

**CITY COUNCIL MEETING OF
September 6, 2006**

VERBATIM TRANSCRIPT – ITEM 52

1 Hearing, discussion and possible action seeking disciplinary action against The Power
2 Company, Inc., d/b/a Crazy Horse Too, 2476 Industrial Road, Las Vegas, Clark County,
3 Nevada for violations of Title 6 of the Las Vegas Municipal Code, based on a First
4 Amended Complaint for Disciplinary Action approved by the Las Vegas City Council
5 July 12, 2006 – Ward 3 (Reese)

6

7 APPEARANCE LIST:

8 OSCAR GOODMAN, Mayor

9 BRAD JERBIC, City Attorney

10 GARY REESE, Mayor Pro-Tem

11 STEVE WOLFSON, Councilman

12 WILLIAM HENRY, Senior Litigation Counsel

13 JIM DIFIORE, Manager, Business Services

14 ANTHONY SGRO, Attorney representing The Power Company

15 LARRY BROWN, Councilman

16 FREDERICK RIZZOLO

17 DONALD JUDE CAMPBELL, Attorney, Campbell and Williams, representing Amy
18 Henry

19 AMY HENRY, 13745 South Blackfoot Drive, Alethic, Kansas

20 STANLEY HUNTERTON, Attorney, 333 South Six Street, representing Amy Henry

21 LOIS TARKANIAN, Councilwoman

22 STEVEN ROSS, Councilman

23 (00:59:15 – 04:15:40)

24 03:56:25 / 236 minutes

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27 **MAYOR GOODMAN**

28 Item Number 52 is a hearing, discussion and possible action seeking disciplinary action
29 against The Power Company, Inc., doing business as Crazy Horse Too, at 2476 Industrial
30 Road, Las Vegas, Clark County, Nevada, for violations of Title 6 of the Las Vegas
31 Municipal Code, based on a First Amended Complaint for Disciplinary Action approved
32 by the Las Vegas City Council July 12th, 2006. This is in Ward 3.

33 Before the – parties begin, I have to make a record, as to my status in relationship to this
34 particular item. Mr. Jerbic, I want you to listen carefully to my statement, as I know you
35 will, and I'm going to ask your opinion after I set forth a – series of facts, which would
36 go to whether or not I should abstain or chair this particular proceeding. It would be my
37 desire to chair the proceeding; I would like to participate in this. However, as a result of
38 certain things that have taken place, I – question rather or not abstention is the
39 appropriate vehicle for me to follow. I've stated in the past, and I'll state it again that Mr.
40 Rizzolo I consider a – friend. He has contributed generously to my campaigns. We have
41 been in social occasions together, and I found him to be a person who I like very, very
42 much. I've made this clear on prior occasions when matters concerning the Crazy Horse
43 Too have been brought before the Council, and I indicated that that friendship would not
44 affect my ability to be fair and impartial, and, therefore, I did not abstain in the past, as
45 result of that relationship. I represented Mr. Rizzolo over 20 years ago in a matter that
46 was a, an experience that I believe was satisfactory to both him and myself. And –, I
47 indicated that that representation, being so remote in time, was not sufficient to cause my
48 disqualification, and I proceeded in other matters concerning the Crazy Horse Too.

49 When I was first elected Mayor, and sworn in on June 28th of 1999, I had the intention of
50 not actively practicing law in my law office where, I had been practicing law for the
51 preceding 35 years, on a daily basis. And, I kept, however, the options open to discuss
52 matters which pertain to various clients and office policies, because my name was on the

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53 letterhead, and I had a long standing relationship with David Chesnoff, who was my
54 partner at the firm, name being Goodman and Chesnoff, and the employees in the firm.
55 But it was my intention to, after being the Mayor for awhile, to spend my time, full time
56 as a Mayor, because I really believe that the Mayor's position, as well as the Council
57 positions in this day in age with complexities being what they are, should be full-time
58 positions, they're not treated as such. There is no definition as to our duties and
59 responsibilities, as far as time is concerned. But, I realize that I could not be the kind of
60 Mayor I wanted to be, nor could I be the kind of lawyer that I believe I was, if I divided
61 my time between the law practice and the Mayoral functions.

62 So I – made a considered opinion, at that time, to be a – full-time Mayor. And,
63 notwithstanding that, the firm names stayed in existence. And, in addition to the name
64 being in existence, there were certain representations made publicly, as far as my
65 relationship with the firm, which were brought to my attention just recently, to be quite
66 frank with you, but, nevertheless, they were out there. And, throughout the entire seven
67 years that I've been the Mayor, the law firm has paid a, an insurance policy premium for
68 me out of the fees generated by the – firm.

69 I think a fair statement would be, at least in the last three or four years, I have had no
70 contact whatsoever, as far as a professional relationship with the law firm. Certainly a –
71 personal friendship relationship with members in the law firm, but I – really had put the
72 practice completely on the back burner, and really was not that, number one, interested,
73 nor was I involved, in any respect, with the clientele and the issues that the firm were
74 representing.

75 It came to my attention, after certain procedural matters were conducted by the Council,
76 in particular, the receipt of the amended complaint and the setting of the hearing date for
77 today, that, in fact, David Chesnoff represented one of the defendants who was associated
78 with the Crazy Horse Too, and that that defendant was part of a plea bargain, which is

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79 very much at issue and relevant to the proceedings which are before the Council today.
80 And, as a result of that, it caused me to sit down with Mr. Chesnoff and, once again, very
81 amicably, but just as a matter of prudence, felt that it was time to terminate the
82 professional relationship, and the firm name, including Goodman, was taking off. The
83 publication, Martindale-Hubble, which had a precis about my relationship with the firm,
84 Martindale-Hubble was advised to take that out of the publication and arrangements have
85 been made that I will pay, myself, the premiums on the insurance policy. So, for all
86 intents and purposes, the relationship with the law firm has been completely severed.
87 We were placed in a – position, as a Council, to have this matter come before us without
88 any input on the part of the Council. Nobody asked us what our position's going to be,
89 nobody consulted with us what our position would be, if certain things to place in the
90 federal court system. And, basically, today, we are left with the – open issue of what the
91 City of Las Vegas is going to do. The plea bargain, as I understand it, between The
92 Power Company and the federal government, doesn't limit us in any respect. So,
93 therefore, our determination could very well have a substantial impact on the federal
94 proceedings. I don't feel bad about that; I feel that the nature of the beast is that
95 sometimes things happen where you just can't cover all the bases. And, that's the reason
96 that we're here today.

97 As a Council, we're gonna be making decisions which are of great moment, as far as Mr.
98 Rizzolo, The Power Company and the case itself, and the parties that are involved; Kirk
99 Henry and the individuals who are affected as defendants who have entered into – joint
100 plea bargain, which are required of each and every defendant, to enter a plea in order for
101 the plea bargain to be accepted by the court. But, that's for this Council, and this Council
102 has to decide that.

103 I, during my briefings with Mr. DiFiore, over the past year and a half, two years, have
104 asked him, basically, at least once a month, maybe, sometimes twice a month, whether or

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105 not there was any cause for the City Council to file an order to show cause, regarding The
106 Power Company, and each time, in the presence of Deputy City Attorney Bryan Scott and
107 other members of the City staff, Mr. DiFiore indicated no, there's been no request. And,
108 basically, the City of Las Vegas has stayed out of the affairs of The Power Company and
109 the Crazy Horse Too, because we understood that there was a federal investigation or an
110 inquiry taking place. And, it wasn't until we were advised that in fact there was an
111 agreement between the Federal Government and the defendants, and their attorney for
112 Mr. Rizzolo, Mr. Sgro, who is here today, that the City was going to get involved. And,
113 at that point in time, not realizing that Mr. Chesnoff represented one of the defendants,
114 we went forward and we set the matter for hearing today and accepted the amended
115 complaint.

116 That brings me to today, because last night I wrestled with the proposition as to whether
117 or not I should sit, because I have very strong feelings as to this particular case and what
118 the appropriate disposition should be. But, I also know that, notwithstanding the fact that
119 Mr. Sgro obtained an opinion from the Nevada Bar Association, which indicated that I
120 would have no conflict of interest, based on the factual predicate which I just set forth, if
121 I proceeded, I know that, from prior experience with State Ethics Commission, that they
122 may not necessarily agree with the Bar Association. And, therefore, I – asked myself last
123 night, as I was resting in bed, whether or not there were any vestige of relationship
124 between Mr. Chesnoff and myself, which could in fact impair my ability to sit as the
125 Mayor and as a Council member on this particular proceeding.

126 I asked yesterday, in Mr. Henry's presence, Mr. Bill Henry, representing the City, through
127 the City Attorney's office, and Mr. Sgro, for Mr. Sgro, to give me a call at eight o'clock
128 this morning. And, at that time Mr. Sgro did call me, and I asked him one question,
129 which I thought was relevant and pointed and made the decision for me, albeit, not an
130 easy one, but made a decision for me. I said, Mr. Sgro, I just have one question for you,

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131 and, that is, if in fact, there is a sanction, which is imposed by the City Council which
132 would have a – substantial period of time, it's a suspension or a revocation of the special
133 use permit, would you go to court and attempt to withdraw your plea? And, he said, I
134 would have no alternative but to do that.

135 So, with that answer, the question was answered for me. If, in fact, that were the result,
136 and I don't know what the result's going to be, and if, in fact, Mr. Sgro went back to
137 court, that Mr. Chesnoff would be at his side representing his client. And, I believe that
138 the vestige of my relationship with Mr. Chesnoff, although I have no personal knowledge
139 about his representation, would be subject to some public scrutiny and subject to
140 criticism. So, on that basis, I'm asking you, Mr. Jerbic, should I continue and share this
141 or should I abstain?

142

143 **BRAD JERBIC**

144 Let me ask, ,(inaudible), Your Honor, from what you stated earlier, one, you have only
145 participated procedurally up until this point in time. You have made full disclosure of
146 your friendship with Mr. Rizzolo and you've made full disclosure of your prior
147 representation, neither fact of which is enough to cause you to have to abstain from
148 participation. But, given, the facts that you have stated today and the conclusion that
149 you've reached, based on your conversation with Mr. Sgro this morning, it would be in
150 my advice to disclose, not only disclose but to abstain from proceedings today.

151

152 **MAYOR GOODMAN**

153 All right. I'm, therefore, abstaining. Mayor Pro-Tem.

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154 **MAYOR PRO-TEM REESE**

155 Thank you very much, Your Honor. I'm gonna finish reading the purpose and
156 background, we're here today –

157

158 **COUNCILMAN WOLFSON**

159 I apologize for interrupting; I need to make a disclosure myself.

160

161 **MAYOR PRO-TEM REESE**

162 Thank you.

163

164 **COUNCILMAN WOLFSON**

165 I would like to make the following disclosure: It's my understanding that, as apart of
166 today's hearing, there will be discussion and presentation of facts regarding serious
167 injuries sustained by an individual named Kirk Henry, at the Crazy Horse Too. Mr. Kirk
168 Henry has filed a civil case against the operators of Crazy Horse Too, which is currently
169 pending before my wife, Judge Jackie Glass. Merely by coincidence, when this case was
170 filed in the civil court, it was randomly assigned, and it landed in my wife, Judge Jackie
171 Glass' courtroom. She has not discussed the case with me, and, as a result of that
172 assignment, I have learned no facts which would influence my decision today.
173 Furthermore, if that case, meaning the civil case filed before Judge Jackie Glass, were to
174 proceed to a trial, the facts of that case and the decision would be made by a jury and not
175 my wife. I've discussed these facts with the City Attorney, I'd like to put his advice on
176 the record and seek his recommendation as well.

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177 **BRAD JERBIC**

178 Thank you, Councilman, let me state to you, different from the situation that the Mayor
179 just disclosed, NRS 281.501 governs in this particular area. And it talks about situations
180 where the independent judgment of a reasonable person would be impaired. The three
181 litmus tests are, if you accepted a gift or a loan, you have a pecuniary interest or you have
182 a commitment in your private capacity of the interest of the, of others. When the Mayor
183 made his disclosure earlier, two of those were potentially implicated. Based on your
184 disclosure, there is no implication of a, per se, violation NRS 281.501 as a result of your
185 participation in this matter. I would point out that you have made a disclosure that this
186 matter is before your wife. She has no interest in the outcome of the case. In fact, the
187 case may not even go, because it may have been negotiated. If it does go, it will, in all
188 likelihood, be tried by a jury, not by her. You have also disclosed that she has shared no
189 fact with you, outside of this forum, that would influence your judgment or impair your
190 ability to be impartial. Based upon that, I think your disclosure is complete, and I think
191 you can participate.

192

193 **MAYOR PRO-TEM REESE**

194 Thank you, Councilman Wolfson. Again, the purpose and background, The Power
195 Company, Inc. doing business at (sic) Crazy Horse Too holds Tavern License No. L-I-C,
196 or L-1-6, dash, 0-0-0-0-3, dash, 4, dash, 0-0-0-2-0-9. On June 1st, 2006, The Power
197 Company, Inc., pled guilty in federal court to one count of conspiracy to participate in an
198 enterprise engaged in racketeering activity between January the first, two thousand and
199 two and two thousand and five. Frederick Rizzolo and 16 of his employees also entered
200 guilty pleas to federal felonies. The charging documents pled to, as well as the plea
201 memoranda in support of the guilty plea, described the actual business activity of Crazy
202 Horse Too as constituting a public or private nuisance in that business have, of Crazy

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203 Horse Too was conducted in an unlawful, illegal or impermissible manner. On August
204 the first two thousand six, The Power Company, Inc., after the disciplinary complaint,
205 admitted that the government would have sought to prove at trial 35 to 40 beatings had
206 occurred at the Crazy Horse Too in three years. The recommendation is L-V-M-C-6-,
207 point, 0-2, point, 3-6-0 provides that the Council may, in its discretion, impose a range of
208 sanctions upon a licensee found to have committed a disciplinary offense, including, but
209 not limited to, revocation, suspension and/or a fine.

210 This is not a public hearing; there will be no public comment from the public. I would
211 ask that the, my fellow Council members, if they feel they have any questions pertinent to
212 this case, if they, feel free to ask the questions at anytime during the hearing. I – ask that
213 the counsel for the City and for Mr. Rizzolo or The Power Company, present those items
214 they have to us in a precise manner, so that we will be able to distinguish, ‘cause I think
215 this is a – very important matter that we have here before us today. And, I want to make
216 sure that the Council members have all the information that they need. I don't care
217 whether it goes thirty minutes or two hours. I want to make sure that the Council
218 members get to ask the questions they feel permanent, pertinent to this case. And, with
219 that, Mr. Henry, Mr. Sgro, I ask you to bare with us during this hearing. I just wish the
220 Mayor was here so I could ask him questions. Thank you. Mr. Henry.

221

222 **WILLIAM HENRY**

223 Thank you, Mayor Pro-Tem –

224

225 **MAYOR PRO-TEM REESE**

226 Just – a moment. Is there any other comments that the Council members would like to
227 make at this time? Mr. Henry.

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228 **WILLIAM HENRY**

229 Thank you. As you stated, we're here today for the Council to hear the first-amended
230 complaint for disciplinary action. There are some preliminary, perhaps even,
231 housekeeping actions that I need to take. The first one is, I need to lodge with the Clerk,
232 proof of notice to the respondent, the liquor licensee of today's proceedings, pursuant to
233 law. Secondly, the disciplinary complaint on file, as described by the agenda items
234 describes a number of federal guilty pleas, which were made in writing, based on three
235 different federal criminal charging documents. And, I have certified copies of those, as
236 well as the disciplinary complaint and the answer to disciplinary complaint by Crazy
237 Horse Too in books that I provided to the Council, and I've also provided to Council for
238 the respondent in this matter. The original book is lodged with the Clerk, and I would
239 ask permission of the Council that it can be received by the Clerk.

240

241 **MAYOR PRO-TEM REESE**

242 Is this the book in question, Mr. Henry?

243

244 **WILLIAM HENRY**

245 It is.

246

247 **MAYOR PRO-TEM REESE**

248 The Council members, they all have this book? Thank you.

249

250 **WILLIAM HENRY**

251 Finally, in today's presentation, I'm going to be using a total of 11 exhibits, and I've had
252 those copied onto paper, and I've also lodged those with the Clerk. At this time, I would
253 ask Jim Dif –

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254 **MAYOR PRO-TEM REESE**

255 Are those – the ones?

256

257 **WILLIAM HENRY**

258 Yes.

259

260 **MAYOR PRO-TEM REESE**

261 Thank you.

262

263 **WILLIAM HENRY**

264 At this time, with the permission of the Council, I would ask Jim DiFiore to come
265 forward and establish the jurisdiction of the Council over the liquor license by answering
266 just a few questions.

267

268 **MAYOR PRO-TEM REESE**

269 Thank you.

270

271 **WILLIAM HENRY**

272 Would you state your name, please, and spell your last name.

273

274 **JIM DiFIORE**

275 My name is Jim DiFiore, D I, capital F-I-O-R-E.

276

277 **WILLIAM HENRY**

278 How are you employed, please?

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279 **JIM DiFIORE**

280 I'm employed as the Business Services Manager for the City of Las Vegas Finance and
281 Business Services Department.

282

283 **WILLIAM HENRY**

284 Are you familiar with the First Amended Complaint for Disciplinary Action filed in this
285 matter?

286

287 **JIM DiFIORE**

288 Yes, I am.

289

290 **WILLIAM HENRY**

291 Directing your attention to the first page of it, there's an allegation that The Power
292 Company, Inc., owns, or pardon me, holds a particular tavern license; is that true – and
293 correct?

294

295 **JIM DiFIORE**

296 Yes, it is.

297

298 **WILLIAM HENRY**

299 The next paragraph makes allegations that Fredrick Rizzolo is a principal in the
300 corporation, who, according to your records, holds a 95 percent share and that
301 Bartholomew, Bart Rizzolo holds a five percent share; is that correct based upon your
302 records?

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303 **JIM DiFIORE**

304 Yes, it is.

305

306 **WILLIAM HENRY**

307 And there's also an allegation that Fredrick Rizzolo is listed with your department as the
308 manager of Crazy Horse Too, is that correct?

309

310 **JIM DiFIORE**

311 That's correct.

312

313 **WILLIAM HENRY**

314 And do you understand that The Power Company, Inc., does business as Crazy Horse
315 Too?

316

317 **JIM DiFIORE**

318 Yes, I do.

319

320 **WILLIAM HENRY**

321 And, finally, is that business located 2476 Industrial Road, Las Vegas, Clark County,
322 Nevada?

323

324 **JIM DiFIORE**

325 Yes, it is.

326

327 **WILLIAM HENRY**

328 Thank you. I have no further questions at this time.

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329 **MAYOR PRO-TEM REESE**

330 Mr. Sgro, you have any questions?

331

332 **ANTHONY SGRO**

333 No.

334

335 **MAYOR PRO-TEM REESE**

336 Okay. And, just for the record, also, I wanted known that this is not a trial today. I mean,
337 this is not a proceeding for, we're going, gonna, to look at somebody being guilty or not
338 guilty. This is to see if the Company has a right to hold a privileged license in the City of
339 Las Vegas.

340

341 **COUNCILMAN WOLFSON**

342 Mayor Pro-Tem?

343

344 **MAYOR PRO-TEM REESE**

345 Yes.

346

347 **COUNCILMAN WOLFSON**

348 Excuse me. Along that line, why don't we just get it out now. What is the burden of
349 proof and who carries the burden of proof? Mr. Henry.

350

351 **WILLIAM HENRY**

352 The City has the burden of proof, or, in this matter, the Department of Finance, the
353 petitioner, and the burden of proof is the civil burden of proof of preponderance.

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354 **MAYOR PRO-TEM REESE**

355 Any clarification questions? Okay. Please continue.

356

357 **WILLIAM HENRY**

358 If I could have the overhead, please.

359

360 **END RELATED DISCUSSION**

361 **RESUME RELATED DISCUSSION**

362

363 **WILLIAM HENRY**

364 It is the case that, pursuant to the Las Vegas Municipal Code, all of our business
365 licensees, including our privileged liquor licensees are responsible for conducting their
366 business in a – law fashion. And, indeed, L-V-M-C-6, point, 0-2-3-30-H, makes it a
367 disciplinary offense if the actual business activity of a particular business has been or is
368 being conducted in an unlawful, illegal or impermissible manner, and that is the
369 allegation here. The City Code also holds licensees, in this case a corporate licensee,
370 responsible for the actions of all the servants whether or not they are principals, such as
371 Mr. Rizzolo, or managers, such as Mr. Rizzolo, or employees, such as his 16 employees,
372 who pled guilty. June first of this year, The Power Company, Inc., a corporation, entered
373 a plea of guilty through its Council, Tony Sgro, in local federal district court. It pled
374 guilty to conspiracy to engage in a racketeering enterprise. Particularly, there were two
375 schemes set forth in, two criminal schemes set – forth as occurring in this racketeering
376 enterprise. The first one was the scheme whereby, if there was ever a dispute between a
377 dancer and a customer, then the male employees would resolve the – dispute through the
378 use of extortion, if necessary, and, this extortion included; threats of violence and acts of
379 violence, which, in some cases, resulted in actual physical injury.

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380 **ANTHONY SGRO**

381 I'm sorry, Mayor Pro-Tem –

382

383 **MAYOR PRO TEM REESE**

384 Yes.

385

386 **ANTHONY SGRO**

387 I don't mean to interrupt the presentation. Statements such as, whenever there was a
388 dispute, would not be accurate. Would the Council prefer I address each of those as they
389 occur or would the Council prefer one statement? Because I don't want the Council have
390 an impression that there is a document here that's on the overhead and some of it's being
391 read, some of it's being interpreted. The, whenever something occurred probably would
392 not be accurate, it's not reflected anywhere in the documentation. I ask, I'm asking you,
393 Mayor Pro-Tem, the protocol you would like to –

394

395 **MAYOR PRO-TEM REESE**

396 Yeah. I – think that we're gonna allow Mr. Henry to present his case, and you can keep –
397 track of those things that you feel are not accurate, and you remind the Council that, and
398 those things that we, I don't want this to be a – argument between Mr. Henry and
399 yourself. I – feel like that, Mr. Henry, we – will listen, and then we listen to what you
400 have to say. And, I think, that's the protocol that we'll follow.

401

402 **ANTHONY SGRO**

403 Fair enough. Thank you.

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404 **MAYOR PRO-TEM REESE**

405 Thank you.

406

407 **WILLIAM HENRY**

408 Thank you. As I said, the guilty plea of The Power Company, Inc., Crazy Horse Too –

409

410 **END RELATED DISCUSSION**

411 **RESUMED RELATED DISCUSSION**

412

413 **WILLIAM HENRY**

414 If I can go back just a moment, as I stated, Crazy Horse Too entered a plea to conspiracy

415 to engage in a racketeering enterprise. There were two criminal schemes set forth in the

416 charging document the Crazy –

417

418 **MAYOR PRO-TEM REESE**

419 Excuse me, please, Mr. Henry, there's one thing I noticed to do, or failed to do today. I

420 need to have Mr. Sgro identify himself for the public record, please.

421

422 **ANTHONY SGRO**

423 I'm sorry.

424

425 **MAYOR PRO-TEM REESE**

426 I'm – sorry.

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427 **ANTHONY SGRO**

428 I didn't realize I hadn't done that yet. My name is Anthony Sgro. I'm here on behalf of
429 The Power Company. Present with me is Mr. Rick Rizzolo, the 90 percent owner of The
430 Power Company. Thank you.

431

432 **MAYOR PRO-TEM REESE**

433 I apologize to Council members.

434

435 **WILLIAM HENRY**

436 We're here today to consider the fate of Crazy Horse Too, our liquor licensee. The
437 allegation for the Council is that the actual business activity of Crazy Horse Too has been
438 conducted in an unlawful, illegal or impermissible manner. Our law provides that both
439 principals and managers, such as Mr. Rizzolo and employees' actions are attributable to
440 licensees, even if they're corporate licensees.

441 What brought us here today was a series of guilty pleas by Crazy Horse Too employees
442 May thirty-first of this year and June first of this year.

443 I'll go to the plea of Crazy Horse Too, The Power Company, Inc., on June first, the Crazy
444 Horse Too, The Power Company, Inc., pled guilty to conspiracy to engage in a
445 racketeering enterprise over a number of years. Two different criminal schemes were set
446 forth in the written guilty plea, which is lodged with the Clerk and before all of you and
447 also in the charging document, to which The Power Company, Inc., pled guilty, through
448 Mr. Sgro, its attorney.

449 The first one was a scheme – of extortion. When there was a dispute between –
450 customers and dancers, male employees of Crazy Horse Too would resolve the – dispute
451 and the, resorted to extortion. And this extortion included threats of violence and actual
452 use of violence. Sometimes resulting in bodily injury to the customers in order to get the

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453 money. As all of us know, and certainly Councilman Wolfson, extortion using violence to
454 get money is robbery. And, so, from now on, in some cases, I'm just going to say that
455 Crazy Horse Too robbed its customers.

456 The second scheme was a scheme to defraud the United States Government of taxes.
457 There was a business practice at the Crazy Horse Too, where dancers, when they finished
458 their shift, or were going to leave, were required to tip out 15 percent of their earnings in
459 cash. This money was pooled, and, at the end of the shift it was divided up amongst the
460 male employees. The money was not reported as income by Crazy Horse Too, to the
461 IRS, and the money was not fully reported as income by the employees.

462 This leads to the next guilty plea that occurred on the same day, and that's a guilty plea by
463 Rick Rizzolo, who, in essence, pled guilty to the second part of the scheme. But,
464 specifically, what he pled guilty to was conspiracy – to defraud the United States. And,
465 he pled guilty to participating in this scheme of requiring the dancers to tip out in cash,
466 giving the money up amongst the employees, but Crazy Horse Too not reporting it to the
467 IRS and the employees not fully accounting for it on their personal taxes.

468 There were a number of other employees who had pled guilty the day before, perhaps
469 most significantly, Robert D'Apice, a shift manager. Robert D'Apice pled guilty to
470 conspiracy to engage in a racketeering enterprise, and he pled to a conspiracy, to
471 conspiring with Crazy Horse Too. And, he pled guilty to the first half of the scheme, the
472 extortion scheme. In the actual language of his guilty plea says that, as a shift manager,
473 the defendant, during the course of the conspiracy, and acting within the scope of his
474 employment at Crazy Horse Too, sought to extort payment from patrons through explicit
475 or implicit threats of violence and through actual use of force and physical violence
476 against patrons in which various degrees of bodily injury were caused.

477 That leads us, logically, to, how much bodily injury was caused? How serious was this
478 conduct? And, how wide spread was the conduct? The Municipal Code required Crazy

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479 Horse Too, The Power Company, Inc., to file an answer, pardon me, yes, to file an
480 answer to the disciplinary complaint before you, and they did that. Attached to that
481 answer were a number of exhibits. One of the exhibits was a letter written by Tony Sgro
482 to the Assistant United States Attorney, who prosecuted this matter and entered into the
483 negotiations in behalf of the government. And, it's a letter confirming the details of a –
484 telephone conversation that Mr. Sgro had with the Assistant United States Attorney.
485 And, relevantly, Mr. Sgro, in describing this telephone conversation with the United
486 States Attorney wrote, you advised me that offenses, the government, would have sought
487 to prove at trial, relative to the RICO charge, were as follows: Two, what we refer to as
488 the beating cases, which would have consisted of approximately 35 to 40 events over that
489 three-year period.

490 So, we know from the defendant's answer that the frequency was at least once a month of
491 a beating case. Next, we might wonder from the guilty plea of Robert D'Apice and The
492 Power Company, Inc., how serious were these beatings? And we have some evidence of
493 that in a civil complaint filed in the 8th Judicial District Court by Kirk and Amy Henry.
494 And, actually, I think, this is their third amended civil complaint. But, in that complaint,
495 their attorney, Don Campbell, describes what happened to Kirk Henry on September
496 twentieth, two thousand and one.

497 And, he writes, while attempting to leave the Crazy Horse, Henry was confronted by a
498 female dancer, who claimed that plaintiff owed the establishment in excess of eighty
499 dollars, plus tip, in exchange for dances he had allegedly received. When plaintiff
500 disputed these allegations, the dancer summoned Robert D'Apice, the shift manager of
501 the Crazy Horse. As Henry was exiting the doorway of the Crazy Horse, D'Apice
502 grabbed him from behind, twisted his neck and forced him violently to the ground.
503 Henry was in severe pain and could not move his legs. While Henry lay motionless – on
504 the ground, the bouncer took plaintiff's wallet from his person, removed plaintiff's credit

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505 card and ran at least one eighty-eight dollar charge inside the establishment for the
506 benefit of the Crazy Horse. Kirk Henry was rendered a quadriplegic at 43-years-of-age.
507 So, I would submit to you that there is proof that this racketeering enterprise was both
508 wide spread, and that it was serious.

509 There were a number of other guilty pleas entered on May 31st, and they are set forth in
510 your complaint. But, if you will give me a moment or two, just to give everyone a sense
511 of how many employees pled guilty to federal felonies, I would like to read through the
512 list. After Fredrick “Rick” Rizzolo and Robert D’Apice, who I described, Vincent
513 Forche, Joseph Melphy, Albert-Roponno, John Drace, Steve Albert, Darren Bruce,
514 Steven Crespy, Rocolo Lombardo, Michael Lamonico, Michael Miscotto, Ralph Pope,
515 Scott Spolony, James Dressing, Robert Yubrekeo, all pled guilty to conspiring to defraud
516 the United States. And, finally, Paula McBride pled guilty to perjury, because, when this
517 woman was called before the grand jury and asked by an Assistant United States
518 Attorney, “did you see Robert D’Apice follow Kirk Henry out of Crazy Horse Too?” she
519 lied, and she said "no." So, all together, we have 17 federal guilty pleas’ one by our
520 corporate licensee, one by the owner and manager, and 15 more by employees.

521 I would submit to you that this is certainly proof to the civil standard, proof to the
522 criminal standard, beyond a reasonable doubt, and proof to an absolute moral certainty
523 for that matter, that a disciplinary offense, violation of L-V-M-C-, point, 0-2-3-30-H-
524 occurred.

525 The question becomes, what to do about this? And, the City Code sets forth the authority
526 of the Council to impose the sanction, if you believe that a sanction ought to be imposed
527 for this conduct by a liquor licensee. And, in essence, it provides that you can cancel,
528 revoke the license, suspend the license or impose a fine, or attach new conditions to the
529 license, or any combination of such actions. And there’s also some additional language
530 that I think is important. The City Code provides that the disciplinary actions available in

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531 this section shall be in addition to and not exclusive of any other civil or criminal remedy,
532 which might otherwise be available. I suggest somewhere in this proceeding you're
533 going to hear the notion that the feds have exacted their pound of flesh and that the City
534 ought not get involved. Indeed, in the answer, there are some legal arguments about
535 double jeopardy. But, the result, but, it is the case that our Municipal Code says that,
536 separate and apart from any criminal action, we can take action against a licensee who
537 has broken our Code. It is a basic proposition of law that one criminal offense or one set
538 of facts can give rise to offending separate sovereigns. It is totally possible, for example,
539 for someone to rob a federal insured bank and, therefore commit a federal felony. But in
540 the same process because it's robbery, a state felony would have been committed and
541 indeed, if the municipality wanted to prosecute for a misdemeanor trespass, the
542 municipality could. And the reason is all three are separate severance.

543 The third reason that you have unfettered power to act in this matter is to be found in the
544 language of the plea agreements. Let's go back to the disciplinary, pardon me, let's go
545 back to the guilty plea of Crazy Horse Too, which is Exhibit Two. This is a written
546 guilty plea signed by the government and signed by the defendant. It is a contract
547 between the government and the defendant in a criminal proceeding and it is one that has
548 been accepted by the federal court. And it contains this language: this plea agreement is
549 limited to the United States Attorney's Office for the District of Nevada and cannot bind
550 any other federal, state or local prosecuting, administrative or regulatory authority.
551 Exhibit Three, the guilty plea of Rick Rizzolo, the exact same language. All the other
552 pleas of employees, including Robert D'Apice, have the exact same language. So, the
553 federal government, in crafting its negotiated settlement, made it clear that they were not
554 binding any other governmental entity, including this City Council, in these proceedings.
555 One of the sanctions available to the Council is to impose a fine. And the Las Vegas City
556 Code provides that you can impose a fine of up to one thousand dollars a day, for every

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557 day that you find that the offenses have been ongoing. Please keep in mind that as to the
558 licensee, the offense we're talking about, is a conspiracy. Conspiracy to engage in a
559 racketeering enterprise. So, it is a ongoing crime for as long as the conspiracy is
560 ongoing. There is a conflict in the evidence that, if you wish to assess a fine you need to
561 resolve, and, I tell you that state law provides that in this case, just like in all other cases,
562 including land use cases, if there is a conflict in the evidence, is for the City Council to
563 resolve it and courts must respect that decision. If there is a single articutable fact upon
564 which a reasonable City Council member could've voted the way that he or she voted.
565 Exhibit Nine, sets forth the conflict in the evidence. In the first two paragraphs of Crazy
566 Horse Too's guilty plea, Crazy Horse Too agrees that it is pleading guilty because the
567 defendant corporation is guilty of the offense charged in count one of the information.
568 And then it agrees that, if the matter had gone to trial instead of being resolved by guilty
569 plea, the government could prove facts sufficient to establish beyond a reasonable doubt
570 that the defendant corporation is guilty of the offense charged in count one of the
571 information. Now, if you look down towards the bottom of this exhibit, you will see
572 paragraph five of count one of the information. And it says: during the period from 2000
573 to two thousand and five, these bad things went on. So, that's six years with two leap
574 years, which is twenty one hundred and ninety two days. However, if you look back up
575 on the exhibit back into the actual guilty plea, at paragraph seven, it is written during the
576 period from 2000 to two thousand and three, the defendant corporation conspired and
577 agreed with Robert D'Apice and other individuals to conduct or participate directly or
578 indirectly in the conduct of the enterprises affairs through a pattern of racketeering
579 activity to wit, acts of extortion and threats indictable. That is four years with one leap
580 year, fourteen hundred and sixty-one days. If you choose to impose a fine, and if choose
581 to impose a fine based on the maximum number of days that you fine the offense to be
582 ongoing, it is up to you to determine this conflict. But, I tell you that, as a matter of state

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583 laws, if your decision were to be challenged in State District Court, the law specifically
584 provides that is your responsibility to determine conflicts, resolve what the facts are, and
585 that your determination is to be respected by the courts.

586 We would, I dare say, be here today, no matter what business license was at issue. But
587 here, as it set forth on Exhibit Ten, we have a privileged license, a liquor licensee, and in
588 your Municipal Code, right at the beginning of the liquor license chapter there is a
589 declaration of liquor control. And it provides the regulations contained in this chapter
590 involved to the highest degree, the economic, social, physical and moral well being of the
591 residents and taxpayers of the City. The sale or other disposition of alcoholic beverages
592 is not a matter of right but of privilege, which would otherwise be unlawful, if it were not
593 exercised pursuant to a license. This privilege may be denied, revoked, conditioned,
594 suspended or subjected to any other disciplinary action by the City in the exercise of its
595 police powers for the protection, of the safety, welfare, health, peace and morals of the
596 residents and taxpayers thereof.

597 This is a matter that for, ever since June 1st, has been considered very seriously by your
598 staff, both your staff and the City Attorney's office, by me, and in the Department of
599 Finance and Business Licensing and by your City Manager's Office. And, what many of
600 wrestled us with was under the totality of circumstances; what would be the appropriate
601 staff recommendation. And before I get to that, let me tell what I thought were the
602 factors. First of all, I thought this was a very serious offense, and it's hard to think of an
603 offense that goes more to the core of violating 6-0-2-33-H; actually, operating your
604 business as a nuisance and in an unlawful and illegal manner than an offense of
605 conspiracy to engage in a racketeering enterprise through extortion.

606 The next thing that I think would come to anybody's mind is how does this fit in with
607 other disciplinary offenses that you've heard for the last ten years that I have been here.
608 And, I tried to think of the sort of things where you have revoked liquor licenses and

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609 other licenses. You've revoked Liquor Licenses because of a business had too many calls
610 for service and was just burdensome to Metropolitan Police. You've revoked liquor
611 licenses because a business served under age patrons alcohol. You have revoked liquor
612 licenses because a business was subject to having crimes committed on its premises or
613 near it, not even on it premises but nearby, by other people. And you've revoked licenses
614 because of prostitution going on within a business. How does that compare to this?
615 Besides that, you know what really serious sounding name could conspiracy to engage in
616 a racketeering enterprise by extortion.

617 We have a situation where the defendant answered disciplinary complaint and told us that
618 the United States Attorney had told him that, if the matter had gone to trial, he was
619 prepared to prove thirty-four, thirty-five to forty beatings cases. And, we know, relating
620 that back to the pleas involving extortion, that some of those beating cases are robberies.
621 We know that one of those beatings cases resulted in a man having a cervical spine
622 severed, and being a quadriplegic, starting at the young age of 43. And, we know that
623 besides our licensee pleading guilty, the 95 percent owner and the manager, the one
624 responsible, the captain of the ship, pled guilty to a federal felony, as well as 15 of his
625 employees, including one who tried to cover up this very serious assault on Kirk Henry. I
626 would submit to you that if Kirk Henry was not part of the mix that just reasonably
627 people have to think of, there would be no question. But, immediately revoking this
628 liquor license would be a fully justifiable act. But Kirk Henry is part of the mix. And the
629 reason is the way that the federal negotiation was constructed, and this is the way it was
630 constructed. The Power Company, Inc., when it pled guilty, promised to pay Kirk and
631 his wife, Amy Henry, a million dollars immediately. They also promised to pay him
632 another nine million dollars for a total of ten million dollars from the proceeds of any
633 sale. The business has to be sold within a year of June first two thousand and six or a
634 federal receiver is appointed to operate and sell the business. There are back taxes to be

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635 paid of a million seven hundred and thirty-four thousand dollars. Those aren't contingent
636 on the sale. There is also four point two five million dollars forfeiture of monies to be
637 paid that is contingent on the sale. Finally, Power Company Inc., agreed to pay a five
638 hundred thousand dollar fine, and the – other monetary sanction remaining is Rick
639 Rizzolo, in his guilty plea, promised to pay a two hundred and fifty thousand dollar fine.
640 And, so in essence, The Power Company, Inc. and Rick Rizzolo are jointly and severely
641 going to be responsible for paying another sixteen million dollars, nine million of which
642 goes to Kirk and Amy Henry.

643 There is an interesting little caveat to this, however. Acceptance of The Power
644 Company's guilty plea by the federal court, was specifically conditioned on the signing
645 and filing of what's called a closing agreement. In essence, it was an agreement between
646 the IRS Commissioner and Rick Rizzolo, that a million seven hundred and thirty-four
647 thousand dollars would be sufficient and the IRS would not seek further taxes. This
648 closing agreement, because it was a conditioned subsequent, is found under tab two of the
649 book, it's found under the, just behind the guilty plea of The Power Company, Inc., and at
650 page two of the closing agreement. This is set forth, an agreement between The Power
651 Company, Inc. and the IRS. Power Company, Inc., shall be allowed a federal income tax
652 deduction under Section 162 of the Internal Revenue Code for the ten million dollars,
653 payable to Kirk Henry, pursuant to the court issued restitution order. I looked for, I
654 looked up today the maximum corporate tax rate and when I found it, I asked our Finance
655 Director to confirm what I found, and the maximum corporate tax rate for businesses
656 with an income exceeding 10 million dollars is 35 percent. As they make more money,
657 there's a little jump to 38 percent, but then it goes back to 35 percent. So, let's say 35
658 percent. What does this mean? It means the taxpayers of United States of America,
659 including the City of Las Vegas, are subsidizing this ten million dollar payment to the
660 tune of three and half million dollars. I think that this is important because, as I've set

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661 forth in the exhibit that's before you, the only one that isn't numbered, that says Sanction
662 A and Sanction B, I would submit to you that there are two reasonable actions that could
663 be taken given the gravity of what's gone on here. One is the immediate revocation of the
664 liquor license, but one might be concerned that a strip club without a liquor license has so
665 little residual value, that Kirk and Amy Henry would not get the next nine million dollars,
666 and that there is just so many imponderables that is knowable. But I – would submit, not
667 knowable doubts need to be resolved in favor of Kirk Henry.

668 That leads me to what I've described as Sanction B, which considers Kirk Henry, and it is
669 this recommendation: Immediate suspension of the liquor license for the next one
670 hundred and eighty days through March fifth two thousand and seven. The imposition of
671 a maximum fine of two million one hundred and ninety-two thousand dollars to be paid
672 within 15 days of today's date, by September twenty-first two thousand and six or the
673 liquor license is immediately revoked. And finally, no natural person who pled guilty to
674 the crimes set forth in the disciplinary complaint to be employed by The Power
675 Company, Inc., dba Crazy Horse Too, are allowed on the premises of Crazy Horse Too
676 after September twenty-six two thousand and six. What does this do? In consideration of
677 Kirk and Amy Henry, it imposes the maximum punishment that can be imposed against
678 Rick Rizzolo and The Power Company, Inc. It ensures something that the federal
679 government chose not to ensure, that all of these people who are a part of a racketeering
680 enterprise, all of these people, who so dishonest, as to be part of a cons, a long, of a used
681 long conspiracy defraud the United States government, all of these people, including
682 Robert D'Apice, who broke Kirk Henry's neck. And, indeed all of these people,
683 including Rick Rizzolo, who is responsible for all of this action and, specifically, pled
684 guilty to being a part of the conspiracy, a year's long conspiracy, to defraud the United
685 States, all of these people would be barred from going on the property of our liquor
686 licensee.

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687 What has happened here, to an absolute certainty, set forth by solemn guilty pleas to
688 reduced and writing and signed, it's nothing less than a racketeer with a liquor license.
689 Rick Rizzolo ran the Crazy Horse Too, like Tony Soprano runs Bada Bing, in the
690 Soprano's. This went on four years, whether you determine it was four years or six years,
691 it went on four years. People got beaten once a month, it would appear. Because of the
692 extortion pleas many of those beatings it would appear were – parts of robberies. One
693 man, his family, everyone who knows him or who will ever know him, his life is changed
694 forever. And this happened on our watch, on the premises of our liquor licensee. I think
695 that there are a number of individuals or entities that need to be considered here. You
696 know, one is, you have an obligation to do equal and exact justice to Rick Rizzolo and
697 The Power Company, Inc. You also have, perhaps, a moral obligation because of the
698 structure of the guilty plea in federal court to Kirk Henry. But finally, all of this, all of
699 us, I would submit, and now I speak myself, have an obligation to the people of the City
700 of Las Vegas.

701

702 **ANTHONY SGRO**

703 Mayor Pro-Tem, I would object if he is speaking on behalf – of himself this is a closed
704 hearing not a public hearing. He does have the opportunity to present his case but not to
705 speak on behalf of himself as a person.

706

707 **MAYOR PRO-TEM REESE**

708 I agree.

709

710 **WILLIAM HENRY**

711 I would submit that the government of the City of Las Vegas has an obligation to the
712 people of the City of Las Vegas. And when the conduct is as egregious as the conduct

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713 here, and the proof is as certain as the as the proof here, that that obligation entails fair
714 consideration of the most serious sanctions that can be imposed as a matter of law.
715 Thank you.

716

717 **MAYOR PRO-TEM REESE**

718 Before I open up to questions, I do have a couple of questions myself, Mr. Henry. To
719 me, what you're saying is, the federal government did not take it upon themselves to talk
720 to the City of Las Vegas and or the Council Members and or the Mayor. I don't, I my –
721 prayers have been with Mr. Henry and his family. I – do realize, understand the severity
722 of what happened, but I don't know, and you're – trying to tell us that we have to look at,
723 Mr. Henry, in our deliberations or our – question for discussion on him getting his
724 money. Just for instance, what you're saying is that, if we revoke the license tomorrow
725 that we're putting Mr. Henry in jeopardy of getting his money?

726

727 **WILLIAM HENRY**

728 It is –

729

730 **MAYOR PRO-TEM REESE**

731 I mean, it's, that you're saying, it is going to be awful hard to sell the business if we
732 close, if we – revoke the license? Or will it be worth more if we allow it to stay open, or
733 if we suspend the license?

734

735 **WILLIAM HENRY**

736 I think common sense tells us that the business has an ongoing enterprise, which it is
737 today, is at its most valuable. It is less valuable if you suspend the license.

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738 **MAYOR PRO-TEM REESE**

739 No, I understand that.

740

741 **WILLIAM HENRY**

742 But finally, if you revoke the license, then it is lost the most value and would sell for the
743 least. It is commonly believed in this community, and I think it is supported by just
744 looking at the businesses, that strip clubs with liquor licenses make a lot more money –

745

746 **MAYOR PRO-TEM REESE**

747 No, no I –

748

749 **WILLIAM HENRY**

750 – than the juice bars

751

752 **MAYOR PRO-TEM REESE**

753 – I understand that. What I'm saying is, is that you're putting us in that position. And I
754 don't think that's our position. Okay, we leave it open, we – suspend the licenses, we
755 leave it open, then it may be worth a 20 million dollars. If we close, it may be worth 15
756 million dollars or 12 million dollars. When does Mr. Henry get his money? See, that's,
757 you know, he – has to receive the nine million dollars. And we all, and I don't speak for
758 the Council members up here, but I know, personally, I feel like that I want make sure he
759 gets that nine million dollars. But, I also want to protect the integrity of the City of Las
760 Vegas. And I don't know whether the federal government is (sic) thought about that or
761 whether they even taken into consideration when they – made their agreement.

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762 **WILLIAM HENRY**

763 Mr. Henry gets his money according to the documents before you; the – last million
764 dollars proceeds of the sale. And the business has to be sold by June first of two
765 thousand and seven to, if it doesn't sell, then a federal receiver will be agreed to or
766 appointed by the court to operate the business and sell the business.

767

768 **MAYOR PRO-TEM REESE**

769 Okay. And that leads me to another question. How come when they allowed them to
770 stay open didn't they put a receiver in there or, for a lack of a better term, somebody to go
771 in there and oversee or watch the operation while it was open?

772

773 **WILLIAM HENRY**

774 I could only speculate as to that, but I suspect that the federal government learned its
775 lesson. Years ago they forfeited a bordello in Northern Nevada and had the United States
776 Marshal's Office operate it for awhile, and they found out that the federal government
777 isn't very good at operating a bordello. And, so, perhaps they thought that the federal
778 government might be very good a operating a strip club either. Nor – perhaps did they
779 want the federal government –

780

781 **MAYOR PRO-TEM REESE**

782 – but don't –

783

784 **WILLIAM HENRY**

785 – to come before you for suitability to hold a liquor license.

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786 **MAYOR PRO-TEM REESE**

787 Again though, even in some of the hotels, don't they have people in there overseeing the
788 operation?

789

790 **WILLIAM HENRY**

791 Do they, does the federal government have people in some of the hotels?

792

793 **MAYOR PRO-TEM REESE**

794 Yeah.

795

796 **WILLIAM HENRY**

797 Not to my knowledge, Councilman.

798

799 **MAYOR PRO-TEM REESE**

800 Any other questions of the Council Members, please, at this time? No questions?

801

802 **COUNCILMAN WOLFSON**

803 Well –

804

805 **MAYOR PRO-TEM REESE**

806 Okay –

807

808 **COUNCILMAN WOLFSON**

809 – I guess, Mayor Pro-Tem –

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810 **MAYOR PRO-TEM REESE**

811 Yes.

812

813 **COUNCILMAN WOLFSON**

814 – I guess, I do have a few questions. Mr. Henry, I'm not sure if you can answer these or
815 Mr. Sgro, so –

816

817 **MAYOR PRO-TEM REESE**

818 Okay. Now you want – to wait till Mr. Sgro gets through with his presentation to ask
819 questions, or –

820

821 **COUNCILMAN WOLFSON**

822 That might be the best way to handle it.

823

824 **MAYOR PRO-TEM REESE**

825 Okay, Mr. Sgro.

826

827 **ANTHONY SGRO**

828 Thank you Mayor Pro-Tem. I suppose I would begin my comments with addressing
829 some of the things that Mr. Henry has asserted that we do not believe to be accurate.
830 Before we do that, we – would like the record to state that, aside from Councilman Ross,
831 they did have the opportunity, with Mr. Henry, to meet with each and everyone of the
832 Council members speak to you telephonically, and appreciate that time because this is a
833 serious matter and we've treated it as such, since before the complaint was even filed.

834 Very briefly, in terms of some corrections of assertions, the plea agreements are very
835 specific, which you have in the complaint that's been lodged before you or excerpts, and

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836 you can see by the ellipses that occur. One of the reasons that I wrote the letter
837 confirming my telephone conversation with Eric Johnson, who is the United States
838 Attorney, relative to these allegations of the beating cases was, because it was first
839 asserted to me that there would be an effort made to suggest that because a racketeering
840 conspiracy was pled to and the dates went from this point to this point, that each and
841 every day that a criminal act occurred and it was on that bases that a fine or some other
842 sanction would've been imposed.

843 I call Eric Johnson because I'm led to believe that, that's what Eric Johnson suggested to
844 the City Attorney that would've occurred. I – speak to him and he says no, that's not what
845 I ever represented to anybody. What I said was; I would have sought to put evidence on
846 a trial, not I could've proven, I would've proven. I would have sought to put evidence on
847 a trial of approximately 35 or so. I went conservative and I put 35 or 40. That's where
848 the letter comes from.

849 This is not a case of whenever a dispute arose someone got taken out in the back and got
850 beaten up, and reminiscing of the old days at the Horseshoe where those persons faced
851 those problems, many years ago. This also represents what, we as attorneys, call the
852 beating cases, that's my vernacular, in terms of the negotiation process that's gone on for
853 the last three and half or four years. That is from the most minor infraction to the most
854 minor injury, if any injury, to the most major injury. And these also are, quote on quote,
855 the beating cases for which Metro had come out on most, if not all occasions, had done
856 an investigation and had left without citing anyone. And one of the things that I want to
857 underscore today, as we go through these comments, is that in all of those cases, these 35
858 allegations, not once was the government going to suggest that Rick Rizzolo had done
859 anything. Rick Rizzolo stands before you today because of what we call in the law,
860 Vicarious Liability. Does he have responsibility to answer as the captain of the ship, to
861 borrow Mr. Henry's euphuism, yes, he does. But does it have some impact that he wasn't

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862 the one out there doing any of these things, yes. Coupled with the fact that many of the
863 records that the government was using were records that we had provided to them, that
864 we had maintained, where there was a record made of an event that occurred at the club,
865 a record that Metro had come out to the scene, a record that Metro, for whatever reason,
866 has sought to not pursue a charge, for whatever reason. In terms of the reasons, I know
867 Councilman Wolfson said for example, sometimes people are from out of state,
868 sometimes people are intoxicated, there could be reasons aside from it just didn't
869 happened, which I respect that opinion, I agree. The difficulty is, when we're assessing
870 the penalty, you're looking at the person in front of you to answer for the penalty, to be
871 the person that didn't do it, and that then looked at a report which said the police came
872 and went without incident. So, then what would the next thing to be done?

873 So, bearing those things in mind, the other thing I wanted to point out to the Council,
874 there is the standard language that the federal government agreement is not bind any
875 other municipality or authority and that's true. I'm pretty sure I discussed that with every
876 person who's in front of me. That limitation is standard in all plea agreements, and I
877 don't know that there's been a plea agreement that didn't have that in there. However,
878 while it provides authority to act, certainly it was contemplated, at least by the persons in
879 the room, while they were negotiating this deal. That Metro for example, wasn't going to
880 go back now and charge everybody with a battery case. Metro was not going to go
881 charge everyone with a credit card case. It was somewhat of an anomaly; it was almost
882 like the pink elephant in the room that no one speaks of. People recognize that there may
883 have been intervention, and I suppose that it silently, rightly or wrongly, silently
884 presupposed that other municipalities and governments that come underneath the federal
885 system would've all supported that resolution, and I say rightly or wrongly.

886 With respect to the meetings that occurred over and – these meetings began in October of
887 two thousand and one, we – the defense side, did not reach out to the City, the

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888 government did not reach out to the City. However, this case was a highly publicized
889 case. The search warrant, I recall the, one of the issues in the case was that the media
890 was present as the officers exited the truck in February of two thousand and two, and
891 they had the ninja mask on, and the AK-47 rifles as they went into the Crazy Horse Too
892 to execute their search. There was an issue with that because, just three months ago, they
893 had come in it was very quiet, it was seven in the morning, a few officers, very casual
894 and very informal. Nonetheless, made tremendous news coverage. Bobby D'Apice's
895 arrest was on the front page of the Las Vegas Review Journal. My – understanding, as I
896 was participating at those meetings over the last four years, was that no one from the City
897 had ever lodged any concern with the United States government. Notwithstanding the
898 publicity, not withstanding the press coverage and the openness with which these
899 negotiations were proceeding, it is, I only point these things out to you, try to create for
900 you a feel for what was going on during the time we were meeting.

901 I think it's also important to let you all know that the negotiation process went from a
902 little bit at a time to all of the sudden stepping on the gas peddle and doing 120 miles an
903 hour, in late April to early May. It was at that time we moved from numerous impasses
904 and quickly accelerated and, quote on quote, closed the deal. I will tell you that in terms
905 of notifying the City, it was not done out of disrespect, I apologize for not getting the
906 City involved. I will tell you, though, as the defense counsel, the timing of this
907 negotiation process was really never in my control. I remember one night, specifically,
908 after we had gotten closer and closer, I finally received a document from the government,
909 which they wanted Mr. Rizzolo to execute. It was approximately eight or nine o'clock at
910 night, think it was a Tuesday. I remember the prosecutor was at a dinner. I remember
911 speaking with him on the phone, and, basically, he was telling me, look, there is no more
912 time, it's done now or it's over. Now, what do I tell Mr. Rizzolo without invading the
913 privilege? I'll tell you what the obvious is; they're looking to prosecute your 77-year-old

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914 father, who has had a number of heart attacks. They're throwing your brother in the mix.
915 They're throwing your sister in the mix. All those persons get to walk away if you elect
916 to forego your right to fight this thing and just sign this little piece of paper. The
917 government did exact a pound of flesh from Mr. Rizzolo. And I would like to address the
918 questions that you asked, Councilman Reese.

919

920 **MAYOR PRO-TEM REESE**

921 Please.

922

923 **ANTHONY SGRO**

924 First of all, with respect to the monitoring that's going on, you asked why – not a
925 receiver. I will tell you that every angle that I know of, that the government knew of, in
926 terms of how to achieve the goal. The goal was, from the government perspective,
927 remove Rick Rizzolo from the adult entertainment business as soon as possible. After
928 exploring option after option after option, the consensus was that as soon as possible
929 translate it to in 12 months, because of a number of different reasons.

930 First reason, they wanted the avoidance of the fire sale. There is a unanimous consensus,
931 a unanimous effort to sell the club for as much money as possible. Whether or not the
932 City Council, as a municipality cares about what the federal government gets, I leave that
933 to you. Whether or not the Council cares forfeiture, taxes to the IRS, I leave that to you.

934 With respect to the Henry's, certainly that has to be something that you consider. These
935 things were all carefully thought out. We didn't do this deal in an afternoon over coffee.

936 We started, as I say, in October of two thousand and two. We're going on almost our four
937 year anniversary. The plea agreements just were concluded in court on June of this year,
938 either June first or June second. So, the thought process that went into it, this was
939 labored, it involved all facets of government, of course, saving except for the City. And

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940 there was a lot made of the Gold Club case that the government did in Atlanta. Mr.
941 Henry refers to a case that occurred up north. There was another topless club called the
942 Gold Club. The government insisted in that case that the owner/operator be removed,
943 that the United States Marshal's Office run the premises. That turned out to be a disaster.
944 The club was immediately devalued almost to nothing, and the government was
945 extremely concerned about the repeating that performance. Additionally, with everyone
946 in law enforcement pulling for the highest ticket price, for the club, so that everyone can
947 get paid, they determined that 12 months was, quote on quote, as soon as possible.

948 The government again, for what it's worth, also put a lot of stock into the Henry's getting
949 their money. They put a lot of stock into the government exacting its pound of flesh, and
950 the government recognized the value of the club is the dancers, who dance there and the
951 goodwill that exist. You suspend or revoke the liquor license, the girls are gone. It
952 significantly undermines the value of the club. Like the topless club business or not like
953 it, its intrinsic value is the quality and the amount of the women who will agree to dance
954 there. They, you revoke it today, they are gone tomorrow, and it significantly
955 undermines the value of the club.

956 Mayor Pro-Tem Reese, in terms of your issue then, in terms of a receiver and the
957 monitoring, the plea agreement calls for the government's retention of the right to
958 monitor the club. They have complete unfettered access to any books, records, any material
959 they want at any time. The government's position is that what would occur in the case, in
960 this case is that there was a, an effort to collect tips and put them together, the tip pool,
961 which I've described for all of you. And, it is from the tip pool that these tips were then
962 dispersed.

963 Pursuant to conversations I've had with revenue agents and representatives from the
964 Internal Revenue Service here in Criminal Investigation Division, they instructed us, and
965 we complied with their request, to now charge, what's called a house fee, which means

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966 when a girl comes to the club to work, they pay a specific amount to work that night. So,
967 through the government's eyes what does that do? It eliminates any incentive for there to
968 ever be any other interaction, because the government theory was that persons would
969 make an effort to get as many tips as possible because it all contributed to the bottom
970 line, that was their theory. With the removal, then, of the incentive there goes the
971 problem, again through the government's eyes. If the girls are required to pay house fee,
972 everyone knows going in what their going to get tipped or split or whatever. And that
973 now alleviates that problem. So –

974

975 **MAYOR PRO-TEM REESE**

976 Mr. Sgro –, if I could for just a second.

977

978 **ANTHONY SGRO**

979 Yes, Sir.

980

981 **MAYOR PRO-TEM REESE**

982 I guess, my question was more addressed to, why didn't the government, at the Crazy
983 Horse's expense, have one or two people in there, just to see everyday operations or three
984 or four people, however long it took. I – just don't understand how you can have an
985 operation like that where you didn't have somebody in there to making sure that nothing,
986 I won't use the word illegal, but something bad would happen bad to somebody in there.
987 I mean, somebody that is, I'm sure that there is professional people like that, that will go
988 in and oversee or watch or be there, to make sure that nothing happens in this, in this in
989 this year's time.

990

991 **ANTHONY SGRO**

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992 The government can if they want to, Mayor Pro-Tem.

993

994 **MAYOR PRO-TEM REESE**

995 That's what I'm saying. I don't know why they didn't.

996

997 **ANTHONY SGRO**

998 Well, they left themselves the option to do certain things, if they so chose. You had, and
999 there is an anomaly that exists in the case. I know one question that was posed to me is,
1000 how did they let all these people go back to work? They did. There are a lot of questions
1001 that have to be answered with, maybe, I don't know, maybe it wasn't that bad, it wasn't
1002 that serious, it wasn't that over burning, it wasn't a racketeer, who existed for three years
1003 or five years. Essentially, what – occurs in this case with the bartenders, is the same
1004 thing that occurred with the dealers. They were told, hey, you're not paying your taxes.
1005 The dealers all went back to work in our casino industry. These bartenders were told
1006 they could go back to work. And, I think, it is important to let you know, many of these
1007 persons had already left the employment of the Crazy Horse Too. I think it's important to
1008 know Bobby D'Apice was terminated from the Crazy Horse Too. So, the – , I don't
1009 know what the total number of persons that entered pleas, that still work there. I don't
1010 know what the specific number is.

1011

1012 **MAYOR PRO-TEM REESE**

1013 Yeah.

1014

1015 **ANTHONY SGRO**

1016 – but it certainly not 16. Many of those persons weren't working there at the time that
1017 this deal was made. They had gone on, moved, left the state, whatever, and, they all

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1018 came back in an effort to resolve the case. In any event, Councilman, the reason they
1019 didn't is because they thought they had put mechanism in place to assure the health,
1020 safety and welfare of the community, by doing the things that I have already suggested to
1021 you.

1022 With respect to a couple other matters, points to Mr. Henry raised, I don't know how,
1023 what legal basis there would be to consider the fine of two point two million dollars and
1024 change, and I offer that to you for a couple of reasons. The information which is the
1025 charging document is only a charging document. It is, and Councilman Wolfson, you'll –
1026 know this better than I do, it's absolutely conclusive in our law that the charging
1027 document is not evidence. When Mr. Henry says the evidence is in conflict, that is
1028 absolutely not accurate. The information, the charging document is not evidence can
1029 never be evidence and is not in this case. The factual predicate in the plea agreement is
1030 the evidence, so to speak, of the dates in question. The maximum fine, our position is, it
1031 could be imposed, in this case, is the one million four hundred and sixty-one thousand
1032 dollars. And that would be the fine period from the two thousand through thousand three.
1033 There's an argument, we advanced in the answer that talks about rather or not there is a
1034 statue of limitation problem relative to the year two thousand, which would reduce the
1035 fine amount as well.

1036 Relative to the offense charged, it – is also well settled in our case law, that the date of
1037 the offense is never and can never be an element of the offense. So, when Mr. Henry
1038 shows you the factual predicate, and he says, we pled guilty to the offense, that's what it
1039 says in the plea, that's true. The date is not element of the offense. We do not believe
1040 there is any sound legal basis to determine that to be evidence that is in conflict that you
1041 then must resolve. At – this point I – have not concluded my remarks, but I would like to
1042 call a witness on – our behalf. May I do so, Mayor Pro-Tem?

1043

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1044 **MAYOR PRO-TEM REESE**

1045 That'll be fine.

1046

1047 **ANTHONY SGRO**

1048 We –

1049

1050 **MAYOR PRO-TEM REESE**

1051 Is – there any questions at this time of Mr. Sgro?

1052

1053 **COUNCILMAN WOLFSON**

1054 Well, I think before we take evidence, I would like to ask questions.

1055

1056 **MAYOR PRO-TEM REESE**

1057 That would be fine.

1058

1059 **COUNCILMAN WOLFSON**

1060 Any of my colleagues would like to go first or, Councilman Brown?

1061

1062 **COUNCILMAN BROWN**

1063 Thank you. Mayor Pro-Tem, I just – some clarifying questions, just to help out. The

1064 fines and forfeitures and paybacks total in and around 16 and a half million?

1065

1066 **ANTHONY SGRO**

1067 Seventeen – million.

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1068 **COUNCILMAN BROWN**

1069 And the representation or at least in the documents, it's not required but they can be paid
1070 back prior to a sale?

1071

1072 **ANTHONY SGRO**

1073 Yes, Sir.

1074

1075 **COUNCILMAN BROWN**

1076 And again, these are just some random clarifying questions. Is there a date for sentencing
1077 on the – entire 16 defendants?

1078

1079 **ANTHONY SGRO**

1080 Yes, Sir. They, I believe Mr. Rizzolos' is first, and it's some time in the middle of
1081 October, I think its October 16th. The remaining, the balance of the defendants are in
1082 front of a different federal judge, and I believe their sentencing dates begin in the month
1083 of November.

1084

1085 **COUNCILMAN BROWN**

1086 And, the status of the sale is, Mr. Rizzolo handling that or is there a outside broker
1087 handling that?

1088

1089 **ANTHONY SGRO**

1090 No, we are handling it through an outside broker subject to government approval of the
1091 sale.

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1092 **COUNCILMAN BROWN**

1093 We're approximately three months into process?

1094

1095 **ANTHONY SGRO**

1096 Yes.

1097

1098 **COUNCILMAN BROWN**

1099 Is there a status on that?

1100

1101 **ANTHONY SGRO**

1102 Well, obviously yes. We have – someone who's very serious, who's interested, who has
1103 advised us he will walk away if the license is revoked or suspended. So, I do have –
1104 someone and you know, I think it's fairly common sense to put that to you.

1105

1106 **COUNCILMAN BROWN**

1107 And it's important, at least from my perspective. It's important if – part of a strategy, not
1108 to say it is but is an option, that the business is run for 11 months and 30 days with a sale,
1109 'cause apparently, there's no encumbrance on any kind profit generated until the sale. So,
1110 I think it's important to – have a sense of, if the sale gonna happen in a week or nine
1111 months from now. At least, and I may come back to that a little later, Mr. Sgro.

1112 And just back to the oversight, so I understand this, in the documents, it talks about the
1113 government, and I think you're words were, unfettered, oversight or access. To the best
1114 of your knowledge, have they accessed the first three months at the club, as far as
1115 accounting and bookkeeping?

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1116 **ANTHONY SGRO**

1117 They know that the house fee is in place. And they have not heard anything, quote on
1118 quote, relative to any incidents or altercations in the like. So, they have not pursued
1119 anything, and that's to use their words, Councilman.

1120

1121 **COUNCILMAN BROWN**

1122 And, I'd like to revisit this a little bit later. But to get you thinking about it, I'm very
1123 interested in the value of the establishment. And although it's not in our documents, and
1124 it's been very difficult for us to get, somewhere, someone knows what the club has
1125 generated on a monthly or annual basis. And perhaps we can visit that a little bit later.
1126 But that's those are the questions I had for you to start.

1127 And, Mr. Henry, on the, one of the issues that was raised, and I just want Mr. DiFiore or
1128 yourself to answer this for the record, even before this federal investigation began, the
1129 Mayor made very clear on his remarks that on many occasions, once that investigation
1130 began, inquiries, as far as the City staff is anything happening. But prior to the 2000,
1131 2001 timeframe, do we have any record of either Metro or citizens or anybody coming to
1132 the City with complaints on the Crazy Horse Too?

1133

1134 **WILLIAM HENRY**

1135 I've spoken to Mr. DiFiore more than once about that and most recently, this morning
1136 and he said "no." You know, Metro didn't even come to us with any reports about, what I
1137 would characterize as Robert D'Apice attempted murder of Kirk Henry.

1138

1139 **COUNCILMAN BROWN**

1140 Final comment, and I appreciate Councilman Wolfson giving me the opportunity. This
1141 whole negotiation, three plus years with the federal government and just by reading the

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1142 documents, there is certainly a sense of compromise. It also has created a lot of
1143 unanswered questions that we may not, especially in this hearing ever get the required
1144 answers to, but the compromise that has created, all these unanswered questions leaves a
1145 void in making an evaluation on what's before us today. So, I would again encourage
1146 you later on with more direct questioning, from my perspective, I just need to focus in on
1147 the monetary issues involved with the club past, and certainly the club present, because
1148 there is some options here that the federal government hinted at but didn't put in writing.
1149 So, thank you, Mayor Pro-Tem.

1150

1151 **MAYOR PRO-TEM**

1152 You bet. Councilman Wolfson?

1153

1154 **COUNCILMAN WOLFSON**

1155 Thank you, Mayor Pro-Tem. Some of my questions are covering areas that Councilman
1156 Brown already covered. I'll try not to be redundant. Are any of the individuals who pled
1157 guilty still employed or otherwise have any reason to be on the Crazy Horse premises?

1158

1159 **ANTHONY SGRO**

1160 Some are, Councilman.

1161

1162 **COUNCILMAN WOLFSON**

1163 Mr. Rizzolo is –

1164

1165 **ANTHONY SGRO**

1166 Yes.

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1167 **COUNCILMAN WOLFSON**

1168 One of those?

1169

1170 **ANTHONY SGRO**

1171 Yes, Sir.

1172

1173 **COUNCILMAN WOLFSON**

1174 Mr. Rizzolo visits the Crazy Horse on a daily basis?

1175

1176 **ANTHONY SGRO**

1177 Yes, or almost everyday, I suppose, is the most accurate.

1178

1179 **COUNCILMAN WOLFSON**

1180 Mr. D'Apice is no longer employed.

1181

1182 **ANTHONY SGRO**

1183 That's correct.

1184

1185 **COUNCILMAN WOLFSON**

1186 Has no reason to be on the premises?

1187

1188 **ANTHONY SGRO**

1189 No, Sir.

1190

1191 **COUNCILMAN WOLFSON**

1192 If he came – on the premises, would he be welcome?

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1193 **ANTHONY SGRO**

1194 No.

1195

1196 **COUNCILMAN WOLFSON**

1197 In the plea agreement, it talks about the government having certain oversight. And I don't
1198 want to kill a dead horse too much, but it says, the one defendant corporation will make
1199 available to such individuals as the government directs accounting books and records of
1200 the Crazy Horse for purposes of ensuring the lawful operations of the business. The
1201 government may request the defendant corporation to make changes in its accounting
1202 policies and procedures and its other operating policies to ensure appropriate compliance
1203 with state and federal tax and criminal laws and to ensure the safety of patrons and
1204 employees of the Crazy Horse Too. Now, Mr. Sgro you told us that there's been at least
1205 one change in operating policy and that's the dancers now pay a flat fee, in essence to
1206 come and work a shift.

1207

1208 **ANTHONY SGRO**

1209 Yes.

1210

1211 **COUNCILMAN WOLFSON**

1212 Verses commission or otherwise type wage basis, is that right?

1213

1214 **ANTHONY SGRO**

1215 Yes, that's correct.

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1216 **COUNCILMAN WOLFSON**

1217 Other than that one change, what other changes have occurred since the date guilty pleas
1218 have been entered?

1219

1220 **ANTHONY SGRO**

1221 Well, it's – hard to, the changes occurred even prior to because some of the persons that
1222 use to work there don't work there any more. So, in terms of personnel, management
1223 changed. But that didn't occur; I don't wanna be accused of trying to mislead you, that
1224 had already occurred because of the departure of certain persons. Since the – imposition
1225 of the negotiations since the execution of the pleas in court, there was an affirmative step
1226 made relative to what is known in the industry as the house fee under the direction of the
1227 IRS agents, both revenue agents and criminal investigations division. And that, as I
1228 understand it, appeased the government relative to the need to go in there and make sure
1229 no one was getting into any altercations and why, because the motivation was gone.
1230 That's how I understood that. But there is an ongoing relationship, if you will, between
1231 the government and the Crazy Horse Too. And so far's they want anything, we provide
1232 it, as – we have done.

1233

1234 **COUNCILMAN WOLFSON**

1235 And I – trust, at least for purposes of this discussion, that if the government contacts you
1236 and your client and request certain documents or access to the business you're – going to
1237 acquiesce, of course. But the government isn't doing that, the federal government isn't
1238 doing that. Are they? For – whatever reasons, you're – surmising that they feel
1239 comfortable, that there's no need, but their not doing anything other than what we've
1240 talked about.

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1241 **ANTHONY SGRO**

1242 I – would not say it's my surmising, Councilman. I would say, I've had conversations and
1243 communications with them, where I've been told that. So, they, quote, unquote, haven't
1244 heard anything which causes them to be alarmed.

1245

1246 **COUNCILMAN WOLFSON**

1247 The dispute between Mr. Henry and, Mr. Kirk Henry and, whether it be a dancer, a
1248 bartender or Mr. D'Apice or all three, the environment that gave rise to that dispute is not
1249 necessarily absent.

1250

1251 **ANTHONY SGRO**

1252 It will, in our view, it is absent, the government, government's – view it is absent. And,
1253 so far as the basis of the dispute was to generate additional income that would have gone
1254 into this tip pool, which would have later been divided. That is –

1255

1256 **COUNCILMAN WOLFSON**

1257 – but dancers are still making money on tips, and that has not been removed. And this
1258 one dancer was concerned about whether or not Mr. Henry was paying his bill and then –
1259 reported it to her supervisor, which gave rise to the incident. But dancers are still dancing
1260 for tips.

1261

1262 **ANTHONY SGRO**

1263 As they do any every club. Yes that is correct, a dancer dances for tips, but you have to, I
1264 guess, view it through the eyes of the government, and through the eyes of the
1265 government as the dancer dances for tips, if there's a dispute, the incentive to do anything
1266 on – behalf of the bartender and the establishment has – disappeared.

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1267 **COUNCILMAN WOLFSON**

1268 I accept what you're saying, I don't necessarily accept that I should adopt the view of the
1269 federal government, 'cause in my opinion, they dropped the ball, in a certain very
1270 important respect. And Mayor Goodman talked about that, and I'm sure it will be talked
1271 about more, but the City of Las Vegas should have been at the table or at least been
1272 invited to participate in this negotiation. Because you're right, Mr. Sgro. This plea
1273 agreement talks in boiler plate language, like every other plea agreement. In the sense
1274 that the City of Las Vegas or any other government entity is not bound, but reasonable
1275 minds and good lawyers, and we had and have good lawyers involved, you're one of them
1276 and there's other good lawyers in this room, either participated in this plea agreement or
1277 had input into it, and there should have been a recognition that the City of Las Vegas was
1278 going to act. And when you apologized to us for not contacting us or not including us in,
1279 perhaps you didn't think about it. You know, I read the newspapers and these
1280 negotiations occurred for years and years, and, you know, what the City does may not
1281 have been on the forefront of your thinking, but in hindsight it should've been. Is this
1282 corporation operating at a profit?

1283

1284 **ANTHONY SGRO**

1285 Yes, Sir.

1286

1287 **COUNCILMAN WOLFSON**

1288 – today?

1289

1290 **ANTHONY SGRO**

1291 Yes, Sir –

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1292 **COUNCILMAN WOLFSON**

1293 – Okay. And who is benefiting from that profit?

1294

1295 **ANTHONY SGRO**

1296 Well, I suppose in a sense, everyone who works there.

1297

1298 **COUNCILMAN WOLFSON**

1299 The people that work, though are employees and they're being paid wages. Mr. Rizzolo
1300 is benefiting from, financially benefiting from this profit, is that right?

1301

1302 **ANTHONY SGRO**

1303 Yes, Sir.

1304

1305 **COUNCILMAN WOLFSON**

1306 Okay. Nobody is regulating the amount of that profit. Nobody is determining whether
1307 he is receiving wages and doing anything about that. Is that right? Whether it be wages
1308 or financial profits?

1309

1310 **ANTHONY SGRO**

1311 Mr. Rizzolo is certainly receiving a financial benefit from the current ongoing business of
1312 The Power Company.

1313

1314 **COUNCILMAN WOLFSON**

1315 Is Mr. Rizzolo an employee of The Power Company?

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1316 **ANTHONY SGRO**

1317 Yes.

1318

1319 **COUNCILMAN WOLFSON**

1320 Does he receive a salary?

1321

1322 **ANTHONY SGRO**

1323 I don't, yes.

1324

1325 **COUNCILMAN WOLFSON**

1326 Councilman Brown asked you this question, I'd like to follow up on it, and that is, what
1327 efforts today have been made today to sell the business? Now I understand that this is a
1328 unique business and that you may not want to divulge certain things because it could
1329 affect the sale, I understand that.

1330

1331 **ANTHONY SGRO**

1332 Yes, Sir.

1333

1334 **COUNCILMAN WOLFSON**

1335 Without revealing who a potential buyer might be, tell me what specific efforts has been
1336 made in the last three months to sell this business?

1337

1338 **ANTHONY SGRO**

1339 When the plea negotiations actually were executed in court, we, at the time, signed up
1340 with Prudential. It's a nationally recognized broker, I, and began a stream of prospective
1341 buyers. I've used the phrase before, tire kickers. We had many, many, I think, within the

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1342 first two weeks, we must have gotten a hundred telephone calls from groups all over the
1343 country; from New York, Florida, Texas, I mean just off the top of my head. Most of
1344 those persons were all interested in trying to rip the Crazy Horse; they weren't interested
1345 in engaging and looking at financial records and making a fair assessment of what it's
1346 worth. Over the last, I guess, we have been doing this now about 90 days, that list has
1347 dwelled dramatically and has been synthesized into a couple of very serious buyers that
1348 have the financial ware withal, which in a case like, this unusual. They have the financial
1349 ware withal, they have the prior experience in the business. They have the ability to get
1350 licensed, you know, this – is a, we're not selling a convenience store. So, there are
1351 certain threshold things that we have to look at. We do have someone right now, who is
1352 extremely serious. Has the financial ware withal to do it. But obviously, is far less
1353 interested, and, in fact, has communicated to us, not interested depending on the outcome
1354 of this hearing. That's, have I answered the question?

1355

1356 **COUNCILMAN WOLFSON**

1357 You have.

1358

1359 **MAYOR PRO-TEM REESE**

1360 If – I could though. To me, okay, we'll just say for argument sake, you got a serious
1361 buyer, you're – telling us, you got a serious buyer right now –

1362

1363 **ANTHONY SGRO**

1364 Yes, Sir.

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1365 **MAYOR PRO-TEM REESE**

1366 – and if we – revoke the license, their not going to be serious anymore. Would it be, to
1367 me, better for them, to allow us to take the license and buy, rather than buying it for just
1368 30 million they would buy it for ten million dollars, if we take the license away?

1369

1370 **ANTHONY SGRO**

1371 Yeah, but what are they buying then? Their buying a juice a bar with no dancers and no
1372 staff.

1373

1374 **MAYOR PRO-TEM REESE**

1375 They can make applications, can't they?

1376

1377 **ANTHONY SGRO**

1378 Yeah, we're talking a long time down the road. And you're talking about leaving that
1379 money, that cash flow has no ability to generate an income. I, and – you know what,
1380 Council, Mayor Pro-Tem, I can only deliver to you what I'm being told.

1381

1382 **MAYOR PRO-TEM REESE**

1383 Yea, okay.

1384

1385 **ANTHONY SGRO**

1386 So, I don't purport to be an expert in that business.

1387

1388 **MAYOR PRO-TEM REESE**

1389 Me neither.

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1390 **ANTHONY SGRO**

1391 So, all I can tell you is the level of desire today as an ongoing concern. My impression, it
1392 appears to be very high. The level of desire, should the Council suspend or revoke, my
1393 impression, very low. I did not ask this person to come to this hearing –

1394

1395 **MAYOR PRO-TEM REESE**

1396 That is fine.

1397

1398 **ANTHONY SGRO**

1399 – to testify, I didn't think it was appropriate. I can represent to you that that's exactly
1400 what has occurred. Those are the representations I've been given.

1401

1402 **COUNCILMAN WOLFSON**

1403 How long has the Crazy Horse Too been in business?

1404

1405 **ANTHONY SGRO**

1406 Approximately 20 years.

1407

1408 **COUNCILMAN WOLFSON**

1409 I've read over the plea agreements, fairly carefully, and I don't see any provision for the
1410 order of payment. We've got three or four types of payment, and I – trust the one million
1411 to Mr. Henry has been paid.

1412

1413 **ANTHONY SGRO**

1414 Yes, Sir.

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1415 **COUNCILMAN WOLFSON**

1416 Even though it's in writing, nobody has ever said that, but it's been paid, okay. So, we've
1417 got nine million going to Mr. Henry. We've got the corporation forfeiting four point two.
1418 Now, those are not assets that have already been ceased, in other words, there was no raid
1419 where they ceased a bunch of cash and the cash is there subject to forfeiture. This is
1420 money that is going to have to come out of – The Power Company's pockets, if you will,
1421 to pay this forfeiture, is that right?

1422

1423 **ANTHONY SGRO**

1424 That is correct.

1425

1426 **COUNCILMAN WOLFSON**

1427 We have a five hundred thousand dollar fine and we've got about a million dollars in
1428 restitution to the IRS. You add up those numbers, and maybe I've left something out, and
1429 that's where we get the 16 or so million.

1430

1431 **ANTHONY SGRO**

1432 Yes, Sir.

1433

1434 **COUNCILMAN WOLFSON**

1435 But there's no provision for the order of these payments to be made. Is that right?

1436

1437 **ANTHONY SGRO**

1438 That's correct.

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1439 **COUNCILMAN WOLFSON**

1440 So, who's going to decide who gets paid first?

1441

1442 **ANTHONY SGRO**

1443 Well.

1444

1445 **RICK RIZZOLO**

1446 It gets paid all at one time.

1447

1448 **ANTHONY SGRO**

1449 It's suppose to be paid all at one time.

1450

1451 **COUNCILMAN WOLFSON**

1452 In other words, if the sale goes through, it's sold for the price Mr. Rizzolo wants –

1453

1454 **ANTHONY SGRO**

1455 Yes.

1456

1457 **COUNCILMAN WOLFSON**

1458 – there is enough net profit after liens, mortgage fees, etcetera, that everything is paid.

1459

1460 **ANTHONY SGRO**

1461 That was also, that was always the contemplated agreement. That, which goes to the very

1462 heart of the question, which Mayor Pro-Tem Reese asked me earlier, why didn't they do

1463 certain other things. It was important to everyone at the negotiating table to keep the

1464 ongoing concern intact, so it could generate the most money for a sale. So, it was

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1465 presupposed that the profits after the encumbrances were paid, after the mortgages were
1466 paid, capitol gain tax, we went through this elaborate financial analysis, that after all
1467 those things were paid, that there would still be money to satisfy all of the obligation
1468 contained the plea agreement.

1469

1470 **COUNCILMAN WOLFSON**

1471 We don't have anybody here from the US Attorney's Office to provide us with their take
1472 on things, I take it?

1473

1474 **ANTHONY SGRO**

1475 Not that I am aware of.

1476

1477 **COUNCILMAN WOLFSON**

1478 And – with all do respect Mr. Sgro, you're a good lawyer, you're doing a good job for
1479 your client. But that's what you're doing, you're doing a job for a client. I know Mr.
1480 Campbell, I think I saw him earlier and Mr. Hunterton are here and they represent, thank
1481 you, Mr. Campbell, and they represent Mr. Henry and rather they get a chance to speak or
1482 not, but they've certainly advocated for their client and Mr. Bill Henry is advocating for
1483 his client, but the absentee party, in my opinion, is just that absent. If we accept Mr. Bill
1484 Henry's; what did you call it Sanction B, Mr. Henry?

1485

1486 **WILLIAM HENRY**

1487 Yes, Councilman.

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1488 **COUNCILMAN WOLFSON**

1489 Which calls for a suspension for six months, then we reopen for three months. That takes
1490 us to the 12-month date.

1491

1492 **WILLIAM HENRY**

1493 Yes, Sir.

1494

1495 **COUNCILMAN WOLFSON**

1496 I think that's part of the time frame you were working within.

1497

1498 **WILLIAM HENRY**

1499 Yes.

1500

1501 **COUNCILMAN WOLFSON**

1502 If at the end of this reopening for three months and the sale has not occurred, 'cause I –
1503 think your motivation, Mr. Henry, in recommending that is, we want to – punish and
1504 discipline and therefore suspend for six months, but then allow them to reopen. In order
1505 But the words allow them to have their liquor license back; so, theoretically they can
1506 open the business for three months and be up and running an ongoing business for the
1507 marketability aspect.

1508

1509 **WILLIAM HENRY**

1510 It's not so much that, Councilman. It's telling a potential buyer that there is a liquor
1511 license out there. And in relation to that, I would submit to you that if Mr. Sgro had said
1512 to you a few minutes ago, we have sold the business pending all the approvals of the new
1513 buyer that are necessary, that it would take a hundred and eighty days to get those

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1514 approvals. The first thing that has to happen is, pursuant to page nine and paragraph
1515 three of The Power Company, Inc. guilty plea – memoranda, the government has to, the
1516 government shall have the right to disapprove a buyer of the Crazy Horse Too who the
1517 government objectively demonstrates is a close relative or ongoing business partner of
1518 Fredrick Rizzolo, is a multiple felon or a felon within the last ten year, or has business
1519 dealings with identified members and associates of La Costa Nostra or other identified
1520 organized crime group, or has been convicted of crime with identified members and
1521 associates of the LCN or other identified organized crime group. Metro would have to do
1522 a background check as they always do for liquor licensees. And I dare say in this
1523 instance, they would just be a little more careful and take a little more time than they
1524 normally do. And then Business Licensing would have to same thing. So I, it's beyond
1525 my contemplation this would all happen in much less than a hundred and eighty days.

1526

1527 **COUNCILMAN WOLFSON**

1528 But if – that were to occur and then we allow them to have their license back for three
1529 months and at the end of that three months the business isn't sold –

1530

1531 **WILLIAM HENRY**

1532 Then –

1533

1534 **COUNCILMAN WOLFSON**

1535 That's – a scenario that would then kick in according to the Plea Agreement, what's on
1536 page eight, paragraph two. Which is this third party manager seller would have to come
1537 in. But at that point in time, there is no liquor license.

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1538 **WILLIAM HENRY**

1539 Yes. There is a liquor license, because if you're taking Sanction B, the liquor license
1540 comes back into effect September 1st. There's three more months for Rick Rizzolo to try
1541 to sell the business. If he doesn't sell the business, pursuant to the federal plea bargain
1542 then he and the United States Attorney try to agree upon a receiver to operate the
1543 business and sell it. If they can't, either one of them petitions the federal court and a
1544 judge appoints a receiver. But in any event, that license is back in affect as of September
1545 21st.

1546

1547 **COUNCILMAN WOLFSON**

1548 Okay, then that was my mistake. So your Sanction B proposal is that the license would
1549 go back into effect after the one hundred and eighty day suspension in perpetuity. Not
1550 just for a three month period.

1551

1552 **WILLIAM HENRY**

1553 That's how suspensions work.

1554

1555 **COUNCILMAN WOLFSON**

1556 And then, Mr. Sgro, it's the defendant corporation, which agreed to pay the ten million
1557 dollars in restitution, not Mr. Rizzolo himself.

1558

1559 **ANTHONY SGRO**

1560 It's all coming from the proceeds of the sale of the club, Councilman.

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1561 **COUNCILMAN WOLFSON**

1562 Okay so, Mr. Rizzolo in his plea agreement, did not agree to pay the ten million dollars in
1563 restitution, personally?

1564

1565 **ANTHONY SGRO**

1566 Not in the plea agreement. However, he has executed document where he does, a
1567 separate independent document.

1568

1569 **COUNCILMAN WOLFSON**

1570 I'm lost. I have –

1571

1572 **ANTHONY SGRO**

1573 He did not –

1574

1575 **COUNCILMAN WOLFSON**

1576 a guilty plea agreement –

1577

1578 **ANTHONY SGRO**

1579 Correct.

1580

1581 **COUNCILMAN WOLFSON**

1582 That is executed by you on behalf of the corporation, where the corporation agrees to pay
1583 the ten million out of the proceeds of the sale.

1584

1585 **ANTHONY SGRO**

1586 That's correct.

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1587 **COUNCILMAN WOLFSON**

1588 I have Mr. Rizzolo's guilty plea agreement, but I don't think it contains language in the

1589 GPA –

1590

1591 **ANTHONY SGRO**

1592 It does not.

1593

1594 **COUNCILMAN WOLFSON**

1595 – where he agreed to pay the ten million.

1596

1597 **ANTHONY SGRO**

1598 You're correct.

1599

1600 **COUNCILMAN WOLFSON**

1601 There's a third document?

1602

1603 **ANTHONY SGRO**

1604 There's another document that Mr. Rizzolo signed relative to payment of those monies.

1605

1606 **COUNCILMAN WOLFSON**

1607 And what is that document?

1608

1609 **ANTHONY SGRO**

1610 It's essentially the settlement release document.

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1611 **COUNCILMAN WOLFSON**

1612 It's what?

1613

1614 **ANTHONY SGRO**

1615 The settlement release document.

1616

1617 **COUNCILMAN WOLFSON**

1618 Settlement release document.

1619

1620 **ANTHONY SGRO**

1621 Yes, sir.

1622

1623 **COUNCILMAN WOLFSON**

1624 And then my final question, at least at this stage is that, should this thing blow up in our

1625 faces, whether by action of the City Council or the sale doesn't net the amount of money

1626 to – pay Mr. Henry. Mr. He, Kirk Henry's law suit is still alive –

1627

1628 **ANTHONY SGRO**

1629 It's –

1630

1631 **COUNCILMAN WOLFSON**

1632 – and theoretically, there's that remedy that then could be picked up again and be

1633 prosecuted.

1634

1635 **WILLIAM HENRY**

1636 Councilman, if I might. –

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1637 **COUNCILMAN WOLFSON**

1638 Well, is that it –

1639

1640 **WILLIAM HENRY**

1641 – I – believe settlement and release document is a civil procedure term of art that means
1642 that the Civil Action has been settled and that Mr. Rizzolo has agreed to pay a sum of
1643 money to settle it. If that is the case and you can find out by asking Mr. Rizzolo and Mr.
1644 Sgro, then all of this concern about whether or not Kirk Henry would actually get his
1645 money, if we were to revoke the license or suspend the license, is irrelevant. Because
1646 there is a personal promise in place that can be enforced, in civil court by Mr. Rizzolo.

1647

1648 **ANTHONY SGRO**

1649 Mr. Rizzolo's funds to pay only exist in so far as the assets he owns, this is the asset he
1650 owns. There is no financial ability to pay if this asset is stripped from him.

1651

1652 **COUNCILMAN WOLFSON**

1653 Oh, I understand that, but you just told us that there's a settlement and release agreement.
1654 Is that part of the civil lawsuit in District Court?

1655

1656 **ANTHONY SGRO**

1657 You have to do a settlement and release, to dismiss the underlying litigation. So yes –

1658

1659 **COUNCILMAN WOLFSON**

1660 Then –

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1661 **ANTHONY SGRO**

1662 That was executed.

1663

1664 **COUNCILMAN WOLFSON**

1665 Okay.

1666

1667 **FREDERICK RIZZOLO**

1668 That's when he got his first million

1669

1670 **ANTHONY SGRO**

1671 Correct.

1672

1673 **COUNCILMAN WOLFSON**

1674 So is the District Court proceeding that's in front of Judge Jackie Glass dismissed?

1675

1676 **ANTHONY SGRO**

1677 I don't know if the order has been entered yet or not.

1678

1679 **COUNCILMAN WOLFSON**

1680 Okay, but the settlement of release agreement are a part of that legal case.

1681

1682 **ANTHONY SGRO**

1683 That's correct.

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1684 **COUNCILMAN WOLFSON**

1685 And I think Mr. Rizzolo just offered that once the one million was paid, that gave rise to
1686 this document.

1687

1688 **ANTHONY SGRO**

1689 That's correct.

1690

1691 **COUNCILMAN WOLFSON**

1692 Now, it's your position that, that document also provided for Mr. Rizzolo's promise to pay
1693 the remaining nine million, as well, personally?

1694

1695 **ANTHONY SGRO**

1696 The –

1697

1698 **COUNCILMAN WOLFSON**

1699 I understand that he has to pay out of the proceeds of the sale.

1700

1701 **ANTHONY SGRO**

1702 – payment the way the document – Yes, the way the document structured Councilman, is
1703 that the Henrys are to be paid rather or not the sale of the club yields sufficient funds.

1704

1705 **COUNCILMAN WOLFSON**

1706 Okay –That answers my question. That's all I have for now. Thank you.

1707

1708 **MAYOR PRO-TEM REESE**

1709 Thank you.

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1710 **ANTHONY SGRO**

1711 May I call – my witness now?

1712

1713 **MAYOR PROTEM REESE**

1714 Just a moment, please. Mr. Henry, you mentioned a couple times about September, two
1715 thousand and six on this liquor license, the privilege license, if we suspend the license for
1716 a hundred and eighty days, won't that be like into March of next year?

1717

1718 **WILLIAM HENRY**

1719 My calculation was that it would be September twenty first, two thousand and six. No.

1720

1721 **MAYOR PRO-TEM REESE**

1722 That's just – a couple days.

1723

1724 **WILLIAM HENRY**

1725 No, you're – wrong, I'm sorry. That is wrong. I'm sorry –

1726

1727 **MAYOR PROTEM REESE**

1728 I'm wrong?

1729

1730 **WILLIAM HENRY**

1731 It would be a hundred, no I'm, you and I are misreading this. What I –, if you look at
1732 your screen Sanction B req, suggest an immediate suspension of the liquor license for a
1733 hundred and eighty days.

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1734 **MAYOR PRO-TEM REESE**

1735 Yes.

1736

1737 **WILLIAM HENRY**

1738 And that is March 5th –

1739

1740 **MAYOR PRO-TEM REESE**

1741 Okay, that is.

1742

1743 **WILLIAM HENRY**

1744 – two thousand and seven. The September 21st date is the date by which the fine would

1745 have to be paid.

1746

1747 **MAYOR PRO-TEM REESE**

1748 Yes, well I just wanna clear the record ‘cause you said privilege license will be able to be

1749 back in order in Mar, in September.

1750

1751 **WILLIAM HENRY**

1752 I'm sorry if I misspoke myself.

1753

1754 **MAYOR PRO-TEM REESE**

1755 Okay.

1756

1757 **WILLIAM HENRY**

1758 Thank you, Councilman.

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1759 **MAYOR PRO-TEM REESE**

1760 And then, just, I want to make a comment too. Why the City or why I didn't become
1761 more involved in this the last couple three years was, I was always under the impression
1762 that the federal government was in there, on an ongoing basis, and anytime the City
1763 would've stepped in, would, could've stepped on their toes. We could've interfered with
1764 their investigation, and I just thought it was best to let the federal government go in and
1765 do their job. And we – be, eventually, had to come in and look at it. So with that said,
1766 Mr. Sgro call – your witness please.

1767

1768 **ANTHONY SGRO**

1769 Thank you Mayor Pro-Tem. We call Amy Henry, Your Honor.

1770

1771 **DONALD JUDE CAMPBELL**

1772 Mayor Pro-Tem Reese, my name is Donald Jude Campbell. I'm an Attorney practicing
1773 the firm of Campbell and Williams, at 700 South Seventh Street, Las Vegas, Nevada.
1774 With me is Mr. C. Stanley Hunterton of C. Stanley Hunterton Associates, also is the head
1775 of his own law firm, here in Las Vegas, Nevada. We were the counsel for the Henrys
1776 throughout the vast majority of these proceedings. Mr. Hen, Mr. Hunterton joined me
1777 after about three months or so into the litigation. We have with us here today Ms. Henry,
1778 Mrs. Henry who has asked us and Mr. Sgro to have the opportunity to address all of you
1779 on a matter, which is of great concern to her. And we will be happy to answer many of
1780 the questions that have been presented to Mr. Sgro, because we believe that we have
1781 some additional information that would be responsive to the inquires that were made.
1782 She has a picture here she would like to show. Just step up here, dear.

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1783 **AMY HENRY**

1784 Okay, my name is Amy Henry. I reside at 13745 South Blackfoot Drive, Athletic,
1785 Kansas. I'm not use to doing this, so I typed some notes, I hope that's okay. Good
1786 morning. Thank you for providing me the opportunity to address you this morning on a
1787 matter which is obviously of concern to many people, but of concern to no one more than
1788 me and my family. This is a picture I took of my husband Kirk, our son Jared, who is
1789 sixteen, and our daughter Carson who is twelve. Kirk very much wanted to be here
1790 today, but regrettably for the logistics of transporting Kirk are such that special
1791 arrangements must be made for van transportation, airline travel and hotel
1792 accommodations well in advance. Because as many of you know, my husband has been
1793 rendered a quadriplegic. I should add at this point, that my husband paralysis is
1794 completely irreversible due to the extreme trauma he received at the hands of Crazy
1795 Horse's bouncer, Robert D'Apice. While I am away Kirk is being taken care of by my
1796 children. Sorry.

1797

1798 **MAYOR PRO-TEM REESE**

1799 That's okay.

1800

1801 **DONALD JUDE CAMPBELL**

1802 Take a breath, take a breath.

1803

1804 **AMY HENRY**

1805 Jared and Carson, who like me, became Kirk's care givers five years ago. Five long years
1806 ago, this month. Perhaps one of the most painful aspects of this nightmare has been the
1807 impact it has had on our children, who lost so much of their childhood due to the
1808 demands of caring for Kirk on a seven-day-a-week, twenty-four hour a day basis. As you

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1809 can well imagine, the physical and emotional toll this has taken on us, has been
1810 enormous. Matched only by the unbelievable financial strain that it has placed us all
1811 under. In a word, the financial effect of this has been devastating. And if not for the
1812 financial support of our family, our friends and our church, we would've lost our home
1813 long ago.

1814 When our case against the Crazy Horse was settled a few months ago. Our family
1815 experienced our first truly joyous moment, since Kirk was paralyzed five, very long years
1816 ago. After one year of intensive and incredibly complex negotiations with the United
1817 States Attorney's Office, the FBI, the Crazy Horse lawyers and our lawyers, Kirk and I
1818 thought this matter was finally resolved. Never in our wildest dreams did we believe that
1819 the Las Vegas City Attorney would try to close the club before we got our settlement.
1820 After all, no one from the City Attorney's Office or licensing department ever contacted
1821 us, while Kirk was hospitalized here in Las Vegas for weeks on end. And it wasn't as if
1822 they didn't know about the event. Kirk's assault received widespread publicity, both on
1823 TV and in the papers, within days of it happening. Even after NBC Date Line did a
1824 nationally televised special on our case, no one from the licensing department or the City
1825 Attorney's Office contacted us or conducted any sort of investigation. It was only now,
1826 after my family has gone through five years of hell that they have decided to investigate
1827 and become involved. And, shockingly, it isn't to help us, the victims, but instead to
1828 undo everything that we have been able to accomplish. Without belaboring the point any
1829 further, I respectfully and most humbly ask each of you to not permit us to be victimized
1830 a second time. Thank you for your kindness in allowing me to address you on this very
1831 important matter.

1832

1833 **DONALD JUDE CAMPBELL**

1834 You can go back to your seat.

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1835 **AMY HENRY**

1836 Okay.

1837

1838 **DONALD JUDE CAMPBELL**

1839 There were a couple of questions, I think perhaps I can address with respect to the
1840 involvement of parties at issue, that have not, I don't think, been presented. These
1841 negotiations began following the time that our civil law suit was transferred to the United
1842 States District Court to resolve a very peculiar issue with respect to the application of
1843 subpoena laws on the Federal Bureau of Investigation. As a result of our case being
1844 removed from Judge Glass's courtroom to the United States District Court, the Federal
1845 District Court then had jurisdiction over the proceedings. At the same time, there was, in
1846 tandem, an investigation been conducted by the Federal Grand Jury seated in Las Vegas,
1847 Nevada. A criminal investigation that was underway and had been underway in earnest,
1848 since the time that Mr. Henry had been beaten up shortly after September the 20th or so.
1849 At that point of the removal, there was a discussion among Counsel involved, including
1850 Mr. Sgro, myself and the United States Attorney, that there was a possibility of – a
1851 universal or global resolution of this entire matter. And that possibility existed just by the
1852 serendipitous transfer of our case to Federal District Court.

1853 One of the United States magistrates, over in United States District Court, is Magistrate
1854 Judge Peggy Lean. Judge Lean has a, an extremely well regarded history as a trial
1855 lawyer, having been in the District Attorney's office, the Public Defender's Office and
1856 also has an excellent reputation as having been a very skilled and knowledgeable
1857 commercial lawyer, as well. Judge Lean is also, to our knowledge, the only fellow, the
1858 American College of Trial Lawyers, in this state that's a female. She bears that
1859 wonderful recognition. The American College of Trial Lawyers, limited to the top one
1860 percent of the trial lawyers in the country. It was decided that now that we have the

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1861 opportunity of being over there, that possibly Judge Lean, who has likewise an excellent
1862 reputation for mediating cases and resolving them, would have the jurisdiction over all
1863 the parties. The City Attorney's Office was never a party to any of these proceedings
1864 because they were never a party, period. Nor to my knowledge, at any time during the
1865 course of these negotiations that took place over year, and quite frankly were heavily
1866 publicized by Mr. Smith, in his column, by Mr. German, who was at the time a column
1867 for the Las Vegas Sun, and by Carey Gear, who was the courthouse reporter, was there,
1868 even an inquiry from the City at that point. As a result of that year of intensive
1869 negotiation; which was spearheaded initially and principally by Judge Lean, in which, at
1870 least the core of this agreement was arrived at, there must have been thousands upon
1871 thousands of phone calls, inquiries, discussions that took place between and among the
1872 many parties to this proceeding. There was a suggestion that somehow the federal
1873 government, maybe, wasn't taking into account certain impact may have may occur at a
1874 later point in time. I think one of the government's principle objectives in this proceeding
1875 was to ensure that there was a full and complete turn over of the Crazy Horse. And the
1876 means by which they affected that was to demand that Mr. Rizzolo sell the club, that he
1877 would get rid of the club. I think the federal government recognized, as we all do, that
1878 any sort of closure to the club would take a very, very long time to do, would involve the
1879 taxpayers' money being expended for a great period of time on lawyers, constant appeals
1880 to District Court and to the State Supreme Court. And so I think they literally sought to
1881 bypass all of that and to effectuate the removal of the management of the Crazy Horse by
1882 this structured agreement. And that there was recognition that Mr. Rizzolo, who is
1883 compelled, pursuant to his plea negotiation, never to be involved in the industry, not only
1884 here but in fact, there is a provision in his plea negotiation, that Mr. Rizzolo, can never be
1885 involved in the adult entertainment business in any form or shape or capacity at any point

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1886 in his life in any United States territory or District or State, at any time after that club is
1887 sold.

1888 Given the fact that Mr. Rizzolo had agreed to what he was declaring to be a draconian
1889 penalty that was being placed upon him by the actions of Mr. D'Apice, who actually
1890 committed the offense. There nevertheless was the recognition that by extending it out
1891 for a period of a year he would be allowed to run it in order to sell it and to sell it a non-
1892 fire sale type of sale. That is to say one in which there was an ongoing business that
1893 could be sold. It's generally recognized in the field commercial transactions that an
1894 ongoing business is worth far, far more and none particularly more so than taverns and –
1895 adult night clubs or adult night clubs simply because you have the people that – are
1896 coming. You have a certain clientele that is there and is on the establishment and you
1897 have a work force that you can depend upon, at least insofar as running the club as it has
1898 been run, with respect to operational issues and is up and going on. One of the major
1899 concerns I know that Mr. Sgro had, that once you shut the door on anything, you know,
1900 the employees are gone and so are the customers. It's a little more dramatic here
1901 because, apparently, they have hundreds of hundreds of these dancers there that would be
1902 going to other places.

1903 There was also a suggestion that the taxpayers of the City of Las Vegas has subsidized –
1904 the payment to our client or that is about to be made or hopefully or about to be made if
1905 the club is left open. And – I think Mr. Henry, the City Attorney, misspoke. There is a
1906 provision of the Internal Revenue code of the United States of America Department of
1907 Treasurer Regulations that provides, that you can deduct payments that are made to settle
1908 a civil claim that is made against your business. It is what is known as a ordinary and
1909 necessary expenditure or business expense, that exist independent of rather or not any of
1910 these proceedings ever took place. So they weren't given anything special. I think Mr.
1911 Sgro, simply being a good lawyer want to acknowledge the fact that – even though there

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1912 were penalties involved here, that that was a penalty that there was no penalty with
1913 respect to that, that he would be treated no differentially than any other taxpayer. So
1914 there has been no subsidy, of this negotiation by the City of Las Vegas, citizens or the
1915 State of Nevada.

1916 There was likewise an inquiry, I believe Mayor Pro-Tem, from you, with to respect to
1917 ongoing supervision. I was, as Mr. Hunterton, we were organized crime prosecutors in
1918 the United States Attorney's Office for a great many years. So we have a wealth of
1919 experience, with respect to the supervision of corporations that have been convicted. Mr.
1920 Hunterton, in fact, convicted one of the first corporations in the state. He convicted the
1921 Stardust, the Argon Corporation, for the skimming. I was involved in a number of money
1922 laundering investigations involving banks and the supervision of banks, after they had
1923 been convicted of money laundering, here in Nevada. And so, perhaps our perspective
1924 on that may be of some benefit and assure you with respect to that.

1925 The United States of America, when it takes a plea from a corporation, can't put a
1926 corporation in jail. The only thing it can really do is to supervise that corporation into
1927 how to pay a fee and make it comply with certain terms and conditions. Every single
1928 defendant, whether it is a defendant who is a person or a defendant who is a corporation,
1929 an organization if you will, is subject to the supervision of the United States courts after
1930 they have been sentenced, whether it's that supervision is by the Department of Probation
1931 or Parole and all sort of one and the same, it's called the Department of Parole and
1932 Probation. They – have ongoing supervisory duties and abilities to, literally, do a lot of
1933 things. Search you, demand documents, inquire of your employees, things of that nature.
1934 Moreover, I think it's not a mystery to any of us that this investigation was extremely
1935 intense by the Federal Bureau of Investigation. That particular organization dedicated
1936 five years to that investigation and came to this resolution, which included the fact that
1937 they have the ability to go in there at any time, demand whatever they need and the Crazy

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1938 Horse has the absolute obligation to comply with them. And they have not only that
1939 ability by virtue of the plea agreement, but also, I hasten to add, by virtue of the fact they
1940 are under the supervision of the courts.

1941 With respect to the order of payment, the Henrys have received a one million dollar
1942 payment for, from the insurance company. Regrettably, the Crazy Horse only had a one
1943 million dollar policy. Upon the culmination of these negotiations, that million dollars
1944 was paid. We did not take a fee out of that million dollars. That million dollars was given
1945 over to the Henrys and they have already begun paying an enormous amount of debts
1946 back. Mr. Henry has never worked since the day that this occurred. Mrs. Henry, because
1947 they could not afford any sort of health care, the in-home health care or nurse has literally
1948 had to care for him along with their children, on a 24-hour basis. So, they've solely
1949 depended on their friends, the generosity of their family, who's extended a lot of loans, as
1950 well as their church, who's been more than kind. There may have been some additional
1951 inquires that I didn't address, but I will be happy to answer as someone who is intimately
1952 involved in the process.

1953

1954 **MAYOR PRO-TEM REESE**

1955 Thank you.

1956

1957 **DONALD CAMPBELL**

1958 Any questions that any of you might have?

1959

1960 **MAYOR PRO-TEM REESE**

1961 Thank you very much. Council Members are there any questions, please? Councilman
1962 Brown?

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1963 **COUNCILMAN BROWN**

1964 Thank you, Mayor Pro Tem. Mr. Campbell, thank you. But if it wasn't your intent, I
1965 would ask the City Clerk to also include in the record that is being made today the DVD
1966 that was forwarded along with your letter to the Council Members.

1967

1968 **DONALD CAMPBELL**

1969 Thank you very much, Mr. Councilman.

1970

1971 **COUNCILMAN BROWN**

1972 Very, very compelling. Two issues here. One, and I think I've heard it a couple times, as
1973 far as the reasons or justification why there's no communication back from the, during
1974 this negotiation period from the City to the core of the negotiation team with the Fed's,
1975 yourself, Mr. Sgro. And shame on us for not picking up the phone if that's the case, but
1976 also with your experience, why wouldn't, in the intense negotiation, any reference or
1977 dialogue as to what the City could potentially do, even after a settlement was reached.
1978 Wouldn't it be incumbent upon your – core negotiating team, with that discourse, to ask,
1979 should we pick of the phone and call the City and say this is going on? So, I – don't say
1980 either side's to blame, but since both phones stayed on the hook, I'm not so sure the
1981 argument or the statements that the City did nothing for three or four years. I think
1982 there's some responsibility on both sides. And do you want to comment on –

1983

1984 **DONALD JUDE CAMPBELL**

1985 I will be happy to, if you wanna, I mean, if all of you wanna beat me and say –

1986

1987 **COUNCILMAN BROWN**

1988 No. This is no –

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1989 **DONALD JUDE CAMPBELL**

1990 No, really, I'll take it, but when Mrs. Henry actually said that never in her wildest dreams
1991 that she ever envisioned being here, I think that's pretty accurate because, I mean, Mr.
1992 Hunterton and I practice respectively, I think 33 and 30 years. When Mr. Rizzolo agreed
1993 to get out of the business and he was provided the opportunity to sell the club in a non-
1994 fire sale, ongoing business relationship, quite frankly, we thought that may the City
1995 Attorney's Office or you would be jumping for joy because essentially the FBI did the job
1996 for you. That if, that nothing further was really going to be required at that point.

1997

1998 **COUNCILMAN BROWN**

1999 I and I –

2000

2001 **DONALD JUDE CAMPBELL**

2002 He was getting out of the business not only here, but everywhere in the United States. He
2003 was paying an enormous sum to – the federal government. He was making restitution to
2004 us. Quite frankly, we never, ever envisioned that there was going to be any problem,
2005 'cause frankly if somebody, I mean, if somebody had said something to us, I mean – this
2006 was – in all the papers.

2007

2008 **COUNCILMAN BROWN**

2009 Right.

2010

2011 **DONALD JUDE CAMPBELL**

2012 I mean, it was being reported on daily basis, these negotiations. There were all sorts of
2013 speculations. I'm mean, it had Mr. Henry or Mr. Jerbic, I've known these gentleman
2014 forever, called me up, said listen, there maybe a problem. I would've, suggested that he

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2015 make the phone call to whoever, at the US Attorney's Office that was involved in the
2016 process. But quite frankly, remember something, there were really only three parties
2017 involved in all of this. It was Mr. Henry, because he was suing him and we were in
2018 United States District Court, it was the United States of America because they had a case
2019 that was pending against them, so they were involved. And then, of course, there was
2020 Mr. Sgro and his client, the Crazy Horse. The City wasn't a party to all of that. But
2021 nevertheless, I think there was a recognition by the United States of America that there
2022 was a responsibility to do something to try to prevent this in the future. And they
2023 compelled Mr. Rizzolo to abdicate his role in the management of such a – club, not only
2024 here, but in the rest of the United States. So, when that concession had been achieved,
2025 and quite frankly it wasn't a concession that was achieved, you know, after a great deal of
2026 negotiation and time, I suspect, I just don't think that any of us envisioned that we would
2027 be here in – a hearing. Now, where, you know, much of that all, that work was going to
2028 be undone to close him, you know six months earlier.

2029

2030 **COUNCILMAN BROWN**

2031 Okay.

2032

2033 **DONALD JUDE CAMPBELL**

2034 I – just don't just don't think –

2035

2036 **COUNCILMAN BROWN**

2037 And – I don't even want get –

2038

2039 **DONALD CAMPBELL**

2040 – that was, and I apologize, but quite frankly, I never –

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2041 **COUNCILMAN BROWN**

2042 – no, I don't want to even get into the beat up the City, beat up you, that's not the intent.

2043 In fact, that's the furthest thing from the intent. The stand –

2044

2045 **STANLEY HUNTERTON**

2046 May I – add to that for just – a moment.

2047

2048 **COUNCILMAN BROWN**

2049 Sure.

2050

2051 **STANLEY HUNTERTON**

2052 Yeah, I sure rather take the blame with – Don –

2053

2054 **MAYOR PRO-TEM REESE**

2055 What – is your name and address, please?

2056

2057 **STANLEY HUNTERTON**

2058 Oh, I'm sorry. Stan Hunterton, I represent Amy Henry.

2059

2060 **MAYOR PRO-TEM REESE**

2061 Thank you

2062

2063 **STANLEY HUNTERTON**

2064 3333 South Sixth Street. We'll be glad to take the blame, but I'd like to echo what Don

2065 said about never envisioning it. You know, it wasn't like we thought about it and decided

2066 not to call the City's Attorney's office. You know, we didn't call some other people too.

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2067 We didn't call the State Attorney General's Office because it never occurred to us that,
2068 even though some of the things, some of the activities implicated in the federal
2069 investigation would also constitute actionable offenses, criminally or civilly under the
2070 jurisdiction of the Nevada State Attorney General, we didn't call them, there in fact is a
2071 lawyer here today we happened into, on the way in from the State Department of
2072 Transportation because they have some kind of issue on a right-of-way involving the
2073 property involving the Crazy Horse, we didn't call them because it's simply never
2074 occurred to us. We thought here that we had hit the proverbial home run. Now with the
2075 benefit of 20/20 hindsight, all we could say is that Mr. Jerbic and Mr. Henry would have
2076 obviously been welcome at the table had we known they – they'd have any interest.

2077

2078 **COUNCILMAN BROWN**

2079 And I think we share in that 20/20 hindsight. In the standard language, I think, that's
2080 been addressed by everybody, that's standard language. The one question that I raised
2081 earlier with Mr. Sgro and I'll raise with you, are you aware through, the negotiations, of
2082 the profitability of the Crazy Horse Too? Are you aware of the revenue streams that have
2083 been generated?

2084

2085 **DONALD JUDE CAMPBELL**

2086 I only had one conversation with the licensing department during the entire time that this
2087 occurred. And I called over there and one of the things I wanted to know was whether or
2088 not I could get documentation, with respect to the revenue stream, and the – department,
2089 and I left several messages to finally talk to someone, and they would never give me that
2090 information and discouraged me from calling back for it, said it was privileged.

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2091 **COUNCILMAN BROWN**

2092 Our licensing?

2093

2094 **DONALD JUDE CAMBELL**

2095 That, your licensing department.

2096

2097 **COUNCILMAN BROWN**

2098 I can save you that. We know that they give us a flat fee as any licensee, as far as the
2099 liquor component. That, what's generated off their amenity sales; soda, and food or
2100 whatever else is sold generates there, generates I think that the figures up to half a million
2101 to three quarters of a million. That to me is secondary to a desire, and hopefully today
2102 we'll get there, to find out the value of this business because it is directly going to impact
2103 your negotiation and settlement, part of our decision making process. And quite cannily,
2104 but for the fact of – your client and the tragedy that occurred, that's – out of this moral
2105 dilemma here, without that, this would be almost a routine license City Council hearing.
2106 And I, I'll end where I started, Mr. Campbell. The DVD was compelling and nothing
2107 more need be said. I think as it was indicated in the Department of Justice press release,
2108 it, the plea agreement quickly and efficiently accomplishes the primary goals, plural, of
2109 investigation to remove the current ownership from the Crazy Horse Too, and bring
2110 closure to Kirk Henry. I couldn't agree with that more. Thank you.

2111

2112 **MAYOR PRO-TEM REESE**

2113 Any other questions?

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2114 **COUNCILMAN WOLFSON**

2115 Yes, thank you. This is in the form of a question and an observation. I think the problem
2116 that many of us are having and – this is directed at Mr. Sgro as well, and even Mr. Bill
2117 Henry from the City Attorney's office, is that, I'm speaking from myself and I'm sure my
2118 colleagues are having the same struggle, and that is, we certainly are sensitive to the
2119 argument that the club should remain open for its marketability so that it could be sold so
2120 that monies could be used to pay Mr. Kirk Henry. But at the same time we have the
2121 principle operator, Mr. Rizzolo, the corporation itself and other employees who've pled
2122 guilty to various felonies. So how can we allow this business to remain open with the
2123 principal, Mr. Rizzolo, still having a day-to-day ongoing relationship with this property.
2124 Never in the history, as far as I know, in the County or the City had somebody pled guilty
2125 to felonies and been allowed to maintain a day-to-day operational position with his
2126 company. So here is what I have to offer, and perhaps this is scenario number three, or
2127 Sanction Number 3, and that is, it's my understanding, and I don't have a great familiarity
2128 with this, but it's my understanding that in the gaming industry they have something
2129 called a Compliance Committee. And I think by gaming control regulations each gaming
2130 company is required to have and maintain a compliance program with compliance
2131 officers or specialists. And if we could impose something like that on the Crazy Horse
2132 Too, it might satisfy, at least I'm speaking for myself, my concerns. This would allow
2133 independent people whether they be former police officers, former FBI Agents or
2134 whomever, and the Crazy Horse Too pays for all of this. But this Compliance Committee
2135 would then be put in place for the next nine months to monitor all of the activities,
2136 including the revenue streams, et cetera. The liquor license would not be revoked. The
2137 business would be allowed to remain open and could be sold, hopefully for its fair market
2138 value. But at the same time, Mr. Rizzolo would not be part of this business nor any of the
2139 admitted defendants, admitted felons. In fact, they would have no day-to-day control or

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2140 say so in this operation. Are you familiar with this kind of program, Mr. Campbell?
2141 You're not really even technically a part of this proceeding, but you have vested interest.
2142 Mr. Sgro, are you familiar with this program? Is there something we could do?

2143

2144 **DONALD JUDE CAMPBELL**

2145 Well, I'm familiar with Compliance Programs. For example, MGM has a Compliance
2146 Board. There are a number of former members of the industry. For example, one of
2147 members of the compliance boards of MGM, is Mr. Irga, who was a former member of
2148 the Nevada Gaming Control Commission. He sits on there. And the purpose and the
2149 designed effect is that they will review operational techniques, protocols and problems
2150 that may have come up during a period of time in the last quarter. Advise the Board on
2151 maybe additional steps that should be taken to ensure the integrity of the gaming
2152 activities in a propriety those licensee with whom they deal. I – think what you're
2153 looking for – here, though, and if you're asking my – opinion is, you're more interested in
2154 actual day-to-day supervision. And something I was going to suggest, if offered the
2155 opportunity, was as follows, Councilman Wolfson.

2156

2157 **COUNCILMAN WOLFSON**

2158 Larry.

2159

2160 **DONALD JUDE CAMPBELL**

2161 The City Licensing Department, I'm sure has a number of extremely capable experienced
2162 and savvy licensing agents. I know the County has, I've dealt with them in the past. My
2163 suggestion is put such an agent in there, during operating hours, one or more of them and
2164 make the Crazy Horse pay for that. You don't need a committee, in my estimation. This
2165 would be someone who would be reporting to you if somebody sneezes the wrong way in

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2166 that place. So, I think that that might effectuate the objectives and – I don't suggest that
2167 those objectives aren't – important.

2168

2169 **COUNCILMAN WOLFSON**

2170 Not bad. I'm not sure if I would agree that that's the best way to go because I think for a
2171 personal preference I would want somebody totally independent. In fact I would want
2172 three or four persons that sit on this committee. All independent of everybody.
2173 Certainly, they would – be responsible to the City 'cause this would be something that we
2174 would be instituting. Mr. Henry, what are your thoughts on something like this?

2175

2176 **WILLIAM HENRY**

2177 Councilman, these are my thoughts. We're the government. We can't just make it up as
2178 we go along. We're bound by our laws and the laws then govern what the City Council
2179 can do in terms of imposition of the penalty are these. Upon a showing, and they emanate
2180 from LVMC6.02360 and it's exhibit seven. Upon the showing of good cause and in the
2181 discretion of City Council, disciplinary action against the holder may take the form of
2182 cancellation, revocation, refusal to renew, suspension, imposition of conditions or
2183 restrictions or civil fine in an amount not to exceed one thousand dollars for each day that
2184 the violation, which forms –

2185

2186 **COUNCILMAN WOLFSON**

2187 Well, that's it right there: imposition of conditions. Will we not, under my idea, be
2188 imposing conditions on this license? Wouldn't – something like this come under the
2189 category of imposing a condition on the license?

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2190 **WILLIAM HENRY**

2191 No, it wouldn't because what, as I understand your notion, you're concerned that Rick
2192 Rizzolo can't be trusted to run his strip club in a fashion different than the fashion then it
2193 was running during the period referred to in the federal indictments.

2194

2195 **COUNCILMAN WOLFSON**

2196 One of them, among others.

2197

2198 **WILLIAM HENRY**

2199 We don't, we can not we can impose conditions but it is not a condition on a license that
2200 the government operate your business.

2201

2202 **MAYOR PRO-TEM REESE**

2203 Mr. Henry, I need to interrupt you here for just a second. Are there any – other questions
2204 here for Mr. Hunterton – or Mr. Campbell?

2205

2206 **COUNCILWOMAN TARKANIAN**

2207 I would like to make a comment, Mayor Pro-Tem.

2208

2209 **MAYOR PRO-TEM REESE**

2210 Okay.

2211

2212 **COUNCILWOMAN TARKANIAN**

2213 The comment is this, that when we look at Section B and we see the second bullet point,
2214 there about the fine to be paid, and we look at the third bullet point about not having
2215 people who have pled guilty to felonies remaining, I, it seems to me the group is talking

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2216 along the same line that these are not, these are things which there is some agreement.
2217 The problem we've had, all of us, it seems to me, is that of your client, Mrs. Henry, and I
2218 would like her to know that I – think it's bearing heavily. So, because some of the
2219 comments you made about what we might be doing, I want you know it's been bearing
2220 heavily, I think, on all of the Council Members. We want to do right here. I myself, have
2221 a very relative who has a similar injury. I know what the effect on the family. I know
2222 how crushingly the extra work is and the emotionality of it. So I, we I – believe I and the
2223 other feel for you in that and this is where I find our questioning is coming.
2224 I – wanted to just let you know, as your her legal representatives, that I believe everybody
2225 up here is trying to work this out. And from the questions that came up when we first
2226 covered this item, it's always been a concern about what happens with the Henry Family.
2227 And – this is what we've been trying to do. I still can't understand what this settlement
2228 and release document was and I wondered if maybe you could explain it.

2229

2230 **STANLEY HUNTERTON**

2231 Mr. Campbell, explain it.

2232

2233 **DONALD JUDE CAMPBELL**

2234 I'll – be happy to. Pursuant to the global negotiations, we can't tell the federal
2235 government what to do. The federal government deal with the Crazy Horse and its
2236 management has its deal with the Crazy Horse and its management. They don't listen to
2237 me. They've cut their own deal, but they did so recognition of all the variables that have
2238 been placed out and discussed here today. One of the things that is required is that
2239 restitution be made. That restitution is in the amount of ten million dollars, but the
2240 government recognized, presumably, because the Internal Revenue Service, who had a
2241 numerous case agents on the case, and – obviously conducted a very thorough financial

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2242 investigation, obviously, the – IRS told certain officials with the prosecution that they
2243 probably couldn't come up with this money without selling the club. So, you have to give
2244 'em some time to sell this club. I'm sure they've had a microscope on Mr. Rizzolo and
2245 his finances. And I'm sure that, that's one of the reasons. Because this – isn't a question
2246 of rather or not the club remains open. It doesn't. At least insofar as management. The
2247 club is going to close, like Mr. Henry wants. It's gonna happen. It's just not gonna
2248 happen as quickly as he wants it to, without your approval. So, the government wanted
2249 the option there of giving them the opportunity, since he was getting out of the business
2250 and couldn't be in it anymore, anywhere else, selling the club in an orderly fashion to
2251 fund his obligation to pay that restitution. And that's why this window of opportunity to
2252 sell the club over a twelve-month period was given.

2253

2254 **COUNCILWOMAN TARKANIAN**

2255 And I understood that part, but my question

2256

2257 **STANLEY HUNTERTON**

2258 – you need to tell her what the settlement agreement is, it's the civil case –

2259

2260 **COUNCILWOMAN TARKANIAN**

2261 – is what suppose you didn't, where is the guarantee for the additional nine million for the
2262 Henry Family? I thought someone mentioned that.

2263

2264 **DONALD CAMPBELL**

2265 No. There is a settlement, a separate settlement agreement that disposed of the civil case.

2266 The civil case has, for all intents and purposes, been concluded. Mr. Rizzolo has
2267 personally signed a document in which he acknowledges he must pay the ten million

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2268 dollars, one – million of which has already been paid by the insurance company, nine
2269 million of which he will have to pay. But there was inherent in all of that, the
2270 understanding that he would be paying that, once he sold. He has to pay it no matter
2271 what. You know, quite frankly, I'll chase Mr. Rizzolo to gates of hell to get that money
2272 for my client. And I think anyone that knows me, knows that I will do that. But I'm not
2273 in this to chase Mr. Rizzolo. I – don't care about Mr. Rizzolo, one way or the other, but
2274 what I do care about is a man sitting in Alethic, Kansas, that's never going to use his legs
2275 and arms again. And I don't want to have to chase someone okay, when the opportunity
2276 has been structured where that money can come in a clean fashion. And Mrs. Henry
2277 doesn't have to lose sleep at night over whether or not I'm – going to be able to, after five
2278 years, collect in all of that.

2279

2280 **COUNCILWOMAN TARKANIAN**

2281 So, it's not that you wouldn't be getting the money, that she wouldn't be getting the
2282 money, it's the length of time that would be involved and the additional problems it
2283 would cause her.

2284

2285 **DONALD JUDE CAMPBELL**

2286 Oh, yes. It would be an enormous problem, enormous problem.

2287

2288 **COUNCILWOMAN TARKANIAN**

2289 I – just wanted to collect that information, I had some other comments I wanted to make
2290 later. But finally, I wanted to say to you that I understand why you didn't think of the
2291 City. Why would you be thinking of the City with all those other things that were
2292 happening and that, or even the – (inaudible) situation, you wouldn't be thinking of the
2293 City with all the other things that are happening. But I would also like to say that, I did

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2294 have several constituents who called me often about why aren't you doing something and
2295 I did check regularly and I checked with the Mayor. And basically, if the information we
2296 were given was that the federal government is handling this and you don't get involved to
2297 cause any problems until after that's over. So, I think that's what sort of happened. It was
2298 a little bit of a mish mash there. Thank you very much.

2299

2300 **MAYOR PRO-TEM REESE**

2301 Thank – you, Councilwoman. Are there any more questions, Mr. Campbell?

2302

2303 **COUNCILMAN WOLFSON**

2304 Well, Mayor Pro Tem, if you don't mind just –

2305

2306 **MAYOR PRO-TEM REESE**

2307 I just – want to release Mr. Campbell. I want – to direct my questions to Mr. Sgro and
2308 Mr. Rizzolo. I think Mr. Campbell has done his job very well.

2309

2310 **DONALD JUDE CAMPBELL**

2311 Thank you very much.

2312

2313 **MAYOR PRO-TEM REESE**

2314 Thank you.

2315

2316 **COUNCILMAN WOLFSON**

2317 Mayor Pro Tem ,with your permission, I would just like Mr. Jerbic to touch on as far as –

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2318 **MAYOR PRO-TEM REESE**

2319 Let me, before we get there, I want to ask; is there any, Councilman Ross do you have
2320 any comments or questions at this time?

2321

2322 **COUNCILMAN ROSS**

2323 I do have a comment, Mayor Pro Tem, if I may at this time, and I'll try to keep it short.

2324 To all and both Counsels can hear me from here, as long as Mrs. Henry, and Mrs. Henry,

2325 my heart is broken for your family. I'm not real in tune with all the legal mumbo jumbo

2326 that goes on between attorneys and their clients and the courts. But what I do see here is

2327 a family that has been broken. I've been very consistent in my thoughts and in my

2328 actions in the way I vote on this Council regarding businesses of this type. Businesses

2329 that violate their special use permits with their liquor licenses, I have been very

2330 consistent. Councilman Brown hit it on the head, if this any other type of business, this

2331 would be over with. We have a moral obligation here, and Mrs. Henry, you brought that

2332 out in my mind. These types of businesses, in my opinion, do absolutely nothing for

2333 families in this city. They do absolutely nothing for a good community. We do, however,

2334 afford them to operate, and – we're unique in – that way. I know many cities across the

2335 country do.

2336 I'm having a real hard time, Mr. Sgro, understanding that after twenty years of business

2337 or more years in this location, in being in business, that Mr. Rizzolo hasn't amassed a

2338 huge amount of wealth. And as previous Counsel has just indicated to us, he owes this

2339 debt one way or another, whether we keep the business open or close its door. And I'm

2340 inclined to close its door. It does not for this community in my mind. But obviously it

2341 will have a some great impact on the Henry Family, which I don't think any members

2342 want to adversely affect her family more then she has already been hurt. Mrs. Henry,

2343 you've certainly given me the opportunity to rethink my position on this issue. However,

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2344 I still do not support keeping these doors open and my position will be that as long as I sit
2345 on this Council. Thank you, Mayor Pro Tem.

2346

2347 **MAYOR PRO-TEM REESE**

2348 Thank you. Okay. Councilman Wolfson.

2349

2350 **COUNCILMAN WOLFSON**

2351 Thank you, Mayor Pro Tem. I'd just like Mr. Jerbic to touch on whether or not my
2352 suggestion about some sort of Compliance Committee, something similar to what our
2353 gaming regulators do, would be some sort of condition we could impose on this license
2354 holder.

2355

2356 **BRAD JERBIC**

2357 Thank you, Councilman. Let me break it down just a little 'cause I think there were two
2358 concepts involved and that may have been where it landed some confusion. The first
2359 concept I heard was that all principals, including Mr. Rizzolo would have no more
2360 contact with the business, wouldn't enter the doors anymore. That makes a Compliance
2361 Committee sounds to me, and certainly to Mr. Henry, like who would run if they didn't?
2362 And the Compliance Committee sounded, at least to Mr. Henry, I'm sure like we would
2363 be taking over and running it and the absence of the principals and the owner of the of –
2364 Power House (sic). The concept itself of requiring the owner to pay for and have people
2365 on premises make the business more secure or more safe or give us some comfort level,
2366 is certainly a condition this Council can impose. We have in the past required people to
2367 hire security guards. We've required people to hire outside people to sit in the parking
2368 lots. We've required them to close down early. We've required to put in lighting. So, to
2369 the extent that the condition resembles the owner hiring somebody to do something or the

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2370 City or, you know, compensating some agency to do something to give you that sense of
2371 security, I think it could be a condition. To the extent that it would be us running it, I
2372 don't think it could be a condition. So, I think the concept of monitoring needs to focus
2373 on, I think, who would number one, would run the organization, run the company, if the
2374 principals were not there. And if, once that question is answered, then what do you want
2375 to do to monitor it?

2376

2377 **COUNCILMAN WOLFSON**

2378 Let me quickly clarify, my intentions in bringing this idea to this Council was to have a
2379 independent body created. Now, it could be created with the recommendations of Mr.
2380 Sgro and Mr. Henry, these are the parties to the action. With the idea that people, not
2381 employed by the City, not employed by the Crazy Horse, not employed by anybody that's
2382 connected with this matter at all, be in charge of monitoring the business. And I mean
2383 monitoring the business in all facets for the next nine months. This committee would
2384 then report to the City so that we would regular independent information, but it would be
2385 totally independent of the operation of the Crazy Horse Too.

2386

2387 **BRAD JERBIC**

2388 As – you know, when we walk out of here, we're all gonna to have to try and make sense
2389 of whatever it is that you all have asked – us to do and asked Mr. Rizzolo to do. The, like
2390 I said I – would start with the first concept. If this moves towards a motion that includes
2391 a provision that the principal and people have pled guilty no longer having involvement
2392 with the business, I think before to supervision or monitoring, the question needs to asked
2393 who then runs the business, if not Mr. Rizzolo, and the people that you would not ask to
2394 be there. Once that question asked, I think the rest of the discipline might fall more
2395 logically into place. But that's the question that I know Mr. Henry and I are going to

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2396 struggle with at the end of this, if there's a motion that they not be there. And I know Mr.
2397 Sgro is going to call me up and he's going to say, who's in charge? And I – don't think
2398 that's the question.

2399

2400 **WILLIAM HENRY**

2401 Councilman, if I might, I wasn't able to complete my thought. My first thought, was that
2402 this is not found in 6.02.360 –

2403

2404 **MAYOR PRO-TEM REESE**

2405 Can you speak up, please. I can hear everybody but you.

2406

2407 **WILLIAM HENRY**

2408 Is the mike not on?

2409

2410 **COUNCILWOMAN TARKANIAN**

2411 It's better now.

2412

2413 **WILLIAM HENRY**

2414 My first thought is this not found in 6.02.360. My second thought, however, is, if we
2415 start running someone's business or telling them how to run their business –

2416

2417 **MAYOR PRO TEM REESE**

2418 We're not going to run their business.

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2419 **WILLIAM HENRY**

2420 – we are incurring liability. Mr. Sgro, in some of his briefings, has been asked how much
2421 profit did Rick Rizzolo make. And he has said, I'm not sure but at least five or six
2422 million dollars a year. So, if we start running a business or telling them how to run the
2423 business and we don't do any better at it than the United States Marshal did at running a
2424 bordello in Northern Nevada, than we're in subject to being sued for having cost them the
2425 profits that they would have otherwise made. And my – third thought is, getting back to
2426 the notion of what a penalty is. It seems to me, as many Councilmen have said, that the
2427 conduct here is more egregious than anything the City Council has ever heard. And I
2428 don't, I'm unable to discern that there's a penalty in imposing a Compliance Committee
2429 upon a strip club that gets to operate for the next nine months, and according to its
2430 counsel and in that nine months, will make another four and half million dollars.

2431

2432 **MAYOR PRO-TEM REESE**

2433 Thank you. Mr. Sgro, you have anything else you wanna add?

2434

2435 **ANTHONY SGRO**

2436 I have a couple things.

2437

2438 **MAYOR PRO-TEM REESE**

2439 Please.

2440

2441 **ANTHONY SGRO**

2442 I have a couple things to add. I – would like to point out just from a – policy standpoint
2443 some of the things, I think are implicit, but have not been explicitly stated. I think after
2444 now taking the comments of Mr. Henry, Mr. Campbell, Mr. Hunteerton, Amy Henry, I

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2445 think what – the sense is that – hoped to be imparted to you, is that, through this
2446 negotiation process, we tried to play it as straight up as possible. Councilwoman
2447 Tarkanian, I appreciate those comments about why the City may or may not been
2448 involved. And to tell you the truth, again we were not in charge of the time lines. We
2449 were being told by federal judges to do certain things, magistrate law, for example.
2450 Daniel Bogden, the Chief of the United States Attorney, was involved and he was really
2451 in charge of setting a lot of those timeframes and we were not. It was – somewhat of an
2452 effort just to meet with you all just to get ready for this hearing. I don't envision ever
2453 being given an opportunity to have had that same kind of time allotment from the US
2454 Attorney's Office to come here. And I'll leave that at that.

2455 One – of the policy issues, thought, has got to be we play it straight from the beginning.
2456 We come before you not with the view that we don't want any punishment. We've
2457 already been punished because we've been told we could never, we, Mr. Rizzolo, can
2458 never be in the adult entertainment business again. If we had elected to spin this
2459 proceeding, if we had elected to be more deceptive, I could have told the United States
2460 Attorney's office with a wink and a nod, listen let's not put Rick being out of the business
2461 in the plea agreement, let me go pitch that to the Council and give them their pound of
2462 flesh. We didn't do that. We went to the United States Attorney's Office. We met with
2463 Mr. Campbell. We met with Mr. Hunteerton. Mr. Campbell said thousands of phone
2464 calls, that is kind. We were on the phone and in meetings relentlessly for a long time.
2465 And we didn't come here to try to spin anything or try to deceive anybody. We come
2466 here already telling you what Mr. Campbell's already expressed. We thought you guys
2467 would be happy, if that's the appropriate word, relieved, maybe. Mr. Rizzolo, the person
2468 that's being characterized number different ways, before you today, has been told he's not
2469 in the business anymore. Policy wise, whether or not there should be an exacting of
2470 additional punishment on top of something that was a very viable possibility for you all

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2471 to have done, if we would have come here without that in the plea agreement. In other
2472 words, we execute the deal, we pay a bunch of fines, and we pay a bunch restitution, and
2473 I come before you and I say, you know, what leave him open for a year and then revoke
2474 his license. With that had been an option? Maybe it wouldn't have been. I understand
2475 where you're coming from, Councilman Ross. I – don't suggest there was an option
2476 potentially for you. But maybe it would've been to four of you. We didn't pursue that
2477 road. Another policy consideration has got to be – a case of this magnitude, what we
2478 heard some reference to taxpayer expense, someone has to be concerned of the potential
2479 impact, policy wise, of blowing up this plea negotiation because it was a package deal. It
2480 may or may not get set aside if the Council revokes or suspends. We would certainly go
2481 into federal court, as the Mayor has indicated early, and we would say listen, we agreed
2482 to this pacific plea agreement the municipality has eliminated Rick Rizzolo ability to
2483 perform pursuant to that plea agreement.

2484 There has to be some thought given to a jury trial involving almost 20 people. It's the
2485 largest package deal in the district of Nevada's history, for what I've been told. It
2486 concluded large, lengthy investigation and it compensated the Henry's all in one neat,
2487 nice little wrapped up bow. With respect to the person you have here in front of you, I
2488 wrote down the examples that Mr. Henry used. We revoke the liquor license because
2489 under age patrons. Mr. Rizzolo has been open 20 years: you've never had him here
2490 before under age patrons. We've revoked because crimes near the premises. Revoked for
2491 prostitution. Revoked for these things that he recited to you. Never in 20 years with six
2492 hundred thousand people a year that go in and out of those doors, that, that's the numbers
2493 staggering, that's twelve million people have gone in and out of that door. The charge
2494 back rate on our credit cards was one tenth of one percent, as recently as a couple years
2495 ago. That is better than the hotels do. Our incident ratio, with respect to patrons in the
2496 door verses incidents reported, is better than what they have on the Las Vegas Strip. You

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2497 know, and it can be said, I've heard the euphemisms, you know, lies, damn lies and
2498 statistics. But certainly you cannot look at this in a vacuum. The Crazy Horse business
2499 has grown significantly in size in the last 20 years. And while I appreciate your view,
2500 Councilman Ross, there has not been an massing of a lot (inaudible) because it didn't
2501 always make money. Mr. Rizzolo has been divorced about two years ago; his wife
2502 received a significant settlement amount. They were high school sweethearts, they had
2503 nothing when they met. She didn't work, he worked. The law in Nevada is equitable not
2504 equal. She did very well in the divorce proceeding.

2505 With that having been said, you do have someone here who's never been in trouble
2506 before, to use a euphemism that we use sometimes in the criminal court room, and I'm
2507 not suggesting that this is something that is a small, petty, non-serious thing. We come to
2508 you already having been through a very serious ordeal in that we already have agreed
2509 we're not going to be in the adult entertainment business anymore. We've already agreed
2510 to pay millions and millions of dollars in fine. Mr. Rizzolo's tax obligations, by the way,
2511 one point four million dollars, was to pay the IRS. The under reported income, for the
2512 other defendants, not his. So, you clearly have all sorts of mechanisms and powers at
2513 your disposal. The question is, do you kick him when he's down again for the sport of
2514 kicking him when he's down or is there a legitimate reason to take some additional
2515 action. Only thing, I think, that it is fair to at least consider what the hearing could have
2516 been like if we had come here only having been paid fines and with the absolute silence,
2517 as to whether or not he is in the business. On – behalf of Mr. Rizzolo, I'd ask you to
2518 consider the sanction that appears appropriate that can comports with the spirit and the
2519 policy of the plea agreement that was engaged in and negotiated for four years, which in
2520 of itself is an anomaly.

2521 And, Councilman Wolfson, I will tell you regardless of what Mr. Jerbic says and Mr.
2522 Henry says, we can certainly agree to anything. I'm not, the government had a problem

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2523 finding someone to, quote, unquote, run the business, in terms of the hypothetical ideas
2524 you were trying to impose. But we certainly do not have any problem paying for
2525 someone to be your eyes and ears in the club. In other words, if you did send someone
2526 from an agency, if you did find the retired police officer who would go in check on
2527 things, to use your term, whether it was daytime, nighttime, weekends, whatever, whether
2528 or not it's sanctioned, statutorily, I'm representing to you, that we will absorb that cost
2529 and we will not seek to interfere with that imposition, if the club remains open and
2530 ongoing concern.

2531

2532 **COUNCILMAN WOLFSON**

2533 Mayor Pro-Tem with your permission, just to touch on that for a second. What I'm
2534 proposing, and I have no idea what my colleagues are thinking, is a much more formal
2535 thing in place. Not just a retired cop who on his own shows up and willy nilly looks
2536 around. I'm talking about a much more formal thing, where there is a committee of two
2537 or three people that has pacific duties including access to books and records and things
2538 like that, as well as on site visits, etcetera.

2539

2540 **ANTHONY SGRO**

2541 And again, with respect to access to books or records, I don't see that as a problem. With
2542 respect to being your eyes and ears, so to speak, and coming in and out of the club, I don't
2543 see that as a problem, as well. The federal government obviously, we have a plea
2544 agreement, which obligates us to them, as well. I would expect if such a two or three
2545 person group has, was created, they would be mindful of the obligations we have to the
2546 federal government and not interfere or obstruct that process, to the extent they chose to
2547 act on it. But, I, suppose I'm here telling you I will not seek to do or execute any sort of
2548 legal maneuver because you acted outside the scope of your authority, if the request form

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2549 the Council is to assemble a two or three person group that would have access to records
2550 and that would be allowed to spot check subject to your authority, and then report back to
2551 you. So I will – represent that to the Council.

2552

2553 **MAYOR PRO-TEM REESE**

2554 Thank you. Mr. Henry, you have anything else you wanna say?

2555

2556 **WILLIAM HENRY**

2557 I don't, Mayor Pro Tem, thank you.

2558

2559 **MAYOR PRO-TEM REESE**

2560 Thank you. Council Members? Councilman Brown, you have anything you wanted to
2561 ask, or?

2562

2563 **COUNCILMAN BROWN**

2564 Thank you, Mayor Pro-Tem. This reference to the global settlement, I think part of the
2565 issue was, it was done in a vacuum, without City's involvement for what ever reason.
2566 There's – is no blame there, it was just done. And that negotiation team in the settlement
2567 felt that it's appropriate to have a year to sell the business, which the testimonies seems
2568 justified amongst stat group. When you try to translate that or transition that over to our
2569 world looking at a business in the City, and as it's been stated up here, some of the same
2570 principals that have pleded guilty are operating the club. That is very difficult. Again,
2571 absent of the Henry situation, I don't think this decision, at least, I wouldn't have any
2572 difficulty following staff recommendations more. The thing to me is most disconcerting
2573 is the fact that no where, at least, in our documentation has it been addressed that the club
2574 has operated since June 1st, 'til today. Either making a dollar or multi millions of dollars

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2575 over this three plus period, that money is not even referenced or stipulated to be used any
2576 where. So, if the history of the club makes five or six million or ten million a year,
2577 whatever the case maybe, there's this profit, this profitability that's ongoing now outside
2578 of the settlement. And – furthermore, allowing the club to maximize its potential for sale,
2579 which everybody agrees it's a good thing. But if that sale is 20 million or 30 million or
2580 40 million what, there's an absence of addressing the margin above that 16 or 17 million
2581 that Mr. Rizzolo has agreed to pay as part of the settlement. So, essentially, at least from
2582 my perspective, we're allowing Mr. Rizzolo and The Power Company to continue to
2583 make millions of dollars to benefit the business getting the highest return on a sale, which
2584 above 17 million dollars is going to be multi millions more money that goes to Mr.
2585 Rizzolo.

2586

2587 **ANTHONY SGRO**

2588 Well, that's not, I'm sorry didn't mean to interrupt –

2589

2590 **COUNCILMAN BROWN**

2591 No, please.

2592

2593 **ANTHONY SGRO**

2594 From the sale, first of all there's a five million dollar mortgage that has to be paid, okay,
2595 so right there it's from 17 million to 22. Whatever the price of the sale is there's a
2596 mandatory 15 percent on capitol gains tax that would have to be paid. Mr. Rizzolo's
2597 father owns ten percent of the business. Those monies would have to be paid.
2598 Commercial brokerage, real estate fees range between three to six percent, depending
2599 which agent brings you the deal. And – at those numbers, it's millions of dollars in
2600 commission. So, the reason, and I – alluded to this a little bit earlier in our

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2601 communications, there is a significant amount of money that a club has to be sold for
2602 before Mr. Rizzolo earns a dollar. And it's not, it would be inaccurate to suggest that if he
2603 sold it for 30 million dollars, that you subtract 30 from 17 and left with a balance of 13
2604 million. That's not – not accurate. I in fact, I don't believe Mr. Rizzolo, and I don't recall
2605 exactly, but when we sketched this out for the United States Attorney's Office, I don't
2606 believe he earns a dollar until we either cross the, I think, it's 35 million dollar threshold.
2607 It might be 30 it might be 35, 'cause we did it in five million dollar increments. So, with
2608 the taxes, the appraisal fees, the realtor fees, the money owed to his father, the money
2609 owed on the mortgage, the restitution to the government, the restitution to the Henry's,
2610 the money to the IRS, it has to be sold for significantly more than that before he nets a
2611 dollar.

2612

2613 **COUNCILMAN WOLFSON**

2614 And I appreciate that's absent of any reference to accumulated wealth up 'til 20 years of
2615 operating a business. It doesn't make any reference to where this first three and, to three
2616 and a half months of profits has gone or is going to. The concern is that there is a lot of
2617 money being left on the table. If the Henry situation compels us to address this issue in a
2618 different light, I just have problems, unless clearly delineated where all this money is and
2619 where projected sales are going to be and the debt, you know, those types things.
2620 Because we're talking millions of dollars, and with all do respect to Mr. Rizzolo as a
2621 businessman, I'm not so sure he should enjoy the benefit of operating the club for the past
2622 three months and the next nine months as a scenario, and walk away at the end of the deal
2623 with the normal profit and a potential profit from the sales. That's what I can't reconcile.

2624

2625 **ANTHONY SGRO**

2626 The normal profit it's doubtful, and I don't have his financial records in front of me, but –

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2627 **COUNCILMAN WOLFSON**

2628 – which we should, we should ask for those financial records to give, at least me, a better
2629 understanding of our we talking hundreds of thousands or are we talking millions?

2630

2631 **ANTHONY SGRO**

2632 Well, at this point I – would venture to guess that it's hundreds of thousands and I'll tell
2633 you why. Because when the deal went down, there was a lot of inactivity, in terms of
2634 people going to the club, there was a lot of activity of people trying to buy the club for
2635 little money or far less than it was worth. The investigation, it – does not, there's no
2636 correlations to an FBI rate and your business going up. In fact, it's the opposite every
2637 time a newspaper reporter wrote detrimental article, a legitimate newspaper reporter in
2638 any event, the business had the potential and often times did feel the impact of that. So,
2639 we – were struggling and are struggling with getting this back to, quote on quote, normal,
2640 so that we can then sell it. We are just now getting on the road to normal because we had
2641 to take in on the chin for the better part of the first part of this year. So, again, without
2642 having the financial documents, I could only tell you things that were being exchanged
2643 throughout the negotiation process. I don't know if that completely answers –

2644

2645 **COUNCILMAN BROWN**

2646 It does, Mr. Sgro, I appreciate that. Would the government, as part of their oversight
2647 abilities, would they have the monthly statements over the last three or four months?

2648

2649 **ANTHONY SGRO**

2650 I don't know if they have them in their hands. They certainly can ask for them. And of
2651 the things Mr. Campbell alluded to as to the Parole and Probation Department, they have
2652 done and are in the midst of concluding The Power Company's Pre-Sentence Report. The

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2653 large thrust of that pre-sentence represent will be the financials, so the government has all
2654 the financials in their possessions, to date to right now. So, they do have them. They are
2655 examining them, literally, as we speak and that Pre-Sentence Report should be done
2656 sometime soon, although I don't have a date certain when that will be completed.

2657

2658 **COUNCILMAN WOLFSON**

2659 Thank you.

2660

2661 **MAYOR PRO-TEM REESE**

2662 Sorry, were there any other questions or comments by the Council Members?

2663

2664 **COUNCILWOMAN TARKANIAN**

2665 Mr. Mayor Pro-Tem? I –

2666

2667 **MAYOR PRO-TEM REESE**

2668 Yes?

2669

2670 **COUNCILWOMAN TARKANIAN**

2671 – just wanted to add that going through all this information, is obvious, and we've known
2672 this that obtaining the liquor license is a great privilege. It's not a right, it's a great
2673 privilege, and the regulation that the Council follows as to disciplinary action is strongly
2674 stated for us. And Mr. Scout, Sgro, I wanted to state that I would disagree with you that
2675 it would be a double jeopardy type of situation. Because it does state very strongly, they,
2676 quote, shall be in addition to and not exclusive of any other civil or criminal remedy,
2677 unquote. And that is as far as disciplinary action. The other thing was as far as the days
2678 the fine where you've had some question to as to what every single day, there are crimes

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2679 that people pled guilty to that if we're talking about money where we're not reporting the
2680 tax on it, certainly, if that was a policy and that was the way they were doing it with
2681 pooling the money and not reporting it wasn't just one day here or one day there, you
2682 could see where that would be going over a period time. So, I – would more agree with
2683 Mr. Henry on that aspect of it.

2684

2685 **ANTHONY SGRO**

2686 Yes.

2687

2688 **COUNCILWOMAN TARKANIAN**

2689 And the last thing is, I think the big problem is, as Councilman Brown has stated, we
2690 don't really have that background information as to how much monies were earned and
2691 how much it would affect everybody, as far as income flow. And I don't know who has
2692 it. It seems we've been asking a lot of questions about it, and Mr. Brown I don't think
2693 you're fully aware of that yet, are you? No and neither am I. And I imagine the rest of
2694 us aren't. And so that brings up the question, well if we can't get this information, if we
2695 don't understand this information and what really is happening our there with this and
2696 how much money is involved. And that of course brings in the Henry's situation some.
2697 Thank you.

2698

2699 **MAYOR PRO-TEM REESE**

2700 Thank you.

2701

2702 **ANTHONY SGRO**

2703 Very – briefly Councilwoman. With respect to the amount of the fine is two fold. It was
2704 the scenario, as the complaint was pled it talks about the Rico Acts. And my

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2705 understanding was that there was going to be an assertion made that the Rico Acts
2706 occurred every day. They in fact did not. With respect to the tax issue that you bring up,
2707 I – agree with you to look at through those eyes. The – difficulty or the issue would then
2708 be whether or not you can legally impose a fine based upon the information which goes
2709 through '05 or the – statement of facts contained in the change of plea. I don't know if
2710 any legal authority that would support the Council's ability to go off of the information.
2711 So, the two fold argument I just want to clarify that. Thank you –

2712

2713 **MAYOR PRO-TEM REESE**

2714 – Thank you. Any other comments?

2715

2716 **COUNCILMAN WOLFSON**

2717 Mayor Pro-Tem?

2718

2719 **MAYOR PRO-TEM REESE**

2720 Yes.

2721

2722 **COUNCILMAN WOLFSON**

2723 It seems to me that if certain of us on the Council here, Councilwoman Tarkanian,
2724 perhaps Councilman Brown and myself, have unanswered questions, then perhaps we
2725 should ask for an opportunity to have our questions answered. Because I find that in my
2726 couple of years on the Council, sometimes I don't feel I have all the information that I'd
2727 really like to have. And this is certainly one of the more difficult issues and so I am going
2728 to ask our board advisor, and, Mr. Jerbic, you and I had some discussions about this
2729 before, is there anything preventing us from abeying this two weeks? So that we have
2730 answers to our questions?

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2731 **BRAD JERBIC**

2732 Logistically, yeah, Mr. Henry and I will be in a City Attorney conference in two weeks,
2733 but that should not be necessarily relevant to your consideration. Legally this is
2734 controlled by our Municipal Code, which requires that the hearing be held and – the word
2735 shall is the word that the Code uses, within sixty days. That has been interrupted, at least,
2736 by my office's jurisdictional, and I fear that if you were to veer from that as we did a
2737 couple weeks ago with the Squiggy's complaint, we, as you can recall when that
2738 discipline was eventually imposed, it wasn't under the complaint because it
2739 jurisdictionally expired. And my worry here is that if you go beyond sixty days which,
2740 anytime beyond this meeting, this complaint expires and the only way to resuscitate it
2741 would be to re-file the complaint and start the whole process over.

2742

2743 **MAYOR PRO-TEM REESE**

2744 Well I – don't feel comfortable in holding this in abeyance. I – could certainly appreciate
2745 the concerns that Councilman Wolfson might have or Councilman Brown or even
2746 Councilwoman Tarkanian. I don't know if we could ever find out how much money is
2747 made. I don't know whether that is, I know, it maybe a necessary evil, but I – just feel
2748 like that holding this in abeyance is just going to, and I don't want to say muddier the
2749 water more, I just don't think that we're gong to find out the answer. I don't know how –
2750 or who can give us an answer to those questions. So, are there any other comments?

2751 Okay –

2752

2753 **COUNCILMAN BROWN**

2754 Mayor Pro-Tem?

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2755 **MAYOR PRO-TEM REESE**

2756 Yes.

2757

2758 **COUNCILMAN BROWN**

2759 Mr. – Jerbic, if – that is in fact the case, that we must take action or it dies, in the past,
2760 there's been or request for the applicant to stipulate that this would be continued or
2761 recessed or whatever, is that legally binding?

2762

2763 **BRAD JERBIC**

2764 I fear that it wouldn't be for this reason. If at the, everybody is pretty good with a hand
2765 shake when it looks like it's going fine. But if at the end of the day, my fear is, that this
2766 Council impose discipline that ultimately Mr. Sgro and his client didn't like, I think his
2767 obligation as an attorney would be to raise the jurisdictional argument in court and you
2768 can't stipulate the jurisdiction. So, I – worry that even with an agreement it could be
2769 unwound because technically, such a – waiver does not exist in the law.

2770

2771 **COUNCILMAN BROWN**

2772 It would be somewhat redundant, this global settlement, the year time frame is far too
2773 long to allow the operation of the business. The, as Mr. Campbell indicated the, one of
2774 the fundamental elements of the negotiation and settlement was the closure for the
2775 Henrys which I don't think could happen soon enough. And yet that conflict, if in fact we
2776 follow at least one of the options and close the doors, we are impacting possibly a
2777 pending sale. I – we – have no proof or indication that it's 90 percent of the way there.
2778 But for certain, if we shut the doors today, that's certainly going to have an impact. And
2779 it's difficult because understanding the comments that have been made today, we are
2780 being asked to make a decision independent of this global settlement in our role as

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2781 Council people. To ignore the global settlement and just move forward because we're
2782 under this time constraint will certainly have consequences. But I – understand, we didn't
2783 put ourselves in this situation. I just – wish more information would've – been
2784 forthcoming as far some the options. And one option that I think, we somewhat reversed
2785 in Sanction B is if there's a way, and I'll – ask my colleagues, if there's a way that we can
2786 impose a fine, allow the business to stay open for a limited time to consummate a
2787 pending sale, oppose to shutting it down and then reopening it, which I think has the
2788 potential to just put us back in this situation six months from now.

2789

2790 **BRAD JERBIC**

2791 If I could, Councilman, maybe I can give you some direction 'cause I think by putting
2792 Option A and Option B together it may the false impression that you only have two
2793 options. You of course have almost an unlimited number of options, providing you're
2794 operating under the code. The, my recommendation be first for this Council to make a
2795 finding by vote as whether or not there's good cause to take discipline action against the
2796 licensee as a result of today's hearing. After that vote, it would be wise, then, to discuss
2797 what type of discipline you want to take. Revocation is on the line. Revocation could be
2798 at a time certain. It doesn't have to be today, it could be some point in time in the future.
2799 Suspension it is an element that you can consider. It doesn't have to be today, it could be
2800 some time in the future. It doesn't have to be for a hundred and eighty days. So, there are
2801 variations on all these things that the Code allows you to do. So, if you want something
2802 to happen in the future, if you give me some guidance as to what, I'll help you structure
2803 that motion so that you can accomplish it.

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2804 **ANTHONY SGRO**

2805 Council, Councilman Brown, just very briefly, the, I appreciate where you're going. The
2806 concern we'd have about accelerating in the timeframe for suspension, let's say or –
2807 revocation or whatever the motion would be, would be the same concern we've voiced to
2808 the federal government, in terms of the fire sale. In other words, accelerating the time
2809 within which the club is going to be divested of its liquor license, has the same financial
2810 impact in terms of devaluating it. Where right now we still have some time, there's still,
2811 nine months is enough time for us to get a buyer, have them go through the Metro
2812 background check, conclude the matter and then come June 1 of '07, we (inaudible) out.
2813 So, my concern would be, would be that. And Mr. Henry adequately addressed the need
2814 for the six months background check. And I agree that this might be one that they
2815 examine a little more carefully.

2816

2817 **COUNCILMAN WOLFSON**

2818 Mayor Pro-Tem.

2819

2820 **MAYOR PRO-TEM REESE**

2821 Yes.

2822

2823 **COUNCILMAN WOLFSON**

2824 Mr. Sgro does, I'm trying to follow what you're saying. If a potential buyer decides to
2825 buy the – business, terms are reached on the sale price etcetera, is the deal finalized
2826 subject to the new buyer being licensed?

2827

2828 **ANTHONY SGRO**

2829 Yes.

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2830 **COUNCILMAN WOLFSON**

2831 So, the deal wouldn't close until the new buyer is licensed, is that the way?

2832

2833 **ANTHONY SGRO**

2834 That's correct.

2835

2836 **COUNCILMAN WOLFSON**

2837 Why does it have to be structured like that –?

2838

2839 **ANTHONY SGRO**

2840 I think that's the –

2841

2842 **COUNCILMAN WOLFSON**

2843 – why can't a new buyer come in and say I'll give you 30 million subject, not even
2844 subject, I'll give 30 million dollars, I want the club. And it's his problem whether he
2845 becomes licensed or not. The 30 million transfers.

2846

2847 **ANTHONY SGRO**

2848 The bank would never allow it because their funding and their collateralizing is based on
2849 the club. So, in the absence of having that asset to collateralize the money the bank
2850 would never advance the loan. The bank's not willing to roll a 30 million dollar roll the
2851 dice, that's why Councilman. I see, well I would speculate that the number of persons
2852 that have the kind of money to just write a check for this club are even narrower than the
2853 list of persons interested in it at all.

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2854 **COUNCILWOMAN TARKANIAN**

2855 Mr. Mayor Pro Tem.

2856

2857 **MAYOR PRO-TEM REESE**

2858 Yes, please.

2859

2860 **COUNCILWOMAN TARKANIAN**

2861 Could I ask, would it be possible to vote on certain points of the disciplinary action and
2862 then maybe at that one point that we seem to have the most questions, could we do that,
2863 then later, just hold that one back the way Councilman Wolfson suggested? Because I –
2864 think it's not just yourself Councilman Wolfson or Brown or it's also Weekly and myself.
2865 It seems to be that one area. So, what I'm saying is, could we do disciplinary action on
2866 part of these points and the one where we have the questions the most on, could we then
2867 hold it off, as Mr. Wolfson said until we get that information?

2868

2869 **BRAD JERBIC**

2870 I think –

2871

2872 **COUNCILWOMAN TARKANIAN**

2873 That's – my question.

2874

2875 **BRAD JERBIC**

2876 – right. I – think that's- the same asked a different way, I think the hearing has to be
2877 concluded today. And I think that means all the discipline that you impose needs to be
2878 concluded today.

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2879 **COUNCILWOMAN TARKANIAN**

2880 Oh, okay, I didn't realize that.

2881

2882 **COUNCILMAN WOLFSON**

2883 May I – sorry, Mayor Pro-Tem, but could we conduct this hearing in such a fashion as a
2884 criminal court, where a jury decides guilt and then continues sentencing. Could we be
2885 asked to decide whether or not Mr. Henry is met his burden? And if we so find, then
2886 continue the imposition of discipline? Or is that – defeating the statue, as well?

2887

2888 **BRAD JERBIC**

2889 Oh, I don't know how to really answer the question. Has it been litigated, and all I can
2890 say is that at least open the question that you have not finished the hearing. And because
2891 at least open the question that you have not finished the hearing, if at the end of the day,
2892 Mr. Sgro disagrees on behalf of his client with the discipline, I think he will be obligated
2893 to challenge you not having finalized the discipline within the sixty days on jurisdictional
2894 grounds. And I think that the answer to that question will only know when a district
2895 judge gets it. And, so my advice would be conclude today to avoid that uncertainty.

2896

2897 **MAYOR PRO-TEM REESE**

2898 No other comments. Mr. Jerbic, what I would like to do, I think, as a motion maker
2899 today is, I would like to move for revocation. I would also like to see the fine of two
2900 point one nine two million paid. And, I guess, my heart goes out to Amy Henry and her
2901 family. I understand, I – hope that you know by making this motion that we are not
2902 harming her. And I know through the testimony that we've heard that we probably are.
2903 But to me, if we leave the place open, we have people that have admitted guilt, they're
2904 felons operating a business in the City of Las Vegas. And me, personally, I don't feel like

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2905 that's sending out the right message. I think that people that come here want to invest
2906 money, they wanna know that they are gonna to be protected. I think that people that
2907 come here to – visit us; I think it's one of our largest industries, is at least know that
2908 they're being protected and I just really have a hard time allowing them to stay open any
2909 longer. I – know that if we impede the sale of the club, I tried to find out in my
2910 questioning how is the money going to be paid? Who is going to get paid first? And I
2911 would hope that, through Mr. Campbell and Mr. Hunterton, that they will be able to get
2912 their money first after the club sold. And as far as the federal government and the IRS
2913 and the other, I can't feel sorry for them, I, you know, other than Mrs. Henry. I – want
2914 her to get her money. So, what I would like to do is to **move for revocation of the**
2915 **liquor license immediately and impede the fine of or do establish the fine of two**
2916 **point one nine two million.**

2917

2918 **BRAD JERBIC**

2919 Can I ask to make that a motion if you would include in that motion a couple of things?

2920

2921 **MAYOR PRO-TEM REESE**

2922 Yes.

2923

2924 **BRAD JERBIC**

2925 Number one would be a **finding that the City has shown good cause to take the**
2926 **disciplinary action** and two, in imposing the fine, Mr. Henry indicated earlier that if you
2927 go with the fine of two million one hundred and ninety-two thousand, it would be based
2928 on resolving an ambiguity in the charging documents. And so I would need you to
2929 include in your motion that **in imposing the fine of two million one hundred and**
2930 **ninety-two thousand you're relying on tab two pages 13 through 14 of Crazy Horse**

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2931 **Too's guilty plea; which establishes the timeframe between the Year 2000 and the**
2932 **year 2005. If those are all included in your motion then.**

2933

2934 **MAYOR PRO-TEM REESE**

2935 **That would be my motion.**

2936

2937 **BRAD JERBIC**

2938 Thank you.

2939

2940 **MAYOR PRO-TEM REESE**

2941 Are there any questions on the motion? Please cast your votes. Madam Clerk, would
2942 you please post. Motion carries – **(Motion to immediately Revoke the liquor license,**
2943 **upon a finding that the City has shown good cause to take the disciplinary action,**
2944 **and subject to a fine of \$2,192,000.00, based on resolving an ambiguity in the**
2945 **charging documents and relying on Tab 2, Pages 13-14 of Crazy Horse Too's guilty**
2946 **plea, which establishes the timeframe between the year 2000 and the year 2005**
2947 **carried unanimously with GOODMAN abstaining based on his previous disclosures**
2948 **and because he recently was made aware that DAVID CHESNOFF, his previous**
2949 **law firm partner, represented one of the defendants in this matter prior to his**
2950 **terminating his relationship with the law firm.)**

2951

2952 **(END OF DISCUSSION)**

2953 /sw;ac/vwd/cv