Presented to the Court by the foreman of the Grand Jury in open Court, in the presence of the Grand Jury and FILED in the U.S. DISTRICT COURT at Seattle, Washington.

NOVEMBER 3 2010

WILLIAM M. McCOOL, Clerk

By _____ Deputy

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CR10 0328 RSL

UNITED STATES OF AMERICA, Plaintiff, v. RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO, Defendants.	NO. INDICTMENT

The Grand Jury charges that:

COUNT ONE
(Conspiracy)

1. Beginning at a time unknown, and continuing until in or about October 2010, at Seattle, within the Western District of Washington, and elsewhere, RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO and others known and unknown, did knowingly and willfully conspire, combine, confederate and agree to commit offenses against the United States and to defraud the United States, to wit: Theft of Public Money, in violation of Title 18, United States Code, Section 641; False, Fictitious, or Fraudulent Claims, in violation of Title 18, United States Code, Section 287; and False and Fraudulent Statements, in violation of Title 26, United States Code, Section 7206(1).

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A. Background

At all times relevant to this Indictment:

2. RONALD L. BREKKE resided in California and operated a business in which he charged individuals fees for preparing tax forms and submitting them electronically to the Internal Revenue Service.

3. WONITA J. CHUNG resided in Seattle, Washington, and recruited customers for the business operated by RONALD L. BREKKE.

4. FRANZIE F. COLACO resided in Canada, and recruited customers for the business operated by RONALD L. BREKKE.

B. Object of the Conspiracy

5. The object of the conspiracy was for RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO to defraud the Internal Revenue Service by recruiting individuals and assisting them in preparing and filing false and fraudulent federal income tax returns seeking tax refunds to which the individuals were not entitled.

C. Manner and Means of the Conspiracy

6. It was part of the conspiracy that RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO promoted a tax scheme in which individuals were told that they could receive a federal income tax refund for an amount equal to their debts and/or their credit card credit limits. Under the scheme, RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO directed individuals to file a federal income tax return with the Internal Revenue Service falsely claiming that the amount of their debts and credit card limits had been withheld as tax, and to claim this amount as a tax refund on their return.

7. It was further part of the conspiracy that RONALD L. BREKKE charged individuals fees to prepare and to file with the Internal Revenue Service 1099-OID and 1099-A forms that individuals were told had to be submitted with their income tax returns. The 1099-OID forms falsely stated that banks and other companies had withheld

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as federal tax the amounts that the individuals claimed had been withheld as tax on their federal income tax returns.

8. It was further part of the conspiracy that RONALD L. BREKKE maintained a PayPal account to receive the fees that he charged for the preparation and filing of the fraudulent 1099-OID and 1099-A tax forms.

9. It was further part of the conspiracy that RONALD L. BREKKE discounted the fees that he charged to individuals who were referred by WONITA J. CHUNG and FRANZIE F. COLACO.

10. It was further part of the conspiracy that RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO recruited individuals from the United States and Canada to participate in the scheme by, among other things, holding seminars and distributing promotional materials.

11. It was further part of the conspiracy that RONALD L. BREKKE assisted WONITA J. CHUNG and FRANZIE F. COLACO in preparing and filing their own fraudulent federal income tax returns seeking tax refunds under the scheme outlined above.

12. It was further part of the conspiracy that RONALD L. BREKKE used transmitter control codes that the Internal Revenue Service had assigned to him and others to file the 1099-OID and 1099-A tax forms electronically with the Internal Revenue Service.

D. Overt Acts

13. In furtherance of the conspiracy, and to accomplish one or more of its objects, the following overt acts were committed or caused to be committed by one or more of the conspirators:

REPRESENTATIVE TAX RETURNS

The following tax returns and conduct are representative examples of overt acts committed by RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO, and others acting at their direction.

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a. J.C.

14. On around July 12, 2009, RONALD L. BREKKE flew from California to Seattle, Washington to meet WONITA J. CHUNG for the purpose of traveling together to Vancouver, Canada, to promote the scheme. RONALD L. BREKKE and WONITA J. CHUNG drove together from Seattle, Washington, to Vancouver, Canada. On or around July 14, 2009, RONALD L. BREKKE, WONITA J. CHUNG, and others presented a seminar about the scheme in Vancouver. The seminar's attendees included J.C., WONITA J. CHUNG's brother, a Canadian citizen.

15. On or around August 6 and 7, 2009, RONALD L. BREKKE electronically filed with the Internal Revenue Service 1099-OID and 1099-A forms on J.C.'s behalf. RONALD L. BREKKE submitted the 1099-OID forms knowing that they falsely stated that banks and other companies had withheld $369,534.60 in federal tax on J.C.'s behalf, when in fact no federal tax had been withheld on his behalf.

16. On or around July 31, 2009, J.C. paid RONALD L. BREKKE $607.50 for his having helped prepare and file the tax forms.

17. On or around September 8, 2009, J.C. mailed a federal income tax return to the Internal Revenue Service, falsely claiming that $369,534.60 in federal tax had been withheld on his behalf, and seeking a refund for this amount. On or around October 9, 2009, the Internal Revenue Service mailed J.C. a tax refund check for $369,534.60. These funds came from the United States Treasury.

18. On or around October 26, 2009, J.C. deposited the check in Seattle, Washington into a Bank of America account.

19. On or around October 24, 2009, J.C. wrote checks to WONITA J. CHUNG for $30,000.00 and $41,000.00, from the account in which he deposited the check. J.C. wrote these checks intending to transfer a portion of the tax refund check proceeds to WONITA J. CHUNG. On or around October 26, 2009, WONITA J. CHUNG deposited the checks in Seattle, Washington in her U.S. Bank account.

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b. D.M.

20. D.M., a Canadian citizen, also attended the July 14, 2009 seminar in Vancouver, Canada that is discussed in paragraph 14 of this Indictment.

21. On or around July 22, 2009, RONALD L. BREKKE emailed FRANZIE F. COLACO, copying WONITA J. CHUNG, asking for certain information for D.M. regarding "Canadian Tire Options Mastercard." FRANZIE F. COLACO responded that he would look for the information.

22. On or around July 23 and 26, 2009, RONALD L. BREKKE electronically filed with the Internal Revenue Service 1099-OID and 1099-A forms on D.M.'s behalf. RONALD L. BREKKE submitted the 1099-OID forms knowing that they falsely stated that banks and other companies had withheld $359,926.80 in federal tax on D.M.'s behalf, when in fact no federal tax had been withheld on his behalf.

23. On or around July 25, 2009, RONALD L. BREKKE invoiced D.M. $5,985.00 for having helped prepare and submit the tax forms to the IRS.

24. On or around August 12, 2009, D.M. mailed a federal income tax return to the Internal Revenue Service, falsely claiming that $359,926.80 in federal tax had been withheld on his behalf. On or around October 2, 2009, the Internal Revenue Service mailed D.M. a tax refund check for $359,926.80. These funds came from the United States Treasury.

25. On or around October 26, 2009, D.M. deposited the check into a Bank of America account in Bellingham, Washington.

c. M.G.

26. On or around August 27, 2009, M.G., a Canadian citizen, emailed RONALD L. BREKKE, requesting his assistance in preparing and filing a federal tax return. M.G. told RONALD L. BREKKE that he had been referred by WONITA J. CHUNG and FRANZIE F. COLACO.

27. On or around September 23, 2009, RONALD L. BREKKE electronically filed with the Internal Revenue Service 1099-OID and 1099-A forms on M.G.'s behalf.

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RONALD L. BREKKE submitted the 1099-OID forms knowing that they falsely stated that banks and other companies had withheld $126,135.18 in federal tax on M.G.'s behalf, when in fact no federal tax had been withheld on his behalf.

28. On or around September 23, 2009, D.M. paid RONALD L. BREKKE $270.00 for his having helped prepare and file the tax forms.

29. On or around March 29, 2010, D.M. mailed a federal income tax return to the Internal Revenue Service, falsely claiming that $126,135.18 in federal tax had been withheld on his behalf, and seeking a refund for this amount.

d. S.C.

30. On or around August 23, 2009, S.C., a Canadian citizen, attended a seminar in Vancouver, Canada, that promoted, among other things, the tax scheme outlined above. WONITA J. CHUNG and FRANZIE F. COLACO attended the seminar to promote the scheme.

31. On or around September 7, 2009, S.C. emailed RONALD L. BREKKE, requesting his assistance in preparing and filing a federal tax return for four individuals. S.C. told RONALD L. BREKKE that he had been referred by WONITA J. CHUNG and FRANZIE F. COLACO.

32. On or around November 23, 2009, and December 4, 2009, RONALD L. BREKKE electronically filed with the Internal Revenue Service 1099-OID and 1099-A forms on behalf of S.C.'s wife, his father-in-law, and another individual. RONALD L. BREKKE submitted the 1099-OID forms knowing that they falsely stated that banks and other companies had withheld specific amounts in federal tax on behalf of these individuals, when in fact no federal tax had been withheld on their behalf.

33. On or around December 30, 2009 and January 4, 2010, these three individuals mailed federal income tax returns to the Internal Revenue Service, falsely claiming that certain amounts in federal tax had been withheld on their behalf, and seeking a refund based on these amounts. These individuals mailed their returns from Canada.

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34. On or around February 19, 2010, the Internal Revenue Service mailed S.C.'s wife a tax refund check for $80,550.00, and S.C.'s father-in-law a check for $490,950.00. These funds came from the United States Treasury. The Internal Revenue Service did not mail the third individual a check. That person had sought a tax refund for $53,020.92.

REPRESENTATIVE PROMOTIONAL MATERIAL

The following promotional material and conduct are representative examples of overt acts committed by RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO, and others acting at their direction.

35. On August 25, 2009, WONITA J. CHUNG distributed by email promotional material about the tax scheme. The promotional material described the scheme, and falsely told individuals that they could claim a tax refund from the United States Treasury equal to certain of their debts. The promotional material listed the prices that RONALD L. BREKKE charged individuals to file 1099-OID and 1099-A forms. The material stated that RONALD L. BREKKE offered individuals a ten percent discount if they mentioned "Wonita" or "Franzie."

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

ASSET FORFEITURE ALLEGATION

Upon conviction of the offenses alleged in Count One of this Indictment, RONALD L. BREKKE, WONITA J. CHUNG, and FRANZIE F. COLACO shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), all property, real or personal, which constitutes or is derived from proceeds traceable to such offense.

If any of the above-described forfeitable property, as a result of any act or omission of the Defendants,

1. cannot be located upon the exercise of due diligence;
2. has been transferred or sold to, or deposited with, a third party;
3. has been placed beyond the jurisdiction of the Court;

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4. has been substantially diminished in value; or

5. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek the forfeiture of any other property of the Defendants up to the value of the above-described forfeitable property.

A TRUE BILL:

DATED: NOV 2, 2010

(*Signature of Foreperson redacted pursuant to the policy of the Judicial Conference of the United States*)

FOREPERSON

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