KEVIN V. RYAN (CSBN 118321)
United States Attorney

FILED

SEP 29 2004

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. MICHAEL WATTS and JAN WATTS, Defendants.	CR No. CR 04 20178 RMW VIOLATION: 26 U.S.C. § 7201– Tax Evasion SAN JOSE VENUE

INDICTMENT

The Grand Jury charges:

COUNT ONE: (26 U.S.C. § 7201–Tax Evasion)

On or about and between January 1, 1997, and October 14, 1998, in Santa Clara County, in the Northern District of California, and elsewhere, the defendants

MICHAEL WATTS and
JAN WATTS

did willfully attempt to evade and defeat part of the income tax due and owing by them to the United States of America for the calendar year 1997, by the following means:

a. preparing and causing to be prepared, and signing and causing to be signed, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, which was filed with the Internal Revenue Service on or about October 14, 1998, wherein taxable income was understated by approximately $2,000,054.85 and tax due and owing was understated by approximately $782,624.00;

b. establishing off shore corporations for the purpose of concealing income derived from the sale of stock options;

c. transferring stock options to an offshore corporation to conceal income derived from the sale of stock options;

d. maintaining offshore bank accounts for the purpose of concealing income derived from the sale of stock options; and

e. hiring a third party to falsely pose as president of a separate company in order to claim a purported debt owed for a software purchase;

All in violation of Title 26, United States Code, Section 7201.

Enhancement Allegations

1. The approximate tax loss as a result of the defendants' conduct was more than $550,000 but not more than $950,000.

2. The tax evasion in this case involved the use of sophisticated means to commit the evasion.

DATED: 9-29-04

A TRUE BILL.

FOREPERSON

KEVIN V. RYAN
United States Attorney

MATTHEW A. PARRELLA
Chief, San Jose Branch Office

(Approved as to form: AUSA NEDROW