

3 In January 2005, a Secret Service Agent, acting in an undercover capacity,
4 entered the building located at 14525 North Newport Highway, Mead,
5 Washington, and spoke with a sales associate for Home Boys Manufactured
6 Homes, which is one of the businesses at the same address. The Agent learned
7 that Home Boys owned the entire building but leased out some of the space on the
8 second floor and in the basement to other businesses. The Agent also learned that
9 one of the businesses located in the basement was "A+ Institute." In January
10 2005, an investigator contacted two representatives at the Chrysler Foundry in
11 Indianapolis, Indiana, who related that there were no federal re-training monies
12 involved with the seventy-plus Chrysler employees who had been enrolled with
13 "Saint Regis University." They advised that the three big automotive companies
14 (Chrysler, GM and Ford) and the United Auto Workers (UAW) have a national
15 training center (NTC) in Detroit, Michigan, that is co-facilitated. The monies used
16 to pay for "Saint Regis University" degrees were UAW funds. The NTC contracts
17 with a company that approves schools for training and "Saint Regis University"
18 had been approved for a period of time before it was determined that it was a
19 diploma mill.

20 In January 2005, investigators conducted a computer inquiry with Accurint
21 for businesses located at 601 East Seltice Way, Post Falls, Idaho, and it revealed
22 that "Kaching-Kaching, Inc." and "When Pigs Fly, Inc." were both incorporated
23 on September 21, 2004, in Wilmington, Delaware. Subsequent investigation
24 revealed that Suite 8B was being used to run the diploma mill businesses owned
25 by Dixie and Steven Karl Randock, Sr. An employee of a business located
26 directly across the hall from Suite 8B was interviewed. The employee indicated
27 that the two women's names who worked daily in Suite 8B were "Amy" and
28 "Roberta" and they moved into the suite during the late summer or autumn of

1 2004. The employee related an incident which occurred in late 2004, where a
2 police officer had indicated that a complaint had been filed by someone who had
3 paid \$800 for a bogus degree or class and the complaining consumer had mailed
4 her payment to Suite 8B. An Agent was advised by the Post Falls Police
5 Department that a woman from Hunters, Washington had complained that her son
6 had been involved in an on-line course or degree program where he was supposed
7 to take a test, send \$400 to 601 East Seltice Way, Suite 8B, Post Falls, Idaho, and
8 would supposedly receive a high school diploma from a school called "Trinity
9 Christian School." The woman told the police she found the transaction very
10 suspicious and subsequently called the Post Falls City Hall. She said that City
11 Hall told her that no such school or business existed at that address. The woman
12 then telephoned Amy Hensley at 1-866-312-2348, the telephone number listed on
13 the website that her son linked to "Trinity Christian School." The woman from
14 Hunters, Washington stated that after speaking to Amy Hensley she felt that the
15 school and "diploma" were illegitimate and decided to call the police. Post Falls
16 Police were unable to contact Amy Hensley via telephone or in person at Suite 8B.

17 Agents interviewed the woman from Hunters, Washington. She told agents
18 that her son took a "test" at the "Trinity Christian School" web site and was
19 subsequently informed that he passed and earned the opportunity to pay \$200 and
20 receive a high school diploma. Additionally, her son was informed that he could
21 pay an additional \$200 and, without completing any additional tests or work,
22 receive an AA Associates college degree. The woman told agents that she did not
23 believe that these offers to her son were legal or legitimate so she investigated
24 further. The woman from Hunters, Washington told agents that she contacted the
25 contact number from the "Trinity Christian" website, and spoke to Amy Hensley,
26 working out of an office at 601 East Seltice Way, Suite 8B, post Falls, Idaho, who
27 confirmed the offers which had been made to her son. The son's mother told
28 agents that after speaking to Amy Hensley she was still suspicious and she

1 contacted the Idaho Department of Education, as well as the Post Falls City Hall.
2 She said neither entity had any records of any legitimate academic institutions
3 under the name "Trinity Christian School" or at the East Seltice Way address. The
4 woman told agents that Amy Hensley instructed her to mail a \$399 check to:
5 AEIT, 601 East Seltice Way, B-8, Post Falls, Idaho. The witness also provided
6 agents the internet address (www.e-grads.com) at which her son found and took
7 the online "test" to receive his diploma and AA degree. Amy Hensley had also
8 told the consumer's mother to go to the website for "James Monroe University" at
9 www.jmuniversity.ac. Amy Hensley also told the consumer's mother that upon
10 purchase of a diploma/degree from their business, that diploma/degree becomes an
11 accessible record/document in an online "Digital Archive" which can be accessed
12 by potential employers interested in verifying her son's degrees.

13 Investigators received information that in December 2002, Richard Novak
14 was listed as "Saint Regis University's" "Chief Provost" and he was described on
15 the "Saint Regis University" biographical page as being: "Professor Dr. Richard
16 Novak, Ph.D. (Gerontology); and Doctor of Education (Educational
17 Administration and Psychology)."

18 On February 1, 2005, an investigator, acting in an undercover capacity,
19 logged on to the "James Monroe University High School" website in order to take
20 the test for a high school diploma. The investigator purposely answered
21 approximately seventy-five percent of the questions incorrectly. After the test was
22 completed with approximately 28/128 questions answered correctly, The
23 Investigator was offered the choice of purchasing a high school diploma with a 3.1
24 grade point average (GPA) or an Associates degree with a 3.2 GPA. The
25 investigator made electronic copies of the web pages and e-mails to document the
26 test-taking process. On February 7, 2005, the investigator, acting in an undercover
27 capacity, ordered a diploma, transcripts, letters of graduation, evaluation and
28 accreditation, and a graduation tassel from "James Monroe University High

1 School.” All materials were charged to an undercover VISA card, which
2 amounted to \$875.00. On February 9, 2005, The investigator, acting in an
3 undercover capacity, received an e-mail from forward1@university-services.net
4 stating that the degree program was not available to Washington residents and he
5 would be refunded.

6 On February 28, 2005, a Secret Service Agent, acting in an undercover
7 capacity and using an undercover computer, made contact with “James Monroe
8 University High School,” via their website at
9 www.jamesmonroeuniversity.ac/jmu_admission.html. At this site, the agent, using
10 an undercover alias of eighteen- year old Jeffrey Rowley, was solicited/prompted
11 to complete an “assessment of competency.” Shortly after completing the “James
12 Monroe University High School” online form, the agent received an e-mail from
13 forward1@university-services.net on his undercover e-mail account, inviting him
14 to take a free online exam to test for the agent’s qualifications to receive a high
15 school diploma and/or Associates of Arts degree. The e-mail requested the agent
16 to go to http://www.university-services.net/james_sre/high_school/test/html to
17 take the test. On February 28, 2005, the agent, acting in an undercover capacity,
18 purposefully answered approximately seventy-five percent of the 125 questions
19 incorrectly in order to judge the integrity of the test’s scoring system. After
20 completing the questions, the website indicated that the agent tested to the
21 equivalency of a 3.1 GPA for high school, and a 3.2 GPA for an AA college
22 degree. The site then solicited the agent to purchase any number of potential
23 diploma packages including transcripts, degrees, and supporting documents.
24 Utilizing an undercover credit card account, the agent purchased “transcripts” for
25 both high school and an AA degree, a high school diploma, an AA degree, and
26 supporting documents of accreditation verification. The agent’s undercover credit
27 account was subsequently charged \$399.00 via a PayPal online charging service.
28

1 On March 1, 2005, a Secret Service Agent met with three managers from
2 DHL Shipping Corporation at their main office for the Eastern
3 Washington/Northern Idaho region. One of the DHL managers conducted
4 numerous computerized records searches pertaining to the DHL account registered
5 to "A+ Institute," and to the shipping records for 601 East Seltice Way, Suite 8B,
6 as assigned to "A + Institute's" DHL account. DHL records indicated that "A+
7 Institute" shipped approximately 60 packages per month during the first two
8 months of 2005. Records indicated that approximately forty-percent of those
9 shipments were international and sixty-percent were domestic shipments. The
10 agent also learned that prior to September 2004, the "A+ Institute" account had a
11 different primary address of 14525 North Newport Highway, Mead, Washington.

12 In March 2005, Federal agents interviewed the owner of PakMail,
13 Wilmington, Delaware, regarding Box #242, which was listed on the "James
14 Monroe University" school transcript as the "Digital Archive Administration"
15 office for "Transcript Verification" and box #242 was listed as the payment
16 address for "AEIT." Federal agents learned that Box #242 was opened on October
17 2, 2003, under the name of Steve Randock, 3127 East River Glen, Colbert,
18 Washington, and that according to the mailbox application, the persons/businesses
19 entitled to receive mail at that box were the "Official Transcript Verification Ctr"
20 and "Saint Regis Educational Services." The mailbox application also instructed
21 PakMail to forward, via Federal Express, to Steve Randock, 14525 North Newport
22 Highway, Mead, Washington all mail received at box #242. Federal Agents also
23 learned that if there were any issues with the mailbox, the owner of PakMail was
24 instructed to contact either Steve Randock or "Amy" at a 509 area code. Federal
25 agents obtained numerous copies of pre-completed Federal Express airbills
26 reflecting the "ship from" information as being "Steve Randock, Official
27 Transcript Verification Center, 1812 Marsh Road, Suite 6-242, Wilmington,
28 Delaware" and the "ship to" information as being "Steve Randock, Official

1 Transcript Verification Center, 14525 North Newport Highway, Mead,
2 Washington.

3 A Secret Service Agent conducted several additional undercover purchases
4 of degrees. For example, on May 13, 2005, the agent received an e-mail to his
5 undercover e-mail account for "Mohammed Syed" from Heidi Lorhan aka "James"
6 at forward1@university-services.net. "James" represented that he was an
7 "advisor" for "James Monroe University," and he asked for additional information
8 from "Mohammed Syed." The agent, acting in an undercover capacity, indicated
9 that "Mohammed Syed" would like to purchase a Bachelor of Sciences and
10 Masters degree in Chemical Engineering. On May 14, 2005, the agent received an
11 e-mail to his "Mohammed Syed" undercover e-mail account from "advisor James"
12 informing "Syed" that he would be unable to purchase a chemical engineering
13 degree because "James Monroe" did not have "faculty" in that specific area,
14 however, he could purchase degrees in "chemistry" and "environmental
15 engineering." On May 17, 2005, the agent received an e-mail to his undercover
16 account for "Mohammed Syed" thanking him for submitting his application to
17 James Monroe University and notifying him that "our Office of Admission" has
18 approved him for four degrees (Bachelor of Science in Environmental
19 Engineering, Bachelor of Science in Chemistry, Master of Science in
20 Environmental Engineering, and Master of Science in Chemistry)." The e-mail
21 further indicated that his "evaluation placed him in the top percentage of
22 applicants," that James Monroe University was "multi-nationally accredited and
23 recognized the world over," and "all that remains is for you to pay the graduation
24 fee." The e-mail indicated that James Monroe University accepts payment by all
25 major credit cards, as well as by PayPal, bank wire transfers, and checks. The
26 agent, acting in his undercover capacity, purchased three degrees (Bachelor of
27 Sciences in Chemistry, Master of Sciences in Chemistry, and a Masters in
28 Environmental Engineering) for \$1,277. The payment form also provided the

1 opportunity for "Mohammed Syed" to "backdate" his degrees and choose
2 whatever completion dates he would like.

3 On August 11, 2005, Federal agents executed search warrants at seven
4 different locations, including Mr. CARLSON's business, Northwest Business
5 Stamp located at 5210 North Market Street, Spokane, Washington, the residences
6 of Dixie Ellen Randock and Steven Karl Randock, Sr., Heidi Lorhan, Amy
7 Hensley, and Richard Novak, and businesses located 14525 North Newport
8 Highway in Mead, Washington and Suite 8B, 601 East Seltice Way, Post Falls,
9 Idaho. Evidence regarding the diploma mill operation was seized at several of
10 those locations.

11 Mr. CARLSON, Dixie Randock, Steven Randock, Sr., Richard Novak,
12 Heidi Lorhan, Amy Hensley, Roberta Markishtum, Kenneth Pearson and others
13 devised a scheme and artifice to defraud and to obtain money and property by
14 means of material false and fraudulent pretenses, representations and promises and
15 for the purpose of executing the scheme and artifice to defraud, used, and caused
16 others to use, the United States Postal Service, commercial interstate carriers, and
17 wire communications in interstate and foreign commerce. The object of the
18 scheme and artifice to defraud was to obtain money from consumers worldwide by
19 selling those consumers fraudulent academic diplomas, degrees, and records that
20 consumers did not earn through actual course work and that were issued by
21 business entities, e.g., Saint Regis University, James Monroe University,
22 Robertstown University, Trinity Christian School, and others, that lacked any
23 accreditation.

24 On August 11, 2005, an Agent with the United States Department of
25 Homeland Security, Immigration and Customs Enforcement, asked Mr.
26 CARLSON if he would be willing to answer questions regarding his involvement
27 with Dixie Randock, Steven Karl Randock, Sr., Amy Hensley, Heidi Lorhan,
28 Roberta Markishtum, Richard Novak, and Kenneth Pearson. Mr. CARLSON said

1 he was willing to cooperate. Prior to initiating the interview, the agent read Mr.
2 CARLSON his Miranda Rights and he signed a form waiving them. Mr.
3 CARLSON then said that Dixie and Steve Randock were customers of his stamp
4 company. The agent asked Mr. CARLSON to explain his involvement in the
5 Randock's diploma mill business. Mr. CARLSON stated that sometime during
6 2001 or 2002, at the request of Dixie Randock, he produced seals for some of the
7 Randocks' "schools." At the time he initially started producing "school" seals for
8 Dixie Randock, she told him that "Saint Regis University" was a legitimate school
9 based out of Liberia. Mr. CARLSON estimated that his company, Northwest
10 Business Stamp, produced approximately six to twelve sheets of seals for "Saint
11 Regis University." Mr. CARLSON also told the agent that his company produced
12 approximately fifteen to twenty ink signature stamps at Dixie Randock's request,
13 and that they contained at least five different signatures. Mr. CARLSON's
14 company also produced hundreds of engraved seals for use on various documents
15 sold by the "schools." On August 11, 2005, Federal agents seized from Suite 8B,
16 601 East Seltice Way, Post Falls, Idaho, several ink signature stamps bearing the
17 manufacturer's label of "Northwest Business Stamp." Mr. CARLSON said Dixie
18 Randock and Amy Hensley initiated orders for the seals and signature stamps for
19 "Saint Regis University." Mr. CARLSON said that all billing statements for the
20 products he produced for Dixie Randock were sent to A+ Institute, located on
21 North Newport Highway. When asked to explain further, Mr. CARLSON said
22 that A+ Institute was a corporation that initially dealt with real estate. He stated
23 that Dixie Randock wrote textbooks for the real estate industry and developed an
24 extended learning program. He further stated that Dixie Randock later developed
25 a "system" of experience equals education. Mr. CARLSON stated that Dixie
26 Randock claimed that this "system" allowed "Saint Regis University" to "grant
27 degrees" to people based on their life experiences. Mr. CARLSON stated that
28 Dixie Randock told him that this "system" was utilized by other "schools"

1 affiliated with "Saint Regis University." Mr. CARLSON said that his knowledge
2 of "Saint Regis University" was based on conversations he had with Dixie
3 Randock.

4 Mr. CARLSON stated that Dixie Randock was extremely careful not to
5 reference anything to "Saint Regis University" when she placed the orders, and
6 that although some of the items his company produced appeared to pertain to
7 "Saint Regis University," no mention of this "university" was ever made with
8 regard to the orders.

9 When interviewed by investigators in 2005, Mr. CARLSON said that Mr.
10 CARLSON, his wife, Richard Novak, Richard Novak's wife and Dixie and Steven
11 Randock, Sr. traveled together to Mexico. It was Mr. CARLSON's recollection
12 that it was during this trip to Mexico that Dixie Randock told him that "Saint
13 Regis University" was a legitimate university with foreign "accreditation" through
14 the Ministry of Education in Liberia.

15 Mr. CARLSON told investigators that he decided to become involved in
16 Dixie Randock's "schools" because after September 11, 2001, his stamp business
17 was having financial problems and he hoped he could make some money. After
18 talking with Dixie Randock, he hoped to make up to \$10,000 per month. Mr.
19 CARLSON recalled having a conversation with Steven Karl Randock, Sr., in the
20 Spring of 2002, whereby Steven Karl Randock, Sr., claimed that Heidi Lorhan,
21 who he said had just started working for "Saint Regis University," was making
22 \$7,000 to \$9,000 per pay period (every two weeks), working as an "advisor."
23 Steven Karl Randock, Sr., told Mr. CARLSON that customers would access the
24 Saint Regis University website, fill out a prior learning assessment, Heidi Lorhan
25 would take down the information and she would determine what type of degree
26 would be sold.

27 Beginning in approximately July 2002, Mr. CARLSON and his wife
28 attended diploma mill training at Dixie and Steve Randock, Sr.'s residence and at

1 an office located on Newport Highway. Dixie Randock required everyone who
2 she trained to have their own computer. As part of this training, Dixie Randock
3 provided Mr. CARLSON with hundreds of electronic letters that were scripted
4 responses to questions consumers may have about the academic products. This
5 enabled Mr. CARLSON to cut the appropriate scripted response from the form and
6 paste it into an e-mail response to the potential buyer. According to Mr.
7 CARLSON, any e-mail sent through the diploma mills' servers was automatically
8 copied to Dixie Randock. Mr. CARLSON told the investigators that to promote
9 the scheme, Dixie Randock purchased over one million e-mail addresses of
10 potential consumers on two or three different occasions. Mr. CARLSON said
11 Dixie Randock instructed him to send out a form letter to the consumers who
12 responded to the spam instructing them where to go when they actually wanted to
13 purchase a degree.

14 Mr. CARLSON told the investigators that Dixie and Steve Randock, Sr.
15 were in charge of the diploma mills and also served as "advisors." In
16 approximately July 2002, Mr. CARLSON began working for one or more of Dixie
17 and Steven Randock, Sr.'s diploma mill businesses as an "evaluator." Initially,
18 Dixie Randock agreed to pay Mr. CARLSON a commission of fifteen percent of
19 the purchase price for any fraudulent academic product for which he facilitated the
20 sale. Mr. CARLSON estimated that between July 2002 and August 11, 2005, he
21 made approximately \$41,000 from the sale of fraudulent academic products.
22 According to Mr. CARLSON, his commission dropped significantly due to
23 adverse media coverage. In order to conceal his true identity when
24 communicating with a consumer over the internet or telephone, and as part of the
25 scheme, he used the alias of "Professor Blackwell" and the fictitious academic title
26 of "Professor." At one point during the scheme, Dixie Ellen Randock gave Mr.
27 CARLSON the fake academic title "Chief Provost" and held himself out to the
28 public as such. Mr. CARLSON had not graduated from college. Numerous

1 degrees manufactured and sold to consumers bore the stamp "B Carlson" as "Chief
2 Provost" of Saint Regis University. As an "evaluator," Mr. CARLSON was
3 contacted by a Saint Regis University-generated application form submitted by the
4 consumers and he would "advise" them what type of "degree" they could
5 purchase. One of the other members of the conspiracy would then manufacture a
6 fraudulent academic transcript listing courses and grade point averages never
7 achieved by the consumer who purchased the "degree." When asked by the
8 investigators if he was qualified to "evaluate" a consumer or make a determination
9 as to whether a consumer was qualified to obtain a PhD or other advanced degree
10 when he had not graduated from college, Mr. CARLSON responded that he did
11 not feel qualified, then said he did feel qualified, then said "I was in over my
12 head."

13 For Dixie Randock, Mr. CARLSON also manufactured rubber stamps and
14 seals which were regularly used on the false academic products which were sold to
15 consumers. Mr. CARLSON knew that the consumers may have intended to use
16 the fraudulent documents they purchased from Saint Regis and/or one of the other
17 diploma mill businesses owned and operated by Dixie and Steven Randock, Sr., to
18 obtain jobs, job promotions or other benefits. For example, on August 1, 2005,
19 Mr. CARLSON forwarded an e-mail he had received from a consumer who had
20 purchased fraudulent academic products from the diploma mill operated under the
21 name "Saint Regis University," to Dixie Randock regarding the consumer's
22 request that, in order to qualify for a job that paid \$15,000 more than what the
23 consumer was currently earning, she needed Mr. CARLSON, Dixie and Steve
24 Randock, Sr., to send by U.S. Mail, facsimile transmission and e-mail an
25 accreditation verification to the Human Resources Department of the consumer's
26 potential employer in another state. On August 3, 2005, Mr. CARLSON, using
27 the e-mail address "blake@_____e.com" forwarded an-mail he had received
28

1 from info@university-services.net notifying the consumer that she would be
2 charged \$300 for such a third party accreditation report.

3 In or about 2002, Mr. CARLSON knew that Dixie Randock had set up a
4 private internet server and had prepared to send out approximately one million
5 spam e-mails weekly to potential consumers of the fraudulent academic products
6 Dixie and Steven Randock, Sr.'s diploma mills were selling. Several of the
7 consumers responded to the spam e-mail. Dixie Randock instructed Mr.
8 CARLSON and others to send responses to those consumers. On October 26,
9 2003, Mr. CARLSON, using the e-mail address "admin@degreetoday.com,"
10 instructed Ishaq Shafiq, under the fake academic title of "Vice Chancellor," to set
11 up a special bank account in another state in order for "Saint Regis University" to
12 receive payment from UAW Ford for the fraudulent degrees.

13 On August 30, 2004, Mr. CARLSON e-mailed Roberta Markishtum
14 instructing her to print backdated documents purchased by an affiliate school, to
15 only charge the affiliate school's credit card fifty-percent of the normal fee, and to
16 print a false Liberian accreditation document on the back of the affiliate school
17 "student's" transcript.

18 Mr. CARLSON agreed to receive a percentage commission from Dixie
19 Randock on the fraudulent academic products he sold. The commission
20 represented his pay from each fraudulent product sold; Dixie and Steve
21 RANDOCK received the remaining portion of the commission. Mr. CARLSON
22 did not possess a college degree or advanced degree even though he was
23 "evaluating" consumers for college and advanced level degrees.

24 On August 11, 2005, Department of Homeland Security, United States
25 Secret Service Agents interviewed Steven Karl Randock, Sr. The Agents advised
26 Mr. Randock of his Miranda Rights and he waived them. Mr. Randock admitted
27 that he and Dixie Randock were the owners of Saint Regis University, James
28 Monroe University and other "on-line distance education schools." Mr. Randock

1 said that his initial intent of setting up these schools was to set up legitimate on-
2 line schools similar to the University of Phoenix, but that "they did not end up that
3 way." Mr. Randock further admitted to setting up the mail forwarding boxes
4 located at 611 Pennsylvania Avenue, Washington, D.C. (Official Transcript
5 Verification Center"), and at 1812 Marsh Road, Wilmington, Delaware ("Official
6 Transcript Archive Center"). Mr. Randock admitted that he used the alias of "Fr.
7 Frendock," Dixie Randock used the alias of "Thomas Carper", and Heidi Lorhan
8 used the alias of "Advisor James." Mr. Randock said Dixie Ellen Randock had
9 many e-mail addresses associated with her when she conducted business for the
10 "schools," but that most of her e-mail addresses started with "info@." Mr.
11 Randock then asked that he not be questioned further until he was transported
12 from 14525 North Newport Highway to his residence in Colbert, Washington.
13 The Secret Service Agent attempted to continue the interview with Mr. Randock
14 in the presence of Dixie Randock; however, Mr. Randock clearly became less
15 open with his answers to the questions posed.

16 When the agent questioned Mr. Randock whether he thought it was right for
17 the "buyers" of the fraudulent degrees from his "schools" to obtain employment or
18 promotions for positions they clearly were not qualified to obtain or gain illegal
19 entry into the United States via an H1B Visa based on a "Saint Regis University"
20 degree, which Dixie Randock and Steven Karl Randock, Sr. promoted on one of
21 their websites, Dixie Randock voluntarily interjected and stated that "if the
22 employers or Immigration believe something that is not true, then it is their fault."
23 When the agent questioned Mr. Randock whether he thought it was right that his
24 "schools" allege they are "accredited," and that the "degrees" sold are "Equivalent
25 to US Regionally Accredited degrees," when in fact none of their "Schools" are
26 recognized by the United States Department of Education or Council for Higher
27 Education (CHEA) to be "accredited;" Dixie Randock voluntarily interjected and
28 stated that, "We just say they are accredited, but not say by who."

1 Mr. Randock then admitted to setting up the "Academic Credential
2 Assessment Corporation" (ACAC) in Casper, Wyoming, and stated that ACAC
3 evaluates the "degrees" issued by Dixie Randock and Steven Karl Randock, Sr.'s
4 schools and determines them to be equivalent to U.S. Regionally Accredited
5 degrees. The agent then questioned Mr. Randock if he thought it was misleading
6 to the buyers of the degrees that ACAC was actually he (Steve Randock) and
7 Dixie Randock, and not an independent company who was qualified to assess
8 whether or not a degree was "equivalent to U.S. Regionally Accredited" degrees.
9 Dixie Randock again voluntarily answered the question the agent posed to Mr.
10 Randock by stating that "all the degrees are issued based on prior learning
11 experience."

12 The Secret Service Agent then asked Mr. Randock what made him believe
13 that he or anyone else affiliated with Dixie Ellen Randock's or his schools were
14 qualified in any way to assess if a buyer of a degree was qualified to have a
15 Masters or Ph.D degree even though no one affiliated with their schools had a
16 recognized legitimate undergraduate degree. Dixie Randock voluntarily
17 interjected that "we are not selling degrees." The interview with Mr. Randock was
18 subsequently suspended due to Mr. Randock's concern for his wife's health and
19 agitated mental state.

20 When interviewed by investigators on August 11, 2005, Heidi Lorhan said
21 she did not have a high school diploma, however, she did evaluations for Saint
22 Regis University in 2001 through 2003, and received a ten- to fifteen-percent
23 commission for each evaluation. Ms. Lorhan said she and Dixie Randock would
24 determine which Bachelor degree an applicant was qualified to receive. When she
25 received a thesis in support of a Master's degree, she forwarded it to Dixie
26 Randock to look over. Ms. Lorhan said the same was true for PhD dissertations.
27 Ms. Lorhan said there were many foreign students who were customers of the
28 university. Ms. Lorhan said she eventually quit working as an evaluator for Dixie

1 Randock because she wanted “a real job.” Ms. Lorhan said something in the back
2 of her mind said what they were doing was wrong, but Dixie Randock always said
3 it was okay. She said that the thinking in the back of her head that she was doing
4 something wrong was probably part of the reason why she quit being an evaluator.
5 Ms. Lorhan admitted that the consumers who purchased academic credentials from
6 one or more of Dixie and Steve Randock’s “schools” were not required to attend
7 or take any classes. Ms. Lorhan admitted backdating “degrees” and other
8 documents she sold over the internet. She said that if a consumer wanted to
9 purchase a masters degree and a doctorate at the same time, she would backdate
10 one of the “degrees” in order to create the appearance that they were legitimate.

11 On July 10, 2003, Amy Hensley sent an e-mail to Heidi Lorhan about a
12 consumer who threatened to call the United States Department of Education and
13 the Federal Bureau of Investigation because the consumer believed that Saint
14 Regis University was a fraud. During the scheme, Heidi Lorhan sent out e-mails
15 to her clients offering them a “special holiday gift certificate” on degrees. In order
16 to take advantage of the promotion, consumers were directed to place the words
17 “gift certificate” into the comment box at the secure payment site:

18 http://secure5.markettrends.net/advancededu/FR_James.htm. Mr. Lorhan offered
19 consumers a \$100-\$300 discount, depending on the type of degree purchased. In
20 an e-mail dated November 19, 2002, as part of her holiday special promotion, Ms.
21 Lorhan offered to provide consumers a “Free Dean List Certificate, Valedictorian
22 Certificate, or Praise Letter” if they purchased a degree. Ms. Lorhan also issued e-
23 mails regarding the backdating of degrees for a consumer and the “SPECIAL
24 JANUARY OFFER ONLY OPTION # 3 BUY 1 DEGREE AT FULL PRICE GET
25 A SECOND DEGREE FREE. FREE PROFESSORSHIP IN JANUARY.” On
26 April 11, 2003, Ms. Lorhan instructed Amy Hensley to charge a consumer’s credit
27 card \$500 because Ms. Lorhan gave the consumer a Bachelor of Arts degree for
28

1 free and the consumer will send the rest for the Master of arts degree and will get
2 the full professorship later.

3 On August 3, 2003, Heidi Lorhan aka "Advisor James" received an e-mail
4 from a consumer indicating that the consumer had just accepted the buy one get
5 one free degree offer Ms. Lorhan had previously sent. The e-mail from the
6 consumer also indicated that he/she wanted the degrees quickly because the
7 consumer was applying for a new job and there was a strong possibility that the
8 new employer would be checking into the consumer's credentials within a few
9 days. The consumer also requested Ms. Lorhan to e-mail her/him the correct
10 address/telephone number for the prospective employer to contact regarding
11 verification.

12 On October 1, 2003, Heidi Lorhan sent an e-mail to Amy Hensley
13 requesting her to mail the "MA" and "PhD" degrees Dixie Randock had printed
14 for her. On July 7, 2005, Ms. Lorhan sent an e-mail to "Elizabeth" whereby Ms.
15 Lorhan agreed to split the commissions on high school clients. On October 11,
16 2004, Ms. Lorhan set an e-mail to Dixie Randock inquiring if Amy Hensley could
17 verify one of her client's degrees. Dixie Randock replied in the e-mail that Amy
18 Hensley could verify the degree, "It is just Liberia, that won't right now."

19 When interviewed by investigators in August 2005, Amy Hensley stated
20 that around 1999, she started working for Dixie Randock helping the A+ real
21 estate school. Ms. Hensley stated that around 2000, she saw an employee at A+
22 Institute packaging up some "degrees." Ms. Hensley stated after that time, she
23 slowly learned about the degree business that Dixie and Steve Randock had been
24 running. She stated that the more she learned about the diploma business, the
25 more her duties shifted to working for Dixie Randock on the sales of "diplomas."
26 Ms. Hensley stated that she would occasionally print out "degrees," and started
27 conducting "evaluations" of the "students." Ms. Hensley stated that by the time
28 one of the employees at A+ Institute left, she was pretty much working full time

1 for Dixie Randock in the diploma business. Ms. Hensley told investigators that in
2 2000 Dixie Randock and Steve Randock's diploma business really started making
3 money, but it was in 2002 and 2003 that were the two best years for the degree
4 operation. Ms. Hensley stated that the business started dropping off in 2004, and
5 by early 2005, things had slowed to the point that she left to find other work. Ms.
6 Hensley stated that when she stopped working full time for Dixie Randock, she
7 was still supposed to do some evaluations and get paid simply on commissions.

8 Ms. Hensley stated that the process of a person obtaining a "degree" from
9 one of the "schools" operated by Dixie was fairly simple. Ms. Hensley stated that
10 a person logs on to the website for a particular "school," and then either takes a
11 test, or is evaluated by an "advisor" based on their life experiences. Ms. Hensley
12 stated if there is any question by an "advisor" about what degree a person qualifies
13 for, that "student's" life experiences are evaluated by Dixie Randock. Ms.
14 Hensley stated that once a person is advised what kind of "degree" they are
15 qualified for, that person is then told how they can purchase their degree. Ms.
16 Hensley stated that once the person pays for the "degree," a degree is then printed
17 and shipped to the person buying it. When asked about the school "transcripts"
18 that were manufactured to accompany the "diplomas," Ms. Hensley stated she
19 would use a template for most of them. Ms. Hensley stated that she also would
20 just do a "Google search" on the internet and find actual copies of other peoples'
21 transcripts, then "cut and paste" the transcripts and course descriptions directly to
22 the transcript she was working on.

23 When asked about verifying the academic credentials of "students," Ms.
24 Hensley stated that Roberta Markishtum did most of the "verifications." Ms.
25 Hensley stated that when an employer or other person called the "Official
26 Transcript Archive Center" to verify a "student's" degree, Roberta Markishtum
27 located the "student's" file in the filing cabinet in the Post Falls office, then
28 confirm to the employer the "degree" of the student." Ms. Hensley stated that if

1 the caller asked what Roberta Markishtum's name was, Ms. Markishtum "would
2 just use whatever name she could make up at the spur of the moment."

3 When Ms. Hensley was asked what, if anything, Dixie Randock told her to
4 say to law enforcement if they came to talk to her about what was going on in the
5 diploma business, Ms. Hensley stated that Dixie Randock instructed her to say that
6 it was not a diploma mill, but rather a printing facility. Ms. Hensley said that, in
7 her opinion, from the first few days she started working for Dixie Randock and
8 Steve Randock's diploma business, Dixie Randock was trying to indoctrinate
9 everyone into believing that it was not a diploma mill by reminding them that they
10 were just a printing facility. Ms. Hensley said that she was "Advisor Tim," Heidi
11 Lorhan was "Advisor James," and Pat Myers was "Advisor Pat." Ms. Hensley said
12 the advisors were supposed to evaluate a "student's" life experience and prepared
13 the diploma documents for the printer. Ms. Hensley stated that Dixie Randock
14 was very much involved in corresponding via e-mail with everyone involved in
15 the business of diploma sales. Ms. Hensley stated that "Frendock," "Thomas
16 Carper," "Jallah Faciann," "Tia," "James Cooper," and "Patrick O'Brien" were all
17 aliases used by Dixie Randock when she corresponded with various people over
18 the internet. Ms. Hensley said that even though Jallah Faciann was a real person
19 in Liberia, Dixie Randock would sometimes send out e-mails using his name. Ms.
20 Hensley said she (Ms. Hensley) also used the alias "Elizabeth S. Worthington" and
21 had used that name on a degree which had been purchased. Ms. Hensley said
22 Dixie Randock gave anyone a \$100 "finder's fee" if that person referred someone
23 who ended up purchasing a degree from one of Dixie Randock's "schools."

24 Dixie Randock hired Pat Myers to work as an "advisor" and to sell degrees.
25 Pat Myers dropped out of high school in the tenth grade and her prior work
26 experience included working as a farrier, grading potatoes for a produce company
27 in Alaska, gas station attendant, and a nurse's aide. Dixie Randock provided Ms.
28 Myers with "templates" to use for manufacturing transcripts for consumers.

1 Because Ms. Myers had worked as a nurse's aide she did not like giving nursing
2 degrees to consumers who had contacted Saint Regis University. Ms. Myers
3 estimated that on approximately three occasions Dixie Randock instructed her to
4 issue nursing degrees. When interviewed by law enforcement in 2006, Ms. Myers
5 recalled that she refused to issue nursing degrees to approximately ten consumers.
6 However, those consumers were then referred to Heidi Lorhan for approval. Ms.
7 Myers recalled having a conversation with Dixie Randock about medical doctor
8 degrees whereby Dixie Randock stated that you did not want to go into your
9 doctor's office and see a Saint Regis University degree. Ms. Myers also said that
10 after September 11, 2001, Dixie Ellen Randock told her that Saint Regis
11 University would not issue Chemical Engineering degrees.

12 Records obtained by investigators revealed that Saint Regis University
13 issued a Ph.D Degree in Radiological Sciences to an individual. The degree and
14 transcript was dated January 9, 2003. Meanwhile, the consumer contacted the
15 Saint Regis University website on January 10, 2003. On June 2, 2003, the Saint
16 Regis University consumer submitted an application for an Equivalency Report to
17 a credential evaluation company regarding that individual's Ph.D degree.
18 According to the application, the consumer needed the report for a
19 "salary/adjustment." The credential evaluator gave a negative evaluation to the
20 Ph.D degree consumer, concluding that his/her studies were "considered
21 equivalent in level and purpose, and with sufficient depth, to the Doctor of
22 Philosophy (Ph.D) in Radiological Sciences, delivered by distance education,
23 awarded by institutions without accreditation in the United States."

24 Ms. Myers told investigators that at one point she confronted Dixie Ellen
25 Randock about why Dixie Randock allowed Heidi Lorhan to advertise the "Buy
26 one, get one degree free" promotion because it made Sant Regis University look
27 less credible, Dixie Randock told Ms. Myers that she did that when sales were
28 slow and Heidi Lorhan needed the money.

1 Ms. Myers told investigators that Amy Hensley contacted her on the day
2 Federal agents executed search warrants in August 2005 because she wanted to
3 give Ms. Myers the "heads up." Ms. Myers told investigators that sometime after
4 the search warrants were executed, Dixie Randock tried to e-mail her and tell her
5 "what to remember" about the diploma business. Ms. Myers told investigators she
6 had no idea how the real higher education process works. Ms. Myers told
7 investigators that at one point Dixie Ellen Randock gave Ms. Myers a Liberian
8 Embassy website internet address and instructed Ms. Myers to refer customers to
9 that website.

10 During a freetalk with investigators, Mr. CARLSON recalled an instance
11 where a consumer wanted to purchase a degree that Saint Regis University did not
12 have. Dixie Ellen Randock told Mr. CARLSON to "google" the degree type, look
13 for schools that have a transcript that fits the particular degree, and use one of
14 those "googled" transcripts for the Saint Regis University degree. Dixie Ellen
15 Randock told Mr. CARLSON that the other "advisors" were doing the same thing.
16 Dixie Ellen Randock built most of the transcripts using "google" for Saint Regis
17 University. Mr. CARLSON said business became too good to make any real effort
18 at assessment.

19 Mr. CARLSON said Dixie Randock developed numerous "affiliate schools"
20 such as "Van Ives" and "American Coastline" in order to align herself around the
21 world. James Monroe University was created to be a more "prestigious" school to
22 sell degrees for more money. Robertstown University was created to sell degrees
23 cheaper to consumers in Third World countries. Mr. CARLSON said he had heard
24 that a cat or dog had received a degree from Saint Regis University and he
25 believed it. Mr. CARLSON said Dixie Randock admitted to him that customers
26 could lie to get degrees and she said it probably happened.

27 On one occasion, Mr. CARLSON discussed with Richard Novak what he
28 was doing at the Liberian Embassy in Washington, D.C. Mr. CARLSON said Mr.

1 Novak told him he was authorized and instructed by Dixie Randock to make
2 “political contributions” of \$1,500. Dixie Randock later confirmed to Mr. Carlson
3 that she had given Richard Novak the exact words to say to the Liberian Embassy
4 representative, Abdullah Dunbar, for his cooperation. It was Mr. CARLSON’s
5 understanding that this meant bribes. Mr. CARLSON said initially he thought
6 Saint Regis University was legitimate. However, when Dixie Randock listed him
7 as a “professor” he knew it was bogus. Amy Hensley and Dixie Randock wanted
8 to use Mr. CARLSON’s signature on “school” documents. Mr. CARLSON made
9 it clear to them that he did not want his signature being used on anything. Mr.
10 CARLSON jokingly told them to use the “dragonfly” stamp which he had made
11 for Amy Hensley. It is called the dragonfly stamp because it looks like a
12 dragonfly. In the beginning, the dragonfly stamp was used exclusively on all
13 documents. Mr. CARLSON reviewed documents issued to a consumer which bore
14 an ink stamped signature “B Carlson.” Mr. CARLSON told investigators that was
15 not his signature and not even close to his signature. Mr. CARLSON said he only
16 signs as “Blake A. Carlson” and not “B Carlson.”

17 Mr. CARLSON had a conversation with Dixie Randock about the Official
18 Transcript Archive Center. (OTAC). Dixie Ellen Randock explained that it was a
19 place for consumers and employers to call to verify a Saint Regis University
20 student. Mr. CARLSON admitted to investigators that transcripts were sold to
21 consumers without the consumer ever taking the courses listed on the transcripts.

22 Mr. CARLSON recalled that in 2002, Dixie Randock asked him if she could
23 use his name and picture as provost for “Saint Regis University.” Mr. CARLSON
24 stated that he agreed because he felt obligated to Dixie Randock because she had
25 previously agreed to finance his “World Chapel Ministries.” Dixie Randock said
26 she would only use it for a couple of months and she would put together his
27 biography for the “Saint Regis University” website. Dixie Randock then used his
28 “World Chapel Ministries” biography and converted it to a business-themed

1 biography for the "Saint Regis University" website. When Mr. CARLSON saw
2 his biography on the internet he asked Dixie Randock to remove it because what
3 she had prepared was false. Dixie Randock told Mr. CARLSON that no locals
4 would see the biography; it was only going overseas and would only be on the
5 internet for a couple of weeks. Richard Hoyer's name had been used previously.
6 Dixie Randock told Mr. CARLSON that "Saint Regis University" would be
7 issuing degrees to him (Mr. CARLSON); however, Mr. CARLSON never received
8 any degrees from Saint Regis.

9 The investigation further revealed that Dixie Randock paid Sheila Danzig
10 aka Liz Ross to send out inquiries to legitimate educational institutions in the
11 United States in the names of fictitious individuals (e.g., Harold Williams and
12 Dana Harmon) who had supposedly obtained degrees from Saint Regis University
13 in order to determine if those legitimate institutions would accept applications into
14 their programs from those "Saint Regis University graduates."

15 When interviewed on August 11, 2005, Kenneth Pearson said he initially
16 became involved with Dixie Randock and diploma sales while assisting her in a
17 business called A+ Institute, which developed online real estate courses. Mr.
18 Pearson said A+ Institute was located at 14525 North Newport Highway, Mead,
19 Washington. Mr. Pearson said he began operating a "web hosting and design"
20 company approximately 3-4 years ago. Mr. Pearson said Dixie Randock has asked
21 him to print "archived transcripts" and send them out on behalf of the diploma
22 business, and send out "spam" for the diploma business over the internet. Mr.
23 Pearson said he was mainly employed by Dixie Randock to be the "webmaster" of
24 the diploma business. Mr. Pearson stated that he "doesn't think it's legal to sell
25 degrees," and that the only reason he dealt with Dixie Randock was that he was
26 trying to "get out on his own" and needed work. Mr. Pearson reiterated that he did
27 not think what Dixie Randock was doing was legal and described her operation as
28 "fly-by-night." At one point during the interview with law enforcement, Mr.

1 Pearson said “what took you guys so long to start this investigation?” Mr. Pearson
2 stated that “three or four” of Dixie Randock’s many websites are for high school
3 “diplomas,” while the rest of her websites are for college “degrees.”

4 7. The United States Agrees:

5 a. Dismissal(s):

6 At the time of sentencing, the United States agrees to move to dismiss
7 Count 3 of the Indictment, which charges the Defendant with criminal forfeiture.

8 b. Not to File Additional Charges:

9 The United States Attorney’s Office for the Eastern District of Washington
10 agrees not to bring any additional charges against the Defendant based upon
11 information in its possession at the time of this Plea Agreement and arising out of
12 Defendant’s conduct involving illegal activity charged in this Indictment, unless
13 the Defendant breaches this Plea Agreement any time before or after sentencing.

14 8. United States Sentencing Guideline Calculations:

15 The Defendant understands and acknowledges that the United States
16 Sentencing Guidelines (hereinafter “USSG”) are applicable to this case and that
17 the Court will determine the Defendant’s applicable sentencing guideline range at
18 the time of sentencing.

19 a. Statutory Maximum Prison Term Applies:

20 The Defendant understands that the maximum statutory penalty for
21 conspiracy to commit mail/wire fraud, as charged in Count One, is five (5)-years
22 in prison. Therefore, the Defendant understands that his term of imprisonment
23 cannot exceed five (5)-years, even though his sentencing range under the
24 Guidelines may be higher.

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27 b. Base Offense Level:
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1 The United States and the Defendant agree that the base offense level for
2 Conspiracy to Commit Wire Fraud is 6. USSG § 2B1.1(a)(2) (2005 Guidelines).

3 c. Specific Offense Characteristics:

4 The United States and the Defendant agree and stipulate that he did not join
5 the wire/mail fraud conspiracy until approximately July 1, 2002. Therefore, the
6 United States and the Defendant agree and stipulate that for Sentencing Guidelines
7 purposes the Defendant should be held accountable for all reasonably foreseeable
8 acts and omissions of others in furtherance of the jointly undertaken criminal
9 activity that occurred while he was a member of the conspiracy. During the period
10 July 1, 2002, until August 11, 2005, the United States and the Defendant agree and
11 stipulate that the loss amount was approximately \$2,061,480. Therefore, including
12 relevant conduct, the United States and the Defendant also agree and stipulate that
13 the base offense is increased by an additional sixteen (16) levels because the loss
14 is more than \$1,000,000 but less than \$2,500,000. USSG § 2B1.1(b)(1)(I), (J) and
15 USSG § 1B1.3.

16 d. Victim-Related Adjustments:

17 The United States and the Defendant also agree and stipulate that the base
18 offense is increased by an additional six (6) levels because the conspiracy
19 involved a scheme to defraud 250 or more victims. USSG § 2F1.1(b)(2)(C).

20 e. Misrepresentation Regarding Educational Organization:

21 The United States and the Defendant agree and stipulate that the base
22 offense level is increased by an additional two (2) levels because the offense
23 involved a misrepresentation that the Defendant was acting on behalf of an
24 educational organization. USSG § 2B1.1(b)(8)(A).

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28 f. Mitigating Role :

1 The Defendant reserves the right to argue for a mitigating role downward
2 adjustment, pursuant to USSG § 3B1.2. The United States reserves the right to
3 argue against such an adjustment.

4 g. Acceptance of Responsibility:

5 If the Defendant pleads guilty and demonstrates a recognition and an
6 affirmative acceptance of personal responsibility for the criminal conduct;
7 provides complete and accurate information during the sentencing process; does
8 not commit any obstructive conduct; accepts this Plea Agreement; and enters a
9 plea of guilty no later than March 7, 2006; the United States will move for a three
10 (3) level downward adjustment in the offense level for the Defendant's timely
11 acceptance of responsibility, pursuant to USSG § 3E1.1(a) and (b).

12 The Defendant and the United States agree that the United States may at its
13 option and upon written notice to the Defendant, not recommend a three (3) level
14 downward reduction for acceptance of responsibility if, prior to the imposition of
15 sentence, the Defendant is charged or convicted of any criminal offense
16 whatsoever or if the Defendant tests positive for any controlled substance.

17 Furthermore, the Defendant agrees to pay the \$100 mandatory special
18 penalty assessment to the Clerk of Court for the Eastern District of Washington, at
19 or before sentencing, and shall provide a receipt from the Clerk to the United
20 States before sentencing as proof of this payment, as a condition to this
21 recommendation by the United States.

22 h. Criminal History:

23 The United States and the Defendant understand that the Defendant's
24 criminal history computation is tentative and that ultimately the Defendant's
25 criminal history category will be determined by the Court after review of the
26 Presentence Investigative Report. The United States and the Defendant have made
27 no agreement and make no representations as to the criminal history category,
28 which shall be determined after the Presentence Investigative Report is completed.

1 9. Departures/Adjustments:

2 The Defendant reserves the right to argue for any downward adjustment/
3 departure he deems appropriate. The United States reserves the right to argue
4 against such downward adjustment/departure. The United States will not seek an
5 upward adjustment/departure.

6 10. Substantial Assistance:

7 The United States also agrees to furnish the Defendant an opportunity to
8 provide "substantial assistance," that is, information and assistance in the
9 investigation and prosecution of others. The Defendant agrees to meet with
10 federal and state law enforcement agents in an attempt to assist them in obtaining
11 information that would form the basis of a motion for a downward departure to be
12 filed pursuant to USSG § 5K1.1. The Defendant understands that whether any
13 such information amounts to substantial assistance is a determination left to the
14 United States Attorney's Office.

15 A. The Defendant understands and agrees to participate in full
16 debriefings by federal and state investigative agencies about the Defendant's
17 knowledge of illegal conduct, at times and places to be decided by these agencies.
18 The Defendant agrees to provide complete, accurate, and truthful information
19 during the debriefings. Such debriefings may involve the use of a polygraph, if
20 requested by the agencies. It is understood that the Defendant may have an
21 attorney present at the debriefings. The Defendant also agrees to participate in any
22 future court proceeding involving any named or unnamed coconspirators and any
23 other persons involved in criminal activity, by testifying completely and truthfully.
24 Such court proceedings include grand jury proceedings, trials, and sentencing
25 hearings.

26 B. The Defendant agrees that the United States may, at its option
27 and upon written notice to the Defendant, withdraw from this Plea Agreement or
28 modify its recommendation for sentence if the Defendant fails to provide truthful,

1 complete and honest information during debriefings, testimony before the grand
2 jury, or any court proceedings, or if the Defendant fails a polygraph examination.
3 The determination whether the Defendant has failed a polygraph examination shall
4 be made by the Court.

5 C. The Defendant understands this agreement does not protect him
6 from prosecution for perjury, obstruction of justice, or any other offense should
7 the Defendant commit any crime during the Defendant's cooperation under this
8 agreement.

9 D. The Defendant understands further that if the United States
10 determines that the Defendant has provided "substantial assistance" and a motion
11 is made, the Court will be free to impose any sentence, even one below the
12 applicable Guidelines sentencing range. If a "substantial assistance" motion is
13 filed, both the United States and the Defendant will be free to make a specific
14 recommendation with respect to any reduction of sentence. It is understood that
15 the United States will inform the sentencing judge about the timing and extent of
16 the Defendant's cooperation.

17 E. The Defendant understands that, if the United States files a
18 motion indicating the Defendant has provided "substantial assistance," the
19 appropriate reduction shall be determined by the Court for reasons including
20 consideration of the following: (1) the Court's evaluation of the significance and
21 usefulness of the Defendant's assistance, taking into consideration the United
22 States' evaluation of the assistance rendered; (2) the truthfulness, completeness,
23 and reliability of any information or testimony provided by the Defendant; (3) the
24 nature and extent of the Defendant's assistance; (4) any injury suffered, or any
25 danger or risk of injury to the Defendant or the Defendant's family resulting from
26 the Defendant's assistance; and (5) the timeliness of the Defendant's assistance.

27 See USSG § 5K1.1(a)(1)-(5).

28 11. Delay Sentencing, If Necessary To Complete Substantial Assistance:

1 The United States and the Defendant stipulate and agree to move the Court
2 jointly, if necessary, to continue the imposition of judgment and sentence on Mr.
3 CARLSON so that he may complete his substantial assistance to law enforcement
4 authorities and so that the United States may present the Court with appropriate
5 information about the nature, quality, and value of Mr. CARLSON's cooperation.
6 The parties understand that the Court will determine, in the exercise of its
7 discretion, whether or not to grant any motion for a continuance of the sentencing
8 hearing.

9 12. Incarceration:

10 The United States agrees to recommend that the Court impose a sentence of
11 five (5)-years, unless the United States files a motion for a downward departure
12 pursuant to USSG § 5K1.1.

13 13. Criminal Fine:

14 The United States and the Defendant are free to make whatever
15 recommendation concerning the imposition of a criminal fine that they believe is
16 appropriate.

17 14. Supervised Release:

18 The United States and the Defendant agree to recommend that the Court
19 impose a 3 year term of supervised release to include the following special
20 conditions, in addition to the standard conditions of supervised release:

21 a. that the Defendant's person, residence, office, vehicle, and
22 belongings are subject to search at the direction of the Probation Officer;

23 b. that the Defendant provide financial information, provide
24 copies of Federal income tax returns and allow credit checks, at the direction of
25 the Probation Officer;

26 c. that the Defendant shall disclose all assets and liabilities to the
27 Probation Officer and shall not transfer, sell, give away, or otherwise convey or
28 secret any asset, without the advance approval of the Probation Officer; and

1 d. that the Defendant be prohibited from incurring any new debt,
2 opening new lines of credit, or enter any financial contracts or obligations without
3 the prior approval of the Probation Officer.

4 e. that the Defendant be prohibited from working in the
5 educational field.

6 15. Restitution:

7 The United States and the Defendant hereby stipulate and agree that,
8 pursuant to 18 U.S.C. §§ 3663, 3663A and 3664, the Court should order restitution
9 to the victims in an amount to be determined by the Court. The Defendant
10 understands that the restitution amount could be \$2,061,480.

11 16. Mandatory Special Penalty Assessment:

12 The Defendant agrees to pay the \$100 mandatory special penalty assessment
13 to the Clerk of Court for the Eastern District of Washington, at or before
14 sentencing, pursuant to 18 U.S.C. § 3013 and shall provide a receipt from the
15 Clerk to the United States before sentencing as proof of this payment.

16 17. Payments While Incarcerated:

17 If the Defendant lacks the financial resources to pay the monetary
18 obligations imposed by the Court, the Defendant agrees to earn the money to pay
19 toward these obligations by participating in the Bureau of Prisons' Inmate
20 Financial Responsibility Program.

21 18. Additional Violations of Law Can Void Plea Agreement:

22 The Defendant and the United States agree that the United States may at its
23 option and upon written notice to the Defendant, withdraw from this Plea
24 Agreement or modify its recommendation for sentence if, prior to the imposition
25 of sentence, the Defendant is charged or convicted of any criminal offense
26 whatsoever or if the Defendant tests positive for any controlled substance.

27 19. Appeal Rights:

1 The Defendant agrees to waive the right to appeal the sentence if the Court
2 imposes a prison term of no longer than 60 months and imposes a term of
3 supervised release of no longer than three (3) years, and orders the Defendant to
4 pay restitution in an amount not to exceed \$2,061,480.

5 20. Integration Clause:

6 The United States and the Defendant acknowledge that this document
7 constitutes the entire Plea Agreement between the United States and the
8 Defendant, and no other promises, agreements, or conditions exist between the
9 United States and the Defendant concerning the resolution of the case. This Plea
10 Agreement is binding only upon the United States Attorney's Office for the
11 Eastern District of Washington, and cannot bind other federal, state or local
12 authorities. The United States and the Defendant agree that this agreement cannot
13 be modified except in a writing that is signed by the United States and the
14 Defendant.

15 Approvals and Signatures

16 Agreed and submitted on behalf of the United States Attorney's Office for
17 the Eastern District of Washington.

18
19 James A. McDevitt
20 United States Attorney

21 
22 George J. C. Jacobs, III
Assistant U.S. Attorney

23
24
25
26
27
28

Date 3/7/06

I have read this Plea Agreement and have carefully reviewed and discussed every part of the agreement with my attorney. I understand and voluntarily enter into this Plea Agreement. Furthermore, I have consulted with my attorney about my rights, I understand those rights, and I am satisfied with the representation of my attorney in this case. No other promises or inducements have been made to

1 me, other than those contained in this Plea Agreement and no one has threatened
2 or forced me in any way to enter into this Plea Agreement. I am agreeing to plead
3 guilty because I am guilty.

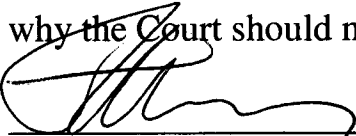
4
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3/7/06

6 BLAKE ALAN CARLSON
7 Defendant

Date

8 I have read the Plea Agreement and have discussed the contents of the
9 agreement with my client. The Plea Agreement accurately and completely sets
10 forth the entirety of the agreement between the parties. I concur in my client's
11 decision to plead guilty as set forth in the Plea Agreement. There is no legal reason
12 why the Court should not accept the Defendant's plea of guilty.

13 
14 _____

3/7/06

15 John O Cooney, Jr.
16 Attorney for the Defendant

Date