

OCT 10 2005

JAMES R. LARSEN, CLERK
DEPUTY
SPOKANE, WASHINGTON

1
2 James A. McDevitt
3 United States Attorney
4 Eastern District of Washington
5 George J.C. Jacobs, III
6 Stephanie J. Lister
7 Assistant United States Attorneys
8 Post Office Box 1494
9 Spokane, WA 99210-1494
10 Telephone: (509) 353-2767

8 UNITED STATES DISTRICT COURT
9 EASTERN DISTRICT OF WASHINGTON

10 UNITED STATES OF AMERICA,)

11 Plaintiff,)

12 vs.)

13 KENNETH WADE PEARSON,)

14 Defendant.)

CR-05-180-8-LRS
CR-06-010-LRS

Plea Agreement

15
16
17 Plaintiff United States of America, by and through James A. McDevitt,
18 United States Attorney for the Eastern District of Washington, and George J.C.
19 Jacobs, III and Stephanie J. Lister, Assistant United States Attorneys for the
20 Eastern District of Washington, and Defendant KENNETH WADE PEARSON
21 and the Defendant's counsel, D. Toby McLaughlin and Gloria Finn Porter, agree
22 to the following Plea Agreement:

23 1. Guilty Pleas and Maximum Statutory Penalties:

24 The Defendant, KENNETH WADE PEARSON, agrees to plead guilty to
25 Count 1 of the Indictment, dated October 5, 2005, which was filed in cause
26 number CR-05-180-LRS. Count 1 charges him with Conspiracy to Commit Wire
27 Fraud and Mail Fraud, in violation of 18 U.S.C. §§ 371, 1341 and 1343. The
28 Defendant understands that this charge is a Class D felony offense that carries a

1
2 maximum statutory penalty of: not more than a five-year term of imprisonment;
3 not more than a \$250,000 fine; not more than a three-year term of supervised
4 release; the payment of restitution; and a \$100 special penalty assessment.

5 The Defendant also agrees to plead guilty to Count 2 of the Indictment,
6 dated January 24, 2006, which was filed in cause number CR-06-010-LRS. Count
7 2 charges the Defendant with Receipt of Child Pornography, in violation of 18
8 U.S.C. § 2252A(a)(2)(A). The Defendant understands that this charge is a Class C
9 felony offense that carries a maximum statutory penalty of: not less than a five-
10 year term nor more than a twenty-year term of imprisonment; not more than a
11 \$250,000 fine; not less than a three-year term nor more than a life term of
12 supervised release; and a \$100 special penalty assessment.

13 2. Consecutive Sentences and Violations of Supervised Release:

14 The Defendant understands that the Court has the authority to impose
15 consecutive sentences for each conviction, which sentences he would have to
16 serve one after the other. The Defendant also understands that a violation of a
17 condition of supervised release carries an additional penalty of re-imprisonment
18 for all or part of the term of supervised release without credit for time previously
19 served on post-release supervision.

20 3. The Court is Not a Party to the Agreement:

21 The Court is not a party to this Plea Agreement and may accept or reject this
22 Plea Agreement. The Defendant understands: that sentencing is a matter that is
23 solely within the discretion of the Court; that the Court is under no obligation to
24 accept any recommendations made by the United States and/or by the Defendant;
25 that the Court will obtain an independent report and sentencing recommendation
26 from the U.S. Probation Office; and that the Court may, in its discretion, impose
27 any sentence it deems appropriate up to the statutory maximums stated in this Plea
28 Agreement.

1
2 The Defendant acknowledges that no promises of any type have been made
3 to the Defendant with respect to the sentence the Court will impose in this matter.
4 He understands that the Court is required to consider the applicable sentencing
5 range under the Sentencing Guidelines, but that the Court may depart upward or
6 downward from the range.

7 The Defendant also understands that the Court may not accept any of the
8 parties' recommendations set forth in this Plea Agreement. He understands that
9 such a circumstance does not provide him a basis for withdrawing from this Plea
10 Agreement or for withdrawing either of his pleas of guilty.

11 4. Waiver of Constitutional Rights:

12 The Defendant understands that by entering these pleas of guilty he is
13 knowingly and voluntarily waiving certain constitutional rights, including: (a.)
14 The right to a jury trial; (b.) The right to see, hear and question the witnesses; (c.)
15 The right to remain silent at trial; (d.) The right to testify at trial; and (e.) The right
16 to compel witnesses to testify.

17 While the Defendant is waiving certain constitutional rights, he also
18 understands that he will retain the right to be assisted through the sentencing
19 process and any direct appeal by an attorney, who will be appointed at no cost if
20 he cannot afford to hire an attorney. He acknowledges that pending pretrial
21 motions, if any, are waived.

22 5. Elements of the Offenses:

23 The Defendant acknowledges and agrees that, in order to be found guilty of
24 Conspiracy to Commit Wire Fraud and Mail Fraud, in violation of 18 U.S.C. §§
25 371, 1341 and 1343, as charged in Count 1 of the Indictment in cause number CR-
26 05-180-8-LRS, and of Receipt of Child Pornography, in violation of 18 U.S.C. §
27 2252A(a)(2)(A), as charged in Count 2 of the Indictment in cause number CR-06-
28 010-LRS, the United States must prove the following elements beyond a

1
2 reasonable doubt:

3 a. Wire/Mail Fraud Conspiracy:

4 First, beginning at least by on or about September 1, 2002, and
5 continuing thereafter up to and including on or about
6 August 11, 2005, in the Eastern District of Washington
7 and elsewhere, there was an agreement between at least
8 two of the individuals charged in the Indictment to
9 commit mail fraud and wire fraud by devising and
10 implementing a scheme to defraud that involved material
11 misrepresentations of fact and material false promises
12 and that used the U.S. Postal Service or commercial
13 interstate carriers and that used interstate and foreign
14 wire communications;

15 Second, the Defendant, KENNETH WADE PEARSON, became
16 a member of the conspiracy knowing of at least one of its
17 objects and intending to accomplish it; and

18 Third, the Defendant, KENNETH WADE PEARSON, or
19 another conspirator, performed at least one overt act for
20 the purpose of carrying out the conspiracy.

21 b. Receipt of Child Pornography:

22 First, between on or about January 3, 2004, and on or about
23 August 11, 2005, in the Eastern District of Washington
24 and elsewhere, the Defendant, KENNETH W.
25 PEARSON, knowingly received material that contained
26 images of child pornography, as charged;

27 Second, the images received had been mailed, shipped, or
28 transported in interstate or foreign commerce by any

1
2 means, including by computer, or the material was
3 produced using materials that had been mailed, shipped
4 or transported in interstate or foreign commerce by any
5 means, including by computer; and

6 Third, at the time of such receipt the Defendant believed that
7 such images constituted child pornography.

8 6. Factual Basis and Statement of Facts:

9 The Defendant acknowledges and agrees that, in proving the elements of the
10 crimes to which he is pleading guilty, the United States can establish the following
11 facts beyond a reasonable doubt; that these facts constitute an adequate factual
12 basis for his pleas of guilty; and that for sentencing purposes neither party is
13 precluded from presenting additional facts and arguing the relevance of the facts
14 to the Sentencing Guidelines computation or to sentencing generally, unless
15 otherwise prohibited by this Plea Agreement.

16 a. **Wire/Mail Fraud Conspiracy**

17 1. *Overview*

18 Between in or about the period September 1, 2002, and August 11, 2005,
19 Defendant KENNETH WADE PEARSON joined a conspiracy with Dixie Ellen
20 Randock, Steven Karl Randock, Sr., Heidi Kae Lorhan, Amy Leann Hensley,
21 Roberta Lynn Markishtum, Richard John Novak, and Blake Alan Carlson to
22 operate several so-called "diploma mill" universities or Internet-based universities
23 that were falsely accredited and sold fraudulent degrees. During this period, the
24 diploma mill universities run by the Randocks sold approximately \$1,864,264.77
25 in fraudulent academic products to thousands of persons located in the United
26 States and other locations. These products included college and graduate-level
27 degrees (e.g., Bachelor of Arts, Bachelor of Sciences, Master of Arts, Master of
28 Sciences, and Doctor of Philosophy) and fabricated academic transcripts.

1
2 PEARSON admits that he and his co-conspirators effected their criminal
3 conspiracy by, among other things, establishing diploma mill university websites
4 on the internet, sending out bulk e-mail to potential consumers, manufacturing and
5 selling consumers counterfeit “degrees,” accessing legitimate university websites
6 in order to copy course names from those websites, and then using that
7 information to fabricate and sell transcripts issued in the names of one or more of
8 the “diploma mill” universities, and printing false documents.

9 2. *The So-Called “Diploma Mill” Universities*

10 In the Eastern District of Washington and elsewhere, PEARSON admits that
11 he knowingly participated with Dixie Ellen Randock, Steven Karl Randock, Sr.,
12 Blake Alan Carlson, Heidi Kae Lorhan, Amy Leann Hensley, Roberta Lynn
13 Markishtum and others in a scheme and artifice to defraud and to obtain money
14 and property by means of material false and fraudulent pretenses, representations
15 and promises and, for the purpose of executing the scheme and artifice to defraud,
16 used, and caused others to use, the United States Postal Service, commercial
17 interstate carriers, and wire communications in interstate and foreign commerce.

18 PEARSON admits that the object of the scheme and artifice to defraud was
19 to obtain money from persons in the United States and other countries around the
20 world by selling fraudulent academic diplomas, degrees and records that the
21 purchasers had not properly earned through actual accredited academic course
22 work. PEARSON admits that he furthered the scheme and artifice to defraud by
23 committing at least one overt act.

24 These diplomas and other alleged academic products were issued by entities
25 doing business using names that included the following, among others: Saint
26 Regis University; James Monroe University; and Robertstown University.
27 Collectively, these and other similar entities operated by the conspirators shall be
28 referred to as the diploma mill universities.

1
2 The diploma mill universities were operated from several locations in the
3 State of Washington and the United States and foreign countries. PEARSON
4 further acknowledges that many of the operations for the diploma mill universities
5 were conducted by Dixie Ellen Randock and Steven Karl Randock, Sr. from
6 Colbert, Washington, Mead, Washington, Spokane, Washington, and Post Falls,
7 Idaho.

8 The false and fraudulent academic products were routinely sent to the
9 victim-consumers via the United States Postal Service or commercial interstate
10 carriers. Victim-consumers paid for the academic products using: checks sent
11 through the United States Postal Service; electronic money transfers via a PayPal
12 account, which is an online bill paying service; Western Union wire transfer
13 service; and Worldpay, which is a company used to receive credit card payments.

14 3. *The Use of Fictional and Falsely Credentialed Faculty*

15 In or about September 2002, PEARSON agreed to work for Dixie Ellen
16 Randock. Shortly thereafter, PEARSON learned that the academic products Dixie
17 Ellen Randock and Steven Karl Randock, Sr. were selling through their diploma
18 mill universities were false and fraudulent. PEARSON further understood that
19 persons who purchased these degrees did so to obtain salary raises, job promotions
20 and other benefits using the fraudulent degrees.

21 Dixie Ellen Randock used several aliases and false identities in connection
22 with the operation of these diploma mill universities. Those aliases included the
23 name "Dr. Thomas Carper, Ph.D." Amy Leann Hensley, Heidi Kae Lorhan,
24 Roberta Lynn Markishtum, and Blake Alan Carlson also used fictitious names
25 when dealing with the public.

26 4. *Search Warrants*

27 On August 11, 2005, law enforcement officers executed search warrants at
28 seven different locations being used to operate the diploma mill universities: the

1
2 residence of Dixie Ellen Randock and Steven Karl Randock, Sr. in Colbert,
3 Washington; the residence of Heidi Lorhan in Veradale, Washington; the residence
4 of Amy Hensley in Spokane, Washington; the residence of Richard Novak in
5 Peoria, Arizona; office space in a business located at 14525 North Newport
6 Highway in Mead, Washington; Suite 8-B, 601 East Seltice Way in Post Falls,
7 Idaho; and a business located at 5210 North Market in Spokane, Washington. Law
8 enforcement officers seized numerous computers, servers, documents, currency and
9 other items of evidence pertaining to the diploma mill universities.

10 5. *KENNETH WADE PEARSON's Statements*

11 When Federal and State agents executed the search warrant at Suite 8B in
12 Post Falls, Idaho, KENNETH WADE PEARSON and Roberta Markishtum were
13 present. PEARSON was read his rights, waived them, and agreed to answer
14 questions about his involvement in the Randock diploma mill. PEARSON also
15 signed a Consent to Search Form, and authorized law enforcement officers to
16 search and seize computer evidence located at his residence in Spokane,
17 Washington. Investigators seized electronic media evidence of the diploma mill
18 universities from PEARSON's residence.

19 (A.) Printer/Webmaster

20 In August 2005, KENNETH WADE PEARSON said he initially became
21 involved with Dixie Randock and diploma sales while assisting her in a business
22 called A+ Institute, which developed online real estate courses. PEARSON said
23 A+ Institute was located at 14525 North Newport Highway, Mead, Washington.
24 PEARSON said he also worked for AEIT, another business owned and operated by
25 Dixie Ellen Randock and Steven Karl Randock, Sr. Dixie Ellen Randock was
26 PEARSON's boss. He worked approximately "40 - 140" hours per week and got
27 paid approximately \$2,200-\$2,400 per month from AEIT. PEARSON said Dixie
28 Ellen Randock initially asked him to print "archived transcripts" and send them out

1
2 on behalf of the diploma mill universities. She also asked him to send out bulk e-
3 mail for the diploma business. Eventually, Dixie Ellen Randock employed
4 PEARSON to be the “webmaster” of the diploma mill universities.

5 PEARSON told investigators that he did not think what Dixie Ellen Randock
6 was doing was legal and described her operation as “fly-by-night.” At one point
7 during the August 2005 interview, PEARSON asked the investigators “what took
8 you guys so long to start this investigation?” PEARSON told investigators in
9 August 2005 that at one point, he tried to get Dixie Ellen Randock to stop selling
10 degrees over the internet and get her involved in adult internet pornography
11 instead.

12 While initially working as a “printer” for Dixie Ellen Randock and Steven
13 Karl Randock, Sr.’s diploma mill universities, PEARSON printed various college
14 “degrees.” One of the “degrees” he printed was a MCSE (Microsoft Certified
15 Systems Engineer) degree. When PEARSON asked Dixie Ellen Randock about the
16 legitimacy of printing this degree, she told him that the only “degrees” her
17 “schools” did not award were medical and engineering “degrees.” PEARSON told
18 Dixie Ellen Randock that Microsoft was the only company that could issue a
19 MCSE degree. Dixie Ellen Randock’s response was “so.”

20 PEARSON told investigators that during the time period that he “printed” for
21 the diploma mill universities, he noticed some “very weird degrees.” PEARSON
22 recalled printing many degrees for firefighters and military people. Dixie Ellen
23 Randock started to open more internet “schools.” Eventually, PEARSON stopped
24 printing “degrees” and he began web hosting all of Dixie Ellen Randock and
25 Steven Karl Randock, Sr.’s diploma mill university internet sites from his residence
26 in Spokane, Washington.

27 PEARSON estimated that Dixie Ellen Randock had over one-hundred-
28 twenty-five websites, most of which were “school”-related, and she was asking

1
2 him to add new internet sites every day. Eventually, Dixie Ellen Randock and
3 Steven Karl Randock, Sr. transferred the diploma mill universities' printing
4 operations from North Newport Highway, in Mead, Washington, to Suite 8-B, 601
5 East Seltice Way, Post Falls, Idaho.

6 PEARSON recalled a conversation he had with Dixie Ellen Randock about a
7 conversation that Dixie Ellen Randock had with another individual who had
8 experience with diploma mills. PEARSON asked Dixie Ellen Randock why she
9 would work with somebody who had been in trouble with diploma mills in the past.
10 Dixie Ellen Randock's response was to "learn her tricks."

11 (B.) Search for Accreditation

12 PEARSON was aware that Dixie Ellen Randock sent Richard Novak to meet
13 with an individual in Liberia who said she could get her diploma mill universities
14 accredited if she paid a certain amount of money. PEARSON was aware that Dixie
15 Ellen Randock paid monies to a Liberian individual and sent equipment to Liberia.
16 According to PEARSON, the whole "accreditation for sale" started as a joke. To
17 PEARSON's knowledge, Liberia never granted "accreditation" to any of Dixie
18 Ellen Randock's "schools." Dixie Ellen Randock also directed PEARSON to
19 register LiberianEmbassy.com or LiberiaEmbassy.com, which she claimed was part
20 of her obtaining "accreditation."

21 Dixie Ellen Randock also unsuccessfully explored obtaining accreditation in
22 other countries (e.g., India, Pakistan, Panama, Mexico, and Italy). PEARSON
23 recalled that at one point, Dixie Ellen Randock sent money to an individual in
24 India. When PEARSON learned that attempt failed, he told Dixie Ellen Randock
25 that she should consider operating a business that was not as "shady" as her
26 diploma mill universities.

27 (C.) Fabricating Transcripts

28 PEARSON helped manufacture false and fraudulent transcripts from

1
2 templates which had been made by Dixie Ellen Randock. According to
3 PEARSON, all the transcripts were generic. The grades on the manufactured
4 transcript would stay the same, unless the customer requested a change. The
5 “advisor” would fill in the customer’s name. Dixie Ellen Randock told PEARSON
6 which stamp and signature to use for each fraudulent transcript and diploma he
7 printed for her. These signature stamps were used in order to create the appearance
8 that the documents were official.

9 (D.) High School Diplomas

10 Dixie Ellen Randock also operated several websites which sold high school
11 diplomas to consumers. In order to purchase a high school diploma from Dixie
12 Ellen Randock, consumers would take an online test. PEARSON was aware that
13 Dixie Ellen Randock could lower the percentage of the number of questions a
14 student had to answer correctly in order to “pass” the test, and she did so when
15 many consumers were taking the test and failing. PEARSON was aware that Dixie
16 Ellen Randock had lowered the number of questions which had to be answered
17 correctly to as low as twenty-percent. Any and all wording changes to the “school”
18 websites were done by Dixie Ellen Randock.

19 (E.) Numerous Complaints from Consumers

20 PEARSON remembered that there were numerous complaints about the
21 academic products Dixie Ellen Randock’s diploma mill universities manufactured
22 and sold. Many of the complaints were from consumers who had purchased a
23 degree and subsequently discovered that the degree was worthless and it could not
24 be used. The typical consumer complaint was that the consumer had been misled
25 into believing (by the websites Dixie Ellen Randock and Steven Karl Randock, Sr.
26 owned and operated and the individuals who worked for those websites) that a
27 college or employer would accept a “degree” from one of Dixie Ellen Randock’s
28 “schools,” but, as it turned out, the college or employer would not accept it.

1
2 6. *Summary*

3 PEARSON admits that this statement of facts does not represent, and is not
4 intended to represent, an exhaustive recitation of all the facts about which
5 PEARSON has knowledge relating to the criminal conspiracy described herein.

6 PEARSON admits that his actions, as recounted herein, were in all respects
7 intentional and deliberate and were not in any way the product of any accident or
8 mistake of law or fact.

9 The foregoing statement of facts is a summary of the principal facts that
10 constitute the legal elements of the mail/wire fraud conspiracy offense to which
11 PEARSON has agreed to plead guilty. This summary does not include all of the
12 evidence that the government would present at trial or all the relevant conduct that
13 would be used to determine the Defendant's sentence.

14 **b. Receipt of Child Pornography:**

15 On August 11, 2005, a federal search warrant was served at Suite 8B, 601 E.
16 Seltice Way, Post Falls, Idaho, in regards to an ongoing criminal investigation into
17 the sale of fraudulent high school and college "degrees" over the internet to people
18 throughout the United States and the world. At that location agents advised
19 KENNETH WADE PEARSON of his constitutional rights, which he waived.
20 PEARSON provided some information to agents regarding the diploma fraud
21 investigation. PEARSON was also asked if he would consent to allow agents to
22 search any type of stored electronic media that he might possess at his residence
23 regarding the diploma mill fraud investigation. PEARSON signed a consent to
24 search stored electronic media at his home in Spokane, Washington.

25 A forensic examination of the computer system recovered from the residence
26 of KENNETH WADE PEARSON at N. 2727 Nelson, Spokane, Washington, was
27 conducted. A forensic expert would testify at trial that over 600 images of child
28 pornography were discovered intermixed with images of adult pornography. Some

1
2 of these images were of children under the age of twelve; some portrayed images of
3 sadistic and masochistic conduct. A forensic expert would testify that a computer
4 was used to download these images beginning by January 3, 2004. Additionally,
5 an expert would testify that PEARSON's internet service provider was XO
6 Communications and that PEARSON's receipt of the images would have had to
7 travel in interstate commerce.

8 On August 24, 2005, PEARSON was advised of his rights, which he waived,
9 and at that time PEARSON provided a written statement to law enforcement.
10 PEARSON confessed that he searched the internet for pictures of adult and child
11 pornography and downloaded images onto his computer hard drives.

12 7. Waiver of Inadmissibility of Statements:

13 The Defendant agrees that, if he withdraws either of his guilty pleas, he
14 waives the inadmissibility of statements, if any, made in the course of plea
15 discussions with the United States, pursuant to Fed. R. Crim. P. 11(f). The
16 Defendant agrees further that any such inadmissible statements also include those
17 statements made at the change of plea hearing to establish facts sufficient for the
18 Court to accept his pleas of guilty. The Defendant agrees that this waiver permits
19 the United States to introduce any such inadmissible statements in its case-in-chief.

20 8. The United States Agrees:

21 a. **Dismissals:**

22 The United States agrees that, at the time of sentencing, it will move to
23 dismiss Count 3 of the Indictment in cause number CR-05-180-8-LRS, which count
24 alleges a criminal forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C) and 982(a)(1) and
25 28 U.S.C. § 2461(C), and will move to dismiss Count 1 of the Indictment in cause
26 number CR-06-010-LRS, which count charges the Defendant with Possession of
27 Child Pornography, in violation of 18 U.S.C. § 2252A(a)(5)(B). The United States
28 also agrees that, at the time of sentencing, it will move to dismiss Count 3 of the

1
2 Indictment in cause number CR-06-010-LRS, which count alleges a criminal
3 forfeiture pursuant to 18 U.S.C. § 2253.

4 **b. Not to File Additional Charges:**

5 The United States Attorney's Office for the Eastern District of Washington
6 agrees not to bring any additional charges against the Defendant based upon
7 information in its possession at the time of this Plea Agreement and arising out of
8 the Defendant's conduct involving illegal activity charged in Indictments in cause
9 numbers CR-05-180-8-LRS and CR-06-010-LRS, unless the Defendant breaches
10 this Plea Agreement any time before or after sentencing.

11 **9. Effect of Breach:**

12 If the Defendant breaches this Plea Agreement, he agrees: that the
13 agreement is null and void; that he expressly waives the right to challenge the
14 initiation of additional charges against him for any criminal activity; and that the
15 United States may make derivative use of and may pursue any investigative leads
16 suggested by him. This agreement does not protect the Defendant from
17 prosecution for perjury, obstruction of justice, or any other offense should he
18 commit any crime during his participation in any debriefing or while attempting to
19 provide "substantial assistance" pursuant to this agreement.

20 **10. United States Sentencing Guideline Calculations:**

21 The Defendant and the United States acknowledge that the final Sentencing
22 Guidelines calculations will be determined by the Court, with input from the
23 United States Probation Office. The Defendant and the United States reserve the
24 right to advise the Court and the United States Probation Office about the law and
25 facts applicable to any sentencing issues.

26 **a. Wire/Mail Fraud Conspiracy:**

27 **1. *Base Offense Level:***

28 The United States and the Defendant agree that the base offense level for

1
2 Conspiracy to Commit Wire/Mail Fraud is six (6). U.S.S.G. §2B1.1(a)(2).

3 2. *Specific Offense Characteristics:*

4 The Defendant and the United States also agree that the base offense level
5 should be increased based on the reasonably foreseeable loss resulting from the
6 Defendant's involvement in the conspiracy, which involvement began on
7 approximately September 1, 2002, and continued through August 11, 2005. See
8 U.S.S.G. §2B1.1(b)(1) and USSG § 1B1.3 (relevant conduct). The Defendant
9 acknowledges that the United States will argue at sentencing that the loss is
10 approximately \$1,864,264.77, which loss amount will result in a sixteen (16)-level
11 increase in the base offense level. See U.S.S.G. §2B1.1(b)(1)(I). The United
12 States acknowledges that the Defendant will argue at sentencing that the
13 reasonably foreseeable loss amount is less than \$1,000,000, which would result in
14 something less than a sixteen (16)-level increase in his base offense level.

15 The Defendant and the United States also agree that the base offense level
16 should be increased by an additional six (6) levels because the conspiracy involved
17 a scheme to defraud 250 or more victims. U.S.S.G. §2B1.1(b)(2)(C).

18 3. *Adjusted Offense Level:*

19 The Defendant acknowledges that the United States will argue at sentencing
20 that the adjusted offense level for the wire/mail fraud conspiracy offense is 28.

21 **b. Child Pornography:**

22 1. *Base Offense Level:*

23 The United States and the Defendant agree that the base offense level for
24 Receipt of Child Pornography is 22. See U.S.S.G. §2G2.2(a)(2).

25 2. *Specific Offense Characteristics:*

26 The United States and the Defendant also agree and stipulate that the base
27 offense level is decreased by two (2) levels because the Defendant's conduct was
28 limited to the receipt or solicitation of the material involving the sexual

1
2 exploitation of a minor. *See* U.S.S.G. §2G2.2(b)(1).

3 The United States and the Defendant also agree and stipulate that the base
4 offense level is increased by an additional two (2) levels because the material
5 involved a prepubescent minor or a minor who had not attained the age of 12 years.
6 *See* U.S.S.G. §2G2.2(b)(2).

7 The United States and the Defendant also agree and stipulate that the base
8 offense level is increased by an additional four (4) levels because the material
9 portrays sadistic or masochistic conduct or other depictions of violence. *See*
10 U.S.S.G. §2G2.2(b)(4).

11 The United States and the Defendant also agree and stipulate that the base
12 offense level is increased by an additional two (2) levels because the offense
13 involved the use of a computer for the receipt of the material. *See* U.S.S.G.
14 § 2G2.2(b)(6).

15 The United States and the Defendant also agree and stipulate that the base
16 offense level is increased by an additional five (5) levels because the offense
17 involved 600 or more images. *See* U.S.S.G. §2G2.2(b)(7)(D).

18 *3. Adjusted Offense Level:*

19 The Defendant and the United States agree that the adjusted offense level for
20 the receipt of child pornography offense is 33.

21 **c. Grouping Analysis:**

22 The Defendant and the United States agree that Count 1 in cause number
23 CR-05-180-8-LRS and Count 2 in cause number CR-06-010-LRS should not be
24 grouped as closely related Counts. *See* U.S.S.G. §§3D1.1 and 3D1.2 (only counts
25 involving substantially the same harm are grouped). Accordingly, pursuant to
26 U.S.S.G. §3D1.4, the highest adjusted offense level should be increased by an
27 additional one (1) level. If the Court accepts the United States' argument
28 concerning the loss amount, the Defendant acknowledges that the resulting

1
2 combined offense level is 34.

3 **d. Criminal History:**

4 The Defendant and the United States understand that his criminal history
5 computation will be determined by the Court, based on input from the United
6 States Probation Office and the Presentence Investigation Report. The Defendant
7 and the United States acknowledge they have made no agreement and have made
8 no representations as to the Criminal History Category within which the Defendant
9 falls.

10 **e. Acceptance of Responsibility:**

11 If the Defendant pleads guilty and demonstrates a recognition and an
12 affirmative acceptance of personal responsibility for the criminal conduct; provides
13 complete and accurate information during the sentencing process; does not commit
14 any obstructive conduct; and accepts this Plea Agreement; the United States will
15 move for a three (3)-level downward adjustment in the offense level for the
16 Defendant's timely acceptance of responsibility, pursuant to U.S.S.G. §3E1.1(a)
17 and (b).

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

23 Furthermore, the Defendant agrees to pay the \$100 mandatory special
24 penalty assessment on each count to the Clerk of Court for the Eastern District of
25 Washington, at or before sentencing, and shall provide a receipt from the Clerk to
26 the United States before sentencing as proof of this payment, as a condition to this
27 recommendation by the United States.

1
2 11. Substantial Assistance:

3 The United States agrees to furnish the Defendant an opportunity to provide
4 "substantial assistance," that is, information and assistance in the investigation and
5 prosecution of others. The Defendant agrees to meet with federal and state law
6 enforcement agents in an attempt to assist them in obtaining information that would
7 form the basis of a motion for a reduction of sentence to be filed pursuant to
8 U.S.S.G. §5K1.1 and 18 U.S.C. § 3553(e). The Defendant understands that
9 whether any such information amounts to substantial assistance is a determination
10 left to the United States Attorney's Office.

11 a. The Defendant must provide information and assistance in the
12 federal or state investigation and prosecution of others who have the same as or
13 greater involvement than the Defendant's involvement in violations of the law.

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

25 c. The Defendant agrees that the United States may, at its option
26 and upon written notice to the Defendant, withdraw from this Plea Agreement or
27 modify its recommendation for sentence if the Defendant fails to provide truthful,
28 complete and honest information during debriefings, testimony before the grand

1
2 jury, or any court proceedings.

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

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

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

25 *See* U.S.S.G. §5K1.1(a)(1)-(5).

26 12. Delay Sentencing, If Necessary, To Complete Substantial Assistance:

27 The Defendant and the United States agree to file a joint motion with the
28 Court to continue the imposition of judgment and sentence, if necessary, so that the

1
2 Defendant may complete his substantial assistance to law enforcement authorities
3 and so that the United States may present the Court with appropriate information
4 about the nature, quality, and value of the Defendant's cooperation. The parties
5 understand that the Court will determine, in the exercise of its discretion, whether
6 or not to grant any motion for a continuance of the sentencing hearing.

7 13. Incarceration:

8 **a. Length of Imprisonment**

9 The Defendant understands that the United States will recommend that the
10 Court impose a sentence of imprisonment within the applicable Guidelines
11 sentencing range with respect to each cause number (CR-05-180-8-LRS and CR-
12 06-010-LRS). The Defendant also understands that the United States will
13 recommend that the sentence of imprisonment the Court imposes in cause number
14 CR-05-180-8-LRS runs concurrent with the sentence of imprisonment the Court
15 imposes in cause number CR-06-010-LRS. (*Cf.* U.S.S.G. §5G1.1(c)(1)). However,
16 if the United States files a consolidated motion in these cause numbers pursuant to
17 18 U.S.C. § 3553(e) and U.S.S.G. §5K1.1 for a downward departure based on
18 "substantial assistance" and if the Court grants such a motion, the Defendant agrees
19 to recommend an aggregate sentence of not less than forty-eight (48) months and
20 the United States agrees to make a specific sentencing recommendation not to
21 exceed seventy (70) months, based on the nature and value of the assistance
22 provided by the Defendant.

23 **b. Notification of Safety Concerns**

24 The United States Attorney's Office for the Eastern District of Washington
25 agrees to notify the appropriate Bureau of Prisons officials and to request that, in
26 the interest of safety, the Defendant be incarcerated separately and apart from any
27 known co-conspirator or any other person about whom he provides information.
28

1
2 14. Criminal Fine:

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

6 15. Supervised Release:

7 The Defendant and the United States agree to recommend that the Court
8 impose a three-year term of supervised release to include the following special
9 conditions, in addition to the standard conditions of supervised release:

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

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

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

18 d. that the Defendant be prohibited from incurring any new debt,
19 opening new lines of credit, or entering any financial contracts or obligations
20 without the prior approval of the Probation Officer;

21 e. that the Defendant be prohibited from working in the
22 educational field;

23 f. that the Defendant not have contact with any child under the age
24 of 18, with the exception of his children, without the presence of an adult and
25 approved in advance by the Probation Officer, this includes prohibiting the
26 Defendant from having any contact with any child by telephone or the internet.

27 The Defendant shall immediately report any unauthorized contact with minor-aged
28 children to the Probation Officer;

1
2 g. that the Defendant allow the Probation Officer or designee to
3 conduct random inspections, including retrieval and copying of data from any
4 computer, and any personal computing device that the Defendant possesses or has
5 access to, including any internal or external peripherals. This may require
6 temporary removal of the equipment for a more thorough inspection. The
7 Defendant shall not possess or use any data encryption technique or program. The
8 Defendant shall purchase and use such hardware and software systems that monitor
9 the Defendant's computer usage, if directed by the Probation Officer;

10 h. that the Defendant shall not reside or loiter within 1000 feet of
11 places where children under the age of 18 congregate, which includes primary and
12 secondary schools, schoolyards, parks, playgrounds, shopping malls, daycare
13 centers, carnivals, recreation centers, and arcades;

14 i. that the Defendant shall not possess or manufacture any
15 sexually stimulating, sexually explicit or sexually oriented material including
16 videos, magazines, photographs, computer generated depictions, or any other
17 matter that depicts "sexually explicit conduct" involving children or adults, as
18 defined by 18 U.S.C. § 2256(2). The Defendant shall not enter or be present at any
19 establishment involved in the sex industry, including adult book stores, message
20 parlors, escort services, and strip bars. The Defendant shall not use any sex-related
21 adult telephone number. The Defendant shall provide all his telephone records to
22 monitor compliance, at the direction of the Probation Officer;

23 j. that the Defendant register as a sex offender, according to the
24 laws of each state in which the Defendant resides, is employed, or is attending
25 school. The Defendant shall provide verification of compliance with this
26 requirement to the Probation Officer;

27 k. that the Defendant complete a sex offender evaluation, which
28 may include periodic psychological, physiological, and polygraph testing, and

1
2 completion of the ABEL assessment, at the direction of the Probation Officer; and

3 1. that the Defendant participate and successfully complete an
4 approved state-certified sex offender treatment program, including compliance with
5 all lifestyle restrictions and treatment requirements of the program. The Defendant
6 shall allow reciprocal release of information between the Probation Officer and the
7 treatment provider. The Defendant shall contribute to the cost of treatment
8 according to the Defendant's ability.

9 16. Restitution:

10 The Defendant and the United States agree that the Court should order
11 restitution to the victims of the wire/mail fraud conspiracy offense, pursuant to
12 18 U.S.C. §§ 3663, 3663A and 3664, in an amount to be determined by the Court.
13 The Defendant understands that the United States will argue that the amount of
14 restitution is \$1,864,264.77. The Defendant understands that he may be held
15 jointly and severally liable for the full amount of any order of restitution entered by
16 the Court.

17 17. Mandatory Special Penalty Assessment:

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

22 18. Payments While Incarcerated:

23 If the Defendant lacks the financial resources to pay the monetary
24 obligations imposed by the Court, the Defendant agrees to earn the money to pay
25 toward these obligations by participating in the Bureau of Prisons' Inmate
26 Financial Responsibility Program.

1
2 19. Abandonment:

3 The Defendant agrees to abandon the following items to the United States
4 (1) all visual depictions described in 18 U.S.C. § 2251, § 2251A, § 2252, or any
5 book, magazine, periodical, film, videotape, or other matter that contains any such
6 visual depiction, that was produced, transported, mailed, shipped, or received in
7 violation of 18 U.S.C. Chapter 110; (2) all right, title and interest in all the
8 computer equipment, disks, peripherals, cameras and other items seized on August
9 11, 2005, including the four computer hard drives listed in Count Three of the
10 Indictment in CR-06-0010-LRS, to the United States, and hereby agrees to execute
11 any and all forms and pleadings necessary to effectuate such abandonment.

12 20. Additional Violations of Law Can Void Plea Agreement:

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

18 21. Conditional Waiver of Appeal Rights:

19 The Defendant agrees to waive the right to appeal the sentence if the Court
20 imposes a prison term of no longer than sixty (60) months, imposes a term of
21 supervised release of no longer than three (3) years, and orders the Defendant to
22 pay restitution in an amount not exceeding \$1,864,264.77.

23 22. Integration Clause:

24 The United States and the Defendant acknowledge that this document
25 constitutes the entire Plea Agreement between the United States and the Defendant,
26 and no other promises, agreements, or conditions exist between the United States
27 and the Defendant concerning the resolution of the case. This Plea Agreement is
28 binding only upon the United States Attorney's Office for the Eastern District of

1
2 Washington, and cannot bind other federal, state or local authorities. The United
3 States and the Defendant agree that this agreement cannot be modified except in a
4 writing that is signed by the United States and the Defendant.

5 Approvals and Signatures

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

8 James A. McDevitt
9 United States Attorney

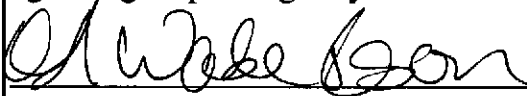
10 
11 George J.C. Jacobs, III
12 Assistant U.S. Attorney

10/10/06
Date

13 
14 Stephanie J. Lister
15 Assistant U.S. Attorney

10/10/06
Date

16 I have read this Plea Agreement and have carefully reviewed and discussed
17 every part of the agreement with my attorneys. I understand and voluntarily enter
18 into this Plea Agreement. Furthermore, I have consulted with my attorneys about
19 my rights, I understand those rights, and I am satisfied with the representation of
20 my attorneys in both of these cases. No other promises or inducements have been
21 made to me, other than those contained in this Plea Agreement, and no one has
22 threatened or forced me in any way to enter into this Plea Agreement. I am
23 agreeing to plead guilty because I am guilty.

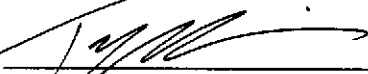
24 
25 Kenneth Wade Pearson
26 Defendant

10 Oct 06
Date

27
28 I have read the Plea Agreement and have discussed the contents of the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28


agreement with my client. The Plea Agreement accurately and completely sets forth the entirety of the agreement between the parties. I concur in my client's decision to plead guilty as set forth in the Plea Agreement. There is no legal reason why the Court should not accept the Defendant's pleas of guilty.



D. Toby McLaughlin
Attorney for the Defendant

10/10/06

Date



Gloria Finn Porter
Attorney for the Defendant

10/10/04

Date