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 10 Attorneys for Plaintiff
 UNITED STATES OF AMERICA

11 UNITED STATES DISTRICT COURT
 12 FOR THE CENTRAL DISTRICT OF CALIFORNIA

13 UNITED STATES OF AMERICA,)	No. CR 06-467 CAS
)	
14 Plaintiff,)	<u>PLEA AGREEMENT FOR DEFENDANT</u>
)	<u>GENE FRANCIS HAAS</u>
15 v.)	
)	
16 GENE FRANCIS HAAS,)	
)	
17 Defendant.)	
18 _____))	

19 1. This constitutes the plea agreement between GENE FRANCIS
 20 HAAS ("defendant") and the United States Attorney's Office for
 21 the Central District of California ("the USAO") in the above-
 22 captioned case. This agreement is limited to the USAO and cannot
 23 bind any other federal, state or local prosecuting,
 24 administrative or regulatory authorities.

25 PLEA

26 2. Defendant agrees to plead guilty pursuant to Rule
 27 11(c)(1)(C) of the Federal Rules of Criminal Procedure to Count
 28 One of the indictment filed in the above-referenced case, which

1 charges a violation of 18 U.S.C. Section 371, a felony.

2 NATURE OF THE OFFENSE

3 3. In order for defendant to be guilty of Count One, which
4 charges a violation of Title 18, United States Code, Section 371,
5 the following must be true: (1) defendant and others conspired
6 and agreed with each other to knowingly and intentionally defraud
7 the United States, for the purpose of impeding, impairing,
8 obstructing, and defeating the lawful government functions of the
9 Internal Revenue Service of the Treasury Department in the
10 ascertainment, computation, assessment, and collection of income
11 taxes; (2) the defendant became a member of the conspiracy
12 knowing of at least one of its objects or purpose and intending
13 to help accomplish such object or purpose; and, (3) defendant
14 and/or another co-conspirator performed at least one overt act
15 for the purpose of carrying out the conspiracy. Defendant admits
16 that he is, in fact, guilty of this offense as charged in Count
17 One of the indictment.

18 PENALTIES AND RESTITUTION

19 4. The statutory maximum sentence that the Court can impose
20 for a violation of Title 18, United States Code, Section 371 is:
21 5 years imprisonment; a three year period of supervised release;
22 a fine of \$250,000 or twice the amount of gross gain or gross
23 loss resulting from the offense; and a mandatory special
24 assessment of \$100.00. Defendant agrees to pay the special
25 assessment at or before the time of sentencing.

26 5. Defendant agrees to make full restitution for the
27 charged criminal tax loss and other tax adjustments for
28 defendant's 2000 and 2001 tax returns. Defendant agrees that, in

1 return for the USAO's compliance with its obligations under this
2 agreement, the amount of restitution is the amount set forth in
3 the Internal Revenue Service Closing Agreements for the defendant
4 HAAS for the tax years 2000 and 2001 executed by defendant and
5 the Internal Revenue Service in connection with this plea
6 agreement. Such Closing Agreements provide for the assessment
7 and payment of additional deficiency taxes for the tax years 2000
8 and 2001 in the respective amounts of \$23,024,855 and
9 \$11,235,127, plus applicable penalties and interest.

10 Defendant agrees that the Court shall enter an order that
11 such restitution be paid, and that defendant shall pay the
12 restitution in full at or before the time of sentencing.

13 Defendant further agrees he shall not seek the discharge of any
14 restitution obligation, in whole or in part, in any present or
15 further bankruptcy proceeding.

16 6. Defendant also understands that, by pleading guilty,
17 defendant may be giving up valuable government benefits and
18 valuable civic rights, such as the right to vote, the right to
19 possess a firearm, the right to hold office, and the right to
20 serve on a jury. Defendant further understands the conviction in
21 this case may subject defendant to various collateral
22 consequences, including but not limited to, revocation of
23 probation, parole, or supervised release in another case, and
24 suspension or revocation of a professional license. Defendant
25 understands that unanticipated collateral consequences will not
26 serve as grounds to withdraw defendant's plea of guilty.

27 7. By pleading guilty pursuant to Rule 11(c)(1)(C) of the
28 Federal Rules of Criminal Procedure, defendant understands that

1 the sentencing recommendations contained in this Agreement are
2 binding on the Court, if the Court agrees to accept the
3 Agreement. If the Court does not agree to accept the Agreement,
4 then the defendant is not bound by the terms and obligations of
5 the Agreement and can withdraw his entry of any guilty plea
6 pursuant to this Agreement.

7 8. Supervised release is a period of time following
8 imprisonment during which defendant will be subject to various
9 restrictions and requirements. Defendant understands that if
10 defendant violates one or more of the conditions of any
11 supervised release imposed, defendant may be returned to prison
12 for all or part of the term of supervised release, which could
13 result in defendant serving a total term of imprisonment greater
14 than the statutory maximum stated above.

15 FACTUAL BASIS

16 9. Defendant and the USAO agree and stipulate to the
17 statement of facts contained within attachment A which is
18 attached to this agreement and hereby incorporated by reference.

19 10. Defendant and the USAO acknowledge that the statement
20 of facts contained within attachment A includes facts sufficient
21 to support a plea of guilty to the charge described in this plea
22 agreement. It is not meant to be a complete recitation of all
23 facts relevant to the underlying criminal conduct or all facts
24 known to defendant that relate to that conduct.

25 WAIVER OF CONSTITUTIONAL RIGHTS

26 11. By pleading guilty, defendant gives up the following
27 rights:

- 28 a) The right to persist in a plea of not guilty.

1 the Federal Rules of Criminal Procedure, if the Court does not
 2 sentence in accordance with the below sentencing agreement, then
 3 defendant has the right to withdraw his guilty plea and not be
 4 bound by the terms and obligations of this Agreement.

5 13. The Defendant and the USAO agree and stipulate that the
 6 November 2001 Guideline Sentencing Manual is to be applied
 7 herein, and that the base offense level shall be calculated as
 8 follows:

Base Offense Level :	28	[U.S.S.G. §§ 2T1.1]
Tax Loss (more than \$20 million but less than \$50 million)		[U.S.S.G. § 2T4.1(L)]

Adjustments

Acceptance of Responsibility	-3	[U.S.S.G. § 3E1.1]
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Total Offense Level : 25

Criminal History
Category: I

Guideline Range: 57-71 months

18 The parties agree that no sentencing enhancements apply and
 19 in particular, there should be no enhancement for witness
 20 intimidation as alleged in Counts 10 and 11 of the indictment.

21 The parties further agree that in consideration of the
 22 factors outlined in 18 U.S.C. § 3553(a) and the Sentencing Reform
 23 Act of 1984, the Court should depart 9 levels downward from the
 24 Total Offense Level to a level 16, with a Guideline Range of 21-
 25 27 months, and that the Court shall impose the following sentence
 26 on Count One of the Indictment:

1. Defendant, Gene Haas, shall be committed to the custody
 of the Bureau of Prisons to be imprisoned for a term of
 twenty-four months of custodial confinement. To the

1 extent applicable, as determined solely within the
2 discretion of the Bureau of Prisons, the defendant
3 shall be eligible for consideration of treatment under
4 Title 18 U.S.C. Section 3624(b) and (c), and any other
5 applicable Bureau of Prisons programs.

6 2. Following release from completion of the twenty-four
7 months of custodial confinement, defendant shall be
8 ordered on supervised release for a term of 6 months.

9 a) Defendant shall comply with General Orders 318 and
10 01-05 and the rules and regulations of the U.S.
11 Probation Office.

12 3. Defendant shall pay a fine, pursuant to U.S.S.G. §
13 5E1.2(e), in the amount of five million dollars
14 (\$5,000,000.00), to be paid at or before sentencing.

15 4. Defendant shall sign Closing Agreements for the tax
16 years 2000 and 2001 consistent with the terms of
17 restitution set forth in this plea agreement, and pay
18 in full, at or before sentencing, all amounts due to
19 the IRS pursuant to such closing agreements. Such
20 payment shall satisfy any order of restitution.

21 5. Defendant shall pay at or before sentencing the Special
22 Assessment of \$100.

23 DEFENDANT'S OBLIGATIONS

24 14. Defendant agrees:

25 a) To plead guilty as set forth in this agreement.

26 b) To abide by all sentencing stipulations contained
27 in this agreement.

28 c) To appear as ordered for all court appearances, to
surrender as ordered for service of sentence, to obey all
conditions of any bond, and to obey all other court orders.

d) Not commit any crime; however, offenses which
would be excluded for sentencing purposes under U.S.S.G.
§ 4A1.2(c) are not within the scope of this agreement.

e) Not knowingly or willfully fail to be truthful at
all times with Pretrial Services, the U.S. Probation Office, and

1 the Court.

2 f) To pay the applicable special assessment at or
3 before the time of sentencing.

4 g) To pay the \$5 million fine at or before the time
5 of sentencing.

6 h) To sign Closing Agreements, and to pay, at or
7 before sentencing all amounts due to the IRS pursuant to such
8 closing agreements.

9 i) To provide the IRS with all schedules used to
10 prepare defendant's 2004 original tax returns, including
11 schedules and back-up documents for the inventory re-computation,
12 the Form 3115, the change in accounting method, and the
13 accounting work papers for the books and records for the
14 defendant and his corporations and subsidiaries that were used to
15 prepare the 2004 original tax return.

16 j) To give up any and all objections that could be
17 asserted to the Examination Division of the Internal Revenue
18 Service receiving materials or information obtained during the
19 criminal investigation of this matter, including materials and
20 information obtained through grand jury subpoenas.

21 THE USAO'S OBLIGATIONS

22 15. If defendant complies fully with all defendant's
23 obligations under this agreement, the USAO agrees:

24 a) To abide by all sentencing stipulations contained
25 in this agreement.

26 b) Not to further prosecute defendant for any
27 additional violations known to the USAO at the time of the plea
28 arising out of the discovery provided to the defendant and

1 defendant's conduct described in the stipulated factual basis set
2 forth in Attachment A. Defendant understands that the USAO is
3 free to prosecute defendant for any other unlawful past conduct
4 or any unlawful conduct that occurs after the date of this
5 agreement. Defendant agrees, however, that at the time of
6 sentencing the Court may consider, for the purpose of deciding
7 whether to accept the parties' sentencing recommendation pursuant
8 to Rule 11(c)(1)(C), the relevant conduct as set forth in
9 Attachment A.

10 c) At the time of sentencing, provided that defendant
11 demonstrates an acceptance of responsibility for the offense up
12 to and including the time of sentencing, to recommend a two-level
13 reduction in the applicable sentencing guideline offense level,
14 pursuant to U.S.S.G. § 3E1.1, and an additional one-level
15 reduction if available under that section.

16 d) At the time of sentencing, to move to dismiss
17 Counts Two, Three, Four, Five and Eleven of the indictment
18 against defendant.

19 e) Prior to sentencing, and based upon defendant's
20 compliance with his obligations under paragraph 14.i. above, to
21 obtain from the IRS a determination of, and application to the
22 2000 and 2001 liabilities, the credits for payments made by
23 defendant in 2003, 2004, and 2005 with respect to the adjustments
24 to income items covered by the 2000 and 2001 Closing Agreements.

25 BREACH OF AGREEMENT

26 16. If defendant, at anytime between the execution of this
27 agreement and the completion of defendant's obligations pursuant
28 to this agreement or defendant's surrender for service of

1 defendant's sentence, whichever is later, knowingly violates or
2 fails to perform any of defendant's obligations under this
3 agreement, the USAO may declare this agreement breached. If the
4 USAO declares the agreement breached, and the Court finds such a
5 breach to have occurred, defendant will not be able to withdraw
6 defendant's guilty plea, and the USAO will be relieved of all its
7 obligations under this agreement. In particular:

8 a) The USAO will no longer be bound by any agreements
9 concerning sentencing and will be free to seek any sentence up to
10 the statutory maximum for the crime to which defendant has
11 pleaded guilty.

12 b) The USAO will no longer be bound by any agreements
13 regarding criminal prosecution, and will be free to prosecute
14 defendant for any crime, including charges that the USAO would
15 otherwise have been obligated not to prosecute pursuant to this
16 agreement.

17 c) The USAO will be free to prosecute defendant for
18 false statement, obstruction of justice, and perjury based on any
19 knowingly false or misleading statement by defendant.

20 d) The USAO will no longer be bound by any agreement
21 regarding the use of statements, tangible evidence, or
22 information provided by defendant, and will be free to use any of
23 those in any way in any investigation, prosecution, or civil or
24 administrative action. Defendant will not be able to assert
25 either (1) that those statements, tangible evidence, or
26 information were obtained in violation of the Fifth Amendment
27 privilege against compelled self-incrimination, or (2) any claim
28 under the United States Constitution, any statute, Rule 11(e)(6)

1 of the Federal Rules of Criminal Procedure, Rule 410 of the
2 Federal Rules of Evidence, or any other federal rule, that
3 statements, tangible evidence, or information provided by
4 defendant before or after the signing of this agreement or any
5 leads derived therefrom, should be inadmissible.

6 17. Following a knowing and willful breach of this
7 agreement by defendant, should the USAO elect to pursue any
8 charge or any civil or administrative action that was either
9 dismissed or not filed as a result of this agreement, then:

10 a) Defendant agrees that any prosecution or civil or
11 administrative action not time-barred by the applicable statute
12 of limitations as of the date of defendant's signing of this
13 agreement may be initiated against defendant notwithstanding the
14 expiration of the statute of limitations between the signing of
15 this agreement and the commencement of any such prosecution or
16 action.

17 b) Defendant gives up all defenses based on the
18 statute of limitations, any claim of pre-indictment delay, or any
19 speedy trial claim with respect to any such prosecution or
20 action.

21 LIMITED MUTUAL WAIVER OF APPEAL AND COLLATERAL ATTACK

22 18. Defendant and the USAO give up the right to appeal any
23 sentence imposed by the Court, including any order of
24 restitution, and the manner in which the sentence is determined,
25 provided that the Court adopts the parties' sentencing
26 recommendation outlined in paragraph 13 above and orders
27 restitution as agreed in paragraph 5 above. Defendant also gives
28 up any right to bring a post-conviction collateral attack on the

1 conviction or sentence, including any order of restitution,
2 except a post-conviction collateral attack based on a claim of
3 ineffective assistance of counsel, a claim of newly discovered
4 evidence, or an explicitly retroactive change in the applicable
5 Sentencing Guidelines, sentencing statutes, or statutes of
6 conviction.

7 SCOPE OF AGREEMENT

8 19. This agreement applies only to crimes committed by
9 defendant, has no effect on any proceedings, including forfeiture
10 proceedings, against defendant not expressly mentioned herein,
11 and shall not preclude any past, present, or future forfeiture
12 actions except as expressly set forth above.

13 NO ADDITIONAL AGREEMENTS

14 20. Except as set forth herein, there are no promises,
15 understandings or agreements between the USAO and defendant or
16 defendant's counsel. Nor may any additional agreement,

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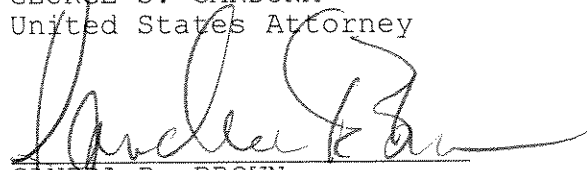
1 understanding or condition be entered into unless in a writing
2 signed by all parties or on the record in court.

3 This agreement is effective upon signature by defendant and
4 an Assistant United States Attorney.

5 AGREED AND ACCEPTED

6 UNITED STATES ATTORNEY'S OFFICE
7 FOR THE CENTRAL DISTRICT OF CALIFORNIA

8 GEORGE S. CARDONA
9 United States Attorney



8/29/07
DATE

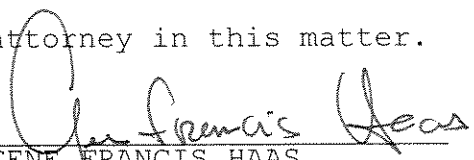
10 SANDRA R. BROWN
11 Assistant United States Attorney
12 Chief, Tax Division

12 ROBERT F. CONTE
13 Assistant United States Attorney
14 Deputy Chief, Tax Division

14 DARWIN R. THOMAS
Assistant United States Attorney

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16 I have read this agreement and have carefully discussed
17 every part of it with my attorney. I understand the terms of
18 this agreement, and I voluntarily agree to those terms. My
19 attorney has advised me of my rights, of possible defenses, of
20 the Sentencing Guideline provisions, and of the consequences of
21 entering into this agreement. No promises or inducements have
22 been made to me other than those contained in this agreement. No
23 one has threatened or forced me in any way to enter into this
24 agreement. Finally, I am satisfied with the representation of my
25 attorney in this matter.



8-24-07
Date

26 GENE FRANCIS HAAS
27 Defendant


28

1 I am Gene Francis Haas's attorney. I have carefully
2 discussed every part of this agreement with my client. Further,
3 I have fully advised my client of his rights, of possible
4 defenses, of the Sentencing Guideline provisions, and of the
5 consequences of entering into this agreement. To my knowledge,
6 my client's decision to enter into this agreement is an informed
7 and voluntary one.

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BRIAN J. HENNIGAN
Counsel for Defendant
GENE FRANCIS HAAS

Date




KENNETH M. BARISH
Counsel for Defendant
GENE FRANCIS HAAS


8/24/07

Date

1 I am Gene Francis Haas's attorney. I have carefully
 2 discussed every part of this agreement with my client. Further,
 3 I have fully advised my client of his rights, of possible
 4 defenses, of the Sentencing Guideline provisions, and of the
 5 consequences of entering into this agreement. To my knowledge,
 6 my client's decision to enter into this agreement is an informed
 7 and voluntary one.

8 
 9 BRIAN J. HENNIGAN
 10 Counsel for Defendant
 11 GENE FRANCIS HAAS

8/24/2007
 Date

11 
 12 KENNETH M. BARISH
 13 Counsel for Defendant
 14 GENE FRANCIS HAAS

8/24/07
 Date

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1 ATTACHMENT A

2 FACTUAL BASIS

3 1. During the years 2000 and 2001, defendant GENE FRANCIS
4 HAAS, a resident of Camarillo, California, was the owner and 100%
5 shareholder of Haas Automation, Inc. ("Automation"), an S-
6 corporation that is a leading manufacturer of large Computer
7 Numeric Controlled machine tools, located in Oxnard, California.
8 Defendant Haas was also the owner and 100% shareholder of CNC
9 Associates, Inc. ("CNC"), a C-corporation engaged in the business
10 of leasing machines built by Automation.

11 2. In approximately September 2000, a plan was devised in
12 which defendant Haas participated at Automation to defraud the
13 government out of taxes owed in connection with Automation's
14 earnings. One of the tax fraud schemes involved the payment of
15 false invoices with Automation checks for fictitious purchases of
16 equipment from two conspiring companies, Enmark, owned by co-
17 defendant Robert Cable, and Supermill, owned by Charles Todd.
18 Defendant Haas approved of the tax fraud scheme. Defendant Haas
19 personally contacted Mr. Cable and Mr. Todd in regard to their
20 participation.

21 3. Defendant Haas was aware that such tax fraud scheme
22 involved the creation of false corporate documents for the
23 fictitious purchases of "weldments" from Enmark and Supermill.

24 4. In total, Automation sent approximately \$14,730,480 to
25 Enmark in 2000, and approximately \$10,978,000 to Enmark in 2001
26 for fictitious purchases. Mr. Cable returned approximately 98%
27 of those payments to CNC, and Mr. Cable retained the 2%
28 difference. Automation deducted the payments to Enmark as "cost
of goods sold." Money returned by Mr. Cable to CNC was booked by
CNC as non-taxable capital transactions or shareholder loans from
defendant Haas.

5. In total, Automation sent approximately \$8,925,000 to
Supermill in 2000, and approximately \$2,929,634 to Supermill in
2001 for fictitious purchases. With one exception, Mr. Todd
returned approximately 98% of those payments to CNC and Mr. Todd
retained the 2% difference. Automation deducted the payments to
Supermill as "cost of goods sold." Monies returned by Mr. Todd
to CNC was booked by CNC as non-taxable capital transactions or
shareholder loans from defendant Haas.

6. Defendant Haas personally signed and/or stamped with
his signature checks made payable to Enmark and Supermill for
payments on the false invoices. Defendant Haas knew that the
payments to Enmark and Supermill were fraudulent. Defendant Haas

1 also knew that Enmark and Supermill would return to CNC 98% of
2 the payments they received from Automation, and that the purpose
of returning money to CNC was to evade taxes.

3 7. Also around September 2000, John Phillips, the then-
4 controller of Automation and a co-conspirator, devised a scheme
5 in which Automation would overpay for purchases of goods from
6 non-conspiring companies. Mr. Phillips and others also arranged
7 to have the overpaid amounts returned to CNC. Mr. Phillips and
8 others would then cause the amounts overpaid for the goods to be
9 fraudulently claimed on Automation's financial records as falsely
inflated "cost of goods sold." Included in such falsely inflated
10 cost of goods sold were an airplane purchased from Cutter
11 Aviation, a Reishauer grinder, a Toyoda horizontal machining
12 center and payments made by Automation to C & C Motorsport and
13 Chicago Title Company.

14 8. The false overpayment scheme charged in Count Three of
15 the Indictment resulted in false additional cost of goods sold to
16 be claimed on Automation's 2000 and 2001 tax returns in a total
17 amount of more than \$10 million. The returned payments from the
18 overpayment scheme were directed by Mr. Phillips to be deposited
19 into bank accounts other than Automation's bank account, such as
20 CNC's bank account. Defendant Haas was aware of, and approved
21 of, the false overpayment scheme devised by Mr. Phillips.

22 9. Defendant Haas admits that on or about October 15,
23 2001, he signed his 2000 Federal Income Tax Return under penalty
24 of perjury, and caused such return to be filed with the Internal
25 Revenue Service, and that he did so intentionally, while knowing
26 that such return was not true and correct as to every material
27 item, because defendant knew that such return reported falsely
28 reduced profits because false cost of goods sold had been claimed
on Automation's 2000 U.S. Corporation Income Tax Return (Form
1120S), which reduced its net profits and ultimately flowed
through to defendant Haas's U.S. Individual Income Tax Return
(1040). Defendant Haas's personal income tax liability for the
2000 tax year, as a consequence, was falsely reduced.

10. Defendant Haas admits that on or about October 14,
2002, he signed his 2001 Federal Income Tax Return, under penalty
of perjury, and caused such return to be filed with the Internal
Revenue Service and that he did so intentionally, while knowing
that such return was not true and correct as to every material
item, because defendant knew such return reported falsely reduced
profits because false cost of goods sold had been claimed on
Automation's 2001 U.S. Corporation Income Tax Return (Form
1120S), which reduced Automation's net profits and ultimately
flowed through to defendant Haas's U.S. Individual Income Tax
Return (1040). Defendant Haas's personal income tax liability

1 for the 2001 tax year, as a consequence, was falsely reduced.

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