

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CLERK, U. S. DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
FILED
10/30/00
MICHAEL N. MILBY, CLERK
BY DEPUTY *E. Amador*

UNITED STATES OF AMERICA

v.

STEVEN C. ROBERTS

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CRIMINAL NUMBER H-00-140

JUDGE DAVID HITTNER

PLEA AGREEMENT

The United States Attorney for the Southern District of Texas (the United States), Steven C. Roberts (defendant) and David Adler (defendant's counsel) have entered into the following plea agreement under Fed. R. Crim. P. 11(e)(1)(B).

1. Defendant, Steven C. Roberts, agrees to plead guilty to count(s) one (1) through seven (7) of the indictment in this case. Count(s) one (1) through seven (7) charge defendant with mail fraud, in violation of 18 U.S.C. § 1343.

Defendant's Obligations

2. Defendant agrees to cooperate fully with the United States and to provide all information relating to any criminal activity known to defendant, including but not limited to the offenses charged in this case. Defendant understands that such information may be provided to any state, local or federal law enforcement agency. In that regard:

(a) Defendant and his attorney agree that this plea agreement binds only the United States Attorney for the Southern District of Texas and defendant; it does not bind any other United States Attorney or any unit of the Department of Justice other than the United States Attorney for the Southern District of Texas.

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(b) Defendant agrees to testify as a witness before any grand jury as may be requested by the United States, and at any other judicial proceedings when called upon to do so.

(c) Defendant agrees to be reasonably available for interviews and conferences as the United States may request.

(d) Defendant agrees to provide truthful, complete and accurate information and testimony.

(e) Defendant agrees to provide all documents, records, writings or tangible objects or materials of any kind in defendant's possession or under his custody or control relating directly or indirectly to all areas of inquiry and investigation.

United States' Obligations

3. As part of this agreement, the United States agrees to each of the following:

(a) This plea agreement binds only the United States Attorney for the Southern District of Texas and defendant; it does not bind any other United States Attorney or any other United States Attorney's office.

(b) If defendant pleads guilty to count(s) one (1) through seven (7) of the indictment and persists in that plea through the time of sentencing, and if the Court accepts this plea agreement, the United States will not charge defendant with committing any other federal criminal offenses arising from the conduct charged in the indictment which was known to the United States at the time of the execution of this plea agreement, subject to the exceptions listed in paragraph 13.

(c) The United States will bring this plea agreement and the full extent of

defendant's cooperation to the attention of other prosecuting offices if defendant or his counsel submit a written request.

(d) At the time of sentencing, the United States agrees not to oppose defendant's request to the Court and the United States Probation Office that he receive a two (2) level downward adjustment of his offense level for acceptance of responsibility, under U.S.S.G. § 3E1.1(a), assuming that defendant actually accepts responsibility for his actions in this case.

(e) At the time of sentencing, the United States agrees not to oppose defendant's request to the Court and the United States Probation Office that he receive an additional one (1) level downward adjustment of his offense level for timely providing complete information to the United States concerning his role in the offense or for timely notifying the United States of his intent to plead guilty, under U.S.S.G. §§ 3E1.1(b)(1) or 3E1.1(b)(2), respectively.

Punishment Range

4. The penalty for each violation of 18 U.S.C. § 1343 is a term of imprisonment of not more than five (5) years, 18 U.S.C. § 1343, a fine of not more than two hundred and fifty thousand dollars (\$250,000), 18 U.S.C. § 3571(b)(3), or both the fine and the imprisonment, 18 U.S.C. § 1343; a possible period of supervised release not more than 3 (three) years, 18 U.S.C. §§ 3559(a)(4) and 3583(b)(2); and a mandatory special assessment of one hundred dollars (\$100) per count of conviction, under 18 U.S.C. § 3013(a)(2)(A). Additionally, under 18 U.S.C. § 3571(d), the Court may impose an alternative fine not to exceed twice the gross pecuniary gain defendant derived from the offense or twice the gross pecuniary loss suffered, which would be approximately one million

five hundred thousand dollars (\$1,500,000) under the facts of this case. Defendant acknowledges and understands that if he should violate the conditions of any period of supervised release which may be imposed as part of his sentence, then defendant may be imprisoned for up to two(2) years without credit for time already served on the term of supervised release prior to such violation. 18 U.S.C. § 3583(e)(3). Defendant cannot be placed on probation or have the imposition or execution of the sentence suspended. Further, defendant is not eligible for parole.

Mandatory Special Assessment

5. Immediately after sentencing, defendant will pay to the United States District Court Clerk a special assessment in the amount of one hundred dollars (\$100) per count of conviction, for a total of seven hundred dollars (\$700), as required by 18 U.S.C. § 3013(a)(2)(A). The payment will be by cashier's check or money order payable to United States District Court Clerk, and it will be hand delivered to the Chief, Financial Litigation Unit, United States Attorney's Office, 910 Travis, Suite 1500, Houston, Texas.

Fine and Restitution

6. Defendant agrees that any fine, restitution or special assessment imposed by the Court will be due and payable immediately.

Financial Information

7. Defendant agrees to make complete financial disclosure by truthfully executing a sworn financial statement (Form OBD-500) at least four (4) weeks prior to sentencing. The information provided on the financial statement is done so with the knowledge of the penalties for false statements pursuant to 18 U.S.C. § 1001 (not more than 5 years imprisonment and/or a fine of not more than \$250,000) and with the knowledge that the financial statement is submitted to affect

some action by the Department of Justice. Defendant acknowledges that the financial statement is submitted to affect some action by the United States Probation Office.

Bankruptcy Waiver

8. Defendant agrees not to attempt to avoid paying any fine or restitution imposed by the Court through any proceeding pursuant to the United States Bankruptcy Code. Defendant waives all rights, if any, to obtain discharge or to delay payment of any fine or restitution obligation or alter the time for payment by filing a petition pursuant to the Bankruptcy Code. Defendant stipulates that enforcement of any fine or restitution obligation by the United States or a victim is not barred or affected by the automatic stay provisions of the United States Bankruptcy Code (11 U.S.C. § 362), and that enforcement of any fine or restitution obligation by the United States is a valid exercise of its police or regulatory power within the meaning of 11 U.S.C. § 362(b). Defendant stipulates and agrees not to institute or participate in any proceeding to interfere with, alter, or bar enforcement of any fine or restitution obligation pursuant to the automatic stay or other provision of the Bankruptcy Code in any case filed by defendant or defendant's creditors. Upon request of the United States or the victim, defendant will execute an order or stipulation granting the United States or the victim relief from the automatic stay or other Bankruptcy Code provisions in order to enforce any fine or restitution obligation. Defendant stipulates that any fine or restitution obligation imposed by the Court is not dischargeable in any case commenced by defendant or defendant's creditors pursuant to the Bankruptcy Code. Defendant's waivers and stipulations or agreements set forth above are made in exchange for the United States' concessions set forth in this plea agreement.

Final Sentence

9. Defendant understands that the sentence to be imposed is within the discretion of the sentencing judge. If the Court should impose any sentence up to the maximum established by statute, defendant cannot, for that reason alone, withdraw a guilty plea and will remain bound to fulfill all of the obligations under this plea agreement.

Waiver of Appeal

10. Defendant is aware that his sentence will be imposed in accordance with the United States Sentencing Commission's Guidelines Manual. Defendant nonetheless acknowledges and agrees that the Court has jurisdiction and authority to impose any sentence within the statutory maximum set for the offenses to which the defendant pleads guilty. Defendant is aware that 18 U.S.C. § 3742 affords a defendant the right to appeal the sentence imposed. Knowing that, defendant waives the right to appeal his sentence or the manner in which it was determined on the grounds set forth in 18 U.S.C. § 3742, except that defendant may appeal a sentence imposed above the statutory maximum or an upward departure from the Sentencing Guidelines which was not requested by the United States. This agreement does not affect the rights or obligations of the United States as set forth in 18 U.S.C. § 3742(b).

11. In agreeing to this waiver, defendant is aware that a sentence has not yet been determined by the Court. Defendant is also aware that any estimate of the probable sentencing range under the sentencing guidelines that he may have received from his counsel, the United States or the Probation Office, is a prediction, not a promise, and is not binding on the United States, the Probation Office or the Court. The United States does not make any promise or representation concerning what sentence defendant will receive. Realizing the uncertainty in estimating what sentence defendant will ultimately receive, defendant knowingly waives the right to appeal the

sentence in exchange for the concessions made by the United States in this plea agreement.

United States' Non-Waiver of Appeal

12. The United States reserves the right to carry out its responsibilities under guidelines sentencing. Specifically, the United States reserves the right:

- (a) to bring its version of the facts of this case including its file and any investigative files to the attention of the Probation Office in connection with that office's preparation of a presentence report;
- (b) to dispute sentencing factors or facts material to sentencing;
- (c) to seek resolution of such factors or facts in conference with defendant's counsel and the Probation Office; and
- (d) to file a pleading relating to these issues under U.S.S.G. § 6A1.2.

Further Prosecution

13. The United States agrees that, with the exception of bankruptcy fraud, internal security offenses, air piracy offenses and Title 26 offenses, none of which the United States is aware exist, it will not further prosecute defendant in the Southern District of Texas for offenses in the indictment. This plea agreement binds only the United States Attorney for the Southern District of Texas, it does not bind any other United States Attorney. The United States will bring this plea agreement and the full extent of the defendant's cooperation to the attention of other prosecuting offices if requested.

Waiver of Statutory and Constitutional Rights

14. Defendant represents to the Court that he is satisfied that his attorney has rendered effective assistance. Defendant understands that by entering into this plea agreement, he surrenders

certain rights as provided in this plea agreement. Defendant understands that the rights of defendants include the following:

(a) If defendant persisted in a plea of not guilty to the charges, defendant would have the right to a speedy jury trial with the assistance of counsel. The trial may be conducted by a judge sitting without a jury if defendant, the United States and the court all agree.

(b) At a trial, the United States would be required to present its witnesses and other evidence against defendant. Defendant would be able to confront those witnesses and his attorney would be able to cross-examine them. In turn, defendant could, but would not be required to, present witnesses and other evidence on his own behalf. If the witnesses for defendant would not appear voluntarily, he could require their attendance through the subpoena power of the court.

(c) At a trial, defendant could rely on a privilege against self-incrimination and decline to testify, and no inference of guilt could be drawn from such refusal to testify. However, if defendant desired to do so, he could testify on his own behalf.

Civil Disability

15. Defendant further understands that he will be adjudicated guilty of the offenses to which he has pleaded guilty and may thereby be deprived of certain civil rights such as the right to vote, to hold public office, to serve on a jury and to possess firearms. If defendant is not a United States citizen, he understands that may be subject to deportation as a result of this criminal conviction.

Factual Basis for Guilty Plea

16. Defendant is pleading guilty because he is guilty of the charges contained in counts one (1) through seven (7) of the indictment. The United States alleges that, if this case went to trial, it could prove all of the following facts beyond a reasonable doubt. However, the parties agree that this factual basis does not include all relevant conduct that may be considered by the Court for sentencing purposes.

17. Beginning in the summer of 1996, Steven C. Roberts (Roberts) was introduced to an investment program operated by Randall L. Garrett (Garrett) by Kerry Maiden (Maiden). The Garrett program was a Ponzi or "pyramid" scheme. Roberts' collected investor funds and Roberts forwarded those funds to Maiden, who forwarded the funds to Garrett. Roberts was allowed to recruit his own brokers to sell the investment program.

18. Roberts promised investors a high rate of return, usually between 6% and 10% per month. The returns were to be paid approximately 90 days after the funds were invested. The principal was also to be guaranteed by a surety. Investors were told that their funds were invested in a secret international investment program. Roberts described this program to investors either directly or indirectly through his own downline brokers.

19. Roberts and Maiden agreed that Roberts would receive some percentage as commission. All commissions were paid at the same time that the investors received their returns.

20. The Garrett program stopped paying returns in February, 1997. The Garrett program ceased operations in May, 1997, when the FBI executed search warrants at Garrett's business and arrested Garrett. Garrett was later convicted of wire fraud, mail fraud and money laundering in the Southern District of Texas.

21. Roberts continued to collect investor funds after May, 1997, but Roberts began

investing these funds in a program offered by Robert Cord, a/k/a Robert Neibors, a/k/a Robert Schnoonover (Cord). The Cord program was similar to the Garrett program in that investors were promised high returns, guaranteed safety of their principal and a specific investment vehicle (e.g., various international trade programs).

22. The Cord program made only one payment to Roberts. The exact nature of this payment is unknown.

23. The Cord program was stopped in August, 1997, when the FBI executed search warrants at Cord's offices in Houston and tried to locate Cord to execute an arrest warrant for Cord. Cord was later convicted of mail fraud in the Southern District of Texas.

24. Roberts continued to collect investor funds throughout the fall of 1997.

25. The federal investigation of Garrett and Cord revealed that both Garrett and Cord took investor funds and spent those funds. The funds were never invested in any investment vehicle.

26. Despite the shutdown of the Garrett program and the Cord program, Roberts continued to pay "investment returns" to investors in both of those programs. Roberts also took investor funds and spent those funds for his personal benefit. Roberts forwarded only a small portion of the funds he collected to alleged investment programs. Roberts invested no investor funds in a legitimate investment.

27. Charles Michael Lewis (Lewis) lived in The Woodlands, Texas, and attended church with Roberts at Spring Woodlands Church of Christ.

28. Roberts told Lewis that he was in the investment business. Lewis contacted Roberts about investing for his children's college education.

29. Roberts gave Lewis information regarding venture capital programs. Lewis

understood that Roberts was dealing in international loans. Roberts used Russia as an example. If Russia needed to borrow funds, the government went to one of seven banks that did these types of loans. Commitment holders put loan packages together. If the loan was approved, investors could earn 6% to 8% per month for one year. If the loan was not approved, investors received an immediate return of 6% to 8%.

30. Roberts told Lewis that this was "how European royalty made money." Roberts told Lewis that "a few years ago these programs opened to allow ordinary people to invest." Roberts indicated that he only had five investors and made Lewis feel fortunate to be invited into the program. Roberts said these programs had been operating for a long time.

31. Roberts never told Lewis who Roberts was working for. Lewis had the impression that Roberts did not want him to know who the "traders" were. Roberts did say that there were 12 commitment holders and their identities were "closely guarded."

32. Roberts told Lewis that the investment was guaranteed by the banks putting the trades together or by the United States because these were government to government international loans. Lewis never saw the guarantee, but Lewis said that Roberts said that the guarantees were in place. The guarantee of the investment was important to Lewis and his wife.

33. Roberts was to receive a commission on Lewis' investments, but this was not a front-end commission.

34. Lewis invested \$10,000 on November 30, 1996. These funds were borrowed from Lewis' stock plan. Lewis would earn 6% interest (\$600) per month. Lewis received interest payments on March 25, May 5, May 27 and June 30, 1997. Lewis received one payment via Federal Express. Lewis also received letters from Roberts via United States mail. Lewis received a letter

from Roberts dated May 27, 1997 (Count 1).

35. Roberts sent Lewis a letter dated June 30, 1997, in which Roberts stated that there had been a change in the program (Count 2). Roberts told Lewis that there was an opportunity to increase the return to 20% per month. Lewis signed an agreement to change programs on July 6, 1997. On August 5, 1997, Roberts wire transferred \$2,000 to Lewis at Woodforest National Bank. Roberts did not indicate that there was any problem with the program.

36. When the next payment came due in September, 1997, Roberts told Lewis that "everyone in Europe goes on holiday in August." Lewis saw Roberts at church on Sundays throughout the fall of 1997. Roberts told Lewis to try to be patient.

37. In December, 1997, or January, 1998, Roberts told Lewis that one of the individuals involved in the program disappeared with the funds.

38. Edward J. Bellow (Bellow) lived in Frisco, Texas. Bellow was a personal friend of Roberts' mother-in-law and father-in-law.

39. Roberts told Bellow about trade programs in December, 1996. Roberts described the investment as having something to do with the Federal Reserve and trading foreign currency. The principal was guaranteed by an insurance bond from Galaxy International. The investment returned 8% per month for one year.

40. Bellow invested \$50,000 on December 11, 1996, and expected to receive his first return in March, 1997. On March 24, 1997, Bellow received his first return of \$4,000 in the form of a check from Roberts. Bellow received this check in the mail. Bellow suggested that Roberts wire all future returns to his bank.

41. On May 5, 1997, Bellow received his return for April, 1997. Roberts sent Bellow

a letter dated May 5, 1997, explaining why the return was a little late (Count 3).

42. Sometime in April, 1997, Roberts presented a second program to Bellow. On April 18, 1997, Bellow invested \$50,000 in this second program.

43. By letter dated June 30, 1997, Roberts stated that he had the opportunity to move the investment from the first program to a second program with a high return (Count 4). The new program returned 12% to 20% per month for one year. Roberts included a new contract for Bellow to sign and return.

44. Bellow received his first return of \$20,000 in July, 1997. Bellow received \$10,000 on August 5, 1997. Bellow did not question the amount because to him it was understandable that the rate of return would fluctuate.

45. On August 1, 1997, Roberts sent Bellow a letter via United States mail. The letter stated that Roberts had "great news." Roberts had obtained a discount of the present program. Roberts offered Bellow three options: (1) receive a return of his principal and interest; (2) receive a return of a portion of his principal and interest; or (3) put the principal back in the program. Bellow decided to put the principal back in the program.

46. In the fall of 1997, Bellow was waiting on returns from the investment. On September 8, 1997, Bellow received a letter from Roberts which contained a letter of explanation from Wayne Melson. The crux of the letter from Wayne Melson was that the investment program was associated with Robert Cord and that the investment program had been terminated. Bellow did not know who Melson was. This was also the first time that Bellow heard of Robert Cord.

47. Frank Lewis Harrigan (Harrigan) lived in League City, Texas. Harrigan was introduced to Roberts by Danny Allcorn and Danny's brother, Rod Allcorn. Rod Allcorn knew

Roberts from the insurance industry.

48. Roberts was offering an international investment opportunity which was explained in the paperwork given to Harrigan by Roberts at Roberts' office in The Woodlands, Texas.

49. Roberts told Harrigan that the investment was guaranteed. Roberts also said the minimum investment was \$10,000.

50. Harrigan invested \$10,000 on March 19, 1997. Harrigan received a letter from Roberts dated April 3, 1997 (Count 5). The letter listed the date that the investment was put into trade and the date that the first return was anticipated.

51. Roberts sent Harrigan a letter dated May 1, 1997, which explained why the first return was late (Count 6).

52. Harrigan invested an additional \$20,000 on June 10, 1997. Harrigan received two interest payments totaling \$3,000 in July, 1997.

53. Roberts told Harrigan that Harrigan could earn an "override" by bringing others into the program. Harrigan provided letters regarding the override. Harrigan brought six investors into the program including his son and his daughter.

54. Roberts gave numerous excuses for the delay in payment of returns. Roberts told Harrigan that he held shares of stock in a corporation that was about to go public. Roberts promised to repay Harrigan when he sold the shares.

55. Joseph M. Lacey (Lacey) lived in Houston, Texas, when he invested. Lacey later moved to Navarre, Florida. Lacey was introduced to the investment by Harrigan, Danny Allcorn, and Rod Allcorn. Lacey also met with Roberts in May, 1997.

56. Roberts told Lacey that the investment was risk free because the investment was

protected by a surety bond.

57. On May 22, 1997, Lacey invested \$10,000 in the form of a cashier's check with Danny Allcorn. Lacey received a letter dated May 27, 1997, via United States mail from Funding Resource Group (Count 7). Enclosed with the letter was a joint venture agreement and agreement of performance.

58. Lacey invested an additional \$10,000 on June 2, 1997. Lacey received one return in the amount of \$1,000 in July, 1997.

59. Carolyn Don Hicks (Hicks) lived in Sulpher Springs, Texas.

60. In 1996, Raymond Parr told Hicks he was investing in a program called asset leveraging that traded currency in foreign countries. Parr told Hicks that the program was working. Parr offered Hicks an opportunity to invest.

61. The minimum investment was \$10,000. The program paid 10% per month for twelve months. Parr told Hicks that he would pay Hicks 2% more than other investors because Hicks and Parr had ongoing business relations. Parr told Hicks that he would receive his first payment 3 to 4 months after the investment was made.

62. Hicks initially invested \$10,000 but invested more throughout the year when he started receiving payments. Hicks sent his funds to Parr.

63. Hicks received payments as expected. As the checks came in Hicks was more and more excited. Hicks received checks regularly until December, 1997.

64. Hicks set up a seminar to introduce the investment program to other investors. Roberts attended the meeting and introduced himself as the "facilitator."

65. Hicks knew Roberts because they both served on the board for National College

Funding Services. Hicks respected Roberts and Roberts' involvement validated the investment program for Hicks.

66. Hicks made a tape recording at one seminar concerning the investment program given by Roberts.

67. Hicks was to receive a commission when his investors received their returns. Parr and Roberts also received commissions. Roberts told Hicks that the commissions were paid only when the returns were paid. None of the investor funds were to be used for business expenses and there was no advanced fee.

68. Cletus Burl Burgess, a/k/a Trey Burgess (Burgess), lived in The Woodlands, Texas. Burgess met Roberts in approximately 1990 at Spring Woodlands Church of Christ where Burgess worked as a youth minister.

69. In late 1996, Roberts contacted Burgess and told Burgess that he was working in investments and needed some help in the office. Burgess met with Roberts and Roberts told Burgess that he was working with international investments called asset leveraging. Roberts explained that asset leveraging involved loans with a 10:1 ratio used the International Monetary Fund (IMF). The IMF used the money to invest in third world countries.

70. Burgess started working for Roberts in February, 1997. Burgess duties were all administrative. Roberts gave Burgess the title of administrative assistant.

71. Initially, Roberts was working with Kerry Maiden of MKM Marketing. Roberts had approximately 10 investors and Roberts placed their funds with Maiden.

72. Burgess said that Roberts also worked with Robert Cord. Cord offered a "183 program," which was another leveraged investment that required a minimum investment of

\$183,000 and which was secured by a surety bond. Cord gave Roberts insurance certificates showing the investment was guaranteed by an offshore insurance company.

73. Burgess said that Roberts was a former insurance salesman and had a lot of contacts from the insurance business. Raymond Parr was one of Roberts' contacts. Parr brought money into the programs Roberts was marketing. Parr did not bring the investors to Roberts only the investor's funds. Roberts contracted with Parr and Parr contracted with his own investors.

74. Burgess said that Roberts invested with Cord, but in June, 1997, Cord started stalling. Prior to June, 1997, Roberts said that Cord's program was paying. Things started to snowball in July, 1997. Roberts was using new investor money to pay returns to old investors.

75. In the fall of 1997, Roberts was introduced to Steve Dunham by Bert Farnsworth. Dunham offered the same type of asset leveraging program with a monthly return. Roberts was supposed to be paid a monthly commission. Roberts was not collecting investor funds at this time but did introduce investors to Dunham. Investors introduced to Dunham by Roberts sent approximately \$1.3 million to Arrow Trust, an attorney's account, for the benefit of Dunham.

76. Burgess said that Roberts was introduced to Paul Purshouser by Joe Hillner of San Antonio, Texas. Roberts sent \$600,000 to Purshouser's company (Casavic) as an investment. Purshouser told Roberts that the investment did not work and that Purshouser was keeping the \$600,000 as his fee.

77. Burgess said that, in November, 1997, Roberts started working with Terry Murphy of Sodona, Arizona. Burgess did not know how Roberts met Murphy. Murphy had another asset leveraging program. Roberts sent over \$1 million to Murphy.

78. Burgess continued working for Roberts because Burgess had convinced his mother

to invest \$50,000 and Burgess felt an obligation to stay and monitor the investments. Burgess also got two of his friends to invest a total of \$25,000. Roberts collected approximately three hundred thousand dollars (\$300,000) from members of the Spring Woodlands Church of Christ.

79. Burgess did not get paid by Roberts after February, 1998. Burgess continued working for Roberts until July, 1998.

80. Burgess said that Roberts used investor money to pay Roberts' expenses. Burgess never saw money coming into Roberts' account from MKM Marketing, but Roberts continued to pay investors in the MKM Marketing program until June, 1997. Roberts "rolled" these investors into the Cord program. However, Burgess said that "this was all on paper, no money changed hands." Roberts sent approximately \$2 to \$3 million to Cord, but Roberts collected much more than this from investors.

81. Initially Roberts used account number 52308 at Woodforest National Bank. This account was styled "Steven C. Roberts, d/b/a Funding Resource Group." Account number 52308 was opened on September 6, 1996, with an initial deposit of \$200.

82. The FBI obtained bank records for Woodforest account number 52308.

83. On November 12, 1996, Roberts deposited a check from Charles Michael Lewis, in the amount of \$10,000, and a check from Capitol American Life Insurance Company, in the amount of \$423.23, into account number 52308. The balance in the account prior to this deposit was \$1,112.34.

83. On November 13, 1996, Roberts made a cash withdrawal of \$4,000 from account number 52308.

84. On November 14, 1996, 1996, Roberts wrote a check to Star Furniture in the amount

of \$800 from account number 52308. Roberts also made numerous other withdrawals for personal items, including a payment of \$71.13 to the Lake Houston Golf Club.

85. On November 20, 1997, the balance in account number 52308 was \$1,867.98.

86. On December 11, 1996, Roberts deposited a cashier's check from Edward J. Bellow, in the amount of \$50,000, into account number 52308. The balance in account number 52308 prior to this deposit was \$2,291.77.

87. On December 11, 1996, Roberts made a cash withdrawal from account number 52308 in the amount of \$4,000. On the same day, Roberts wrote a check to Woodforest National Bank, in the amount of \$695.50, for a loan payment. On the same day, Roberts wire transferred \$40,000 to Maiden.

88. Throughout the life of this account, Roberts collected investor funds, sent some of the funds to "investment programs." Roberts also used some of the funds for personal expenses. Roberts also used some of the investor funds to pay investment returns.

89. From September 16, 1996, through February 20, 1998, Roberts received approximately \$6.7 million from investors. During this period, Roberts sent approximately \$3.8 million to programs offered by Garrett, Cord, and Purshouser. Roberts kept approximately \$3.5 million. Roberts used approximately \$2.5 million of this money to pay investor returns and Roberts used approximately \$750,000 of this money for personal expenses, including new cars and home improvements.

90. On August 4, 1997, Roberts opened account number 75481, which was styled "FRG Assets," at Woodforest National Bank. Roberts transferred funds to this account and used those funds to pay office expenses and to pay returns to investors. The majority of deposits into this

account were in the form of checks from "Mezuzah, Inc.," which were signed by Roberts.

91. On August 4, 1997, Roberts opened account number 75473, which was styled "FRG Ministries", at Woodforest Bank. Roberts transferred funds to this account and used those funds to pay office expenses and to pay returns to investors. The majority of deposits into this account were in the form of checks from "Mezuzah, Inc.," which were signed by Roberts.

Hyde Amendment Waiver

92. Defendant agrees that the position of the United States in its decision to charge him, or to pursue any charge against him, is neither vexatious, frivolous, nor in bad faith. In accord with this agreement, defendant waives all rights he has or may acquire under the "Hyde Amendment" to the Department of Justice's Appropriations Bill (H.R. 2267) for fiscal year 1998, including any implementing regulation or rule (collectively referred to herein as the "Hyde Amendment"), to recovery of attorney's fees and other litigation expenses related to any investigation or prosecution of the counts in the Indictment, and to any transactions or conduct related to, arising from or associated with those counts. Defendant agrees that he will not file any motion, request or other cause of action, nor will he request, authorize or allow any other person to file or make any such motion, request or other cause of action on his behalf.

Probation Office Access to Records

93. Defendant understands that nothing in this plea agreement will restrict access by the Probation Office or the Court to information and records in the possession of the United States, including that obtained from defendant.

Breach of Plea Agreement

94. If defendant should fail in any way to fulfill completely all of the obligations under

this plea agreement, the United States will be released from its obligations under the plea agreement. Thus, for example, if at any time defendant retains, conceals or disposes of assets in violation of this plea agreement; or if defendant knowingly withholds evidence, or otherwise is not completely truthful with the United States, an officer of the United States, any law enforcement officer, or in testimony before the grand jury or at trial; or if defendant knowingly gives false information to the United States relating to another's participation in criminal activity, then:

- (a) Defendant may be prosecuted for perjury, false declaration, false statement, and/or obstruction of justice or any other offenses that may have been committed;
- (b) Any information and documents that have been disclosed by defendant, whether prior to or subsequent to this plea agreement, and all leads derived therefrom will be used against defendant in any prosecution;
- (c) The United States will be permitted to recommend to the Court any sentence it considers appropriate, up to and including the maximum possible sentence.
- (d) Whether defendant has breached any provision of this plea agreement, if contested by the parties, shall be determined by the Court in an appropriate proceeding during which defendant's disclosures and documentary evidence shall be admissible and during which the United States shall be required to establish a breach of the plea agreement by a preponderance of the evidence. The provisions of this paragraph do not apply, however, to the United States' decision whether to file a motion based on "substantial assistance" as that phrase is used in Fed. R. Crim. P. 35(b) and U.S.S.G. § 5K1.1. Defendant agrees that the decision whether to file such a motion rests within the sole discretion of the United States.

Motion for Downward Departure

95. The United States reserves its option to seek any departure from the applicable sentencing guidelines, under U.S.S.G. § 5K1.1 or Fed. R. Crim. P. 35(b) if, in its sole discretion, it is determined that such a departure is appropriate.

Disclosure of Assets

96. This plea agreement is being entered into by the United States on the basis of defendant's express representation that defendant will make a full and complete disclosure of all assets over which he exercises control, directly or indirectly, or in which he has any financial interest. Defendant agrees to forfeit whatever interest defendant or any members of his family may have in any asset purchased with the proceeds of this criminal conduct that defendant owns or over which defendant exercises control, directly or indirectly, including but not limited to bank accounts, financial instruments, real or personal property, both foreign and domestic. Defendant agrees to waive any interest in any listed asset in any administrative or judicial forfeiture proceeding, whether criminal or civil.

97. Defendant agrees to cooperate fully in helping the United States identify any asset, including submitting to a complete and thorough debriefing relating to all the defendant's assets. This includes any asset owned or controlled, directly or indirectly, by defendant within the past five (5) years. Defendant agrees to release his tax returns for the previous five (5) years.

98. Defendant agrees to take whatever steps are necessary to pass clear title to forfeitable assets to the United States, including, but not limited to, surrendering of title, signing a consent decree, stipulating facts regarding the transfer and basis for the forfeitures and signing of any other documents necessary to effectuate such transfers. Defendant also agrees to direct any banks which

have custody of defendant's assets to turn over all funds and records of such assets to the United States. Defendant also agrees to testify truthfully in any judicial forfeiture proceeding as requested by the United States.

Federal Income Tax Liability

99. Defendant agrees as part of this plea agreement to join in any motion brought by the United States under Fed. R. Crim. P. 6(e)(3)(c) material to:

- (a) the Internal Revenue Service, for use in computing and collecting defendant's taxes, interest and penalties; and
- (b) the civil and forfeiture sections of the United States Attorney's Office, for use in identifying assets and collecting fines and restitution.

100. Defendant understands that he must file tax returns and pay taxes on any income derived directly or indirectly from the offenses charged in the indictment.


101. Defendant agrees to make all books, records and documents available to the Internal Revenue Service for use in computing defendant's taxes, interest and penalties for the years 1996 through 2000.

Complete Agreement

102. This written plea agreement of twenty-four (24) pages, together with a one page addendum for defendant and a one page addendum for his attorney, each of which is attached to this plea agreement, constitutes the complete plea agreement between the United States, defendant and his counsel. No promises or representations have been made by the United States except as set forth in writing in this plea agreement. Defendant acknowledges that no threats have been made against him and that he is pleading guilty freely and voluntarily because he is guilty.

103. Any modification of this plea agreement must be in writing and it must be signed by all parties to this plea agreement.

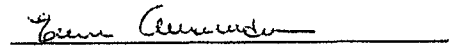
Filed in Houston, Texas, on June 30, 2000.


STEVEN C. ROBERTS
Defendant

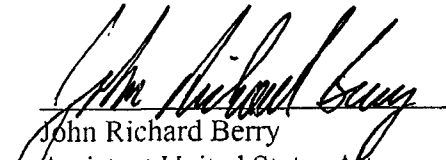
Subscribed and sworn to before me on June 30, 2000.


MICHAEL N. MILBY
UNITED STATES DISTRICT CLERK

By:


Ellen Alexander
Deputy United States District Clerk

APPROVED:


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