

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

1 **Discussion and possible action regarding Temporary Approval of a new Tavern License**
2 **subject to the provisions of the planning and fire codes and Health Dept. regulations, LLC**
3 **Café Nevada, LLC dba Crazy Horse Too Gentlemen’s Club, 2476 Industrial Road, David**
4 **R. Dupont, Managing Mmbr, 76% and Maheskumar V. Patel, Mmbr, 24% - Ward 3**
5 **(Reese)**

6

7 **Appearance List:**

8 OSCAR GOODMAN, Mayor

9 BRAD JERBIC, City Attorney

10 BILL HENRY, Senior Litigation Counsel

11 JEFF SILVER, Gordon and Silver Law Firm

12 GARY REESE, Councilman

13 STEVE WOLFSON, Councilman

14 RICKI Y. BARLOW, Councilman

15 JIM DiFIORE, Manager of Business Services Division

16 STEVEN D. ROSS, Councilman

17

18 21 minutes

19

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CITY COUNCIL MEETING OF
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VERBATIM TRANSCRIPT – ITEM 58

22 **MAYOR GOODMAN**

23 Item 58 is discussion and possible action regarding Temporary Approval of a new Tavern
24 License subject to the provisions of the planning and fire codes and Health Department
25 regulations, LL (sic), LCC Café Nevada, LLC, doing business as Crazy Horse Too Gentlemen’s
26 Club at 2476 Industrial Road. This is in Ward 3. Mr. DiFiore?

27

28 **BRAD JERBIC**

29 If the, with your permission, Your Honor, I’d like to speak on this very briefly and –

30

31 **MAYOR GOODMAN**

32 Sure.

33

34 **BRAD JERBIC**

35 – then get it to Mr. Henry –

36

37 **MAYOR GOODMAN**

38 Mr. Jerbic?

39

40 **BRAD JERBIC**

41 – and to Mr. Silver. Staff is going to ask today that this be held in abeyance until the next
42 meeting of June 4th. I want to personally get up there and let you know that based on my
43 involvement with this particular application, there’s nothing to suggest that there’s a lack of due
44 diligence on behalf of the applicants or there’s any bad faith. This is a rather complicated time
45 to be financing anything in this country, let alone a strip club that’s been in bankruptcy and in
46 forfeiture with the US government. Mr. Silver will speak to that a little bit more.

47 But the applicants in this particular case have submitted application to the Business Licensing
48 Department which is forwarded to Metro. I have received a draft of what looks to be a
49 preliminary finding. Doesn’t show any areas of concern, but it also doesn’t look all that
50 complete at this time. So based on the fact that financing hasn’t closed, that the background

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

51 check at this point in time is pretty sketchy and pretty preliminary, I think it would be prudent
52 for this Council to hold this until, at least the meeting of June 4th. I also wanted to put on the
53 record that you're probably aware that this location is grandfathered for liquor and for adult use.
54 That grandfather provision expires at midnight on June 30th. This will give the Council two
55 more opportunities at regularly scheduled meetings both June 4th or if it's not ready then, at June
56 18th, to consider these particular applicants for suitability for licensing. With that, I'll turn it
57 over to Mr. Henry and Mr. Silver.

58

59 **MAYOR GOODMAN**

60 Mr. Henry?

61

62 **BILL HENRY**

63 Good morning, once again, Mayor and Mayor Pro Tem, members of the Council. This is a
64 matter that you will recall came before this Council some years ago, and Council revoked the
65 liquor license. This was attendant to a federal prosecution where there was a plea agreement that
66 provided for Rick Rizzolo and the – Power Company, Inc. to do certain things. In the view of
67 the United States Attorney, they were not done and the United States Attorney sought forfeiture
68 of the property and the business. Judge Pro, of the United District Court, entered an Order of
69 Forfeiture. So, Crazy Horse Too, as we know – it, is now owned by the United States Marshal's
70 Office.

71 There were a number of attempts to, for the Marshal to sell this to buyers, none of whom
72 performed. I think a couple of times went into escrow. It is in escrow now with a purchase and
73 sale agreement, which in the first instance, I reviewed. That purchase and sale agreement has
74 recently been amended. I have been given to understand that the purchase and sale agreement,
75 as amended, if it's approved by the Department of Justice in Washington, DC, will have these
76 main points. And I certainly hope that Mr. Silver will correct me if I – misspeak.

77 The purchase price is thirty-two million dollars. The purchasers have a Letter of Commitment
78 from a hard money lender for sixteen million dollars. The federal government, if there is

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

79 approval at the higher levels, outside of Nevada, will agree for some period of time to carry
80 back, in essence, sixteen million dollars.

81 It is contemplated that the federal government, which is not really in the business of holding
82 commercial paper, will ever (sic), either sell this or that the purchasers will, if issued a temporary
83 liquor license by this Council, then be in the position to get financing for the whole amount. I've
84 been given to understand that the sticking point is that in the current economic times, they have
85 not been able to find financing for thirty-two million dollars when they don't even have a liquor
86 license of any kind yet. And that's what the original deal with the federal government
87 contemplated. So, they have financing for, in essence, half the amount. They are of the belief
88 that, if they ink this deal with the Marshal's Office, if they can ultimately get a temporary liquor
89 license, those two conditions precedent, will then allow them to get the financing for the last
90 sixteen million dollars, and having done that, they will come forward for a – permanent license.
91 Mr. Silver has told me that given the circumstance that I have described to you, quite frankly,
92 that it is the intention of the applicants, if ultimately granted a temporary liquor license, to open
93 the business just for eight hours to make beneficial use of the liquor and the adult use and reset
94 the clock, if you will, once again, on those uses, and then to close down until they can get the
95 permanent financing that I described. Because this deal, the purchase and sale agreement has
96 changed, substantially, since I first reviewed the initial one, and that's happened, very, very
97 recently, and because, as, Mr. Jerbic pointed out, the Metro background investigation seems not
98 as complete, as I believe this Council would wish, in order to make a decision, like that, I
99 suggested to Mr. Silver that he move to abey this item. And then I made suggestions to him how
100 he might be able to assist the Metropolitan Police in expediting a much more complete
101 investigation that would involve their investigators going to the states where the applicants have
102 been doing business before.

103

104 **MAYOR GOODMAN**

105 Well, before Mr. Silver begins, because I have a lot of respect for Mr. Silver, we go back a long
106 way, we've been treated very shabbily, as a City. It's as though we're not part of the equation.
107 From day one, the federal government has acted arrogantly, in my opinion, as far as the City of

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

108 Las Vegas is concerned. I don't believe any of my colleagues nor myself, have heard from any
109 representatives of the federal government as to what they wanted us to do from the beginning
110 when they entered into the plea bargain up until this very moment. And I'm not gonna support
111 holding this in abeyance. Nobody's talked to me about it. That, that's not the way we do
112 business in the City of Las Vegas. This is a privileged license. I – just think somebody let the
113 ball drop here. I don't know what the problem is with the federal government, when it comes to
114 the City of Las Vegas, but if they don't include us in the solution, we're not gonna, at least I'm
115 not gonna support their relief and whatever happens it's gonna happen. That's the way I look at
116 it.

117 But Mr. Silver, I wanted you to hear that from me because I'm not faulting you, but this has
118 being going on for years now. We've taken all the heat and we're always treated like a
119 stepchild, and I've had it. Done.

120

121 **JEFF SILVER**

122 Well let me say at the outset, for the record, Jeff Silver, Gordon and Silver Law Firm, I find
123 these meetings very inspirational from the very inception, where we hear the Star Spangled
124 Banner being recited by young people and then going to this, the item on the redevelopment,
125 which I think it is a very courageous and bold move by the City in a time when economists and
126 other people in politics are ringing their hands about a recession. The idea of going forward and
127 doing something positive is a refreshing change from what we normally seen in government.
128 And I can't defend the government of the United States and the Marshal Service, in this instance,
129 for their lack of – communication. I can only say that there are a lot of people that are depending
130 upon an approval of this application in some – form down the road. And I'm talking about the
131 people who have sus (sic), sustained horrible injuries that – need – to be taken care of the rest of
132 their lives. There are other agencies that have a stake in the outcome of these proceedings, not
133 the least of which is the City of Las Vegas. I am hopeful that we can overlook the
134 communication problem, which we all know, having dealt with IRS and other agencies of the
135 federal government in the past, that they're not the most responsive people in the world. And
136 sometimes their arrogance is built in just by their very nature of the jobs that they hold.

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

137 We – all have our problems and our concerns with it, but this – is something that, I think,
138 transcends those kinds of issues. We – put ourselves in a position to try and go forward as soon
139 as we could, with respect to getting a temporary license. We have submitted applications. And I
140 would note for the record, Mahesh Patel and David Dupont, the applicants, are in the audience
141 today. But since we are moving for an abeyance in this matter, to allow the application to be
142 deemed more complete, they did not come forward. But they are here if you have questions of
143 them, they certainly would be responsive to you.

144 But just to give you a little brief background. Back in the end of two thousand and seven,
145 CBRE, the real estate company, put out a circular relative to this particular location. And later
146 toward the end of the year, my clients made an offer which was not immediately accepted, but
147 they pursued, the Marshal Service pursued other potential suitors for this particular bid. As it
148 turned out, the selected item, the selected bidder could not perform and during –

149

150 **COUNCILMAN REESE**

151 Jeff, if I – could interrupt, please. This Council has been over these hearings many, many, many,
152 many, many times, and you ask for an abeyance, I don't think my Mayor is going to support the
153 abeyance. I want it on the record that I am not in favor of a temporary liquor license at this
154 location. I – don't feel like that if somebody wants to buy it they can come in and buy it. We'll
155 work that out, we'll – work that out. But at this time I'm not in favor of a temporary license, but
156 I will go forward with a motion to hold this in abeyance for two weeks so the staff can prepare
157 their, I guess, their briefings with the City Council, 'cause I don't think the rest of the City
158 Council has any idea what we're talking about here either, on what you're proposing. **So, my**
159 **motion, Your Honor, is gonna be to hold this in abeyance for two weeks.**

160

161 **MAYOR GOODMAN**

162 Alright. Let's vote.

163

164 **COUNCILMAN WOLFSON**

165 Mayor Goodman, I'm sorry.

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

166 **COUNCILMAN BARLOW**

167 Me. Yes.

168

169 **COUNCILMAN WOLFSON**

170 Before we vote on the motion, may I ask a couple of questions?

171

172 **COUNCILMAN REESE**

173 Absolutely.

174

175 **MAYOR GOODMAN**

176 Go ahead, go.

177

178 **COUNCILMAN WOLFSON**

179 Mr. Silver, we, you – brought up the subject of a lot of people are relying, I guess this is what
180 I'm gonna be looking for, answers to these questions when we come back. You mentioned that
181 there's a lot of people that are relying on this deal to go through and somebody suffered great
182 injuries and he's waiting for this. And as the Mayor and Mayor Pro Tem brought up, we've had
183 hearings relative to the last licensee and we had attorneys show up for injured parties begging us
184 to do deals because if we don't do this deal, their client won't get their money. What I'd like to
185 see, is some assurance that if this license is approved and this transaction goes down and money
186 changes hands, that Mr. Kirk Henry is gonna get his money, 'cause that's what you're talking
187 about, I imagine.

188

189 **JEFF SILVER**

190 Well, that, Councilman, that – assurance comes from an order from the federal district judge that
191 has –

192

193 **COUNCILMAN WOLFSON**

194 Okay.

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

195 **JEFF SILVER**

196 – indicated a priority of payment relative to the proceeds from any sale of this particular –
197

198 **COUNCILMAN WOLFSON**

199 Let – me see that order, with all due respect to the federal district court judge, and I hope he
200 doesn't watch this show this time and hold me in contempt, but I'd like to see that order, because
201 like the Mayor brought up, the last time around, they kept us in the dark. You got it? Yeah, I
202 don't need to see it now. I – trust that if you've got an order, but I will wanna see it because
203 representations were made before. We had Don Campbell and Stan Hunterton and all sorts of
204 people grabbing at this money come in, they're not here today.

205

206 **JEFF SILVER**

207 Well, here's – I think what the – essential point to make in response to that question, and that is,
208 we are not Rick Rizzolo. We are not Mr. Saccorelli (sic). We are not anyone other than a
209 person who is a bona fide purchaser for value who has come to the Marshal Service to acquire a
210 piece of property in a bidding process. Ordinarily, we would look at this application, we would
211 ask Mr. DiFiore whether or not we've submitted the scope information and someone is – , just on
212 his face, suitable to get a temporary license and it would be granted. But because of all the
213 baggage that this property has and because it's an adult use as well, we thought it would be
214 prudent to come forward with the entire financing package put to bed.

215 The suitability, we have no – qualms about whatsoever. We're comfortable that – our applicants
216 are gonna be found suitable. They have been vetted by a number of people. So, that's not the
217 issue. We wanna make sure that when we do come in, and when we – can talk to you about this
218 thing, everything is tied together. And that's what we're hoping for; that can happen in the next
219 two weeks.

220

221 **COUNCILMAN WOLFSON**

222 And I appreciate your comments, but you're the one that brought up injured parties relying on
223 this transaction or somebody did.

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

224 **JEFF SILVER**

225 I did.

226

227 **COUNCILMAN WOLFSON**

228 Okay.

229

230 **JEFF SILVER**

231 I did it in the context of the fact that – the Marshal Service was not being as responsive as they
232 could be relative to communicating with staff. And I'm – just saying that, we cannot let our –
233 personal feelings regarding how we were treated by some other agency of government to
234 interfere with the fact that this has a much larger consequence to it.

235

236 **COUNCILMAN WOLFSON**

237 Okay. The second – question I have is, when we do this background check, Mr. DiFiore, and
238 Metro does it, that is done internally. We – pay for that investigation to take place, correct? The
239 – purchaser and the seller, they don't pay for our internal law enforcement agents to conduct this
240 background check. Isn't that right?

241

242 **JIM DiFIORE**

243 You know, they do pay for the investigation to be conducted. They pay a fee to Metro for them
244 to commence and do the investigation. Now, keep in mind, that they've had this investigative
245 packet for less than three weeks. So, we're, they're just starting to get into the investigation at
246 this point in time.

247

248 **COUNCILMAN WOLFSON**

249 How is that fee determined?

250

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

251 **JIM DiFIORE**

252 The fee is – actually, in code. It’s two hundred dollars for the application license itself, and it’s
253 one hundred and fifty dollars for suitability investigation on each principal of the entity.

254

255 **COUNCILMAN WOLFSON**

256 Does that include, because I thought I heard somebody talk about flying back to visit sites where
257 these potential purchasers have other businesses. Is that –

258

259 **JIM DiFIORE**

260 There’s another provision in the code that does allow Metro to keep an – inventory of cost and to
261 be able to seek approval to travel in circumstances where the information that is being provided
262 to them is not accessible by ordinary means. On occasion, they have travelled out-of-state to the
263 state where the individuals reside to be able to confer with the investigation in the judicial arena
264 there, to get the information they’re seeking to complete their investigation. I believe that may
265 be what’s happening here or will be happening.

266

267 **COUNCILMAN WOLFSON**

268 I mean, I don’t wanna get too far astray from the issue at hand, but I would like to have some
269 discussions with you another day about that, ‘cause I think that the City shouldn’t bear any of
270 these costs in a transaction like this. Okay. Thank you.

271

272 **BILL HENRY**

273 Councilman, if I might. As part of my discussions with Mr. Silver, I’ve given him some history
274 of how these matters have been handled in the past, and I’ve suggested to him that it might be
275 wise for the applicants to either come to Metro Special Investigations or to Mr. DiFiore and say,
276 our checkbook is open and we will fund the cost of investigators going back east to the
277 jurisdictions where we’ve actually done business.

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

278 **COUNCILMAN WOLFSON**

279 You're a smart man, Mr. Henry. That was good advice.

280

281 **COUNCILMAN BARLOW**

282 Mayor?

283

284 **MAYOR GOODMAN**

285 Did you make it, Councilman?

286

287 **COUNCILMAN BARLOW**

288 Yes, a couple of questions. Mr. Jerbic, what are the conditions as to why this license is not
289 conforming, if you could shed some background on that. And, secondly, what would – happen
290 if, in fact, this item is not brought back before this Council? (Inaudible).

291

292 **BRAD JERBIC**

293 Right. Typically, I'll be happy to answer that, Councilman. Typically, special use permits are
294 granted for, in conjunction with tavern licenses, that is people who serve alcoholic beverages,
295 and for adult erotic dance establishments. This establishment existed before special use permits
296 were required. Under the law, if you – exist at the time that the law changes, you get to continue
297 your use, and in this particular case, if you cease the use, you can't use it again if you cease the
298 use for more than six months. About four or five months ago, this Council changed the law.
299 Actually, I think it was back in December and you extended that period from six months to one
300 year.

301 So, what that meant was, a non-conforming use like Crazy Horse Too, which would normally
302 require use permits, which they're not eligible for because they don't meet distance separations
303 and things like that, could continue to enjoy the uses that would otherwise not be legal, if they
304 restarted those uses within a one-year period. That one-year period began when the license was
305 removed from the Crazy Horse Too by Mr. DiFiore at midnight on June 30th of last year. That

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

306 means that if licenses are not issued and not made beneficial use of by midnight of June 30th this
307 year, the use cannot be restarted under our existing law.

308

309 **COUNCILMAN BARLOW**

310 Okay.

311

312 **COUNCILMAN ROSS**

313 Your Honor if I might, and Mayor Pro Tem, with your permission.

314

315 **MAYOR GOODMAN**

316 Councilman.

317

318 **COUNCILMAN ROSS**

319 Because this location has given us such grief, Mr. Silver, I would make a suggestion to you, and
320 it's nice to know that your clients and the applicants are actually here in the audience today, but I
321 would suggest that you make arrangements to visit with both the Mayor Pro Tem and the Mayor
322 regarding this, with your clients. I know, I'd certainly like to, that to be done, should this be in
323 my area of the City. So, just a recommendation. Thank you, Mayor.

324

325 **MAYOR GOODMAN**

326 Yes, Sir.

327

328 **JEFF SILVER**

329 Thank you.

330

331 **MAYOR GOODMAN**

332 Yes, Sir. Alright, thank you very much. Alright. Is there a motion?

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

333 **COUNCILMAN REESE**

334 Yes, Your Honor. I made, I've already made – the motion.

335

336 **MAYOR GOODMAN**

337 Okay. You made a motion to abey it, 'till when?

338

339 **COUNCILMAN REESE**

340 June eight, June 4th.

341

342 **MAYOR GOODMAN**

343 June 4th? Alright. Let's vote. Post. Okay. Motion carries. (**Motion carried with**

344 **GOODMAN voting NO**).

345

346 **JEFF SILVER**

347 Thank you very much.

348

349 **MAYOR GOODMAN**

350 Let me – tell you this, from my perspective, if your clients are unable to get their act in order by

351 the June 4th date, you may make a suggestion to our friends over in the federal building that they

352 better run the place. They have experience doing that.

353

354 **JEFF SILVER**

355 Thank you.

356

357 **MAYOR GOODMAN**

358 Well, I'll put a little asterisk, they ran the Mustang Ranch. Okay, I guess it's pretty similar.

359 Crazy Horse, Mustang, what's the difference. Okay, thank you gentlemen.

CITY COUNCIL MEETING OF
May 21, 2008
VERBATIM TRANSCRIPT – ITEM 58

360 **JEFF SILVER**

361 Thank you. No more horsing around for us.

362

363 **MAYOR GOODMAN**

364 Now you're talking.

365

366 **(END OF DISCUSSION)**

367 /ac; da