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United States Attorney

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8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION  
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|------------------------------|---|--|
| 12 UNITED STATES OF AMERICA, | ) | No. CR                                     |
|                              | ) |  |
| 13 Plaintiff,                | ) | VIOLATIONS: 18 U.S.C. §§ 371–              |
|                              | ) | Conspiracy to Commit Securities Fraud; 2   |
| 14 v.                        | ) | –Aiding and Abetting; 15 U.S.C. §§ 78j(b), |
|                              | ) | 78ff, 78m and 17 C.F.R. 240.10b-5,         |
| 15 GHOLAMREZA MIKAILLI,      | ) | 240.13b2-2, 240.13b2-1 – Securities Fraud; |
| 16 a/k/a REZA MIKAILLI       | ) |  |
|                              | ) |  |
| 17 Defendant.                | ) | SAN FRANCISCO VENUE                        |
|                              | ) |  |

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20 INDICTMENT

21 The Grand Jury charges:

22 I. BACKGROUND

23 At all times relevant to this indictment:

24 A. The Company

25 1. Unify Corporation (“Unify”) was a corporation headquartered in San Jose with its  
26 main operations in Sacramento, California. Unify developed and sold database management  
27 software and internet software for e-commerce applications.

28 2. Unify was a publicly traded company and its stock was traded on the national market

1 of the National Association of Securities Dealers' Automated Quotation System ("NASDAQ"),  
2 an electronic trading system. Unify shareholders were located throughout the United States,  
3 including in the Northern District of California.

4 3. As a public company, Unify was required to comply with regulations of the United  
5 States Securities and Exchange Commission ("SEC"). Those regulations are designed to protect  
6 members of the investing public by, among other things, ensuring that a company's financial  
7 information is accurately recorded and disclosed to the public.

8 4. Under those regulations, Unify and its officers had a duty to: (a) make and keep books,  
9 records and accounts that fairly and accurately reflected the company's business transactions; (b)  
10 devise and maintain a system of internal accounting controls sufficient to provide reasonable  
11 assurances that the company's transactions were recorded as necessary to permit preparation of  
12 reliable financial statements; and (c) file with the SEC quarterly reports (on Form 10-Q) and  
13 annual reports (on Form 10-K) which included reliable financial statements. The Forms 10-Q  
14 included unaudited financial statements, and the Forms 10-K included audited financial  
15 statements.

16 5. Unify's outside auditor was Deloitte & Touche LLP ("Deloitte").

17 B. The Defendant

18 6. The defendant GHOLAMREZA MIKAILLI (also known as REZA MIKAILLI) was  
19 the President and Chief Executive Officer ("CEO") of Unify from approximately April 1995  
20 until he was placed on medical leave in June 2000, and then administrative leave on or about on  
21 July 31, 2000. The defendant MIKAILLI left Unify on or about November 1, 2000.

22 II. THE SCHEME TO DEFRAUD

23 7. Between in or about April 1999 and June 2000, both dates being approximate and  
24 inclusive, the defendant MIKAILLI and others devised and intended to devise a scheme to  
25 defraud Unify's shareholders, its creditors, the public, and the SEC, and to deprive Unify of its  
26 right to honest services, by manipulating Unify's financial statements, including software license  
27 sales and services revenue, to make them appear higher than they really were.

28 8. Among the goals of the scheme were:

1 a. to ensure that Unify consistently reported that it had met or exceeded projected  
2 quarterly results for, among other things, software sales revenue;

3 b. to artificially increase and maintain the share price of company stock;

4 c. to maintain and increase the defendant's position in the company, and to enrich  
5 himself and others through bonuses, salaries, commissions and stock options.

6 9. The means by which the defendant and others achieved and attempted to achieve the  
7 goals of the scheme included:

8 a. Deliberately overstating quarterly software license sales and service revenues  
9 by: (i) recognizing revenue on contracts that were conditioned on "side agreements" that  
10 permitted customers to cancel; (ii) recognizing revenue from transactions in which Unify  
11 purchased the same amount of product from a customer that the customer was purchasing from  
12 Unify; (iii) recognizing revenue from transactions in which Unify invested in a customer in order  
13 to provide the funding needed by the customer to purchase Unify products; (iv) recognizing  
14 revenue from transactions in which Unify provided funding to a customer ostensibly for software  
15 development work in order to provide the customer with the funds necessary for it to buy Unify  
16 products; and (v) recognizing revenue on purchase commitments the defendant MIKAILLI and  
17 others knew were beyond the customers' ability to pay;

18 b. Making fraudulent entries to company books and records at quarter-end;

19 c. Concealing the true nature of the improper revenue-generating transactions  
20 from the outside auditors;

21 d. Making false statements and material omissions to outside auditors;

22 e. Filing materially false and misleading financial statements with the SEC; and

23 f. Making materially false and misleading public statements about Unify's  
24 financial performance.

25 10. It was part of the scheme to defraud that the defendant MIKAILLI and others,  
26 including Unify's Chief Financial Officer (CFO), regularly met and spoke in person, and by  
27 telephone, and corresponded by email and voicemail during quarterly reporting periods to  
28 discuss, among other things, the status of software license sales and services revenues for the

1 quarter and to compare Unify's likely quarterly performance with MIKAILLI's previously set  
2 targeted goals. If it appeared that the company would fall short of MIKAILLI's targets,  
3 MIKAILLI, and others, agreed to and did engage in fraudulent practices to make it appear that  
4 quarterly targets had been met.

5 A. Fraud During the First Quarter of Fiscal Year 2000, Period Ending July 31, 1999

6 11. The defendant MIKAILLI and others engaged in the following improper practices  
7 and made the following misrepresentations during the first quarter of Fiscal Year 2000 for the  
8 period that ended on July 31, 1999, and did thereby improperly and materially overstate Unify's  
9 software license sales and service revenues.

10 1. The Open SA Transaction

11 12. The defendant MIKAILLI knowingly caused Unify to improperly recognize \$1.15  
12 million in revenue for the first quarter in Fiscal Year 2000 from a transaction with Open SA, a  
13 Panama-based Unify distributor. This revenue was improperly recognized because Open SA  
14 lacked the ability to pay for such a large contract. At the time Unify recognized revenue from  
15 this new contract, Open SA owed Unify \$400,000 from two prior contracts.

16 13. The defendant MIKAILLI wire transferred \$400,000 of his own funds to Unify to  
17 make it appear that Open SA was current in its payments and then later caused Unify to  
18 reimburse him with interest.

19 2. The Databyte Transaction

20 14. The defendant MIKAILLI knowingly caused Unify to improperly recognize \$250,000  
21 in revenue from a transaction with Databyte, a software reseller. This revenue was improperly  
22 recognized because there was a side letter that made the entire commitment contingent on  
23 Databyte reaching a separate deal to resell the product to an unrelated third party.

24 3. The False 10-Q for Q1 of Fiscal Year 2000

25 15. On or about September 10, 1999, the defendant MIKAILLI caused Unify to file SEC  
26 Form 10-Q, signed by Unify's CFO, purporting to accurately report Unify's financial results for  
27 the first quarter of Fiscal Year 2000 that ended on July 31, 1999. The reported results were  
28 materially false and misleading in that they included overstated software license sales and

1 services revenue and failed to disclose that management was engaged in and directing others to  
2 engage in fraudulent accounting practices.

3 16. On or about December 17, 1999, the defendant MIKAILLI filed SEC Form S-8, a  
4 stock option registration, in which he incorporated by reference the materially false Fiscal Year  
5 2000 first quarter Form 10-Q for the period that ended on July 31, 1999, filed by Unify, knowing  
6 that the revenue reported in the 10-Q was improperly and fraudulently overstated.

7 B. Fraud During the Second Quarter of Fiscal Year 2000, Period Ending October 31, 1999

8 17. The defendant MIKAILLI and others engaged in the following improper practices  
9 and made the following misrepresentations during the second quarter of Fiscal Year 2000 for the  
10 period that ended on October 31, 1999 and did thereby improperly and materially overstate  
11 Unify's software license sales and service revenues.

12 1. The Arango Software Transaction

13 18. The defendant MIKAILLI knowingly caused Unify to improperly record \$500,000 in  
14 revenue from a transaction with Arango Software. This revenue was improperly recognized  
15 because Arango only agreed to purchase software from Unify in exchange for Unify making an  
16 investment in Arango that would fund Arango's contract with Unify.

17 2. The iChatterbox, Inc. Transaction

18 19. The defendant MIKAILLI knowingly caused Unify to improperly record \$100,000 in  
19 revenue from a transaction with iChatterbox, Inc. This revenue was improperly recognized  
20 because iChatterbox only agreed to the transaction with Unify in exchange for Unify making an  
21 investment in iChatterbox that would fully fund iChatterbox's contract with Unify.

22 20. The defendant MIKAILLI advanced \$300,000 to iChatterbox out of his personal  
23 funds and directed that iChatterbox provide him personally with iChatterbox stock worth  
24 \$150,000 and to provide Unify with iChatterbox stock worth \$50,000. The defendant MIKAILLI  
25 later directed Unify to reimburse his personal account for the entire \$300,000 he had advanced to  
26 iChatterbox.

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1                                 3. The Evergreen Internet, Inc. Transaction

2             21. The defendant MIKAILLI knowingly caused Unify to improperly record revenue in  
3 the amount of \$500,000 from a transaction with Evergreen. This revenue was improperly  
4 recognized because there was a side agreement and Unify paid Evergreen \$545,000 in order to  
5 fully cover Evergreen’s obligation to Unify.

6                                 4. The Triple G Transaction

7             22. The defendant MIKAILLI knowingly caused Unify to improperly record revenue in  
8 the amount of \$1.214 million from a transaction with Triple G in Canada. This revenue was  
9 improperly recognized because Triple G lacked the ability to pay for such a large contract and  
10 the payment terms were extended beyond 12 months in a separate side agreement.

11            23. Under the signed contract, Triple G made a downpayment of \$286,000, and then  
12 pledged some of its stock to secure its remaining commitment with the understanding that it  
13 could repurchase its stock within 12 months. The undisclosed side agreement gave Triple G an  
14 additional 12 months to repurchase its stock, extending the payment term to 24 months. In  
15 substance, the entire transaction was a long term loan by Unify to Triple G, secured by Triple G’s  
16 stock as collateral, to finance Triple G’s obligation to Unify.

17                                 5. The False 10-Q for Q2 of Fiscal Year 2000

18            24. On or about December 15, 1999, the defendant MIKAILLI caused Unify to file SEC  
19 Form 10-Q, signed by Unify’s CFO, purporting to accurately report Unify’s financial results for  
20 the first quarter of Fiscal Year 2000 that ended on October 31, 1999. The reported results were  
21 materially false and misleading in that they included overstated software license sales and  
22 services revenues and failed to disclose that management was engaged in and directing others to  
23 engage in fraudulent accounting practices.

24            25. As set forth in paragraph 16, on or about December 17, 1999, the defendant  
25 MIKAILLI filed a report with the SEC on Form S-8 in which he incorporated by reference the  
26 materially false Form 10-Q, knowing that the revenue reported in the 10-Q was improperly and  
27 fraudulently overstated.

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1 C. Fraud During the Third Quarter of Fiscal Year 2000, Period Ending January 31, 2000

2 26. The defendant MIKAILLI and others engaged in the following improper practices  
3 and made the following misrepresentations during the third quarter of Fiscal Year 2000 for the  
4 period that ended on January 31, 2000, and did thereby improperly and materially overstate  
5 Unify's software license sales and service revenues.

6 1. The Plurify Software Transaction

7 27. The defendant MIKAILLI knowingly caused Unify to improperly record revenue in  
8 the amount of \$200,000 from a transaction with Plurify Software in Brazil. This revenue was  
9 improperly recognized because Unify agreed to pay Plurify \$200,000 in order to cover Plurify's  
10 obligation to Unify.

11 2. The Colorado Property Investors Transaction

12 28. The defendant MIKAILLI knowingly caused Unify to improperly record revenue in  
13 the amount of \$150,000 from a transaction with Colorado Property Investors (Colorado  
14 Property). This revenue was improperly recognized because the contract was not signed before  
15 the end of the quarter and, in a side agreement, Unify gave Colorado Property the unconditional  
16 right to cancel its contract after an upcoming visit to Unify.

17 3. The Actuate Transaction

18 29. The defendant MIKAILLI knowingly caused Unify to improperly record revenue in  
19 the amount of \$2,250,000 from a transaction with Actuate. This revenue was improperly  
20 recognized because Unify agreed to buy software from Actuate in the same amount that Actuate  
21 agreed to buy from Unify in order to cover Actuate's obligation to Unify.

22 30. On or about January 31, 2000, the defendant MIKAILLI and Unify's CFO caused  
23 Unify to issue a \$1,000,000 check to Actuate, post-dated to February 21, 2000. On the same day,  
24 Actuate paid \$1,000,000 to Unify in satisfaction of the first payment owed to Unify under the  
25 contract. Thereafter, all of Actuate's payments to Unify occurred on the last day of Unify's  
26 quarter and all of Unify's payments to Actuate occurred on the first day of Unify's next quarter.

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1   4. The First Arsin Corporation Transaction

2               32. The defendant MIKAILLI caused Unify to improperly record revenue in the amount  
3 of \$500,000 from a transaction with Arsin Corporation. This revenue was improperly recognized  
4 because Unify paid Arsin \$500,000 in order to cover Arsin’s obligation to Unify.

5   5. The False 10-Q for Q3 of Fiscal Year 2000

6               33. On or about March 14, 2000, the defendant MIKAILLI caused Unify to file SEC  
7 Form 10-Q, signed by Unify’s CFO, purporting to accurately report Unify’s financial results for  
8 the third quarter of Fiscal Year 2000 for the period that ended on January, 31, 2000. The  
9 reported results were materially false and misleading in that they included overstated software  
10 license sales and services revenues and failed to disclose that management was engaged in and  
11 directing others to engage in fraudulent accounting practices.

12                   D. Fraud During the Fourth Quarter of Fiscal Year 2000, Period Ending April 30, 2000

13               \_\_\_\_\_34. The defendant MIKAILLI, and others engaged in the following improper practices  
14 and made the following misrepresentations during the fourth quarter of Fiscal Year 2000 for the  
15 period that ended on April 30, 2000, and did thereby improperly and materially overstate Unify’s  
16 software license sales and service revenues.

17   1. The Second Arsin Corporation Transaction

18               35. The defendant MIKAILLI caused Unify to improperly record revenue in the amount  
19 of \$500,000 from a second transaction with Arsin Corporation. This revenue was improperly  
20 recognized because Arsin lacked the ability to pay and Unify paid Arsin \$500,000 in order to  
21 cover Arsin’s obligation to Unify.

22   2. The Fujisaki Transaction

23               36. The defendant MIKAILLI caused Unify to improperly record revenue in the amount  
24 of \$1.3 million from a transaction with Fujisaki in Japan. This revenue was improperly  
25 recognized because it was based on side agreements in which the defendant MIKAILLI (a)  
26 agreed to fund Fujisaki’s software purchase by paying an artificially-inflated price for a Fujisaki  
27 subsidiary Unify planned to acquire; and (b) made Fujisaki’s obligation to pay for the software  
28 contingent on Unify completing the acquisition.



1 3. Improper Adjustment to Service Revenue

2 \_\_\_\_\_ 37. The defendant MIKAILLI caused Unify to improperly record service revenue in the  
3 amount of \$200,000 by causing Unify personnel to make an unsupported bookkeeping entry to  
4 the service revenue category in order to ensure that Unify's financial results matched the  
5 defendant MIKAILLI's fourth quarter forecast.

6 COUNT ONE: 18 U.S.C. § 371 (Conspiracy to Commit Securities Fraud)

7 38. The allegations of paragraphs 1 through 37 are realleged as if fully set forth here.

8 39. From in or about April 1999 to July 2000, both dates being approximate and  
9 inclusive, within the Northern District of California and elsewhere, the defendant

10 GHOLAMREZA MIKAILLI,  
11 a/k/a REZA MIKAILLI,

12 and others, knowingly and intentionally conspired to commit offenses against the United States,  
13 namely, (a) to employ a device, scheme and artifice to defraud in connection with the purchase  
14 and sale of Unify securities by investors, in violation of Title 15, United States Code, Sections  
15 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5; (b) to make  
16 untrue, false and misleading statements of material fact in reports and documents required to be  
17 filed under the Securities Exchange Act of 1934 and the rules and regulations thereunder, in  
18 violation of Title 15, United States Code, Sections 78j(b) and 78ff; (c) to knowingly falsify  
19 Unify's books, records, and accounts, in violation of Title 15, United States Code, Sections  
20 78m(b)(2)(A), 78m(b)(5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-  
21 1; (d) to knowingly violate Generally Accepted Accounting Principles and to circumvent and fail  
22 to implement a system of internal accounting procedures and controls, in violation of Title 15,  
23 United States Code, Sections 78m(b)(2)(B)(ii)(I) and 78ff; and (e) to knowingly make and cause  
24 to be made materially false and misleading statements to Deloitte in connection with its review of  
25 Unify's financial statements and the preparation of the quarterly and annual reports required to be  
26 filed with the SEC, in violation of 15 U.S.C. §§ 78m(b)(2) and 78ff; 17 C.F.R. § 240.13b2-2.

27 OVERT ACTS

28 40. In furtherance of the conspiracy and to effect the objects thereof, in the Northern  
District of California and elsewhere, the defendant and others committed the acts described in

1 paragraphs 1 through 37 of this Indictment, which are hereby realleged as if fully set forth here.

2 41. The defendant MIKAILLI and others also committed the following additional overt  
3 acts in furtherance of the conspiracy, in the Northern District of California and elsewhere:

- 4 a. On or about August 13, 1999, the defendant MIKAILLI and Unify's CFO signed a  
5 materially false "management representation letter" to Deloitte in connection with  
6 Deloitte's quarterly review of Unify financial statements.
- 7 b. On or about August 17, 1999, Unify issued a press release announcing Unify's  
8 financial results for the first quarter of Fiscal Year 2000 for the period that ended  
9 on July 31, 1999.
- 10 c. On or about November 12, 1999, the defendant MIKAILLI and Unify's CFO  
11 signed a materially false "management representation letter" to Deloitte in  
12 connection with Deloitte's quarterly review of Unify financial statements.
- 13 d. On or about November 16, 1999, Unify issued a press release announcing Unify's  
14 financial results for the second quarter of Fiscal Year 2000 for the period that  
15 ended on October 31, 1999.
- 16 e. On or about February 15, 2000, Unify issued a press release announcing Unify's  
17 financial results for the third quarter of Fiscal Year 2000 for the period that ended  
18 on January 31, 2000.
- 19 f. On or about March 13, 2000, the defendant MIKAILLI and Unify's CFO signed a  
20 materially false "management representation letter" to Deloitte in connection with  
21 Deloitte's quarterly review of Unify financial statements.
- 22 g. On or about May 23, 2000, Unify issued a press release announcing Unify's  
23 financial results for the fourth quarter of Fiscal Year 2000 for the period that  
24 ended on April 30, 2000.
- 25 h. On or about May 23, 2000, the defendant MIKAILLI participated in a conference  
26 call with securities analysts, announcing Unify's financial results for the fourth  
27 quarter and entire Fiscal Year 2000 for the period that ended on April 30, 2000.

28 All in violation of Title 18, United States Code, Section 371.

1 COUNT TWO: 15 U.S.C. §§ 78j(b), 78ff; 17 C.F.R. §240.10b-5, 18 U.S.C. § 2 (Securities  
2 Fraud; Aiding and Abetting)

3 42. Paragraphs 1 through 37 and 41 are realleged as if fully set forth here.

4 43. On or about and between April 30, 1999 and July 2000, both dates being  
5 approximate and inclusive, within the Northern District of California and elsewhere, the  
6 defendant

7 GHOLAMREZA MIKAILLI,  
8 a/k/a REZA MIKAILLI,

9 and others, knowingly and wilfully, directly and indirectly, by the use of the means and  
10 instrumentalities of interstate commerce, the mails, and the facilities of national securities  
11 exchanges, would and did use and employ manipulative and deceptive devices and contrivances  
12 in connection with the purchase and sale of securities issued by Unify, in violation of Title 17,  
13 Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and  
14 artifices to defraud; (b) making and causing Unify to make untrue statements of material fact and  
15 omitting to state facts necessary in order to make the statements made, in light of the  
16 circumstances under which they were made, not misleading; and (c) engaging in acts, practices,  
17 and courses of business which operated and would operate as a fraud and deceit upon purchasers  
18 of Unify securities.

19 44. Specifically, the defendant MIKAILLI caused Unify to:

20 a. Deliberately overstate quarterly software license sales and services revenues  
21 by: (i) recognizing revenue on contracts that were conditioned on “side agreements” that  
22 permitted customers to cancel; (ii) recognizing revenue from transactions in which Unify  
23 purchased the same amount of product from a customer that the customer was purchasing from  
24 Unify; (iii) recognizing revenue from transactions in which Unify invested in a customer in order  
25 to provide the funding needed by the customer to purchase Unify products; (iv) recognizing  
26 revenue from transactions in which Unify provided funding to a customer ostensibly for software  
27 development work in order to provide the customer with the funds necessary for it to buy Unify  
28 products; and (v) recognizing revenue on purchase commitments the defendant MIKAILLI and  
others knew were beyond the customers’ ability to pay;

- 1           b. Make fraudulent entries to company books and records at quarter-end;  
2           c. Conceal the true nature of the improper revenue-generating transactions from  
3 the outside auditors;  
4           d. Make false statements and material omissions to outside auditors;  
5           e. File materially false and misleading financial statements with the SEC; and  
6           f. Make materially false and misleading public statements about Unify’s financial  
7 performance.

8           All in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 18, United  
9 States Code, Section 2.

10 COUNT THREE: (15 U.S.C. §§ 78j and 78ff, and 17 C.F.R. §240.10b-5 – Securities Fraud)

11           45. The allegations of paragraphs 1 through 37, 41 and 44 are realleged as if fully set  
12 forth here.

13   Relevant Securities Law Principles

14           46. The federal securities laws prohibit corporate “insiders” from buying or selling  
15 company-related securities on the basis of material non-public information about the company.  
16 Employees of a company are considered “insiders” under the federal securities laws.

17   MIKAILLI’s Insider Trading

18           47. During Fiscal Year 2000, the defendant MIKAILLI began negotiations with  
19 companies that might be interested in investing in or acquiring Unify. By late May 2000,  
20 MIKAILLI learned that any possible investment or acquisition would be delayed indefinitely.

21           48. During approximately May 2000, the defendant MIKAILLI had discussions with  
22 members of Unify’s Board of Directors in which he stated that he wanted to step down as Unify’s  
23 CEO.

24           49. On or about June 1, 2000, MIKAILLI sold 223,088 shares of Unify stock for  
25 proceeds of \$2,985,127.07.

26           50. On or about June 2, 2000, MIKAILLI sold 60,000 shares of Unify stock for proceeds  
27 of \$768,011.72.

28           51. On or about June 13, 2000, MIKAILLI sold 3,300 shares of Unify stock for proceeds

1 of \$41,886.92.

2 52. On or about June 14, 2000, MIKAILLI sold 16,900 shares of Unify stock for  
3 proceeds of \$200,854.67.

4 53. On or about June 23, 2000, MIKAILLI sold 3,835 shares of Unify stock for proceeds  
5 of \$32,960.70.

6 54. On or about July 31, 2000, Unify announced that the Board of Directors had started  
7 an internal investigation into possible accounting irregularities, and that both MIKAILLI and  
8 Unify's CFO had been placed on administrative leave.

9 55. Beginning on or about May 26, 2000 and continuing to June 23, 2000, both dates  
10 being approximate and inclusive, in the Northern District of California, the defendant

11 GHOLAMREZA MIKAILLI,  
12 a/k/a REZA MIKAILLI,

13 did wilfully, directly and indirectly, by the use of means and instrumentalities of interstate  
14 commerce and of the facilities of a national securities exchange, use and employ manipulative  
15 devices and contrivances in connection with the purchase and sale of securities, namely, the stock  
16 of Unify, in contravention of the rules and regulations prescribed by the Securities and Exchange  
17 Commission, namely, 17 C.F.R. § 240.10b-5, by (a) employing a device, scheme, and artifice to  
18 defraud and (b) engaging in acts, practices, and courses of dealing which would and did operate  
19 as a fraud and deceit.

20 56. Specifically, on the basis of confidential, material, non-public information regarding the  
21 overstated nature of Unify's software license sales and services revenue for Fiscal Year 2000,  
22 and the probability that the company would eventually need to restate those numbers, MIKAILLI  
23 traded his remaining shares in Unify stock and realized proceeds totaling approximately  
24 \$4,028,841.08.

25 All in violation of Title 15, United States Code, Sections 78j and 78ff, and Title 17, Code  
26 of Federal Regulations, Section 240.10b.

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1 COUNT FOUR: 15 U.S.C. §§ 78j(b), 78ff; 17 C.F.R. §240.10b-5; 18 U.S.C. § 2 (False SEC  
2 Filing for Quarter Ending July 31, 1999 and Aiding and Abetting)

3 57. Paragraphs 1 through 37, 41 and 44 are realleged as if fully set forth here.

4 58. On or about September 10, 1999, within the Northern District of California and  
5 elsewhere, the defendant

6 GHOLAMREZA MIKAILLI,  
7 a/k/a REZA MIKAILLI,

8 did knowingly and wilfully make and cause to be made false statements in reports and documents  
9 required to be filed with the SEC under the Securities and Exchange Act of 1934 and the rules  
10 and regulations promulgated thereunder, in violation of Title 15, United States Code, Sections  
11 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United  
12 States Code, Section 2.

13 59. Specifically, the defendant MIKAILLI caused Unify to file SEC Form 10-Q for the  
14 period that ended on July 31, 1999 that:

15 a. Falsely reported software license sales and services revenue that was recorded through  
16 the deliberate use of improper accounting practices;

17 b. Failed to disclose that in some cases revenue had been booked despite the existence of  
18 side agreements that had been deliberately withheld from company books and records and from  
19 Deloitte;

20 c. Failed to disclose that the defendant MIKAILLI had advanced funds to certain Unify  
21 customers to make it appear that they were current on their existing contracts with Unify so that  
22 Unify could claim revenue from a new contract in this quarter; and

23 d. Failed to disclose that the defendant MIKAILLI and Unify's CFO caused those  
24 fraudulent entries to be made.

25 All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of  
26 Federal Regulations, Section 240.10b-5, and Title 18, United State Code, Section 2.

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1 COUNT FIVE: 15 U.S.C. §§ 78j(b), 78ff; 17 C.F.R. §240.10b-5; 18 U.S.C. § 2 (False SEC  
2 Filing for Quarter Ending October 31, 1999 and Aiding and Abetting)

3 60. Paragraphs 1 through 37, 41 and 44 are realleged as if fully set forth here.

4 61. On or about December 15, 1999, within the Northern District of California and  
5 elsewhere, the defendant

6 GHOLAMREZA MIKAILLI,  
7 a/k/a REZA MIKAILLI,

8 did knowingly and wilfully make and cause to be made false statements in reports and documents  
9 required to be filed with the SEC under the Securities and Exchange Act of 1934 and the rules  
10 and regulations promulgated thereunder, in violation of Title 15, United States Code, Sections  
11 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United  
12 States Code, Section 2.

13 62. Specifically, the defendant MIKAILLI caused Unify to file SEC Form 10-Q for the  
14 period that ended on October 31, 1999 that:

15 a. Falsely reported software license sales and services revenue that was recorded through  
16 the deliberate use of improper accounting practices;

17 b. Failed to disclose that in some cases revenue had been booked despite the existence of  
18 side agreements that had been deliberately withheld from company books and records and from  
19 Deloitte;

20 c. Failed to disclose that the defendant MIKAILLI had advanced funds to certain Unify  
21 customers to make it appear that they were current on their existing contracts with Unify so that  
22 Unify could claim revenue from a new contract in this quarter; and

23 d. Failed to disclose transactions wherein Unify paid some of its customers and  
24 distributors to buy Unify products and services by giving the customers and distributors the funds  
25 needed to pay for their obligations to Unify; and

26 e. Failed to disclose that the defendant MIKAILLI and Unify's CFO caused those  
27 fraudulent entries to be made.

28 All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of  
Federal Regulations, Section 240.10b-5, and Title 18, United State Code, Section 2.

1 COUNT SIX: 15 U.S.C. §§ 78j(b), 78ff; 17 C.F.R. §240.10b-5; 18 U.S.C. § 2 (False SEC Filing  
2 for Quarter Ending January 31, 2000 and Aiding and Abetting)

3 63. Paragraphs 1 through 37, 41 and 44 are realleged as if fully set forth here.

4 64. On or about March 14, 2000, within the Northern District of California and  
5 elsewhere, the defendant

6 GHOLAMREZA MIKAILLI,  
7 a/k/a REZA MIKAILLI,

8 did knowingly and wilfully make and cause to be made false statements in reports and documents  
9 required to be filed with the SEC under the Securities and Exchange Act of 1934 and the rules  
10 and regulations promulgated thereunder, in violation of Title 15, United States Code, Sections  
11 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United  
12 States Code, Section 2.

13 65. Specifically, the defendant MIKAILLI caused Unify to file SEC Form 10-Q for the  
14 period that ended on January 31, 2000 that:

15 a. Falsely reported software sales and service revenue that was recorded through the  
16 deliberate use of improper accounting practices;

17 b. Failed to disclose that in some cases revenue had been booked despite the existence of  
18 side agreements that had been deliberately withheld from company books and records and from  
19 Deloitte;

20 c. Failed to disclose transactions wherein Unify paid some of its customers and  
21 distributors to buy Unify products and services by giving the customers and distributors the funds  
22 needed to pay for their obligations to Unify; and

23 d. Failed to disclose that the defendant MIKAILLI and Unify's CFO caused those  
24 fraudulent entries to be made.

25 All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of  
26 Federal Regulations, Section 240.10b-5, and Title 18, United State Code, Section 2.

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1 COUNT SEVEN: 15 U.S.C. §§ 78m(b)(2) and 78ff; 17 C.F.R. § 240.13b2-2; 18 U.S.C. § 2  
2 (False Statement to Auditors and Aiding and Abetting)

3 66. Paragraphs 1 through 37, 41 and 44 are realleged as if fully set forth here.

4 67. On or about August 13, 1999, within the Northern District of California and  
5 elsewhere, the defendant

6 GHOLAMREZA MIKAILLI,  
7 a/k/a REZA MIKAILLI,

8 as an officer of Unify, knowingly and wilfully made and caused to be made materially false and  
9 misleading statements to Deloitte in connection with a review of Unify's financial statements and  
10 the preparation of a quarterly report required to be filed with the SEC for the period that ended on  
11 July 31, 1999. The defendant MIKAILLI omitted to state, and caused others to omit to state,  
12 material facts that were necessary in order to make the statements that were made, in light of the  
13 circumstances under which they were made, not misleading.

14 68. Specifically, on or about August 13, 1999, the defendant MIKAILLI and Unify's  
15 CFO signed a "management representation letter" to Deloitte in connection with its quarterly  
16 review of Unify financial statements. The letter included the following representations:

- 17 a. "The financial information referred to above [for the quarter that ended on July  
18 31, 1999] is fairly presented in conformity with generally accepted accounting  
19 principles..."
- 20 b. "The company has made available to you (a) all financial records and related  
21 data that would have a bearing on the purpose of your review..."
- 22 c. "No events have occurred subsequent to the date of the above-described  
23 financial information that would require adjustment to, or disclosure in, the  
24 information."
- 25 d. "The Company has adopted Statement of Position 97-2 ("SOP 97-2"),  
26 "Software Revenue Recognition." Management is aware of the issues  
27 identified in SOP 97-2 and the revenue recognition policies of the Company  
28 comply with SOP 97-2. We have made available to you all applicable  
contractual information regarding our revenue recognition under SOP 97-2.  
Additionally, we have not entered into any informal side agreements,  
including modifications, or verbal arrangements related to the contractual  
information noted above."

69. In fact, as the defendant MIKAILLI knew:

- a. Unify's accounting records failed to reflect side letters and agreements and  
these agreements were deliberately concealed from Deloitte;
- b. Unify failed to disclose to Deloitte that the defendant MIKAILLI had

1 advanced funds to some of Unify's customers;

2 c. Management was actively engaged in violating Unify's accounting  
3 procedures, circumventing its system of internal accounting controls, and  
was directing others to do so;

4 d. Management was violating applicable SEC rules and directing others to do  
5 so; and

6 e. At the direction of management, Unify recorded revenue in violation of  
7 Generally Accepted Accounting Principles ("GAAP"), including but not  
8 limited to, Statement of Position 97-2.

9 All in violation of Title 15, United States Code, Sections 78m(b)(2) and 78ff; Title 17,  
10 Code of Federal Regulations, Section 240.13b2-2; and Title 18, United States Code, Section 2.

11 COUNT EIGHT: 15 U.S.C. §§ 78m(b)(2) and 78ff; 17 C.F.R. § 240.13b2-2; 18 U.S.C. § 2  
(False Statement to Auditors and Aiding and Abetting)

12 70. Paragraphs 1 through 37, 41 and 44 are realleged as if fully set forth here.

13 71. On or about November 12, 1999, within the Northern District of California and  
14 elsewhere, the defendant

15 GHOLAMREZA MIKAILLI,  
16 a/k/a REZA MIKAILLI,

17 as an officer of Unify, knowingly and wilfully made and caused to be made materially false and  
18 misleading statements to Deloitte in connection with a review of Unify's financial statements and  
19 the preparation of a quarterly report required to be filed with the SEC for the period that ended on  
20 October 31, 1999. The defendant MIKAILLI omitted to state, and caused others to omit to state,  
21 material facts that were necessary in order to make the statements that were made, in light of the  
22 circumstances under which they were made, not misleading.

23 72. Specifically, on or about November 12, 1999, the defendant MIKAILLI and Unify's  
24 CFO signed a "management representation letter" to Deloitte in connection with its quarterly  
25 review of Unify financial statements. The letter included the same representations as set forth in  
26 paragraph 70, which is incorporated by reference herein.

27 73. In fact, as the defendant MIKAILLI knew:

28 a. Unify's accounting records failed to reflect side letters and agreements and  
these agreements were deliberately concealed from Deloitte;

- 1 b. Unify failed to disclose to Deloitte that the defendant MIKAILLI had  
2 advanced funds to some of Unify’s customers;
- 3 c. Unify failed to disclose to Deloitte that it had provided funding to some of  
4 its customers and distributors in exchange for their agreement to purchase  
5 Unify products and services;
- 6 d. Management was actively engaged in violating Unify’s accounting  
7 procedures, circumventing its system of internal accounting controls, and  
8 was directing others to do so;
- 9 e. Management was violating applicable SEC rules and directing others to do  
10 so; and
- 11 f. At the direction of management, Unify recorded revenue in violation of  
12 Generally Accepted Accounting Principles (“GAAP”), including but not  
13 limited to, Statement of Position 97-2.

14 All in violation of Title 15, United States Code, Sections 78m(b)(2) and 78ff; Title 17,  
15 Code of Federal Regulations, Section 240.13b2-2; and Title 18, United States Code, Section 2.

16 COUNT NINE: 15 U.S.C. §§ 78m(b)(2) and 78ff; 17 C.F.R. § 240.13b2-2; 18 U.S.C. § 2  
17 (False Statement to Auditors and Aiding and Abetting)

18 74. Paragraphs 1 through 37, 41 and 44 are realleged as if fully set forth here.

19 75. On or about March 13, 2000, within the Northern District of California and  
20 elsewhere, the defendant

21 GHOLAMREZA MIKAILLI,  
22 a/k/a REZA MIKAILLI,

23 as an officer of Unify, knowingly and wilfully made and caused to be made materially false and  
24 misleading statements to Deloitte in connection with a review of Unify’s financial statements and  
25 the preparation of a quarterly report required to be filed with the SEC for the period that ended on  
26 January 31, 2000. The defendant MIKAILLI omitted to state, and caused others to omit to state,  
27 material facts that were necessary in order to make the statements that were made, in light of the  
28 circumstances under which they were made, not misleading.

76. Specifically, on or about March 13, 2000, the defendant MIKAILLI and Unify’s  
CFO signed a “management representation letter” to Deloitte in connection with its quarterly  
review of Unify financial statements. The letter included the same representations as set forth in  
paragraph 70, which is incorporated by reference herein.

77. In fact, as the defendant MIKAILLI knew:

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- a. Unify’s accounting records failed to reflect side letters and agreements and these agreements were deliberately concealed from Deloitte;
- b. Unify failed to disclose to Deloitte that it had provided funding to some of its customers and distributors in exchange for their agreement to purchase Unify products and services;
- c. Management was actively engaged in violating Unify’s accounting procedures, circumventing its system of internal accounting controls, and was directing others to do so;
- d. Management was violating applicable SEC rules and directing others to do so; and
- e. At the direction of management, Unify recorded revenue in violation of Generally Accepted Accounting Principles (“GAAP”), including but not limited to, Statement of Position 97-2.

All in violation of Title 15, United States Code, Sections 78m(b)(2) and 78ff; Title 17, Code of Federal Regulations, Section 240.13b2-2; and Title 18, United States Code, Section 2.

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1 COUNT TEN: 15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5) and 78ff, and 17 C.F.R. §240.13b2-1; 18  
2 U.S.C. § 2 (False Books and Records and Aiding and Abetting)

3 78. Paragraphs 1 through 37, 41 and 44 are realleged as if fully set forth here.

4 79. From at least April 30, 1999 through June 30, 2000, both dates being approximate  
5 and inclusive, within the Northern District of California and elsewhere, the defendant,

6 GHOLAMREZA MIKAILLI,  
7 a/k/a REZA MIKAILLI,

8 knowingly and wilfully, directly and indirectly, falsified and caused to be falsified books,  
9 records, and accounts of Unify.

10 All in violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5) and  
11 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1; and Title 18, United States  
12 Code, Section 2.

13 DATED:

A TRUE BILL.

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15 \_\_\_\_\_  
16 FOREPERSON

17 DAVID W. SHAPIRO  
18 United States Attorney

19 \_\_\_\_\_  
20 J. DOUGLAS WILSON  
21 Chief, Criminal Division

22 (Approved as to form: \_\_\_\_\_)  
23 AUSA BORNSTEIN/GILLIAM  
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