

FILED

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CLERK, U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA  
BY DEPUTY

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

March 2015 Grand Jury

UNITED STATES OF AMERICA,  
Plaintiff,

v.

SANDERS BRUCE SEGAL (1),  
aka Sandy,  
STANLEY SAMUEL PENN (2),  
aka Stan,  
PETTER MAGNUS KARLSSON (3),  
aka Magnus,  
DAVID GREG LEPPA (4),  
PABLO BALLESTERO FRECH (5),  
aka Pab,  
SYDNEY BRUCE SEGAL (6),  
aka Syd,  
JOSEPH EDWARD SPATAFORE (7),  
aka Joe,  
MINH TRIET DINH NGUYEN (8),  
aka Minh,  
JAMES HANG TEAR (9),  
KEN PHENG KEO (10),  
JASON D. TAYLOR (11),  
aka Kentucky,  
JEFFREY ALAN BURKE (12),  
aka Jeff,

Defendants.

Case No. ~~'16CR1695 BEN~~

I N D I C T M E N T

Title 18, U.S.C., Sec. 1962(d) -  
Racketeering Conspiracy to Conduct  
Enterprise Affairs (RICO  
Conspiracy); Title 18, U.S.C.,  
Sec. 1955 - Illegal Gambling  
Business; Title 18, U.S.C.,  
Sec. 1084(a) - Transmission of  
Wagering Information; Title 18,  
U.S.C., Secs. 981(a)(1)(C),  
1955(d), and 1963, and Title 28,  
U.S.C., Sec. 2461(c) - Criminal  
Forfeiture

The grand jury charges:

Count 1

(RACKETEERING CONSPIRACY - 18 U.S.C. § 1962(d))

THE ENTERPRISE

1. At all times material to this Indictment:

NWP:nlv:San Diego  
7/22/16

1           a. Defendants SANDERS BRUCE SEGAL (1), aka Sandy, STANLEY  
2 SAMUEL PENN (2), aka Stan, PETTER MAGNUS KARLSSON (3), aka Magnus,  
3 DAVID GREG LEPPPO (4), PABLO BALLESTERO FRECH (5), aka Pab, SYDNEY  
4 BRUCE SEGAL (6), aka Syd, and others constituted an "enterprise," as  
5 defined by Title 18, United States Code, Section 1961(4) (hereinafter  
6 collectively referred to as "SEGAL'S LUCKY LADY SPORTS BOOK"), that  
7 is, a group of individuals associated in fact.

8           b. SEGAL'S LUCKY LADY SPORTS BOOK was engaged in, and its  
9 activities affected, interstate and foreign commerce.

10           c. SEGAL'S LUCKY LADY SPORTS BOOK constituted an ongoing  
11 organization, whose members functioned as a continuing unit, for the  
12 common purpose of achieving the objectives of SEGAL'S LUCKY LADY  
13 SPORTS BOOK.

14                           OBJECTIVES OF THE ENTERPRISE

15           2. The objectives of SEGAL'S LUCKY LADY SPORTS BOOK included  
16 the following:

17           a. Enriching its leaders, members, and associates through  
18 illegal gambling activity consisting primarily of bookmaking;

19           b. Avoiding detection of its illicit conduct by, among  
20 other things, conducting much of the enterprise's business from inside  
21 the lawful, regulated gambling premises at the Lucky Lady Card Room,  
22 and by laundering its illegal proceeds;

23           c. Evading law enforcement by, among other things,  
24 connecting bookies, sub-bookies, and significant bettors to access-  
25 controlled sports gambling websites with servers primarily located  
26 outside the United States, including certain websites owned and  
27 controlled by members of the enterprise; and  
28

1 d. Enhancing its power and financial profits by promoting  
2 SEGAL'S LUCKY LADY SPORTS BOOK activities with customers and potential  
3 customers.

4 **ORGANIZATIONAL STRUCTURE AND ROLES**

5 3. At all times material to this Indictment, SEGAL'S LUCKY LADY  
6 SPORTS BOOK had the following organizational structure, with various  
7 members, employees, and associates occupying the following roles:

8 **The Legitimate Front Business**

9 a. The Lucky Lady Card Room (hereinafter "Lucky Lady") was  
10 a registered gambling premises operating in San Diego, California,  
11 offering patrons the opportunity to participate in selected lawful,  
12 tightly regulated card games. The Lucky Lady was wholly owned by sole  
13 proprietor defendant STANLEY SAMUEL PENN, aka Stan, (PENN) who held a  
14 personal, non-transferable license to operate the facility. Although  
15 the card games hosted at the Lucky Lady were lawful and regulated, as  
16 described below, PENN's close friend and associate defendant SANDERS  
17 BRUCE SEGAL, aka Sandy, (SEGAL) personally supervised and conducted  
18 illegal bookmaking operations from inside the Lucky Lady.

19 **Leaders and Managers**

20 b. The principal leader of SEGAL'S LUCKY LADY SPORTS BOOK  
21 was defendant SEGAL; in addition to personal bookmaking, SEGAL was  
22 responsible for administering bookies and sub-bookies, authorizing and  
23 providing access to the "cage" at the Lucky Lady and to PENN, and  
24 providing a link between his San Diego-based bookies and sub-bookies,  
25 on the one hand, and the enterprise's stable of international web-  
26 based sports gambling platforms, on the other.

27 c. PENN authorized SEGAL to routinely operate SEGAL'S  
28 LUCKY LADY SPORTS BOOK in the Lucky Lady, in violation of the claimed

1 policy of the Lucky Lady, and attempted to conceal SEGAL's illegal  
2 activities from the regulatory authorities. In addition, PENN  
3 received from and delivered to SEGAL large sums of cash used to  
4 operate and fund the enterprise.

5 d. SYDNEY BRUCE SEGAL, SANDERS SEGAL's son, managed the  
6 "cage" at the Lucky Lady, where cash from the card room's lawful  
7 gambling was held alongside proceeds of the unlawful sports betting  
8 coordinated by SEGAL'S LUCKY LADY SPORTS BOOK, including in a separate  
9 receptacle or fund referred to as the "blue bag." SYDNEY SEGAL's role  
10 was to supervise the cage, accept and distribute the enterprise's cash  
11 held at the cage, and maintain records of the winning and losing bets  
12 of the bookmaking.

#### 13 International Supervisors

14 e. SEGAL'S LUCKY LADY SPORTS BOOK also depended upon the  
15 collaboration of international businessmen defendants PETTER MAGNUS  
16 KARLSSON, aka Magnus, (KARLSSON) PABLO BALLESTERO FRECH, aka Pab,  
17 (FRECH), and DAVID GREG LEPP0 (LEPPO). KARLSSON financed SEGAL'S  
18 LUCKY LADY SPORTS BOOK and partnered with LEPP0 to provide an avenue  
19 for United States customers to illegally place bets on sports gambling  
20 websites. LEPP0 owned and operated several sports gambling websites,  
21 which were hosted outside of the United States to avoid detection and  
22 disruption from United States law enforcement. The conspirators used  
23 these websites to provide readily accessible betting platforms, odds,  
24 and other wagering information to customers of SEGAL'S LUCKY LADY  
25 SPORTS BOOK. KARLSSON employed FRECH to, among other things, manage  
26 bets placed by and through SANDERS BRUCE SEGAL and his betting  
27 customers on sports gambling websites. KARLSSON and LEPP0 also met  
28 personally with SEGAL and others in order to transfer cash generated

1 by the illegal bookmaking operation and coordinate the affairs of the  
2 enterprise.

3 Bookies

4 f. SEGAL'S LUCKY LADY SPORTS BOOK had various bookmakers  
5 ("bookies"), such as defendant MINH TRIET DINH NGUYEN, aka Minh (who  
6 operated out of the Lucky Lady as well as other card rooms in the  
7 Southern District of California) and defendant KEN PHENG KEO. Bookie  
8 defendant JASON D. TAYLOR, aka Kentucky, also associated with the  
9 enterprise both by taking bets from high-stakes bettors such as  
10 defendant JOSEPH EDWARD SPATAFORE, aka Joe, and by using the mails to  
11 send to and receive from defendant SANDERS BRUCE SEGAL, aka Sandy, the  
12 proceeds of illegal bookmaking. Additionally, defendant SANDERS BRUCE  
13 SEGAL, aka Sandy, personally acted as a bookmaker, taking bets from  
14 select clients and placing them with sites provided by KARLSSON,  
15 FRECH, LEPPPO and others.

16 Sub-Bookies

17 g. SEGAL'S LUCKY LADY SPORTS BOOK had various sub-  
18 bookmakers ("sub-bookies"), including defendants JAMES HANG TEAR, and  
19 JEFFREY ALAN BURKE, aka Jeff, both of whom operated out of the Lucky  
20 Lady. Each sub-bookie was responsible for his own "package," which  
21 referred to all the customer accounts managed by that sub-bookie.  
22 Sub-bookies recruited customers, paid off winning bets, collected on  
23 losing bets, and delivered payments to their managing bookie. Sub-  
24 bookies would also refer customers to other bookies in the enterprise  
25 when a particular customer wished to place a larger bet than the sub-  
26 bookie could accommodate.

1 Bettor-Bookies

2 h. SEGAL'S LUCKY LADY SPORTS BOOK also permitted certain  
3 significant bettors (sometimes known as "Wise Guy Bettors") to  
4 function as bookies or sub-bookies themselves, including defendant  
5 JOSEPH SPATAFORE, aka Joe. These bettor-bookies, because of the size  
6 of their bets and their trusted status, would be permitted by the  
7 enterprise to collect and place bets for other bettors, and would  
8 sometimes be granted direct access to the access-controlled  
9 international gambling websites used by the enterprise.

10 Runners

11 i. SEGAL'S LUCKY LADY SPORTS BOOK used "runners" to  
12 transport profits and proceeds, although several of the runners used  
13 by the enterprise were also associated with different, distinct  
14 bookmaking operations.

15 The Conspiracy

16 4. Beginning at least as early as December 16, 2005 and  
17 continuing up to and including July 22, 2016, within the Southern  
18 District of California and elsewhere, defendants SANDERS BRUCE SEGAL  
19 (1), aka Sandy, STANLEY SAMUEL PENN (2), aka Stan, PETTER MAGNUS  
20 KARLSSON (3), aka Magnus, DAVID GREG LEPPA (4), PABLO BALLESTERO FRECH  
21 (5), aka Pab, SYDNEY BRUCE SEGAL (6), aka Syd, and others, being  
22 persons employed by and associated with SEGAL'S LUCKY LADY SPORTS  
23 BOOK, an enterprise engaged in, and the activities of which affected,  
24 interstate and foreign commerce, knowingly and intentionally conspired  
25 to violate Title 18, United States Code, Section 1962(c), that is, to  
26 conduct and participate, directly and indirectly, in the conduct of  
27 the affairs of SEGAL'S LUCKY LADY SPORTS BOOK through a pattern of  
28

1 racketeering activity, as set forth below, and through the collection  
2 of unlawful debt, as set forth below.

3           a.     The pattern of racketeering activity through which the  
4 defendants agreed to conduct and participate in the conduct of the  
5 affairs of the enterprise, as that phrase is defined by Title 18,  
6 United States Code, Sections 1961(1) and (5), consisted of multiple  
7 acts involving gambling, chargeable under Cal. Penal Code § 337a  
8 (bookmaking), which is punishable by imprisonment for more than one  
9 year, and multiple acts indictable under the following provisions of  
10 Title 18, United States Code:

11                   i.     Title 18, United States Code, Section 1084  
12 (transmission of wagering information);

13                   ii.    Title 18, United States Code, Section 1952 (Travel  
14 Act/phone and Internet use in aid of racketeering enterprises); and

15                   iii.   Title 18, United States Code, Section 1955  
16 (illegal gambling business).

17 It was a part of the conspiracy that each defendant agreed that a  
18 conspirator would commit at least two acts of racketeering activity in  
19 the conduct of the affairs of SEGAL'S LUCKY LADY SPORTS BOOK.

20           b.     The collection of unlawful debt, as that phrase is  
21 defined by Title 18, United States Code, Section 1961(6), through  
22 which the defendants agreed to conduct and participate in the conduct  
23 of the affairs of the enterprise, consisted of collection of debts  
24 incurred and contracted in gambling activity which was in violation of  
25 the law of the United States and the law of the State of California  
26 and which was incurred in connection with the business of gambling in  
27 violation of the law of the United States and the law of the State of  
28 California.     It was a part of the conspiracy that each defendant

1 agreed that a conspirator would commit at least one collection of  
2 unlawful debt in the conduct of the affairs of SEGAL'S LUCKY LADY  
3 SPORTS BOOK.

4 METHODS AND MEANS OF THE RACKETEERING CONSPIRACY

5 5. In furtherance of the racketeering conspiracy, the  
6 conspirators utilized the following methods and means, among others:

7 a. Bookies and sub-bookies recruited customers in the  
8 Southern District of California and elsewhere. They provided betting  
9 odds to those customers, took customers' bets, placed those bets on  
10 sports gambling websites, including websites provided by members of  
11 the enterprise through the bookies' own personal accounts, and set up  
12 individual website accounts for significant customers to facilitate  
13 direct placement of unlawful wagers.

14 b. SEGAL'S LUCKY LADY SPORTS BOOK required advance  
15 deposits from certain new bettors to begin placing wagers; in other  
16 cases, the enterprise extended credit to new customers, so they could  
17 begin sports betting without pre-funding their accounts. The  
18 enterprise also provided further extensions of credit to existing  
19 customers, so that those customers could wager larger amounts of money  
20 than their prior extensions of credit allowed.

21 c. When a bettor-bookie owed a large sum to one of the  
22 enterprise's bookies, but was himself owed a large sum by another of  
23 the enterprise's bookies, SEGAL'S LUCKY LADY SPORTS BOOK sometimes  
24 arranged for the two bookies to transfer cash between themselves to  
25 reconcile the accounts.

26 d. SEGAL'S LUCKY LADY SPORTS BOOK collected debts owed by  
27 customers in person, through bookies and sub-bookies, at various  
28 locations including the Lucky Lady, as well as through deposits to



1 bank accounts controlled by bookies, and held cash constituting such  
2 payments in various locations including the Lucky Lady cage.

3 e. To further its objectives of evading law enforcement  
4 and enriching its members, employees, and associates, SEGAL'S LUCKY  
5 LADY SPORTS BOOK utilized sports gambling websites whose servers,  
6 customer support centers, and business offices were located outside of  
7 the United States, including locations in Costa Rica, the United  
8 Kingdom, Hong Kong and Curacao.

9 f. SEGAL'S LUCKY LADY SPORTS BOOK used numerous facilities  
10 in interstate and foreign commerce, such as telephones, the mails and  
11 Internet websites to facilitate its illegal bookmaking and gambling  
12 activities.

13 g. To sustain the enterprise and its base of operations  
14 from the Lucky Lady Card Room, members of the enterprise explored ways  
15 to circumvent or change San Diego regulations limiting the card room's  
16 ability to operate in the event of PENN's retirement or death.

17 All in violation of Title 18, United States Code, Section 1962(d)

18 Count 2

19 (ILLEGAL GAMBLING BUSINESS)

20 6. Beginning on a date unknown but at least as early as  
21 December 16, 2005, and continuing up to and including July 22, 2016,  
22 within the Southern District of California and elsewhere, defendants  
23 SANDERS BRUCE SEGAL (1), aka Sandy, STANLEY SAMUEL PENN (2), aka Stan,  
24 PETTER MAGNUS KARLSSON (3), aka Magnus, DAVID GREG LEPPA (4), PABLO  
25 BALLESTERO FRECH (5), aka Pab, SYDNEY BRUCE SEGAL (6), aka Syd, JOSEPH  
26 EDWARD SPATAFORE (7), aka Joe, MINH TRIET DINH NGUYEN (8), aka Minh,  
27 JAMES HANG TEAR (9), KEN PHENG KEO (10), JASON D. TAYLOR (11), aka  
28 Kentucky, and JEFFREY ALAN BURKE (12), aka Jeff, knowingly and

1 intentionally conducted, financed, managed, supervised, directed, and  
2 owned all and part of an illegal gambling business involving sports  
3 bookmaking, which gambling business was a violation of the law of the  
4 State of California in which it was conducted (that is, in violation  
5 of California Penal Code, Section 337a), and which involved at least  
6 five persons who conducted, financed, managed, supervised, directed,  
7 and owned all and part of the illegal gambling business, and which  
8 remained in substantially continuous operation for a period in excess  
9 of thirty days and had a gross revenue of at least \$2,000 in any  
10 single day; in violation of Title 18, United States Code,  
11 Section 1955.

12 Count 3

13 (TRANSMISSION OF WAGERING INFORMATION)

14 7. On or about July 29, 2015, within the Southern District of  
15 California, and elsewhere, defendants JOSEPH EDWARD SPATAFORE (7), aka  
16 Joe, (SPATAFORE) and JASON D. TAYLOR (11), (TAYLOR) aka Kentucky,  
17 being engaged in the business of betting and wagering, knowingly used,  
18 aided and abetted the use of, and willfully caused the use of a wire  
19 communication facility for the transmission in interstate and foreign  
20 commerce, between the State of California and other states, of bets  
21 and wagers and information assisting in the placing of bets and wagers  
22 on a sporting event and contest, and for the transmission of a wire  
23 communication which entitled the recipient to receive money and credit  
24 as a result of bets and wagers and for information assisting in the  
25 placing of bets and wagers on a sporting event and contest, to wit,  
26 defendant SPATAFORE sent defendant TAYLOR a message by phone, asking  
27 TAYLOR "Can I bet 3k to win on the eight in the last race at Del Mar?"  
28 and TAYLOR responded by phone "Okay, number eight - I got it boss!

1 Take care"; in violation of Title 18, United States Code,  
2 Section 1084(a).

3 FORFEITURE ALLEGATIONS

4 (RACKETEERING CONSPIRACY FORFEITURE)

5 8. The allegations contained in Count 1 are realleged and  
6 incorporated herein for the purpose of alleging forfeiture to the  
7 United States of America under Title 18, United States Code,  
8 Section 1963.

9 9. Upon conviction of the offense set forth in Count 1, and  
10 pursuant to Title 18, United States Code Section 1963 and Rule 32.2 of  
11 the Federal Rules of Criminal Procedure, defendants SANDERS BRUCE  
12 SEGAL (1), aka Sandy, STANLEY SAMUEL PENN (2), aka Stan, PETTER MAGNUS  
13 KARLSSON (3), aka Magnus, DAVID GREG LEPPA (4), PABLO BALLESTERO FRECH  
14 (5), aka Pab, SYDNEY BRUCE SEGAL (6), aka Syd shall forfeit to the  
15 United States all rights, title and interest in:

16 a. Interests acquired and maintained in violation of  
17 Title 18, United States Code, Section 1962;

18 b. any interest in, security of, claims against, and  
19 property and contractual rights affording a source of influence over,  
20 SEGAL'S LUCKY LADY SPORTS BOOK, which the defendants established,  
21 operated, controlled, conducted, and participated in the conduct of;  
22 and

23 c. any property constituting and derived from any proceeds  
24 obtained, directly and indirectly, from racketeering activity and  
25 unlawful debt collection, in violation of Title 18, United States  
26 Code, Section 1962.

1 The properties subject to forfeiture to the United States  
2 pursuant to this section include, but are not limited to, a money  
3 judgment in an amount not less than \$960,000.00.

4 All pursuant to Title 18, United States Code, Sections 1963(a)(1),  
5 (a)(2), and (a)(3).

6 10. If any of the above-described forfeitable property, as a  
7 result of any act or omission of said defendants -

8 a. cannot be located upon the exercise of due diligence;

9 b. has been transferred or sold to, or deposited with, a  
10 third party;

11 c. has been placed beyond the jurisdiction of the Court;

12 d. has been substantially diminished in value; or

13 e. has been commingled with other property which cannot be  
14 subdivided without difficulty;

15 it is the intent of the United States, pursuant to Title 18, United  
16 States Code, Section 1963(m), to seek forfeiture of any other property  
17 of said defendants up to the value of the property listed above as  
18 being subject to forfeiture.

19 11. Said defendants, and each of them, are jointly and severally  
20 liable for the forfeiture obligations as alleged above.

21 All pursuant to Title 18, United States Code, Section 1963.

22 **(ILLEGAL GAMBLING /TRANSMITTING WAGERING INFORMATION FORFEITURE)**

23 12. The allegations contained in Counts 2 and 3 are realleged  
24 and incorporated herein for the purpose of alleging forfeiture to the  
25 United States of America under Title 18, United States Code,  
26 Sections 981(a)(1)(C) and 1955(d), and Title 28, United States Code,  
27 Section 2461(c).  
28

1        13. Upon conviction of the offense alleged in Count 2, and  
2 pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and  
3 1955(d), Title 28, United States Code, Section 2461(c), and Rule 32.2  
4 of the Federal Rules of Criminal Procedure, defendants SANDERS BRUCE  
5 SEGAL (1), aka Sandy, STANLEY SAMUEL PENN (2), aka Stan, PETTER MAGNUS  
6 KARLSSON (3), aka Magnus, DAVID GREG LEPPA (4), PABLO BALLESTERO FRECH  
7 (5), aka Pab, SYDNEY BRUCE SEGAL (6), aka Syd, JOSEPH EDWARD SPATAFORE  
8 (7), aka Joe, MINH TRIET DINH NGUYEN (8), aka Minh, JAMES HANG TEAR  
9 (9), KEN PHENG KEO (10), JASON D. TAYLOR (11), aka Kentucky, and  
10 JEFFREY ALAN BURKE (12), aka Jeff, shall forfeit to the United States  
11 all rights, title and interest in:

12            a. Any property, real and personal, which constitutes and  
13 is derived from proceeds traceable to the violation; and

14            b. Any property, including money, used in violation of  
15 Title 18, United States Code, Section 1955.

16 The properties subject to forfeiture to the United States pursuant to  
17 this section include, but are not limited to:

- 18            • a money judgment in an amount not less than \$984,000.00; and
- 19            • Wells Fargo bank account 3270371341.

20        14. Upon conviction of the offense alleged in Count 3, and  
21 pursuant to Title 18, United States Code, Section 981(a)(1)(C),  
22 Title 28, United States Code, Section 2461(c) and Rule 32.2 of the  
23 Federal Rules of Criminal Procedure, defendants JOSEPH EDWARD SPATAFORE  
24 (7), aka Joe, and JASON D. TAYLOR (11) shall forfeit to the United  
25 States any property, real or personal, which constitutes or was  
26 derived from proceeds traceable to such violation, including but not  
27 limited to the sum of \$61,000.00.

1 15. If any of the above-described forfeitable property, as a  
2 result of any act or omission of said defendants -

- 3 a. cannot be located upon the exercise of due diligence;  
4 b. has been transferred or sold to, or deposited with, a  
5 third party;  
6 c. has been placed beyond the jurisdiction of the Court;  
7 d. has been substantially diminished in value; or  
8 e. has been commingled with other property which cannot be  
9 subdivided without difficulty; it is the intent of the United States,  
10 pursuant to Title 28, United States Code, Section 2461(c),  
11 incorporating Title 21, United States Code, Section 853(p), to seek  
12 forfeiture of any other property of said defendants up to the value of  
13 the property listed above as being subject to forfeiture.

14 All pursuant to Title 18, United States Code, Sections 981(a)(1)(C),  
15 1955(d), and 1963, and Title 28, United States Code, Section 2461(c).

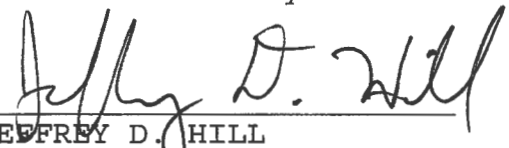
16 DATED: July 22, 2016.

17 A TRUE BILL:


18   
19 Foreperson

19 LAURA E. DUFFY  
20 United States Attorney

21 By:

22   
23 JEFFREY D. HILL  
Special Asst. U.S. Attorney

24 By:

25   
26 NICHOLAS W. PILCHAK  
27 Assistant U.S. Attorney  
28