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Attorneys for Plaintiff
UNITED STATES OF AMERICA

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF HAWAII

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
vs.)
)
ARTHUR LEE ONG,)
)
Defendant.)
)
)
)

CR. NO. 09-00398 DAE

SUPERSEDING INDICTMENT

Count 1: 18 U.S.C. § 371
Counts 2-8: 26 U.S.C. § 7201

FILED IN THE
UNITED STATES DISTRICT COURT
DISTRICT OF HAWAII

2 JUL 28 2010
at 2 o'clock and 47 min. M. SUE BEITIA, CLERK

SUPERSEDING INDICTMENT

The Grand Jury charges that at all times relevant to this Superseding Indictment:

INTRODUCTORY ALLEGATIONS

1. The Defendant ARTHUR LEE ONG is a United States citizen and a resident of the State of Hawaii who owns and operates Thunder Bug, Inc., doing business as Magnum Firearms (Thunder Bug, Inc.), a subchapter-S Corporation. From at least in or about 1990 up to the date of this Superseding Indictment, Defendant ARTHUR LEE ONG earned income from Thunder Bug, Inc.'s sale of firearms and related products to federal, state, county, and military agencies, as well as to the general public.

2. R.L.H. was the founder of The Research Foundation, an organization through which he promoted the illegal nonpayment of federal income taxes. R.L.H., along with P.S., an attorney practicing in Hawaii and elsewhere, and others, assisted the Defendant with attempting to evade taxes.

3. Magnum Investments Trust (M.I.T.) was a nominee entity created by the Defendant, with the assistance of R.L.H., P.S., and others, which listed at various times T.B. and J.Y. as trustees and which was created to hide income and assets of the Defendant.

4. Charles Schwab account (ending #4720) held in the name of M.I.T. was an investment account over which the Defendant had signatory authority.

5. Aloha Ventures was a nominee entity created by the Defendant, with the assistance of R.L.H., P.S., and others, which listed at various times M.K. and B.T. as trustees and which was created to hide income and assets of the Defendant.

6. First Hawaiian Bank account (ending #9876) held in the name of Aloha Ventures was a checking account over which the Defendant had signatory authority.

7. Nahoia Enterprises was identified on federal tax returns filed by the Defendant on behalf of Aloha Ventures as a Hong Kong entity that was the beneficiary of Aloha Ventures.

COUNT 1

(Conspiracy to Defraud - 18 U.S.C. § 371)

The Grand Jury charges:

The Conspiracy

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.

2. From in or about 1989, the precise date being unknown to the Grand Jury, and continuing thereafter up to and including the date of the return of this Superseding Indictment, in the District of Hawaii and elsewhere, the Defendant ARTHUR LEE ONG (Defendant), and R.L.H., M.K., P.S., and others not charged in this Indictment, did unlawfully, voluntarily, intentionally, and knowingly conspire, combine, confederate, and agree together and with each other and with other individuals both known and unknown to the Grand Jury to defraud the United States by

deceitful and dishonest means for the purpose of impeding, impairing, obstructing, and defeating the lawful Government functions of the Internal Revenue Service (I.R.S.) of the Treasury Department in the ascertainment, computation, assessment, and collection of revenue: to wit, individual income taxes.

Manner and Means

3. The manner and means by which the conspiracy was sought to be accomplished included, among others, the following:

a. The Defendant met with R.L.H., P.S., and others for the purpose of devising ways to evade taxes.

b. The Defendant, with the assistance of R.L.H., P.S., and others, created M.I.T. and Aloha Ventures to help hide his assets and income.

c. The Defendant, with the assistance of R.L.H., P.S., and others, installed nominee trustees for M.I.T. and Aloha Ventures that acted at the direction of the Defendant.

d. The Defendant caused the transfer of funds from bank accounts in the name of Thunder Bug, Inc., doing business as Magnum Firearms (Thunder Bug, Inc.), to bank accounts in the name of M.I.T. and Aloha Ventures in an attempt to conceal his receipt of income from Thunder Bug, Inc.

e. The Defendant used funds deposited into bank accounts in the name of Thunder Bug, Inc., as well as funds he

transferred to bank accounts in the name of M.I.T. and Aloha Ventures, to pay for various personal expenses.

f. Beginning with calendar year 1994, the Defendant stopped filing individual income tax returns reporting to the federal government any income earned from any source, and ceased paying federal income taxes.

g. Beginning in the 1994 calendar year, the Defendant caused the filing of false corporate and trust tax returns on behalf of Thunder Bug, Inc., and his nominee entities to conceal his receipt of income.

Overt Acts

4. In furtherance of the conspiracy, and to effect the objects thereof, the following overt acts were committed in the District of Hawaii and elsewhere:

5. On or about May 1, 1990, the Defendant signed a "Contract and Agreement of Trust" creating M.I.T.

6. On or about May 1, 1990, T.B. became the nominee trustee for M.I.T.

7. On or about May 1, 1990, the Defendant, with the assistance of R.L.H., P.S., and others, created Aloha Ventures.

8. On or about May 1, 1990, the Defendant conveyed three rental properties located in Hawaii from himself to Aloha Ventures.

9. On or about June 6, 1990, M.K., through his business entity Executive Trust, became the nominee trustee for Aloha Ventures.

10. On or about November 15, 1990, the Defendant signed a document purporting to make Aloha Ventures the beneficiary of M.I.T.

11. On or about the dates set forth below, the Defendant signed and caused to be filed with the I.R.S. the following false and fraudulent U.S. Income Tax Returns for an S Corporation, Forms 1120S, on behalf of Thunder Bug, Inc., that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.:

	Tax Year	Date Filed
a.	1994	8/29/95
b.	1995	8/30/96
c.	1996	9/22/97
d.	1997	9/17/98
e.	1998	12/7/99
f.	1999	12/26/00
g.	2000	11/8/01
h.	2001	5/5/03
i.	2002	7/27/03
j.	2003	9/21/04
k.	2004	10/24/05
l.	2005	2/22/07
m.	2006	4/1/2008

12. On or about the dates set forth below, the Defendant caused to be signed and filed with the I.R.S. the following U.S. Income Tax Returns for Estates and Trusts, Forms 1041, on behalf of M.I.T., that falsely represented to the I.R.S., among other things, that Aloha Ventures was the beneficiary of M.I.T.:

	Tax Year	Date Filed
a.	1995	8/30/96
b.	1996	10/20/97
c.	1997	11/16/98
d.	1998	12/27/99
e.	1999	6/11/07
f.	2000	6/11/07
g.	2001	6/11/07
h.	2002	6/11/07
i.	2003	6/12/07

13. On or about the dates set forth below, the Defendant caused to be signed and filed with the I.R.S. the following U.S. Income Tax Returns for Estates and Trusts, Forms 1041, on behalf of Aloha Ventures, that falsely represented to the I.R.S., among other things, that Nahoa Enterprises was the beneficiary of Aloha Ventures:

	Tax Year	Date Filed
a.	1993	10/19/94
b.	1994	8/28/95

	Tax Year	Date Filed
c.	1995	9/4/96
d.	1996	10/21/97
e.	1997	11/15/98

14. On or about the dates set forth below, the Defendant transferred funds from Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859) into bank accounts in the names of M.I.T. and Aloha Ventures as follows:

	Date	Amount	Nominee
a.	12/30/99	\$10,000	M.I.T.
b.	10/31/01	\$50,000	M.I.T.
c.	4/18/02	\$30,000	Aloha Ventures
d.	1/9/03	\$50,000	M.I.T.
e.	5/27/03	\$50,000	M.I.T.
f.	3/9/04	\$100,000	M.I.T.
g.	6/3/04	\$120,000	M.I.T.
h.	9/28/04	\$125,000	M.I.T.
i.	10/26/04	\$100,000	M.I.T.
j.	1/31/05	\$10,000	Aloha Ventures
k.	7/27/05	\$50,000	M.I.T.
l.	8/10/05	\$50,000	M.I.T.
m.	12/20/05	\$20,000	Aloha Ventures

15. On or about the dates set forth below, the Defendant transferred funds from M.I.T.'s Charles Schwab account (ending #4720) to Aloha Venture's First Hawaiian Bank account (ending #9876):

	Date	Amount
a.	11/26/01	\$30,000

	Date	Amount
b.	4/12/02	\$20,000
c.	2/11/04	\$5,000
d.	10/29/04	\$20,000
e.	1/11/05	\$20,000
f.	6/27/05	\$20,000
g.	10/17/05	\$30,000

16. On or about the dates set forth below, the Defendant obtained funds for his benefit from bank accounts in the names of M.I.T. and Aloha Ventures, as follows:

	Date	Amount	Nominee Account
a.	11/2/00	\$20,000	Aloha Ventures
b.	8/31/01	\$50,000	Aloha Ventures
c.	2/19/02	\$30,000	Aloha Ventures
d.	9/2/03	\$20,000	M.I.T.
e.	6/29/04	\$9,000	Aloha Ventures
f.	7/29/05	\$25,000	M.I.T.
g.	8/17/05	\$40,500	M.I.T.
h.	12/20/05	\$5,000	Aloha Ventures

17. On or about August 10, 2005, the Defendant signed check #231 drawn on M.I.T.'s Charles Schwab account (ending #4720) made payable to Title Guaranty Escrow Services in the amount of \$40,500 for his benefit.

18. On or about August 11, 2006, the Defendant withdrew \$350,000 from Thunder Bug, Inc.'s account (ending #1881) for his benefit.

19. On or about August 21, 2006, the Defendant signed check #23006 drawn on Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859) made payable to Title Guaranty in the amount of \$129,090 for his benefit.

In violation of Title 18, United States Code, Section 371.

COUNT 2

The Grand Jury further charges:

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.

2. During the calendar year 2000, the Defendant, ARTHUR LEE ONG, a resident of the State of Hawaii, had and received taxable income in the sum of approximately \$37,400; that upon said taxable income there was owing to the United States of America an income tax of approximately \$4,400; that well knowing and believing the foregoing facts, the Defendant, beginning in or about January 2000 and continuing up to and including June 2007, in the District of Hawaii, did willfully attempt to evade and defeat the said income tax due and owing by him to the United States of America for said calendar year by failing to make a federal individual income tax return on or before April 16, 2001 as required by law to any proper officer of the Internal Revenue Service (I.R.S.), by failing to pay to the I.R.S. said income tax, and by committing or causing to be committed the following affirmative acts of evasion, among others:

a. Depositing income into bank accounts in the names of M.I.T. and Aloha Ventures to conceal the Defendant's receipt of such income, including a deposit into M.I.T.'s Charles Schwab account (ending #4720) on or about April 17, 2000, in the amount of \$3,000, from Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859).

b. Causing rental properties to be titled in the name of Aloha Ventures and rental payments to be made to Aloha Ventures, including a check dated March 6, 2000, to Aloha Ventures in the amount of \$800.

c. Causing to be filed with the I.R.S. on or about November 8, 2001, a false and fraudulent U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of Thunder Bug, Inc., for calendar year 2000, that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.

d. Causing to be filed with the I.R.S. on or about June 11, 2007, a U.S. Income Tax Return for Estates and Trusts, Form 1041, on behalf of M.I.T. for calendar year 2000 that falsely represented to the I.R.S., among other things, that Aloha Ventures was the beneficiary of M.I.T.

In violation of Title 26, United States Code, Section 7201.

COUNT 3

The Grand Jury further charges:

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.

2. During the calendar year 2001, the Defendant, ARTHUR LEE ONG, a resident of the State of Hawaii, had and received taxable income in the sum of approximately \$260,500; that upon said taxable income there was owing to the United States of America an income tax of approximately \$77,100; that well knowing and believing the foregoing facts, the Defendant, beginning in or about January 2001 and continuing up to and including June 2007, in the District of Hawaii, did willfully attempt to evade and defeat the said income tax due and owing by him to the United States of America for said calendar year by failing to make a federal individual income tax return on or before April 15, 2002 as required by law to any proper officer of the Internal Revenue Service (I.R.S.), by failing to pay to the I.R.S. said income tax, and by committing or causing to be committed the following affirmative acts of evasion, among others:

a. Depositing income into bank accounts in the names of M.I.T. and Aloha Ventures to conceal the Defendant's receipt of such income, including a deposit into M.I.T.'s Charles Schwab account (ending #4720) on or about October 31, 2001, in

the amount of \$50,000, from Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859).

b. Causing rental properties to be titled in the name of Aloha Ventures and rental payments to be made to Aloha Ventures, including a check dated October 27, 2001, to Aloha Ventures in the amount of \$400.

c. Causing to be filed with the I.R.S. on or about May 5, 2003, a false and fraudulent U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of Thunder Bug, Inc., for calendar year 2001, that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.

d. Causing to be filed with the I.R.S. on or about June 11, 2007, a U.S. Income Tax Return for Estates and Trusts, Form 1041, on behalf of M.I.T. for calendar year 2001, that falsely represented to the I.R.S., among other things, that Aloha Ventures was the beneficiary of M.I.T.

In violation of Title 26, United States Code, Section 7201.

COUNT 4

The Grand Jury further charges:

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.

2. During the calendar year 2002, the Defendant, ARTHUR LEE ONG, a resident of the State of Hawaii, had and

received taxable income in the sum of approximately \$189,200; that upon said taxable income there was owing to the United States of America an income tax of approximately \$50,500; that well knowing and believing the foregoing facts, the Defendant, beginning in or about January 2002 and continuing up to and including June 2007, in the District of Hawaii, did willfully attempt to evade and defeat the said income tax due and owing by him to the United States of America for said calendar year by failing to make a federal individual income tax return on or before April 15, 2003 as required by law to any proper officer of the Internal Revenue Service (I.R.S.), by failing to pay to the I.R.S. said income tax, and by committing or causing to be committed the following affirmative acts of evasion, among others:

a. Depositing income into bank accounts in the names of M.I.T. and Aloha Ventures to conceal the Defendant's receipt of such income, including a deposit into Aloha Venture's First Hawaiian Bank account (ending #9876) on or about April 18, 2002, in the amount of \$30,000, from Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859).

b. Causing rental properties to be titled in the name of Aloha Ventures and rental payments to be made to Aloha Ventures, including a check dated November 8, 2002, to Aloha Ventures in the amount of \$400.

c. Causing to be filed with the I.R.S. on or about July 27, 2003, a false and fraudulent U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of Thunder Bug, Inc., for calendar year 2002, that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.

d. Causing to be filed with the I.R.S. on or about June 11, 2007, a U.S. Income Tax Return for Estates and Trusts, Form 1041, on behalf of M.I.T. for calendar year 2002, that falsely represented to the I.R.S., among other things, that Aloha Ventures was the beneficiary of M.I.T.

In violation of Title 26, United States Code, Section 7201.

COUNT 5

The Grand Jury further charges:

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.
2. During the calendar year 2003, the Defendant, ARTHUR LEE ONG, a resident of the State of Hawaii, had and received taxable income in the sum of approximately \$187,300; that upon said taxable income there was owing to the United States of America an income tax of approximately \$46,900; that well knowing and believing the foregoing facts, the Defendant, beginning in or about January 2003 and continuing up to and including June 2007, in the District of Hawaii, did willfully

attempt to evade and defeat the said income tax due and owing by him to the United States of America for said calendar year by failing to make a federal individual income tax return on or before April 15, 2004 as required by law to any proper officer of the Internal Revenue Service (I.R.S.), by failing to pay to the I.R.S. said income tax, and by committing or causing to be committed the following affirmative acts of evasion, among others:

a. Depositing income into bank accounts in the names of M.I.T. and Aloha Ventures to conceal the Defendant's receipt of such income, including a deposit into M.I.T.'s Charles Schwab account (ending #4720) on or about January 9, 2003, in the amount of \$50,000, from Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859).

b. Causing rental properties to be titled in the name of Aloha Ventures and rental payments to be made to Aloha Ventures, including a check dated April 28, 2003, to Aloha Ventures in the amount of \$400.

c. Causing to be filed with the I.R.S. on or about September 21, 2004, a false and fraudulent U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of Thunder Bug, Inc., for calendar year 2003, that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.

d. Causing to be filed with the I.R.S. on or about June 12, 2007, a U.S. Income Tax Return for Estates and Trusts, Form 1041, on behalf of M.I.T. for calendar year 2003, that falsely represented to the I.R.S., among other things, that Aloha Ventures was the beneficiary of M.I.T.

In violation of Title 26, United States Code, Section 7201.

COUNT 6

The Grand Jury further charges:

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.

2. During the calendar year 2004, the Defendant, ARTHUR LEE ONG, a resident of the State of Hawaii, had and received taxable income in the sum of approximately \$281,900; that upon said taxable income there was owing to the United States of America an income tax of approximately \$77,600; that well knowing and believing the foregoing facts, the Defendant, beginning in or about January 2004 and continuing up to and including October 2005, in the District of Hawaii, did willfully attempt to evade and defeat the said income tax due and owing by him to the United States of America for said calendar year by failing to make a federal individual income tax return on or before April 15, 2005 as required by law to any proper officer of the Internal Revenue Service (I.R.S.), by failing to pay to the I.R.S. said income tax and, and by committing or causing to be

committed the following affirmative acts of evasion, among others:

a. Depositing income into bank accounts in the names of M.I.T. and Aloha Ventures to conceal the Defendant's receipt of such income, including a deposit into M.I.T.'s Charles Schwab account (ending #4720) on or about September 28, 2004, in the amount of \$125,000, from Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859).

b. Causing rental properties to be titled in the name of Aloha Ventures and rental payments to be made to Aloha Ventures, including a check dated June 28, 2004, to Aloha Ventures in the amount of \$2,000.

c. Causing to be filed with the I.R.S. on or about October 24, 2005, a false and fraudulent U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of Thunder Bug, Inc., for calendar year 2004, that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.

In violation of Title 26, United States Code, Section 7201.

COUNT 7

The Grand Jury further charges:

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.

2. During the calendar year 2005, the Defendant, ARTHUR LEE ONG, a resident of the State of Hawaii, had and

received taxable income in the sum of approximately \$308,600; that upon said taxable income there was owing to the United States of America an income tax of approximately \$85,900; that well knowing and believing the foregoing facts, the Defendant, beginning in or about January 2005 and continuing up to and including February 2007, in the District of Hawaii, did willfully attempt to evade and defeat the said income tax due and owing by him to the United States of America for said calendar year by failing to make a federal individual income tax return on or before April 17, 2006 as required by law to any proper officer of the Internal Revenue Service (I.R.S.), by failing to pay to the I.R.S. said income tax, and by committing or causing to be committed the following affirmative acts of evasion, among others:

a. Depositing income into bank accounts in the names of M.I.T. and Aloha Ventures to conceal the Defendant's receipt of such income, including a deposit into M.I.T.'s Charles Schwab account (ending #4720) on or about July 27, 2005, in the amount of \$50,000, from Thunder Bug, Inc.'s Central Pacific Bank account (ending #8859).

b. Causing rental properties to be titled in the name of Aloha Ventures and rental payments to be made to Aloha Ventures, including a check dated June 30, 2005, to Aloha Ventures in the amount of \$2,000.

c. Causing to be filed with the I.R.S. on or about February 22, 2007, a false and fraudulent U.S. Income Tax

Return for an S Corporation, Form 1120S, on behalf of Thunder Bug, Inc., for calendar year 2005, that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.

In violation of Title 26, United States Code, Section 7201.

COUNT 8

The Grand Jury further charges:

1. The Grand Jury re-alleges and incorporates paragraphs 1 to 7 of the Introductory Allegations.
2. During the calendar year 2006, the Defendant, ARTHUR LEE ONG, a resident of the State of Hawaii, had and received taxable income in the sum of approximately \$964,100; that upon said taxable income there was owing to the United States of America an income tax of approximately \$313,200; that well knowing and believing the foregoing facts, the Defendant, beginning in or about January 2006 and continuing up to and including April 2008, in the District of Hawaii, did willfully attempt to evade and defeat the said income tax due and owing by him to the United States of America for said calendar year by failing to make a federal individual income tax return on or before April 16, 2007 as required by law to any proper officer of the Internal Revenue Service (I.R.S.), by failing to pay to the I.R.S. said income tax, and by committing or causing to be committed the following affirmative acts of evasion, among others:

a. Causing rental properties to be titled in the name of Aloha Ventures and rental payments to be made to Aloha Ventures, including a check dated March 29, 2006, to Aloha Ventures in the amount of \$4,000.

b. Causing to be filed with the I.R.S. on or about April 1, 2008, a false and fraudulent U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of Thunder Bug, Inc., for calendar year 2006, that falsely represented to the I.R.S., among other things, that M.I.T. was the 100% shareholder of Thunder Bug, Inc.

In violation of Title 26, United States Code, Section 7201.

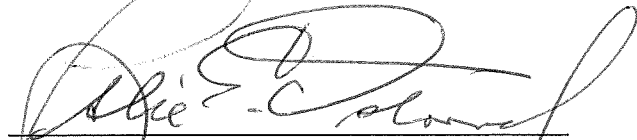
DATED: July 28, 2010, at Honolulu, Hawaii.

A TRUE BILL

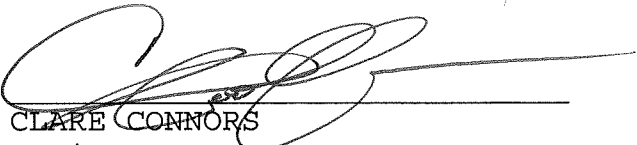
/s/ Foreperson

FOREPERSON, GRAND JURY

FLORENCE T. NAKAKUNI
United States Attorney
District of Hawaii



LESLIE E. OSBORNE, JR.
Chief, Fraud & Financial Crimes Section



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