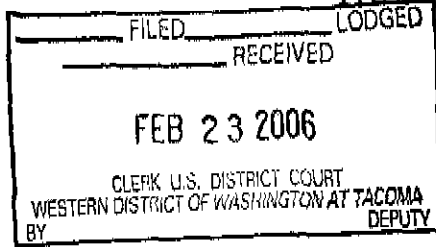


THE HONORABLE FRANKLIN D. BURGESS



04-CR-05460-PLAGR

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT TACOMA

UNITED STATES OF AMERICA,

Plaintiff,

v.

SCOTT LANEY,

Defendant.

NO. CR04-5460FDB

PLEA AGREEMENT

The United States of America, by and through John McKay, United States Attorney for the Western District of Washington, and Annette L. Hayes, Assistant United States Attorney for said District, and the defendant, SCOTT LANEY, and his attorney, Richard Troberman, enter into the following Agreement, pursuant to Federal Rule of Criminal Procedure 11(c):

1. The Charges. Defendant, having been advised of the right to have this matter tried before a jury, agrees to waive that right and enter pleas of guilty to the following charges contained in the Indictment:

a. Conspiracy to Traffic in Counterfeit Labels and Computer Program Documentation, as charged in Count One, in violation of Title 18, United States Code, Section 371; and,

b. Conspiracy to Engage in Money Laundering, as charged in Count Two, in violation of Title 18, United States Code, Section 1956(h).

1 By entering these pleas of guilty, Defendant hereby waives all objections to the form of  
2 *the charging document. Defendant further understands that before entering his pleas of*  
3 *guilty, Defendant will be placed under oath. Any statement given by Defendant under*  
4 *oath may be used by the United States in a prosecution for perjury or false statement.*

5 2. Elements of the Offenses. The elements of the offenses to which Defendant  
6 is pleading guilty are as follows:

7 a. Conspiracy to Traffic in Counterfeit Labels and Computer Program  
8 Documentation, as charged in Count One, in violation of Title 18, United States Code,  
9 Section 371:

10 i. First, beginning on or about 2000, and ending on or about  
11 August 26, 2004, there was an agreement between two or more persons to commit the  
12 crime of Trafficking in Counterfeit Labels and Computer Program Documentation, as set  
13 forth in Title 18, United States Code, Section 2318;

14 ii. Second, Defendant became a member of the conspiracy  
15 knowing of at least one of its objects and intending to help accomplish it; and,

16 iii. Third, one of the members of the conspiracy performed at  
17 least one overt act for the purpose of carrying out the conspiracy.

18 b. Conspiracy to Engage in Money Laundering, as charged in  
19 Count Two, in violation of Title 18, United States Code, Section 1956(h)

20 i. First, beginning on or about 2000, and ending on or  
21 about August 26, 2004, there was an agreement between two or more persons to  
22 commit the crime of Money Laundering, as set forth in Title 18, United States Code,  
23 Sections 1956(a)(1)(A) and 1957;

24 ii. Second, Defendant became a member of the conspiracy  
25 knowing of at least one of its objects and intending to help accomplish it; and,

26 iii. Third, one of the members of the conspiracy performed at  
27 least one overt act for the purpose of carrying out the conspiracy.  
28

1 The elements of the offenses that constitute the objects of the above-described  
2 conspiracies are:

3 c. Trafficking in Counterfeit Labels and Computer Program

4 Documentation, the object of the Conspiracy charged in Count One:

5 i. First, Defendant knowingly trafficked in a counterfeit label  
6 affixed to, enclosing, or accompanying, or designed to be affixed to, enclose, or  
7 accompany a copy of a computer program or documentation or packaging, or counterfeit  
8 documentation or packaging; and,

9 ii. Second, Defendant did use or intend to use the mail or a  
10 facility of interstate or foreign commerce in the commission of the offense.

11 d. Money Laundering, in violation of Title 18, United States Code,

12 Section 1956(a)(1)(A), one of the objects of the Conspiracy charged in Count Two:

13 i. First, Defendant conducted a financial transaction involving  
14 property that represented the proceeds of Trafficking in Counterfeit Labels and Computer  
15 Program Documentation;

16 ii. Second, Defendant knew that the property represented the  
17 proceeds of Trafficking in Counterfeit Labels and Computer Program Documentation;  
18 and,

19 iii. Third, Defendant acted with the intent to promote the carrying  
20 on of Trafficking in Counterfeit Labels and Computer Program Documentation.

21 e. Money Laundering, in violation of Title 18, United States Code,

22 Section 1957, one of the objects of the Conspiracy charged in Count Two:

23 i. First, Defendant knowingly engaged or attempted to engage in  
24 a monetary transaction;

25 ii. Second, Defendant knew the transaction involved criminally  
26 derived property;

27 iii. Third, the property had a value of greater than ten thousand  
28 dollars (\$10,000.00);

1                   iv.     Fourth, that the property was, in fact, derived from  
2 Trafficking in Counterfeit Labels and Computer Documentation; and,

3                   v.     Fifth, the transaction occurred in the United States.

4           3.     The Penalties. Defendant understands that the statutory penalties for the  
5 offenses are as follows:

6           a.     Count One (Conspiracy to Traffic in Counterfeit Labels and  
7 Computer Program Documentation): imprisonment for up to five (5) years, a fine of up  
8 to two hundred and fifty thousand dollars (\$250,000.00), a period of supervision  
9 following release from prison of between two (2) years and three (3) years, and a one  
10 hundred dollar (\$100.00) penalty assessment. If Defendant receives a sentence of  
11 probation, the probationary period could be up to five (5) years. Defendant agrees that  
12 the penalty assessment shall be paid at or before the time of sentencing.

13           b.     Count Two (Conspiracy to Engage in Money Laundering):  
14 imprisonment for up to twenty (20) years, a fine of up to five hundred thousand dollars  
15 (\$500,000), a period of supervision following release from prison of between two (2) and  
16 three (3) years, and a one hundred dollar (\$100.00) penalty assessment. If Defendant  
17 receives a sentence of probation, the probationary period could be up to five (5) years.  
18 Defendant agrees that the penalty assessment shall be paid at or before the time of  
19 sentencing.

20           Defendant understands that in addition to any term of imprisonment and/or  
21 fine that is imposed, the Court may order Defendant to pay restitution to any victim of the  
22 offense, as required by law. Defendant further understands that a consequence of  
23 pleading guilty may include the forfeiture of certain property either as a part of the  
24 sentence imposed by the Court, or as a result of civil judicial or administrative process.  
25 In particular, when a person is convicted of the offense of Trafficking in Counterfeit  
26 Labels and Computer Program Documentation the Court shall order the forfeiture and  
27 destruction or other disposition of all counterfeit labels or illicit labels and all articles to  
28 which counterfeit labels or illicit labels have been affixed or which were intended to have

1 had such labels affixed, and of any equipment, device, or material used to manufacture,  
2 reproduce, or assemble the counterfeit labels or illicit labels. In addition, when a person  
3 is convicted of Conspiracy to Engage in Money Laundering, the Court shall order  
4 forfeiture to the United States of all property involved in the offense.

5 Defendant agrees that any monetary penalty the Court imposes, including  
6 the special assessment, fine, costs or restitution, is due and payable immediately, and  
7 further agrees to submit a completed Financial Statement of Debtor form as requested by  
8 the United States Attorney's Office.

9 Defendant understands that supervised release is a period of time following  
10 imprisonment during which he will be subject to certain restrictions and requirements.  
11 Defendant further understands that if supervised release is imposed and he violates one or  
12 more of its conditions, he could be returned to prison for all or part of the term of  
13 supervised release that was originally imposed. This could result in Defendant serving a  
14 total term of imprisonment greater than the statutory maximum stated above.

15 4. Rights Waived by Pleading Guilty. Defendant understands that, by  
16 pleading guilty, he knowingly and voluntarily waives the following rights:

- 17 a. The right to plead not guilty, and to persist in a plea of not guilty;  
18 b. The right to a speedy and public trial before a jury of Defendant's  
19 peers;  
20 c. The right to the effective assistance of counsel at trial, including, if  
21 Defendant could not afford an attorney, the right to have the Court appoint one for  
22 Defendant;  
23 d. The right to be presumed innocent until guilt has been established at  
24 trial, beyond a reasonable doubt;  
25 e. The right to confront and cross-examine witnesses against Defendant  
26 at trial;  
27 f. The right to compel or subpoena witnesses to appear on Defendant's  
28 behalf at trial;

1 g. The right to testify or to remain silent at trial, at which trial such  
2 silence could not be used against Defendant; and

3 h. The right to appeal a finding of guilt or any pretrial rulings.

4 5. United States Sentencing Guidelines. Defendant understands and  
5 acknowledges that, at sentencing, the Court must consider the sentencing range calculated  
6 under the United States Sentencing Guidelines, together with the other factors set forth in  
7 Title 18, United States Code, Section 3553(a), including: (1) the nature and circumstances  
8 of the offense(s); (2) the history and characteristics of the defendant; (3) the need for the  
9 sentence to reflect the seriousness of the offense, to promote respect for the law, and to  
10 provide just punishment for the offense; (4) the need for the sentence to afford adequate  
11 deterrence to criminal conduct; (5) the need for the sentence to protect the public from  
12 further crimes of the defendant; (6) the need to provide the defendant with educational  
13 and vocational training, medical care, or other correctional treatment in the most effective  
14 manner; (7) the kinds of sentences available; (8) the need to provide restitution to victims;  
15 and (9) the need to avoid unwarranted sentence disparity among defendants involved in  
16 similar conduct who have similar records. Accordingly, Defendant understands and  
17 acknowledges that:

18 a. The Court will determine Defendant's applicable Sentencing  
19 Guidelines range at the time of sentencing;

20 b. After consideration of the Sentencing Guidelines and the other  
21 factors in Title 18, United States Code, Section 3553(a), the Court may impose any  
22 sentence authorized by law, up to the maximum term authorized by law;

23 c. The Court is not bound by any recommendation regarding the  
24 sentence to be imposed, or by any calculation or estimation of the Sentencing Guidelines  
25 range offered by the parties, or by the United States Probation Department; and

26 d. Defendant may not withdraw a guilty plea solely because of the  
27 sentence imposed by the Court.

28





1                   ii.     “Academic Edition” computer software through Microsoft  
2 Authorized Education Resellers (hereinafter “AER”) to certain customers including  
3 educational institutions, faculty and staff of educational institutions, and matriculated  
4 students of higher education. “Academic Edition” computer software is labeled as such  
5 on the CD-ROM, license, and/or the packaging for the computer software, and is sold at  
6 prices below the retail price of the same non-“Academic Edition” computer software.

7                   iii.     “Not for Resale” computer software through, among others,  
8 the Microsoft Company Store and the Microsoft IPO program. “Not for resale” computer  
9 software is labeled as such on the CD-ROM, license and/or packaging for the computer  
10 software.

11                   iv.     “Original Equipment Manufacturer” (hereinafter “OEM”)  
12 computer software through computer hardware manufacturers and distributors such as  
13 Hewlett-Packard, Dell, Gateway, and others. OEM computer software is labeled as such  
14 on the CD-ROM, license and/or packaging for the computer software.

15                   e.     Tobias Grace and SCOTT LANEY operated a number of entities,  
16 including corporations, for the purpose of selling computer software including, but not  
17 limited to, the following:

18                   i.     Twenty First Century E Software, Inc., which was registered  
19 in Texas as a domestic business corporation on November 28, 2000. Business records  
20 identify SCOTT LANEY as its president and director. Twenty First Century E Software,  
21 Inc., is a distributor of computer software.

22                   ii.     QCW Technology Enterprises, Inc., also doing business as  
23 Quest Computers, which was registered in Texas as a domestic business corporation on  
24 December 4, 2000. Business records identify SCOTT LANEY as its president and  
25 director. QCW Technology Enterprises, Inc. is a distributor of computer software.

26                   f.     FBSS Tech, which is a business name used by Tobias Grace and  
27 SCOTT LANEY since on or about 2002. FBSS Tech is a distributor of computer  
28 software.



1 g. Smart Software Sales, which is a business name used by Tobias  
2 Grace and SCOTT LANEY since on or about 2001. Smart Software Sales is a distributor  
3 of computer software.

4 h. DRD Enterprises, Inc., which was registered in Washington as a  
5 domestic business corporation on December 11, 2002. Business records identify Donald  
6 Desrochers as its president and director.

7 Object of the Counterfeit Labeling Conspiracy.

8 i. The object of the conspiracy was as follows: beginning at a time  
9 unknown, but no later than 2000, and continuing thereafter until August 26, 2004, at  
10 Vancouver, Seattle, and at other places within the Western District of Washington, and  
11 elsewhere, Tobias Grace and SCOTT LANEY, together with other persons, did  
12 unlawfully, willfully, and knowingly combine, conspire, confederate, and agree among  
13 themselves and with each other to knowingly traffic in counterfeit labels affixed, or  
14 designed to be affixed to computer programs, and documentation or packaging for  
15 computer programs, to wit, Microsoft and other companies' computer programs, or  
16 documentation or packaging for Microsoft and other companies' computer programs, and  
17 counterfeit documentation or packaging for computer programs, to wit, End User License  
18 Agreements (hereinafter "EULAs") for Microsoft and other companies' computer  
19 programs, and did use or intend to use the mail or a facility of interstate or foreign  
20 commerce in the commission of the offense, in violation of Title 18, United States Code,  
21 Sections 2318.

22 Purposes of the Counterfeit Labeling Conspiracy.

23 j. A purpose of the conspiracy was to: (a) obtain Microsoft and other  
24 companies' computer software that was labeled "Academic Edition," "Not for Resale,"  
25 "OEM" (Original Equipment Manufacturer), or otherwise, that therefore could be  
26 purchased for less than the ordinary wholesale and/or retail price; (b) apply counterfeit  
27 labels, including by removing or erasing part of the existing label or placing a counterfeit  
28 label on the computer software and/or the packaging; and © then sell the computer

1 software at a higher price than the purchase price, in some cases approaching the actual  
2 wholesale and/or retail price of the computer software.

3 k. A purpose of the conspiracy also was to: (a) obtain Microsoft and  
4 other companies' server software that included a EULA for a specified number of users;  
5 (b) erase or otherwise obliterate the number of licensed users set forth on the EULA and  
6 replace it with a higher number; and © then sell the server software at a higher price than  
7 the one for which it was purchased, in some cases a price approaching the actual  
8 wholesale and/or retail price of the computer software.

9 Manner and Means of the Counterfeit Labeling Conspiracy.

10 As a part of the Counterfeit Labeling Conspiracy:

11 l. Tobias Grace and SCOTT LANEY, and other coconspirators,  
12 purchased or directed others persons to purchase Microsoft and other companies'  
13 computer software at below market prices from various individuals and entities.

14 m. Tobias Grace and SCOTT LANEY, and other coconspirators,  
15 purchased or directed others to purchase Microsoft computer software at below market  
16 prices from persons who had obtained it directly or indirectly from Microsoft employees  
17 that had purchased it at a significant discount from the Microsoft Company Store, or had  
18 obtained it at no cost through the Microsoft IPO program.

19 n. Tobias Grace and SCOTT LANEY, and other coconspirators,  
20 purchased or directed others to purchase Academic Edition versions of Microsoft  
21 computer software at market prices for that product, but below market prices for the same  
22 retail product, from various sources; caused counterfeit labels to be affixed thereto and/or  
23 counterfeit packaging and documentation to be accompany it; and sold or attempted to  
24 sell the software to consumers.

25 o. Tobias Grace and SCOTT LANEY, and other coconspirators,  
26 purchased or directed others to purchase Microsoft computer software for use by OEMs  
27 at below market prices; caused counterfeit labels to be affixed thereto and/or counterfeit  
28

1 packaging and documentation to accompany it; and sold or attempted to sell the software  
2 to consumers.

3 p. Tobias Grace and SCOTT LANEY, and other coconspirators,  
4 recruited other persons to obtain and manufacture counterfeit labels, including counterfeit  
5 Certificate of Authenticity (hereinafter "COA") labels, and apply them to Microsoft and  
6 other companies' computer software or packaging.

7 q. Tobias Grace and SCOTT LANEY, and other coconspirators,  
8 recruited other persons to alter genuine labels on Microsoft and other companies'  
9 computer software or packaging, so as to produce counterfeit labels, or alter genuine  
10 Microsoft and other companies' computer software packaging and documentation so as to  
11 produce counterfeit Microsoft and other companies' computer software packaging and  
12 documentation.

13 r. Tobias Grace and SCOTT LANEY, and other coconspirators,  
14 recruited other persons to alter the EULAs for Microsoft and other companies' computer  
15 software to increase the number of authorized users for the software.

16 s. Tobias Grace and SCOTT LANEY, and other coconspirators,  
17 recruited other persons to package and ship Microsoft and other companies' computer  
18 software or packaging, with counterfeit labels affixed on them, or counterfeit  
19 documentation or packing included with them, to customers of Tobias Grace and SCOTT  
20 LANEY's businesses including the businesses identified in paragraph 8.c. above using  
21 facilities of interstate or foreign commerce, including Federal Express.

22 t. The persons that Tobias Grace and SCOTT LANEY hired and  
23 directed in the activities described in paragraphs 8.l. through 8.s. above include, but are  
24 not limited to: Donald Desrochers, DRD Enterprises, Arlyn Maldonado, Terry Haber,  
25 Tony Villani, Tony Magedanz, Shawn Stockford, Travis Tabema, Jonathan White, Sarah  
26 White and Arnica Eller Grace.

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28 //

Overt Acts.

1  
2 u. In furtherance of the conspiracies, and to promote the objects  
3 thereof, Tobias Grace, SCOTT LANEY and other persons committed and caused to be  
4 committed, among others, the following overt acts:

5 i. On or about October 10, 2000, at the direction of Tobias  
6 Grace and SCOTT LANEY, Quest Computers sold Microsoft computer software to an  
7 undercover investigator for Microsoft Corporation, including Microsoft Windows 98 and  
8 Microsoft Office 2000, that included, among other things, counterfeit labeling on the CD-  
9 ROMs containing the computer software and counterfeit manuals.

10 ii. In or about 2001, Tobias Grace and SCOTT LANEY hired  
11 Donald Desrochers to work for Smart Software Sales, in Vancouver, Washington,  
12 including to manufacture and/or affix counterfeit labels to computer software and  
13 packaging, including Microsoft computer software and packaging.

14 iii. On or about September 13, 2001, SCOTT LANEY issued  
15 check number 8526, for \$10,000.00, payable to Donald Desrochers, with the notation  
16 "Cash for Seattle Trip COGS," from funds contained in Riverview Community Bank,  
17 Account No. 00505547325, opened in the name of Twenty First Century E Software, Inc.,  
18 doing business as Smart Software and, as added later, also doing business as FBSS Tech.

19 iv. On or about October 22, 2001, SCOTT LANEY obtained  
20 cashier's check number 227811, for \$57,675.00, payable to Robert Howdeshell, from  
21 funds contained in Riverview Community Bank, Account No. 00505547325, opened in  
22 the name of Twenty First Century E Software, Inc., doing business as Smart Software  
23 and, as added later, also doing business as FBSS Tech.

24 v. On or about February 8, 2002, SCOTT LANEY obtained  
25 cashier's check number 229580, for \$124,080.00, payable to Robert Howdeshell, from  
26 funds contained in Riverview Community Bank, Account No. 00505547325, opened in  
27 the name of Twenty First Century E Software, Inc., doing business as Smart Software  
28 and, as added later, also doing business as FBSS Tech.

1 vi. On or about April 8, 2002, SCOTT LANEY issued a check  
2 number 9212, for \$6,588.00, payable to Donald Desrochers, with the notation "PR," from  
3 funds contained in Riverview Community Bank, Account No. 00505547325, opened in  
4 the name of Twenty First Century E Software, Inc., doing business as Smart Software  
5 and, as added later, also doing business as FBSS Tech.

6 vii. In or about June 2002, Tobias Grace and SCOTT LANEY  
7 hired Sarah White to work for Smart Software Sales in Vancouver, Washington, as a  
8 receptionist and office assistant, and assigned her to deposit checks from the sale of  
9 *Microsoft computer software into various company bank accounts.*

10 viii. In or about November 2002, Tobias Grace and SCOTT  
11 LANEY hired Jonathan White to work for Smart Software Sales, in Vancouver,  
12 Washington, and assigned him to package and ship computer software to Smart Software  
13 Sales and/or FBSS Tech customers, and manufacture and/or affix counterfeit labels to  
14 computer software and packaging, including Microsoft computer software and packaging.

15 ix. On or about September 24, 2002, Tobias Grace issued check  
16 number 5101, for \$9,320.00, payable to Michael Ruffin, with the notation "COGS," from  
17 funds contained in Riverview Community Bank, Account No. 00505547325, opened in  
18 the name of Twenty First Century E Software, Inc., doing business as Smart Software  
19 and, as added later, also doing business as FBSS Tech.

20 x. On or about September 27, 2002, SCOTT LANEY issued  
21 check number 5136, for \$6,000.00, payable to Donald Desrochers, with the notation  
22 "COGS/Product Restoration," from funds contained in Riverview Community Bank,  
23 Account No. 00505547325, opened in the name of Twenty First Century E Software, Inc.,  
24 doing business as Smart Software and, as added later, also doing business as FBSS Tech.

25 xi. On or about November 11, 2002, Tobias Grace issued check  
26 number 5407, for \$4,350.00, payable to Donald Desrochers, with the notation "COGS,"  
27 from funds contained in Riverview Community Bank, Account No. 00505547325, opened  
28

1 | *in the name of Twenty First Century E Software, Inc., doing business as Smart Software*  
2 | *and, as added later, also doing business as FBSS Tech.*

3 |           xii.    On or about December 19, 2002, Tobias Grace issued check  
4 | *number 5654, for \$6,550.00, payable to Donald Desrochers, with the notation "Services,"*  
5 | *from funds contained in Riverview Community Bank, Account No. 00505547325, opened*  
6 | *in the name of Twenty First Century E Software, Inc., doing business as Smart Software*  
7 | *and, as added later, also doing business as FBSS Tech.*

8 |           xiii.   In or about January or February 2003, Tobias Grace and  
9 | SCOTT LANEY hired Travis Tabema to work for Smart Software Sales, in Vancouver,  
10 | Washington, and assigned him to package and ship computer software to Smart Software  
11 | Sales and/or FBSS Tech customers, and manufacture and/or affix counterfeit labels to  
12 | computer software and packaging, including Microsoft computer software and packaging.

13 |           xiv.    On or about January 7, 2003, SCOTT LANEY issued check  
14 | *number 5758, for \$13,970.00, payable to Donald Desrochers, with the notation "COGS,"*  
15 | *from funds contained in Riverview Community Bank, Account No. 00505547325, opened*  
16 | *in the name of Twenty First Century E Software, Inc., doing business as Smart Software*  
17 | *and, as added later, also doing business as FBSS Tech.*

18 |           xv.    On or about February 19, 2003, at the direction of Tobias  
19 | Grace and SCOTT LANEY, Smart Software Sales sold COA labels for Microsoft  
20 | computer software to an undercover investigator for Microsoft Corporation that had been  
21 | altered to remove the reference to the OEM names "Premio" and "IBM."

22 |           xvi.    On or about April 18, 2003, at the direction of Tobias Grace  
23 | and SCOTT LANEY, Smart Software Sales sold Microsoft computer software to an  
24 | undercover investigator for Microsoft Corporation, including Microsoft Windows 2000  
25 | and Picture It! Publishing, that included, among other things, COA labels that were  
26 | counterfeit and manuals that had been altered to remove the reference to the OEM name  
27 | "IBM."

28 |

1 xvii. On or about May 15, 2003, at the direction of Tobias Grace  
2 and SCOTT LANEY, Smart Software Sales sold Microsoft computer software to an  
3 undercover investigator for Microsoft Corporation, including Microsoft Windows 2000,  
4 that included, among other things, counterfeit manuals, counterfeit labeling on the CD-  
5 ROMs and a counterfeit COA label.

6 xviii. On or about August 1, 2003, SCOTT LANEY issued check  
7 number 7580, for \$12,050.00, payable to Mike Ruffin, with the notation "COGS," from  
8 funds contained in Riverview Community Bank, Account No. 00505547325, opened in  
9 the name of Twenty First Century E Software, Inc., doing business as Smart Software  
10 and, as added later, also doing business as FBSS Tech.

11 xix. On or about April 8, 2004, SCOTT LANEY issued check  
12 number 2045, for \$11,850.00, payable to DRD Enterprises, with the notation "COGS,"  
13 from funds contained in Riverview Community Bank, Account No. 00505557967, opened  
14 in the name of FBSS Tech.

15 xx. On or about April 22, 2004, SCOTT LANEY issued check  
16 number 2095, for \$18,045.00, payable to DRD Enterprises, with the notation "COGS,"  
17 from funds contained in Riverview Community Bank, Account No. 00505557967, opened  
18 in the name of FBSS Tech.

19 Objects of the Money Laundering Conspiracy.

20 v. To conduct or attempt to conduct financial transactions affecting  
21 interstate commerce involving proceeds of specified unlawful activity, that is, trafficking  
22 in counterfeit labels and computer program documentation, in violation of Title 18,  
23 United States Code, Section 2318, knowing that the property involved in the financial  
24 transactions represented the proceeds of some form of unlawful activity, and with the  
25 intent to promote the carrying on of the specified unlawful activity, all in violation of  
26 Title 18, United States Code, Section 1956(a)(1)(A); and,

27 w. To knowingly and willfully engage and attempt to engage in  
28 monetary transactions by, through, and to financial institutions, which monetary



1 transactions affected interstate and foreign commerce, in criminally derived property of a  
2 value greater than \$10,000.00, such property having been derived from specified unlawful  
3 activity, that is, trafficking in counterfeit labels and computer program documentation, in  
4 violation of Title 18, United States Code, Section 2318, all in violation of Title 18,  
5 United States Code, Section 1957.

6 Overt Acts.

7 x. In furtherance of the conspiracies, and to promote the objects  
8 thereof, Tobias Grace and SCOTT LANEY, and other persons known and unknown,  
9 committed and caused to be committed, among others, the following overt acts:

10 i. On or about August 14, 2001, SCOTT LANEY issued check  
11 number 4189, for \$19,000.00, payable to Donald Desrochers, with the notation "COGS  
12 Seattle," from funds contained in Riverview Community Bank, Account No. 505541068,  
13 opened in the name of QCW Technology Enterprises, Inc, doing business as Quest  
14 Computers, to pay Donald Desrochers for producing counterfeit labels for computer  
15 software to further the Conspiracy Charged in Count One of the Indictment.

16 ii. On or about December 10, 2002, SCOTT LANEY issued  
17 check number 5593, for \$12,659.00, payable to Donald Desrochers, with the notation  
18 "Services/COGS," from funds contained in Riverview Community Bank, Account No.  
19 00505547325, opened in the name of Twenty First Century E Software, Inc., doing  
20 business as Smart Software and, as added later, also doing business as FBSS Tech, for  
21 producing counterfeit labels for computer software to further the Conspiracy Charged in  
22 Count One of the Indictment.

23 iii. On or about December 16, 2002, SCOTT LANEY issued  
24 check number 5631, for \$10,267.00, payable to Donald Desrochers, with the notation  
25 "Services," from funds contained in Riverview Community Bank, Account No.  
26 00505547325, opened in the name of Twenty First Century E Software, Inc., doing  
27 business as Smart Software and, as added later, also doing business as FBSS Tech for  
28

1 producing counterfeit labels for computer software to further the Conspiracy Charged in  
2 Count One of the Indictment.

3 iv. On or about January 16, 2003, SCOTT LANEY issued check  
4 number 5825, for \$11,015.00, payable to DRD Enterprises, with the notation  
5 "COGS/Services," from funds contained in Riverview Community Bank, Account No.  
6 00505547325, opened in the name of Twenty First Century E Software, Inc., doing  
7 business as Smart Software and, as added later, also doing business as FBSS Tech, for  
8 producing counterfeit labels for computer software to further the Conspiracy Charged in  
9 Count One of the Indictment.

10 v. On or about February 19, 2003, SCOTT LANEY issued check  
11 number 6059, for \$12,960.00, payable to DRD Enterprises, with the notation  
12 "COGS/Services," from funds contained in Riverview Community Bank, Account No.  
13 00505547325, opened in the name of Twenty First Century E Software, Inc., doing  
14 business as Smart Software and, as added later, also doing business as FBSS Tech for  
15 producing counterfeit labels for computer software to further the Conspiracy Charged in  
16 Count One of the Indictment.

17 vi. On or about June 6, 2003, Tobias Grace issued check number  
18 6901, for \$37,803.00, payable to DRD Enterprises, with the notation "COGS," from  
19 funds contained in Riverview Community Bank, Account No. 00505547325, opened in  
20 the name of Twenty First Century E Software, Inc., doing business as Smart Software  
21 and, as added later, also doing business as FBSS Tech for producing counterfeit labels for  
22 computer software to further the Conspiracy Charged in Count One of the Indictment.

23 The Warehouse at 3315 NE 112th Avenue, Suites A42, A43 and A44, Vancouver, WA

24 y. During the conspiracies set forth above, Tobias Grace, SCOTT  
25 LANEY and other coconspirators used a number of different locations to store, produce,  
26 and ship counterfeit, and counterfeit labeled computer software, including Microsoft  
27 computer software. Those locations include, but are not limited to: (1) 12019 NE 99th  
28 Street, Suite 1710, Vancouver, Washington; (2) 6115 E 18th Street, Vancouver,

1 Washington; (3) 9006 NE 117th Avenue, Vancouver, Washington; (4) 2865 NE 65th  
2 Avenue, Unit C, Vancouver, Washington.

3 z. Beginning on or about February 2004, the warehouse located at 3315  
4 NE 112th Avenue, Suites A42, A43 and A44, in Vancouver, Washington (hereinafter "the  
5 Warehouse"), was used by Tobias Grace, SCOTT LANEY and other coconspirators  
6 during and in furtherance of the above-described conspiracies to produce, store and ship  
7 counterfeit, and counterfeit labeled computer software, including Microsoft computer  
8 software. Nevertheless, there is no evidence that SCOTT LANEY was ever physically  
9 present at the Warehouse during the above-described time period.

10 aa. On or about August 26, 2004, when law enforcement searched the  
11 Warehouse, it contained hundreds of thousands of pieces of computer software. In  
12 particular, it contained among other things, computer software on CD-ROM disks,  
13 computer software manuals, computer software packaging, COAs, EULAs, Client Access  
14 Licenses (hereinafter "CALs"), and other components of computer software from a  
15 variety of companies including, but not limited to, Microsoft. These items include:  
16 (1) counterfeit computer programs, (2) counterfeit labels affixed, or designed to be  
17 affixed to computer programs, and documentation or packaging for computer programs,  
18 and (3) counterfeit documentation or packaging for computer programs. The total retail  
19 value of the infringed items contained in the Warehouse is not less than nine million, four  
20 hundred and sixty-nine thousand, four hundred and sixteen dollars (\$9,469,416), but not  
21 more than twenty million dollars (\$20,000,000).

22 9. Sentencing Factors.

23 a. The parties agree and stipulate that in light of the statement of facts  
24 set forth in paragraph 8. above, the following Sentencing Guidelines provisions apply to  
25 his plea of guilty to Count One of the Indictment (Conspiracy to Traffic in Counterfeit  
26 Labels and Computer Program Documentation):

27 i. A base offense level of eight (8), pursuant to USSG  
28 § 2B5.3(a);

1                   ii.     A twenty (20) level increase in Defendant's offense level  
2 because the infringement amount is more than \$7,000,000, but not more than  
3 \$20,000,000, pursuant to USSG § 2B5.3(b)(1)(B) and § 2B1.1(b)(K);

4                   iii.    A three (3) level increase in Defendant's offense level  
5 because he was a manager or supervisor and the criminal activity involved five or more  
6 participants, pursuant to USSG § 3B1.1.

7                   iv.     A total offense level of thirty-one (31) pursuant to § 2B5.3(a)  
8 before the application of any other provisions of the United States Sentencing Guidelines.

9                   b.     The parties agree and stipulate that in light of the statement of facts  
10 set forth in paragraph 8. above, the following Sentencing Guidelines provisions apply to  
11 his plea of guilty to Count Two of the Indictment (Conspiracy to Engage in Money  
12 Laundering):

13                   i.     A base offense level of eight (8), pursuant to USSG  
14 § 2S1.1(a)(1) and § 2B5.3(a);

15                   ii.    A twenty (20) level increase in Defendant's offense level  
16 because the infringement amount is more than \$7,000,000, but not more than  
17 \$20,000,000, pursuant to USSG § 2S1.1(a)(1), § 2B5.3(b)(1)(B) and § 2B1.1(b)(K);

18                   iii.   A two (2) level increase in Defendant's offense level  
19 because he was convicted under Title 18, United States Code, Section 1956, pursuant to  
20 § 2S1.1(b)(2)(B).

21                   iv.    No upward or downward adjustment to Defendant's offense  
22 level based on his role in the offense, because he had neither an aggravating nor  
23 mitigating role with respect to the money laundering conspiracy, pursuant to USSG  
24 § 3B1.1 and § 3B1.2.

25                   v.     A total offense level of thirty (30) pursuant to § 2B5.3(a) and  
26 2S1.1, before the application of any other provisions of the United States Sentencing  
27 Guidelines.

28

1 c. The parties remain free to argue regarding the application of any  
2 other provision of the United States Sentencing Guidelines.

3 10. Sentencing on Multiple Counts. The parties further stipulate and agree  
4 pursuant to USSG § 3D1.1 and § 3D1.2, that Counts One and Two group together, and  
5 pursuant to USSG § 3D1.3(b), that the offense level applicable to Count One (Conspiracy  
6 to Traffic in Counterfeit Labels and Computer Program Documentation) as set forth in  
7 paragraph 9. applies in this case because it produces the greatest offense level under the  
8 United States Sentencing Guidelines.

9 11. Infringement Amount. For purposes of determining the appropriate  
10 sentence, the United States Attorney's Office for the Western District of Washington  
11 and Defendant stipulate and agree that in light of the statement of facts set forth in  
12 paragraph 8. above, the infringement amount in this case is not less than nine million,  
13 four hundred and sixty-nine thousand, four hundred and nineteen dollars (\$9,469,416),  
14 but not more than twenty million dollars (\$20,000,000).

15 12. Forfeiture of Contraband. Defendant also agrees pursuant to Title 18,  
16 United States Code, Section 2318(d), to the forfeiture and destruction or other disposition  
17 of all counterfeit labels or illicit labels and all articles to which counterfeit labels or illicit  
18 labels have been affixed or which were intended to have had such labels affixed, and of  
19 any equipment, device, or material used to manufacture, reproduce, or assemble the  
20 counterfeit labels or illicit labels, including but not limited to his interest in all items  
21 seized from:

- 22 a. 6518 NE 47th Street, Vancouver, Washington 98661.  
23 b. 23501 NE 120th Court, Battle Ground, Washington 98604.  
24 c. 237 NE Chaklov Drive, Suite 112, Vancouver, Washington 98684.  
25 d. 3315 NE 112th Avenue, Suites A42, A43 and A44, Vancouver,  
26 Washington 98682.  
27 e. 7929 NE St. Johns Blvd., Vancouver, Washington 98665.  
28 f. 35811 NE Lewisville Highway, Yacolt, Washington.

1           13.    Other Forfeiture. Defendant agrees to forfeit to the United States  
2 immediately all of his right, title and interest in any and all property, real or personal  
3 (a) constituting, or derived from, any proceeds traceable to the offense charged in Count  
4 One of the Indictment, that are subject to forfeiture pursuant to Title 28, United States  
5 Code, Section 2461©, Title 18, United States Code, Sections 981(a)(1)© and (b), that was  
6 involved in a transaction or attempted transaction in violation of the money laundering  
7 offense charged in Count Two of the Indictment, and any property traceable to such  
8 property, that is subject to forfeiture pursuant to Title 18, United States Code, Section  
9 982, including, but not limited to, the following assets and all proceeds therefrom:

10           a.       The residence and real property located at 23501 NE 120<sup>th</sup> Court,  
11 Battleground, Washington. The United States agrees that following entry of a  
12 Preliminary Order of Forfeiture with respect to this property, defendant Scott Laney and  
13 his family may continue to occupy this residence under an occupancy agreement with the  
14 United States Marshals Service, until such time as Scott Laney begins service of his  
15 prison sentence;

16           b.       Approximately \$22,000.00 in proceeds from the interlocutory sale  
17 of one (1) 2002 Chevrolet Tahoe, VIN 1GNEK12Z42R148707;

18           c.       Approximately \$55,124.37 representing the cash balance and  
19 proceeds from the sale of securities frozen in Southwest Securities Account # 677977315;

20           d.       Approximately \$82,620.70 representing the cash balance and  
21 proceeds from the sale of securities frozen Southwest Securities Account # 463199847;

22           e.       Approximately \$32,936.31 representing the cash balance and  
23 proceeds from the surrender of Northwestern Mutual Policy # 16545904;

24           f.       Approximately \$14,811.14 in proceeds from the Insurance Service  
25 Account, Northwest Mutual Life;

26           g.       Approximately \$141,593.71 in U.S. Currency seized at 23501 NE  
27 120<sup>th</sup> Court, Battleground, Washington;

1           h.       Approximately \$146,624.17 in proceeds from Riverview Community  
2 Bank Account # 0505557967, held in the name of FBSS Tech; and

3           i.       Approximately \$146,624.71 in proceeds from Riverview Community  
4 Bank Account # 0505547325, held in the name of Twenty First Century E-Software.

5           Defendant agrees that each of the listed assets is the proceeds of unlawful activity  
6 or involved in the money laundering violations as set forth in Counts One and Two of the  
7 Indictment.

8           Defendant agrees to fully assist the United States in the forfeiture of the listed  
9 assets and to take whatever steps are necessary to pass clear title to the United States,  
10 including but not limited to: surrendering title and executing any documents necessary to  
11 effectuate such forfeiture; assisting in bringing any assets located outside the  
12 United States within the jurisdiction of the United States; and taking whatever steps are  
13 necessary to ensure that assets subject to forfeiture are not sold, disbursed, wasted,  
14 hidden, or otherwise made unavailable for forfeiture. Defendant agrees not to file a claim  
15 to any of the listed property in any civil forfeiture proceeding, administrative or judicial,  
16 which may be initiated.

17           Defendant further agrees to provide a truthful proffer or statement regarding all of  
18 his assets, and to make a full and complete disclosure of all assets in which Defendant has  
19 any interest or over which Defendant exercises control and those which are held or  
20 controlled by a nominee(s). Defendant further agrees to submit to a polygraph  
21 examination on the issue of assets if it is deemed necessary by the United States.

22           The United States reserves its right to proceed against any remaining assets not  
23 identified in this Plea Agreement, including any property in which Defendant has any  
24 interest or control, if said assets, real or personal, tangible or intangible constitute or are  
25 traceable to proceeds of Title 18, United States Code, Section 2318, or were involved in  
26 violations of Title, 18, United States Code, Sections 1956 or 1957.

27           14.   Property Not Subject to Forfeiture. The United States agrees that it will not  
28 seek forfeiture of the following assets:



- a. a 2003 Chevrolet Suburban, VIN 3GNFK16Z63G194458; and
- b. \$77,861.24 from Riverview Community Bank Account

No. 0505541041.

15. Acceptance of Responsibility. The United States acknowledges that if Defendant qualifies for an acceptance of responsibility adjustment pursuant to USSG § 3E1.1(a) and if the offense level is sixteen (16) or greater, Defendant's total offense level should be decreased by three (3) levels pursuant to USSG §§ 3E1.1(a) and (b), because Defendant has assisted the United States by timely notifying the authorities of his intention to plead guilty, thereby permitting the United States to avoid preparing for trial and permitting the Court to allocate its resources efficiently.

16. Non-Prosecution of Additional Offenses. As part of this Plea Agreement, the United States Attorney's Office for the Western District of Washington agrees not to prosecute Defendant for any additional offenses known to it as of the time of this Agreement that are based upon evidence in its possession at this time, or that arise out of the conduct giving rise to this investigation. In this regard, Defendant recognizes that the United States has agreed not to prosecute all of the criminal charges that the evidence establishes were committed by Defendant solely because of the promises made by Defendant in this Agreement. Defendant acknowledges and agrees, however, that for purposes of preparing the Presentence Report, the United States Attorney's Office will provide the United States Probation Office with evidence of all relevant conduct committed by Defendant.

17. Voluntariness of Plea. Defendant acknowledges that he has entered into this Plea Agreement freely and voluntarily, and that no threats or promises, other than the promises contained in this Plea Agreement, were made to induce Defendant to enter these pleas of guilty.

18. Statute of Limitations. In the event that this Agreement is not accepted by the Court for any reason, or Defendant has breached any of the terms of this Plea Agreement, the statute of limitations shall be deemed to have been tolled from the date of

1 the Plea Agreement to: (1) thirty (30) days following the date of non-acceptance of the  
2 Plea Agreement by the Court; or (2) thirty (30) days following the date on which a breach  
3 of the Plea Agreement by Defendant is discovered by the United States Attorney's Office.

4 19. Post-Plea Conduct. Defendant understands that the terms of this Plea  
5 Agreement apply only to conduct that occurred prior to the execution of this Agreement.

6 If, after the date of this Agreement, Defendant should engage in illegal conduct, or  
7 conduct that is in violation of his/her conditions of release (examples of which include,  
8 but are not limited to: obstruction of justice, failure to appear for a court proceeding,  
9 criminal conduct while pending sentencing, and false statements to law enforcement  
10 agents, the Pretrial Services Officer, Probation Officer or Court), the United States is free  
11 under this Agreement to seek a sentence that takes such conduct into consideration. Such  
12 a sentence could include a sentencing enhancement under the United States Sentencing  
13 Guidelines or an upward departure from the applicable sentencing guidelines range.

14 20. BOP Placement. The United States does not object to any request that  
15 Defendant might make at the time of sentencing that the Court recommend that he serve  
16 any term of imprisonment at FDC Sheridan, even if this results in Defendant serving any  
17 term of imprisonment at the same facility with Tobias Grace.

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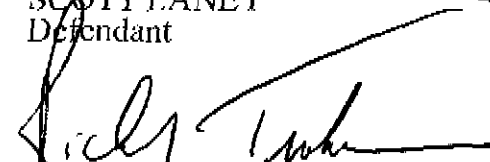
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1           21.    Completeness of Agreement. The United States and Defendant  
2 acknowledge that these terms constitute the entire Plea Agreement between the parties.  
3 This Agreement only binds the United States Attorney's Office for the Western District of  
4 Washington. It does not bind any other United States Attorney's Office or any other  
5 office or agency of the United States, or any state or local prosecutor.

6           DATED this 23<sup>rd</sup> day of February, 2006.

7  
8   
9 SCOTT LANEY  
Defendant

10  
11   
12 RICHARD TROBERMAN  
Attorney for Defendant

13  
14   
15 CARL BLACKSTONE  
Assistant United States Attorney

16  
17   
18 ANNETTE L. HAYES  
Assistant United States Attorney

19  
20   
21 RICHARD E. COHEN  
Assistant United States Attorney