

# EXHIBIT A

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CLERK OF MENDOCINO COUNTY  
SUPERIOR COURT OF CALIFORNIA

JOHN LOZANO

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JW Gaming Development, LLC

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF MENDOCINO

JW GAMING DEVELOPMENT, LLC, a  
California limited liability company,

Plaintiff,

v.

ANGELA JAMES; LEONA L. WILLIAMS;  
MICHAEL R. CANALES; MELISSA M.  
CANALES; JOHN TANG; PINOLEVILLE  
POMO NATION, a federally-recognized Indian  
tribe; PINOLEVILLE GAMING  
AUTHORITY; PINOLEVILLE GAMING  
COMMISSION; PINOLEVILLE BUSINESS  
BOARD; PINOLEVILLE ECONOMIC  
DEVELOPMENT, LLC, a California limited  
liability company; LENORA STEELE;  
KATHY STALLWORTH; MICHELLE  
CAMPBELL; JULIAN J. MALDONADO;  
DONALD D. WILLIAMS; VERONICA  
TIMBERLAKE; CASSANDRA STEELE;  
JASON EDWARD RUNNING BEAR  
STEELE; ANDREW STEVENSON;  
CANALES GROUP, LLC, a California limited  
liability company; LORI J. CANALES;  
KELLY L. CANALES; and DOES 1 through  
20,

Defendants.

SCUK No CVG- 18-70467

UNLIMITED CIVIL ACTION - OVER  
\$25,000

COMPLAINT FOR:

1. BREACH OF CONTRACT
2. FRAUD & DECEIT (Civ. Code § 1710)
3. RICO CONDUCT (18 U.S.C. § 1962(c))
4. RICO CONTROL (18 U.S.C. § 1962(b))
5. RICO INCOME (18 U.S.C. § 1962(a))
6. RICO CONSPIRACY (18 U.S.C. § 1962(d))

1 Plaintiff, JW GAMING DEVELOPMENT, LLC, a California limited liability company  
2 (the "Company," or "Plaintiff"), alleges and complains as follows:

### 3 INTRODUCTION

4 1. The Company brings this action to recover \$5,380,000.00 (the "Company Loan")  
5 that officials of the Pinoleville Pomo Nation ("Tribe") caused the Tribe to borrow for the  
6 development of a casino on the Tribe's lands in or near the town of Ukiah, California (the  
7 "Pinoleville Casino Project"). The Company loaned the money in a series of deposits averaging  
8 \$190,000.00 per month. The Tribe's officials directed that the money be deposited into an  
9 account of the Tribe's gaming commission, which was chaired by the Tribe's vice-chairperson,  
10 Angela James. The Tribal officials obligated the Tribe to repay the entirety of the Company  
11 Loan, plus interest, no later than July 10, 2015. To date, the Tribal officials have not caused the  
12 Tribe to make a single payment to the Company. The Company therefore asserts a claim against  
13 the Tribe and its subordinate entities for that nonpayment.

14 2. The Company also asserts claims against the Tribe's officials and their closely-  
15 linked associates for fraud and racketeering. The Company has learned that these defendants  
16 convinced the Company to make the Company Loan by submitting falsified financial documents  
17 to the Company. Those falsified financial documents purported to show that the Tribal officials'  
18 closely-linked associates had invested \$5,352,000.00 with the Tribe to develop the Pinoleville  
19 Casino Project. The Company has recently learned, through deposition testimony of the Tribal  
20 officials and their closely-linked associate, that that investment never happened. Rather, the  
21 Tribal officials and their closely-linked associates fabricated the financial document – which  
22 obligates the Tribe to pay another \$5,352,000.00 to the closely-linked associates – to make the  
23 Company believe it was making a matching investment into the Pinoleville Casino Project.

24 3. What is more, once the Company Loan was made, the Tribal officials and their  
25 closely-linked associates did not expend the Company Loan on the development of a casino, but  
26 instead spent the money for their personal uses. They concealed their diversion of the Company  
27 Loan by submitting to the Company a falsified accounting of the Tribe's expenditure of the  
28 Company Loan. The Company learned this information in December 2017 from documents and



1 sworn testimony, given under penalty of perjury, by Tribal officials Leona L. Williams and  
 2 Angela James, and their closely-linked associate Michael Canales, in a pending legal action  
 3 against them for fraud and breach of contract. *See Forster-Gill, Inc. v. Pinoleville Pomo Nation,*  
 4 *et al.*, Mendocino County Superior Court case no. SCUK-CVG16-68514.

5 4. In short, the Company is the victim of a scheme orchestrated by the defendants –  
 6 spearheaded by Tribal officials Angela James and Leona Williams, and their closely-linked  
 7 associates Michael Canales, Melissa Canales, and John Tang – whereby they funnel assets of  
 8 third-parties, and of the Tribe, through the nontaxable Tribal government and back to themselves  
 9 all under the guise of legitimate Tribal operations.

#### 10 PARTIES

##### 11 *Plaintiff JW Gaming Development, LLC*

12 5. Plaintiff JW Gaming Development, LLC (“Company,” or “Plaintiff”) is a limited  
 13 liability company organized under the laws of the State of California.

14 6. The Company is operated by a board of directors and its sole member is Donna  
 15 Winner of Sharon, Pennsylvania.

16 7. Donna Winner became sole member following the death of her late husband and  
 17 former fifty-percent member of the Company, James Winner Jr. (“Mr. Winner”), in or about  
 18 September 2010.

##### 19 *Defendant Pinoleville Pomo Nation*

20 8. Defendant Pinoleville Pomo Nation (“Tribe”) is a federally recognized Indian  
 21 tribe with headquarters at 500B Pinoleville Road, Ukiah, California 95482.

22 9. It is governed by a seven-member tribal council.

##### 23 *Defendant Pinoleville Gaming Authority*

24 10. Defendant Pinoleville Gaming Authority (“Gaming Authority”) is a wholly-  
 25 owned entity of the Tribe.

26 11. The Gaming Authority is responsible for the development of the Pinoleville  
 27 Casino Project on behalf of the Tribe.

28 12. Angela James is and was at all relevant times the chairperson of the Gaming



1 Authority.

2 *Defendant Pinoleville Gaming Commission*

3 13. Defendant Pinoleville Gaming Commission ("Gaming Commission") is a wholly-  
4 owned entity of the Tribe.

5 14. The Gaming Commission was created pursuant to the Pinoleville Band of Pomo  
6 Indians Gaming Ordinance ("Gaming Ordinance"), approved on August 24, 2004 by the  
7 National Indian Gaming Commission pursuant to the Indian Gaming Regulatory Act, 25 U.S.C.  
8 § 2710.

9 15. Angela James is and was at all relevant times the chairperson of the Gaming  
10 Commission.

11 *Defendant Pinoleville Economic Development, LLC*

12 16. Defendant Pinoleville Economic Development, LLC ("PED") is a limited liability  
13 company organized under the laws of the State of California.

14 17. PED is comprised of three members.

15 18. Angela James is a member of PED.

16 19. Leona Williams is a member of PED.

17 20. "Pinoleville Band of Pomo Indians" is a member of PED.

18 21. Together, Angela James and Leona Williams hold a 50% membership interest in  
19 PED.

20 22. "Pinoleville Band of Pomo Indians" holds a 50% membership interest in PED.

21 23. Angela James is the PED's "Tax Matters Member," Op. Agmt. at 11, which  
22 "means the member chosen pursuant to Internal Revenue Code § 6231(a)(7) to deal with the  
23 Internal Revenue Service on tax matters," Op. Agmt. at 2.

24 *Defendant Pinoleville Business Board*

25 24. Defendant Pinoleville Business Board ("Business Board") is a wholly-owned  
26 entity of the Tribe.

27 25. The Business Board was formed by the tribal council pursuant to the Business  
28 Board Ordinance, Ordinance no. 3-11-14-2, as amended by resolution no. 6-3-15-01.

1           26.     The Business Board is comprised by up to seven, but not less than three  
2 individuals.

3           27.     Michael Canales is the president of the Business Board.

4           28.     Leona Williams is the vice-president of the Business Board.

5           29.     Kathy Stallworth is the secretary of the Business Board.

6           30.     Michael Canales is the treasurer of the Business Board.

7           31.     Scott Walker is a member of the Business Board.

8           32.     Pursuant to the Business Board Ordinance, the Business Board is responsible for,  
9 among other things, negotiating or assisting in negotiation of contracts for establishing,  
10 maintaining, and operating casino gaming.

11          33.     Pursuant to the Business Board Ordinance, the Business Board is responsible for  
12 oversight over the development, operation, and maintenance of all marijuana-related activity on  
13 behalf of the Tribe.

14 *Defendant Leona L. Williams*

15          34.     Defendant Leona L. Williams is sued in her individual capacity.

16          35.     She is the chairperson of the Tribe's seven-member tribal council.

17          36.     She is vice-president of Pinoleville Business Board.

18          37.     She is member of Pinoleville Economic Development, LLC.

19 *Defendant Angela James*

20          38.     Defendant Angela James is sued in her individual capacity.

21          39.     She is vice-chairperson of the Tribe's tribal council.

22          40.     She is chairperson of Pinoleville Gaming Commission.

23          41.     She is chairperson of Pinoleville Gaming Authority.

24          42.     She is a member of PED.

25          43.     She is chairperson of PED.

26          44.     She is the tax matters member of PED.

27          45.     Angela James is the daughter of Leona Williams, sister of Lenora Steele, and  
28 mother of Jason Steele and Cassandra Steele.

1 *Defendant Lenora Steele*

2 46. Defendant Lenora Steele is sued in her individual capacity.

3 47. She is Self-Governance Coordinator for the Tribe.

4 48. As the Self-Governance Coordinator, she is the chief administrator of all  
5 operations of the Tribe.

6 49. Lenora Steele is the daughter of Leona Williams, sister of Angela James, and  
7 maternal aunt of Jason Steele and Cassandra Steele.

8 *Defendant Kathy Stallworth*

9 50. Defendant Kathy Stallworth is sued in her individual capacity.

10 51. She is and was at all relevant times the Accounting Manager of the Tribe.

11 52. She is and was at all relevant times the secretary of the Business Board.

12 *Defendant Jason E.R.B. Steele*

13 53. Defendant Jason Steele is sued in his individual capacity.

14 54. He is and was at all relevant times the treasurer of the Tribe's tribal council.

15 55. He is the eldest son of Angela James, grandson of Leona Williams, brother of  
16 Cassandra Steele, and nephew of Lenora Steele.

17 *Defendant Cassandra Steele*

18 56. Defendant Cassandra Steele is sued in her individual capacity.

19 57. She is and was at all relevant times the secretary of the Tribe's tribal council.

20 58. She is the daughter of Angela James, granddaughter of Leona Williams, sister of  
21 Jason Steele, and niece of Lenora Steele.

22 *Defendant Michelle Campbell*

23 59. Defendant Michelle Campbell is sued in her individual capacity.

24 60. She is and was at all relevant times the Fiscal Director for the Tribe.

25 61. The Fiscal Director is the head of the Tribe's fiscal department.

26 *Defendant Julian J. Maldonado*

27 62. Defendant Julian J. Maldonado is sued in his individual capacity.

28 63. He is and was and at all relevant times an employee of the Tribe.



64. He is and was at all relevant times the cohabitating partner of Angela James.

*Defendant Donald Williams*

65. Defendant Donald Williams is sued in his individual capacity.

66. He is a member-at-large of the Tribe's tribal council.

*Defendant Andrew Stevenson*

67. Defendant Andrew Stevenson is sued in his individual capacity.

68. He is a member-at-large of the Tribe's tribal council.

*Defendant Veronica Timberlake*

69. Defendant Veronica Timberlake is sued in her individual capacity.

70. She is a member-at-large of the Tribe's tribal council.

*Defendant Canales Group, LLC*

71. Defendant Canales Group LLC ("Canales Group" or "CGLLC") is and was at all relevant times a limited liability company organized under the laws of the State of California.

72. Defendant Michael Canales is or has been a member of Canales Group.

73. Defendant Melissa Canales is or has been a member of Canales Group.

74. Defendant John Tang is or has been a member of Canales Group.

75. Defendant Lori Canales is or has been a member of Canales Group.

76. Defendant Kelly Canales is or has been a member of Canales Group.

*Defendant Michael Canales*

77. Defendant Michael Canales is sued in his individual capacity.

78. He is or was a member of Canales Group.

79. He is or was president of the Business Board.

*Defendant Melissa Canales*

80. Defendant Melissa Canales is sued in her individual capacity.

81. She is or has been legal counsel for the Tribe.

82. She is or has been legal counsel for Canales Group.

83. She is or has been a member of Canales Group.

///

1 *Defendant John Tang*

2 84. Defendant John Tang is sued in his individual capacity.

3 85. He is or has been a member of Canales Group.

4 *Defendant Lori Canales*

5 86. Defendant Lori Canales is sued in her individual capacity.

6 87. She is and was at all relevant times a member of Canales Group.

7 88. She is and was at all relevant times the wife of Michael Canales.

8 89. She is the mother of Melissa Canales and Kelly Canales.

9 *Defendant Kelly Canales*

10 90. Defendant Kelly Canales is sued in her individual capacity.

11 91. She is and was at all relevant times a member of Canales Group.

12 92. She is the daughter of Michael Canales and Lori Canales.

13 93. She is the sister of Melissa Canales.

14 *Does 1-20*

15 94. The Company is ignorant of the true names or identities of the defendants sued  
16 herein under the fictitious names Does 1 through 20 inclusive. The Doe defendants are alleged  
17 to have acted in concert with, on behalf of, and/or at the direction of one or more of the  
18 defendants named herein.

19 **JURISDICTION**

20 95. This Court has subject matter jurisdiction over this unlimited action pursuant to  
21 C.C.P. § 88 because the claims exceed \$25,000.00.

22 96. Each of the defendants either is domiciled in the State of California, is chartered  
23 under California law, or maintains its principal headquarters in California.

24 97. The courts of the State of California have jurisdiction over alleged violations of  
25 civil provisions of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 et  
26 seq. *Cianci v. Superior Court* (Cal. 1985) 40 Cal. 3d 903, 908.

27 98. Each of the Defendants, to the extent they enjoy sovereign immunity from suit,  
28 have expressly waived the same for any suit by the Company to collect on the Company Loan.

**GENERAL ALLEGATIONS**

99. Michael Canales has had a relationship with the Tribe's officials Leona Williams and Angela James dating back at least to 2001.

100. As early as 2006, public records show that Leona Williams and Angela James caused the Tribe to purchase real property in the name of Michael Canales.

101. The Tribe has long had lands on its reservation in or near the town of Ukiah that were eligible for casino gaming under the Indian Gaming Regulatory Act (IGRA), 25 U.S.C. § 2701 *et seq.*

102. The Tribe, through Leona Williams and Angela James, caused the Tribe to designate Michael Canales and his company Canales Group as the Tribe's exclusive contact for development of a casino ("Pinoleville Casino Project").

103. As the designated exclusive agent for development of the Pinoleville Casino Project, Michael Canales recruited John Tang some time before 2008 to aid in the development of the Pinoleville Casino Project.

104. In 2008, John Tang and Michael Canales approached the late Mr. James Winner with a proposal for Mr. Winner to make a financial investment with the Tribe to aid in the development of the Pinoleville Casino Project.

105. Negotiations ensued between Mr. Winner, on the one hand, and Michael Canales and John Tang on the other, for a financial investment by Mr. Winner in the Pinoleville Casino Project.

106. During the negotiations, Michael Canales and John Tang asked Mr. Winner to make a matching investment of \$5,352,000.00, matching the amount that Michael Canales and Canales Group had previously invested with the Tribe for the Pinoleville Casino Project (the "Canales Group \$5 Million Investment").

107. Mr. Winner repeatedly made it clear that he was willing to invest in the Pinoleville Casino Project up to the amount of the Canales Group \$5 Million Investment.

108. In an email dated July 18, 2008 to John Tang and Michael Canales, Mr. Winner wrote: "I am willing to match whatever Michael [Canales] has put in the Casino part of the deal."



1 A true and correct copy of Mr. Winner's July 18, 2008 email is attached hereto as Exhibit 1.

2 109. In an email dated August 18, 2008, Mr. Winner provided changes to a proposed  
3 development agreement submitted to him by John Tang. A true and correct copy of Mr.  
4 Winner's August 18 email is attached hereto as Exhibit 2.

5 110. Mr. Winner's comments were mostly directed toward the Canales Group \$5  
6 Million Investment:

7 Please provide some form of confirmation that Canales Group has funded  
8 \$5,000,000.00 to date. My auditor insists on this if we are also going to pay  
9 another \$2,500,000.00 for equity position at a later time.

10 ...

11 Do not believe Canales should receive interest on his monies unless he can verify  
12 that he has spent \$5,000,000.00, as claimed, on this project.

13 ...

14 Regarding equity purchase, if Canales confirms to satisfaction of customary  
15 accounting rules that he has spent \$5,000,000.00 on the casino project to date, he  
16 will be entitled to an additional \$2,500,000.00 bonus payment. This will be paid  
17 after both Winner and Canales has received their initial monies invested plus  
18 \$5,000,000.00 each, from profits. At that time, Canales will receive  
19 \$2,500,000.00 from profits before any more are divided among partners. This  
20 payment will be a bonus not a purchase of equity as that was paid for by Winner  
21 on a monthly basis as previously outlined on monthly requirements to be paid by  
22 Winner up to a \$5,000,000.00 cap.

23 John, I am depending on you to look at out for my interest here and know you will  
24 do what is right for all concerned.

25 111. In an email dated August 25, 2008, John Tang wrote to Mr. Winner regarding  
26 becoming involved in developing the Pinoleville Casino Project. A true and correct copy of John  
27 Tang's email is attached hereto as Exhibit 3.

28 112. In the email, John Tang discusses the prospective financial arrangement with the  
Tribe:

Jim:

...

I want to emphasize again that the \$5m that you and Mike put into this deal is a  
loan to the Pinoleville. The tribe is paying it back to each of you at financing.  
You are NOT paying this \$5m to Mike. The \$2.5m bonus is the ONLY money  
that you are paying Mike for the equity position.

...

Hope you're feeling well. You were again in our church prayers yesterday.  
John

1           113. In an email dated August 26, 2008, John Tang wrote to Mr. Winner addressing,  
2 among other things, the Canales Group \$5 Million Investment. A true and correct copy of  
3 Tang's August 26 email is attached hereto as Exhibit 4.

4           114. John Tang's August 26 email stated, in part:

5           ...  
6 Mike Canales had kept this deal alive for over 7 years. He can sell his interest for  
7 much more than what we are talking about. . . . The \$2.5m that he's asking for as  
8 a success fee, to me, is a token. Remember, the Pinoleville tribe itself is repaying  
9 the \$5m to you and Mike.

10           The tribe has already agreed to repay Mike \$5m plus interest. The tribe needs no  
11 further verification of that.

12           It's been almost two months since your visit to Pinoleville. . . . However, I think  
13 Mike needs to move quickly to secure a financing partner. . . . Mike only needs to  
14 know that you are in as his partner.

15           115. Mr. Winner agreed to make payment of \$380,000 – the equivalent of two monthly  
16 installments of \$190,000 – as a good faith deposit prior to finalizing a development agreement  
17 with the Tribe.

18           116. By check number 2551, dated August 27, 2008, Mr. Winner made a payment to  
19 Canales Group in the amount of \$100,000.00. The check cleared Mr. Winner's bank account on  
20 October 16, 2008.

21           117. By check number 2426, dated October 20, 2008, Mr. Winner made a payment to  
22 John Tang in the amount of \$280,000.00. The check cleared Mr. Winner's bank account on  
23 October 27, 2008.

24           118. In an email dated January 30, 2009, John Tang furnished Mr. Winner with  
25 documents related to the negotiations between the parties. Copied on the John Tang's email  
26 were Michael Canales and Melissa Canales. A true and correct copy of John Tang's January 30  
27 email, along with all attachments, is attached hereto as Exhibit 5.

28           119. Attached to John Tang's email was a promissory note whereby PED promised to  
pay Canales Group the principal amount of \$5,352,000.00 ("Sham 2008 Canales Note").

          120. John Tang, Michael Canales, and Melissa Canales furnished Mr. Winner with the  
Sham 2008 Canales Note to evidence the Canales Group \$5 Million Investment.

121. The Sham 2008 Canales Note bears the signatures of Leona Williams, as vice-chairperson of PED, and Michael Canales, as managing member of Canales Group. Sham 2008 Note at 2.

122. The Sham 2008 Canales Note reflected a maturity date of August 1, 2014. Sham 2008 Note at 1, ¶ 3.

123. In fact, neither Canales Group nor Michael Canales had made the Canales Group \$5 Million Investment that the Sham 2008 Canales Note purported to evidence.

124. With Mr. Winner having been provided the Sham 2008 Canales Note as evidence of the Canales Group \$5 Million Investment, Mr. Winner, Michael Canales, John Tang, and Melissa Canales moved forward with negotiating a joint venture agreement pursuant to which they would develop the Pinoleville Casino Project.

125. By email dated February 20, 2009, Michael Canales wrote to John Tang and Mr. Winner regarding the manner by which Mr. Winner should make payments to the Tribe. A true and correct copy of the February 20 email is attached hereto as Exhibit 6.

126. In his February 20 email, Michael Canales wrote:

In the event you do sign [the Joint Venture Agreement] . . . I will be sending you the account number and wiring instructions of the Pinoleville Gaming Commission over the weekend. Please do not write any checks to the Canales Group LLC all funds should be sent directly to the Pinoleville Gaming Commission.

127. By email dated February 21, 2009, Michael Canales provided wiring instruction to Mr. Winner and John Tang through which the Company was to deposit monies to the Tribe:

**Wiring Instructions:**

Wire to – Pinoleville Pomo Nation

Bank: Wells Fargo Bank

Location – Ukiah, California

Account information, # [xxxxxxx]2512 – [xxxxx]6504

Type of account – Gaming Commission Savings Account

Signors – Pinoleville Chairperson and Vice Chairperson

128. On or about February 13, 2009, Mr. Winner formed the Company by filing articles of organization with the California Secretary of State.

129. By email dated February 23, 2009, John Tang wrote to Mr. Winner and his



1 colleague Jack Campbell. A true and correct copy of John Tang's email is attached hereto as  
2 Exhibit 7.

3 130. In the email, John Tang reaffirmed the Canales Group \$5 Million Investment and  
4 the Sham 2008 Promissory Note:

5 The \$5.35m (Pinoleville Note) that Mike has invested is for development costs  
6 over the last 8 years. The \$5m JW will invest is to fund development of the  
7 project over the next 18 to 20 months or until we obtain permanent financing for  
8 the construction of the casino itself. The money will be used for purposes  
9 outlined in our JV agreement. The \$10.35m total required so far is not at all  
10 unreasonable for an Indian gaming development deal that has take[n] over 8  
11 years. (By comparison, the investor in the Buena Vista project in Sacramento has  
12 over \$55m invested over the last 4 years, including about \$28m to buy out the  
13 previous investor and to purchase the land.)

14 131. By email dated March 7, 2009, Jack Campbell wrote to John Tang and Michael  
15 Canales regarding Mr. Winner's position regarding any potential investment by Mr. Winner with  
16 the Tribe. A true and correct copy of the March 7 email from Jack Campbell is attached hereto  
17 as Exhibit 8.

18 John & Mike

19 Just hung up with Jim and he indicated that he is ready to sign the agreement with  
20 the following understanding: He does not want to start off with any controversy or  
21 have any misunderstandings and wants to make it 'Crystal Clear' that it is his  
22 understanding that no fees will be paid to any member of any nature, including  
23 consulting, mgmt. etc., without the unanimous consent of all member[s]. If this is  
24 the case, please acknowledge same and I will forward the executed agreement.

25 132. By email dated March 7, 2009, John Tang wrote to Jack Campbell, Mr. Winner,  
26 and Michael Canales in response to Jack Campbell's March 7 email. A true and correct copy of  
27 the March email from Tang is attached hereto as Exhibit 9.

28 It's agreed to by all that no fees will be paid to any member without the  
unanimous consent of all the members.

133. On or about March 9, 2009, Mr. Winner, Michael Canales, Canales Group, and  
John Tang entered a Joint Venture Agreement ("Joint Venture Agreement"). A true and correct  
copy of the Joint Venture Agreement is attached hereto as Exhibit 10.

134. The Joint Venture Agreement states that Canales Group had already "provided  
pre-development funding . . . for the casino project and is need of additional pre-development

1 funding prior to securing Permanent Financing (as defined in the Exhibit A) and commencing  
2 construction[.]” Jt. Vent. Agmt. at 1, ¶ 3.

3 135. The Joint Venture Agreement states that Mr. Winner “has already provided and  
4 agreed to provide additional pre-development funding . . . and to offer his business experience in  
5 furtherance of the project[.]” Jt. Vent. Agmt. at 1, ¶ 5.

6 136. The Joint Venture Agreement also set forth the terms under which the parties  
7 would organize a limited liability company through which they would develop the Pinoleville  
8 Casino Project. Jt. Vent. Agmt. at 1, ¶ 6.

9 137. Section 1.2 of the Joint Venture Agreement provides that the limited liability  
10 company would be owned “forty percent (40%) by CGLLC, forty percent (40%) by Winner and  
11 twenty percent (20%) by Tang[.]” Jt. Vent. Agmt at 1-2.

12 138. Section 2.1 of the Joint Venture Agreement sets out the funding of the joint  
13 venture limited liability company.

14 139. In that section, “CGLLC represents that he has provided pre-development funding  
15 in the amount of five million three hundred fifty-two thousand dollars (\$5,352,000.00) prior to  
16 the execution of this Agreement.” Jt. Vent. Agmt. § 2.1.1.

17 140. Canales Group also agreed to “provide the other Parties, adequate proof of such  
18 funding in the form of a PPN Resolution commemorating the loan.” Jt. Vent. Agmt. § 2.1.1.

19 141. For its part, Winner agreed to “loan the JVLLC up to Five Million Dollars  
20 (\$5,000,000.00) which is anticipated to occur over the next two years to reimburse PPN for  
21 reasonable and necessary expenses pertaining to the Project.” Jt. Vent. Agmt. § 2.1.2.

22 142. The funding from Winner was to “be paid in monthly amounts of One Hundred  
23 Ninety Thousand Dollars (\$190,00.00) to PPN through the JVLLC.” Jt. Vent. Agmt. § 2.1.2.

24 143. The Joint Venture Agreement addressed the payments Mr. Winner made in 2008  
25 to Canales Group (\$100,000) and Tang (\$280,000). Those payments were deemed “advanced  
26 payments in furtherance of [Winner’s] intent to fund this transaction which loans shall be  
27 considered as part of this transaction and until all documents are formalized will be treated as a  
28 loan to JVLLC.” Jt. Vent. Agmt. § 2.1.2.

1           144. The Joint Venture Agreement limited the ways in which funds from Winner could  
2 be used: "Winner's funding shall be used solely toward developments [*sic*] costs such as, legal  
3 expenses, casino project consultants, preliminary environmental impact studies, a full Tribal  
4 Environmental Impact Report as required by the gaming compact, geo technical reports,  
5 engineering, design, architectural drawings, tribal administration, and such other developmental  
6 expenses as agreed by Winner." Jt. Vent. Agmt. § 2.1.2.

7           145. Additionally, the parties expressly agreed that "none of [the Winner] funding will  
8 be used for any costs associated with tribal commercial or residential real estate development,  
9 unless such development is directly tied to the casino project and is approved in writing by  
10 JVLLC." Jt. Vent. Agmt. § 2.1.2.

11           146. "All amounts loaned by Winner shall be repaid as set forth in the attached  
12 Development Agreement." Jt. Vent. Agmt. § 2.1.2.

13           147. Further, all such loans were to "be repaid, with simple interest accruing at the  
14 prime rate plus three (3%) per annum from the date of advance." Jt. Vent. Agmt. § 2.3.

15           148. All funding provided by Winner and Canales Group was to be "repaid from the  
16 third party Permanent Financing of the Casino project prior to the repayment of any other loans  
17 or expenses." Jt. Vent. Agmt. § 2.3.

18           149. Article III of the Joint Venture Agreement set out the roles of Mr. Winner,  
19 Michael Canales, Canales Group, and John Tang.

20           150. Canales Group was responsible for business matters and to "act as liaison with  
21 [the Tribe]." Jt. Vent. Agmt. § 3.2.1.

22           151. Mr. Winner was responsible for "[p]re-development funding and general business  
23 and financial oversight." Jt. Vent. Agmt. § 3.2.2.

24           152. John Tang was responsible for "[p]roviding gaming expertise in the overall  
25 development of the Project." Jt. Vent. Agmt. § 3.2.3.

26           153. Michael Canales was to act was the Chief Executive Officer, with "full power and  
27 authority to conduct and manage the business of the JVLLC and to undertake and implement, on  
28 behalf of the JVLLC, all decisions approved by the JVLLC Members." Jt. Vent. Agmt. § 3.1.



1           154. On or about March 11, 2009, Michael Canales, John Tang, and the Company  
2 executed an operating agreement for a joint venture company, J2M Gaming Development, LLC  
3 (“J2MLLC”). A true and correct copy of the Operating Agreement for J2MLLC is attached  
4 hereto as Exhibit 11.

5           155. The J2M Operating Agreement bears the signatures of the following individuals:  
6 Michael Canales, as president of Canales Group; John Tang, individually as member of  
7 J2MLLC; and Mr. Winner, as president of the Company.

8           156. According to the J2M Operating Agreement, “[t]he purpose of [J2MLLC] is to  
9 engage in casino and real estate development and other related purposes.” Op. Agmt. § 2.03.

10           157. The J2M Operating Agreement became effective “on the date [it] [was] signed by  
11 all Members.” Op. Agmt. § 2.04.

12           158. By email dated March 12, 2009, Tang wrote to Mr. Winner “regarding the  
13 monthly funding for Pinoleville.” A true and correct copy of the March 12 email from Tang is  
14 attached hereto as Exhibit 12.

15           159. John Tang’s March 12 email reiterates that the Gaming Commission would  
16 receive the development advances on behalf of the Tribe, and that the Gaming Commission was  
17 chaired by Angela James:

18           I want to touch base with you regarding the monthly funding for Pinoleville. As  
19 per our amended development agreement, all advances to the tribe should be sent  
20 to the Pinoleville Gaming Commission. The commission is chaired by Angela  
21 James, who is also the tribal vice-chair. September, 2008 is the start date of the  
22 \$190k per month funding. You have made two advances [s]o far. So, including  
23 March, we are five months in arrears. Here’s my suggestion: send two months  
24 right away so the tribe can catch up on its bills. Then, after we set up a bank  
25 account for J2M Gaming LLC, we can bring the advances up to date. Please  
26 provide me with tax I.D. and address for JW Gaming, as well as authorized  
27 signator(s). I will forward signature cards to Jack. Mike Canales had previously  
28 provided wiring instructions. Let me know before you send funds so I can alert  
the tribe. Thanks.

(emphasis added)

160. By correspondence dated May 19, 2009, Canales Group assigned and transferred  
to J2MLLC its interest in the Amended Development Agreement between Canales Group and

the Tribe executed on February 12, 2009.

161. In addition to Mr. Winner's payments of \$380,000.00 to Michael Canales and John Tang in 2008, the Company began providing periodic payments to the Tribe on or about March 16, 2009.

162. The final periodic payment occurred on April 13, 2011.

163. A breakdown of the periodic payments from the Company to the Tribe is as follows:

Date	Amount	Payment for Months	Running Total
3/16/09	\$380,000.00	February/March	\$380,000.00
4/1/09	380,000.00	April	760,000.00
7/28/09	570,000.00	May/June/July	1,330,000.00
9/1/09	190,000.00	August	1,520,000.00
9/11/09	380,000.00	September/October/ November	1,900,000.00
12/3/09	190,000.00	December	2,090,000.00
1/6/10	190,000.00	January	2,280,000.00
2/9/10	190,000.00	February	2,470,000.00
3/4/10	190,000.00	March	2,660,000.00
4/12/10	190,000.00	April	2,850,000.00
5/4/10	190,000.00	May	3,040,000.00

6/4/10	190,000.00	June	3,230,000.00
7/7/10	190,000.00	July	3,420,000.00
8/2/10	190,000.00	August	3,610,000.00
9/7/10	190,000.00	September	3,800,000.00
8/12/10	190,000.00	October	3,990,000.00
11/9/10	190,000.00	November	4,180,000.00
12/9/10	190,000.00	December	4,370,000.00
1/7/11	190,000.00	January	4,560,000.00
2/14/11	190,000.00	February	4,750,000.00
3/11/11	190,000.00	March	4,940,000.00
4/13/11	60,000.00	April	5,000,000.00

164. In total, the Company made direct payments to the Tribe in the amount of \$5 million, and indirect payments to the Tribe, through Michael Canales and John Tang, in the amount of \$380,000.00, for total aggregate payments to the Tribe of \$5,380,000.00.

165. The Company made the payments to the Tribe by wire transfers to two bank accounts in the name of the Tribe and controlled by the Gaming Commission.

166. At all relevant times, Angela James was the chairperson of the Gaming Commission.

167. All wire transfers between March 16, 2009 and August 2, 2010 were deposited into an account at Wells Fargo Bank (the "Wells Fargo Wire Account").

168. The total sum of wire transfers into the Wells Fargo Wire Account is



1 \$3,610,000.00.

2 169. The Wells Fargo Wire Account had an account number of [xxxxx]6502.

3 170. The authorized signers on the Wells Fargo Wire Account were at all relevant  
4 times Angela James and Leona Williams.

5 171. All remaining wire transfers, which spanned from September 7, 2010 through  
6 April 13, 2011 were deposited into an account at Chase Bank (the "Chase Wire Account").

7 172. The total sum of wire transfers into the Chase Wire Account was \$1,390,000.00.

8 173. The Chase Wire Account had an account number of [xxxxxx]4411, and a routing  
9 number of [xxxxx]1627.

10 174. Authorized signers on the Chase Wire Account were at all relevant times Leona  
11 Williams and Angela James.

12 175. Following the death of Mr. Winner in a car accident on or about September 14,  
13 2010, Donna Winner became the sole member of the Company.

14 176. In or about early 2011, the Company requested that the Tribe provide an  
15 accounting to the Company of the Tribe's expenditures of the proceeds of the Company Loan.

16 177. In an email dated November 23, 2011, Melissa Canales furnished the Company  
17 with a "statement of cash receipts and disbursements of Pinoleville Pomo Nation for the period  
18 June 1, 2008 to October 31, 2011" (together with Exhibits 16 and 17, below, the "Falsified 2011  
19 Accounting"). A true and correct copy of the Melissa Canales' November 23, 2011 email  
20 including the Statement of Cash Receipts and Disbursements is attached hereto as Exhibit 13.

21 178. The Falsified 2011 Accounting conceals the Tribe's true expenditures of the  
22 Company Loan through (1) listing false entries of disbursements that were never made, and (2)  
23 double accounting for legitimate disbursements under two or more different categories of  
24 disbursements.

25 179. The Falsified 2011 Accounting was prepared by the accounting firm Hills,  
26 Renaut, Homen & Hughes Accountancy Corporation, with an office address in Fresno,  
27 California (the "Fresno Accounting Firm").

28 180. Nancy J. Ramos, CPA ("CPA Ramos") was the primary contact from the Fresno

1 Accounting Firm in regard to the preparation and dissemination of the Falsified 2011  
2 Accounting.

3 181. CPA Ramos first provided the Falsified 2011 Accounting to Leona Williams and  
4 Michael Canales by email dated November 21, 2011.

5 182. The Falsified 2011 Accounting is addressed to Leona Williams, as chairperson of  
6 the Tribe.

7 183. The Falsified 2011 Accounting contains several disclaimers from the Fresno  
8 Accounting Firm.

9 184. The Falsified 2011 Accounting states that the Fresno Accounting Firm had not  
10 audited or reviewed the Falsified 2011 Accounting and therefore did not "express an opinion or  
11 provide any assurance about whether the statement of cash receipts and disbursements is in  
12 accordance with accounting principles generally accepted in the United States of America."

13 185. The Falsified 2011 Accounting further provides:

14 **Management is responsible for the preparation and fair presentation of the**  
15 **statement of cash receipts and disbursements** in accordance with accounting  
16 principles generally accepted in the United States of America and for designing,  
17 implementing, and maintaining internal control relevant to the preparation and  
18 fair presentation of the schedule.

17 (Emphasis added.)

18 186. The Falsified 2011 Accounting continues:

19 **The objective of a compilation is to assist management in presenting financial**  
20 **information in the form of a statement of cash receipts and disbursements without**  
21 **undertaking to obtain or provide any assurance that there are no material**  
22 **modifications that should be made to the statement of cash receipts and**  
23 **disbursements.**

23 (Emphasis added.)

24 187. The Falsified 2011 Accounting shows total receipts of \$5,002,320.88, comprised  
25 of funding from the Company of \$5,000,000.00, and interest receipts of \$2,320.88.

26 188. The Falsified 2011 Accounting shows Tribal expenditures of \$5,172,246.99,  
27 categorized as follows:

28 Architect	10,000.00
--------------	-----------

Bank Charges	1,926.64
Construction Materials	51,405.25
Consultants	1,570,504.31
Dues & Subscriptions	2,540.00
Donations	650.00
Engineering	292,950.97
Equipment	7,630.00
Maintenance	17,196.25
Legal	134,902.86
Loan Fees	1,821.60
Lobbyists	68,819.84
Office	357.99
Property Taxes	24,734.05
Rent	2,440,792.85
Travel	1,759.60
Supplies	291.90
Utilities	6,253.00



Contract Labor	32,401.38
Pinoleville Pomo Nation Allowance	400,000.00
Casino Property Land Loan	105,308.50

189. The Company, through Jack Campbell, requested further detail on several categories of disbursements in the Falsified 2011 Accounting.

190. In an email dated November 28, 2011 from Jack Campbell to Melissa Canales, Jack Campbell inquired:

If we want some further clarification as to certain disbursements [in the Falsified 2011 Accounting], who would you request that we direct our questions to?

191. Copied on Jack Campbell's email to Melissa Canales is Michael Canales and the Company's chief financial officer, Bo Miller.

192. In an email dated November 28, 2011 responding to Jack Campbell's request, Michael Canales identified CPA Ramos as the contact person regarding the Falsified 2011 Accounting. A true and correct copy of the November 28, 2011 email from Michael Canales to CPA Ramos is attached hereto as Exhibit 14 and incorporated herein by reference.

193. Copied on the email from Michael Canales are: CPA Ramos, Jack Campbell, Bo Miller, Melissa Canales, and Leona Williams.

194. In another email dated November 28, 2011, Michael Canales wrote to CPA Ramos:

Mr. Jack Campbell, Donna Winner or Bo Miller from the Winner Group an investment partner with the Canales Group may be calling your firm to inquire of the Pinoleville account you are handling for the Tribe. I have spoken with the Chairperson and it is fine to speak with them.

(Emphasis added.)

195. The email from Michael Canales continued:

Other than these folks and Melissa Canales you will need to get authority. Should you have any questions you will need to contact the Chairperson.

196. Copied on the second email from Michael Canales are: Jack Campbell, Bo Miller,

1 Melissa Canales, and Leona Williams. A true and correct copy of the November 28, 2011 email  
2 from Michael Canales to CPA Ramos is attached hereto as Exhibit 15.

3 197. By email dated November 28, 2011, Jack Campbell asked CPA Ramos to provide  
4 the Company further detail on the categories identified in the Falsified 2011 Accounting as:  
5 "Consultants," "Legal," "Rent," and "Casino Property Loan."

6 198. By email dated November 28, 2011, CPA Ramos furnished Jack Campbell with  
7 further detail on the four categories.

8 199. The further detail was in the form of a Microsoft Excel Spreadsheet (the "First  
9 Supplemental Tribal Accounting Breakdown"). A true and correct copy of CPA Ramos'  
10 November 28, 2011 email, including the First Supplemental Tribal Accounting Breakdown, is  
11 attached hereto as Exhibit 16.

12 200. The body of CPA Ramos' email stated she had prepared the First Supplemental  
13 Tribal Accounting Breakdown by "transfer[ing] the Quickbooks schedules into excel formats."

14 201. Copied on CPA Ramos' email to Jack Campbell are Leona Williams and Michael  
15 Canales.

16 202. By email dated January 10, 2012, CPA Ramos provided the Company's Jack  
17 Campbell additional detail ("Second Supplemental Tribal Accounting Breakdown") on the  
18 category labeled in the Falsified 2011 Accounting as "Pinoleville Pomo Nation Allowance." A  
19 true and correct copy of CPA Ramos's January 10, 2012 email, including the Second  
20 Supplemental Tribal Accounting Breakdown, is attached hereto as Exhibit 17.

21 203. Copied on the January 10, 2012 email from CPA Ramos were Michael Canales  
22 and Leona Williams.

23 204. CPA Ramos explained in the body of her email:

24 Attached is the listing with the allowance payments. Please note that the tribe wrote a  
25 check to themselves and then deposited it into an [sic] another account. Both the  
26 disbursing cash account and receiving cash account were used to make casino  
27 development disbursements. This is why I had to make a journal entry to get it onto  
28 the cash receipts and disbursements report you received.

205. At the conclusion of the funding of the Company Loan to the Tribe, the Tribe had  
not yet completed the Pinoleville Casino Project.

1           206. The Company and counterparties began negotiations to put together the necessary  
2 pieces to bring the Pinoleville Casino Project to fruition.

3           207. In an email dated December 22, 2011, Michael Canales wrote to Donna Winner,  
4 Jack Campbell, and Bo Winner under the subject line "J2MLLC Development Continu[a]nce."  
5 A true and correct copy of the email from Michael Canales is attached hereto as Exhibit 18.

6           208. In the email, Michael Canales wrote, "As said before I will not be participating in  
7 advancing anymore funds to the Tribe only because I am out of capital."

8           209. Michael Canales also wrote:

9                   Also, since we (Canales Group) agree with the Tribe on the Hopland Inn issue  
10                   and because J2MLLC has not performed regrettably we would be willing to allow  
11                   another entity to take over the project with JW Gaming, and Canales Group being  
12                   paid back with interest.

13           210. By correspondence dated January 24, 2012, the Tribe sent to J2MLLC a 30-day  
14 notice of default ("2012 Tribal Notice of Default") under the development agreement for "failure  
15 to perform." A true and correct copy of the January 24, 2012 correspondence is attached hereto  
16 as Exhibit 19 and incorporated by reference as if fully set forth.

17           211. Melissa Canales furnished the 2012 Tribal Notice of Default via email dated  
18 January 30, 2012 to Michael Canales, Jack Campbell, Donna Winner, Bo Miller, and John Tang.

19           212. The 2012 Tribal Notice of Default alleges that the "developer has put this project  
20 in jeopardy, [and therefore] must also show good faith and intentions to perform in a timely  
21 manner, along with its ability to continue funding the casino development through permanent  
22 financing within a timely manner."

23           213. The 2012 Tribal Notice of Default listed the following debts, which it alleged  
24 were due and payable:

- 25                   1. All minimum payments due to the Tribe under the agreement
- 26                   2. Project Management Consultant \$175,000
- 27                   3. Legal \$130,000
- 28                   4. Land payments \$54,600 plus late fees
5. Travel expenses/reimbursements to consultants (unknown)
6. Lobbyists \$97,000



1           214. The 2012 Tribal Notice of Default states that to cure the default, J2MLLC “must  
2 make all minimum priority payments due and all payments from casino related debts that remain  
3 unpaid as of 01/24/2012.”

4           215. The 2012 Tribal Notice of Default is under signature of Leona Williams as tribal  
5 chairperson and Angela James as tribal vice-chairperson.

6           216. By email dated February 14, 2012, Jack Campbell emailed to John Tang, Michael  
7 Canales, and Melissa Canales a term sheet under which the Company would make additional  
8 investment into the Pinoleville Casino Project. A true and correct copy of the email along with  
9 the proposed terms attached thereto is attached hereto as Exhibit 20.

10          217. Among the proposed terms for future investment included a more prominent role  
11 of the Company, including Donna Winner being appointing managing member of J2MLLC, and  
12 charging the Company’s Bo Miller with overseeing the expenditures of J2MLLC.

13          218. By email dated February 17, 2012, Melissa Canales largely rejected the  
14 Company’s proposal. A true and correct copy of the February 17, 2012 email from Melissa  
15 Canales is attached hereto as Exhibit 21.

16          219. Copied on Melissa Canales’ email are: Donna Winner, Jack Campbell, Bo Miller,  
17 and John Tang.

18          220. In her February 17 email Melissa Canales describes the manner by which Canales  
19 Group and John Tang received proceeds of the \$5 million provided to the Tribe by the Company:

20               Although J2M Gaming Development never opened a bank account and never  
21 wrote checks to Tang and CGLLC, JW Gaming nonetheless takes the position  
22 that CGLLC and Tang should have worked full time without compensation  
23 regardless of whether the work performed was more comprehensive than what  
24 was required from the Developers Agreement **and the payments were provided  
directly from the Tribe.**

(Emphasis added.)

25               ...

26               Canales Group continues to maintain that it did not violate the agreement with the  
27 late Mr. Winner because no party ever got paid for being simply a member of  
28 J2M Gaming Development. **Furthermore, checks came from the Tribe itself  
evidencing an agreement and understanding from the Tribe that CGLLC and Tang  
were providing management and consulting fees and not Developer fees.**

(Emphasis added.)

221. In her February 17 email, Melissa Canales also indicates that she had performed “countless hours of legal work and writing” on behalf of the Tribe, indicating she had served, or was serving, as legal counsel to the Tribe during the term of the development agreement between the Tribe and J2MLLC:

Furthermore, the legal work provided by myself was certainly not contemplated as a part of being a Developer Agreement and, I can hardly believe that the late Mr. Winner would have expected countless hours of legal work and writing to go uncompensated (at a rate of \$250/hour over the course of several years, this would be a significant consultant fee and Project Cost). As you can see from John Maier’s outstanding invoices, my fees alone would have been in the tens of thousands of dollars per year, had I billed Pinoleville as an individual attorney.

(Emphasis added.)

222. In her February 17 email, Melissa Canales also discusses her view on the payments the Tribe purportedly made in regard to the Hopland Inn property:

Furthermore, my understanding is that JW Gaming perceives CGLLC to have violated the JV agreement because it approved the Tribe to use money it was loaned as part of the Developer Loan as some of the purchase money for the Hopland Inn. Because the Hopland Inn purchase was approved by the Developer at the time, the Tribe did no wrongdoing. Accordingly, there should not be any argument with the Tribe about money spent on the Hopland Inn. As such, JW Gaming’s entire issue lies with Michael Canales’ approval of the Inn.

223. Citing the goodwill generated toward Pinoleville by the County of Mendocino through acquisition of the Hopland Inn, Melissa stated, “So my opinion remains that the money spent on the Hopland Inn was in direct furtherance of Pinoleville’s pursuit of a casino.”

224. In her February 17 email, Melissa addresses the terms of the Company’s proposal that John Tang and Canales Group reduce their ownership interests in J2MLLC in favor of the Company in exchange for the Company’s agreement to invest up to an additional \$850,000.00 in the Pinoleville Casino Project.

225. In that email, Melissa Canales further reaffirms the Canales Group \$5 Million Investment and the Sham 2008 Canales Note:

Of the approximate 10.7 million already invested, \$850,000 is only about 7% more money. Also, since CGLLC has continued to [sic] project management



services without receiving its 35k per month for the last 8 months, it has essentially invested another \$280,000 into the Project. In other words, for a maximum additional \$850,000 dollars more, JW will acquire 15% more interest in J2M Gaming. Obviously, this does not add up.

(Emphasis added.)

226. Melissa Canales, on behalf of CGLLC, strongly rejects the Company's proposal:

**We do not agree to this percentage reduction for CGLLC.** The JV agreement says that each member will contribute additional money if necessary according to its percentage ownership. **CGLLC anticipated that this could occur and that it would not have additional capital to invest.** With this in mind, CGLLC made an agreement with John Tang, that if additional capital was needed, that he would provide the matching capital for himself and CGLLC. As a result, if J2M decides to provide additional capital to the Project, then John Tang would provide 60% and Winner would provide 40%.

Thus, if the proposed change in percentage ownership in J2M is merely because only JW Gaming is capable of providing additional capital, then JW Gaming should only be asking John Tang to reduce his percentage of ownership to take into account the failure to provide extra Capital as anticipated by the JV agreement. Or, JW Gaming should be aware that CGLLC would require John to give up the percentage that CGLLC is responsible for. I think we can all see that asking John to take a 15% decrease in ownership is not appropriate or proportional to merely funding an extra 7%, of which cannot even guarantee a casino to be built swiftly.

On the other hand, if the reason JW Gaming is asking for CGLLC and Tang to decrease its ownership in the company as punitive for the perceived violation of the JV agreement, again, I disagree and do not agree to those terms.

(Emphasis added.)

227. In her February 17 email, Melissa Canales expressed discontent with the Company's proposal that Donna Winner be named managing member, Bo Miller be designated chief accountant, and the Company have sole right to approve expenditures:

Donna made it clear at our meeting that she will not be flying to California on any regular basis. . . . JW Gaming does not have any casino expertise or experience. She has hardly participated in any meetings, rather sends Jack and Bo, who do not appear to have the authority to make decisions that will bind the company and who are not owners of JW Gaming. It is unclear whether Donna has changed her mind and would rather spend more time on this Project. If she wants to be the managing member, it will be of utmost importance that she spend much more time in California and be available to come to meetings as they happen. **From the [Company's proposed terms for additional investment], it would appear**



1 that Donna would then be the one to make suggestions and present those  
 2 suggestions to the Tribal liaison. She would have to meet with the Tribe on a  
 3 regular basis to give updates of the status of the project and make  
 4 presentations to the Tribal Council. In other words, she would have to be  
 5 hands on. Id like to reiterate that only an owner of JW Gaming would be able to  
 6 be manager and communicate on behalf of J2M. Whether Jack and Bo are  
 7 allowed to take a greater role has yet to be determined, both have stated they'd  
 8 like to attend meetings, but none have booked a flight or followed up on what  
 9 meetings are taking place. Additionally, it is unclear of Jack and Bo's  
 10 relationship with JW Gaming (whether they are owners or employees and what  
 11 authority has been granted to either one).

12 (Emphasis added.)

13 228. In her February 17 email, Melissa Canales offers her thoughts on the state of the  
 14 Pinoleville Casino Project:

15 **We are not in this situation because of poor decision-making on the part of**  
 16 **any member of J2M Gaming**, we are here because the Ninth Circuit Court  
 17 decided the Rincon Case and with that struck down all of former governor  
 18 Schwarzenegger's unapproved Compacts. We are in this position because of a  
 19 change in political agenda on the part of the Department of the Interior and the  
 20 unfortunate position and timing of the Pinoleville Compact. It is because of that  
 21 reason alone that this Project was delayed by nearly 2 years. It is important to  
 22 keep this in mind when pointing fingers.

23 It is also important to remember that JW Gaming has taken little to no role in  
 24 maintenance of the Project. JW Gaming, over the years, hardly feigned interest in  
 25 the day-to-day operations and movement of this casino project. Had it been  
 26 interested, it would have known the actual work and twists of fate that allowed us  
 27 to get the second Compact in a record time, as well as the closeness we came to  
 28 getting the first one approved against all odds. It would certainly have had more  
 of an understanding of local politics. It may be easy not [sic] to go back with a  
 fine tooth comb and criticize the methods used to get us to where we are today.  
 However, the theory of laches applies --- you waited too long to decide to become  
 involved in this Project. JW Gaming could have taken a more direct role in the  
 day-to-day decision-making years ago. It chose not to.

In a final reality check, Pinoleville is in a far better position without J2M Gaming  
 Development. J2M Gaming stopped performing two years after the Effective  
 Date. Pinoleville did not violate the terms of the Development Agreement---  
 either J2M violated the terms because they failed to continue to provide loans, or  
 the agreement lapsed on its own accord two years after the Effective Date. **Either**  
**way, the Tribe really holds all the cards. It is better off without J2M and yet**  
**here you are asking the Tribe to reduce the size of its casino and telling the**  
**Tribe that you will not only refuse to make past dated priority payments and**

1 that you will only fund another 850k. Why would the Tribe ever agree to  
 2 this? You have made no real argument, backed by solid evidence, concerning  
 3 why a smaller casino is the better investment. You've not done a single market  
 4 study or consulted a non-interested 3rd party to determine whether the expected  
 5 revenue per machine will remain as expected from a larger casino.

6 (Emphasis added.)

7 229. In closing her February 17 email, Melissa Canales expressed confidence that  
 8 Canales Group would continue its relationship with the Tribe without the Company:

9 Because of our trust relationship with the Tribe, it is very likely that CGLLC will  
 10 remain a part of this project whether or not J2M Gaming Development is the  
 11 Developer. Tang has years of experience in gaming and will also remain in the  
 12 gaming business, and likely on this project. JW Gaming will only remain in the  
 13 gaming business if it is a member of J2M and J2M is the Developer. If JW  
 14 Gaming would like to continue to be a part of this Project, it must recognize its  
 15 lack of leverage and make a realistic offer to the Tribe (taking into account that  
 16 Pinoleville has not violated the agreement at all and that after a year of failure to  
 17 fund, its goodwill is likely used up). It goes without saying that CGLLC does not  
 18 agree, as explained previously, with the offer to change J2M leadership and  
 19 percentage interests as proposed.

20 230. By email dated February 20, 2012, Donna Winner responded on behalf of the  
 21 Company to Melissa Canales's February 17 email. A true and correct copy of Donna's February  
 22 20 email is attached hereto as Exhibit 22.

23 231. Donna Winner's February 20 email reads:

24 Melissa,

25 I do not believe that it will serve any legitimate purpose for us to belabor each  
 26 point contained in your email. There are a number of points that we do not agree  
 27 with or believe are inaccurate.

28 Since it appears that various conflicts exist between the Members and that we  
 believe the terms of the Joint Venture and Operating Agreements have been  
 violated, I believe we must first address the "conflict issues" that exist. You have  
 represented J2M, the Canales Group and the Tribe. These three entities have  
 separate and distinct issues going forward and I would like you to address what  
 your intentions are regarding your representation. My opinion is that all three  
 parties will require separate counsel.

Lastly, as to your representation that the Tribe is better off without J2M, I do not  
 agree with this nor do I agree with the fact that we are in default of the  
 Development Agreement. I believe that a number of provisions of that  
 Agreement have likewise not been complied with and that we may take action to



1 protect our interests. I will defer in making further comments until such time as  
2 we deem necessary to retain California counsel.

3 I am willing to discuss this further but recognize that time is of the essence.

4 Yours truly,  
5 Donna

6 232. By letter dated February 27, 2012, J2MLLC requested that the Tribe “grant to  
7 J2M a 10-calendar day extension of the 30-day default cure period to allow sufficient time to  
8 find a mutually agreeable solution regarding the development agreement with appropriate notes  
9 and understandings.” A true and correct copy of the February 27, 2012 correspondence is  
10 attached hereto as Exhibit 23.

11 233. By email dated February 27, 2012, Leona Williams, on behalf of the Tribe,  
12 “agree[d] to the extension.”

13 234. Leona’s February 27 email was sent to Michael Canales and subsequently  
14 forwarded by Michael Canales to John Tang, Melissa Canales, and representatives of the  
15 Company. A true and correct copy of this email correspondence is attached hereto as Exhibit 24.

16 235. The Company, Tribe, Canales Group, and John Tang agreed to dissolve J2MLLC  
17 and each of its members to take a promissory note with the Tribe in the amount of their  
18 contributions.

19 236. In an email dated April 12, 2012 to Stephen Lightfoot – the Company’s then-  
20 counsel in California – Melissa Canales proposed structuring the winding up of J2MLLC by each  
21 member of J2MLLC securing a separate promissory note from the Tribe for the full amount of  
22 funds contributed to the Tribe. A true and correct copy of the April 12, 2012 email from Melissa  
23 Canales to Stephen Lightfoot, Jack Campbell, John Tang, and Michael Canales is attached hereto  
24 as Exhibit 25.

25 237. In that email, Melissa Canales stated that she “was not [the Tribe]’s Attorney, and  
26 will tell [the Tribe] that they should continue consulting their attorneys, if they feel it necessary.”

27 238. In the same email, Melissa reiterated that “it is important for me that the two notes  
28 [to the Company and Canales Group] be separate.”

239. On July 10, 2012, the Company and Tribe entered a promissory note whereby the



1 Tribe agreed to repay the Company the principal amount of \$5,380,000.00 plus interest  
 2 (“Company-Tribe 2012 Note”). A true and correct copy of the Company-Tribe 2012 Note is  
 3 attached hereto as Exhibit 26.

4 240. The Company-Tribe 2012 Note bears the signatures of Donna Winner (as  
 5 managing member of the Company), Michael Canales (as managing member of Canales Group),  
 6 John Tang (as member of J2MLLC), Leona Williams (as chairperson of the Tribe), and Angela  
 7 James (twice—as vice-chairperson of the Tribe and chairperson of Gaming Authority).

8 241. The Company-Tribe 2012 Note “sets forth the repayment of the JW Gaming  
 9 Development LLC . . . portion of the Interim Tribal Loan provided to the Tribe in order for the  
 10 Tribe to pursue a gaming enterprise.”

11 242. The Company-Tribe 2012 Note reaffirmed the Canales Group \$5 Million  
 12 Investment and the Sham 2008 Canales Note:

13 Whereas, Canales Group LLC, a California limited Liability Company  
 14 (“CGLLC”) and also a member of J2M Gaming Development LLC, carries  
 15 another portion of the J2M Interim Tribal Loan and will execute a separate  
 16 agreement evidencing such loan. Both Canales Group LLC and JW Gaming  
 Development LLC loans constitute the entire Interim Tribal Loan under the  
 Development Agreement.

17 243. Under the Company-Tribe 2012 Note, “The Tribe and/or the Gaming Authority  
 18 promises to pay [the Company], the [Company] Loan, together with interest thereon in  
 19 accordance with the [terms set forth in the Company-Tribe 2012 Note.]”

20 244. Under the Company-Tribe 2012 Note, the Company Loan bears interest at three  
 21 percent over the prime interest rate. Note at 2.

22 245. The Company-Tribe 2012 Note contains a broad waiver of the sovereign  
 23 immunity of “all Tribal Parties and their Affiliates (including, without limitation, the Gaming  
 24 Authority and the Gaming Commission), and all defenses based thereon[.]” Note at 3.

25 246. The Company-Tribe 2012 Note defines the terms “Tribal Parties” and “Affiliates”  
 26 broadly to include the Tribe, Gaming Authority, Gaming Commission, and any person or entity  
 27 “that directly or indirectly, through one or more intermediaries, controls is controlled by, or is  
 28 under common control with” same. Note at 6-7.

1           247. The Company-Tribe 2012 Note waives any and all immunity of each and every of  
2 the Defendants sued in this lawsuit.

3           248. The Company-Tribe 2012 Note waives immunity for:

4           (i) the adjudication and enforcement of Claims in the United States District Court  
5 for the Northern District of California, and all courts to which appeals therefrom  
6 may occur, (ii) the adjudication and enforcement of Claims in any State court in  
7 which venue is proper, and all courts to which appeals therefrom may occur[,] and  
8 (iii) at the election of any Party, the adjudication of any Claims by binding  
9 arbitration under the commercial arbitration rules of the American Arbitration  
10 Association, which arbitration will be conducted in Sacramento, California.

11           Note at 3.

12           249. The Company-Tribe 2012 Note defines a "Claim" as follows:

13           "Claim" means any dispute between any Tribal Party or JW Gaming  
14 Development that is related to this Promissory Note, whether arising during or  
15 after the expiration of the Development Agreement or the maturity of any Interim  
16 Tribal Note.

17           250. The Company-Tribe 2012 Note limits recourse for its breach:

18           Notwithstanding any other provision in this Promissory Note, any award or  
19 judgment against a Tribal Party for money with respect to a Claim may be  
20 enforced and collected only as against the Revenues or the deposit or securities  
21 accounts in which the same have been deposited.

22           Note at 3.

23           251. The Company-Tribe 2012 Note defines "Revenues," in relevant part, as follows:

24           "Revenues" means, with respect to any period of time, all revenues of any nature  
25 derived directly or indirectly from the Gaming Operation or the operation of the  
26 Facilities . . . .

27           252. The Company-Tribe 2012 Note had a maturity date of July 10, 2015 in the event  
28 the Tribe failed to open a casino or other gaming facility before that date:

          If the Tribe fails to open a casino or other gaming facility within three years (3) of  
the date listed above [July 10, 2012], at the outset of this Promissory Note, then  
this Promissory Note will be immediately due and payable.

          Note at 2.

          253. The latter sentence was inputted into the Company-Tribe 2012 Note very late in  
the negotiations between the parties.

          254. The Parties intended that the limited recourse provision of the Company-Tribe

1 2012 Note would not limit the recourse available to the Company in the event a gaming facility  
2 was not operational on or before July 10, 2015.

3 255. The Company-Tribe 2012 Note was duly executed by the Tribe through the  
4 signatures of Angela James and Leona Williams.

5 256. Both Angela James and Leona Williams testified under penalty of perjury that  
6 they sign documents and waive Tribal sovereign immunity only with the approval of the Tribe's  
7 tribal council.

8 257. On this point, Leona Williams testified:

9 Q. So let's make sure I understand your answer. Before you execute a contract on  
10 behalf of the Tribe you've had a meeting with the Tribal Council and other  
11 important members of the Tribal community –

12 A. Uh-huh.

13 Q. – to get approval to enter that contract?

14 A. Yes.

15 Leona Depo. at 59:20-60:1, a true and correct copy of excerpts from Volume 1 of Leona  
16 Williams' Deposition Transcript is attached hereto as Exhibit 27.

17 Q. Is this [commercial contract] the kind of thing that would have been discussed  
18 with the Tribal Council or did you have the authority to handle it on your own?

19 A. I don't handle anything on my own.

20 Q. So before you do anything you get the approval of the Tribal Council; is that  
21 correct?

22 A. If there's – according to our Constitution.

23 Q. And you followed that?

24 A. Yes, we follow our Constitution.

25 Q. Okay. So you didn't sign any contract as far as you know where you did not  
26 have authority on behalf of the Tribal Council?

27 A. As far as I know.

28 Leona Depo. at 97:18-98:5.

Q. Well, let me ask you a question a slightly different way. Why would you have  
signed this document if the Tribal Council did not give you authority?

A. They would have had to have given some type of resolution if I signed  
it.

Leona Depo. at 198:25-199:4.

258. Consistent with the testimony of Leona Williams, Angela James testified on this



1 point as follows:

2 Q. Tell me procedurally what would happen when the Tribe wanted to enter into a  
3 contract with a business professional or to purchase property or to get a loan, what  
4 – how did that happen procedurally?

5 A. I don't know.

6 Q. Leona Williams, the Tribal Chairperson, would negotiate the contract; is that  
7 correct?

8 A. No.

9 Q. What would happen?

10 A. She doesn't do anything on her own. It's – everything has to come  
11 before the Tribal Council.

12 Angela James Depo. at 25:8-18, a true and correct copy of excerpts from Angela James'  
13 Deposition Transcript is attached hereto as Exhibit 28.

14 Q. Now, I understand that you don't have certain documents at your disposal, but  
15 do you have any documents that suggest that Tribal Chairman Williams ever  
16 executed a document without first having authority to do so on behalf of the  
17 Tribal Council?

18 A. I don't know.

19 Q. So then is it fair to say you're not aware of any time where she executed a  
20 contract on behalf of the Tribal Council without first getting authority?

21 A. I don't.

22 Angela James Depo. at 46:7-16.

23 259. On the same date of the Company-Tribe 2012 Note, the Tribe entered a  
24 promissory note with Canales Group (the "Sham 2012 Canales Note"). A true and correct copy  
25 of the Sham 2012 Canales Note is attached hereto as Exhibit 29.

26 260. The Sham 2012 Canales Note "finalizes all debts owed to Canales Group LLC for  
27 its performance of the Developer's Agreement."

28 261. The Sham 2012 Canales Note is for a principal balance of \$5,352,000.00.

262. Under the Sham 2012 Canales Note, "Interest began to accrue [on the principal  
sum] starting on May 30, 2008." Note at 1.

263. The Sham 2012 Canales Note bears interest at three percent (3%) over the prime  
rate, adjusted monthly.

264. The Sham 2012 Canales Note matures and becomes due and payable on July 10,  
2019, which is seven (7) years from its execution. Sham 2012 Canales Note at 1.

1           265. At maturity, the Tribe's officials will have obligated the Tribe to pay Canales  
2 Group nearly \$10,000,000.00 under the Sham 2012 Canales Note.

3           266. The Sham 2012 Canales Note bears signatures of Leona Williams and Angela  
4 James on behalf of the Tribe, and Michael Canales on behalf of Canales Group.

5           267. Following execution of the Company-Tribe 2012 Note and the Sham 2012  
6 Canales Note, Michael Canales, Melissa Canales, and John Tang, in conjunction with Angela  
7 James and Leona Williams, continued to pursue development of the Pinoleville Casino Project.

8           268. Michael Canales, Melissa Canales, and John Tang continued to hold out the Sham  
9 2012 Canales Note as genuine despite the stated reluctance of potential development partners to  
10 partner in the Pinoleville Casino Project due to the existence of senior debt.

11           269. In an email dated September 26, 2012, Michael Canales explained to Jack  
12 Campbell, John Tang, and others that the Tribe was having difficulty securing a development  
13 partner in the Pinoleville Casino Project. A true and correct copy of the September 26 email is  
14 attached hereto as Exhibit 30.

15           270. The September 26 email explained:

16                   The problem is the current debt on the facility. We have informed [prospective  
17 developers] that the Tribe would be paying the debt out [of] their revenues. So far  
18 no one is buying that scenario or wants to get involved with any notes on the  
19 facility.

19           271. In 2014, the Tribal officials caused the Tribe to enact the Pinoleville Business  
20 Board Ordinance.

21           272. The Pinoleville Business Board Ordinance chartered the Business Board and  
22 charged it with responsibility for managing development of casino and, by extension, with  
23 ensuring satisfaction of the Tribe's obligation on the Company-Tribe 2012 Note.

24           273. The governing body of the Business Board is Michael Canales (president and  
25 treasurer), Kathy Stallworth (secretary), Leona Williams (vice-president), and Scott Walker.

26           274. In or about June 17, 2015, the Business Board opened a checking account at West  
27 America Bank, with an account number of [xxxxxx]3351.

28           275. The authorized signers on the West America account are: Michael Canales  
(president), Leona Williams (vice-president), and Kathy Stallworth (chief financial officer).

1        276. The Business Board checking account was open for approximately four months.

2        277. As of the date this Complaint is filed, the Tribal officials have not caused the  
3 Tribe to open a casino or other gaming facility.

4        278. As of the date this Complaint is filed, the Tribal officials have failed to cause the  
5 Tribe to make a payment on the Company-Tribe 2012 Note.

6                                    **FIRST CAUSE OF ACTION**

7                                    **(Breach of Contract)**

8                                    **Against Tribal Organizational Defendants: the Tribe, Gaming Authority, Gaming  
9 Commission, Business Board, and PED**

10        279. The Company incorporates by reference all allegations heretofore set forth as  
11 though fully set forth herein.

12        280. Party to the Company-Tribe 2012 Note are: the Company, the Tribe, and the  
13 Gaming Authority.

14        281. Under the Company-Tribe 2012 Note, “[t]he Tribe and/or the Gaming Authority  
15 promises to pay [the Company], the [Company Loan], together with interest thereon” in  
16 accordance with the terms of the Company-Tribe 2012 Note. Note at 2.

17        282. The Company-Tribe 2012 Note defines “Gaming Authority” as follows:

18                    “Gaming Authority” means an unincorporated authority or enterprise formed by  
19 the Tribe under the laws of the Tribe to operate a gaming facility on behalf of the  
20 Tribe, together with its successors and assigns.

21        283. The Gaming Commission, Business Board, PED, and Does 1 through 20 (together  
22 with the Tribe and Gaming Authority, the “Tribal Organizational Defendants”), are successors or  
23 assigns of the Gaming Authority sharing in the Gaming Authority’s duties under the Company-  
24 Tribe 2012 Note.

25        284. The Company-Tribe 2012 Note waives the sovereign immunity, “and all defenses  
26 based thereon” of the Tribal Organizational Defendants, to the extent any such entity shares in  
27 the Tribe’s sovereign immunity from suit. Note at 3.

28        285. Each of the Tribal Organizational Defendants was responsible for, either directly  
or indirectly, carrying out all or part of the obligations of the Tribe and Gaming Authority under  
the Company-Tribe 2012 Note, including developing the Pinoleville Casino Project in order to



1 provide a significant source of revenue to satisfy the obligations to the Company under the  
2 Company-Tribe 2012 Note.

3 286. The Tribal officials caused the Tribe to form the Business Board in or about 2014.

4 287. Among the Business Board's responsibilities is the developing of the Pinoleville  
5 Casino Project and, by extension, satisfying the Tribal Organizational Defendants' obligations  
6 under the Company-Tribe 2012 Note.

7 288. The Business Board is a successor or assign of the Gaming Authority's duties  
8 under the Company-Tribe 2012 Note.

9 289. The Gaming Commission was the recipient of \$5,000,000.00 of the proceeds of  
10 Company Loan.

11 290. Angela James is and was at all times the chairperson of the Gaming Commission.

12 291. Angela James and Leona Williams are and were at all relevant times the  
13 authorized signers on the Gaming Commission bank accounts into which proceeds of the  
14 Company Loan were deposited.

15 292. The Company-Tribe 2012 Note expressly waives the sovereign immunity of the  
16 Gaming Commission with respect to claims arising thereunder.

17 293. The Gaming Commission is a successor or assign with respect to the Gaming  
18 Authority's duties under the Company-Tribe 2012 Note.

19 294. Michael Canales organized PED in 2006 for the benefit of Angela James and  
20 Leona Williams.

21 295. PED is owned in part by Leona Williams and Angela James.

22 296. Under the Sham 2008 Canales Note, Canales Group claimed to have loaned the  
23 PED \$5,352,000.00 for the development of the Pinoleville Casino Project.

24 297. Leona Williams and Angela James caused the Gaming Commission to transfer to  
25 PED at least \$400,000.00 from the proceeds of the Company Loan, according to the Falsified  
26 2011 Accounting.

27 298. The \$400,000.00 was deposited through a series of checks signed by Leona  
28 Williams and/or Angela James.

299. As a recipient of at least \$400,000.00 from the proceeds of the Company Loan, PED was responsible, at least in part, for development of the Pinoleville Casino Project and, by extension, repayment of the Company-Tribe 2012 Note.

300. PED is therefore a successor or assign of the Gaming Authority with respect to the Gaming Authority's obligations under the Company-Tribe 2012 Note.

301. Beginning on July 10, 2015 and continuing to present, the Tribal Organizational Defendants have had the duty under the Company-Tribe 2012 Note to remit payment to the Company in the amount of the full principal balance of \$5,380,000.00, plus interest and other sums in accordance therewith.

302. The Tribal Organizational Defendants breached the Company-Tribe 2012 Note by failing to provide full payment to the Company on July 10, 2015.

303. As a result of the breaches alleged herein, the Company has been damaged in the amount of \$5,380,000.00 plus contractual interest and other sums.

## **SECOND CAUSE OF ACTION**

**(Fraud and Deceit – Civil Code § 1710)**

**Against Defendants Angela James, Leona Williams, Michael Canales, Melissa Canales, John Tang, Lenora Steele, Michelle Campbell, Kathy Stallworth, Jason Steele, Cassandra Steele, Veronica Timberlake, Donald Williams, and Andrew Stevenson**

304. The Company incorporates by reference all allegations heretofore set forth as though fully set forth herein.

*Sham 2008 Canales Note*

305. Defendants Angela James, Leona Williams, Michael Canales, Melissa Canales, and John Tang ("Principal Fraudsters") represented to the Company the veracity of the Canales Group \$5 Million Investment.

306. In negotiations leading up to the making of the Company Loan, the Company's representatives demanded that the Principal Fraudsters provide the Company commercially reasonable proof of the Canales Group \$5 Million Investment.

307. In response, the Principal Fraudsters presented the Sham 2008 Canales Note as proof of the Canales Group \$5 Million Investment.

308. The Principal Fraudsters initially presented the Sham 2008 Canales Note to

1 Company representatives in an email from John Tang dated January 30, 2009.

2 309. Copied on John Tang's January 30, 2009 email were Michael Canales and  
3 Melissa Canales.

4 310. Michael Canales and Melissa Canales, as managing members of Canales Group,  
5 knew that neither Michael Canales nor Canales Group had made the Canales Group \$5 Million  
6 Investment reflected in the Sham 2008 Canales Note.

7 311. Leona Williams executed the Sham 2008 Canales Note on behalf of the PED.

8 312. Angela James is and was at all relevant times the chairperson and tax matters  
9 member of PED.

10 313. Both Leona Williams and Angela James knew that neither the PED nor the Tribe  
11 received a loan of \$5,352,000.00 from Michael Canales or Canales Group.

12 314. The Principal Fraudsters knew that the representations in the Sham 2008 Canales  
13 Note were false.

14 315. The Principal Fraudsters knew that representatives of the Company had  
15 communicated in multiple emails to all or some of the Principal Fraudsters that the Company  
16 would make the Company Loan only up to the amount of the Canales Group \$5 Million  
17 Investment.

18 316. The Principal Fraudsters intended for the Company to rely on the representations  
19 in the Sham 2008 Canales Note.

20 317. The Company's representatives reasonably relied on the Sham 2008 Canales Note  
21 as evidence of the Canales Group \$5 Million Investment.

22 318. The Company learned in December 2017 that neither Michael Canales nor  
23 Canales Group had ever made the Canales Group \$5 Million Investment to the Tribe, PED, or  
24 any other tribal entity.

25 319. The information came from sworn deposition testimony of Angela James, Leona  
26 Williams, and Michael Canales in the Forster-Gill Action.

27 320. Michael Canales testified at his deposition on September 19, 2017 that Canales  
28 Group had not loaned the Tribe any money:



1 Q. How many loans did you give the tribe – not you – Canales Group LLC  
2 give the Tribe?

3 A: None

4 Q. Except for the one that you just testified to that was evidenced by a  
5 check?

6 A. None.

7 Q. The Canales Group has never loaned money to the tribe?

8 A. No.

9 Q. Okay. Have you ever personally loaned money to the tribe?

10 A. Yes.

11 (Michael Canales Depo at 24:3-17, a true and correct copy of excerpts from Michael  
12 Canales' Deposition Transcript is attached hereto as Exhibit 31.)

13 Q. Did you ever have a promissory note which evidenced the loan you  
14 [Michael Canales] made to the Tribe?

15 A. No.

16 Q. How did you memorialize the loan to the tribe?

17 A. With a check.

18 (Michael Canales Depo at 23:16-21.)

19 321. Michael Canales' testimony that Canales Group has never loaned money to the  
20 Tribe directly contradicts the substance of the Sham 2008 Canales Note and the Sham 2012  
21 Canales Note.

22 322. Leona Williams testified as person most knowledgeable on behalf of the Tribe  
23 that the Tribe did not have any contracts with Canales Group:

24 Q. Do you have any contracts with Canales Group?

25 A. No.

26 (Leona Williams Depo. at 23:14-16.)

27 323. Leona Williams' testimony that the Tribe has no contracts with Canales Group is  
28 directly at odds with the Sham 2008 Canales Note and the Sham 2012 Canales Note.

324. The testimony of Michael Canales and Leona Williams in this regard infects with  
fraud the Sham 2008 Canales Note and the Sham 2012 Canales Note.

325. Their testimony demonstrates that the Sham 2008 Canales Note was an  
intentional misrepresentation that Michael Canales and Canales Group had previously loaned the  
Tribe \$5,352,000.00 to develop the Pinoleville Casino Project in order to induce the Company to

1 make a matching loan to the Tribe of \$5,380,000.00 in the form of the Company Loan.

2 326. By entering the Sham 2008 Canales Note, the Principal Fraudsters intended to,  
3 and in fact did, induce the Company to make the Company Loan of \$5,380,000.00 to the Tribe  
4 through its Gaming Commission chaired by Angela James.

5 327. The Company, having been presented with a copy of the Sham 2008 Canales Note  
6 and believing it was making a matching investment of an amount previously loaned to the Tribe  
7 by Michael Canales and Canales Group, reasonably relied on the veracity of the Sham 2008  
8 Canales Note and funded the Company Loan of \$5,380,000.00 into the bank account of the  
9 Gaming Commission, which was chaired by Angela James.

10 *Falsified 2011 Accounting (fabricated payments)*

11 328. In November 2011, the Principal Fraudsters provided the Company with the  
12 Falsified 2011 Accounting, which was purportedly an accounting of the Tribe's expenditures  
13 from the Company Loan.

14 329. Angela James and Leona Williams coordinated with the Tribe's chief  
15 administrator Lenora Steele, fiscal director Michelle Campbell, and accounting manager Kathy  
16 Stallworth to review the documents and financial records of the Tribe and its affiliated entities  
17 and generate the Falsified 2011 Accounting.

18 330. Lenora Steele, Michelle Campbell, and Kathy Stallworth are collectively referred  
19 to hereinafter as the "Financial Fixers."

20 331. The Financial Fixers have access to, and primary control over, all financial and  
21 accounting records of the Tribe, including the Tribe's QuickBooks software.

22 332. The Falsified 2011 Accounting was purportedly of financial activity of the Tribe.

23 333. Each of the Microsoft Excel spreadsheets of the Falsified 2011 Accounting bears  
24 the title:

25 Pinoleville Pomo Nation  
26 Transaction Detail by Account  
27 June 1, 2008 through November 20, 2011.

28 334. CPA Ramos prepared the Falsified 2011 Accounting using data from QuickBooks  
spreadsheets provided to her from the Tribe.

335. The Falsified 2011 Accounting listed, among many other things, payments to Forster-Gill, Inc. in relation to the joint lease and purchase of the Hopland Inn by the Tribe and Canales Group.

336. The Hopland Inn is a historic hotel, bar, and restaurant situated in the town of Hopland, about fifteen miles south of Ukiah.

337. The Falsified 2011 Accounting shows all of the payments to Forster-Gill as expenditures of the Tribe.

338. Forster-Gill, Inc. is and was at all relevant times a California corporation and the former seller/lessor of the Hopland Inn to the Tribe and Canales Group.

339. Forster-Gill conducted a review of its accounting records for 2008 and 2009 and compared it to the payments reflected for the same period on the Falsified 2011 Accounting.

340. The nature and conclusions of Forster-Gill's review are set forth in the Declaration of Tim Gill, which is attached hereto as Exhibit 32.

341. For the period from December 18, 2008 through December 6, 2009, the Falsified 2011 Accounting reflects payments to Forster-Gill in the aggregate amount of \$440,900.00.

342. For the same period, the records of Forster-Gill show that it received \$324,000 in payments relating to the Hopland Inn.

343. Forster-Gill's books and records show that it received payment only in calendar year 2009, and it did not receive any payments in 2008.

344. According to Forster-Gill's books and records, Forster-Gill received the following payments in calendar year 2009:

Date	Account Holder	Check No.	Payee	Amount
2/22/09	PED	1048	Fidelity Title	\$10,000.00
2/24/09	PED	1050	Fidelity Title	\$30,000.00
3/11/2009	PED	1052	Fidelity Title	\$68,000.00



6/08/2009	PED	1095	Fidelity Title	\$50,000.00
8/27/2009	PED	1110	Fidelity Title	\$50,000.00
10/23/2009	Pinoleville Band of Pomo Indians	1099	Fidelity Title	\$100,000.00
12/6/2009		1104	Forster-Gill	\$16,000.00
<b>Total of Payments Received by Forster-Gill for the Period from December 18, 2008 through December 6, 2009:</b>				<b><u>324,000.00</u></b>

345. Contrary to the books and records of Forster-Gill, the Falsified 2011 Accounting reflects the following payments for the Hopland Inn over the same period:

Date	Check No.	Payee	Amount
12/18/2008	529-2	Forster-Gill	\$8,000.00
1/06/2009	529-4	Forster-Gill	\$9,900.00
2/20/2009	1050	Fidelity Title	\$30,000.00
3/11/2009	1052	Fidelity Title	\$68,000.00
4/13/2009	W/D	Forster-Gill	\$100,000.00
6/28/2009	1095	Fidelity Title	\$50,000.00
8/20/2009	1110	Fidelity Title	\$50,000.00
9/27/2009	1099	Fidelity Title	\$100,000.00

12/5/2009	1118	Forster-Gill	\$25,000.00
Sum of Payments Regarding Hopland Inn as Reflected in Falsified 2011 Accounting:			<u>\$440,900.00</u>

346. The Falsified 2011 Accounting overstates payments to Forster-Gill by \$116,900.00 for the period from December 18, 2008 through December 5, 2009.  
*Falsified 2011 Accounting (double accounting)*

347. In addition to fabricating payments to Forster-Gill, the Falsified 2011 Accounting also double accounts for legitimate payments made to Forster-Gill.

348. Of the \$308,000.00 of the payments received by Forster-Gill through escrow at Fidelity National, \$208,000.00 was paid through checks from PED.

349. In 2012, CPA Ramos provided the Second Supplemental Tribal Accounting Breakdown, which provided additional detail on the Tribe's expenditures noted in the Falsified 2011 Accounting as "Pinoleville Pomo Nation Allowance."

350. The Second Supplemental Tribal Accounting Breakdown shows \$400,000.00 being paid by the Tribe to PED for the "Pinoleville Pomo Nation Allowance."

351. CPA Ramos confirmed in an email that the payments from the Tribe to PED were accounted for as Pinoleville Pomo Nation Allowance; but that PED had expended the money in furtherance of the Pinoleville Casino Project.

352. Because Forster-Gill confirmed in December 2017 that \$208,000.00 of the amount he received through escrow was in the form of checks from PED, then at least some of the expenditures listed as expenditures for "Rent" were in fact expenditures of PED.

353. Thus, the purported payments from the Tribe to PED, accounted for as "Pinoleville Pomo Nation Allowance," are merely double accounting the legitimate payments PED made to Forster-Gill through escrow at Fidelity National Title Co., which were also accounted for as "Rent" expenditures.

354. Thus, the double accounting scheme in the Falsified 2011 Accounting inflated the

1 dollar amount for which the Falsified 2011 Accounting was accounting.

2 355. Together, the fabricated payments to Forster-Gill and the double-accounting of  
3 expenditures of PED show that the Falsified 2011 Accounting is a false representation of the  
4 Tribe's expenditure of the proceeds of the Company Loan.

5 356. The Falsified 2011 Accounting operated to conceal the fraudulent diversion of the  
6 proceeds of the Company loan, and also induced the Company to forego immediate collection  
7 action and to enter the Company-Tribe 2012 Note.

8 357. The Principal Fraudsters and Financial Fixers knew the falsity of the Falsified  
9 2011 Accounting.

10 358. Leona Williams and Angela James were the signers on the Wells Fargo Wire  
11 Account and Chase Wire Account into which the \$5 million of the Company Loan was deposited  
12 and accordingly from which all expenditures were made.

13 359. Leona Williams and Angela James therefore knew that the fabricated  
14 expenditures in the Falsified 2011 Accounting were false.

15 360. Michael Canales, Melissa Canales, and John Tang – as members of Canales  
16 Group which was party to the lease-purchase agreement for the Hopland Inn – knew that the  
17 Tribe did not make all of the payments to Forster-Gill that were listed in the Falsified 2011  
18 Accounting.

19 361. The Financial Fixers, as the principal preparers of the Falsified 2011 Accounting  
20 and fiscal stewards of the Tribe, each knew that the Tribe did not make the payments to Forster-  
21 Gill that were listed in the Falsified 2011 Accounting.

22 362. The Financial Fixers knew that the check numbers associated with the payments  
23 to Forster-Gill did not pertain to any checks drawn on the accounts of the Tribe.

24 363. Each of the Principal Fraudsters and Financial Fixers intended for the Company to  
25 rely on the representations in the Falsified 2011 Accounting.

26 364. The Company reasonably relied on the Falsified 2011 Accounting as a basis to  
27 delay collection efforts on the Company Loan, to the extent any were reasonably available.

28 365. The Company reasonably relied on the Falsified 2011 Accounting to defer the



1 Tribe's repayment of the Company Loan until maturity of the Company-Tribe 2012 Note.

2 366. The Company's reliance on the Falsified 2011 Accounting was reasonable  
3 because one would not reasonably suspect that the Principal Fraudsters and Financial Fixers,  
4 associated with a federally-recognized Indian tribe, would divert the proceeds of the Company  
5 Loan to the personal uses of themselves and outside individuals and entities, such as the Canales  
6 Group, while obligating the Tribe to repay the entirety of the Company Loan.

7 367. The Company, as a result of its reliance on the Falsified 2011 Accounting, has  
8 continued to accrue economic damage related to the Tribe's nonpayment of the Company Loan.  
9 *Sham 2012 Canales Note*

10 368. On July 10, 2012, the Tribe and Canales Group executed the Sham 2012 Canales  
11 Note.

12 369. The Sham 2012 Canales Note obligates the Tribe to pay Canales Group the  
13 principal sum of \$5,352,000.00, plus back-dated interest from May 30, 2008.

14 370. Melissa Canales provided the Sham 2012 Canales Note to the Company's then-  
15 counsel Stephen Lightfoot in an email dated November 1, 2012.

16 371. The Principal Fraudsters represented to the Company that the Sham 2012 Canales  
17 Note reflected an authentic debt from the Tribe to Canales Group.

18 372. The sworn testimony of Leona Williams and Michael Canales demonstrate that  
19 the Sham 2012 Canales Note is not an authentic debt because neither Michael Canales nor  
20 Canales Group ever loaned \$5,352,000.00 to the Tribe, PED, or any tribally-affiliated entity.

21 373. The Principal Fraudsters knew the falsity of the Sham 2012 Canales Note at all  
22 relevant times, including at the time the Sham 2012 Canales Note was presented to the  
23 Company.

24 374. In presenting the Sham 2012 Canales Note to the Company, the Principal  
25 Fraudsters intended for the Company to rely on it as evidence of the Canales Group \$5 Million  
26 Investment.

27 375. The Company reasonably relied on the Sham 2012 Canales Note in delaying  
28 collection efforts on the Company Loan and deferring the Tribe's repayment of the Company

1 Loan.

2 376. The Company, as a result of its reliance on the Sham 2012 Canales Note, has  
3 continued to accrue economic damage related to the Tribe's nonpayment of the Company Loan.

4 377. The Financial Fixers share the same culpability as the Principal Fraudsters in  
5 regard to the Sham 2012 Canales Note.

6 378. The Financial Fixers have responsibility over the financial records and  
7 accountings of the Tribe and its affiliates.

8 379. The Financial Fixers knew that the Canales Group \$5 Million Investment was  
9 never received onto the books of the Tribe or its affiliates.

10 380. The Financial Fixers have had to account for the Sham 2012 Canales Note as a  
11 liability of the Tribe on its accounting records.

12 381. The Financial Fixers could not reasonably have encountered the Sham 2012  
13 Canales Note without knowing that it was a fraudulent instrument.

14 382. As a result of the role of the Financial Fixers in the Sham 2012 Canales Note, the  
15 Company has suffered economic harm.

### 16 **THIRD CAUSE OF ACTION**

17 **(Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1962(c))**  
18 **Against Non-Governmental Defendants: Angela James, Leona Williams, Michael Canales,**  
19 **Melissa Canales, Lori J. Canales, Kelly L. Canales, John Tang, Lenora Steele, Michelle**  
20 **Campbell, Kathy Stallworth, Jason Steele, Cassandra Steele, Veronica Timberlake, Donald**  
21 **Williams, Andrew Stevenson, Julian J. Maldonado and Canales Group**

22 383. The Company incorporates by reference all allegations heretofore set forth as  
23 though fully set forth herein.

24 384. Counts three through six herein are for violation of the Racketeer Influenced and  
25 Corrupt Organizations Act (RICO), 18 U.S.C. §§ 1961-1968.

26 385. An overview of the four causes of action under RICO is as follows:

27 Number	Statutory Basis	Overview
28 Third Cause of Action	18 U.S.C. § 1962(c)	Defendants conducted an enterprise through a pattern of racketeering activity

		causing injury to the Plaintiff.
Fourth Cause of Action	18 U.S.C. § 1962(b)	Defendants engaged in a pattern of racketeering activity through which Defendants acquired or maintained an interest in, or control of, an enterprise that affected interstate commerce.
Fifth Cause of Action	18 U.S.C. § 1962(a)	Defendants derived income from a pattern of racketeering activity, and Defendants used that income to acquire, maintain, or operate an enterprise that affected interstate commerce.
Sixth Cause of Action	18 U.S.C. § 1962(d)	Defendants agreed to commit a substantive violation of RICO.

386. The RICO causes of action have some common elements, which are set forth under this third cause of action and incorporated by reference into the remaining RICO causes of action.

387. As alleged in this third cause of action, the Non-Governmental Defendants conducted an enterprise through a pattern of racketeering activity, causing injury to the Company, all in violation of 18 U.S.C. § 1962(c).

388. The Principal Fraudsters and the Financial Fixers – in conjunction with defendants Julian Maldonado, Donald Williams, Veronica Timberlake, Cassandra Steele, Jason Steele, Andrew Stevenson, Canales Group, Lori Canales, and Kelly Canales (together with the Principal Fraudsters and Financial Fixers, the “Non-Governmental Defendants”) – are an association-in-fact enterprise whose common purpose is to convert the resources of third-parties (like the Company), and the resources of the Tribe, to their personal benefit while using the Tribal governmental umbrella to shield the proceeds of their enterprise from detection by state and federal taxing authorities.



1        389. The Principal Fraudsters and Financial Fixers have been the principal drivers of  
2 the enterprise since at least 2001.

3        390. Angela James and Leona Williams assumed control of the Tribe in or about 2005  
4 when they fraudulently executed a certification that the Tribe's citizens had voted on and  
5 approved the constitution ("2005 Constitution") under which the Tribe currently operates.

6        391. The 2005 Constitution eliminates meetings of the Tribe's citizens, provides that  
7 Tribal citizens may vote only when deemed eligible under the Tribe's election ordinance, and  
8 concentrates power in the four officer positions of the Tribal Council.

9        392. Through the 2005 Constitution, Angela James and Leona Williams created a  
10 vacuum where they control the flow of information, the composition of the Tribe's tribal council,  
11 the Tribal purse strings, and the consultants with which the Tribe partners.

12        393. Today, Defendants Angela James, Leona Williams, Jason Steele, Cassandra  
13 Steele, Donald Williams, Veronica Timberlake, and Andrew Stevenson (together, the "Tribal  
14 Council Defendants") serve as the Tribe's tribal council.

15        394. The Tribal Council Defendants have leveraged their positions on the Tribe's tribal  
16 council to conceal from Tribal citizens and other individuals the truth of whether they are in fact  
17 citizens of the Tribe.

18        395. Even when requested, the Tribal Council Defendants will not provide official  
19 verification of whether the requesting individual is an enrolled citizen of the Tribe.

20        396. This prevents the Tribal citizens from exercising their collective democratic  
21 rights, including the ability to recall the Tribal Council Defendants or amend the 2005  
22 Constitution.

23        397. The Tribal Council Defendants have further leveraged their positions on the  
24 Tribe's tribal council to enact a Tribal election ordinance that **requires the Tribe's purported**  
25 **270 citizens to volunteer 100 hours of volunteer service annually to the Tribe to be eligible**  
26 **to vote in elections of the Tribe.**

27        398. Meanwhile, the Tribal Council Defendants routinely certify expansive numbers of  
28 citizens to federal and state agencies because many times funding from those sources is based on

1 a Tribe's citizen population.

2 399. For example, in a grant application submitted by the Tribe to the U.S. Department  
3 of Education under penalty of perjury in or about May of 2016, the Tribe certifies: "The  
4 tribal population in [the Tribe] is 270, mostly residing outside the reservation boundary."  
5 DOE App. at e 57. A true and correct copy of the Tribe's application to USDOE is  
6 available at <https://www2.ed.gov/programs/indiandemo/16awards/2016-299a-0006.pdf>.

7 400. The Tribe's application to DOE is submitted under the electronic signature of  
8 Lenora Steele, dated May 23, 2016, who submitted it under the following certification:

9 By signing this application, I certify (1) to the statements contained in the list of  
10 certifications\*\* and (2) that the statements herein are true, complete and accurate  
11 to the best of my knowledge. I also provide the required assurances\*\* and agree  
12 to comply with any resulting terms if I accept an award. I am aware that any  
false, fictitious, or fraudulent statements or claims may subject me to criminal,  
civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)

13 DOE app. at e6.

14 401. Contrary to the representation in the Tribe's DOE application, Leona Williams  
15 testified under penalty of perjury to a much smaller Tribal citizen population:

16 Q. Okay. How many members does the Tribe have?

17 A. 225, 235. It depends on who relinquishes or who – depends.

18 Leona Williams Depo. at 131:2-3.

19 402. Through these practices, Angela James and Leona Williams have maximized  
20 public funding into the Tribal governmental shell over which they exercise unfettered control.

21 403. The disenfranchisement of the Tribe's purported citizens has insulated Angela  
22 James, Leona Williams, and the rest of the Tribal Council Defendants from *any* political  
23 accountability to the Tribe's citizenry.

24 404. This lack of accountability has allowed Angela James and Leona Williams to  
25 maintain their positions on the Tribe's tribal council for and 23 and 25 years, respectively.

26 405. In or about 2004, Angela James and Leona Williams entrenched themselves in  
27 power and controlled the flow of information and operations of the Tribe by installing Lenora  
28 Steele (older sister of Angela James) as the chief administrator of the Tribe..



1           406. In that capacity, Lenora Steele controls the staff of the Tribe, which notably  
2 includes the Tribe's fiscal department heads, Michelle Campbell and Kathy Stallworth:

3                     The day-to-day administration of the Tribe is under the leadership of Self-  
4 Governance Director Lenora Steele, who oversees all departments, budgets,  
5 programs and supervises respective leadership.

6           DOE app. at e37.

7           407. According to her resume submitted with the Tribe's DOE application, Lenora  
8 Steele "is under the general supervision of the Tribal Council." DOE App. at e255.

9           408. Angela James and Leona Williams caused the Tribe to hire or retain Kathy  
10 Stallworth and Michelle Campbell in the mid-2000s to oversee the Tribe's accounting and  
11 financial reporting.

12           409. According to her resume submitted with the Tribe's DOE application, Kathy  
13 Stallworth was hired in-house as the Tribe's "Accounting Manager" in September 2011 and  
14 continuing to present. In that capacity, she has the following role:

- 15                     • Responsible for Tribe's fiscal accountability.
- 16                     • Responsible for cash management.
- 17                     • Establish and maintain accounting policies and procedures[.]
- 18                     • Responsible for all financial reporting[.]

19           DOE App. at e253.

20           410. Prior to being hired at the Tribe, Kathy Stallworth and Michelle Campbell held  
21 positions at the neighboring Coyote Valley Band of Pomo Indians where they were indicted  
22 federally for financial-related crimes.

23           411. While the charges against Kathy Stallworth were eventually dropped, Michelle  
24 Campbell pleaded guilty to failing to file a tax return, 26 U.S.C. § 7203, a Class A misdemeanor  
25 for which she was ordered to serve a punishment of five years federal probation and pay  
26 restitution of nearly \$40,000.00 to the Internal Revenue Service.

27           412. Michelle Campbell was on federal probation from December 8, 2008 through  
28 December 11, 2013, a period during which Michelle Campbell assisted with the preparation of  
the Falsified 2011 Accounting and the Sham 2012 Canales Note.

          413. In or about 2011, Angela James and Leona Williams installed Angela James' two



1 children to round out their four-person majority of the Tribe's seven-member tribal council.

2 414. Each of the Tribal Council Defendants actively participates in the management  
3 and direction of the association-in-fact enterprise.

4 415. Angela James and Leona Williams testified under oath in deposition testimony  
5 that they take every decision before the Tribe's tribal council before acting.

6 416. On this point, Angela James testified:

7 Q. Tell me procedurally what would happen when the Tribe wanted to enter into a  
8 contract with a business professional or to purchase property or to get a loan, what  
9 – how did that happen procedurally?

10 A. I don't know.

11 Q. Leona Williams, the Tribal Chairperson, would negotiate the contract; is that  
12 correct?

13 A. No.

14 Q. What would happen?

15 A. She doesn't do anything on her own. It's – everyone has to come  
16 before the Tribal Council.

17 Q. Okay. Does Leona Williams have the authority to sign contracts without first  
18 getting approval of the Tribal Council?

19 A. No.

20 (Angela James Depo at 25:8-22.)

21 417. On this point, Leona Williams testified:

22 Q. Has the Tribal Council ever granted any kind of blanket authority for you as  
23 Tribal Chairman to waive sovereign immunity?

24 ...

25 A. Well, that would just go back to our – the Tribal Council has to  
26 approve that – approve that – for anything to happen like that the Tribal  
27 Council would have to approve it.

28 Leona Williams Depo at 51:22-52:10.)

Q. So let's make sure I understand your answer. Before you execute a contract on  
behalf of the Tribe you've had a meeting with the Tribal Council and other  
important members of the Tribal community –

A. Uh-huh.

Q. – to get approval to enter that contract?

A. Yes.

(Leona Williams Depo at 59:20-60:1.)

418. Consistent with this testimony, several of the Tribal Council Defendants

1 submitted sworn declarations in the Forster-Gill Action regarding their involvement in the  
2 financial activities and decisions of the Tribe.

3 419. Jason Steele testified in his declaration, a true and correct copy of which is  
4 attached hereto as Exhibit 33, that he is closely involved with the Tribe's financial activities:

5 As Tribal Treasurer, I have many varied responsibilities, including overseeing 10  
6 Departments; I work closely with our Fiscal Department to ensure the tribe is  
7 financially in line with approved budgets. At every Tribal Council meeting, the  
8 fiscal department prepares financial reports for the entire Tribal Council to review  
9 and approve.

10 Decl. of Jason Steele at ¶ 4.

11 420. Jason Steele further testified that the Tribe's tribal council carefully considers all  
12 proposed waivers of Tribal sovereign immunity set forth in any contract (such as the Company-  
13 Tribe 2012 Note and Sham 2012 Canales Note):

14 A waiver of sovereign immunity is not an action that I, or the rest of the Tribal  
15 Council takes lightly. When any type of contract or agreement comes in front of  
16 the Tribal Council asking for a waiver of sovereign immunity, there is an in-depth  
17 discussion on the topic.

18 Decl. of Jason Steele at ¶ 7.

19 421. Veronica Timberlake testified in her declaration, a true and correct copy of which  
20 is attached hereto as Exhibit 34, that she regularly reviews financial reports of the Tribe:

21 In a typical Regular Tribal Council Meeting, we establish a quorum, approve the  
22 agenda, approve the last meeting minutes, approve the Self-Governance report,  
23 approve the Financial report and approve all the Department reports that are  
24 presented by each Director of that Department.

25 Decl. of Veronica Timberlake at ¶ 6.

26 422. The declarations submitted in the Forster-Gill Action by Angela James (attached  
27 as Exhibit 35), Leona Williams (attached hereto as Exhibit 36), and Cassandra Steele (attached  
28 as Exhibit 37) are generally consistent with those of Jason Steele and Veronica Timberlake.

423. To round out the RICO enterprise, Angela James and Leona Williams caused the  
Tribe to hire as consultants John Tang, Michael Canales, Melissa Canales, and Canales Group.

424. With absolute control of the governance and operations of the Tribe, Angela  
James and Leona Williams have long had unfettered authority to loot the Tribe's resources and  
utilize the Tribe to convert the resources of third-parties to their personal uses free from

1 detection and taxation.

2 425. It is under this structure that the Non-Governmental Defendants operate as an  
3 association-in-fact enterprise.

4 426. The Non-Governmental Defendants utilize various vehicles to perpetrate their  
5 scheme, including the PED, Canales Group, Gaming Commission, Gaming Authority, Business  
6 Board, the Tribe, and its various affiliates.

7 427. The Non-Governmental Defendants wield the Tribe's sovereign immunity as a  
8 shield against detection of their schemes.

9 428. The Non-Governmental Defendants leverage the Tribe's immunities from state  
10 and federal taxation to funnel assets to their personal uses while skirting state and federal  
11 financial reporting and taxation.

12 429. The Non-Governmental Defendants perpetrate a scheme against third-parties,  
13 such as the Company, by inducing them to lend to the Tribe under the pretense of economic  
14 development that could generate a return to the third-party investor (hereinafter the "Third-Party  
15 Investment Scheme").

16 430. Michael Canales and Melissa Canales – despite being insiders of Leona Williams,  
17 Angela James, Lenora Steele, Kathy Stallworth, and Michelle Campbell – hold themselves out to  
18 unsuspecting third parties as being outside consultants unrelated to the Tribe.

19 431. Each of the Non-Governmental Defendants has a critical role in the Third-Party  
20 Investment Scheme.

21 432. Michael Canales, Melissa Canales, and Canales Group purport to be consultants  
22 who have themselves invested with the Tribe. They purport to be an entity arm's length from the  
23 Tribe. Third-parties are led to believe that Michael Canales, Melissa Canales, and Canales  
24 Group deem the Tribe trustworthy enough to have invested their own assets with the Tribe.

25 433. Leona Williams and Angela James purport to be representatives of the Tribe with  
26 authority to represent and take action on behalf of the Tribe. They purport to act as the  
27 governing body of the Tribe acting in the best interest of the Tribe. They purport to be arm's  
28 length from Michael Canales, Melissa Canales, and Canales Group.



1           434. In reality, Michael Canales, Melissa Canales, and Canales Group are related  
2 parties to Leona Williams and Angela James with a common purpose of looting the assets of the  
3 Tribe and of third-parties while obligating the Tribe for repayment of all such looted assets.

4           435. Once the money is located in a Tribal bank account, the Non-Governmental  
5 Defendants conspire to convert the funds to their own use by expending the money for their  
6 personal benefit through Tribal bank accounts.

7           436. The Non-Governmental Defendants claim little to none of the converted monies  
8 on the tax returns of themselves or their pass-through entities.

9           437. Instead, the Non-Governmental Defendants account for their expenditures as  
10 expenditures of the Tribe.

11           438. Soon after the Non-Governmental Defendants obtain the monies of third-parties,  
12 the Non-Governmental Defendants assert that the third-party has breached the agreement(s)  
13 pursuant to which the money was lent to the Tribe.

14           439. This alleged breach is often communicated through Melissa Canales who was, at  
15 all relevant times, the Tribe's attorney, member of Canales Group, and daughter of Michael  
16 Canales.

17           440. Knowing they have no accountability to the Tribal citizenry, Angela James and  
18 Leona Williams take unilateral action to bind the Tribe. This is evidenced, in very small part, by  
19 the many contracts and expenditures authorized by Leona Williams and Angela James on behalf  
20 of the Tribe for which there are no Tribal records such as minutes or resolutions.

21           441. In addition to the scheme to defraud third-parties such as the Company, the Non-  
22 Governmental Defendants scheme to convert to their own use resources the Tribe receives  
23 directly (the "Tribal Looting Scheme").

24           442. Through the Tribal Looting Scheme, the Non-Governmental Defendants convert  
25 to their own use restricted funds provided by the federal government and funds provided in the  
26 form of payments by the California Gambling Control Commission from the Revenue Sharing  
27 Trust Fund in the amount of \$1,100,00.00 per year. A copy of the spreadsheet of payments the  
28 Tribe has received from the California Gambling Control Commission is attached hereto as

Exhibit 38.

443. Between approximately 2003 and the quarter ended September 30, 2017, Angela James and Leona Williams, through their positions on the Tribe's tribal council, have controlled \$17,463,385.42 distributed to the Tribe by the California Gambling Control Commission.

444. The \$17,738,385.42 distributed to the Tribe from the California Gambling Control Commission, and controlled by Angela James and Leona Williams, is unrestricted funds.

445. There are no legally-mandated reporting or audit requirements associated with the \$17,738,385.42 that Leona Williams and Angela James have controlled over the past approximately 15 years on behalf of the Tribe.

446. The Tribal Looting Scheme is not limited to the conversion of unrestricted Tribal funds, such as those provided by the California Gambling Control Commission.

447. Angela James and Leona Williams also convert the Tribe's restricted federal funds to their personal benefit.

448. Between June 9, 2017 and August 9, 2017, Angela James and Leona Williams caused the Tribe to issue four checks to the landlord of Angela James and Julian Maldonado for rent due for Angela James and Julian Maldonado at their residence at 181 Zinfandel Drive, Ukiah, California 95482.

449. Each of the four checks bears the signatures of Angela James and Leona Williams.

450. The four checks, described in more detail in the following table, were drawn from the Tribe's account at West America Bank, account number [xxxxx]8187 and routing number [xxxxx]0218.

Date	Check No.	Signatures	Amount
6/9/2017	41351	Angela James and Leona Williams	\$1,570.00
6/23/2017	41437	Angela James and Leona Williams	\$1,980.00
7/7/2017	41525	Angela James and	\$6,690.00

		Leona Williams	
8/9/2017	41968	Angela James and Leona Williams	\$4,710.00
SUM OF AMOUNTS PAID OVER THE SPAN OF TWO MONTHS FOR RENT DUE FOR ANGELA JAMES AND JULIAN MALDONADO			<u>\$14,950.00</u>

451. In fact, Angela James and Julian Maldonado did not make a single payment from their individual assets for rent for their residence at 181 Zinfandel since the time they began occupying it in or about August of 2006, to the time they vacated on December 31, 2017.

452. Instead, Angela James and Leona Williams caused the Tribe to pay the rent of Angela James and Julian Maldonado for the nearly 12 years they lived at 181 Zinfandel.

453. At an average rental amount of \$1,450.00, Angela James and Leona Williams caused the Tribe to pay approximately \$197,200.00 in rent for the benefit of Angela James and Julian Maldonado ( $1,450 \times 136 \text{ months} = 197,200$ ).

454. The Tribe made these payments at all times during the period from 9/24/09 to 4/12/10 that the Tribe paid \$94,454.76 from the Company Loan to Julian Maldonado as a consultant of the Tribe.

455. In another example, Leona Williams caused the Tribe to transfer real property and two residences to the PED (in which Leona Williams and Angela James have an ownership interest).

456. The real property, situated at 650 Pinoleville Drive in Ukiah, was purchased in 2002 with approximately \$596,836 from a federal Indian Housing Block Grant.

457. Two straw-bale homes were constructed on the property between 2012 and 2016 utilizing approximately \$800,000 in federal funding from HUD, EPA, and Department of Energy.

458. The improved property, valued at approximately \$1,300,000.00, was transferred from the Tribe to PED by grant deed, signed by Leona Williams, on or about April 15, 2016.

459. Over the one-year period from April 2014 to April 2015, Leona Williams caused



1 the Tribe to borrow approximately \$736,000.00 on five houses in or near Lakeport, California  
2 that the Tribe acquired in or about 2005 with funding from the United States Department of  
3 Housing and Urban Development ("HUD").

4 460. The publicly filed documents are signed by Leona Williams on behalf of the  
5 Tribe.

6 461. On or about July 10, 2012, Leona Williams and Angela James caused the Tribe to  
7 assume the purported obligation of PED to Canales Group in the Sham 2008 Canales Note for  
8 repayment of a principal amount of \$5,352,000.00.

9 462. The obligation was originally PED's, as memorialized in the Sham 2008  
10 Promissory Note.

11 463. Angela James, the "tax matters" member for PED, testified that she has never  
12 filed a tax return on behalf of PED, nor issued or received IRS Form K-1 in connection with  
13 PED. This was the case despite PED having purportedly assigned the Tribe its debt to Canales  
14 Group of \$5,352,000.00 in 2012; having received at least \$400,000.00 in proceeds from the  
15 Company Loan; and having received by grant deed the improved property at 650 Pinoleville Rd.  
16 purchased and improved with federal funding and valued at \$1,300,000.00.

17 464. Michelle Campbell and Kathy Stallworth are instrumental to the Defendants'  
18 scheme to loot the Tribe and defraud third-parties like the Company.

19 465. Michelle Campbell and Kathy Stallworth, as the fiscal directors of the Tribe, had  
20 a prominent role in the creation of the Falsified 2011 Accounting utilized to conceal the  
21 conversion of the proceeds of the Company Loan to the personal benefit of Leona Williams,  
22 Angela James, John Tang, Michael Canales, and Melissa Canales.

23 466. As experienced bookkeepers, Michelle Campbell and Kathy Stallworth could not  
24 have participated in the creation of the Falsified 2011 Accounting without knowing that it was  
25 falsified.

26 467. As individuals knowledgeable in federal grant and audit requirements and  
27 bookkeeping procedures, Michelle Campbell and Kathy Stallworth account for the Defendants'  
28 activities (such as the nearly \$200,000 in rental payments for the benefit of Angela James and

1 Julian Maldonado) in creative ways designed to avoid detection of the Defendants' scheme and  
2 enterprise.

3 468. Kathy Stallworth is the certifying official on behalf of the Tribe for the Tribe's  
4 federally mandated Single Audits of the approximately \$4,200,000.00 in federal dollars it  
5 controls annually. A true and correct copy of a Data Collection Form for the Tribe's Single  
6 Audit for fiscal year ending 2012 is attached hereto as Exhibit 39.

7 469. Michelle Campbell and Kathy Stallworth were both criminally indicted for similar  
8 behavior while employed with the Coyote Valley Band of Pomo Indians. *See USA v. Hunter et*  
9 *al.*, 3:06-cr-00565-CRB (N.D. Cal.).

10 470. It is this Tribal Looting Scheme that led to the Non-Governmental Defendants  
11 ability to fabricate Sham 2008 Canales Note and Sham 2012 Canales Note, which ultimately led  
12 to the Company making the Company Loan to the Tribe.

13 471. The Sham 2008 Canales Note and later the Sham 2012 Canales Note obligate the  
14 Tribe to repay nearly \$10,000,000.00 (principal plus interest) to Canales Group for value that the  
15 Tribe never received.

16 472. Michael Canales, Melissa Canales, and Canales Group could have never gotten  
17 Angela James and Leona Williams to cause the Tribe to assume a now nearly \$10,000,000.00  
18 financial obligation for value the Tribe never received, if not for the ongoing Tribal Looting  
19 Scheme.

20 473. The pervasive and ongoing Tribal Looting Scheme by the Non-Governmental  
21 Defendants is and was a proximate cause of the economic harm suffered by the Company.

22 474. Melissa Canales, simultaneously a member of Canales Group and attorney for the  
23 Tribe, also played a prominent role in the Defendants' enterprise.

24 475. For example, Canales Group was a co-lessee of the Hopland Inn from Forster-  
25 Gill, and Canales Group held the liquor license to the Hopland Inn. See attached liquor license  
26 informational printout from the California Alcoholic Beverage Control, attached as Exhibit 40.

27 476. In the liquor license, Melissa Canales is listed as a member of Canales Group.

28 477. Despite being a co-lessee with the Tribe and holding the liquor license for the

1 Hopland Inn, Canales Group made no payments into escrow related to the lease/purchase of the  
2 Hopland Inn.

3 478. Lenora Steele is also instrumental to the RICO enterprise.

4 479. Lenora Steele is the Tribe's chief administrator, meaning she oversees all of the  
5 Tribe's staff, administers its federal funding, prepares grants, oversees the Tribe's single audit  
6 requirements for the federal funds it administers, and is the direct supervisor of the Tribe's fiscal  
7 staff.

8 480. As the chief administrator of the Tribe, Lenora Steele had responsibility for,  
9 oversaw, and had significant involvement in the manufacturing of the Falsified 2011 Accounting  
10 that was utilized to conceal Defendants' diversion of the Company Loan to their personal uses.

11 481. Also instrumental to the RICO enterprise are the Tribal Council Defendants, all of  
12 whom vote on and approve resolutions they know, or reasonably should know, will be used by  
13 the Principal Fraudsters to perpetrate frauds against third parties such as the Company.

14 482. For example, the Tribal Council Defendants voted to create the Business Board  
15 which they then voted to charge with authority to create bank accounts and make expenditures of  
16 proceeds of the Company Loan without oversight by the Tribal Council.

17 483. Through their vote, the Tribal Council Defendants delegated authority to the  
18 Business Board to develop the Pinoleville Casino Project and engage in transactions related to  
19 the Tribe's failed attempt to cultivate marijuana on the Tribe's lands in or near the town of  
20 Ukiah.

21 484. Each of the Non-Governmental Defendants participate, and at all relevant times  
22 have participated, in the enterprise's perpetration of its scheme to defraud third-parties and loot  
23 the Tribe.

24 485. The Non-Governmental Defendants also participate in the RICO enterprise  
25 through their prominent roles on subordinate Tribal entities such as the Gaming Commission,  
26 Gaming Authority, Business Board, and PED.

27 486. Leona Williams and Angela James are, and have been at all relevant times, the  
28 managing members of PED.



1           487. In that role, Angela James and Leona Williams have caused the PED to (1) send  
2 and receive proceeds of the Company Loan for their personal use; (2) receive real property and  
3 other items of value from the Tribe; (3) apply for and obtain exemption from County of  
4 Mendocino ad valorem taxes for the property owned by the PED at 801 Lovers Lane in Ukiah,  
5 on the basis that PED is a federally recognized Indian tribe and tribally-designated housing entity  
6 through which no benefit inures to the benefit of any individual (true and correct copies of the  
7 Applications for Exemption are attached hereto as Exhibit 41); and (4) obtain loans from third-  
8 parties secured by property owned by the PED but purchased with funds of the Tribe, for the  
9 personal benefit of Angela James and Leona Williams.

10           488. Michael, Melissa, Lori, and Kelly Canales, and John Tang have all been members  
11 of Canales Group and have participated in the operation or management of Canales Group.

12           489. Lori Canales was responsible, at least in part, for managing the records, finances,  
13 and health care plan of Canales Group.

14           490. Lori Canales sent, received, or was copied on multiple emails regarding the  
15 Pinoleville Casino Project, J2MLLC, and the Company, including but not limited to emails dated  
16 March 2009, October 2011, and December 2011.

17           491. Lori Canales had specific knowledge of the Sham 2008 Canales Note and that it  
18 was used, or was intended to be used, to induce the Company to make the Company Loan.

19           492. Kelly Canales is and was at all relevant times a member of Canales Group.

20           493. Kelly Canales was responsible, at least in part, for performing activities on behalf  
21 of Canales Group related to development of the Pinoleville Casino Project, including but not  
22 limited to preparing digital plans of the site of the Pinoleville Casino Project.

23           494. Kelly Canales sent, received, or was copied on emails discussing the development  
24 of the Pinoleville Casino Project, progress of the payments by the Company to fully fund the  
25 Company Loan, and arrangement of meetings between Michael Canales, Angela James, Leona  
26 Williams, Melissa Canales, and Company representatives, including but not limited to an email  
27 thread from early 2011.

28           495. Kelly Canales attended meetings with John Tang and Michael Canales in Las

Vegas in October 2011, including meetings with prospective financiers, developers, architects, and slot machine manufacturers of the Pinoleville Casino Project.

496. Kelly Canales was the marketing and design manager for Canales Group from July 2010 through at least January 2015, a period during which Canales Group received proceeds of the Company Loan and the Tribe entered the Sham 2012 Canales Note.

497. Kelly Canales, along with Michael Canales, sent condolences on behalf of the Tribe to the family of the late Mr. Winner shortly following his passing in September 2010.

498. In concert, the Non-Governmental Defendants manufactured the Sham 2008 Canales Note, Falsified 2011 Accounting, and Sham 2012 Canales Note to induce the Company to lend the Tribe \$5,380,000.00 and; later, to conceal their scheme to obtain the Company Loan and convert it to their personal use.

499. In deposition testimony, Leona Williams, Angela James, and Michael Canales – despite their prominent roles in the Tribe, PED, and Canales Group – often testified to know very little about those entities or their activities, or alternatively testified inconsistently with the available information:

Deponent	Summary of Testimony	Citation to Deposition Transcript	(In)consistency with Available Information
Leona Williams	Does not remember whether PED has ever had money.	61:7-19.	PED paid \$158,000.00 into escrow for the Hopland Inn. Additionally, the Tribe paid \$400,000.00 to PED from the proceeds of the Company Loan, according to the Falsified 2011 Accounting.
Leona Williams	Does not remember if PED ever entered into	61:20-22.	PED entered the Sham 2008 Canales Note obligating

	any contracts.		PED to repay a loan from Canales in the amount of \$5,352,000.00.
Leona Williams	Does not remember if PED owns any land.	62:2-7.	PED owns land purchased with Tribal and federal assets: (1) 801 Lovers Lane, Ukiah; (2) 650 Pinoleville Rd
Leona Williams	Does not remember if the Tribe ever sold or gifted land to PED.	62:22-24.	The Tribe transferred to PED 650 Pinoleville Dr. in April 2016; and 801 Lovers Lane in 2009.
Leona Williams	Does not remember if the Tribe ever gave any valuable assets to the PED.	62:25-63:2.	The Tribe gave PED \$400,000.00 from the proceeds of the Company Loan, according to the Falsified 2011 Accounting.
Leona Williams	Does not remember the Tribe doing any business transactions with the PED.	69:1-4.	Inconsistent with the events listed above.
Angela James	Denies being a manager of PED, then states she does not know if she has previously been a member of PED.	5:18-20; 7:12-8:8.	Angela James is managing member and tax matters member of PED, according to PED operating agreement.
Angela James	Does not know what the PED is.	8:13-15; 8:25-9:2.	Inconsistent with PED operating agreement.



Angela James	The Tribal Council had never given Michael Canales blanket authority to negotiate any kinds of contracts	12:12-15.	Tribal Council resolution granting Michael Canales authority to negotiate contracts related to gaming.
Angela James	She did not agree with Michael Canales' organization of the PED with the California Secretary of State.	21:3-15.	PED received \$400,000.00 in checks from the Tribe from the proceeds of the Company Loan, according to the Falsified 2011 Accounting. All checks from the Tribe must be signed by both Leona Williams and Angela James.
Angela James	Refused to answer question regarding whether she had any understanding as to how the PED had several hundreds of thousands of dollars to pay into escrow for the Hopland Inn.	24:10-22.	PED received \$400,000.00 in checks from the Tribe, which checks are required to be signed by Angela James and Leona Williams.
Angela James	There are no Tribal records of what happened in 2009, other than sparse Tribal Council meeting minutes.	38:13-16.	In 2009 alone, the Tribe, through a savings account of the Gaming Commission of which Angela James was the chairperson, received \$2,090,000.00 of proceeds from the Company Loan, of

			which the Tribe purportedly paid \$340,000.00 to PED via a series of checks required to bear both the signature of Angela James and Leona Williams.
Angela James	Unable to identify the Tribal employee associated with the email address michellec@pinoleville-nsn.us. Angela James testified: "I don't know who that is."	64:6-16.	Michelle Campbell is the employee associated with the email address. She has been the Tribe's Fiscal Director for approximately a decade.
Angela James	When presented with a grant deed dated April 15, 2016, transferring property at 650 Pinoleville Road from the Tribe to PED, Angela did not know what the property was, who lived there, or whether the Tribal Council approved the transfer.	69:5-25	The Tribe expended more than \$1,300,000.00 in federal funds constructing two straw-bale homes on the property at 650 Pinoleville Road, all over the course of four years from 2012 to 2016. Angela James is quoted in an article regarding the straw-bale homes published by UC Berkeley Engineering department.
Michael Canales	He is not an owner of Canales Group.	13:22-14:1.	Michael Canales filed a Statement of Information with the Secretary of

			State on September 29, 2017 – 10 days after his deposition – identifying himself as a Member of Canales Group.
Michael Canales	Does not recall Canales Group ever having had a contract with PED.	22:14-16.	Canales Group and PED were party to the Sham 2008 Canales Note.
Michael Canales	Canales Group has never loaned money to the Tribe.	24:12-14.	Canales Group entered the Sham 2008 Canales Note with PED, and the Sham 2012 Canales Note with the Tribe, both reflecting a purported \$5,352,000.00 loan from Canales Group to the PED and Tribe, respectively.
Michael Canales	PED “was formed for Angela James and Leona Williams.”	36:19-22.	Consistent with available information.
Michael Canales	When the PED was formed, its members were Angela James and Leona Williams	37:11-13.	Consistent with available information, although PED operating agreement also lists Pinoleville Band of Pomo Indians, through Angela James and Leona Williams, as a third member.



Michael Canales	Neither Canales Group nor Michael Canales ever had a contract with PED.	37:19-24.	The Sham 2008 Canales Note is between PED and Michael Canales dba Canales Group.
Michael Canales	Identifies Michelle Campbell, "fiscal," as the Tribal employee associated with the email address michellec@pinoleville-nsn.us.	99:14-18.	Consistent with available information.

500. The Company has obtained copies of all minutes and resolutions of the Tribe from years 2009 through 2016, which the Tribe produced under oath in the Forster-Gill Action.

501. None of the Tribe's records from that period indicate that the debt reflected in the Sham 2008 Canales Note was transferred from PED to the Tribe between 2009 and 2012.

502. The Principal Fraudsters repeatedly concealed the falsity of the Sham 2008 Canales Note, as reflected in an April 12, 2012 email from Melissa Canales to the Company's then-attorney reconfirming the Sham 2008 Canales Note: "Canales Group accepts that JW Gaming Interim Tribal Loan will have priority pay back to the Canales Group Loan."

503. There are many other documents and communications, including emails, wherein the Principal Fraudsters reaffirm the Sham 2008 Canales Note and the Sham 2012 Canales Note.

504. The Principal Fraudsters took intentional steps to conceal their fraudulent conduct.

505. In an email dated January 19, 2012 to John Tang, Michael Canales wrote:

We did have a change today. The Tribe no longer wants anyone to work for them. They want all consultants to report and be hired by [Canales Group] of which they will approve prior to [Canales Group] retaining the consultant. They do not want anyone to go to the Tribal offices under any circumstance. This was caused by consultants that you know and casino sales people just stopping by the office without appointments, phone calls among other reasons.

[Canales Group] will be getting a office in Ukiah and everyone will call

1 that number and go there from now on. The Tribe will come there to meet  
2 or sign any major potential consultants or agreements.

3 **[Through a Pattern of Racketeering Activity]**

4 506. The Non-Governmental Defendants, in conducting their RICO enterprise, have  
5 engaged in many continuous and related acts of "racketeering activity" as defined in 18 U.S.C. §  
6 1961.

7 507. The Non-Governmental Defendants' multiple acts of "racketeering activity"  
8 occurred within a period of time no greater than 10 years, and are continuous and all serve the  
9 purpose of furthering Defendants' RICO enterprise.

10 508. Among Non-Governmental Defendants' acts of "racketeering activity" are: wire  
11 fraud (18 U.S.C. § 1343), financial institution fraud (18 U.S.C. § 1344), and engaging in  
12 monetary transactions in property derived from specified unlawful activity (18 U.S.C. § 1957).

13 **[Wire Fraud, 18 U.S.C. § 1343]**

14 509. The Non-Governmental Defendants engaged in multiple counts of wire fraud,  
15 within the meaning of 18 U.S.C. § 1343, during the course of fraudulently inducing the  
16 Company to make the Company Loan, and thereafter concealing the fraud from the Company.

17 510. In 2008 or 2009, the Non-Governmental Defendants manufactured the Sham 2008  
18 Canales Note as evidence that Michael Canales and Canales Group had lent the Tribe  
19 \$5,352,000.00.

20 511. The Sham 2008 Canales Note was intended to induce the Company to match the  
21 funding Canales and Canales Group purportedly lent previously to the Tribe.

22 512. Defendants Michael Canales, Melissa Canales, Leona Williams, and Angela  
23 James sent and received, or were copied on emails that were sent and received, that transmitted  
24 by wire in interstate commerce, the Sham 2008 Canales Note for the purpose of inducing the  
25 Company to make the Company Loan of \$5,380,000.00.

26 513. In or about 2012, the Non-Governmental Defendants manufactured the Sham  
27 2012 Canales Note between Canales Group and the Tribe as further evidence that Michael  
28 Canales and Canales Group had lent the Tribe \$5,352,000.00 as memorialized in the Sham 2008  
Canales Note.

1           514. The Sham 2012 Canales Note was intended to conceal from the Company the fact  
2 that Michael Canales and Canales Group had never in fact lent the Tribe the \$5,352,000.00  
3 memorialized in the Sham 2008 Canales Note.

4           515. Defendants Michael and Melissa Canales, Leona Williams, and Angela James  
5 sent and received, or were copied on emails that were sent and received, that transmitted by wire  
6 in interstate commerce, the Sham 2012 Canales Note for the purpose of concealing the  
7 fraudulent nature of the Sham 2008 Canales Note and thereby inducing the Company to enter the  
8 2012 Promissory Note.

9           516. The Non-Governmental Defendants engaged in multiple counts of wire fraud,  
10 within the meaning of 18 U.S.C. § 1343, in relation to the creation, execution, and email  
11 transmission of the Sham 2008 Canales Note, Falsified 2011 Accounting, and the Sham 2012  
12 Canales Note for the purpose of executing their scheme to defraud the Company out of the  
13 Company Loan.

14                           **[Bank Fraud, 18 U.S.C. § 1344]**

15           517. At all times relevant hereto, the Non-Governmental Defendants have engaged in  
16 multiple acts of bank fraud within the meaning of 18 U.S.C. § 1344(2).

17           518. The Non-Governmental Defendants knowingly carried out a scheme to obtain  
18 money or property from the Company's financial institution, First National Bank of  
19 Pennsylvania, by making false statements and promises to the Company.

20           519. The false statements and promises Non-Governmental Defendants made to the  
21 Company include the Sham 2008 Canales Note, Falsified 2011 Accounting, and Sham 2012  
22 Canales Note.

23           520. The Non-Governmental Defendants knew at all times the falsity of the  
24 representations in the Sham 2008 Canales Note, Falsified 2011 Accounting, and Sham 2012  
25 Canales Note.

26           521. The representations in the Sham 2008 Canales Note, Falsified 2011 Accounting,  
27 and Shame 2012 Canales Note were material and induced the Company to make the Company  
28 Loan from the Company's assets held by First National Bank of Pennsylvania, and to enter the



1 Company-Tribe 2012 Note.

2 522. The Non-Governmental Defendants, at all times and for all activities alleged  
3 herein, acted with the intent to defraud the First National Bank of Pennsylvania of assets held by  
4 it for the Company.

5 523. First National Bank of Pennsylvania is and was at all relevant times insured by the  
6 Federal Deposit Insurance Corporation.

7 **[Engaging in Monetary Transactions in Property Derived from Specified Unlawful**  
8 **Activity, 18 U.S.C. § 1957]**

9 524. The Non-Governmental Defendants have engaged in many monetary transactions  
10 in property derived from "specified unlawful activity" in violation of 18 U.S.C. § 1957.

11 525. With the unlawfully obtained proceeds of the Company Loan, the Non-  
12 Governmental Defendants engaged in monetary transactions whereby they transferred the  
13 proceeds of the fraudulently-obtained Company Loan to their own purposes.

14 526. These monetary transactions included Angela James and Leona Williams causing  
15 to be transferred from the Tribe's bank accounts, payments to: Julian Maldonado, Angela's  
16 longtime partner and father of her children, Canales Group, Michael Canales, Melissa Canales,  
17 and John Tang.

18 527. The value of the criminally derived property was \$5,380,000.00.

19 528. The Non-Governmental Defendants had specific knowledge that the proceeds of  
20 the Company Loan were criminally obtained.

21 529. All of the aforementioned monetary transactions, or a significant part of them,  
22 occurred within the United States.

23 530. The Non-Governmental Defendants have engaged in similar conduct in at least  
24 one other transaction in which Defendants induced a gaming development company, Intrepid  
25 Gaming, to make several \$25,000 payments to the Tribe in the form of a loan while the parties  
26 negotiated a final development agreement related to the Pinoleville Casino Project.

27 531. Intrepid Gaming ended up making seven monthly payments to the Tribe of  
28 \$25,000.00, and the Tribe did not follow through with the agreement.

532. As of October 1, 2015, the Tribe had not repaid the \$175,000.00 to Intrepid

1 Gaming, per the statement of Intrepid Gaming principal and Business Board member-at-large,  
2 Scott Walker.

3 533. On information and belief, the Tribe has still not repaid the \$175,000.00 it  
4 received as a loan from Intrepid Gaming.

5 534. Additionally, Angela James testified that she has not filed tax returns on behalf of  
6 the PED, or issued K-1s to the members of PED. Because the PED is a pass-through entity for  
7 tax purposes, the income to PED has not been reported on the individual tax returns of its fifty-  
8 percent owners, Angela James and Leona Williams.

9 535. Despite Angela James and Leona Williams causing the Tribe to assume the debt  
10 obligation of PED to Canales Group, the PED did not file a tax return or issue K-1s, and  
11 therefore Leona Williams and Angela James did not pay individual income tax on the gain  
12 associated with their assignment of PED's debt to the Tribe.

13 536. Because a tax return has not been filed for PED, its members were not taxed on  
14 the gain associated with Leona Williams having caused the Tribe to convey to the PED the two  
15 houses at 650 Pinoleville Road, purchased and constructed with federal funds, and valued at  
16 approximately \$1,300,000.00.

17 537. Because a tax return has not been filed for PED, its members were not taxed on  
18 the gain associated with Angela James and Leona Williams having caused the Tribe to transfer to  
19 PED \$400,000.00 from the Company loan and which obligation was assumed by the Tribe in the  
20 Company-Tribe 2012 Note.

21 538. These acts constitute predicate acts as required to maintain this cause of action  
22 under the civil provisions of RICO, 18 U.S.C. §§ 1961 et seq.

23 Resulting in Injury

24 539. The Non-Governmental Defendants' conduct of their RICO enterprise through a  
25 pattern of racketeering activity has caused injury to the Company's business or property.

26 540. The conspiracy among the Non-Governmental Defendants was the direct and  
27 proximate cause of the Company loaning the Tribe \$5,000,000.00 through a Gaming  
28 Commission bank account, and another \$380,000.00 through payments to John Tang and

1 Michael Canales.

2 **FOURTH CAUSE OF ACTION**

3 **(Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1962(b))**

4 **Against Non-Governmental Defendants**

5 541. The Company incorporates by reference all allegations heretofore set forth as  
6 though fully set forth herein.

7 542. As heretofore alleged, the Non-Governmental Defendants engaged in a pattern of  
8 racketeering activity.

9 543. The Non-Governmental Defendants, through such activity, acquired and  
10 maintained in interest in or control of multiple enterprises, including Canales Group and PED.

11 544. Specifically, with the proceeds of the Company Loan, which the Non-  
12 Governmental Defendants obtained and concealed through a pattern of racketeering activity, the  
13 Non-Governmental Defendants funneled \$400,000.00 to PED, which is controlled by Angela  
14 James and Leona Williams.

15 545. In 2009, PED paid approximately \$158,000.00 of the proceeds of the Company  
16 into escrow for the Hopland Inn, which was jointly leased by the Tribe and Canales Group.

17 546. The Falsified 2011 Accounting reflects that the Tribe, through Angela James and  
18 Leona Williams, funneled at least \$844,184.10 to Canales Group.

19 547. The Non-Governmental Defendants, by concealing their fraudulent financial  
20 activities through a pattern of racketeering activity, maintained control of PED, Canales Group,  
21 the Tribe, Gaming Commission, Gaming Authority, Business Board, the RICO enterprise, and  
22 other enterprises.

23 548. As heretofore alleged, the activities of PED, Canales Group, the Tribe, Gaming  
24 Commission, Gaming Authority, Business Board, and the RICO enterprise all are engaged in, or  
25 have some effect on interstate or foreign commerce.

26 **FIFTH CAUSE OF ACTION**

27 **(RICO, 18 U.S.C. § 1962(a))**

28 **Against Non-Governmental Defendants**

549. The Company incorporates by reference all allegations heretofore set forth as  
though fully set forth herein.



1           550. As alleged herein, the Non-Governmental Defendants, each of them having  
2 received income derived, directly or indirectly, from a pattern of racketeering activity, did use or  
3 invest, directly or indirectly, at least part of such income, or the proceeds of such income, to  
4 acquire an interest in, establish operation of, not less than one enterprise which is engaged in, or  
5 the activities of which affect, interstate commerce.

6           551. The proceeds of the Company Loan were derived from the Non-Governmental  
7 Defendants' pattern of racketeering activity.

8           552. Angela James and Leona Williams – in concert with Michelle Campbell, Kathy  
9 Stallworth, Lenora Steele, Michael Canales, Melissa Canales, and John Tang – caused proceeds  
10 of the Company Loan to be diverted to themselves and to other insiders.

11           553. Angela James and Leona Williams – in concert with Michelle Campbell, Kathy  
12 Stallworth, Lenora Steele, Michael Canales, Melissa Canales, and John Tang – caused the  
13 creation and transmission to the Company of the Falsified 2011 Accounting to conceal their  
14 conversion of the proceeds of the Company Loan to themselves and to insiders of them.

15           554. The Non-Governmental Defendants caused proceeds of the Company Loan to be  
16 diverted from bank accounts of the Gaming Commission (of which Angela James is the  
17 chairperson) to maintain and operate their RICO enterprise, Canales Group, PED, Tribally-  
18 affiliated entities, and other entities.

19           555. Out of the four categories of the Falsified 2011 Accounting for which additional  
20 detail was provided, it shows that Julian Maldonado (husband of Angela James), Canales Group,  
21 Michael Canales, Melissa Canales, and John Tang, received \$1,185,879.46 of the reported total  
22 amount of \$1,570,504.31 purportedly expended on consultants. The breakdown of the  
23 \$1,185,879.46 the Non-Governmental Defendants received is as follows:

24 ///

25 ///

26 ///

27 ///

28 ///

LISTED PAYEE	ROLE	AGGREGATE OF CONSULTANT PAYMENTS RECEIVED
Michael Canales	President of CGLLC, President of Pinoleville Business Board	165,240.60
Melissa Canales	Daughter of Michael Canales, Pinoleville Attorney, Member of CGLLC	14,000.00
Julian Maldonado	Longtime partner of Angela James, father of two of Angela James' four children	94,454.76
Canales Group	Limited liability company members of which have been Michael, Melissa, Lori, and Kelly Canales, and John Tang	844,184.10
John Tang	Member of Canales Group and agent of the Tribe	68,000.00
<b><u>TOTAL</u></b>		<b><u>1,185,879.46</u></b>

556. The Falsified 2011 Accounting reflects that \$400,000.00 of the Company Loan was paid to PED in the form of one or more checks from a Tribal account.

With the proceeds of the Company Loan, the Non-Governmental Defendants invested in, acquired an interest in, or operated the PED and Canales Group within the meaning of 18 U.S.C. § 1962(a).

1        557. The Non-Governmental Defendants operated the RICO enterprise, PED, Canales  
2 Group, and the other enterprises set forth herein in a manner that constituted, or affected,  
3 interstate commerce.

4        558. With Company proceeds, the PED, Canales Group, and other entities identified  
5 herein, were engaged in making payments through use of federal banking institutions and  
6 interstate lines of communication such as electronic fund transfers.

7                                    **SIXTH CAUSE OF ACTION**  
8                                    **(RICO, 18 U.S.C. § 1962(d))**  
9                                    **Against Non-Governmental Defendants**

10        559. The Company incorporates by reference all allegations heretofore set forth as  
11 though fully set forth herein.

12        560. The Non-Governmental Defendants, and each of them, agreed to perpetrate, and  
13 in fact assisted or directed the perpetration of, the scheme of Angela James, Leona Williams,  
14 John Tang, Michael Canales, and Melissa Canales to obtain the proceeds of the Company Loan  
15 and convert it the personal use of themselves and their close associates.

16        561. The Non-Governmental Defendants, and each of them, agreed to perpetrate, and  
17 in fact assisted or directed the perpetration of, the scheme of Angela James, Leona Williams,  
18 John Tang, Michael Canales, and Melissa Canales to conceal the fraudulent nature of the Sham  
19 2008 Canales Note through fabrication and transmission to the Company of the Falsified 2011  
20 Accounting and the Sham 2012 Canales Note.

21        562. At all times, the Non-Governmental Defendants were aware of the essential  
22 nature and scope of the scheme of the Non-Governmental Defendants as heretofore alleged, and  
23 Non-Governmental Defendants each intended to participate therein.

24        563. Through these acts, the Non-Governmental Defendants knowingly agreed to  
25 facilitate, in whole or in part, a scheme which included the operation, management, acquisition  
26 or direction of the RICO enterprise.

27                                    **PRAYER FOR RELIEF**

28        WHEREFORE, Plaintiff Company prays that the Court grant the following relief:

1. An award of damages against the Tribal Organizational Defendants, jointly and



severally, for breach of the Promissory Note in an amount to be proven at trial, but in no event less than \$5,380,000.00 plus interest at the contractual rate from July 10, 2012 to present;

2. A declaration that the 2012 Promissory Note is a full recourse obligation to the Tribal Organizational Defendants;

3. An award of treble damages against the Non-Governmental Defendants, jointly and severally, based on the damages to which the Company is entitled under the Promissory Note, but in no event less than \$21,000,000.00;

4. An award of attorney fees and costs against the Non-Governmental Defendants, jointly and severally, related to prosecution of this action as authorized under 18 U.S.C. § 1964(c);

5. The appointment of a receiver over all business and affairs of the Tribal Organizational Defendants until such time as judgment is rendered in this action, and thereafter as the interests of justice shall require; and

6. Such other and further relief as this Court may deem just and proper.

Respectfully submitted March 1, 2018.

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