

United States District Court

FOR THE
NORTHERN DISTRICT OF CALIFORNIA
CRIMINAL DIVISION
VENUE: SAN FRANCISCO

FILED
OCT 12 11 23
CR-02-0053-CRB

UNITED STATES OF AMERICA,

V.

KENNETH E. HAYES,
RICHARD B. WATTS,
EDWARD ROSENTHAL

DEFENDANT.

INDICTMENT

[SUPERSEDING]

[SEE NEXT PAGE]

A true bill

[Signature]

Foreman

Filed in open court this 12th day of

October, 2006

[Signature]

Oct 12, 2006

Clerk

KENNETH HAYES - NO BAIL ✓

Bail, \$ _____

RICHARD WATTS - NO PROCESS ✓

EDWARD ROSENTHAL - NO PROCESS ✓

[Handwritten mark]

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT
 SUPERSEDING

OFFENSE CHARGED

SEE ATTACHMENT

- Petty
- Minor
- Misdemeanor
- Felony

PENALTY:

Name of District Court, and/or Judge/Magistrate Location
NORTHERN DISTRICT OF CALIFORNIA

DEFENDANT - U.S.

KENNETH E. HAYES

DISTRICT COURT NUMBER

CR-02-0053-CRB

FILED
OCT 12 2006
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND

PROCEEDING

Name of Complainant Agency, or Person (&Title, if any)

DEA/IRS

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCP 20, 21 or 40. Show District

this is a reprosecution of charges previously dismissed which were dismissed on motion of:

U.S. Att'y Defense

this prosecution relates to a pending case involving this same defendant

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

Name and Office of Person
Furnishing Information on
THIS FORM

KEVIN V. RYAN

U.S. Att'y Other U.S. Agency

Name of Asst. U.S. Att'y
(if assigned)

GEORGE L. BEVAN JR.

DEFENDANT

IS NOT IN CUSTODY

- 1) Has not been arrested, pending outcome this proceeding. If not detained give date any prior summons was served on above charges
- 2) Is a Fugitive
- 3) Is on Bail or Release from (show District)

IS IN CUSTODY

- 4) On this charge
 - 5) On another conviction
 - 6) Awaiting trial on other charges } Fed'l State
- If answer to (6) is "Yes", show name of institution

Has detainer been filed? Yes No

If "Yes" give date filed

DATE OF ARREST

Month/Day/Year

Or... if Arresting Agency & Warrant were not

Month/Day/Year

DATE TRANSFERRED TO U.S. CUSTODY

This report amends AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

SUMMONS NO PROCESS* WARRANT Bail Amount: NONE

If Summons, complete following:

Arraignment Initial Appearance

Defendant Address:

**Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment*

Date/Time:

Before Judge:

Comments:

PENALTY SHEET ATTACHMENT

Count 1 – Conspiracy to Use a Place for the Purpose of Manufacturing and Distributing Marijuana, 21 U.S.C. §§ 846 and 856(a)(1)

Kenneth E. Hayes
Richard B. Watts
Edward Rosenthal

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Count 2 – Using a Place for the Manufacture and Distribution of Marijuana, 21 U.S.C. § 856(a)(1).

Kenneth E. Hayes
Richard B. Watts
Edward Rosenthal

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Count 3 – Conspiracy to Manufacture Marijuana, Possess Marijuana for Distribution, and Distribution of Marijuana, 21 U.S.C. §§ 846 and 841(a)(1)

Kenneth E. Hayes
Richard B. Watts

Life imprisonment, mandatory minimum 10-year sentence, \$4 million fine, at least 5 years supervised release, and \$100 special assessment.

Count 4 – Conspiracy to Manufacture Marijuana, Possess Marijuana for Distribution, and Distribution of Marijuana, 21 U.S.C. §§ 846 and 841(a)(1)

Kenneth E. Hayes

Richard B. Watts

Life imprisonment, mandatory minimum 10-year sentence, \$4 million fine, at least 5 years supervised release, and \$100 special assessment.

Count 5 – Manufacture of Marijuana and Possession of Marijuana for Distribution, 21 U.S.C. § 841(a)(1)

Kenneth E. Hayes

40 years in prison, 5-year mandatory minimum sentence, \$2 million fine, at least 4 years supervised release, and \$100 special assessment.

Count 6 – Conspiracy to Manufacture Marijuana, Possess Marijuana With Intent to Distribute, and Distribute Marijuana, and to Use Places for the Manufacture and Distribution of Marijuana, 21 U.S.C. §§ 846, 841(a)(1), and 856(a)(1).

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 7 – Manufacture of marijuana, possession of marijuana for distribution, and distribution of marijuana, 21 U.S.C. § 841(a)(1)

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 8 – Use of Place for the Manufacturing and Distributing of Marijuana, 21 U.S.C. § 856(a)(1).

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 9 – Conspiracy to launder funds from Unlawful Marijuana Distribution, 18 U.S.C. § 1956(h)

Kenneth E. Hayes

Richard B. Watts

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Counts 10-12 – Failure to file tax returns for Harm Reduction Center, LLC, 26 U.S.C. § 7203

Kenneth E. Hayes

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Count 13 – Filing false income tax return, 26 U.S.C. § 7206(1)

Kenneth E. Hayes

3 years in prison on each count, \$100,000 fine, 1 year supervised release, \$100 special assessment, and costs of prosecution.

Counts 14-15 – Failure to file tax returns, 26 U.S.C. § 7203

Kenneth E. Hayes

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Count 16 – Failure to file tax return, 26 U.S.C. § 7203

Richard Watts

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Counts 17-20 – Money laundering, 18 U.S.C. § 1956

Edward Rosenthal

20 years in prison on each count, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Counts 21-25 – Filing false income tax returns, 26 U.S.C. § 7206(1)

Edward Rosenthal

3 years in prison on each count, \$100,000 fine, 1 year supervised release, \$100 special assessment, and costs of prosecution.

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT
 SUPERSEDING

OFFENSE CHARGED

SEE ATTACHMENT

- Petty
- Minor
- Misdemeanor
- Felony

PENALTY:

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

DEA/IRS

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

this is a reprosecution of charges previously dismissed which were dismissed on motion of:

U.S. Att'y Defense

SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant

MAGISTRATE CASE NO.

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

Name and Office of Person
Furnishing Information on
THIS FORM

KEVIN V. RYAN

U.S. Att'y Other U.S. Agency

Name of Asst. U.S. Att'y
(if assigned)

GEORGE L. BEVAN JR.

Name of District Court, and/or Judge/Magistrate Location
NORTHERN DISTRICT OF CALIFORNIA

DEFENDANT - U.S.

RICHARD B. WATTS

DISTRICT COURT NUMBER

CR-02-0053-CRB

FILED
OCT 12 2006
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

DEFENDANT

IS NOT IN CUSTODY

- 1) Has not been arrested, pending outcome this proceeding. If not detained give date any prior summons was served on above charges
- 2) Is a Fugitive
- 3) Is on Bail or Release from (show District)

THIS DISTRICT

IS IN CUSTODY

- 4) On this charge
 - 5) On another conviction
 - 6) Awaiting trial on other charges } Fed'l State
- If answer to (6) is "Yes", show name of institution

Has detainer been filed? Yes No

If "Yes" give date filed

DATE OF ARREST

Month/Day/Year

Or... if Arresting Agency & Warrant were not

Month/Day/Year

DATE TRANSFERRED TO U.S. CUSTODY

This report amends AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

SUMMONS NO PROCESS* WARRANT Bail Amount: _____

If Summons, complete following:

Arraignment Initial Appearance

Defendant Address: _____

**Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment*

Date/Time: _____

Before Judge: _____

Comments: _____

PENALTY SHEET ATTACHMENT

Count 1 – Conspiracy to Use a Place for the Purpose of Manufacturing and Distributing Marijuana, 21 U.S.C. §§ 846 and 856(a)(1)

Kenneth E. Hayes
Richard B. Watts
Edward Rosenthal

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Count 2 – Using a Place for the Manufacture and Distribution of Marijuana, 21 U.S.C. § 856(a)(1).

Kenneth E. Hayes
Richard B. Watts
Edward Rosenthal

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Count 3 – Conspiracy to Manufacture Marijuana, Possess Marijuana for Distribution, and Distribution of Marijuana, 21 U.S.C. §§ 846 and 841(a)(1)

Kenneth E. Hayes
Richard B. Watts

Life imprisonment, mandatory minimum 10-year sentence, \$4 million fine, at least 5 years supervised release, and \$100 special assessment.

Count 4 – Conspiracy to Manufacture Marijuana, Possess Marijuana for Distribution, and Distribution of Marijuana, 21 U.S.C. §§ 846 and 841(a)(1)

Kenneth E. Hayes
Richard B. Watts

Life imprisonment, mandatory minimum 10-year sentence, \$4 million fine, at least 5 years supervised release, and \$100 special assessment.

Count 5 – Manufacture of Marijuana and Possession of Marijuana for Distribution, 21 U.S.C. § 841(a)(1)

Kenneth E. Hayes

40 years in prison, 5-year mandatory minimum sentence, \$2 million fine, at least 4 years supervised release, and \$100 special assessment.

Count 6 – Conspiracy to Manufacture Marijuana, Possess Marijuana With Intent to Distribute, and Distribute Marijuana, and to Use Places for the Manufacture and Distribution of Marijuana, 21 U.S.C. §§ 846, 841(a)(1), and 856(a)(1).

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 7 – Manufacture of marijuana, possession of marijuana for distribution, and distribution of marijuana, 21 U.S.C. § 841(a)(1)

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 8 – Use of Place for the Manufacturing and Distributing of Marijuana, 21 U.S.C. § 856(a)(1).

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 9 – Conspiracy to launder funds from Unlawful Marijuana Distribution, 18 U.S.C. § 1956(h)

Kenneth E. Hayes
Richard B. Watts

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Counts 10-12 – Failure to file tax returns for Harm Reduction Center, LLC, 26 U.S.C. § 7203

Kenneth E. Hayes

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Count 13 – Filing false income tax return, 26 U.S.C. § 7206(1)

Kenneth E. Hayes

3 years in prison on each count, \$100,000 fine, 1 year supervised release, \$100 special assessment, and costs of prosecution.

Counts 14-15 – Failure to file tax returns, 26 U.S.C. § 7203

Kenneth E. Hayes

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Count 16 – Failure to file tax return, 26 U.S.C. § 7203

Richard Watts

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Counts 17-20 – Money laundering, 18 U.S.C. § 1956

Edward Rosenthal

20 years in prison on each count, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Counts 21-25 – Filing false income tax returns, 26 U.S.C. § 7206(1)

Edward Rosenthal

3 years in prison on each count, \$100,000 fine, 1 year supervised release, \$100 special assessment, and costs of prosecution.

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT SUPERSEDING

OFFENSE CHARGED

SEE ATTACHMENT

- Petty
- Minor
- Misdemeanor
- Felony

PENALTY:

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

DEA/IRS

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

this is a re prosecution of charges previously dismissed which were dismissed on motion of:

U.S. Att'y Defense

this prosecution relates to a pending case involving this same defendant

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

Name and Office of Person Furnishing Information on THIS FORM

KEVIN V. RYAN

U.S. Att'y Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

GEORGE L. BEVAN JR. *GB*

Name of District Court, and/or Judge/Magistrate Location
NORTHERN DISTRICT OF CALIFORNIA

DEFENDANT - U.S.

EDWARD ROSENTHAL

DISTRICT COURT NUMBER

CR-02-0053-CRB

FILED
OCT 12 2006
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND

DEFENDANT

IS NOT IN CUSTODY

- 1) Has not been arrested, pending outcome this proceeding. If not detained give date any prior summons was served on above charges
- 2) Is a Fugitive
- 3) Is on Bail or Release from (show District)

THIS DISTRICT

IS IN CUSTODY

- 4) On this charge
 - 5) On another conviction
 - 6) Awaiting trial on other charges } Fed'l State
- If answer to (6) is "Yes", show name of institution

Has detainer been filed? Yes No

If "Yes" give date filed

DATE OF ARREST

Month/Day/Year

Or... if Arresting Agency & Warrant were not

Month/Day/Year

DATE TRANSFERRED TO U.S. CUSTODY

This report amends AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

SUMMONS NO PROCESS* WARRANT Bail Amount: _____

If Summons, complete following:

Arraignment Initial Appearance

Defendant Address: _____

**Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment*

Date/Time: _____

Before Judge: _____

Comments: _____

PENALTY SHEET ATTACHMENT

Count 1 – Conspiracy to Use a Place for the Purpose of Manufacturing and Distributing Marijuana, 21 U.S.C. §§ 846 and 856(a)(1)

Kenneth E. Hayes
Richard B. Watts
Edward Rosenthal

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Count 2 – Using a Place for the Manufacture and Distribution of Marijuana, 21 U.S.C. § 856(a)(1).

Kenneth E. Hayes
Richard B. Watts
Edward Rosenthal

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Count 3 – Conspiracy to Manufacture Marijuana, Possess Marijuana for Distribution, and Distribution of Marijuana, 21 U.S.C. §§ 846 and 841(a)(1)

Kenneth E. Hayes
Richard B. Watts

Life imprisonment, mandatory minimum 10-year sentence, \$4 million fine, at least 5 years supervised release, and \$100 special assessment.

Count 4 – Conspiracy to Manufacture Marijuana, Possess Marijuana for Distribution, and Distribution of Marijuana, 21 U.S.C. §§ 846 and 841(a)(1)

Kenneth E. Hayes
Richard B. Watts

Life imprisonment, mandatory minimum 10-year sentence, \$4 million fine, at least 5 years supervised release, and \$100 special assessment.

Count 5 – Manufacture of Marijuana and Possession of Marijuana for Distribution, 21 U.S.C. § 841(a)(1)

Kenneth E. Hayes

40 years in prison, 5-year mandatory minimum sentence, \$2 million fine, at least 4 years supervised release, and \$100 special assessment.

Count 6 – Conspiracy to Manufacture Marijuana, Possess Marijuana With Intent to Distribute, and Distribute Marijuana, and to Use Places for the Manufacture and Distribution of Marijuana, 21 U.S.C. §§ 846, 841(a)(1), and 856(a)(1).

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 7 – Manufacture of marijuana, possession of marijuana for distribution, and distribution of marijuana, 21 U.S.C. § 841(a)(1)

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 8 – Use of Place for the Manufacturing and Distributing of Marijuana, 21 U.S.C. § 856(a)(1).

Edward Rosenthal

5 years in prison, \$250,000 fine, at least 2 years supervised release, and \$100 special assessment.

Count 9 – Conspiracy to launder funds from Unlawful Marijuana Distribution, 18 U.S.C. § 1956(h)

Kenneth E. Hayes
Richard B. Watts

20 years in prison, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Counts 10-12 – Failure to file tax returns for Harm Reduction Center, LLC, 26 U.S.C. § 7203

Kenneth E. Hayes

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Count 13 – Filing false income tax return, 26 U.S.C. § 7206(1)

Kenneth E. Hayes

3 years in prison on each count, \$100,000 fine, 1 year supervised release, \$100 special assessment, and costs of prosecution.

Counts 14-15 – Failure to file tax returns, 26 U.S.C. § 7203

Kenneth E. Hayes

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Count 16 – Failure to file tax return, 26 U.S.C. § 7203

Richard Watts

1 year in prison on each count, \$25,000 fine, 1 year supervised release, \$25 special assessment, and costs of prosecution.

Counts 17-20 – Money laundering, 18 U.S.C. § 1956

Edward Rosenthal


20 years in prison on each count, \$500,000 fine, 3 years supervised release, and \$100 special assessment.

Counts 21-25 – Filing false income tax returns, 26 U.S.C. § 7206(1)

Edward Rosenthal

3 years in prison on each count, \$100,000 fine, 1 year supervised release, \$100 special assessment, and costs of prosecution.

1 KEVIN V. RYAN (CSBN 118321)
United States Attorney

FILED 

RECEIVED
U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

2
3
4
5
6
7
8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

11 UNITED STATES OF AMERICA,

12 Plaintiff,

14 v.

21 KENNETH E. HAYES,
22 RICHARD B. WATTS, and
23 EDWARD ROSENTHAL,

24 Defendants.

) No. CR-02-0053-CRB

) VIOLATIONS: 21 U.S.C. §§ 846, 856(a)(1)
) – Conspiracy to Use Place for Manufacture of
) Marijuana and Distribution of Marijuana;
) 21 U.S.C. § 856(a)(1) – Use of Place for
) Manufacture of Marijuana and Distribution of
) of Marijuana; 21 U.S.C. §§ 846, 841(a)(1) --
) Conspiracy to Manufacture Marijuana,
) Possess Marijuana for Distribution, and
) Distribution of Marijuana; 21 U.S.C.
) § 841(a)(1) – Manufacture of Marijuana,
) Possession of Marijuana With Intent to
) Distribute, and Distribution of Marijuana;
) 18 U.S.C. § 1956(h) – Conspiracy to Launder
) Money From Unlawful Sale of Marijuana;
) 18 U.S.C. §§ 1956(a)(1)(A) and (B) --
) Laundering of Money From Unlawful
) Sale of Marijuana For Promotion and to
) Conceal Nature and Source of Money;
) 26 U.S.C. § 7206(1) – Filing False Federal
) Income Tax Returns; 26 U.S.C. § 7203 –
) Failure to File Federal Income Tax Returns.

) SAN FRANCISCO VENUE

25 SUPERSEDING INDICTMENT

26 The Grand Jury charges:
27
28

1 COUNT ONE: 21 U.S.C. §§ 846 and 856(a)(1)

2 On or about and between November 1, 2000 and February 2002, in the Northern
3 District of California, defendants

4 KENNETH E. HAYES,
5 RICHARD B. WATTS,
6 EDWARD ROSENTHAL,

7 and others, did knowingly and intentionally conspire to use a place, namely the
8 commercial space at 52 6th Street in San Francisco, California, for the purpose of
9 manufacturing and distributing marijuana, a Schedule I controlled substance, in violation
10 of Title 21, United States Code, Sections 846 and 856(a)(1).

11 COUNT TWO: 21 U.S.C. § 856(a)(1)

12 On or about and between October 2001 and February 2002, in the City of San
13 Francisco, Northern District of California, defendants

14 KENNETH E. HAYES,
15 RICHARD B. WATTS, and
16 EDWARD ROSENTHAL

17 did knowingly use a place, namely the commercial space at 52 6th Street in San Francisco,
18 California, for the purpose of manufacturing and distributing marijuana, a Schedule I
19 controlled substance, in violation of Title 21, United States Code, Section 856(a)(1).

20 COUNT THREE: 21 U.S.C. §§ 846 and 841(a)(1)

21 On or about and between June 2000 and February 2002, in the City of San
22 Francisco, Northern District of California, defendants

23 KENNETH E. HAYES,
24 RICHARD B. WATTS,

25 and others, did knowingly and intentionally conspire to manufacture marijuana, possess
26 marijuana with intent to distribute, and distribute marijuana, including 1,000 or more
27 marijuana plants, a Schedule I controlled substance, in violation of Title 21, United States
28 Code, Sections 846 and 841(a)(1).

1 COUNT FOUR: 21 U.S.C. § 841(a)(1)

2 On or about and between October 2001 and February 2002, in the City of San
3 Francisco, Northern District of California, defendants

4 KENNETH E. HAYES, and
5 RICHARD B. WATTS

6 did knowingly and intentionally manufacture marijuana, possess marijuana with intent to
7 distribute, and distribute marijuana, including 1,000 or more marijuana plants, a
8 Schedule I controlled substance, in violation of Title 21, United States Code, Section
9 841(a)(1).

10
11 COUNT FIVE: 21 U.S.C. § 841(a)(1)

12 On or about February 12, 2002, in the City of Petaluma, Northern District of
13 California, defendant

14 KENNETH E. HAYES

15 did knowingly and intentionally manufacture marijuana, and possess marijuana with
16 intent to distribute, including 100 or more marijuana plants, a Schedule I controlled
17 substance, in violation of Title 21, United States Code, Section 841(a)(1).

18
19 COUNT SIX: 21 U.S.C. §§ 846, 841(a)(1), 856(a)(1)

20 On or about and between June 1998 and February 2002, in the City of Oakland,
21 Northern District of California, defendant

22 EDWARD ROSENTHAL

23 and others, did knowingly and intentionally conspire (1) to manufacture marijuana,
24 possess marijuana with intent to distribute, and distribute marijuana; and (2) to use the
25 locations of 1419 Mandela Parkway, Oakland, California, and 1626 East 22nd Street,
26 Oakland, California, for the purpose of manufacturing and distributing marijuana, a
27 Schedule I controlled substance, in violation of Title 21, United States Code, Sections
28 846, 856(a)(1), and 841(a)(1).

1 COUNT SEVEN: 21 U.S.C. § 841(a)(1)

2 On or about and between October 2001 and February 2002, in the City of Oakland,
3 Northern District of California, defendant

4 EDWARD ROSENTHAL

5 did knowingly and intentionally manufacture marijuana, possess marijuana with intent to
6 distribute, and distribute marijuana, a Schedule I controlled substance, in violation of
7 Title 21, United States Code, Section 841(a)(1).
8

9 COUNT EIGHT: 21 U.S.C. § 856(a)(1)

10 On or about and between October 2001 and February 2002, in the City of Oakland,
11 Northern District of California, defendant

12 EDWARD ROSENTHAL

13 did knowingly use a place, namely the commercial building located at 1419 Mandela
14 Parkway, Oakland, California, for the purpose of manufacturing and distributing
15 marijuana, a Schedule I controlled substance, in violation of Title 21, United States Code,
16 Section 856(a)(1).
17

18 COUNT NINE: 18 U.S.C. §§ 1956(h)

19 1. Beginning on a date unknown, but no later than in or about July 2000
20 and continuing until February 2002, in the Northern District of California, defendants

21 KENNETH E. HAYES,
22 RICHARD B. WATTS,

23 and others, knowing that the property involved in financial transactions represented the
24 proceeds of the unlawful distribution of marijuana, a Schedule I controlled substance, did
25 knowingly conspire to conduct such financial transactions which in fact involved the
26 proceeds of such specified unlawful activity:

27 (a) with the intent to promote the carrying on of such unlawful distribution of
28 marijuana, in violation of 18 U.S.C. § 1956(a)(1)(A)(i); and

1 (b) knowing that the transactions were designed, in whole or in part, to conceal and
2 disguise the nature and source of the proceeds of such unlawful distribution of marijuana,
3 in violation of 18 U.S.C. § 1956(a)(1)(B)(i).

4 Manner and Means of Conspiracy

5 2. It was part of the manner and means of the conspiracy that:

6 (a) During the periods alleged herein, defendants Kenneth Hayes, Richard
7 Watts, and others, conducted a commercial business in San Francisco, California, under
8 the name of the Harm Reduction Center (hereinafter "HARM"), organized as a limited
9 liability company in the State of California.

10 (b) Defendant Kenneth Hayes rented commercial space for this business at 1017
11 Howard Street in San Francisco, and 52 6th Street in San Francisco.

12 (c) The business of HARM included the unlawful distribution of marijuana.

13 (d) Checking accounts were opened at Bank of America in the name of Harm
14 Reduction Center, LLC. Defendants Kenneth Hayes and Richard Watts were among the
15 authorized signatories on one or more of these accounts.

16 (e) Proceeds from the sale of marijuana, that included currency and credit card
17 purchases of marijuana, were deposited into these bank accounts. During the periods
18 alleged herein, funds in the approximate amount of \$969,588 were deposited to HARM
19 bank accounts.

20 (f) Checks to "cash" were written on a HARM account in payment for the
21 purchase of marijuana for resale at HARM, with the intent to promote the carrying on this
22 specified unlawful activity, namely, the unlawful sale of marijuana.

23 (g) Checks to "cash" were written on a HARM account, and the proceeds were
24 used to pay wages in cash to employees and others at HARM, and to pay marijuana
25 suppliers in cash, with the intent to promote the carrying on this specified unlawful
26 activity, and to conceal and disguise nature and the source and location of these funds.

27 //

28 //

Overt Acts

3. In furtherance of the conspiracy and to obtain the objectives thereof, the defendants committed the following overt acts, among others, in the Northern District of California:

(a) On or about the dates and in the amounts listed below, defendants Kenneth Hayes and Richard Watts wrote checks payable to "cash" on a HARM bank account to pay for marijuana purchased from a supplier for resale at HARM:

<u>Bank Date</u>	<u>Amount</u>	<u>Memo Line on Check</u>	<u>Signer of Check</u>
8-04-00	\$615	Product	Kenneth Hayes
10-27-00	\$5,000	Pineapple	Richard Watts
11-09-00	\$3,500	Mixed Eds	Kenneth Hayes
11-16-00	\$1,500	Mixed Eds	Kenneth Hayes
11-20-00	\$750	Mixed Eds	Kenneth Hayes
11-21-00	\$5,000	Bart	Richard Watts
11-22-00	\$4,000	PO Bart	Richard Watts
12-06-00	\$4,000	Bart	Richard Watts
12-11-00	\$3,500	Eggman	Richard Watts
12-11-00	\$4,000	Eggman	Richard Watts
12-18-00	\$2,000	Pineapple	Richard Watts
12-20-01	\$7,000	Bart-Mendo Endo	Richard Watts
1-18-01	\$2,500	Eggman	Richard Watts
1-19-01	\$2,500	Eggman	Richard Watts
1-25-01	\$5,000	Bart	Richard Watts
1-30-01	\$3,000	Pineapple	Kenneth Hayes
1-31-01	\$5,000	Bart	Richard Watts
12-09-01	\$4,690	Super Skunk, Christmas Time Fun	Kenneth Hayes

1 (b) On or about the dates and in the amounts listed below, defendant Richard
2 Watts wrote checks to "cash" on a HARM bank account, and used the proceeds to pay
3 wages to employees and others at HARM:

<u>Bank Date</u>	<u>Amount</u>	<u>Memo Section on Check</u>	<u>Signer of Check</u>
11-17-00	\$3,250	Payroll & petty cash	Richard Watts
12-01-00	\$4,863	Payroll	Richard Watts
12-12-00	\$6,300	Payroll	Richard Watts
12-19-00	\$3,800	Payroll	Richard Watts
1-02-01	\$4,441	Payroll & petty cash	Richard Watts
1-09-01	\$3,900	Payroll	Richard Watts
1-16-01	\$4,150	Payroll	Richard Watts
1-30-01	\$4,575	Payroll	Richard Watts

13 (c) During the periods alleged herein, defendants Kenneth Hayes and Richard
14 Watts wrote checks on a HARM bank account, payable to Occidental Express, in
15 payment of rent and for deposit for the commercial space described in paragraphs 2(a)
16 and (b) herein.

17 (d) During the periods alleged herein, defendant Richard Watts wrote checks on a
18 HARM bank account, payable to David Hoye, each in the amount of \$2,700, to pay for
19 marijuana manufactured at the residence of Hoye and Watts at 582 Bowdoin Street, San
20 Francisco, and supplied to HARM for resale.

21 (e) On or about December 20, 2001, defendant Kenneth Hayes wrote a check on a
22 HARM bank account, in the amount of \$735, payable to Ed Rosenthal, in payment for
23 marijuana supplied by Ed Rosenthal for resale at HARM.

24 (f) On or about February 1, 2002, co-conspirator Robert Martin wrote checks on a
25 HARM bank account, in the amounts of \$1,500 and \$3,000, payable to Ed Rosenthal, in
26 payment for marijuana supplied by Ed Rosenthal for resale at HARM.

27 All in violation of Title 18, United States Code, Section 1956(h).

28

1 aid and abet in the non-filing of such return.

2 All in violation of Title 26, United States Code, Section 7203, and Title 18, United
3 States Code, Section 2.

4
5 COUNT TWELVE: 26 U.S.C. § 7203, 18 U.S.C. § 2

6 During the calendar year 2002, in the Northern District of California, defendant
7 KENNETH E. HAYES,
8 who was executive director of the Harm Reduction Center, LLC, a California limited
9 liability company, which operated as a commercial business in San Francisco, California,
10 and had and received gross receipts of approximately \$46,868; and by reason of such
11 gross receipts, the Harm Reduction Center LLC was required by law, following the close
12 of the calendar year 2002 and on or before April 15, 2003, to timely make a return of
13 income of the company on Form 1065, U.S. Return of Partnership Income, to the
14 Secretary in the San Francisco Internal Revenue district, or at the Fresno Service Center,
15 and knowing of the foregoing, defendant Kenneth E. Hayes did willfully and knowingly
16 aid and abet in the non-filing of such return.

17 All in violation of Title 26, United States Code, Section 7203, and Title 18, United
18 States Code, Section 2.

19
20 COUNT THIRTEEN: 26 U.S.C. § 7206(1)

21 On or about April 15, 2001, in the Northern District of California, defendant
22 KENNETH E. HAYES,
23 then a resident of Petaluma, California, did willfully make and subscribe a materially
24 false Form 1040A – U.S. Individual Tax Return for the year 2000 – which was verified
25 by a written declaration that it was made under penalty of perjury and was filed with the
26 Internal Revenue Service, which income tax return the defendant did not believe to be
27 true and correct as to every material matter, in that the defendant willfully omitted
28 material information concerning his taxable income, in that on line 25 of his 2000 income

1 tax return, the defendant falsely claimed that his taxable income for the 2000 year was
2 \$4,484.61, when in truth and fact, as the defendant well knew and believed, he received
3 income from the Harm Reduction Center, LLC of at least \$84,789, and his correct taxable
4 income was in excess of the reported amount.

5 All in violation of Title 26, United States Code, Section 7206(1).
6

7 COUNT FOURTEEN: 26 U.S.C. § 7203

8 During the calendar year 2001, in the Northern District of California, defendant
9 KENNETH E. HAYES,
10 then a resident of Petaluma, California, had and received a gross income of \$115,997; and
11 by reason of such income, the defendant was required by law, following the close of the
12 calendar year 2001 and on or before April 15, 2002, to timely make an income tax return
13 to the Secretary in the San Francisco Internal Revenue district, or at the Fresno Service
14 Center, stating specifically the items of his gross income and any deductions and credits
15 to which he was entitled; and knowing all of the foregoing, he willfully and knowingly
16 failed to timely make such return.

17 All in violation of Title 26, United States Code, Section 7203.
18

19 COUNT FIFTEEN: 26 U.S.C. § 7203

20 During the calendar year 2002, in the Northern District of California, defendant
21 KENNETH E. HAYES,
22 then a resident of Petaluma, California, had and received a gross income of \$15,426; and
23 by reason of such income, the defendant was required by law, following the close of the
24 calendar year 2002 and on or before April 15, 2003, to timely make an income tax return
25 to the Secretary in the San Francisco Internal Revenue district, or at the Fresno Service
26 Center, stating specifically the items of his gross income and any deductions and credits
27 to which he was entitled; and knowing all of the foregoing, he willfully and knowingly
28

1 failed to timely make such return.

2 All in violation of Title 26, United States Code, Section 7203.

3
4 COUNT SIXTEEN: 26 U.S.C. § 7203

5 During the calendar year 2001, in the Northern District of California, defendant
6 RICHARD B. WATTS,
7 then a resident of San Francisco, California, had and received a gross income of \$42,012;
8 and that by reason of such income, the defendant was required by law, following the close
9 of the calendar year 2001 and on or before April 15, 2002, to timely make an income tax
10 return to the Secretary in the San Francisco Internal Revenue district, or at the Fresno
11 Service Center, stating specifically the items of his gross income and any deductions and
12 credits to which he was entitled; and knowing all of the foregoing, he willfully and
13 knowingly failed to timely make such return.

14 All in violation of Title 26, United States Code, Section 7203.

15
16 COUNTS SEVENTEEN THROUGH TWENTY: 18 U.S.C. § 1956(a)(1)(A)(i) and
17 (B)(i).

18 On or about the dates set forth herein for each count, in the Northern District of
19 California, defendant

20 EDWARD ROSENTHAL,

21 knowing that the property involved in each listed financial transaction represented the
22 proceeds of some form of unlawful activity, namely, the unlawful distribution of
23 marijuana, a Schedule I controlled substance, conducted financial transactions which in
24 fact involved the proceeds of such specified unlawful activity, with the intent to promote
25 the carrying on of such specified unlawful activity and knowing that the transaction was
26 designed in whole or in part to conceal and disguise the nature, location, and source of the
27 proceeds of such unlawful distribution of marijuana:

<u>Count</u>	<u>Date</u>	<u>Transaction</u>	<u>Amount</u>	<u>Payee</u>
17	11-08-01	Purchase of money order # 52-84941410	\$500	Leslie Wilmer
18	11-08-01	Purchase of money order # 52-84941411	\$500	Leslie Wilmer
19	11-08-01	Purchase of money order # 52-84941412	\$453.66	Leslie Wilmer
20	1-03-02	Purchase of money order #52-86845217	\$401.11	Romeo Packing

All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and (B)(i).

COUNT TWENTY-ONE: 26 U.S.C. § 7206(1)

On or about October 12, 2000, in the Northern District of California, defendant
EDWARD ROSENTHAL,
then a resident of Oakland, California, did willfully make and subscribe a materially false Form 1040 – U.S. Individual Tax Return for the year 1999 -- which was verified by a written declaration that it was made under penalty of perjury and was filed with the Internal Revenue Service, which income tax return the defendant did not believe to be true and correct as to every material matter, in that the defendant willfully omitted gross receipts from his business of distributing marijuana, dba Medifarm, when in truth and fact, as the defendant well knew and believed, his gross receipts from the distribution of marijuana were at least \$120,000 during the 1999 calendar year.

All in violation of Title 26, United States Code, Section 7206(1).

COUNT TWENTY-TWO: 26 U.S.C. § 7206(1)

On or about June 25, 2001, in the Northern District of California, defendant
EDWARD ROSENTHAL,
then a resident of Oakland, California, did willfully make and subscribe a materially false Form 1040 – U.S. Individual Tax Return for the year 2000 -- which was verified by a

1 written declaration that it was made under penalty of perjury and was filed with the
2 Internal Revenue Service, which income tax return the defendant did not believe to be
3 true and correct as to every material matter, in that the defendant willfully omitted his
4 gross receipts from his business of distributing marijuana, dba Medifarm, when in truth
5 and fact, as the defendant well knew and believed, his gross receipts from the distribution
6 of marijuana were at least \$120,000 during the 2000 calendar year.

7 All in violation of Title 26, United States Code, Section 7206(1).
8

9 COUNT TWENTY-THREE: 26 U.S.C. § 7206(1)

10 On or about November 18, 2002, in the Northern District of California, defendant
11 EDWARD ROSENTHAL,
12 then a resident of Oakland, California, did willfully make and subscribe a materially false
13 Form 1040 – U.S. Individual Tax Return for the year 2001 -- which was verified by a
14 written declaration that it was made under penalty of perjury and was filed with the
15 Internal Revenue Service, which income tax return the defendant did not believe to be
16 true and correct as to every material matter, in that the defendant willfully omitted his
17 gross receipts from his business of distributing marijuana, dba Medifarm, when in truth
18 and fact, as the defendant well knew and believed, his gross receipts from the distribution
19 of marijuana were at least \$120,000 during the calendar year 2001.

20 All in violation of Title 26, United States Code, Section 7206(1).
21

22 COUNT TWENTY-FOUR: 26 U.S.C. § 7206(1)

23 On or about March 29, 2004, in the Northern District of California, defendant
24 EDWARD ROSENTHAL,
25 then a resident of Oakland, California, did willfully make and subscribe a materially false
26 Form 1040X – Amended U.S. Individual Tax Return for the year 2000 -- which was
27 verified by a written declaration that it was made under penalty of perjury and was filed
28 with the Internal Revenue Service, which income tax return the defendant did not believe

1 to be true and correct as to every material matter, in that the defendant willfully omitted
2 his gross receipts from his business of distributing marijuana, dba Medifarm, when in
3 truth and fact, as the defendant well knew and believed, his gross receipts from the
4 distribution of marijuana were at least \$120,000 during the calendar year 2000.

5 All in violation of Title 26, United States Code, Section 7206(1).
6

7 COUNT TWENTY-FIVE: 26 U.S.C. § 7206(1)

8 On or about March 22, 2004, in the Northern District of California, defendant
9 EDWARD ROSENTHAL,
10 then a resident of Oakland, California, did willfully make and subscribe a materially false
11 Form 1040X – Amended U.S. Individual Tax Return for the year 2001 -- which was
12 verified by a written declaration that it was made under penalty of perjury and was filed
13 with the Internal Revenue Service, which income tax return the defendant did not believe
14 to be true and correct as to every material matter, in that the defendant willfully omitted
15 his gross receipts from his business of distributing marijuana, dba Medifarm, when in

16 //
17 //
18 //
19 //
20 //
21 //
22 //
23 //
24 //
25 //
26 //
27 //
28 //

1 truth and fact, as the defendant well knew and believed, his gross receipts from the
2 distribution of marijuana were at least \$120,000 during the calendar year 2001.

3 All in violation of Title 26, United States Code, Section 7206(1).

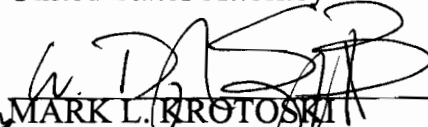
4
5 A TRUE BILL.

6
7 Dated: Oct. 12, 2004

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

FOREPERSON

12 KEVIN V. RYAN
United States Attorney

13
14
15

MARK L. KROTOSKI
Chief, Criminal Division

17 (Approved as to form: )
18 AUSA: GLBEVANJR