

CITY COUNCIL MEETING OF
June 16, 2004

VERBATIM TRANSCRIPT – ITEM 78

Discussion and possible action regarding a Six-Month Review of a Tavern License, D.
Westwook, Inc., dba Treasures, 2801 Westwood Drive, Ali Davari, Dir, Pres, Treas, 50%,
Hassan Davari, Dir, Secy, 50% - Ward 1 Moncrief

Appearance List:

OSCAR GOODMAN, Mayor
MICHAEL MACK, Councilman
GARY REESE, Mayor Pro Tem
BRAD JERBIC, City Attorney
JANET MONCRIEF, Councilwoman
JIM DiFIORE, Manager of Business Services
MARK FIORENTINO, Attorney
PAUL NUGENT, Attorney
LAWRENCE WEEKLY, Councilman
LARRY BROWN, Councilman
JOHN LORETTO, Detective, LVMPD
STACY RODD, Detective, LVMPD
TOM GREEN, Chief Deputy City Attorney
BILL HENRY, Senior Litigation Counsel

(10:18 – 12:07)

1-2760

2 hours 43 minutes

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31 **MAYOR GOODMAN**

32 All right. Item 78 is discussion and possible action regarding a six-month review of a Tavern's
33 License, doing, Treasures at 2801 Westwood Drive. This is in Ward 1. I have to abstain, Mayor
34 Pro Tem, my son Ross is one of the attorneys for the – Treasures and for Mr. Davari, so I won't
35 be participating in this.

36

37 **MAYOR PRO TEM REESE**

38 Thank you.

39

40 **COUNCILMAN MACK**

41 Mayor Pro Tem, I have asked for a private opinion from the City Attorney's Office in form, in
42 writing. I don't know, Mayor, if you asked for one as well, in, for this abstention. But I'm I'll
43 be abstaining from this item. I – own Mack Consulting, which is an advertising and PR
44 company, which does work for Treasures. I believe it's a conflict of interest, and I will not be
45 voting or participating in this vote.

46

47 **MAYOR GOODMAN**

48 And the record should reflect, as the Councilman points out, that I have, based on a request from,
49 on abstentions for this meeting, I have been advised by the City Attorney's Office that it would
50 be appropriate for me to abstain.

51

52 **BRAD JERBIC**

53 Okay. Your Honor and Councilman Mack, if you have written opinions, it's appropriate at this
54 time to file them with the Clerk. Under state law, that is the requirement to reduce the size of the
55 quorum.

56

57 **MAYOR GOODMAN**

58 All right. I appreciate that. And, it should also reflect that on Items 119 and 120, later on today,
59 which pertain to billboards, my other son, Eric, represents some billboard companies. And,
60 they're discussions by persons that I'm in association with regarding billboards, so, I've been
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61 advised that I should abstain from that as well. But I will provide this to Ms. Ronemus at this
62 time. Thank you.

63

64 **COUNCILMAN MACK**

65 Your Honor.

66

67 **MAYOR GOODMAN**

68 Yes.

69

70 **COUNCILMAN MACK**

71 Mayor Pro Tem, also on Item 116, it involves a special use permit for a proposed financial
72 institution on Rainbow Boulevard. I've been, I also got a written opinion. This is relate closely
73 related to my brother Steven Mack, and this approval could have an impact on his special use
74 permit, so I'll be abstaining from that item as well.

75

76 **BRAD JERBIC**

77 Thank you. Pursuant to state law, the size of the quorum is –

78

79 **MAYOR PRO TEM REESE**

80 With the – situation as it is, we are one member short, so we're gonna take a short recess for just
81 a few minutes until Councilman Weekly gets back. So, we are in recess.

82

83 **RECESS: 10:20 A.M. TO 10:26 A.M.**

84

85 **MAYOR PRO TEM REESE**

86 Let me read into record one more time. This is Item 78. Abeyance item. Discussion and
87 possible action regarding a six-month review of a Tavern License, D. Westwood, Inc., doing
88 business Treasures, 2801 Westwood Drive.

89 There has been quite a few comments about this application even before they got their temporary
90 license. At this time, I would like our City Attorney, Brad Jerbic, to explain to the audience and
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91 to the Council for the – applicant about the temporary license and subsequential, maybe,
92 abeyances that this item may have. Mr. Jerbic.

93

94 **BRAD JERBIC**

95 Thank you, Mr. Mayor Pro Tem, members of Council. The, as the Council is aware, Treasures
96 opened on September 16th, 2003, with a temporary privileged liquor license. That temporary
97 license, under our City code, is a six-month maximum license, and, under our City code, only
98 one extension of that license is allowed, not to exceed six months. So the – under our – scheme
99 you can have a temporary license that doesn't exceed a year, if an extension is given by the
100 Council.

101 The first six-month's license expired at the time of the March hearing in this matter, when we
102 had the hearing in March of 2004. At that time, the item was held in abeyance until today's date,
103 and it may be held in abeyance one or more times, depending what action Council takes today. It
104 wasn't staff's intention to see them operate without a license, nor do I think it was Council's
105 intention. I think it was their intention to continue with a – temporary license for an additional
106 period. However, those magic words were not spoken on the record. We have been treating
107 them as if they have been acting under a temporary license, but, for clarification, we're gonna
108 seek in your motion whatever motion, you make today, an inclusion of the fact that you intended
109 that a temporary license be issued for a second time extending from the period where the first
110 temporary license expired until September 15, 2004.

111

112 **MAYOR PRO TEM REESE**

113 Thank you, your, Mr. Jerbic. Councilwoman, did you have anything you want to say at this
114 time?

115

116 **COUNCILWOMAN MONCRIEF**

117 I would like staff to give the report at this time.

118

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118 **MAYOR PRO TEM REESE**

119 Okay. Again, if we are thinking about or if you have any idea that we may hold this in abeyance,
120 let's consider that and let's give both sides the opportunity. I think the one thing that needs to be
121 brought out is the nature of the – business, number one. And, number two I think it's very
122 important that everybody understands here today why we are here today, and that only. But I
123 think that there are other issues that need to be at least put on the table at this time, that being the
124 issue down in Houston. I think that is a grave issue. I think this does overshadow the license
125 that we have here today. I don't think that we are going to have any, the charges that have been
126 filed, we can go through the comparisons, so on and so forth, from the other clubs, if that's our
127 desire here today. I'm giving the Council members that, I guess, opportunity, to either have a –
128 hearing today and/or to see if we wanted to hold this in abeyance and have a – bigger hearing.
129 So, Councilwoman, I will certainly defer to you and your choice. If you wanna have both groups
130 go, you know, through and – give their presentations. And – I just hate to see'em get up here
131 and – go on for an hour, hour and a half, and then have it – held in abeyance. So, I guess I'm
132 asking you what you would like to see done here today. We'll – certainly follow that.

133

134 **COUNCILWOMAN MONCRIEF**

135 I – thank you, Your Honor. I feel the staff, plus the owners of this establishment, feels that it's
36 important enough that the public should hear this today in the full extent, and I think the public
137 has the right to understand what's going on up to this date, and suitability is suitability when it
138 comes to a special use permit like this. I think this is very important. I think it's very severe.
139 And I think out of everything we're doing today in Council, I think this is the most important
140 thing that we listen to today.

141

142 **MAYOR PRO TEM REESE**

143 Thank you. Mr. DiFiore.

144

145 **JIM DiFIORE**

46 Okay. I'm gonna be very brief and be able to answer any questions you may have, but,
147 essentially, a recap of this, and you have before you, in your backup, a copy of the original report
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148 and a copy of the report that was prepared for the May, March 17th, 2004, City Council Meeting.
149 At that meeting, the Council had some concerns with how this license and how this business
150 operation stood with the rest of the – clubs that were licensed in the City. Additionally, we –
151 made a report that there were four charges for solicitation of prostitutions that were outstanding
152 at that time involving three dancers. Currently, those charges are still outstanding. I believe
153 there was a trial yesterday, and I believe there is a trial scheduled maybe for next week and the
154 first week or the first part of July.

155 I know that our concern here is that those not, have not been adjudicated, and, thus, we don't
156 have the results of those trials to be brought forward at this point in time. With that, I did
157 prepare for each of the Council members, that were eligible to hear this today, a statistical
158 comparison of the Erotic Dance Code violations for 2003, 2004, as well as the solicitation of
159 prostitution charges for 2003 for all of the clubs that are licensed here in the City of Las Vegas,
160 which include the non-alcohol clubs as well as the alcohol clubs.

161 So you have that and you have, maybe have had an opportunity to look at that and I'm available
162 for any questions at this time. I think I'm gonna defer to Mr. Jerbic to talk about – the Houston
163 charges at this time since he has more familiarity with that then I do at this point.

164
165 **MAYOR PRO TEM REESE**

66 Well, I think it's important at this time that people, maybe for the first time hearing this,
167 understand what we talk about as far as convictions. And I'm not one to stand up here or sit up
168 here and try to beat a dead horse. I think that there has been comparisons made. The type of
169 business that we are referencing here today, I know there are other establishments like this in the
170 City of Las Vegas that are under our auspices. I think that we have to make sure that we look at
171 each club the same. I know that the difference between this club and the other clubs that are in
172 the City of Las Vegas, there was a promise made. That this club is going to come in and,
173 because of the reports that we had from the businesses in out of state, that promises was made.
174 Whether it was done willfully or whether their – arm was held behind their back, whether they
175 would got the license without the promise, it's not for me to say today. I do know that they got a
176 temporary license, and there was a promise made.

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177 And, I – think that that a promise, to me, is kind of like sticking a noodle in a glass of milk. You
178 know, I think at the time the pressure was there, and so the promise was made. I – think that
179 when I look at this application today, I kind of forget that promise. And I would hope that our
180 staff members and our City Attorney's Office kind of do the same thing. I think it's important
181 that we hold everybody to the same standard.

182 I also, I – know that in some of my reports, some of my briefings that I have had that I know for
183 a fact that some of the other clubs whenever Metro and/or our staff goes in there, they're treated
184 with respect. And I know that this club that there has been reports that they don't receive the
185 same consideration at this club. So that also makes a difference as far as I'm concerned.

186 And, so in looking at this application, I think that the – audience has to know and even the
187 applicant has to know that these are things that are being considered by me, at least. I won't
188 speak for my other Councilmembers, but I definitely think that there is a – same standard here
189 that we need to make sure to address it to everybody. And – again, I would hope that these
190 charges at this club are not treated any differently than the charges at other clubs, in this
191 comparison.

192 Okay. So, with that said, are there any comments yet by the Councilmembers?

193

194 **COUNCILWOMAN MONCRIEF**

95 Yes. Your Honor, I have one comment. The one thing I don't agree with you, Councilman
196 Reese, is that – we all forget a promise. I think we're on the record today, and we're actually
197 serving almost as a jury, and I don't think anyone should forget a promise. That when we, not
198 we, I wasn't on the Council at the time, but when that vote was made and that promise was
199 made, then does that mean that everything we vote on we forget later and we don't assume that
200 that was what we voted on? So, at that point, I don't agree with that.

201

202 **MAYOR PRO TEM REESE**

203 That's fine.

204

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204 **COUNCILWOMAN MONCRIEF**

205 The big question that I do have is, Mr. Jerbic, the trial that was supposed to happen yesterday, I
206 understand was delayed. Could you please explain that, on the record, for the public, why that
207 was delayed. And my second question is, how will we prevent those from being delayed until
208 that year cut off?

209

210 **BRAD JERBIC**

211 Right.

212

213 **COUNCILWOMAN MONCRIEF**

214 And when will – we be able to get these girls to trial and see what occurs at that point?

215

216 **BRAD JERBIC**

217 Right. Yesterday there was no delay in the trial. The trial did occur, as scheduled, and the
218 witnesses were called and both sides argued. And, at the end of the argument, the judge had a
219 legal question that he asked each side to file briefs on to – further argue the point. Those briefs
220 and final argument are all due to be argued, I believe, on August 30th of this year. So, the delay,
221 if you want to call it a delay, was – the Court requesting more information at the end of the trial.

222 There are two other trials that are coming up, I believe, at the end of June and early July. If,
223 without any knowledge of any problems at this point in time, they should go as scheduled and, of
224 course, the Court always is entitled to ask more questions. You never know if you're gonna have
225 a witness problem. But, if people show up, they go as scheduled, those could well be
226 adjudicated before the next, the, before the license expires in September.

227

228 **COUNCILWOMAN MONCRIEF**

229 One more question. If – none of those girls goes to trial and September 15th comes, what occurs
230 at that point?

231

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231 **BRAD JERBIC**

232 Council will have a decision to make. The temporary license will expire at that time, and,
233 without Council voting on a permanent license at that point in time, the business would close,
234 unless you grant a permanent license.

235

236 **COUNCILWOMAN MONCRIEF**

237 Thank you.

238

239 **BRAD JERBIC**

240 Or I should, excuse me. Let me restate. The liquor portion would be suspended, unless you
241 rendered a permanent license.

242

243 **COUNCILWOMAN MONCRIEF**

244 Thank you.

245

246 **MAYOR PRO TEM REESE**

247 Any questions? So, then, Councilwoman, you wanna hear about the concerns in Houston at this
248 time?

249

250 **COUNCILWOMAN MONCRIEF**

251 Please.

252

253 **MAYOR PRO TEM REESE**

254 (Inaudible) Jerbic.

255

256 **BRAD JERBIC**

257 Thank you. Mr. Mayor Pro Tem and members of Council, I'm filing with the Clerk a document
258 that I will give you a brief detail as to what's in it. I received this copy yesterday morning from
259 the Houston District Attorney's Office in Harris County. They are handling this matter. Let me
260 emphasize at this point in time, before I say anything more, there are no charges, to my
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261 knowledge, filed against the Davaris or any of their corporations. They have not been convicted
262 of anything. At this point in time there's not even as much as a charging document.

263 What I was supplied with by the Harris County District Attorney's Office was the first copy is a
264 photocopy of the Texas Penal Code, which defines money laundering, and that's relevant to
265 what's contained in the affidavits attached hereto. The second page is a Plaintiff's Notice of
266 Seizure and Intended Forfeiture that was executed, excuse me, it's stamped on June 1st of this
267 year but was executed on May 26th of this year. And the next three documents are three search
268 warrants for three separate banks that were executed by Special Agent Wayne Cheney, of the
269 Department of Homeland Security with US Immigration and Customs Enforcement called the
270 ICE team. So, if I talk about the ICE team, that's the Immigration Customs Enforcement team.
271 They received information directly from Chase Manhattan Bank, or Chase Bank in Texas, that
272 there was suspicious activity regarding accounts that were controlled by the Davaris. The, Mr.,
273 both Davari brothers own corporations and those corporations, excuse me, I think it's D.
274 Houston Inc., have accounts at several banks in the Houston area.

275 Let me just outline very briefly for you what the allegation is. Under federal law, and this
276 applies in every state of the country, any time you move more than \$10,000 into an account in
277 cash or withdraw more than \$10,000 in cash, you have to file a Currency Transaction Report that
278 goes to the IRS where you produce identification, in the like. If you deliberately structure
279 withdrawals or deposits to avoid filing a Currency Transaction Report, that is also a federal
280 crime that applies, of course, in every state. If, under Texas law, you structure money, their
281 argument is that if you're structuring, that is criminal activity, and, if it involves currency, it's
282 money laundering, and that's what their argument is under their law. Again, these are just
283 arguments. These aren't even contained at this point in time in an indictment or a criminal
284 complaint.

285 The allegations are that at these various banks there were structured deposits over a period of
286 time that began, it looks like, June of 2002, according to the agent's affidavit, and ended in
287 February of 2004. Specifically, I'll just give you a couple of examples from the agent's
288 affidavit. Between September 23rd, in 2003 and November 26, 2003, 17 checks were cashed on
289 the D. Houston account at Chase Bank for exactly \$9,000. On the 5th of December, after
290 warning the Davaris, and I believe there's a statement in the affidavit, that a bank executive, a
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291 bank officer told one of the brothers that this is suspicious activity, and if you are gonna conduct
292 business this way, you should withdraw more money all at once rather than coming in virtually
293 every day and doing it. The activity did not cease, and, therefore, Chase closed the account on
294 the 5th of December 2003. That's gonna be a relevant date as I go through the rest of the activity
295 contained in the affidavit. But Chase closed the account. And, apparently, at that time, notified
296 the authorities, who then stepped in and examined the bank records.

297 At that same time, between June 17th, 2002, and December 2nd, 2003, three days before the
298 account was closed at Chase, three hundred and thirty-two checks are cashed for exactly \$9,500
299 at Wells Fargo Bank in Houston, Texas, according to the affidavit. On the third of December, at
300 about the same time the Chase account has been closed, that changes. Between December 3rd,
301 2003, and February 25th, 2004, 53 checks are cashed but now they vary in amount between
302 ninety-four hundred dollars and eighty-two hundred and fifty dollars. Only three of the checks in
303 this period are for exactly ninety-five hundred dollars. On September 2nd, 2003, to December
304 2nd, 2003, again just before the Chase account is closed, 61 checks are cashed at Compass Bank,
305 all for exactly ninety-five hundred dollars. Between December 3rd, 2003 and February 27th,
306 2004, 58 more checks are cashed between sixty-four hundred dollars and ninety-five hundred
307 dollars. Again, the amounts begin to vary only after the Chase account is closed.

308 There were Currency Transaction Reports filed by the Davaris prior to these alleged structured
309 accounts. In 1997 and 1999, according to the affidavit, two Currency Transaction Reports were
310 filed with the First Bank of Houston, which later became Wells Fargo Bank. So, it looks like the
311 activity, as alleged in the affidavit, began on the – June of 2002 with the Wells Fargo account,
312 where the three hundred and thirty-two checks were cashed and then spread the two other
313 accounts both opened in September of 2003. Again, these accounts were both opened within two
314 weeks of Treasures opening in Las Vegas, and they both ceased the cashing checks for the very
315 specific amounts of \$9,000 and ninety-five hundred dollars only after the Chase account is
316 closed.

317 That's a summary of what's in the affidavit. As a result three bank accounts have been seized
318 totaling over \$2,100,000. There's allegations of the complaint that the alleged structuring totaled
319 well over \$3 million dollars. The, again, that's all we have at this point in time. I'll be glad to
320 answer any questions that the Council may have.

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321 **MAYOR PRO TEM REESE**

322 Councilwoman, any questions?

323

324 **COUNCILWOMAN MONCRIEF**

325 I have another question, please. If before September 15th we grant a permanent license to this
326 facility and at a later date they're found guilty of a felony, normally does this Council consider
327 revoking the license at that point?

328

329 **MAYOR PRO TEM REESE**

330 Absolutely.

331

332 **COUNCILWOMAN MONCRIEF**

333 Is that a, that's a suitability question that we normally would look at very seriously, correct?

334

335 **BRAD JERBIC**

336 Right. A felony conviction will always result, I believe, in staff bringing a – complaint for
337 revocation before this Council for your consideration. The code merely requires "committed any
338 acts," so it's your standard. You can – use a conviction or less, depending on the amount of
339 evidence you have.

340

341

342 **MAYOR PRO TEM REESE**

343 Councilwoman, if I could. This is just my observation since my time up here. I think it's easier
344 to not give a permanent license. I think it's easier to take a temporary license away than to give
345 a permanent license and then go for revocation.

346

347 **COUNCILWOMAN MONCRIEF**

348 But, obviously, we have a short period of time 'til September 15th.

349

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349 **MAYOR PRO TEM REESE**

350 Yes.

351

352 **COUNCILWOMAN MONCRIEF**

353 But, today, I do want to say that in reviewing all these statistics on different ABCs, sexually
354 oriented businesses, they weren't that far off on all those numbers for all the arrests or citations.

355 I feel that, by talking to different members in staff, that maybe we were zeroing in on them and
356 watching them closer due to the fact that they were a new establishment and that they said they
357 were going to raise the bar.

358

359 **MAYOR PRO TEM REESE**

360 They made the promise –

361

362 **COUNCILWOMAN MONCRIEF**

363 That promise, yes. So, I'm not opposed in abeying this item, because obviously we have no
364 prostitution convictions at this point, and the situation in Houston, obviously, will not be
365 resolved any time soon. But I do just want to make it a point that the public did hear and was
366 updated with this.

367

368 **MAYOR PRO TEM REESE**

369 I think – when asked, Mr. Fiorentino, do you have any comments at this time?

370

371 **MARK FIORENTINO**

372 Mayor Pro Tem, members of the Council, Mark Fiorentino. I represent D. Westwood, Inc., here
373 this after, still this morning. Yes, we're prepared to make a full-blown presentation to you once
374 you get to that point.

375

376 **MAYOR PRO TEM REESE**

377 Well, it's my understanding, kind of talking, or listening to Councilwoman Moncrief, that, with
378 the ability that we have of holding this until the second week, second meeting in August, that –
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379 might be the time to – do this – I don't know whether we need to make a decision today, based
380 upon the comments that was made earlier in previous Council meetings, because, it's like she
381 said, we have nothing actually to make a decision based upon today other than allegations. I
382 don't think it's fair to your client or to us to have to make a – decision based upon allegations.
383 So, I mean, it's – entirely up to you, and I'm sure our staff is ready to go – full blown also. But,
384 to me, it's like if, there's no sense us hearing this if we're, in fact, going to ask for an abeyance.
385 So, it's kind of tit for tat.

386

387 **MARK FIORENTINO**

388 I understand that. And, I was in this sort of same position last time we were here. We have a
389 full-blown detailed presentation. We are prepared to even start with the presentation to you that
390 we have a temporary license, because we disagree with that particular interpretation. It might be
391 splitting hairs. But, if Mr. Jerbic's position is that the significance of a temporary license is that
392 this Council could take no further action and in September we'd have to close, then we're gonna
393 have to make some record on at least what our position is on that point.

394

395 **MAYOR PRO TEM REESE**

396 That's fine.

397

398 **MARK FIORENTINO**

399 So, I – think we are prepared to make a presentation, but we are also prepared to be guided by
400 whatever your decision is at the end of the presentation. If your decision is you still want more
401 time, that's why you're the Council.

402

403 **MAYOR PRO TEM REESE**

404 Well, again, if you want to make representation as far the temporary license and the comments
405 Mr. Jerbic made, I'd be more than will, happy to listen to those right at this time.

406

407 **MARK FIORENTINO**

408 Okay. Well, however you want me to proceed, Mayor Pro Tem.

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409 **MAYOR PRO TEM REESE**

410 That's fine, and then I think we'll – make a motion.

411

412 **MARK FIORENTINO**

413 So, you don't want me to make a presentation, other than beyond this.

414

415 **MAYOR PRO TEM REESE**

416 Well, no –. Yeah that's it. I don't think it's necessary at – this time.

417

418 **MARK FIORENTINO**

419 Okay. I guess one other thing?

420

421 **MAYOR PRO TEM REESE**

422 Absolutely.

423

424 **MARK FIORENTINO**

425 Do you wanna hear, 'cause he's going to hit me in the back of the head with something, from

426 Mr. Davari's Houston counsel?

427

428 **MAYOR PRO TEM REESE**

429 Absolutely. We, that's – absolutely. Yes.

430

431 **MARK FIORENTINO**

432 Let's let him do that.

433

434 **MAYOR PRO TEM REESE**

435 Absolutely.

436

437 **MARK FIORENTINO**

438 Then I'll make my presentation on the temporary license issue.

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439 **MAYOR PRO TEM REESE**

440 That's fine.

441

442 **MARK FIORENTINO**

443 And then maybe we may or may not have to go on from there.

444

445 **MAYOR PRO TEM REESE**

446 I – certainly appreciate, I mean, I think that it's, this is America. We heard from our – attorney
'7 make his presentation, so I think it's only fair that we hear the – Houston attorney.

448

449 **MARK FIORENTINO**

450 Okay. Thank you. While he's coming up, this is Paul Nugent. He is Mr. Davari's counsel in
451 Houston, and he's responsible for handling the case that Mr. Jerbic was talking about.

452

453 **MAYOR PRO TEM REESE**

454 Thank you. Mr. Nugent, welcome.

455

456 **PAUL NUGENT**

57 Yes. Good morning. Thank you.

458

459 **MAYOR PRO TEM REESE**

460 We need to have you state your name though.

461

462 **PAUL NUGENT**

463 It's Nugent. N-U-G-E-N-T. Paul Nugent.

464

465 **MAYOR PRO TEM REESE**

466 Okay.

467

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467 **PAUL NUGENT**

468 I appreciate the opportunity to briefly address you all. The allegations in Houston, it's merely a
469 civil lawsuit. The state has filed a two-page civil lawsuit. It was filed back on June the 4th. We
470 are preparing answers and will defend that lawsuit. To put it in perspective, the State is alleging
471 that the withdrawal of approximately \$2.1 million was suspicious. I wanna, I can't be more
472 forceful in saying the Davaris welcome scrutiny of their business practices. They have very
473 competent accountants. They account for every dollar they earn. They account for every dollar
474 they spend.

475 And, to put it in perspective, in the year two thousand and three the Davaris issued 1099's for
476 cash payments to its employees, and you have to understand the magnitudes of these clubs.
477 Treasures in Houston employs about 700 people. That includes parking lot attendants,
478 bartenders, bar backs, chefs, chef's assistants, security personnel, including the entertainers who
479 are independent contractors, just about 700 people. The Davaris issued 1099's in 2003 for
480 \$8,843,000 for cash disbursements. In 2002 the Davaris issued 1099's for cash disbursements of
481 the Treasures in Houston six million six hundred and sixty-nine thousand, \$6,069,000 in cash
482 disbursements. Over the past three years \$27 million in cash disbursements have been made to
483 the entertainers, 1099's have been filed with the IRS and issued to the entertainers for each dollar
484 earned by a dancer and each dollar paid to a dancer.

485 So the Davaris welcome scrutiny from the Internal Revenue Service. The \$2.1 million that is
486 ceased, the state agency that ceased the money had no access to the Davari tax records. Once
487 these tax records are made available, the state authorities will see and the federal authorities will
488 see that every dollar has been accounted for.

489 And I – do wanna stress, there are no criminal allegations in Houston. Although the term
490 "money laundering" is kind of an incendiary term, although the fact that the Homeland Security
491 was involved in this multi-agency investigation has some sex appeal for the news media, this is
492 not a Homeland Security issue. This is not a criminal issue. This is a civil complaint filed in a
493 District Court in Houston. It'll be litigated for the next year or two or three. There's gonna be
494 no quick resolution. But I wanna stress, the nightclub business, like the casino business, requires
495 large sums of cash, and the Davaris routinely on a daily basis make cash withdrawals. That's

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496 what Chase Bank thought was suspicious, because Chase Bank is not used to business owners
497 making six and eight and nine thousand withdrawals on a daily basis.

498 But the nightclub business is a seven-day a week business, like the casino business. Withdrawals
499 were made every business day, and that's what Chase deemed suspicious. When Chase informed
500 the Davari brothers they said, well, there's nothing suspicious. We pay our taxes. We are not
501 concerned about the Internal Revenue Service. But, of course, Chase was not privy, Chase Bank
502 or the assistant officer at Chase that alerted the authorities had no idea what the Davaris were
503 doing with this money, they had no idea the Davaris were issuing 1099's for every dollar
504 withdrawn and every dollar paid.

505

506 **MAYOR PRO TEM REESE**

507 Excuse me, I just got one question. It seems to me like then like, in most businesses, it might be
508 slower on Tuesday and Wednesday, but on Friday night and Saturday night there'd be bigger, so
509 why wasn't there larger withdrawals towards the weekend rather than the regular nine thousand
510 five hundred?

511

512 **PAUL NUGENT**

513 Mayor Pro Tem, the – that's a good question. And the amount of the withdrawals did vary but
514 they had monthly budgets and they followed the budgets and, but the – amount of the
515 withdrawals sometimes did vary. But there was no intent to avoid, the purpose of these reporting
516 requirements is for the Internal Revenue Service and the Davaris file all their taxes, issue 1099's,
517 and really do welcome scrutiny by the IRS, by your counsel, and by the authorities. Because
518 every dollar withdrawn is accounted for in a 1099 to an entertainer.

519 But, Councilman, in retrospect, maybe they should have varied the amounts so it wasn't as
520 suspicious, but they didn't think there was anything suspicious because they pay their taxes,
521 they're law abiding American citizens, and they don't, didn't think it was suspicious. It's a cash
522 industry, to a large extent, and to some people that's suspicious. But, Councilman, I think, in
523 retrospect, had they varied the amount of the withdrawals maybe now it would be deemed less
524 suspicious.

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525 But, I can't be stronger in my statements. There was no intent to violate banking laws. There
526 was certainly no intent to evade taxes. And, when all is said and done, when we have our day in
527 court in Houston, we will provide boxes and boxes and boxes of evidence that every dollar was
528 accounted for and every dollar in tax owed was paid. And you have to understand that the
529 Treasures here, like the Treasures in Houston, literally has hundreds and hundreds of employees.
530 These are big sophisticated operations. They employ a lot of people and they have mammoth
531 cash needs. And to some that's suspicious, because in this day and age there aren't that many
532 businesses that have large cash needs like the adult entertainment business.

533 But, Councilwoman, if you have any questions, I know this is in your ward and you are
534 concerned about this issue, I would like to answer any questions you have. I feel very strongly
535 about the Davaris. They have, they're conservative businessmen. They have an excellent
536 reputation in Houston. They're in an industry that attacks, attracts some press and attracts some
537 scrutiny from law enforcement, as it should, the adult entertainment industry. But they are law-
538 bidding, tax-paying Americans, and we look forward to our day in court in Houston when we can
539 answer these allegations.

540

541 **MAYOR PRO TEM REESE**

542 Thank you.

543

544 **PAUL NUGENT.**

545 And –

546

547 **MAYOR PRO TEM REESE**

548 Councilwoman, do you have any questions?

549

550 **COUNCILWOMAN MONCRIEF**

551 I just have one question. So, on an average, every single day they had to withdrawal nine
552 thousand to ninety-five hundred because that was actually what their income was for the day for
553 the girls?

554

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554 **PAUL NUGENT**

555 Exactly. As I said, in two thousand and three, we don't have the two thousand and four figures
556 yet, but since this lawsuit was filed on June the 4th, and I can't overemphasis, this is merely a
557 civil lawsuit –

558

559 **MAYOR PRO TEM REESE**

560 We – understand that.

561

562 **PAUL NUGENT**

563 There are no criminal. Since the lawsuit was filed, the accountants have been working around
564 the clock and they have added up all of the 1099's for two thousand and three, and these were
565 cash payments. Eight million eight hundred and forty-three thousand dollars and four hundred
566 and fifteen. So, eight million eight forty-three four fifteen, those were the actual dollar amount
567 of cash; that's a lot of cash. And the way you get that cash is you withdraw it from the bank.

568

569 **COUNCILWOMAN MONCRIEF**

570 Correct. But I don't think you understood my question. So that on an average, on a daily basis
571 nine thousand to ninety-five hundred was – what their income was, or at least the pay out to the
572 girls everyday? It just happened to average that everyday?

573

574 **PAUL NUGENT**

575 That's how much they withdrew. The – payments would – vary, depending on what night of the
576 week, was there, are there, like Las Vegas, it depends on are there conventions in town, Friday
577 nights are busier than Tuesday nights. But that's what they – withdrew each night,
578 approximately, nine thousand or ninety-five hundred dollars.

579

580 **COUNCILWOMAN MONCRIEF**

581 Okay. Thank you very much. I still, Your Honor, feel that we will need to abey this, in the fact
582 that we have no criminal convictions of prostitution or anything in Houston.

583

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583 **MAYOR PRO TEM REESE**

584 Okay, that's fine. Councilman Brown, you have a question?

585

586 **COUNCILMAN BROWN**

587 Thank you, Mayor Pro Tem. Mr. Nugent, as far as understanding that this is brand new to us,
588 and I appreciate the comments as far as terms that are sexy to the media. Just the – I actual
589 structuring of, if you could and perhaps if not today, maybe Mr. Jerbic can explain to me, from
590 an accounting stand point or a convenient stand point, is there something that happens at \$10,000
591 that would make it more cumbersome if you are going through these daily transactions that
592 would slow the process or force you instead of taking nine thousand daily you might have to take
593 twenty-five thousand every three days.

594

595 **PAUL NUGENT**

596 Councilman, that's a good question. If you withdraw more than ten thousand the bank fills out a
597 report that goes to the IRS. The individuals and businesses that don't want those reports are your
598 classic examples are, high stakes gamblers who don't want to pay taxes or drug dealers who
599 don't want the IRS to know they have cash. They don't want those reports filed. The Davaris
600 have no problems with the IRS scrutinizing them. They pay their taxes. The dancers, when the
601 dancers are paid in cash, they get a 1099 just as they should. It's money earned and they get a
602 1099. So the, there's really, the only burden is the paperwork, but I want to stress, Councilman
603 Brown, the Davaris have no intent to keep anything from the IRS. They file boxes of 1099's
604 each year with the IRS. They have no intent to hide anything, they have no intent to violate any
605 laws. And when they were told by Chase that this was suspicious, their reaction was, well it's
606 not suspicious, we're in the – adult entertainment business, we pay our taxes, the IRS doesn't
607 have a problem with us. So I think that's a factor that actually goes in their favor when they
608 were told several years ago this is suspicious their reaction was we pay our taxes, we follow the
609 law. And – they've been doing this for years and years and years, Councilmen and
610 Councilwoman, this is a practice that they've been doing for probably about a decade.

611

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611 **COUNCILMAN BROWN**

612 I appreciate that. And that's what's great about this country, that you know these are charges
613 and you'll have one year, two years, or three years to address them but one could look at the
614 scenario that even though they were nine to ninety-five hundred, if they were going to try to hide
615 or be deceitful or circumvent something, they wouldn't be so obvious in their actions.

616

617 **PAUL NUGENT**

618 That's right.

619

620 **COUNCILMAN BROWN**

621 This pattern of behavior was there, a person is so blatant that they're not afraid to hide anything
622 or they may be so stupid that they don't think anybody's going to pick that up. So, I appreciate
623 that because that was one of the things I didn't understand and we just received this ,so this
624 whole structuring certainly has two sides to that but we'll hear more about that, I'm sure, in the
625 future.

626

627 **PAUL NUGENT**

628 Thank you.

629

630 **MAYOR PRO TEM REESE**

631 Any other questions? Seeing none, Mr. Fiorentino would you come up.

632

633 **BRAD JERBIC**

634 If I could Your Honor, before you talk to Mr. Fiorentino maybe while Mr. Nugent is here, and
635 I'm jumping ahead to the end of staff's, but I know that I talked to staff and one of the things that
636 staff is going to ask during the period of abeyance while this is abeyed, is for Treasures to submit
637 to a complete audit and that includes auditing of the construction records of the building itself
638 between the time of this abeyance and the time this Council next convenes. Mr. Nugent
639 represents the Davaris on some matters probably relevant to that potential audit and so while he's
640 up here at the podium, I thought it might be addressed. If you think I'm speaking out of turn or
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641 you'd like to address it later, I know that's going to be a request of staff, I want to know if they
642 will submit to it.

643

644 **MAYOR PRO TEM REESE**

645 You heard the question.

646

647 **PAUL NUGENT**

648 We will provide anything's requested. We, the Davaris have nothing to hide and we – they do
649 expect scrutiny and they will provide what they're requested to provide.

650

651 **MAYOR PRO TEM REESE**

652 I would just ask Brad, why would staff be asking, for the record, why would they be asking for
653 these records?

654

655 **BRAD JERBIC**

656 I think given –

657

658 **MAYOR PRO TEM REESE**

659 That type?

660

661 **BRAD JERBIC**

662 Given the fact that these transactions all began, it appears, about the same time Treasures Las
663 Vegas opened and went on for this period until Chase closed the account. And again, they're
664 going to three banks virtually everyday getting ninety-five hundred, ninety five hundred, nine
665 thousand day after day after day.

666

667 **MAYOR PRO TEM REESE**

668 What does that have to do with –

669

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669 **BRAD JERBIC**

670 --until Chase shuts it down.

671

672 **MAYOR PRO TEM REESE**

673 What does that have to do with the construction here, though?

674

675 **BRAD JERBIC**

676 I think that staff wants to know that the books do add up. Because, as Mr. Nugent has indicated,
677 people don't do this for no reason at all. It's a bit of an inconvenience to file a Currency
678 Transaction Report but it is the law. And if people are trying to hide money from the IRS and
679 again that is merely the consequence that one could draw from not filing a currency transaction
680 report, then it's for reasons putting it elsewhere. And we would like to see what the books look
681 like here and as a privileged license holder we think we're entitled to.

682

683 **MAYOR PRO TEM REESE**

684 Thank you. Thank you, Mr. –

685

686 **PAUL NUGENT**

687 I don't – Mayor Pro Tem, I don't see a problem with that. We're not doing anything that we're
688 ashamed of. We're following the law as best we can. We're following all the regulations of this.
689 Again I don't see any problem with providing whatever the City needs.

690

691 **MAYOR PRO TEM REESE**

692 Thank you – Mr. Nugent.

693

694 **COUNCILMAN BROWN**

695 Mayor Pro Tem and if I could, on that very subject, Mr. Jerbic, in light of, I think, one of the
696 overriding themes here today is the original hearing and what this Council directed I think the
697 semantics have come into play as far as a promise or commitment or, I would just ask that in
698 corresponding with Mr. Nugent that we're very specific in what we're asking for, so in ninety
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699 days we don't come back and have either parties say that there was not clear enough
700 communication in what was being asked and what was being provided.

701

702 **BRAD JERBIC**

703 I agree. I think it's real important and I will meet Mr. Nugent after the hearing is over with.
704 We'll exchange cards and numbers and get the process in order.

705

706 **PAUL NUGENT**

707 And if I may add, the cash withdrawals were going on well before they started construction here
.08 at the Las Vegas Treasures. That's just what is necessary to run a nightclub business.

709

710 **MAYOR PRO TEM REESE**

711 Thank you, sir.

712

713 **PAUL NUGENT**

714 Thank you for the opportunity —

715

716 **MAYOR PRO TEM REESE**

717 You bet.

718

719 **PAUL NUGENT**

720 — to appear. I really do appreciate it.

721

722 **MAYOR PRO TEM REESE**

723 Thank you for coming. I appreciate you. Thank you.

724

725 **PAUL NUGENT**

726 Thank you.

727

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727 **MAYOR PRO TEM REESE**

728 If I could, Mr. Fiorentino, I'd ask you to, you had a comment about the temporary license as Mr.
729 Jerbic explained to us.

730

731 **MARK FIORENTINO**

732 Yes. I'm afraid this didn't get any less complicated for me in the last two minutes or five
733 minutes, but let me say one more thing on the Currency Transaction Report, if you allow me,
734 Mayor Pro Tem. During the same time period that these allegations were made in Houston,
735 obviously, the club here in Las Vegas, as Mr. Jerbic pointed out to you has been up and
736 operating. In Las Vegas they have filed a courtesy, Currency Transaction Report everyday.
737 Because their needs in Las Vegas are different. They only have one club instead of six or seven
738 and part of the answer, I don't think you got, Councilman Brown, was well why would you do it
739 that way; it's for security reasons. So that they don't have any one person carrying around
740 \$50,000 in cash. It's not ninety-five hundred total a day, it's ten ninety-five hundred dollar
741 withdrawals so that they can provide enough cash to their multiple clubs. In Las Vegas they
742 don't have that issue so they've been withdrawing, the vast majority of their withdrawals here
743 have exceeded ten thousand and there were a courtesy, Currency Transaction Reports done here.
744 If you want it for the record, the manager of the club has done a sworn affidavit attesting to that.
745 Second, on the temporary license. I have examined the transcript and when I get to the end I'll
746 get, I guess, to the point of why I think this is a critical issue and then again why it might just be
747 a totally irrelevant. Councilman Reese, at the end of that long day, as it turns out, on my
748 birthday three years ago, this was your motion, "I move for approval with a six-month review."
749 There's a little bit further discussion, and then you said, "And with those conditions in place, my
750 motion would be for approval of this application." There's no mention anywhere in this
751 transcript of the word temporary or a temporary license. Now, here's what happens after that
752 hearing. Business license issues us in eleven, on 11/21 of 2000, which is before the liquor
753 license hearing because the sexually oriented business license came here before a temporary
754 license. Has any –

755

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755 **MAYOR PRO TEM REESE**

756 Can we go to the overhead please.

757

758 **MARK FIORENTINO**

759 It has in very giant letters on it, the word “temporary.” The next thing we get issued for the, and
760 this one, for some reason, says, “topless club with liquor.” Okay. Then we get issued a
761 conditional license with the words “with liquor” removed but saying “topless club.” Again this
762 is only the adult use license. Conditional license. Every subsequent license, and the reason this
763 is going on is because the building hasn’t been built yet, and if you read the fine print at the
764 bottom of these licenses it says that. It says, “this is conditional until you open and operate.” So,
765 we get a series of conditional licenses, and we actually have correspondents from our office back
766 and forth with Mr. DiFiore asking him to explain conditional licenses. A series of conditional
767 licenses all the way up to the point where you hold a hearing. Then, we are issued a liquor
768 license. There’s no word “condition,” there’s no word “temporary” on it. And in fact, here’s the
769 liquor license itself, liquor license for the taverns and the service bars. There’s no word
770 “temporary.” There’s no word “conditional.”

771 We have never received any notice that – until yesterday, for the first time that if somehow you
772 don’t take action within six months we have to close. No one’s ever mentioned that to us. In
773 fact, we just keep getting renewal notices in the mail and are paying fees based on the gross
774 revenue of the establishment. Now obviously, to repeat what I said earlier, if Mr. Jerbic is gonna
775 submit to you that – has substantial legal significance, that in other words, you could just decide
776 not to take any action and he’d be out of business we can’t allow that to happen without some
777 further discussion of it.

778

779 **MAYOR PRO TEM REESE**

780 Well, I’ll guarantee you this Council will take action.

781

782 **MARK FIORENTINO**

783 Okay. Second, if you allow me to make a presentation, one of the things I was going to say is,
784 it’s probably going to be irrelevant. The issue, that’s just splitting hairs between Mr. DiFiore,
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785 Mr. Jerbic, and I. What you call it the license, call it a banana split, the issue is going to be the
786 same. And if you have to hold a hearing in order to avoid this September date, then Mr. Jerbic,
787 in the second meeting in August, you're still not gonna have any information more than what
788 you have today, or virtually no more. The Houston allegations will be, in still, in their infancy.
789 Only two of the trials that are scheduled will occur before the second meeting in August. So,
790 you still won't have that information in front of you. And so I guess what, unless you insist and
791 I'm very good at listening to insistence, we would still like to make a presentation. I would like
792 to wait, though, until I hear the rest of staff's presentation because it was the first time, until 30
793 seconds ago, that I heard that they intended to ask for a bunch more things like an audit of the
794 construction. And that, frankly, surprised me because they've already asked for that and we
795 already provided it. We gave them financial statements. They asked for them in detail to
796 account for all of the construction dollars. This was months ago. We even offered to provide the
797 backup checks to support the payments we were showing in the financial statements and we were
798 told we don't need the checks at this point. Clearly something has changed, and clearly we have
799 nothing to hide and don't mind providing it. But I don't want to go through a presentation and
800 then hear two hours from now there's a list of additional things that you need us or expect us to
801 produce.

802 I know, I can see that look in your eye, but I want to say one thing and then you can cut me off. I
803 want to do the beginning of my presentation. Besides introducing the people that were in the
804 room, Ross Goodman is in the room, he is in charge of handling these cases for the dancers and
805 the people who have been cited. He's prepared to answer whatever questions that you have.
806 Obviously, you've already heard from Mr. Nugent. David Davari is here. The managers of the
807 club are here. Tom Dylan is here, who is the consultant that our firm hired to go in and find out
808 what was going on in this club and to find out whether we were living up to, at least, one of the
809 two promises I made to you. But I was going to start by making two apologies to you; to each
810 and every one of you for the comments that I made three years ago in 2001. I've studied that
811 transcript and what it says is, "if there's a single conviction for prostitution, and you revoke our
812 license, we won't fight it in court." I had been practicing in front of you people for 12 years. I
813 have never stood here before and made a promise on behalf of my client that our firm or our
814 client could not live up to. And that's what I did that day. That is an impossible standard. And

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815 if you let us make a presentation, we'll show you why. It depends on control of the conduct of
816 people outside the control of Mr. Davari and the people who work for him, and it depends on the
817 control of circumstances outside of his control. And I was an idiot. I had no idea what I was
818 saying. I had no idea how the system worked. I should have known better and the reason it
819 really bothers me and has bothered me ever since that meeting in March, is because it's you that
820 are suffering the consequences, is that, it's each and every one. We put you in an impossible
821 position by committing to something that I cannot possibly and should not have ever committed
822 to.

823 Now we did make a commitment because everybody remembers what the allegations were three
24 years ago and they related to allegations in Mr. Davari's clubs in Houston that actually occurred
825 two years prior so now they're four, five, six years old. But they were egregious. They were
826 very serious allegations. And we made a promise that – would do everything within our power
827 to put procedures in place to make sure that kind of conduct, that we don't have to talk about
828 publicly today if you don't want to, but we're prepared to, was not going to occur in this club in
829 Las Vegas. And I'm telling you, we put those procedures in place and I'm telling you they're
830 working, that kind of conduct is not occurring in this club.

831 Now for the second apology. It was my job to demonstrate to that, to you in March, and I didn't
832 do my job. Okay. I did not have all of the information I needed to demonstrate that to you, and I
833 was not prepared to even discuss the information I did have. I was unprepared, Councilwoman, I
834 was crabby and that's unprofessional and I'm sorry for it. But we're going to end up in the same
835 spot with respect to the first commitment. We can talk for months, we can talk for years and
836 there's nothing more that I can say than I'm sorry. If that's the standard, take the license today
837 'cause you should just presume I lose all four cases because that's the safest presumption. With
838 respect to the second apology, I am prepared today, I am prepared to go through this and show
839 you what we have done and the results that it has produced, if you think that's relevant and you
840 want to hear it. I think you should because you're just going to hear it in August anyway.

841

842 **MAYOR PRO TEM REESE**

843 Well, I think in all respect, and I do respect you, I feel that to save time, I mean I welcome Mr.
844 Davari if he wants to get up and say a few words or Mr. Goodman or anybody that you brought

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845 here, we allow them to make a statement If not, I think that I've heard what the Councilwoman
846 would like to see. I feel myself kind of the same way. Councilman Brown, do you have any
847 comments, or Councilman Weekly? Councilman Brown?

848

849 **COUNCILMAN BROWN**

850 Mayor Pro Tem, I do have a lot of questions still to be asked, but I guess first and foremost is
851 this issue of a temporary status. If that is going to be from a timing standpoint, a drop dead date,
852 then I certainly want to hear. Mr. Fiorentino's indicated that not much will change between now
853 and late August of the first meeting in September. Although this seems to be a moving target in
854 some areas, I'd still like to hear from Mr. Fiorentino, and if appropriate, Mr. Goodman or anyone
855 else that wants to address some of the issues that have brought us hear today and those are the
856 temporary license, this promise, this commitment, this Council direction, which I think is
857 critically important. And one of the big issues that has been in effect since February 21, 2001 is
858 the industry comparisons. I would certainly, we're prepared to talk about that today and
859 certainly I'll defer to the Councilwoman if she feels differently. But I'd like to get a sense of
860 some of the key issues separate from the structuring issue that has now been brought up today.
861 I'd really like to get a feel of what has happened since March 'til now on those issues because
862 we've been very clear in asking for specific information.

863

864 **MAYOR PRO TEM REESE**

865 Councilwoman?

866

867 **COUNCILWOMAN MONCRIEF**

868 That will be fine.

869

870 **MAYOR PRO TEM REESE**

871 You want to go ahead and have a hearing then?

872

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872 **COUNCILWOMAN MONCRIEF**

873 I still say that there's been no convictions of prostitution, nothing has been resolved or even
874 virtually spoke about in Houston. I still feel that we need to abey this item.

875

876 **MAYOR PRO TEM REESE**

877 Mr. DiFiore, is it your, from your history, do you think we can have any resolutions by, say we
878 held this in abeyance until the second week in August, do you think we'd have any resolutions of
879 the cases pending?

880

881 **JIM DiFIORE**

882 It's possible, but it's also slightly impossible for it to be shown that they'll definite – they'll be
883 definite dispositions of these cases. I believe these cases, the original arrest were back in 2003.
884 Here we are half way through 2004, so it's been nine months or more. It – may be that we get to
885 the second meeting in August and we're in the same position that we are today.

886

887 **MAYOR PRO TEM REESE**

888 Okay. I was ready to make a motion, but I will defer to Councilwoman. If she would like to
889 make a motion at this time, I would sure put it on the floor.

890

891 **COUNCILMAN BROWN**

892 Mayor, if I may? Councilwoman?

893

894 **MAYOR PRO TEM REESE**

895 Yes.

896

897 **COUNCILMAN BROWN**

898 I have no problem supporting the Councilwoman's direction, as far as holding this in abeyance,
899 but I would ask that we at least get an update, a status report, or some kind of additional
900 information on the key issues that have been talked about since 2001. We're here today, we
901 have volumes of information and my questions will be very specific. So with her indulgence,
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902 and again, I'll support if the direction is to hold this in abeyance but as part of that I'd certainly
903 like updated information on where we are because a lot of work has been done by Mr. DiFiore,
904 by Mr. Jerbic, by Metro, by Mr. Fiorentino. And I – think some of it needs to be clarified
905 because there was disagreement and some confusion on the text and some comments and some
906 statements that have been made in our prior public hearings that I certainly would like an update
907 on.

908

909 **MAYOR PRO TEM REESE**

910 Thank you. Councilwoman.

911

912 **COUNCILWOMAN MONCRIEF**

913 That will be fine.

914

915 **MAYOR PRO TEM REESE**

916 Okay. Then here's going to be, the way we'll do things. We'll let staff make their presentation,
917 and we'll give them rebuttal time after you get through with your presentation, then we will
918 allow you to ask questions. I'll, staff or their officers or whatever. So we will hear this, and
919 there'll be no promises on what acts out at the meeting.

920

921 **MARK FIORENTINO**

922 You got it. Better order pizza.

923

924 **MAYOR PRO TEM REESE**

925 Okay. Mr. DiFiore. This is not a public hearing. It's not a public hearing at this time.

926

927 **TOM MCGOWAN**

928 Oh, it's not a public hearing. Thank you.

929

30 **MAYOR PRO TEM REESE**

931 Thank you.

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932 **JIM DiFIORE**

933 I'll address the temporary license issues first. Number one, when the Council voted in 2001, the
934 vote was made with a motion to approve with a six-month review. Whether the word or the term
935 "temporary" was in that, I feel is irrelevant. If you look at 6.06051, is a privilege license code.
936 It talks about temporary license and purpose. It states A) the City Council may grant a
937 temporary license pending its decision regarding a license application in order to determine the
938 applicant's fitness for a license. And it goes on to continue the other provisions that provide for
939 a temporary license. 6.06052 talks about temporary license and extension --

940

941 **MAYOR PRO TEM REESE**

942 Excuse me, Mr. DiFiore. Just for the record, I was just informed by our Deputy Attorney that we
943 are in compliance with the open meeting law even though we only have three sitting on the dias
944 because of the reduction because of the abstentions. Is that correct?

945

946 **TOM GREEN**

947 Correct.

948

949 **MAYOR PRO TEM REESE**

950 So that's just for the record. Thank you. Continue.

951

952 **JIM DiFIORE**

953 6.06052 talks about a temporary license extension and A) states specifically, a temporary license
954 may be issued initially by the City Council for a period not to exceed six months. It goes on to
955 say that the City Council and B) may grant one extension of a temporary license for a period not
956 to exceed six months. So there you have your full year of operating on a temporary license.

957

958 **MAYOR PRO TEM REESE**

959 Let me ask a question. Are they operating on a temporary license?

960

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960 **JIM DiFIORE**

961 In my opinion they are. Because the motion was to approve with a six month review to –

962

963 **MAYOR PRO TEM REESE**

964 To approve –

965

966 **JIM DiFIORE**

967 -- to approve the license with a six month review. You didn't, the motion did not include the
968 term temporary but when you approve a license, and we've always presumed that approval of a
969 license met the criteria of temporary license and with a six-month review, as a condition, it was
970 temporary license. It was not a permanent that was granted by the Council.

971

972 **MAYOR PRO TEM REESE**

73 Mr. Jerbic, can you shake your head yes or no on that?

974

975 **BRAD JERBIC**

976 Well, I – take Mr. DiFiore's common business practice at his word. I, it was represented to me
977 that this was a temporary license, which is why I made the representations on the record, because
78 if you assume it's a temporary license, then the code fills in the blanks. It can't be for more than
979 six months. You can't have more than one extension. It can't be for more than six months so
980 one year is the dead drop dead date. But it's based on the assumption that the license is
981 temporary. I think what Mr. DiFiore has represented, that historically, when the Council has
982 granted a license for the six-month review, he has treated that as a temporary license. Now, I
983 don't want to put words in Mr. DiFiore's mouth, but that's what I thought I heard and if that's
984 true then it's up to you to accept whether or not that's a temporary license based on his common
985 business practice.

986

987 **MAYOR PRO TEM REESE**

988 Well it's just, from what I – see sitting up here is any time we – issue a license like that and we
989 get with a six-month review, it is a temporary license. So, whether it's, whether it was in the
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990 motion or it was intended to be a temporary license to operate, and again I'm not putting words
991 in anybody else's mouth either, but to me, I look at it as a temporary license. I always have
992 thought it – as a temporary license.

993

994 **COUNCILMAN BROWN**

995 Mayor Pro Tem.

996

997 **MAYOR PRO TEM REESE**

998 Yes.

999

1000 **COUNCILMAN BROWN**

1001 Again, with all the subplots that are playing out here, I think ultimately we're looking at the
1002 suitability of Treasures, and that is where we'll get to some day. But I have a feeling that
1003 between the court cases and perhaps temporary licensing issues that this could get, from a legal
1004 standpoint, strung out or pushed out, and we're still going to miss our opportunity or our intent to
1005 address the bigger question. So, Mr. DiFiore, I'm going to ask some specific questions just to set
1006 the public record. I don't know if this will help or hurt, but it will make at least a better
1007 understanding for me personally. You have indicated that this is what we have done in the past
1008 as far as practice policy, when we approve a license continued upon a six-month review. I think
1009 Mr. Fiorentino put up some correspondence from the City. Are there similar licenses set out as
1010 far as what he demonstrated that would not have that same temporary stamp that he indicated
1011 was missing, or is that likewise a practice that we would send those out it would be no different
1012 from another, a similar license or something in the same category.

1013

1014 **JIM DiFIORE**

1015 The license that he displayed before the City Council was the license for the Erotic Dance. It
1016 was what we call a, the topless with liquor. That was not the liquor license itself. This was done
1017 and issued after the Council's vote in 2001, primarily to show that there had been an approval of
1018 the license, and it was, again, subject to all the Planning conditions and Fire Safety Code
1019 conditions that we grant any license. There are licenses that are approved with a temporary

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1020 statement on it, a temporary license, primarily for the facilitation of that license through the
1021 regular process. If the license that he displays for the liquor license did not have “temporary”
1022 stamped on it, certainly, I think, this was clarified today, and certainly if that’s what he’s looking
1023 for as far as having proof of what type of license it is, we can accommodate that.

1024 When the Council grants temporary approvals, such as what we’ve had today on the City
1025 Council agenda, we’ve had requests for temporary approvals and those primarily are due to the
1026 fact that the applicant has just submitted their application. The, one of the conditions of a
1027 temporary approval by Council is that the suitability be determined primare, preliminary, at this
1028 point. And we do that to facilitate businesses which may have a restaurant license and – they
1029 want to open up by the first of the month. Their suitability investigation may take four to six
1030 months, so we grant them temporary license pending the outcome of their investigation so there
1031 is a – sort of a different type of temporary license in that regard. Again, I’ll rely on my
1032 statements with regard to the approval of this license for a six-month review as meeting the
1033 criteria for a temporary license under our City Code.

1034

1035 **COUNCILMAN BROWN**

1036 Okay. And as a refresher, thank you, Mr. DiFiore, when we’re talking revocation temporary
1037 license, we are specifically addressing the liquor license.

38

1039 **JIM DiFIORE**

1040 That is correct. The – Topless Erotic Dance License is not subject to this particular hearing.

1041

1042 **COUNCILMAN BROWN**

1043 I appreciate that. Thank you, Mayor Pro Tem.

1044

1045 **MAYOR PRO TEM REESE**

1046 Thank you. Continue.

1047

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1047 **JIM DiFIORE**

1048 Okay. I'm going to let Mr. Jerbic address the statistic comparison that was done for 2003, 2004
1049 on Erotic Dance, as well as the solicitation of prostitution charges, and then I'll continue my
1050 presentation.

1051

1052 **BRAD JERBIC**

1053 Thank you. I've had members of my staff go back and find, (inaudible) through the records to
1054 put together the best numbers that we could to provide to Mr. Fiorentino, and his client, and to
1055 the City Council today regarding the comparison between Treasures and the other, similar
1056 license clubs in town. What I'd like to do is file with the Clerk, at this time, the document that
1057 reflects those numbers. The names of the other clubs have been taken off. They've just been
1058 named clubs A, B, C, D, E, F, G – if it becomes relevant and the Council needs to know names, I
1059 can provide them to you. But I'd keep it clean and without getting into any argument of that
1060 we're talking about other clubs here or going after them. We just took the names off for
1061 purposes of this hearing.

1062 What you see in the top column are 2003 Erotic Dance violations. 2003 is the year that
1063 Treasures opened and so it reflects three point five months of operation for Treasures and 12
1064 months of operations for the other clubs. They were of course open that entire year. As you can
1065 see two of the clubs received 20 citations. Treasures, on a 3.5-month period, received 10
1066 citations. I don't know that you can really draw any conclusion that they're any better or worse
1067 than – the other clubs. There's certainly higher numbers. They're up there with the highest
1068 numbers for such a short period of time but, those are the numbers that come from 2003. For
1069 2004 we do have an apples to apples comparison. All clubs are open for five and a half months.
1070 The Treasures received 14 citations for Erotic Dance Club. There are four that have a worse
1071 record than Treasures. One has 17, one has 19, one has 13, one has 23. I think those numbers
1072 speak for themselves.

1073 When we talk about soliciting prostitution, in 2003 there were, again Treasures was only open
1074 for three and a half months the other clubs were open for 12. One club received two citations for
1075 soliciting prostitution, one received two, two other clubs have six citations for soliciting
1076 prostitution. One has one, and Treasures had four in that period. In fairness to Treasures, I don't
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1077 think it's four individual citations. I think it's three defendants. One defendant has two charges
1078 of prostitution against her and I don't think that case has been litigated yet. Looking at those
1079 numbers, again, you can clearly argue that there were clubs for that same period of time that had
1080 a worse record than Treasures when it came to arrest for soliciting prostitution. Nobody on staff
1081 will stand up here and tell you otherwise. The only conclusion that I would draw for it, again
1082 everybody will draw their own, is I don't think Treasures, from based on these statistics, is
1083 necessarily any better or any worse if you were just measuring citations alone. Nobody here on
1084 staff is going to get up here and tell you that they're the big bad wolf or that they are the, running
1085 an establishment that is running disproportionately high compared to other establishments. I do
1086 know that there are issues with respect to how the individual police officers are treated when
1087 they get to the establishment. When Metro has an opportunity to speak they'll enlighten you as
1088 to the kind of reception that they get when they enter an establishment like Treasures, but the
1089 numbers are the numbers.

1090 With respect to prosecutions and how they may differ from club to club. I will not stand up here,
1091 as your City Attorney, and tell you that we prosecute every prostitution case the same way. We
1092 don't. If we see problems in one club versus another club, we may decide that in those club's
1093 cases we will crack down and offer no deals and take them to trial because we want to get
1094 compliance. In this case, and I'll tell you quite honestly, it wasn't until we ran the numbers this
1095 last week that I became aware of the fact that there are other clubs that had more citations for
1096 soliciting prostitution than Treasures did. When I became aware of that fact, I've instructed my
1097 staff that those cases will be treated the same way as Treasures cases will be. Which is they will
1098 go to trial and they'll be litigated up or down on a – by a judge. It's something I should have
1099 been aware of sooner, I'll tell you that, but we do not keep those statistics and maybe behalf of –
1100 because Mr. Fiorentino was diligent and requested them and the Council did, it was an
1101 enlightenment for me to see those numbers. And it's resulted in a bit of a change in our office's
1102 philosophy towards some of the other clubs and the way we prosecute those cases. But prior to
1103 that awakening, I can tell you that we did offer negotiations to those other clubs, to those
1104 individuals who worked in clubs soliciting prostitution.

1105 I do want to make a distinction here too between club prostitution and street prostitution. They
1106 are two different things. Club prostitution are opportunities for dancers who are already half
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1107 naked working with people who are half liquored up to solicit them for a sexual opportunity
1108 versus a street hooker who operates on the street, not nearly in the same environment, who
1109 usually is operating out of a drug addiction. In street hooker cases we offer, in a lot of cases, our
1110 order-out-corridor, which is council approved as part of an ordinance revision several years ago,
1111 which is, if you agree to stay out of the Order Out Corridor, pay a fine and go to classes that the
1112 cases would be reduced at the end of it. That is treated that way because they work in a
1113 particular area, and we want to keep them out of that area. The dancers have eliminated first
1114 amendment right to work in the clubs, and so on a lot of cases what we've done, prior to our
1115 becoming aware that the numbers were higher in some clubs, was to give them an opportunity to
1116 surrender their work card for a period of a year and the penalties would go with it and the charge
1117 would be reduced considerably at the end of it. Again, in those clubs where we see a spike in the
1118 prostitution numbers, that will not occur any more. But that's how those cases have been treated.
1119 The Treasure's cases were treated differently from the outset for a very simple reason.
1120 Treasures, when they appeared before the City Council in December of 2000, received a
1121 background check that strongly suggested that they were not suitable applicants for a privileged
1122 license in the City of Las Vegas. It was only after a number of fairly raw facts were disclosed in
1123 those reports regarding the clubs in Houston, and if Mr. Fiorentino wants to go over what some
1124 of those violations were, I will be happy to, but I'm not going to at this point in time. It was
1125 only, I think, when their back was against the wall that they agreed to this higher standard of a
1126 conviction. And based upon the Council's acceptance of that higher standard and their offering
1127 of that higher standard, we were not in the position to negotiate those cases because literally, if
1128 our office negotiated every Treasure's case the way we would negotiate a regular club's case,
1129 there would never be a conviction based on the Council's standard that was set. And by our
1130 action alone, our unilateral action as prosecutors, we would, it would result in them getting a
1131 permanent liquor license, which I don't think was the Council's intent. That's why their cases
1132 were treated differently. If the Council has any questions, I'll be glad to answer them.

1133

1134 **COUNCILMAN WEEKLY**

35 I have a question. This, I'd just like to ask Mr. Jerbic, when we look at many of the dancers
1136 inside of the clubs, how do we hold a manager or club operator responsible for a dancer's action
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1137 who's considered an independent contractor, who, as you indicated, who's already half naked,
1138 who's entertaining someone who's under the influence, how – do they, I guess how would they
1139 manage that, if you will? Or how will they be held totally responsible for that action?

1140

1141 **BRAD JERBIC**

1142 It's a good question. I'll let Metro come up and talk here. Let me just state philosophically that I
1143 think, we're all aware, including myself, that the very nature of this type of industry is to provide
1144 adult entertainment. And when it comes to Erotic Dance violations sometimes it's a matter of
1145 how much dancing is too much dancing. We all know that. We know that's a difficult thing to
1146 measure. But I, but we also know that it is different from club to club. Different managers have
1147 different levels of responsibility and there's different reactions to the police depending on what
1148 club you go to. To answer those questions and get to the heart of your question, Councilman, let
1149 me turn it over to the Metropolitan Police Department.

1150

1151 **COUNCILMAN WEEKLY**

1152 Okay. And – before Officer Stacy comes up, I just want to ask you, would you agree that it is
1153 what it is. It's the nature of the business and when we look at the comparisons here Treasures
1154 compared to clubs A through G, if you will, and you said on the record that basically they're all
1155 kind of in the same boat, if you will. I don't want to speak for you. But how would we, I guess,
1156 are you – saying that looking at these comparisons here that because they've been open a short
1157 period of time, some of their allegation or charges are almost at the same rate as some of the
1158 other clubs, if you will, who've been open for a long period of time?

1159

1160 **BRAD JERBIC**

1161 They're certainly, I think, consistent with the clubs that are running some of the higher numbers
1162 for Erotic Dance. They're definitely not the highest. There are, like I said, there are three that
1163 are ahead of them. And by the way for this year, to each of the club's credit, there have been no
1164 prostitution arrests reported that, in the City of Las Vegas. So, for 2004 for every club, including
65 Treasures, hats off to you. There are no prostitution arrests that we're aware of. But again, it is
1166 not the industry standard to provide prostitution in any club in the City. And for, I think the
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1167 argument begins with, this is adult entertainment and it's hard to imagine a lap dance without
1168 touching because by the very statement itself suggests that. So, there's going to be a certain
1169 amount of contact. There's going to be drinking and there's going to be a certain amount of
1170 nudity. And when you put those three things together, we call them a Sexually Oriented
1171 Business. Now beyond that, there are two lines that, that people can cross that – break the law.
1172 One is you can violate the City's prohibition against fondling and caressing. And I'll be
1173 perfectly honest with you, we've had number of internal debates as to what fondling is and
1174 caressing is, but when you read some reports, the kinds of things that are going on are well
1175 beyond a lap dance. And when that occurs, and it's open and notorious, the officers will submit
1176 to us a violation for Erotic Dance establishment. That one is difficult to measure but again, if
1177 you see some of the reports, I don't think there'll be much disagreement amongst the Council
1178 members that there really is a level out there where we're well beyond the pale.
1179 Prostitution is different. It's a very bright line. Are you going to accept cash for a sex act. And
1180 officers go in and they will literally see if the girls will do that and if they do they will hook them
1181 up and that is bright line that shouldn't exist in any club. It's perfectly policable; it's perfectly
1182 preventable. Now, can every club owner know that they've hired a girl who's going to be good?
1183 No, absolutely not. I wouldn't stand here and tell you that the Davaris are any better at looking a
1184 dancer in the eye and knowing if she's going to commit an act of prostitution versus some owner
1185 of some other club. To a certain extent, it's going to be how you conduct yourself as a manager,
1186 how you conduct yourself as a club, how strictly you deal with it, how quickly you warn people.
1187 And so, we do place responsibility on managers, but can they read the minds of the people they
1188 hire or know for a fact they're not going to commit it? No. But with that intro let me turn it over
1189 to the Metropolitan Police Department.

1190

1191 **STACY RODD**

1192 Mayor and Council, just to touch on a couple of points and just to answer, to address some of the
1193 things that were brought just a moment ago and that Mr. Jerbic addressed. And shortly
1194 afterwards, I'll turn it over to Detective Loretto who is a large part of the enforcement activities
95 from our sections. And they actually go into the clubs and they actually conduct activities and

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1196 document what happens there and some of the violations. So, I'm sure that Detective Loretto
1197 will address some of that with you also.

1198 There are two points that struck me when Mr. Jerbic was speaking and I wanted to – highlight
1199 these. Councilman Weekly asked, how do we hold owners or managers responsible. You
1200 recognize, your ordinances recognize, your staff recognize that the ultimate accountability for
1201 any of these businesses that we have before us, that you license, that you seek reports from us,
1202 we take a look at people's suitability, all of those things come together. At the end, when you
1203 issue a license to an individual or a group of individuals the understanding is, both on your end
1204 on our end and hopefully on their end, that they are ultimately responsible for what happens in
1205 their establishment. There's no one that you can point the finger at. There's no one else that you
1206 can blame because you are the licensee, and it is your responsibility to make sure the violations
1207 of law and violations of ordinances do not take place there. Now, in a perfect world, no
1208 violations would take place. We understand that. We also understand we don't live in a perfect
1209 world. But in this particular industry there is a propensity for this type of activity, reference
1210 prostitution, reference illegal sex contacts or acts, and we all know that. We live in a real world.
1211 It would occur to me, as a licensee, that I have a responsibility to step up my regulation of my
1212 establishment to make sure that knowing that these things sometimes happen, that it's not going
1213 to happen on my watch, and it's not going to happen at my place because ultimately it's my
1214 license. I stand to lose and ultimately I'm going to be held responsible.

1215 That being said, I'm going to piggyback that onto another comment that was made, and a
1216 question or issue that was brought up. We, as enforcement officers, welcomed the proposition of
1217 a higher standard. We saw it as you did. That this is the mechanism by which we can bring
1218 other clubs that may not be as compliant into compliance. We can set a standard according to
1219 what's being offered up here by a new licensee who's going to bring a new day and a new way
1220 for how these clubs operate. We welcome that as much as you did because we saw that as the
1221 mechanism by which we could come back before you or you can call us before you and say, we
1222 have an establishment here that is, in fact, creating a new way for operation for these types of
1223 establishments. They are setting the standards, and they are doing well. They are honoring their
1224 commitment. They are bringing us the means by which we can hold other people to the same
1225 standard. We didn't single Treasures out. We have nothing against Treasures. We were looking
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1226 at Treasures as the innovators and the pioneers to bring this new day about and that we can hold
1227 them up in the light and we can say, you see, Treasures can do it, everyone else can to. The new
1228 day is here, and we're going to have these clubs that are in compliance and everybody's going to
1229 be happy with this. We're going to get the desired result. That is why, in part, Treasures became
1230 the focus because we were looking for them to follow through with what they had committed to,
1231 and then we can bring them back before you and say, it is accomplishable. We can get this done,
1232 and Treasures is an example of that. We weren't able to do it, unfortunately; in fact, we found
1233 the contrary. So, any representations that we were singling Treasures out or that we looked at
1234 them solely, we looked at them because we thought they were going to bring a new day, and we
1235 were hopeful just as you were. And with that –

1236

1237 **COUNCILMAN WEEKLY**

1238 Mayor Pro Tem?

1239

1240 **MAYOR PRO TEM REESE**

1241 Yes.

1242

1243 **COUNCILMAN WEEKLY**

1244 Real quick. Officer Stacy, just, if you could answer for me, what's a new day and really,
1245 realistically. And, I guess, my question would be, when we look at higher standards, the
1246 business is the business and it is what it is. What – were we really looking for?

1247

1248 **STACY RODD**

1249 I think it's dangerous, and this is with all due respect –

1250

1251 **COUNCILMAN WEEKLY**

1252 Yes, sir.

1253

54 **STACY RODD**

1255 – Councilman.

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1256 **COUNCILMAN WEEKLY**

1257 Yes, sir.

1258

1259 **STACY RODD**

1260 I think it's dangerous when we accept the business is what the business is. I think we stop
1261 looking for a way to improve it, and I think we have kind of defeated our own selves or stepped
1262 on our own foot when we say it's a sexually oriented business, these things are going to happen,
1263 what can we do about it. I, as a proactive law enforcement officer and as a representative of
1264 2500 other cops and a staff, a staff of administrators, we pride ourselves on being proactive and
55 trying to prevent things from happening that we know are illegal, immoral, or unethical. We're
1266 not willing to accept, as law enforcement, that illegal things are going to take place and there's
1267 really nothing we can do about it. We're going to do everything that we can. We're going to
1268 investigate it; we're going to address it with criminal sanctions; we're going to bring it before the
1269 court; we're going to bring it before you; we're going to address it with the owners and the
1270 managers and explain to them what they're doing wrong and how they might address these
1271 things. We, simply, are not willing to accept that these things are going to happen there. And
1272 perhaps it's our shortcoming, but we are looking for that better day and that better way. We can
1273 improve this industry, and we're not willing to conceive that these things are going to happen
1274 and there's nothing we're going to do about.

1275

1276 **COUNCILMAN WEEKLY**

1277 Okay. Thank you.

1278

1279 **COUNCILMAN BROWN**

1280 Mayor Pro Tem.

1281

1282 **MAYOR PRO TEM REESE**

1283 Councilman Brown?

84

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1284 **COUNCILMAN BROWN**

1285 If I may? It's the right time to bring this up, and I think this has been hinted at for the last three
1286 years we've been addressing this license, but you bring up a great point. The industry, which we
1287 have been informed, is protected constitutionally, so somewhere in this town it's going to
1288 happen. The alcohol is a separate issue. But we've all learned, perhaps a lot more than we
1289 wanted to learn about it, and one of the things that has become very, very obvious, and this is in
1290 response to your comments, is we may not being, we as a City Council may not be doing enough
1291 to allow you to do your job as effectively as you can do it. And for instance, I think certainly
1292 this may be personal, but at the top of the list we don't want drugs in these clubs. I don't know if
1293 that was part of the statistics, but it seems that you're doing a great job, Metro's doing a great job
1294 keeping the drugs out of these clubs. Prostitution, whether it's the profile that this club has
1295 received or just a stronger message from the Council and Metro, prostitution seems to be down,
1296 at least this year. Those two, by matter of course, is a great success and attribute to your group
1297 and detective, your group that's involved everyday. But when we start looking at this Erotic
1298 Dance or the touching and all that, go back to 2001, there was a clear distinction made in Las
1299 Vegas. We have a no distance separation, and yet other cities have 3, 6, and 10 foot separations
1300 and at least the 6-foot, by record, as been upheld as constitutional.

1301 So, this is a bigger issue, and it's one that I tried to raise earlier, that there are bigger issue than
1302 what's before us today, and I would like, as a separate result of today's activities, to start looking
1303 into that. Industry may not want to hear it, and if it's part of Las Vegas, I agree. Maybe, we
1304 should take a closer look at what we deem for the general welfare and morality and all that, what
1305 would be appropriate for Las Vegas under the constitutional of guidelines. And that has become
1306 very evident, statistically. And I don't see how the detectives can do their job if there's a no
1307 separation. It's going to come down to discretion and experience and seeing the difference, and
1308 one of the things that has come out in the public record and in just about every document that
1309 I've reviewed, is a lot of it comes down to what you've indicated. The club's willingness to
1310 work with Metro, and I'm not sure if that's the legal question we're deciding today, as far as
1311 suitability, but from a common sense stand point, if a detective's in there, club knows they're in
12 there, and the management of that club is saying, hey good luck, we're not helping you out, then

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1313 we're going to have a means to shut them down today. That's – where I see one of the
1314 fundamental problems or challenges for Metro, is to go in and not get any cooperation.

1315

1316 **STACY ROD**

1317 And you hit the nail right on the head. That is a very key factor in how enforcement and
1318 activities that take place there are addressed. That's very important, and we will welcome those
1319 discussions.

1320

1321 **COUNCILMAN BROWN**

22 We – have – to because all these other issues we're dealing with seems to come full circle.
1323 You're not, well, separate from the strong direction from the Council to take a hard look at
1324 Treasures, and they welcomed it, whether they were strong-armed or whether they offered it,
1325 that's semantics. But I don't think we're giving you the tools to go in and accomplish your goal.
1326 Because you've said you're not going out looking for any club. You're enforcing our ordinances
1327 and from what I see, the ordinances that are obvious, the prostitution, the drugs, Metro's got high
1328 marks. It's this gray area, this no distance separation and the specific activities. We're not
1329 giving the officers a chance to do their job. And that discretion, again from my perspective, an
1330 officer is going to, probably go into a club, notify them they're there and look for help and some
1331 clubs, obviously by these statistics, are not cooperating.

1332

1333 **JIM DIFIORE**

1334 Councilman, one comment on that point. About two and a half years ago I did meet with the
1335 industry. We did propose a draft ordinance to amend the current ordinance, with regard to
1336 regulation of Erotic Dance. It didn't go forward. There were some concerns by the industry at
1337 that time, by the dancers and their own industry at that time, as well. Clark County did go
1338 forward with a, an amendment to their Erotic Dance. We simply, for the last two and a half
1339 years, have been enforcing the current standards that we do have. About six months ago we
1340 believe that we had the same concerns that you did with regards to the gray area. We met with
41 Clark County officials, and for about the last four and a half months we have been meeting once
1342 a month to look at our Erotic Dance standards in both jurisdictions, and we're working towards a
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1343 unified Erotic Dance Code. Whether this means we'll have a distance separation or we'll have
1344 more specific language to make it easier for the club and the industry to understand what the
1345 violations are and for Metro and business licensing to understand what the violations are, that's
1346 the common goal that we have.

1347 Additionally, we find the dancers are dancing in Clark County, and they're dancing in Las
1348 Vegas. Now, quite frankly, in some cases they get confused or they say they get confused on
1349 what's allowed in the City and what's allowed in the County. I think the standards are, they, we
1350 attempt to address them consistently as much as possible. I know the detectives that enforce this
1351 probably use the same standards when they're in a county location as well when they're in a City
1352 location, and we just need to have the language there in both jurisdictions because it's a common
1353 fact day in and day out that you have a dancer dancing here at one club and dancing at a County
1354 club maybe the same day. So, we are moving – toward having some amendments to our code,
1355 and hopefully we'll have the County on board, and we'll be able to come before the County
1356 Commission for theirs and the City Council for ours for us to clear it up.

1357

1358 **COUNCILMAN BROWN**

1359 And Metro is involved in that dialogue --

1360

1361 **JIM DiFIORE**

1362 Absolutely.

1363

1364 **COUNCILMAN BROWN**

1365 -- as far as that. Oh, I just, it's a situation that and perhaps it's a wake-up call for the industry. I
1366 just don't see how we, Metro in particular, can go in under the current guidelines and -- try to
1367 accomplish the efficiency, as far as protecting the general welfare. Especially when a lot of these
1368 reports are coming back saying they're not getting cooperation. If the clubs aren't willing to step
1369 up and help Metro and help the City police this industry, then they're going to pay the price of
1370 having the City come in and tell them how we are going to police the industry. And that's
71 always, it's always a fine line. But certainly, I appreciate that. Thank you, Mayor Pro Tem.

1372

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1372 **MAYOR PRO TEM REESE**

1373 Thank you.

1374

1375 **JOHN LORETTO**

1376 Mayor Pro Tem, Council.

1377

1378 **MAYOR PRO TEM REESE**

1379 Mr. Loretto.

1380

81 **JOHN LORETTO**

1382 Mayor Pro Tem, Council, I'm detective John Loretto again. I've been before you on the same
1383 matter. I don't really know where to begin except for maybe the original report. We, as
1384 Councilman Brown has said, there's a bunch of subplots here that I don't really know how to get
1385 into all of 'em. They don't necessarily effect the police department. Can you hear me now?
1386 But, as far as the original report goes, the attorneys have brought up that this thing is several
1387 years old now. We don't have the ability now to fly back to Texas and reinvestigate them. I
1388 think the report was pretty explanatory to begin with. It was definitely what our job was that's
1389 what we did when we produced it. And then to follow up on March 17th, we didn't put any
1390 words into this Council meeting that said anything about raising the bar or anything else. That
1391 was the other side that did that. That wasn't us. We produced a report, again, that was just
1392 factual. We told you what was wrong with the business. We didn't come out here and compare
1393 it to every other business. We reported on that business alone. You've asked us, now, to bring
1394 before you a report that I didn't produce. The City and the City Attorney's Office actually went
1395 through and produced, and you can clearly see that there is no raising the bar, which we've
1396 agreed was a term that, you know, might be hard for an industry to uphold. But if they would
1397 have said that to begin with, we cannot raise the bar, is that something that the board would have
1398 approved at that time? That's a question that you might want to think about, instead of all these
1399 other subplots. It's clear to me, though, that there's no way the Las Vegas Metropolitan Police
1400 Department has the time or the manpower to target any one club. And I would like to say that,
1401 yes, we're very, very proud of all these clubs for not having any vice arrest because there is not

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1402 prostitution occurring. But we spoke with the Lieutenant of the Vice Section and referenced
1403 Treasures. Again, I'm not talking about all the other clubs. Vice hasn't been back in there. So,
1404 to sit here, I'm just trying to give you all the facts again. I can't say there is no prostitution
1405 occurring there, just like I'm not going to tell you there is. Our vice section has not been in
1406 there.

1407 I work in the Special Investigation section. Each one of these managers, the security personnel
1408 that worked the front door, I don't know if you've seen the front of Treasures. It's very hard for
1409 us to get anywhere near that front door before they know we're there. I don't go in in a suit and
1410 tie. I wear casual clothes to conceal my police identity from the patron so we can walk through
1411 the club. But if they don't know who we are at the door, I don't pay a cover to get in. I badge
1412 'em, and we walk right in the club. You got a front area that you gotta go through before you
1413 can get in to see any activity in the club. This isn't something that we just go in and try to target
1414 this place and say, we're going to get it shut down, or we're going to do this. We go in as we're
1415 requested to go in and do enforcement activities. We've been doing those enforcement activities
1416 with your own City director here of the Business License, or manager I should say. And back to
1417 the vice thing, they have several more pressing issues other than just these clubs, and as far as we
1418 go for vice, I don't go in there and try to get prostitution arrests. That's not my job. I go in there
1419 and look for violations of the code that we're required to enforce. Vice, as you know, does street
1420 prostitutions; they do the hotels; they're responsible for a wide variety in the whole valley of vice
1421 enforcement. So, to say that all these clubs are cleaned up and that's why there's none, I think is
1422 an inaccurate representation.

1423 One of the other things back to the cooperation of the club, as of recently we were in to
1424 Treasures last Friday night. Again, we had some violations of Erotic Dance, and again,
1425 obviously, those haven't been found in Court to be guilty or innocent yet or anything else. But
1426 the thing that I found very interesting is that they now have a new classification of employee,
1427 which they call a Compliance Officer. But the thing I found insulting is that everyone of those
1428 people at that club have my business card, my sergeant's business card, the City Business
1429 License; they know how to get a hold of them. But nobody bothered to call us and say, hey does
30 this fall under security? Would they be required to have an Alcohol Awareness Card? And they
1431 said, well, we know they're required to have a Sheriff's card so they got those. Well, they're
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1432 security guards. Call it any way you want, doorman, bouncer, whatever; they're security guards;
1433 they're required to have the Alcohol Awareness card. That, to me, is shows that this club is
1434 kinda doing what they want to do when they have our phone numbers to call. We're not the bad
1435 guy. We're here to help. We're here to bring people within compliance, not to shut people
1436 down. We all know this is Vegas. We talked about a six-foot rule, a three-foot rule and
1437 everything else. It's Vegas. We, when we sat down with the County and when we've talked
1438 with the City, we kept that in mind. We go in and enforce the extreme violations. I don't go in
1439 and write a citation because some girl is brushed against some guy's arm. We're talking about
1440 groin to groin contact, breast to groin, buttocks to groin; it's something that I can't say is a
41 prostitution act because I'm not involved in their conversation. But, I can say it violates the code
1442 because it's fondling and caressing in a sexual way. There's no doubt in my mind that that's
1443 exactly what's occurring. And again, we're not going for the incidental touching and contact,
1444 which some people may portray as that's what goes on. Because, we understand there's going to
1445 be contact. We understand that there's going to be people sitting on people's laps in these clubs,
1446 but it's the active entertainment dance, whatever you want to call it, that goes on with direct
1447 contact that can't be anything other than in a sexual way. That's what we cite for.

1448 Also, to tell you a little bit about our team. We're not a 30, 40-man task force that goes out to
1449 these clubs. We are three detectives and one sergeant on the swing shift enforcement. Our
1450 responsibilities are everything that is regulated or privileged license. Excuse me. We also
1451 respond for whatever officers from a patrol substation call and ask us for help. This isn't the
1452 only thing we do. I mean our – enforcement responsibilities are huge, and this is tasking so, I
1453 agree with you, when something else has to be done, and that's why we work with Mr. DiFiore's
1454 office and he brings his guys because then we're up to five people.

1455 Um, the new day that you had talked about Councilman Weekly; there's several things that have
1456 gone on that Mr. DiFiore's already alluded to. We're also looking at licensing the dancers. We
1457 don't just, you guys don't license the liquor license employee and throw them out there to the
1458 wolves and say fend for yourselves. I think, we, as a police department and as Business License
1459 equally work with the employer or licensee in an attempt to, how can we help correct this
60 industry. I don't think anybody really wanted to look at a six-foot rule to begin with. I think
1461 what we wanted to say is the code is fine the way it is. If we can get management and licensee to

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1462 actively enforce the code in their own business, not to see something different when we walk in
1463 there and have people running around saying, hey the police are here, knock that off. But, we
1464 look for licensing the dancers. So, now if a dancer violates, she can't go work at the club down
1465 the street because we haven't fixed anything. We just got her fired from one business, and she
1466 went to another one. So we're working that the codes in the City and County are equal so
1467 everybody across the board, because they're so intertwined, have the same idea what's going on,
1468 and that the dancers can't just jump from club to club to club if they've been violated in one
1469 club. We're also personally working on, if a dancer is issued a citation, we also issue her a
1470 noncompliance, which says, you are formally told, right now today, if you are seen doing this act
1471 again we will revoke your Sheriff's card. So she can't come before us and say well, I didn't
1472 know what the codes were.

1473 And, my point beyond that, is that the police department is trying to work with the business
1474 owners and do our part and not say it's not, it's your problem alone, we're not going to help you
1475 fix it. We're trying to do our part and that's what we think our enforcement there is, but when
1476 we are greeted by the club as, you know, going around telling people the police are there, that's
1477 not the cooperation we want to receive from them. Um, I guess I can answer any questions that
1478 you have, because the other things don't really apply to us, the temporary, and the promise and
1479 all the other stuff.

1480

1481 **MAYOR PRO TEM REESE**

1482 Thank you. Councilman Brown?

1483

1484 **COUNCILMAN BROWN**

1485 Detective you bring up a good point. Just how many dancers do we think are in the City of Las
1486 Vegas?

1487

1488 **JOHN LORETTO**

1489 I, somewhere in the 10,000, I would say.

1490

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1490 **JIM DiFIORE**

1491 We've heard figures from four to ten thousand. And, you know, we have not only local dancers
1492 here, but we have quite a few that fly in for the weekend from out of state. And they use this as a
1493 weekend job.

1494

1495 **COUNCILMAN BROWN**

1496 And currently they, even those from out of town, all they need is a Sheriff's card?

1497

1498 **JIM DiFIORE**

1499 That's correct.

1500

1501 **COUNCILMAN BROWN**

1502 So, one of the things that we're discussing, as far as licensing the individual dancers.

1503

1504 **JIM DiFIORE**

1505 That's correct.

1506

1507 **COUNCILMAN BROWN**

1508 'Cause if they're not, and again, this is something else that I've just learned today. If the
1509 numbers are four to ten thousand and even with the limited manpower, perhaps it's not systemic
1510 as much as there's a certain core of dancers that are going to do whatever they can get away
1511 with.

1512

1513 **JIM DiFIORE**

1514 That's absolutely correct. I think that with all of the, with the volume of numbers of dancers that
1515 we encounter, you might have somebody coming in from out of town for the weekend who may
1516 be unfamiliar with our codes and, certainly, operating under a different standard wherever they
1517 come from. And a lot of times, I would imagine, that they can come in and violate the code and
1518 not even know that they're violating the code. But, I think Detective Loretto hit on it. When a
1519 citation is issued, it is explained thoroughly; and I've done this myself. We've explained
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1520 thoroughly what the violation is and what we observed and what they're going to go to court for.
1521 So, the noncompliance notices that they get and they receive, there's no way they can refute that
1522 nobody ever told me. So, the second time around, I didn't know what I was doing or was in
1523 violation of the code.

1524

1525 **JOHN LORETTO**

1526 If I can also touch on one other thing I left out. If you refer to the packet that the city attorney
1527 gave you from Houston, where the front of it has the Insurance Fraud Code. Page five, which is
1528 something that just came up, of the actual search warrant affidavit and the reason why I bring
1529 this up is 'cause, Mr. Fiorentin (sic), if I pronounce that right, wanted to make sure that he knew
1530 everything that was going to be coming up. When I was reading over this, page five of the
1531 affidavit, which is I believe page ten of the fax number across the top, the second paragraph
1532 down talks about cash transaction reports that were filed by Hassan and Ali Davari. I called back
1533 to the office and had them review their personal history questionnaire that they originally filed
1534 with us, and both of them had checked "no" on having filed a Cash Transaction Report, ever. So
1535 that's something we're going to be looking into that is new information on top of everything else
1536 you guys have to ponder.

1537

1538 **MAYOR PRO TEM REESE**

1539 Any other questions for Mr. Loretto? While Metro is still here I just want to make a couple
1540 comments in regards to Metro. I, certainly, appreciate the nine years that I spent up here, the job
1541 that Metro does and going out. And I have told many, many people, we never set them out as a
1542 targeting anybody. They're going out there and doing a job that the City Council has requested
1543 that you do, as well as our own City staff, and I compliment you on your due diligence, the jobs
1544 that you do for us, and reports that you bring back to us on many, many different subjects and
1545 stuff. I think they're extraordinary, and I, certainly, appreciate the ability that you give me to
1546 make a substantial decision. So, thank you for being here today.

1547

1548 **JOHN LORETTO**

1549 We appreciate that.

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1550 **MAYOR PRO TEM REESE**

1551 Thank you. Mr. DiFiore.

1552

1553 **JIM DiFIORE**

1554 Mayor Pro Tem and members of the Council, I'll entertain any other questions you may have at
1555 this point in time or any direction that you would like to see at this point in time.

1556

1557 **MAYOR PRO TEM REESE**

1558 Council members. No questions? We'll give you time to rebut. Mr. Fiorentino.

59

1560 **MARK FIORENTINO**

1561 Mayor Pro Tem, I'm sorry, Mayor Pro Tem, members of the Council, again Mark Fiorentino
1562 representing --

63

1564 **MAYOR PRO TEM REESE**

1565 Are these all the same?

1566

1567 **MARK FIORENTINO**

1568 -- D. Westwood Inc. We're going to work from that booklet that I submitted to you. There's
1569 plenty of copies for everybody. If there's not, I think, we even have a few more in the back. Mr.
1570 DiFiore should have one if you have an extra one; if not we got more. Maybe, while that's being
1571 distributed, I can start with a couple of preliminary comments. First, on the issue of temporary
1572 license. This has been an emotional application and process for all of us. And, I want to make it
1573 clear that I did not, in any way, mean to indicate that I thought Mr. DiFiore was doing something
1574 different here or treating us differently. But I do have a job to do, and if that's going to have
1575 legal significance I had to do everything I can. I'm satisfied with his answer and I'm satisfied
1576 with what we said before. It's ultimately, no matter what you call the license, going to come
1577 back to the same decision for you whether it's today or 30 days from now or right before the 60
78 days expires.

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1579 With respect to Metro, there is no question that they are doing their job, and there is no question
1580 that in some of the frustration that's come out in this case, I may not have been clear in saying
1581 that before. I personally have no doubt, I have no question, I should say, in my mind, about
1582 whether they are treating people the same or differently in one club or another. Their job is
1583 impossible to do, and I would never make an allegation that they are doing something different,
1584 that Metro or Mr. DiFiore is doing anything different in Treasures than they are in other clubs.
1585 As an indication of how impossible their job is, three of the Erotic Dance Code violations that,
1586 citations that were issued in the Treasures establishment, since we first opened, have already
1587 gone to trial; two of them resulted in not guilty results. So obviously, at least in that case, one
1588 person disagreed with whether this crossed the line that everybody in this room should concede
1589 is an impossible line to interpret. You've been talking about it now for a half an hour. But they
1590 absolutely do their job, and, I think, they focused me where I wanted to be focused on the rest of
1591 this presentation, which is the real question and what we really should have made clear years ago
1592 about what we could do. What could the Davaris do to try to stop these issues up front?
1593 And, I will say again and then ask maybe at the end, 'cause you've invited me the opportunity to
1594 ask questions of those at the end, but I'm going to say at the beginning so they can formulate an
1595 answer if they want. There's no question that the allegations of the conduct that was occurring
1596 or alleged to be occurring in the Houston clubs years ago was very serious allegations. I have
1597 not, in any of the reports Metro has done or any of my own investigation or the investigation of
1598 the consultants we have hired, have found any indication that that kind of conduct is occurring at
1599 any level of, in Treasures today, and if it is, then somebody should say it. That's different than
1600 the Erotic Dance Code violations. Let's go through this book. I do want to go through it in
1601 detail 'cause I do think it's important. The first page is just a, an outline and then there are tabs
1602 that follow, that provide further information on the outline. We're not going to spend any time
1603 on the outline, just a second. But the first tab is a summary of the compliance measures we have
1604 been doing in Treasures. We have invited, repeatedly, Mr. DiFiore and Metro to look at these
1605 measures to tell us if there are things that need to be done differently, and, in fact, this list has
1606 changed. It changed from the day we opened to the day we were here in March 'til today. We
1607 have repeatedly modified it and added things to it because that is the single most critical thing

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1608 that we can do. It's the one thing in this process we control, is what are we doing in this club to
1609 try to prevent unpreventable activity. So lets go through these.

1610 The first is the that, we developed a compliance manual that details in detail what happens if you
1611 are either a dancer, an employee of this club, and you are involved in violations. What's going
1612 to happen to you? It sets out what happens on the first offense, the second, and the third offense.

1613 We gave these compliance manuals, again, to Mr. DiFiore and to Metro before the club opened
1614 and asked them to give us input. If fact they did and made changes. That is still a growing
1615 document. We've made changes in the last couple of months to continue to try to improve it.

1616 But, I want to say this, I should have said this at the beginning. Second question I want to ask,
1617 I've asked it repeatedly, and I think I know the answer. To the best of my knowledge,

1618 everything listed on this page and a half that we are doing in Treasures to try to avoid this
1619 problem up front is unique to Treasures. Treasures is the only club in town taking these
1620 measures. Again, whether these measures are actually producing results or not, we're going to

1621 get into, but they're the only club to the best of my knowledge, that are doing any of these things.

1622 So, behind tab two, you have the compliance manual. Everybody's got to sign this and – there's

1623 got to be something in their file showing that they've read it. We also developed separate

1624 regulations for management and dancers and different employees. Got to sign it; a copy of your

1625 signature has got to go in your file. Now, if Metro audited the files, no question they would find

1626 in the first couple of months we were open that not every person's files as a signature in it. But

1627 if they audited the files in the last six months they would find that. We require all of the dancers

1628 to enter into a written contract with us; I don't know whether that particular part is unique or not.

1629 But two things that I'm pretty sure are unique is they have to consent, in writing, to background

1630 checks. And we have, in fact, been doing background checks. We run background checks on all

1631 of the managers and on the dancers after they have achieved a certain level of appearances in the

1632 club. In other words it doesn't, it's impossible, or impracticable, I should say, if a woman flies

1633 in from San Francisco and she's only here one night to run a background on her, but once

1634 they've achieved a certain level of activity on the club, we run background checks on them. We

1635 provided information to the Treasures management on what we found in those background

1636 checks. As a result of them, there were a number of suspensions and at least one termination.

1637

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1637 **MAYOR PRO TEM REESE**

1638 Just, I've got a quick question. Did you say that the girl flies in from San Francisco or from New
1639 Orleans and she's not checked out, you know, they don't make any applications or whatever so –
1640

1641 **MARK FIORENTINO**

1642 No, no, no, no. I'm sorry Mayor Pro Tem. No. They have to make an application, they have to
1643 sign their employment contract, and they have to sign all the compliance manuals and so forth.
1644 But what we don't necessarily do is conduct a separate background check on her, whether she
1645 has a criminal record or not. We only do that once the dancer has shown that she's gonna, is a
1646 regular performer in the club. And we have conducted, I think, 200 separate background
1647 investigations now.

1648

1649 **MAYOR PRO TEM REESE**

1650 Well, yeah, but to me a lady flying in from New Orleans might be the ones that are causing the
1651 problems and stuff.

1652

1653 **MARK FIORENTINO**

1654 It could be and, in fact, if you've flown in from New Orleans and you've been in the clubs a
1655 couple of times so that we know there's even a reason to do it, and maybe Mr. Dillard can speak
1656 to this if I'm not saying this right, but if – it's a person who's only been in the club once, doing
1657 the background check would be irrelevant cause it takes them three or four days to do it. So, by
1658 the time you got the information back, it's irrelevant.

1659

1660 **MAYOR PRO TEM REESE**

1661 Okay. All I'm asking is, maybe I'm not answering the question correctly. Okay. To me, if I'm
1662 going to hire somebody, I'm going to know whether they was arrested for prostitution three years
1663 ago before I hire them.

1664

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1664 **MARK FIORENTINO**

1665 Well yes, and in this industry you have at least some indication when you hire them because they
1666 have to have a Sheriff's card. And the Sheriff does a background check. So, you have some
1667 indication that they don't have a criminal activity that would have resulted in the level of the
1668 Sheriff not issuing them a card. You don't have a complete record, and what we've done on
1669 them is gone back and done a complete record. As a result of those background checks, I think
1670 the major point is, they have issued suspensions and they have terminated at least one, based on
1671 what they found in the background checks. They also have to consent to random drug searches
1672 in Treasures, and I'm going to get back to that in a minute. Treasures keeps a complete log of
1673 every citation issued in the club and what they did in response to it. That rec, those records are
1674 open and available to – Mr. DiFiore, anybody on his staff, Metro and anybody on their staff that
1675 wants to review it. They maintain, and this is behind tab four, a complete log of every time they
1676 warned a dancer that they thought her conduct was approaching a violation of the Erotic Dance
1677 Code. Now, we would have, if you want, I don't think we brought it with me, this is like 14
1678 pages. They keep a complete log; the dancer's name, the date, who issued the action, and what
1679 was taken. And you can see they range from a verbal warning, a tap on the shoulder, the firing
1680 of a laser pen so they indicate they know that there's a problem, to people being suspended,
1681 people being removed from the club for repeated offenses.

1682 If you wanted the complete background for this, they actually have their hand written notes of
1683 how they observed what happened. And then we asked them, though, to take those and produce
1684 a log, so they maintain this log. We, also, have behind tab nine a complete record of all of the
1685 disciplinary actions taken against anybody related to Treasures. When I say that, I mean either
1686 employee or an independent contractor. Again the date, the name of the person, what the
1687 problem was, and what happened. If you take the time to read this you will see people have been
1688 terminated; people have been suspended; people have been removed from the club; people have
1689 been placed on probation. Pages and pages so that if there should be no question. If you want to
1690 know, what did you do to respond to these violations we issued in your club, you can go into
1691 these records and see what we did and it's all in conformance with the compliance manual we
1692 did up front. We set a set of procedures and told the dancers what would happen.

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1693 Behind tab seven, we placed notices in the clubs regard warning both patrons and dancers of
1694 illegal drug use would not be tolerated and that other violations of the code and prostitution
1695 would not be tolerated. There are cards placed on every table in the club; there are signs posted
1696 in the locker room and other facilities for the dancers and where employees have to go in and out
1697 of. Again, the table cards are relatively recent. If you ask me were they there in September, the
1698 answer is they wasn't. There was some issues with printing them, and then when they got
1699 printed and we reviewed them, we said that's not what we told you to put on them; there was a
1700 mistake, and so, but they are there now. If you go in there now, there are those table cards.

1701 We have implemented, this is behind tab eight, our own random drug searches of the facility
1702 utilizing a certified drug dog. No one knows when the dog is going to be in the club, except Mr.
1703 Davari. There is no forewarning. It is coordinated through Mr. Dillard, who we hired to help us
1704 do the compliance in here. Two drug sweeps through the club; they found nothing in either
1705 event. If you want to know the certifications or the qualifications of the dog, again, to the best of
1706 my knowledge, no one else is doing anything remotely close to that. Going to the second page of
1707 the outline, there's a policy that prohibits the entertainers from leaving the establishment with
1708 any patron. The reason we did that is because Metro told us that's how you get into prostitution.
1709 If you don't let them leave with customers, then you substantially reduce the opportunities that
1710 that can occur. There have been numerous, no, I shouldn't say numerous, I should say whenever
1711 that has occurred to the best of my knowledge, you will see if you go through the – log of
1712 disciplinary action taken, that people had been disciplined for violating that policy. They
1713 established a one-foot-on-the-floor rule so that the dancers, at all times during their performance,
1714 have to keep a foot on the floor. If you go in the club right now, could I promise you all of the
1715 dancers are complying with that? The answer is no, I could not promise you that. But it gave us
1716 at least a tool to try to take some of the gray area out of it because it's very difficult to do things
1717 you shouldn't be doing if one of your feet is on the floor. We have, as I understand it, a state of
1718 the art and unique computerized system that – scans the entertainer's fingerprints. So they, and
1719 it's a complete, complete computer log of whenever they enter and exit the club, even if they exit
1720 it in the middle of their shift and came back. Again, a powerful tool, I would submit, if anybody
1721 wants to use it, if you want to see exactly what people are doing, whether it's Metro using the
1722 tool or management using the tool.

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1723 We did hire compliance officers. Again, trying to respond to an objection I thought I heard last
1724 time from Metro, which is, the floor hosts and the managers aren't doing a good enough job of
1725 warning the dancers about dance code violations. So, me and Mr. Rowe came up with this idea
1726 on our own. Well, what can we do about that? Well, why don't we go hire people whose only
1727 job, they don't seat people; they don't serve cocktails; their only job is to walk around the
1728 establishment with a laser pen or some other mechanism to warn dancers. And absolutely true,
1729 although I think I wouldn't swear to it, we told Mr. DiFiore we were doing that, and it's
1730 absolutely true that I don't think I told Detective Loretto that we did. And he's absolutely right;
1731 he shouldn't, we shouldn't have to check with him and say, hey, do these people need Alcohol
1732 Awareness Training cards. He's right. They needed those cards. We should've advised them to
1733 go get the cards. We didn't think of it, but we hired the compliance officers for a, we think, a
1734 bigger issue. They're going to go get their Alcohol Awareness Training even though they don't
1735 – yes, Councilman.

1736
1737 **COUNCILMAN WEEKLY**

1738 How often, Mr. Fiorentino, is your compliant officer on site?

1739
1740 **MARK FIORENTINO**
1741 As I understand it, and I will ask them to correct me if I am wrong, there is, there are multiple
1742 ones on site at all times that the place is open. That is correct. They're nodding that is correct.

1743
1744 **COUNCILMAN WEEKLY**
1745 And Detective Loretto indicated that at times when he's come on property and he's badged the
1746 security officer upon entering the establishment, I guess employees are alerted that Metro's on
1747 site.

1748
1749 **MARK FIORENTINO**
1750 He's said that before in his report in March. And I'm not going to dispute that that occurs, but
1751 again, Metro doesn't dispute that. They don't hide it. They come in a say we're here. And let
1752 me address that maybe a little bit more directly.

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1753 **COUNCILMAN WEEKLY**

1754 And the only reason I ask you that, Mr. Fiorentino, in that being that Treasures has taken these
1755 drastic measures to be a step above the rest –

1756

1757 **MARK FIORENTINO**

1758 Right.

1759

1760 **COUNCILMAN WEEKLY**

1761 -- to try and be in compliance with the ordinances that were given to you all, and to live up to the
1762 agreements that you all indicated in the initial beginning of this, why would they even do that if
1763 we were doing the right thing inside of Treasures anyway?

1764

1765 **MARK FIORENTINO**

1766 You know what, I don't have a great answer for you, but I do have an answer.

1767

1768 **COUNCILMAN WEEKLY**

1769 Okay.

1770

1771 **MARK FIORENTINO**

1772 The on the site managers of this facility, it is no question the first few months it was open, did
1773 not have a very good communication with Metro and did not have a very good working
1774 relationship with Metro. In fact, and I may have caused some of this, Metro told me privately
1775 that one of the things, and I think Mr. DiFiore even testified to this in our last hearing, one of the
1776 things that really bothered them was that when they were in the club, no one was taking any, they
1777 could sit and watch the managers not taking any action to prevent Erotic Dance Code violations,
1778 that they would literally watch for minutes before anybody did anything. So, I brought the
1779 hammer down. I said, what? Are you guys stupid? If you know Mr. DiFiore is in the club, you
1780 should be doing everything you can to show him that we're doing these things that I'm going to
1781 talk to the Council about. And, so I think there may have been some overreaction to that. But, I
1782 hope again, and this was a point of great frustration for me last time, because I took it personally
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1783 early on, the Dennis Rodman incident, which had nothing to do with sexual misconduct, but it
1784 was an ongoing Metro investigation. There were managers involved in that case who initially
1785 refused to give Metro information they were asking for. I called Mr. Davari on the phone
1786 immediately and said, I quit. You need to put an end to that. There is no reasonable explanation
1787 for not cooperating with Metro on an ongoing investigation. It will never happen again, or else
1788 I'm done. And then I didn't, I did one other thing, and they did a thing. They suspended two of
1789 the people involved, and they ultimately terminated one of them because they were still having a
1790 problem with them. But I called Metro and I made the same commitment to them. I said, I'm
1791 not going to put up with that. And if you're still having that kind of problem where people aren't
1792 giving you stuff when you asked for it, then – call me. And I hope that, as we've progressed,
1793 they've gotten much better at that. I've heard no allegations that they're refusing to give them
1794 information. But everybody's been on there, there's no question. If you're a dancer in that club,
1795 you're on your toes. And if Metro's in the building, you're going to say Metro's in the building.
1796 We're having hours worth of public debate about everybody's watching so again. But that is not
1797 an excuse for Metro's in the building, we need to start hiding stuff. And if that's occurring then
1798 you should not tolerate it.

1799

1800 **COUNCILMAN WEEKLY**

1801 Right.

1802

1803 **MARK FIORENTINO**

1804 We talked a little bit about the laser pens. Again, this was actually Mr. Davari's idea of
1805 something they had done in Houston. A lot of it, allegations of customers and dancers with the
1806 problem and enforcing the code is it's sort of embarrassing to go up to the customer and stop
1807 activity. And so, they instituted the use, not in every case 'cause they still, as you see it from the
1808 log, they still tap or they still pull people aside, but they're using laser pens so that they can shoot
1809 a dot on the chair of the patron so that only the dancer can see it. So she's been warned, but the
1810 patron hasn't been put in some uncomfortable position. Ironically enough, when I first came
1811 here, I said, we're the only ones doing that, and it's my understanding there are a couple of other
1812 clubs in town that are now doing that. But I don't know whether that is true or not.

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1813 Finally on, just on this outline, we hired Mr. Dillard to help us go through some of this.
1814 Councilwoman Moncrief, you asked me about this last time and why didn't I have him hired in
1815 September. And I told you we had problems because I wanted to hire the person that I knew I
1816 could trust because he reported directly to me and that I knew was above reproach, that if he told
1817 you something, no one would have questioned his integrity or honesty. And it took me a while
1818 to get through a list of people that met those criteria and also did not have conflicts, either
1819 because of their workload or because other things – that they were doing. I will tell you, it is the
1820 best thing that ever happened to us that we got hooked up with Mr. Dillard. He is a retired vice
1821 officer from Metro. There is no pulling punches with him. He has done his job. He's reported
1822 to me good news; he's reported to me bad news, and he's here today. He's – conducted
1823 extensive investigations on what we asked him to look into, and he's here today to answer any
1824 question you have. But specifically, we asked him to review the compliance policy. He
1825 recommended some changes; we made them. We asked him to help us develop criteria for
1826 hiring management and security personnel; he's done that. We've asked him to provide weekly
1827 training classes to both the management and to the dancers about how to improve your
1828 relationships with Metro, how to work with Metro when they're in the building, how to avoid
1829 situations that can be interpreted as a violation of the dance code.
1830 Behind tab five, since we brought him on and started him, we've done 20 training sessions,
1831 roughly. We've train, there've been a total of 187 people in these training sessions. They have to
1832 sign in, indicating that they were there, have an opportunity to ask questions. A lot of them,
1833 actually, do ask questions when they're done. I thought it was important to note, and you'll see
1834 from the asterisks on this page, we asked Mr. DiFiore to attend one of those, and to see if he had
1835 any suggestions or anything we can do better or if he thought we were doing something wrong,
1836 and he did attend it. To the best of my knowledge, he appreciated the invite, and I thought he
1837 was reasonably impressed that it was a good training session. He did make a recommendation to
1838 us that we try some how to incorporate a videotape into the presentation, and we are in fact
1839 working on that. It's very difficult to do. It's very difficult to videotape inappropriate conduct
1840 and then show it to people, but we're figuring out a way to do it. As I indicated to you before,
1841 they've done the background checks, and we're providing regular reports to management if

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1842 there's something indicated in those background checks that we think warrant disciplinary action
1843 and they have been taking the action.

1844 Finally, we've asked them to conduct undercover inspections of Treasures and the other clubs
1845 that are licensed in the City of Las Vegas. I didn't do this to try to embarrass anybody; I did it
1846 because, if I was gonna stand before you and tell you what I think was going on in these clubs, I
1847 was going to have somebody I trust to do it and swear under oath what they saw. And I'll get
1848 back to that in just a second. So, back to the first page dealing with the outline. We pretty much
1849 covered everything, but there's a couple of other things that I want to highlight on. Item number
1850 six on the outline. I asked Davaris and the management to actually then begin to keep a log of

1851 whenever they had communications with Metro, whether it be by fax, whether there was a visit,
1852 whether there was a telephone call, just so that we could determine if there was, we're doing a
1853 decent job communicating back and forth. For whatever it's worth, that's the log. There's been
1854 a fair amount of communication, some good, some bad, some insignificant. Metro calls and asks
1855 for some piece of paper which we fax them or send them. We went through the warnings; we
1856 went through the dog search; we went through the discipline report. I want to now go to Mr.
1857 Dillard's affidavit.

1858 I was gonna try to focus on a three part presentation. What are we doing up front to try to make
1859 sure that these violations don't occur? Again, I submit to you everything we've just discussed,
1860 or the vast majority of it, is unique to Treasures. So we, I think we've lived up to that
1861 commitment to put things in place. The second question it occurred to me, rightfully or wrongly,
1862 is that, actually producing any results either, in Treasures and how do those results compare to
1863 other clubs? You can read his affidavit. I would like to explain it; it's only a page and a half.
1864 We have –

1865

1866 **MAYOR PRO TEM REESE**

1867 Before you – get that affidavit, I just have one question. You referenced a few minutes ago
1868 about you made contact with Metro and told them that if they had any problems with
1869 investigation or whatever to call you. Who from Metro did you talk to on that?

1870

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1870 **MARK FIORENTINO**

1871 Oh man, if I – don't get everybody, please forgive me. I know I talked to Mr. DiFiore about it.
1872 I'm positive I talked to Sergeant Arnone about it, and I'm reasonably sure I talked to detective
1873 Loretto, but not as positive as I was with Sergeant Arnone.

1874

1875 **MAYOR PRO TEM REESE**

1876 Okay I – just wanted to make sure that in, I – feel comfortable that you, you know, that they are
1877 aware of, that Metro is aware of, that if they have any problems at this club that they can call
1878 you.

1879

1880 **MARK FIORENTINO**

1881 At that level.

1882

1883 **MAYOR PRO TEM REESE**

1884 Yeah. Yeah.

1885

1886 **MARK FIORENTINO**

1887 And they were rightfully frustrated after the last hearing because of my comments at the last
1888 hearing about, well, nobody ever called me. And the agreement wasn't, hey if you're in the club
1889 and you issue an Erotic Dance Code citation will you call –

1890

1891 **MAYOR PRO TEM REESE**

1892 No, I'm – referencing something to like that – Dennis Rodman incident.

1893

1894 **MARK FIORENTINO**

1895 Right. To the best of knowledge, nothing remotely close to that level of lack of cooperation has
1896 happened since that incident.

1897

1898 **MAYOR PRO TEM REESE**

1899 Okay. Thank you.

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1900 **COUNCILMAN WEEKLY**

1901 Okay. Mr. Fiorentino, just real quickly, and I don't belabor the conversation 'cause this is – a
1902 really long presentation here today, but when you speak of Metro, do you share with them these
1903 discipline reports that we're looking at, right now in this, in your booklet here? For example, let
1904 me give a little spot here. Arial, in the book here who has, yeah, go Arial, repeat EDC. So she's,
1905 and I have to get educated on what was EDC.

1906

1907 **MARK FIORENTINO**

1908 Erotic Dance Code Violation.

1909

1910 **COUNCILMAN WEEKLY**

1911 Okay, and I'm noticing that Arial is getting tapped on the shoulder several times. What do we do
1912 after Arial just kind of doesn't get it together, do we say okay –

1913

1914 **MARK FIORENTINO**

1915 There's –

1916

1917 **COUNCILMAN WEEKLY**

1918 What do we do with that?

1919

1920 **MARK FIORENTINO**

1921 Here's what the compliance manual –

1922

1923 **COUNCILMAN WEEKLY**

1924 Okay. And are we sharing this information with Metro?

1925

1926 **MARK FIORENTINO**

1927 Here's what the compliance manual says, and then I would have to actually study that list to see
1928 what happened to Arial and compare the warnings to the actual disciplinary action taken, but I
1929 have seen it in other instances. If you become a repeat offender, you get warned that night. If
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1930 you can't fix it that night, you get removed from the club and suspended. After your suspension
1931 or probation, we use those terms interchangeably, you come back and you have more problems,
1932 you're 86'd from the club; you're banned from the club under our compliance manual. No
1933 question. We show the compliance manual to Metro and, so they're aware of the procedures. I
1934 don't know that I ever specifically showed the disciplinary action to Metro. I – meant to and I
1935 thought I made it available to everybody, and I think we even discussed it at the last hearing.
1936 But if that's an issue, let's make it clear right now. Those records are absolutely open to Metro,
1937 if they want to come in and see what disciplinary action we've taken, or to Mr. DiFiore. They
1938 are free to have them. Now, what happened, though, is the last time we were here, back to my
1939 apology if we didn't really do a good job with this information, the club's manager was here.
1940 What he had was a stack this thick of people's individual files. I said, well, I can't give the
1941 Council people's individual files, go back and create a log. So, the log is new. The log is new
1942 since March, because it was a more efficient way to try to track what we've done.

1943 Mr. Dillard's affidavit. He's, it's almost self-explanatory. He goes through a number of inves,
1944 how many times he was in the club and so forth. We have boxes of back up. I mean, we have
1945 transcribed hand-written reports from the people who actually did the inspections. Again, rather
1946 than give you boxes of stuff, and there's stuff in there you probably don't want to be reading
1947 aloud, he summarized it. The summary and the salient parts are point six of his affidavit. He
1948 concludes that there are far fewer incidents of conduct of violations of the Erotic Dance Code or
1949 other conduct that can be construed of violations of other laws in Treasures than the other clubs
1950 he investigated. Far fewer. And that the ones that he did discover were far less egregious than in
1951 the other clubs that he inspected. He also concludes that it is in his belief that that is because of
1952 the proactive things we've been doing and because he's been training people. And in his training
1953 sessions, he's been telling people, we're in the club, and we're watching you, and no one knows
1954 that we're in the club except Fiorentino. And I think he's right. We can give you as much
1955 backup there as you want. He's here to answer questions if you want. He told me a specific
1956 example, as a matter of fact, of an inspection he did in Treasures, not last weekend, but the
1957 weekend before, where we told him, step up, be more aggressive, and they actually tried to
1958 induce somebody to doing the sexual conduct for money. She went and reported it to a manager;
1959 a manager came over and talked to the patron and said, the patron, our person, said we don't do

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1960 that here. And so, in at least in that limited instance, it's working. Again, I want you to, if you
1961 question how he did it, how he reached his conclusions, to talk to him while he's here.

1962 Finally, the, well not finally, two more things. The comparising (sic), so I can show you what
1963 my investigation indicates or whether what we're doing is working. The only other evidence I
1964 have of that is the citations, themselves. Okay. So, I ask for some information. We ask for
1965 information back to the year 2000. The reason I asked for that information 'cause I thought it
1966 would be important as to establish some base line. Our hearing, in which these issues were
1967 discussed openly, was in February of 2001. Mr. Jerbic gave us information from that, all he was
1968 able to obtain, in the time that we gave him, and we understand it's from our discussions with
1969 him. It's very difficult to go back and redo this work, for, and he did it in conjunction with Mr.
1970 DiFiore. And, as I understand it, Sergeant Arnone, although I'm not complete sure about that, he
1971 gave us the – list that Mr. DiFiore's already given you and that you have discussed. So, I wanted
1972 to start there. I think they're right. These numbers aren't drastic one way or another, but if you
1973 look at 2004, the apples to apples, Treasures is on the low end of the number of citations that
1974 have been issued for the Erotic Dance Code, for whatever that is worth. I'll stand right before
1975 you and tell you that in any club in this town, I believe that, if Metro went in and spent time in
1976 there, or Mr. DiFiore could go in, they could write citations all day long because it's a very
1977 difficult standard to interpret, as you've discussed for a long time. But two things I want to point
1978 out on this chart.

1979 We also asked Mr. Jerbic, because we thought it was relevant, what happened to those cases?
1980 After you get the citation, what, you know, did they go to trial? Did they get convicted? Did
1981 they get pled? And I want to talk about that in a minute. But also, just looking at these charts for
1982 a second, the prostitution citations in Treasures was also on the low end, albeit Treasures was
1983 only open for a part of the year. But something I really want to point out on the prostitution
1984 charges and really hammer home, is that, even though Mr. Jerbic didn't provide us the
1985 information for 2002, we obtained it. It, the total number of prostitution citations issued in clubs
1986 in the City of Las Vegas in 2002, there were 31 total in the year 2002 alone. Now, we don't
1987 know because the information we were given to us had clubs, club names on it, but I took it off
1988 because I promised I would, and I don't know whether they, because I don't know on their list,
1989 which club is club A. So, I don't know how to distribute them on this chart, and I don't think it's
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1990 relevant. The point is, they can't possibly be Treasure citations, those 31, because Treasures
1991 wasn't open. But if you take 2001, or 2002 and 2003, there's a total of, not counting Treasures,
1992 3, 35, 41, 47, 48 citations in the last two years for the solicitation of prostitution in other clubs.
1993 Councilman Brown, I think you hit the point, whether we raise the bar or not. In the year 2004
1994 in all the clubs combined, there are zero. Now, Metro explained that that's partially explained by
1995 we don't have enough people to go into the clubs, but we know they've been in the clubs in 2004
1996 'cause their chart shows they've been making inspections in the club. So, if in no other way,
1997 than just by the fact that we've been having these goofy public discussions and – indicating what
1998 we're doing in our club and at least whispering on the street that we're doing things in other
1999 clubs to see what's going on, I think we have raised the bar at least in that limited circumstance.
2000 Finally, on this point, if you go back to page one of tab eleven. This really bothered me, and it's
2001 going to come back to the conclusion of what you should do today. What we asked Mr. Jerbic
2002 for again, as I told you, what happened in those cases. I'll tell you why we asked the question.
2003 Ross Goodman's here; if you want him to testify, he will. He told me he's been told to his face
2004 that, by Deputy City Attorneys that they were instructed that there would be no plea offers on
2005 any case involving Treasures. The reason I bring that to your attention is because that's
2006 underscores what a moron I was in 2001 when I said there would be no convictions. It is
2007 absolutely, positively beyond their control once it gets to a certain point. So, we asked them to
2008 give us the information, and it took us a few days to decipher it 'cause it was riddled with codes
2009 about what happened in these cases. And we broke them down for you.
2010 Club A, focusing on page one of tab eleven; I don't know who Club A is but you should
2011 probably discard this information 'cause they only had two pending cases. This is from
2012 information gave it to us again by Mr. Jerbic. They had two cases. They haven't been resolved.
2013 Club B, there were 29 cases in this period that Mr. Jerbic gave us information on. One hundred
2014 percent of them – got pled before they got to trial. Resolved. Pled's not a completely correct
2015 legal term. They got resolved before they went to trial. Club C, again, is probably irrelevant.
2016 They only had three total cases, so we won't discuss that. Club D, 89 percent of those cases
2017 were resolved before they got to trial. Club E, 48 citations, 86 percent of them were resolved
2018 before they got to trial. Club F, 42 citations, one hundred percent of them resolved before they
2019 got to trial. Club G, 18 citations. One hundred percent of them resolved before they got to trial.
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2020 Treasures, zero percent. They are all going to trial in Treasures. And just to underscore how
2021 silly this can become, the following pages behind that page one in tab 11 are a description of the
2022 – ultimate disposition of a couple of these cases that got resolved before trial. If you'll go to
2023 page number eight, which is a little tiny eight right here, and look at the bottom of that, here's
2024 two cases that the person plead nolo contendere, agreed to stay out of trouble when they came
2025 back and reportedly stayed out of trouble. The charge that began as a solicitation of prostitution
2026 got reduced to jaywalking in two different instances. Now, Mr. Jerbic started by explaining that,
2027 by saying, well, I had no idea. When Fiorentino first brought it to my attention, I issued a new
2028 policy. We're going to treat everybody differently. But he ended up where I hope you will end
2029 up when we finish this discussion, which is, he said, this is almost a direct quote, if we had
2030 treated them the same as the other clubs in this town, you would have zero convictions today.
2031 And we aren't going to be any different in August or September or whenever you get back to it,
2032 no matter how hard Mr. Goodman tries to defend them and no matter what else happens in
2033 between.

2034 Finally, one other measure of, is a club causing problems for Metro or the community. This is
2035 public information; it's behind tab twelve. You can get a call log. Now, this is calls initiated by
2036 somebody on the premises to Metro to come out because there's problems. We did it from 2001,
2037 which is the year that we started having these discussions through 2004. We took the club names
2038 off, although we have them if you want them, and I don't think the only ones – that are
2039 particularly worth talking about today are 2003 and 2004. In 2003 Clubs A, B, and C had
2040 respectively 113 calls, 135 calls, 143 calls for service that Metro had to go out and fix some
2041 problem at those sites. Treasures had 14. Club D is Treasures, D as in dog is Treasures. Now,
2042 Treasures was only open four months of that year or three months of that year, so even if you
2043 multiply their figure by four, presume they'd have the same problem spread out throughout the
2044 rest of the year, it's – a third. 2004 is the only complete data, not a complete year, but a
2045 complete data, not the same thing. The calls for service at Treasures are half of what they are at
2046 the other clubs.

2047 So, to summarize, we put these procedures together, and to the best of my knowledge, and no
2048 one has disputed this up to this point, Treasures is the only club in town doing it. We hired our
2049 own private investigator to go out and inspect it; he reports; it's working. It's working
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2050 dramatically. There are far fewer incidents in Treasures, though the statistics we were able to
2051 determine indicate that there is no real problem at Treasures compared to other clubs. And
2052 finally if, was stupid on this conviction thing. I have no control over it, and it ain't going to be
2053 any different, and even if you held it again till the second meeting in August, even, there's only
2054 two of the four scheduled between now and August. We're still not going to have an answer in
2055 August. What we're hoping you will do is make a decision today about whether I lived up to the
2056 second promise, that we would do what we could on the front end and that you would not hear
2057 reports of activity even remotely close to what you heard was going on in Houston. I think we
2058 have done both of those two things. If you're satisfied on both of those two things, then I think
2059 you should approve this and put it behind you. Clearly Metro and Mr. DiFiore should continue
2060 to do their job. They should continue to file, follow diligently what happens in Houston and
2061 anywhere else or anything else they're interested in. And if it results in things that warrant your
2062 attention, that they think warrant your attention, they should bring it to you, and you should take
2063 the appropriate action. That's what we're asking you to do today.

2064
2065 **MAYOR PRO TEM REESE**

2066 Thank you, Mark. Are there any questions? Councilman Brown?

2067
2068 **COUNCILMAN BROWN**

2069 Just a quick one on tab 11, under the disposition. When it has pled nolo and is a fine and it says
2070 conviction stands, how does that play out in your statistics?

2071
2072 **MARK FIORENTINO**

2073 Where, what page are you on?

2074
2075 **COUNCILMAN BROWN**

2076 There's a – host of them. About every page. Lets go to page, that's pretty small, eight.

2077
2078 **MARK FIORENTINO**

2079 Okay. Page eight.
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2080 **COUNCILMAN BROWN**

2081 August 2nd, let, one, two, three, four, five, six, seven down, or six down.

2082

2083 **MARK FIORENTINO**

2084 Of what date, it's easiest to read by date.

2085

2086 **COUNCILMAN BROWN**

2087 10/10/2003.

2088

2089 **MARK FIORENTINO**

2090 On page eight? Oh these aren't, I got it. These aren't, these, I got it. They aren't chronological.

2091

2092 **COUNCILMAN BROWN**

2093 Just so I understand it, statistically, on something like that, and there's a variety of nolos that it
2094 says conviction stands.

2095

2096 **MARK FIORENTINO**

2097 We treated that as a plea agreement.

2098

2099 **COUNCILMAN BROWN**

2100 Okay.

2101

2102 **MARK FIORENTINO**

2103 Because it never went to trial. It was resolved before they got to trial. They agreed on a fine.

2104 But the guide –

2105

2106 **COUNCILMAN BROWN**

2107 But the conviction of EDC violation stands. So it's pled but from a reported –

2108

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2108 **BRAD JERBIC**

2109 From a – legal point of view it's a straight up finding of guilty. When you enter a plea of no
2110 contest the Court finds you guilty because you did not contest the charge so that would be a, that
2111 would be the equivalent as if you had a conviction you couldn't do any better. Only you're
2112 probably agreeing to the fine.

2113

2114 **COUNCILMAN BROWN**

2115 So it's a negotiated, I'm guilty, versus going through the process "I'm guilty?"

2116

2117 **BRAD JERBIC**

2118 Negotiated usually because of the penalty not because of the – ultimately, the guilty verdict.

2119

2120 **COUNCILMAN BROWN**

2121 So, I understand. Thank you.

2122

2123 **MARK FIORENTINO**

2124 Yeah, so we counted that as being resolved prior to trial.

2125

2126 **MAYOR PRO TEM REESE**

2127 Are there any other questions that Mr. Fiorentino? Mr. Rodd, do you have something to say?

2128

2129 **STACY RODD**

2130 Yes. Mayor Pro Tem and Council, I just wanted to make sure that you weren't led astray with
2131 semantics on these calls for service. Some of the clubs that we go to, a patron for example,
2132 might expect that they're going to get certain services when they pay 300, \$400 for a bottle of
2133 grape juice. We might get a call because, after all that is said and done, they didn't get what they
2134 expected, and so in that case they want the police to do something about not getting the service
2135 they expected. However, the calls for service that were being referenced to here are not going to
2136 be generated because to – put it bluntly, the customer is getting the service that he paid for,
2137 according to some of the vice reports that we're getting. So, I don't want you to – proceed from
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2138 the standpoint that these calls for service are not present at Treasures, because there are
2139 disgruntled customers. Disgruntled customers aren't getting what they're expecting. And
2140 Treasures, as according to the vice report, that scenario doesn't unfold because what you're
2141 paying for, you're getting. So I just wanted to put that on the record. That's why the calls for
2142 service are different.

2143

2144 **MAYOR PRO TEM REESE**

2145 Mr. DiFiore, is there anything else you'd like to add.

2146

2147 **JIM DIFIORE**

2148 Yes. I've got a couple of points that I want to address that Mark had addressed in his
2149 presentation. And, I think on one of the, Councilman Weekly had the same direction, at least on
2150 the question that I have. And it appears that for a third offense in their violation of Erotic Dance
2151 Code that that person could have their employment agreement terminated. The first offense, I
2152 believe, is probation; you're reprimanded. The second offense is a two-week suspension, and the
2153 third you could have it terminated. As you were addressing that with the stage name of Ariel, I
2154 was looking through that as well and there's a dancer in there whose name is Serena. And
2155 Serena had been tapped, as it's been stated, almost three days in a row in March, and then, the
2156 first, I think, the first week in April of this year Serena shows in the – disciplinary action that she
2157 was, I think it was, she was terminated, I believe, in April. Oh no, I'm sorry. On April 22nd of
2158 this year she was given a one month suspension, so it appears, unless there's other information I
2159 don't have, it appears that even their own compliance regulations, that they're not being
2160 consistent with that. If – she was tapped, if she was noted that she was violating the Erotic
2161 Dance Code four times within, probably a two-week period, my belief is that she would have
2162 been terminated.

2163 The other, a couple of other points I wanted to make, regarding the compliance officers. It's
2164 really kind of a coincidence that on Friday night, when we first learned of the term compliance
2165 officer and a new position that had been created, that Detective Loretto was addressing a
2166 compliance officer in the room that we had been provided when we find violations, and we deal
2167 with the individuals in that particular room after we ask them to come off the floor with us. The,
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2168 Friday night I was on the first – level and I ended up asking one of the dancers to go back to this
2169 room because I was going to cite her for violation of Erotic Dance Code. As I was observing
2170 her, along with several other dancers, one of the compliance officers, as I later learned, was no
2171 further away than Mr. Fiorentino was during his presentation. And I make a habit of watching
2172 the staff, the personnel to see what kind of attention they are paying to the dancers, as I am doing
2173 the same. And this individual, I observed him watching the same group of dancers I was
2174 watching, and not one time did he tap a dancer or address any of the dancers of being too close to
2175 the patron and possibly in violation of the code. I did notice a floor hostess, and I'll call her that
2176 because she was carrying cigarettes and selling cigarettes. She did go up to one of the dancers
2177 and whisper something in her ear. The dancer was on the lap of the patron, and the dancer
2178 looked up startled and immediately got off the patron's lap. And I took that to mean, even
2179 though I didn't hear the conversation, I took it mean that she was passing the word that Metro
2180 was – in the club. I observed her for about another two minutes and no – time later did she get
2181 on the dancer's, I'm sorry, the patron's lap, as she – was performing earlier.

2182 I think that in some cases, I believe, Mr. Fiorentino takes this too personal, and I know he can't
2183 be everywhere during the time that the business is open and operating. Mr. Dillard does a very
2184 good job in his training courses. One of the things, I attended on May 24th, and one of the things
2185 that I did note in that particular presentation is that it's emphasized to the dancers that if they get
2186 asked by Metro, is Metro in the club, their response is something to the effect that they state, I
2187 know nothing about it and – don't say anything that would be a result of possible obstruction of
2188 an investigation. I haven't seen this personally, but my impression again, going back to the case
2189 on the floor hostess, was that she was tipping the dancer off because she was engaged in what we
2190 would consider a violation of our Erotic Dance Code. So, if they're passing the word along, it
2191 doesn't appear that they're actually, some of the people are not complying with their regulations
2192 that they've established.

2193 One other thing too on the compliance regulations, I have a, Mr. Fiorentino mentioned that he
2194 didn't know of any other club that had imposed these kind of regulations. Personally, myself, I
2195 haven't seen anything in writing, but I do know that there is one club that I've addressed and that
2196 I've cited a dancer for Erotic Dance Code violations, and the first thing after she was cited, the
2197 manager did was told her, sorry you're gone. You're gone until this case gets adjudicated in
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2198 court. So, she could no longer dance in the club. Now, again apples to apples, this manager and
2199 I asked him is that your policy and he said absolutely. If they get cited for Erotic Dance Code
2200 violations they don't dance in the club until they go to court. If they plead guilty and they pay a
2201 fine, then we may take them back. Or if they – continue the case on to a trial, they don't dance
2202 in our club until that case gets adjudicated. So, there is at least one club that is a little tougher in
2203 their compliance standards than what Treasures has prepared for us today.

2204 I guess if we're going to go forward with this today, fully, my position hasn't changed since we
2205 heard this in February of 2001. And again, I think that Mr. Fiorentino said he, he's made
2206 mistakes, and he made a mistake on that particular day, but he also addressed the fact that he put
2207 the City Council in a – in an impossible position. I disagree with him on that – point. I think the
2208 Council was – was very open, and I guess, pretty lenient with regard to the standard that we
2209 discussed on the conviction. They gave'em an opportunity, and I think the conversation went on
2210 for quite a while, and you know, we finally came to an agreement. One conviction, he wouldn't
2211 contest it; it wouldn't be contested and they lose their license. So, I think that getting back to the
2212 focus of what was established back on February of 2001, a standard was discussed. And, I
2213 believe that a standard is kind of sort of out there in limbo as well and until Council takes action
2214 on this particular issue, this particular license for whatever action is to be taken, I think the
2215 standard will be established once that action is taken. Do we want to have the other clubs be
2216 held up to the standard that's established? Absolutely. And as soon as we have clear in our
2217 mind what that standard is going to be, then we may come forward, at your request, with the
2218 other clubs in the violations that is established by the City Council.

2219 I'm willing to seek an abeyance of this item until the second meeting in August. Mr. Fiorentino
2220 said, you know, we probably will have the same status on those solicitation charges then as we
2221 do today. But if the Council is looking to have a more complete and thorough documentation on
2222 some of the issues that we've discussed over the last couple of years, an abeyance to the last
2223 meeting in August will not hurt us, as well as the fact that Mr. Nugent has already complied with
2224 seeking the documents to us for us to do a full audit on the business. Certainly that would give
2225 us time to prepare audit findings for the Council to consider at that point in time, as well. If
2226 Council is willing to do that, we don't have a problem with it. If Council is looking to make a
2227 decision today, my recommendation would be for denial.

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2228 **MAYOR PRO TEM REESE**

2229 Are there any questions, Mr. DiFiore?

2230

2231 **COUNCILWOMAN MONCRIEF**

2232 I'd like to make comment in the fact that we abeyed this item last month due to all the facts that
2233 you just stated, and I feel it's my obligation, I'm not sure how the other, rest of the Council feel,
2234 but it's my obligation to the Council's position the way they stood initially when they gave that,
2235 this temporary license, that we need to abey this item until those two cases, I think you
2236 mentioned two of the three cases will go to court by that time. As you stated, that we will have

2237 more evidence or at least more facts. But until there is a conviction of prostitution, I don't feel
2238 we can make any decision at this time, and as I stated earlier, I still wish to abey this item until
2239 the second Council meeting in August.

2240

2241 **MAYOR PRO TEM REESE**

2242 Thank you. Any comments?

2243

2244 **COUNCILMAN BROWN**

2245 Mayor Pro Tem, just on timing wise, Mr. Jerbic, the whole issue of temporary licensing, what is
2246 the date where that six-month extension would expire?

2247

2248 **BRAD JERBIC**

2249 It's a total of one year, and it's my understanding that the first six-month period began the day
2250 they opened on September 16th. That would mean that the, a total of one year would end
2251 September 15th at midnight.

2252

2253 **COUNCILMAN BROWN**

2254 Then procedurally there's two September meetings if, depending on the court case, if we give
2255 that extra, I think it's the additional two weeks.

2256

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2256 **COUNCILWOMAN MONCRIEF**

2257 There's one more meeting in September prior to that cutoff date.

2258

2259 **MAYOR PRO TEM REESE**

2260 Roni, how many meetings do we have in September?

2261

2262 **BARBARA JO RONEMUS**

2263 September 1st and September 15th.

2264

2265 **COUNCILWOMAN MONCRIEF**

2266 The September 1st.

2267

2268 **COUNCILMAN BROWN**

2269 Thank you, Mayor Pro Tem. I will support Councilwoman's motion, but I did want to put a
2270 couple quick things on the record. One is, and I think Mayor Pro Tem stated it perfectly, as far
2271 as Metro, all the subplots that are going on. We've heard all sorts of things about Metro, but I
2272 want to reiterate what Mayor Pro Tem said. They're – reporting to us; the documentation from
2273 Metro to us has always been professional; it's been in depth, and once again we hear that they
2274 are just doing their job of enforcement. I – think anybody that thinks otherwise is just wrong.

2275 Secondly this bar, which perhaps internally we can have some dialogue over the next 60 to 90
2276 days, I'm not sure where this bar started with when we began. It may have been on the ground;
2277 it may have been below the ground, but the bar is moving. I don't know what direction, but the
2278 bar is moving. A lot of the stuff that we've heard over every public hearing is, are issues that
2279 both sides are making very pertinent arguments. The interpretation of numbers, the
2280 interpretation of wording or public record or semantics of, offers a host of perspectives. So, this
2281 whole issue of the bar and that seems to be a critical point here. I think we need to have some
2282 dialogue internally as far as what our position is on that, and specifically, I am still concerned as
2283 far as the issue of the original determination by the Council to hold Treasures to a higher
2284 standard. I've heard that it was offered by the applicant in a host of words similar to offered.

2285 The record could be interpreted that it was leveraged from the applicant one, two, three, four
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2286 chances. Are you going to do this, I can't; are you going to do this, I can't. So, that has to be
2287 evaluated. I guess, Brad, if you could, not today but some time, I'm concerned that if we hold
2288 Treasures to this standard and now your indicating that that standard is going to be imposed on
2289 the clubs, as far as consistency, are we able to go to club A, B, or C and hold them to that same
2290 standard without having a Council direction that we're going to hold them to that higher
2291 standard? Big question?

2292

2293 **BRAD JERBIC**

2294 Yes.

2295

2296 **COUNCILMAN BROWN**

2297 And, I think it's one that needs to be answered, as far as, ultimately what this Council will act, at
2298 least for my perspective. I need to understand from a legal perspective what we can and can't do
2299 with that original Council direction. But those three things, with that said, I would certainly
2300 support Councilwoman's motion.

2301

2302 **BILL HENRY**

2303 Mayor Pro Tem?

2304

2305 **MAYOR PRO TEM REESE**

2306 Yes.

2307

2308 **BILL HENRY**

2309 Councilwoman Moncrief do you, would you care to incorporate in your motion a clarification
2310 that of the Council's action, that originally it was the intent of the Council to issue a temporary
2311 liquor license and that when you met in March and abeyed the item, it was the intent of the
2312 Council pursuant to 606052 of the Las Vegas City Code to grant a six-month temporary
2313 extension of the liquor license.

2314

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2314 **COUNCILWOMAN MONCRIEF**

2315 Please, add that temporary in there, please.

2316

2317 **MARK FIORENTINO**

2318 Mayor Pro Tem.

2319

2320 **MAYOR PRO TEM REESE**

2321 Yes, sir.

2322

2323 **MARK FIORENTINO**

2324 If you would do me the favor of, before your voting, obviously, if we come back in September 1,
2325 I ain't got no time left at that time. So if there's something you want me to be doing differently,
2326 anybody in this room wants me to be doing differently, I need to know it now.

2327

2328 **MAYOR PRO TEM REESE**

2329 Council members. Well, is there any comments from the rest of the Council members?

2330

2331 **COUNCILMAN BROWN**

32 No, thank you.

2333

2334 **MAYOR PRO TEM REESE**

2335 Mr. Jerbic.

2336

2337 **BRAD JERBIC**

2338 I just want to go into, if the maker of the motion could also incorporate in the motion that one of
2339 the conditions of this abeyance is that the applicant completely cooperate in any audit of any part
2340 of their business that is deemed appropriate by business licensing.

2341

42 **MAYOR PRO TEM REESE**

2343 I think that's already in the record.

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2344 **BRAD JERBIC**

2345 Very good.

2346

2347 **COUNCILWOMAN MONCRIEF**

2348 I think and working closely with Metro and licensing.

2349

2350 **MARK FIORENTINO**

2351 Of course we're going to give them what ever they want. What I'm going to say, no I won't, I'm

2352 not going to cooperate in the audit, come get it. Of course we'll give them what ever --

2353

2354 **COUNCILWOMAN MONCRIEF**

2355 I -- don't think that's that funny.

2356

2357 **MARK FIORENTINO**

2358 Well, maybe you don't. I apologize.

2359

2360 **MAYOR PRO TEM REESE**

2361 That's fine -- that's fine, Mark --

2362

2363 **MARK FIORENTINO**

2364 But we will provide whatever they ask --

2365

2366 **MAYOR PRO TEM REESE**

2367 Mark, Mark, please.

2368

2369 **MARK FIORENTINO**

2370 Okay.

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2371 **MAYOR PRO TEM REESE**

2372 I, too, want to support the motion. I feel that I could have voted today if we would have had the
2373 conviction. If there would have been a conviction today, there would have been a problem. I
2374 think that for many, many reasons we could look at this table, that table as long as we want, and
2375 we can say that Treasures has done all that they said they was going to do is raise that bar up,
2376 like Councilman Brown alluded to. But the bottom line is, we was promised. And that's, I don't
2377 know how anybody can ever look back on a promise. And so, I will support the motion for that
2378 reason is that we haven't had a conviction at this time. So on the motion, please cast your vote.
2379 Please post. Show Mayor Goodman abstaining also. (Motion carried UNANIMOUS with
2380 **GOODMAN** abstaining, pursuant to the City Attorney's written opinion, because his son
2381 **ROSS GOODMAN** is an attorney for Treasures, **MACK** abstaining, pursuant to the City
2382 Attorney's written opinion, because his company Mack Consulting, an advertising and
2383 public relations company, does work for Treasures, and Ward 2 seat vacant)

2384

2385 **MAYOR GOODMAN**

2386 Thank you.

2387

2388 **MARK FIORENTINO**

2389 Thank you very much.

2390

2391 **MAYOR PRO TEM REESE**

2392 Thank you.

2393

2394

2395

2396

2397

2398

2399

(END OF DISCUSSION)

2400 /yy

(3) "Peace officer" means a person who is elected, appointed, or employed by a governmental entity and who is a peace officer under Article 2.12, Code of Criminal Procedure, or other law.

(4) "Proceeds" means funds acquired or derived directly or indirectly from, produced through, or realized through an act.

SEC. 34.02. MONEY LAUNDERING

(a) A person commits an offense if the person knowingly:

(1) acquires or maintains an interest in, receives, conceals, possesses, transfers, or transports the proceeds of criminal activity;

(2) conducts, supervises, or facilitates a transaction involving the proceeds of criminal activity; or

(3) invests, expends, or receives, or offers to invest, expend, or receive, the proceeds of criminal activity or funds that the person believes are the proceeds of criminal activity.

(b) For purposes of Subsection (a)(3) of this section, a person is presumed to believe that funds are the proceeds of criminal activity if a peace officer or a person acting at the direction of a peace officer represents to the person that the funds are proceeds of criminal activity, regardless of whether the peace officer or person acting at the peace officer's direction discloses the person's status as a peace officer or that the person is acting at the direction of a peace officer.

(c) It is a defense to prosecution under this section that the person acted with intent to facilitate the lawful seizure, forfeiture, or disposition of funds or other legitimate law enforcement purpose pursuant to the laws of this state or the United States.

(d) It is a defense to prosecution under this section that the transaction was necessary to preserve a person's right to representation as guaranteed by the Sixth Amendment of the United States Constitution and by Article 1, Section 10, of the Texas Constitution or that the funds were received as bona fide legal fees by a licensed attorney and at the time of their receipt, the attorney did not have actual knowledge that the funds were derived from criminal activity.

(e) An offense under this section is:

(1) a felony of the third degree if the value of the funds is \$3,000 or more but less than \$20,000;

(2) a felony of the second degree if the value of the funds is \$20,000 or more but less than \$100,000; or

(3) a felony of the first degree if the value of the funds is \$100,000 or more.

SEC. 34.03. ASSISTANCE BY ATTORNEY GENERAL

The attorney general, if requested to do so by a prosecuting attorney, may assist in the prosecution of an offense under this chapter.

CHAPTER 35. INSURANCE FRAUD

SEC. 35.01. DEFINITIONS

In this chapter:

(1) "Health care goods" means a tangible product, device, medicine, or other object provided in conjunction with a health care service.

(2) "Health care provider" means a person who renders health care services or an agent or employee of an organization that renders or provides a facility and means to render health care services. The term includes a physician, surgeon, person who may be selected by an insured or a beneficiary under Article 21.52, Insurance Code, and person defined as a provider of health care under Section 152.003, Occupations Code.

(3) "Health care service" means a service that is intended to improve or maintain the physical or mental condition of an individual and that is rendered, directed, or supervised by a health care provider.

(4) "Insurer" means a person who engages in the business of insurance in this state, including:

(A) an insurer that is not authorized to do business in this state;

(B) a health maintenance organization;

(C) a group hospital service corporation regulated under Chapter 20, Insurance Code; and

(D) any person who self-insures and provides health care benefits to the person's employees.

(5) "Statement" means an oral or written communication or a record or documented representation of fact evidencing a loss, injury, or expense. The term includes computer-generated information.

Amendment to statute citation in subsection (2) effective Sept. 1, 2001 (HB 2812, §14.830).

SEC. 35.02. INSURANCE FRAUD

(a) A person commits an offense if, with intent to defraud or deceive an insurer, the person causes to be prepared or presents to an insurer in support of a claim for payment under a health or property and casualty insurance policy a statement that the person knows contains false or misleading information concerning a matter that is material to the claim, and the matter affects a person's right to a payment or the amount of payment to which a person is entitled.

(b) A person commits an offense if, with intent to defraud or deceive an insurer, the person solicits, offers, pays, or receives a benefit in connection with the furnishing of health care goods or services for which a claim for payment is submitted under a health or property and casualty insurance policy.

(c) For purposes of Subsection (a), information concerning a matter that is material to a claim for payment under an insurance policy includes information concerning:

(1) whether health care goods or services were provided;

(2) whether health care goods or services were medically necessary under professionally accepted standards;

(3) the nature of the health care goods or services provided;

NO. 2004-2858

THE STATE OF TEXAS

V.

APPROXIMATELY \$2,168,462.06

§
§
§
§
§

IN THE DISTRICT COURT

OF HARRIS COUNTY, TEXAS

JUDICIAL DISTRICT

DEPUTY
04 JUN -11- 11:00 AM
HARRIS COUNTY CLERK
CHARLES T. BACARISSE

**PLAINTIFF'S NOTICE OF SEIZURE
AND INTENDED FORFEITURE**

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW, the State of Texas as Plaintiff by and through her District Attorney for Harris County, Texas, and files this Notice of Seizure and Intended Forfeiture of APPROXIMATELY \$2,168,462.06 and alleges the following:

I.

This proceeding is brought under and by virtue of Chapter 59 of the Texas Code of Criminal Procedure. The Plaintiff alleges that discovery is intended to be conducted under Discovery Plan Level 2, in accordance with Rule 190, of the Texas Code of Civil Procedure.

II.

Jurisdiction is conferred upon this Court by virtue of Article V, Section 8 of the Texas Constitution and Article 59.04 of the Code of Criminal Procedure, and the occurrences recited hereinafter.

III.

Petitioner complains of ALI DAVARI, hereinafter referred to as RESPONDENT, as owner and possessor of APPROXIMATELY \$2,168,462.06. FURTHER, Petitioner complains of HASSAN DAVARI, hereinafter referred to as CO-RESPONDENT, as co-owner and co-possessor of APPROXIMATELY \$2,168,462.06.

IV.

Petitioner alleges that said property is contraband as defined by Article 59.01 of the Code of Criminal Procedure and is thereby subject to forfeiture. Said property was seized on the 25th day of MAY 2004, in Harris County, Texas.

V.

Petitioner alleges the last known residence or place of business of RESPONDENT, ALI DAVARI is 15906 TAHOE, HOUSTON, TEXAS 77040. FURTHER, Petitioner alleges the last known residence or place of business of CO-RESPONDENT, HASSAN DAVARI is 2 RIVERCREST, HOUSTON, TEXAS 77042.

VI.

Petitioner alleges that the above property bears no known liens or other encumbrances by any other person or entity.

WHEREFORE, PREMISES CONSIDERED, the State of Texas prays that upon hearing, this Court enter a finding that the said APPROXIMATELY \$2,168,462.06 is contraband and upon such finding to order the forfeiture of said property to the State of Texas with the Harris County District Attorney's Office, Special Crimes Bureau, acting as agent for the State, and then to be administered and disposed of by said office in compliance with Article 59.06 of the Code of Criminal Procedure.

Respectfully submitted,



KAREN L. MORRIS
Assistant District Attorney
Harris County, Texas
1201 Franklin, Suite 600
Houston, Texas 77002
Phone: (713) 755-5461
Facsimile: (713) 755-6863
Office Bar No. 99999997
Attorney Bar No. 14491100
Attorney for Plaintiff

NOTICE OF SEIZURE

INCIDENT NO. 2004SZ006056901
HPD Case No. 56538804W

TO THE DISTRICT ATTORNEY OF HARRIS COUNTY, SPECIAL CRIMES BUREAU:

YOU ARE HEREBY NOTIFIED that on May 25, 2004, The undersigned peace officer, Special Agent Wayne T. Charney, who is duly employed by the following law enforcement agency, Department of Homeland Security, Bureau of Immigration & Customs Enforcement [ICE], along with the Houston Police Department, seized the below listed property:

\$210,832.20 in funds represented by Coastal Banc Official Check # 1627830.
\$776,872.88 in funds represented by Wells Fargo Bank Cashier's Check # 0675201687
\$109,685.89 in funds represented by Compass Bank Cashier's Check # 4880181131
\$1,071,071.09 in funds represented by Compass Bank Cashier's Check # 4880181130

The undersigned peace officer believes that said property constitutes the proceeds of a felony offense and is contraband as defined by Chapter 59 of the Code of Criminal Procedure for the following reasons:

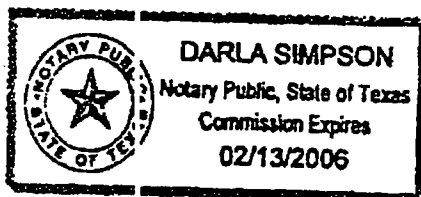
The SAC Houston Asset Removal Team has identified Ali DAVARI and Hussan DAVARI as structuring cash withdrawals from several of their bank accounts in the Houston area. During a six-month period, the DAVARI have withdrawn approximately 2.5 million dollars in cash, in increments of approximately \$9,500 from their bank accounts. Ali and Hussan DAVARI own D HOUSTON Inc., which are numerous sexual oriented businesses in the Houston, Texas area. The Houston Police Department has been participating with the Houston Asset Removal Team in this ongoing investigation.

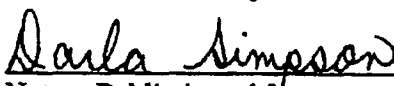
On May 25, 2004, the Houston Asset Removal Team executed three seizure warrants for bank accounts utilized by the DAVARIS. The following accounts and funds were seized:

Wells Fargo account# 5400113514	\$ 776,872.88
Coastal Bank account# 351207154	\$ 210,832.20
Compass Bank account# 75070934	\$ 109,685.89
38994409	\$ 1,071,071.09
Total	\$2,168,462.06


Peace Officer's Signature

SWORN TO AND SUBSCRIBED before me on this the 26th day of May, 2004.




Notary Public in and for
Harris County, Texas

THE STATE OF TEXAS

SEARCH WARRANT AFFIDAVIT

COUNTY OF HARRIS

AFFIDAVIT FOR SEARCH WARRANT

I, Wayne T. Chaney, a Senior Special Agent of the Department of Homeland Security, U.S. Immigration & Customs Enforcement [ICE], Houston Field Office, do solemnly swear that I have reason to believe and do believe that there is at Compass Bank, account number 75070934 and account number 38994409, in the name of D. HOUSTON, INC, d.b.a. TREASURES, property acquired by a violation of the laws of the State of Texas, Texas Penal Code, Chapter 34 (Money Laundering), namely property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

There is in Harris County, Texas, a place and premise described and located as follows:

1. Compass Bank, 7050 Portwest, Suite 100, Houston, Harris County, Texas 77024.

Said proceeds are currently within the Compass Bank, account number 75070934 and account number 38994409, in the name of D. HOUSTON, INC, d.b.a. TREASURES.

MY BELIEF IS BASED ON THE FOLLOWING FACTS:

Your Affiant has been employed as a Senior Special Agent of the U.S. Immigration & Customs Enforcement [ICE], Department of Homeland Security [formerly the United States Customs Service], for approximately sixteen years. Your Affiant has conducted criminal investigations related to drug smuggling and drug trafficking, conspiracies, money laundering, and the seizure and forfeiture of criminally derived assets. Your Affiant has received advanced training in financial investigative techniques and criminal procedures, methods of money laundering, and asset forfeiture.

For the past three years, your Affiant has been assigned to investigate financial and currency violations as part of a multi-agency Task Force dedicated to the identification, disruption, and dismantling of the financial systems and infrastructures used by criminal organizations to illegally launder currency. This Task Force targets currency violators, unregulated financial systems, cash smuggling, fraudulent import/export schemes and other activities. This Task Force is made up of agents, officers and analysts from the U.S. Immigration & Customs Enforcement and the Houston Police Department.

The information contained in this affidavit is known to me personally through my own investigation, or was communicated to me by other agents, officers and analysts participating in this case.

INTRODUCTION

Your Affiant has reason to believe that Compass Bank account number 75070934 and Compass Bank account number 38994409 contain funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure because the funds therein represent the proceeds of criminal activity under Chapter 34 (Money Laundering) of the Texas Penal Code.

On or about December 12, 2003, ICE officers received information from JP Morgan Chase Bank [Chase Bank] that their customer D. HOUSTON, INC, a "Sexually Oriented Business" was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements for cash transactions. Further investigation determined that D. HOUSTON, INC, was also "structuring" checks to cash from one of their accounts at Compass Bank, account number 75070934.

Under Title 31, United States Code, Section 5313, and Title 31 of the Code of Federal Regulations, Part 103.22, financial institutions are required to file a Currency Transaction Report [CTR] with the Internal Revenue Service for each currency transaction in excess of \$10,000.

X { "Structuring" is an attempt by a violator to evade the federal currency reporting requirements. "Structuring" in this case means the cashing of checks at one or more financial institutions to receive currency from each bank in an amount of less than \$10,000, however, the aggregate total of the checks cashed is over \$10,000.

The "Structuring" of currency, which is a felony violation under Title 31, USC Section 5313(a) and 5324(a), caused the currency to become the proceeds of a "Criminal Activity" under Chapter 34 of the Texas Penal Code, Money Laundering. This is because under Chapter 34 "Criminal Activity" is "classified as a felony under the laws of this state or the United States." Accordingly, Compass Bank, account number 75070934, contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure, because the funds therein represent the proceeds of criminal activity (structuring) under Chapter 34 of the Texas Penal Code.

Furthermore, funds that are contained in Compass Bank, account number 38994409, were traced back to the bank in which the "structuring" scheme started. Therefore, the funds in Compass Bank, account number 38994409, are funds which constitute property involved in or are traceable to criminal activity (the structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and

forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

FACTS

D. HOUSTON, INC, d.b.a. TREASURES is located at 5647 Westheimer, Houston, TX 77056, and was incorporated in Texas on May 30, 1995. According to the Articles of Incorporation, ALI M. "DAVID" DAVARI and HASSAN "GEORGE" DAVARI are listed as the two members of the Board of Directors of D. HOUSTON, INC. According to the Harris County Assumed Name Records, on July 3, 1995, D. HOUSTON, INC, registered TREASURES as its assumed name.

According to the Compass Bank signature cards, accounts number 75070934 and 38994409 were opened in the name of D. HOUSTON, INC, d.b.a. TREASURES, and the authorized signers on both accounts are ALI DAVARI, President, and HASSAN DAVARI, Vice-president. Compass Bank account number 75070934 was opened on June 24, 1999. Compass Bank account number 38994409 was opened on March 5, 1998.

ICE officers initially received information from Chase Bank that D. HOUSTON, INC, d.b.a. TREASURES, was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements. ICE officers were advised that when a Chase Bank Officer became aware that TREASURES was cashing checks for \$9,000 on a daily basis this Bank Officer became concerned that they were structuring their cash withdrawals. This Bank Officer spoke to the manager of TREASURES and told him that he should withdraw the amount of money he needed to operate the club, as opposed to \$9,000 every day. The Bank Officer told the manager of TREASURES that withdrawing the same amount every day was suspicious.

The Chase Bank Officer said that the cash withdrawals in the same amount continued, therefore, the decision was made to close the account. A letter was sent to D. HOUSTON, INC advising them that their account would be closed on December 5, 2003. In this letter it states the "reason for the closure is Excessive structured withdrawal activity."

A review of the bank statements and checks for Chase Bank account number 179-906911-65, show that from September 23, 2003 through November 26, 2003, D. HOUSTON, INC, negotiated 17 checks for cash, all in the amount of \$9,000, totaling \$153,000.

Further investigation determined that D. HOUSTON, INC, also had an account at Wells Fargo Bank, account number 54000113514. Information regarding this account shows that beginning on June 17, 2002, D. HOUSTON, INC, was cashing checks just under the \$10,000 CTR reporting requirement. A review of the information and records received from Wells Fargo Bank, shows that from June 17, 2002 through February 25,

2004, three hundred and eighty-five [385] checks were cashed totaling \$3,632,445, all just under \$10,000 each. In fact, from June 17, 2002 through December 2, 2003, three hundred and thirty-two [332] checks were written and negotiated for cash, and each one of these checks was in the exact amount of \$9,500. However, beginning on December 3, 2003, D. HOUSTON, INC, began varying the amounts of the checks that they were cashing. From December 3, 2003 through February 25, 2004, fifty-three [53] checks were cashed, and only three were for \$9,500, and the remainder varied in amounts from \$9,400 to a low of \$3,250.

It is significant to note that only after D. HOUSTON, INC.'s account at Chase was closed, effective December 5, 2003, because of "excessive structured withdrawal activity" did they begin to vary the amount of their cash withdrawals from their Wells Fargo Bank account.

Additional information showed that on November 26, 2003, D. HOUSTON, INC, opened account number 3111000851, at Texas Capital Bank, N.A. A Bank Officer advised that D. HOUSTON, INC, would make one deposit a month and then the funds would be withdrawn by checks payable to the bank that were cashed. This Bank Officer said that because these checks were always just under the \$10,000 CTR reporting requirement, that this structuring activity caused her to be suspicious about the account. Additionally, she was suspicious as to why they needed so much cash.

A review of the Texas Capital Bank account records for account number 3111000851, shows that from December 12, 2003 through February 27, 2004, that 40 checks, between \$1,800 and \$9,500, were cashed for a total of \$305,000.

This Bank Officer said that she spoke to Norm, the TREASURES manager, and asked him why they needed so much cash. She said the TREASURES manager told her that the cash was needed to pay the dancers. The Bank Officer said that because the banking activity did not change that she told Norm that the account would have to be closed. The account was closed in early March 2004.

Additional information showed that D. HOUSTON, INC, d.b.a. TREASURES, maintained a bank account at Compass Bank, account number 75070934. Compass Bank records show that from September 2, 2003 through February 27, 2004, D. HOUSTON, INC, wrote 119 checks to cash, all under \$10,000. These 119 checks to cash totaled \$1,041,190. It should be noted that all of the 61 checks from September 2, 2003 through December 2, 2003, were for \$9,500 exactly; and it was not until December 3, 2003, that the amounts of the checks to cash began to vary. It was only after D. HOUSTON, INC.'s account at Chase Bank was closed for excessive structuring activity, were the cash withdrawal amounts at Compass Bank varied from between \$6,400 to \$9,500.

An analysis of the Compass Bank records for account number 75070934, shows that from September 2, 2003 through February 26, 2004, only two deposits were made into this account each month. Account records show that these funds were checks

written from D. HOUSTON, INC.'s bank account number 5400113514, at Wells Fargo Bank. Accordingly, funds are being transferred from D. HOUSTON, INC.'s Wells Fargo Bank to their Compass Bank account to be structured out, in an attempt to circumvent the CTR reporting Requirements.

A review of CTRs filed by First Bank Houston [now Wells Fargo Bank] under the name of D. HOUSTON, INC, showed that on December 9, 1997, HASSAN DAVARI was identified as the transactor for a cash withdrawal of \$19,000.00 from account number 113603. Another CTR was filed by First Bank for a cash withdrawal of \$10,185.00 from account number 113603, on October 4, 1999. It identified ALI DAVARI as the transactor.

CTR forms require, among other things, the identity of the individual who conducted the transaction and the individual or organization for which the transaction was completed. Accordingly, these two CTRs identifying each HASSAN DAVARI and ALI DAVARI as the transactor shows their knowledge of the CTR reporting requirements for cash transactions over \$10,000, as early as 1997 and 1999, respectively.

Your Affiant knows that persons committing financial crimes, including money launderers, wish to evade audit and law enforcement scrutiny. Therefore, when they become aware of or are notified of the CTR reporting requirements, they begin breaking down deposits and withdrawals of cash into amounts of \$10,000 or less. This active step is referred to as "structuring", and in this case involves making cash withdrawals in amounts of less than \$10,000, from more than one bank on the same day.

According to a Bank Officer, D. HOUSTON, INC.'s Wells Fargo Bank, account number 5400113514, was the operating account for TREASURES. A review of all of the bank records determined that all of the funds that were deposited into Compass Bank, Texas Capital Bank, and Chase Bank accounts were checks from the Wells Fargo Bank account. Instead of writing one check from their Wells Fargo Bank operating account for the amount of currency Norm said they needed, they transferred funds to their other accounts, then wrote checks to cash out of these accounts. In addition, they wrote checks to cash out of their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day.

Their purpose in devising and implementing this scheme was to enable them to withdraw more than \$10,000 on any single day, without a CTR being filed. By using different banks, and the other banks not knowing they were doing the same thing at other banks, D. HOUSTON, INC, was knowingly and willfully circumventing the CTR reporting requirements.

There were 123 days that banks were open from September 2, 2003 through February 27, 2004, and D. HOUSTON, INC.'s bank records show that on 110 of those

days, they structured two or more cash withdrawals, each under \$10,000, from bank accounts that they had at separate banks.

For the period September 2, 2003 through February 27, 2004, multiple structured cash withdrawals were made from the following D. HOUSTON, INC, bank accounts:

<u>Bank</u>	<u>Multiple "Structured" Cash Withdrawals Over \$10,000 per Day</u>
Compass Bank, # 75070934	\$1,012,690.00
Well Fargo Bank, # 5400113514	\$1,003,845.00
Texas Capital Bank, # 3111000851	\$305,000.00
<u>Chase Bank, # 179-90669155-65</u>	<u>\$153,000.00</u>
Total	\$2,474,835.00

4
Compass Bank account number 38994409 was opened on March 4, 1998. This account is in the name of D. HOUSTON, INC, d.b.a. TREASURES, and its authorized signers are ALI DAVARI and HASSAN DAVARI. On August 30, 2003, the account balance was \$8,236.35, and from August 30, 2003 until February 2, 2004, the only account activity was a \$15 bank service charge each month. On February 2, 2004, an \$800,000 check was deposited into this account from the D. HOUSTON, INC, d.b.a. TREASURES, operating account at Wells Fargo Bank, account number 5400113514. On February 17, 2004, a check for \$300,000 was deposited into the Compass Bank from the D. HOUSTON, INC.'s operating account at Wells Fargo Bank. These funds from D. HOUSTON, INC.'s operating account, totaling \$1,100,000, are still on deposit in the Compass Bank, account number 38994409.

Through information and records from Wells Fargo Bank, it has been established that from June 17, 2002 through February 27, 2004, D. HOUSTON, INC, structured \$3,632,445 in checks, all under \$10,000, that were written and negotiated for cash. This currency represents funds involved in, and are the proceeds of, illegal structuring, and is property subject to seizure and forfeiture. Furthermore, funds transferred directly from the Wells Fargo Bank account to the other bank accounts identified in this affidavit owned by D. HOUSTON, INC, is property traceable to the Wells Fargo Bank account, and therefore, is property "involved in" the money laundering offenses specified herein.

Conclusion

Based upon bank records, other information, and their pattern of banking activity, D. HOUSTON, INC, ALI DAVARI, HASSAN DAVARI and Norm, the manager of TREASURES, were aware of the CTR reporting requirement. However, because they did not want CTRs filed on their cash withdrawals, they entered into this scheme of withdrawing cash from more than one bank so they could withdraw more than \$10,000 currency in a single day. These cash withdrawals were made undetected and without a CTR being filed.

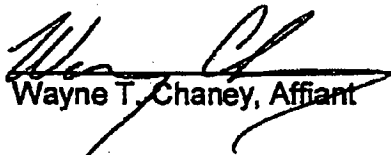
Instead of writing one check to cash from their Wells Fargo Bank operating account for the entire amount of currency, D. HOUSTON, INC, transferred funds to their accounts at Compass Bank, Texas Capital Bank, and Chase Bank, then wrote checks to cash out of these account, plus their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more then \$10,000 in currency withdrawals in a single day. For the period September 2, 2003 through February 27, 2004, the total multiple structured cash withdrawals from all of the D. HOUSTON, INC, bank accounts totaled \$2,474,835.

Additionally, your Affiant believes the sheer volume of 115 separate currency withdrawals by D. HOUSTON, INC, from Compass Bank, account number 75070934, in amounts of \$9,500.00 or below, from September 2, 2003 through February 27, 2004, for an aggregate total of \$1,041,190, in structured transactions is indicative of flagrant and aggravated structuring of currency transactions.

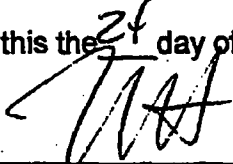
Furthermore, funds that are contained in Compass Bank, account number 38994409, were traced from the Wells Fargo Bank account, the account from which all of the "structured" funds came from. Therefore, the funds in Compass Bank are funds which constitute property involved in or are traceable to criminal activity (the structuring) under Chapter 34 of the Texas Penal Code.

This affidavit establishes that the cash withdrawals out of the D. HOUSTON, INC, Bank Account at Compass Bank is part of an established pattern of cash withdrawals from multiple banks in an attempt to circumvent the CTR filing requirements in violation of Title 31 U.S.C. Section 5324. This affidavit also establishes that all funds contained in the Compass Bank, account number 75070934 and account number 38994409 constitute property involved in or traceable to criminal activity (structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

WHEREFORE, PREMISES CONSIDERED, your Affiant respectfully requests that a warrant be issued authorizing your Affiant, or any other peace officer of the State of Texas to enter the aforementioned premises, which is the Compass Bank, 7050 Portwest, Suite 100, Houston, Harris County, Texas 77024, with authority to search for and to seize any and all funds in account number 75070934 and account number 38994409, in the name of D. HOUSTON, INC, d.b.a. TREASURES, described in this affidavit which constitute implements, instruments, instrumentalities and proceeds that are kept or located at the above stated suspected place in violation of the Texas Penal Code, Chapter 34, and the Texas Code of Criminal Procedure, Chapter 59.


Wayne T. Chaney, Affiant

Sworn to and subscribed before me, on this the 24 day of May, 2004.



Judge, Z. L. District Court
Harris County, Texas

THE STATE OF TEXAS

§

S/W RETURN AND INVENTORY

COUNTY OF HARRIS

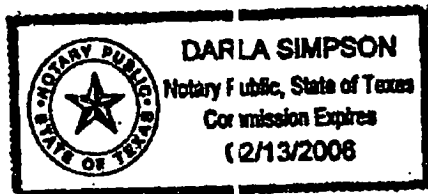
§

The undersigned, being a peace officer under the laws of the State of Texas and being duly sworn on oath, certifies that the foregoing warrant came to hand on the 24 day of May of 2004, A.D, and that it was executed on the 25 day of May of 2004, A.D, by making the search directed therein and pursuant thereto seizing the following property:

<u>Two cashiers checks from Compass Bank</u>			
<u># 4880</u>	<u>81130</u>	<u>for</u>	<u>\$1,071,071.00</u>
<u># 4880</u>	<u>81131</u>	<u>for</u>	<u>\$109,685.89</u>

[Signature]
AFFIANT

26th Sworn to and Subscribed before me, the undersigned authority, on this the day of May of 2004, A.D.



Darla Simpson
NOTARY PUBLIC in and for
The State of Texas

THE STATE OF TEXAS

SEARCH WARRANT

COUNTY OF HARRIS

TO THE SHERIFF, ANY PEACE OFFICER OR SPECIAL INVESTIGATOR OF
HARRIS COUNTY, TEXAS

GREETINGS:

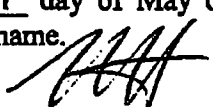
WHEREAS, I am a Magistrate in and for Harris County, Texas, and WHEREAS, Wayne T. Chaney a Senior Special Agent of the United States Department of Homeland Security, Bureau of Immigration and Customs Enforcement, Houston Field Office and Special Investigator pursuant to Art. 2.12, Texas Code of Criminal Procedure and hereafter called Affiant, came before me this day with an affidavit (which is attached hereto and is specially incorporated by reference for all purposes), requesting a warrant; and WHEREAS, I have made inquiry of the basis of said beliefs of the Affiant and find that; the affidavit sets forth substantial facts establishing that probable cause does exist for the issuance of a warrant, that the person, place or thing to be searched is not one which is prohibited nor beyond the authorization of this magistrate and that the search is requested upon proper grounds.

THEREFORE, YOU ARE COMMANDED to go straightaway to Compass Bank, 7050 Portwest, Suite 100, Houston, Harris County, Texas 77024, for the purpose of searching for and seizing the proceeds currently within accounts number 75070934 and 38994409 in a manner authorized by law including but not limited to any and all proceeds, and any and all incoming items, credited to that account, in violation of the Texas Penal Code, Chapter 34 and is property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

HEREIN FAIL NOT, as the peace officer to whom this warrant is delivered, you shall execute it without delay and within three whole days and due return make by faithfully completing the form attached hereto designated for said purpose. It is further ORDERED that Compass Bank, may comply with this warrant by converting the funds found in said accounts to a cashier's check payable to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE. The officer executing this warrant, upon executing the return attached hereto is further authorized to deliver the seized funds to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE for the purposes consistent with Chapter 59 of the Texas Code of Criminal Procedure.

IN THE NAME AND BY AUTHORITY OF THE STATE OF TEXAS.

SIGNED, ENTERED and ORDERED this 24 day of May of 2004 A.D, at 9:30 o'clock PM, to attest to which I subscribe my name.



Judge, 262 District Court
Harris County, Texas

THE STATE OF TEXAS

SEARCH WARRANT

COUNTY OF HARRIS

TO THE SHERIFF, ANY PEACE OFFICER OR SPECIAL INVESTIGATOR OF
HARRIS COUNTY, TEXAS

GREETINGS:

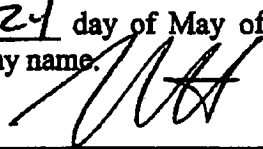
WHEREAS, I am a Magistrate in and for Harris County, Texas, and WHEREAS, Wayne T. Chaney a Senior Special Agent of the United States Department of Homeland Security, Bureau of Immigration and Customs Enforcement, Houston Field Office and Special Investigator pursuant to Art. 2.12, Texas Code of Criminal Procedure and hereafter called Affiant, came before me this day with an affidavit (which is attached hereto and is specially incorporated by reference for all purposes), requesting a warrant; and WHEREAS, I have made inquiry of the basis of said beliefs of the Affiant and find that; the affidavit sets forth substantial facts establishing that probable cause does exist for the issuance of a warrant, that the person, place or thing to be searched is not one which is prohibited nor beyond the authorization of this magistrate and that the search is requested upon proper grounds.

THEREFORE, YOU ARE COMMANDED to go straightaway to Coastal Banc, 5718 Westheimer, Houston, Harris County, Texas 77057, for the purpose of searching for and seizing the proceeds currently within account number 351207154 in a manner authorized by law including but not limited to any and all proceeds, and any and all incoming items, credited to that account, in violation of the Texas Penal Code, Chapter 34 and is property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

HEREIN FAIL NOT, as the peace officer to whom this warrant is delivered, you shall execute it without delay and within three whole days and due return make by faithfully completing the form attached hereto designated for said purpose. It is further ORDERED that Coastal Banc may comply with this warrant by converting the funds found in said accounts to a cashier's check payable to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE. The officer executing this warrant, upon executing the return attached hereto is further authorized to deliver the seized funds to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE for the purposes consistent with Chapter 59 of the Texas Code of Criminal Procedure.

IN THE NAME AND BY AUTHORITY OF THE STATE OF TEXAS.

SIGNED, ENTERED and ORDERED this 24 day of May of 2004 A.D, at
9:30 o'clock AM to attest to which I subscribe my name.



Judge Z. Z. District Court
Harris County, Texas

THE STATE OF TEXAS

SEARCH WARRANT AFFIDAVIT

COUNTY OF HARRIS

AFFIDAVIT FOR SEARCH WARRANT

I, Wayne T. Chaney, a Senior Special Agent of the Department of Homeland Security, U.S. Immigration & Customs Enforcement [ICE], Houston Field Office, do solemnly swear that I have reason to believe and do believe that there is at Coastal Banc, account number 351207154, in the name of D. HOUSTON, INC, d.b.a. TREASURES, property acquired by a violation of the laws of the State of Texas, Texas Penal Code, Chapter 34 (Money Laundering), namely property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 49 of the Texas Code of Criminal Procedure.

There is in Harris County, Texas, a place and premise described and located as follows:

Coastal Banc, 5718 Westheimer, Houston, Harris County, Texas 77057.

Said proceeds are currently within the Coastal Banc, account number 351207154, in the name of D. HOUSTON, INC, d.b.a. TREASURES.

MY BELIEF IS BASED ON THE FOLLOWING FACTS:

Your Affiant has been employed as a Senior Special Agent of the U.S. Immigration & Customs Enforcement [ICE], Department of Homeland Security [formerly the United States Customs Service], for approximately sixteen years. Your Affiant has conducted criminal investigations related to drug smuggling and drug trafficking, conspiracies, money laundering, and the seizure and forfeiture of criminally derived assets. Your Affiant has received advanced training in financial investigative techniques and criminal procedures, methods of money laundering, and asset forfeiture.

For the past three years, your Affiant has been assigned to investigate financial and currency violations as part of a multi-agency Task Force dedicated to the identification, disruption, and dismantling of the financial systems and infrastructures used by criminal organizations to illegally launder currency. This Task Force targets currency violators, unregulated financial systems, cash smuggling, fraudulent import/export schemes and other activities. This Task Force is made up of agents, officers and analysts from the U.S. Immigration & Customs Enforcement and the Houston Police Department.

The information contained in this affidavit is known to me personally through my own investigation, or was communicated to me by other agents, officers and analysts participating in this case.

INTRODUCTION

Your Affiant has reason to believe that Coastal Banc, account number 351207154, contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure because the funds therein represent the proceeds of criminal activity under Chapter 34 (Money Laundering) of the Texas Penal Code.

On or about December 12, 2003, ICE officers received information from JP Morgan Chase Bank [Chase Bank] that their customer D. HOUSTON, INC, a "Sexually Oriented Business" was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements for cash transactions.

Under Title 31, United States Code, Section 5313, and Title 31 of the Code of Federal Regulations, Part 103.22, financial institutions are required to file a Currency Transaction Report [CTR] with the Internal Revenue Service for each currency transaction in excess of \$10,000.

"Structuring" is an attempt by a violator to evade the federal currency reporting requirements. "Structuring" in this case means the cashing of checks at one or more financial institutions to receive currency from each bank in an amount of less than \$10,000, however, the aggregate total of the checks cashed is over \$10,000.

The "Structuring" of currency, which is a felony violation under Title 31, USC Section 5313(a) and 5324(a), caused the currency to become the proceeds of a "Criminal Activity" under Chapter 34 of the Texas Penal Code, Money Laundering. This is because under Chapter 34 "Criminal Activity" is "classified as a felony under the laws of this state or the United States." Accordingly, Compass Bank, account number 75070934, contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure, because the funds therein represent the proceeds of criminal activity (structuring) under Chapter 34 of the Texas Penal Code.

FACTS

D. HOUSTON, INC, d.b.a. TREASURES is located at 5647 Westheimer, Houston, TX 77056 and was incorporated in Texas on May 30, 1995. According to the Articles of Incorporation, ALI M. "DAVID" DAVARI and HASSAN "GEORGE" DAVARI are listed as the two members of the Board of Directors of D. HOUSTON, INC. According to the Harris County Assumed Name Records, on July 3, 1995, D. HOUSTON, INC, registered TREASURES as its assumed name.

ICE officers initially received information from Chase Bank that D. HOUSTON, INC, d.b.a. TREASURES, was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements. ICE officers were advised that when a Chase Bank Officer became aware that TREASURES was cashing checks for \$9,000 on a daily basis this Bank Officer became concerned that they were structuring their cash withdrawals. This Bank Officer spoke to the manager of TREASURES and told him that he should withdraw the amount of money he needed to operate the club, as opposed to \$9,000 every day. The Bank Officer told the manager of TREASURES that withdrawing the same amount every day was suspicious.

The Chase Bank Officer said that the cash withdrawals in the same amount continued, therefore, the decision was made to close the account. A letter was sent to D. HOUSTON, INC, advising them that their account would be closed on December 5, 2003. In this letter it states the "reason for the closure is Excessive structured withdrawal activity."

A review of the bank statements and checks for Chase Bank account number 179-906911-65, show that from September 23, 2003 through November 26, 2003, D. HOUSTON, INC, negotiated 17 checks for cash, all in the amount of \$9,000, totaling \$153,000.

Further investigation determined that D. HOUSTON, INC, also had an account at Wells Fargo Bank, account number 54000113514. Information regarding this account shows that beginning on June 17, 2002, D. HOUSTON, INC, was cashing checks just under the \$10,000 CTR reporting requirement. A review of the information and records received from Wells Fargo Bank, shows that from June 17, 2002 through February 25, 2004, three hundred and eighty-five [385] checks were cashed totaling \$3,632,445, all just under \$10,000 each. In fact, from June 17, 2002 through December 2, 2003, three hundred and thirty-two [332] checks were written and negotiated for cash, and each one of these checks was in the exact amount of \$9,500. However, beginning on December 3, 2003, D. HOUSTON, INC, began varying the amounts of the checks that they were cashing. From December 3, 2003 through February 25, 2004, fifty-three [53] checks were cashed, and only three were for \$9,500, and the remainder varied in amounts from \$9,400 to a low of \$8,250.

It is significant to note that only after D. HOUSTON, INC.'s account at Chase was closed, effective December 5, 2003, because of "excessive structured withdrawal activity" did they begin to vary the amount of their cash withdrawals from their Wells Fargo Bank account.

Additional information showed that on November 26, 2003, D. HOUSTON, INC, opened account number 3111000851, at Texas Capital Bank, N.A. A Bank Officer advised that D. HOUSTON, INC, would make one deposit a month and then the funds would be withdrawn by checks payable to the bank that were cashed. This Bank Officer said that because these checks were always just under the \$10,000 CTR reporting

requirement, that this structuring activity caused her to be suspicious about the account. Additionally, she was suspicious as to why they needed so much cash.

A review of the Texas Capital Bank account records for account number 3111000851, shows that from December 12, 2003 through February 27, 2004, that 40 checks, between \$1,800 and \$9,500, were cashed for a total of \$305,000.

This Bank Officer said that she spoke to Norm, the TREASURES manager, and asked him why they needed so much cash. She said the TREASURES manager told her that the cash was needed to pay the dancers. The Bank Officer said that because the banking activity did not change that she told Norm that the account would have to be closed. The account was closed in early March 2004.

Additional information showed that D. HOUSTON, INC, d.b.a. TREASURES, maintained a bank account at Compass Bank, account number 75070934. Compass Bank records show that from September 2, 2003 through February 27, 2004, D. HOUSTON, INC, wrote 119 checks to cash, all under \$10,000. These 119 checks to cash totaled \$1,041,190. It should be noted that all of the 61 checks from September 2, 2003 through December 2, 2003, were for \$9,500 exactly, and it was not until December 3, 2003, that the amounts of the checks to cash began to vary. It was only after D. HOUSTON, INC.'s account at Chase Bank was closed for excessive structuring activity, were the cash withdrawal amounts at Compass Bank varied from between \$6,400 to \$9,500.

An analysis of the Compass Bank records for account number 75070934, shows that from September 2, 2003 through February 26, 2004, only two deposits were made into this account each month. Account records show that these funds were checks written from D. HOUSTON, INC.'s bank account number 5400113514, at Wells Fargo Bank. Accordingly, funds are being transferred from D. HOUSTON, INC.'s Wells Fargo Bank to their Compass Bank account to be structured out, in an attempt to circumvent the CTR reporting Requirements.

After D. HOUSTON, INC.'s bank account at Texas Capital Bank was closed, they opened an account at Coastal Banc on March 1, 2004. According to the Coastal Banc signature card, account number 351207154 was opened in the name of D. HOUSTON, INC, d.b.a. TREASURES, and the authorized signers on this account is ALI "David" DAVARI, and HASSAN "George" DAVARI.

A review of the Coastal Banc records of account number 351207154, from March 1, 2004 through March 19, 2004, showed that two deposits were made. The first deposit was made on March 1, 2004, for \$105,000, and the second deposit was made on March 19, 2004, for \$100,000. The source for both of these deposits, totaling \$205,000, was D. HOUSTON, INC.'s Wells Fargo Bank operating account, account number 5400113514.

A review of the withdrawals from D. HOUSTON, INC.'s Coastal Banc account, show that from March 9, 2004 through April 9, 2004, seven checks were written for amounts between \$7,250 and \$8,300, and these checks were cashed for a total of \$54,350. Additionally, two debits for \$8,000 and \$7,000 on March 8, 2004 and March 9, 2004, respectively, were withdrawn for cash. The total structured cash withdrawals from Coastal Banc, account number 351207154, was \$69,350.

A Coastal Banc Officer stated that he was suspicious of the withdrawals from this account because all of the sums were near, but below the CTR reporting requirements.

A review of CTRs filed by First Bank Houston [now Wells Fargo Bank] under the name of D. HOUSTON, INC, showed that on December 9, 1997, HASSAN DAVARI was identified as the transactor for a cash withdrawal of \$19,000.00 from account number 113603. Another CTR was filed by First Bank for a cash withdrawal of \$10,185.00 from account number 113603, on October 4, 1999. It identified ALI DAVARI as the transactor.

CTR forms require, among other things, the identity of the individual who conducted the transaction and the individual or organization for which the transaction was completed. Accordingly, these two CTRs identifying each HASSAN DAVARI and ALI DAVARI as the transactor shows their knowledge of the CTR reporting requirements for cash transactions over \$10,000, as early as 1997 and 1999, respectively.

Your Affiant knows that persons committing financial crimes, including money launderers, wish to evade audit and law enforcement scrutiny. Therefore, when they become aware of or are notified of the CTR reporting requirements, they begin breaking down deposits and withdrawals of cash into amounts of \$10,000 or less. This active step is referred to as "structuring", and in this case involves making cash withdrawals in amounts of less than \$10,000, from more than one bank on the same day.

According to a Bank Officer, D. HOUSTON, INC.'s Wells Fargo Bank, account number 5400113514, is the operating account for TREASURES. A review of all of the bank records determined that all of the funds that were deposited into Coastal Banc, Compass Bank, Texas Capital Bank, and Chase Bank accounts were checks from the Wells Fargo Bank account. Instead of writing one check from their Wells Fargo Bank operating account for the amount of currency the manager of TREASURES said they needed, they transferred funds to their other accounts, then wrote checks to cash out of these accounts. In addition, they wrote checks to cash out of their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day.

Their purpose in devising and implementing this scheme was to enable them to withdraw more than \$10,000 on any single day, without a CTR being filed. By using different banks, and the other banks not knowing they were doing the same thing at

other banks, D. HOUSTON, INC, was knowingly and willfully circumventing the CTR reporting requirements.

There were 123 days that banks were open from September 2, 2003 through February 27, 2004, and D. HOUSTON, INC.'s bank records show that on 110 of those days, they structured two or more cash withdrawals, each under \$10,000, from bank accounts that they had at separate banks.

For the period September 2, 2003 through February 27, 2004, multiple structured cash withdrawals were made from the following D. HOUSTON, INC, bank accounts:

<u>Bank</u>	<u>Multiple "Structured" Cash Withdrawals Over \$10,000 per Day</u>
Compass Bank, # 75070934	\$1,012,690.00
Well Fargo Bank, # 5400113514	\$1,003,845.00
Texas Capital Bank, # 3111000851	\$305,000.00
<u>Chase Bank, # 179-90669155-65</u>	<u>\$153,000.00</u>
Total	\$2,474,835.00

Once the D. HOUSTON, INC, bank account at Texas Capital Bank was closed, they opened another account at Coastal Banc. The banking activity they conducted at Coastal Banc, account number 351207154, follows the same pattern of banking activity of making one or two deposits a month and then "structuring" their withdrawals in the form of checks written to cash, all under the CTR reporting requirement of \$10,000. Between March 1, 2004 and April 9, 2004, two deposits were made into this account, for a total of \$205,000. Additionally, from March 9, 2004 through April 9, 2004, seven checks and two debit memos, all under the CTR reporting requirement, were cashed for a total amount of \$69,350.

Conclusion

Based upon bank records, other information, and their pattern of banking activity, D. HOUSTON, INC, ALI DAVARI, HASSAN DAVARI and Norm, the manager of TREASURES, were aware of the CTR reporting requirement. However, because they did not want CTRs filed on their cash withdrawals, they entered into this scheme of withdrawing cash from more than one bank so they could withdraw more than \$10,000 currency in a single day. These cash withdrawals were made undetected and without a CTR being filed.

Instead of writing one check to cash from their Wells Fargo Bank operating account for the entire amount of currency, D. HOUSTON, INC, transferred funds to their accounts at Coastal Banc, Compass Bank, Texas Capital Bank, and Chase Bank, then wrote checks to cash out of these accounts, plus their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day. For the period

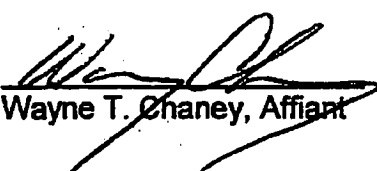
September 2, 2003 through February 27, 2004, the total multiple structured cash withdrawals from all of the D. HOUSTON, INC, bank accounts totaled \$2,474,835.

Your Affiant believes the pattern of structured withdrawals is continuing and is currently ongoing, in the D. HOUSTON, INC, bank account that they just opened on March 1, 2004. The withdrawals by D. HOUSTON, INC, from Coastal Banc, account number 351207154, in amounts below the CTR reporting requirements of \$69,350; in structured transactions is a continuation of their pattern of structuring and is indicative of flagrant and aggravated structuring of their currency transactions.

Furthermore, the \$205,000 in funds that were deposited into Coastal Banc, account number 351207154, were traced from the Wells Fargo Bank account, the account from which all of the "structured" funds came from. Therefore, the funds in Coastal Banc are funds which constitute property involved in or are traceable to criminal activity (the structuring) under Chapter 34 of the Texas Penal Code.

This affidavit establishes that the cash withdrawals out of the D. HOUSTON, INC, Bank Account at Coastal Banc is part of an established pattern of cash withdrawals from multiple banks in an attempt to circumvent the CTR filing requirements in violation of Title 31 U.S.C. Section 5324. This affidavit also establishes that all funds contained in the Coastal Banc, account number 351207154 constitute property involved in or traceable to criminal activity (structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

WHEREFORE, PREMISES CONSIDERED, your Affiant respectfully requests that a warrant be issued authorizing your Affiant, or any other peace officer of the State of Texas to enter the aforementioned premises, which is the Coastal Banc, 5718 Westheimer, Houston, Harris County, Texas 77057, with authority to search for and to seize any and all funds in account number 351207154, in the name of D. HOUSTON, INC, d.b.a. TREASURES, described in this affidavit which constitute implements, instruments, instrumentalities and proceeds that are kept or located at the above stated suspected place in violation of the Texas Penal Code, Chapter 34, and the Texas Code of Criminal Procedure, Chapter 59.


Wayne T. Chaney, Affiant

Sworn to and subscribed before me, on this the 24 day of May, 2004.


Judge, 262 District Court
Harris County, Texas

THE STATE OF TEXAS

§

S/W RETURN AND INVENTORY

COUNTY OF HARRIS

§

The undersigned, being a peace officer under the laws of the State of Texas and being duly sworn on oath, certifies that the foregoing warrant came to hand on the 24 day of May of 2004, A.D, and that it was executed on the 25 day of May of 2004, A.D, by making the search directed therein and pursuant thereto seizing the following property:

official check from Coastal Bank
162,830 for \$210,832.20

Wang
AFFIANT

Sworn to and Subscribed before me, the undersigned authority, on this the 26th day of May of 2004, A.D.



Darla Simpson
NOTARY PUBLIC in and for
The State of Texas

THE STATE OF TEXAS

SEARCH WARRANT

COUNTY OF HARRIS

**TO THE SHERIFF, ANY PEACE OFFICER OR SPECIAL INVESTIGATOR OF
HARRIS COUNTY, TEXAS**

GREETINGS:

WHEREAS, I am a Magistrate in and for Harris County, Texas, and WHEREAS, Wayne T. Chaney, a Senior Special Agent of the United States Department of Homeland Security, Bureau of Immigration and Customs Enforcement, Houston Field Office and Special Investigator pursuant to Art. 2.12, Texas Code of Criminal Procedure and hereafter called Affiant, came before me this day with an affidavit (which is attached hereto and is specially incorporated by reference for all purposes), requesting a warrant; and WHEREAS, I have made inquiry of the basis of said beliefs of the Affiant and find that; the affidavit sets forth substantial facts establishing that probable cause does exist for the issuance of a warrant, that the person, place or thing to be searched is not one which is prohibited nor beyond the authorization of this magistrate and that the search is requested upon proper grounds.

THEREFORE, YOU ARE COMMANDED to go straightaway to Wells Fargo Bank, 1000 Louisiana, Houston, Harris County, Texas 77002, for the purpose of searching for and seizing the proceeds currently within account number 5400113514 in a manner authorized by law including but not limited to any and all proceeds, and any and all incoming items, credited to that account, in violation of the Texas Penal Code, Chapter 34 and is property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

HEREIN FAINT, as the peace officer to whom this warrant is delivered, you shall execute it without delay and within three whole days and due return make by faithfully completing the form attached hereto designated for said purpose. It is further ORDERED that Wells Fargo Bank, may comply with this warrant by converting the funds found in said account to a cashier's check payable to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE. The officer executing this warrant, upon executing the return attached hereto is further authorized to deliver the seized funds to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE for the purposes consistent with Chapter 59 of the Texas Code of Criminal Procedure.

IN THE NAME AND BY AUTHORITY OF THE STATE OF TEXAS.

SIGNED, ENTERED and ORDERED this 24 day of May of 2004 A.D, at 9:20 o'clock PM, to attest to which I subscribe my name [Signature]

Judge 242 District Court
Harris County, Texas

THE STATE OF TEXAS

SEARCH WARRANT AFFIDAVIT

COUNTY OF HARRIS

AFFIDAVIT FOR SEARCH WARRANT

I, Wayne T. Chaney, a Senior Special Agent of the Department of Homeland Security, U.S. Immigration & Customs Enforcement [ICE], Houston Field Office, do solemnly swear that I have reason to believe and do believe that there is at Wells Fargo Bank, NA, account number 5400113514 [the Bank Account] in the name of D. HOUSTON, INC, d.b.a. TREASURES, property acquired by a violation of the laws of the State of Texas, Texas Penal Code, Chapter 34 (Money Laundering), namely property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

There is in Harris County, Texas, a place and premise described and located as follows:

1. Wells Fargo Bank, 1000 Louisiana, Houston, Harris County, Texas 77002.

Said proceeds are currently within the Bank Account in the name of D. HOUSTON, INC, d.b.a. TREASURES.

MY BELIEF IS BASED ON THE FOLLOWING FACTS:

Your Affiant has been employed as a Senior Special Agent of the U.S. Immigration & Customs Enforcement [ICE], Department of Homeland Security [formerly the United States Customs Service], for approximately sixteen years. Your Affiant has conducted criminal investigations related to drug smuggling and drug trafficking, conspiracies, money laundering, and the seizure and forfeiture of criminally derived assets. Your Affiant has received advanced training in financial investigative techniques and criminal procedures, methods of money laundering, and asset forfeiture.

For the past three years, your Affiant has been assigned to investigate financial and currency violations as part of a multi-agency Task Force dedicated to the identification, disruption, and dismantling of the financial systems and infrastructures used by criminal organizations to illegally launder currency. This Task Force targets currency violators, unregulated financial systems, cash smuggling, fraudulent import/export schemes and other activities. This Task Force is made up of agents, officers and analysts from the U.S. Immigration & Customs Enforcement and the Houston Police Department.

The information contained in this affidavit is known to me personally through my own investigation, or was communicated to me by other agents, officers and analysts participating in this case.

INTRODUCTION

Your Affiant has reason to believe the Bank Account contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure because the funds therein represent the proceeds of criminal activity under Chapter 34 (Money Laundering) of the Texas Penal Code.

On or about December 12, 2003, ICE officers received information from JP Morgan Chase Bank [Chase Bank] that their customer D. HOUSTON, INC, a "Sexually Oriented Business" was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements for cash transactions.

Under Title 31, United States Code, Section 5313, and Title 31 of the Code of Federal Regulations, Part 103.22, financial institutions are required to file a Currency Transaction Report [CTR] with the Internal Revenue Service for each currency transaction in excess of \$10,000.

"Structuring" is an attempt by a violator to evade the federal currency reporting requirements. "Structuring" in this case means the cashing of checks at one or more financial institutions to receive currency from each bank in an amount of less than \$10,000, however, the aggregate total of the checks cashed is over \$10,000.

The "Structuring" of currency, which is a felony violation under Title 31, USC Section 5313(a) and 5324(a), caused the currency to become the proceeds of a "Criminal Activity" under Chapter 34 of the Texas Penal Code, Money Laundering. This is because under Chapter 34 "Criminal Activity" is "classified as a felony under the laws of this state or the United States." Accordingly, the Bank Account contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure, because the funds therein represent the proceeds of criminal activity (structuring) under Chapter 34 of the Texas Penal Code.

FACTS

The owners of D. HOUSTON, INC, and signers on the Bank Account, are identified as ALI DAVARI, President, and HASSAN DAVARI, Vice-president. D. HOUSTON, INC, d.b.a. TREASURES is located at 5647 Westheimer, Houston, TX 77056, and was incorporated in Texas on May 30, 1995. According to the Articles of Incorporation, ALI M. "DAVID" DAVARI and HASSAN "GEORGE" DAVARI are listed as the two members of the Board of Directors of D. HOUSTON, INC. According to the Harris County Assumed Name Records, on July 3, 1995, D. HOUSTON, INC, registered TREASURES as its assumed name.

As stated on or about December 12, 2003, ICE officers received information from Chase Bank that D. HOUSTON, INC, d.b.a. TREASURES, was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements.

ICE officers were advised that when a Chase Bank Officer became aware that TREASURES was cashing checks for \$9,000 on a daily basis this Bank Officer became concerned that they were structuring their cash withdrawals. This Bank Officer spoke to the manager of TREASURES and told him that he should withdraw the amount of money he needed to operate the club, as opposed to \$9,000 every day. The Bank Officer told the manager of TREASURES that withdrawing the same amount every day was suspicious.

The Chase Bank Officer said that the cash withdrawals in the same amount continued, therefore, the decision was made to close the account. A letter was sent to D. HOUSTON, INC advising them that their account would be closed on December 5, 2003. In this letter it states the "reason for the closure is Excessive structured withdrawal activity."

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Further investigation determined that D. HOUSTON, INC, also had an account at Wells Fargo Bank, account number 54000113514. Information regarding this account shows that beginning on June 17, 2002, D. HOUSTON, INC, was cashing checks just under the \$10,000 CTR reporting requirement. A review of the information and records received from Wells Fargo Bank, shows that from June 17, 2002 through February 25, 2004, three hundred and eighty-five [385] checks were cashed totaling \$3,632,445, all just under \$10,000 each. In fact, from June 17, 2002 through December 2, 2003, three hundred and thirty-two [332] checks were written and negotiated for cash, and each one of these checks was in the exact amount of \$9,500. However, beginning on December 3, 2003, D. HOUSTON, INC, began varying the amounts of the checks that they were cashing. From December 3, 2003 through February 25, 2004, fifty-three [53] checks were cashed, and only three were for \$9,500, and the remainder varied in amounts from \$9,400 to a low of \$8,250.

It is significant to note that only after D. HOUSTON, INC.'s account at Chase was closed, effective December 5, 2003, because of "excessive structured withdrawal activity" did they begin to vary the amount of their cash withdrawals from their Wells Fargo Bank account.

Additional information showed that on November 26, 2003, D. HOUSTON, INC, opened account number 3111000851, at Texas Capital Bank, N.A. A Bank Officer advised that D. HOUSTON, INC, would make one deposit a month and then the funds

would be withdrawn by checks payable to the bank that were cashed. This Bank Officer said that because these checks were always just under the \$10,000 CTR reporting requirement, that this structuring activity caused her to be suspicious about the account. Additionally, she was suspicious as to why they needed so much cash.

A review of the Texas Capital Bank account records for account number 3111000851, shows that from December 12, 2003 through February 27, 2004, that 40 checks, between \$1,800 and \$9,500, were cashed for a total of \$305,000.

This Bank Officer said that she spoke to Norm, the TREASURES manager, and asked him why they needed so much cash. She said the TREASURES manager told her that the cash was needed to pay the dancers. The Bank Officer said that because the banking activity did not change that she told Norm that the account would have to be closed. The account was closed in early March 2004.

Additional information showed that D. HOUSTON, INC, d.b.a. TREASURES, opened a bank account at Compass Bank, account number 75070934, on June 24, 1999. Compass Bank records show that from September 2, 2003 through February 27, 2004, D. HOUSTON, INC, wrote 119 checks to cash, all under \$10,000. These 119 checks to cash totaled \$1,041,190. It should be noted that all of the 61 checks from September 2, 2003 through December 2, 2003, were for \$9,500 exactly, and it was not until December 3, 2003, that the amounts of the checks to cash began to vary. It was only after D. HOUSTON, INC.'s account at Chase Bank was closed for excessive structuring activity, were the cash withdrawal amounts at Compass Bank varied from between \$6,400 to \$9,500.

A review of CTRs filed by First Bank Houston [now Wells Fargo Bank] under the name of D. HOUSTON, INC, showed that on December 9, 1997, HASSAN DAVARI was identified as the transactor for a cash withdrawal of \$19,000.00 from account number 113603. Another CTR was filed by First Bank for a cash withdrawal of \$10,185.00 from account number 113603, on October 4, 1999. It identified ALI DAVARI as the transactor.

CTR forms require, among other things, the identity of the individual who conducted the transaction and the individual or organization for which the transaction was completed. Accordingly, these two CTRs identifying each HASSAN DAVARI and ALI DAVARI as the transactor shows their knowledge of the CTR reporting requirements for cash transactions over \$10,000, as early as 1997 and 1999, respectively.

Your Affiant knows that persons committing financial crimes, including money launderers, wish to evade audit and law enforcement scrutiny. Therefore, when they become aware of or are notified of the CTR reporting requirements, they begin breaking down deposits and withdrawals of cash into amounts of \$10,000 or less. This active step is referred to as "structuring", and in this case involves making cash withdrawals in amounts of less than \$10,000, from more than one bank on the same day.

According to a Bank Officer, D. HOUSTON, INC.'s Wells Fargo Bank, account number, 5400113514, was the operating account for TREASURES. Review of all of the bank records determined that all of the funds that were deposited into Compass Bank, Texas Capital Bank, and Chase Bank accounts were checks from the Wells Fargo Bank account. Instead of writing one check from their Wells Fargo Bank operating account for the amount of currency Norm said they needed, they transferred funds to their other accounts, then wrote checks to cash out of these accounts. In addition, they wrote checks to cash out of their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day.

Their purpose in devising and implementing this scheme was to enable them to withdraw more than \$10,000 on any single day, without a CTR being filed. By using different banks, and the other banks not knowing they were doing the same thing at other banks, D. HOUSTON, INC, was knowingly and willfully circumventing the CTR reporting requirements.

There were 123 days that banks were open from September 2, 2003 through February 27, 2004, and D. HOUSTON, INC.'s bank records show that on 110 of those days, they structured two or more cash withdrawals, each under \$10,000, from bank accounts that they had at separate banks.

For the period September 2, 2003 through February 27, 2004, multiple structured cash withdrawals were made from the following D. HOUSTON, INC, bank accounts:

<u>Bank</u>	<u>Multiple "Structured" Cash Withdrawals Over \$10,000 per Day</u>
Well Fargo Bank	\$1,003,845.00
Compass Bank	\$1,012,690.00
Texas Capital Bank	\$305,000.00
<u>Chase Bank</u>	<u>\$153,000.00</u>
Total	\$2,474,835.00

Conclusion

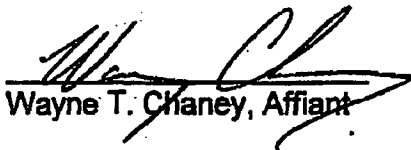
Based upon bank records, other information, and their pattern of banking activity, D. HOUSTON, INC, ALI DAVARI, HASSAN DAVARI and Norm, the manager of TREASURES, were aware of the CTR reporting requirement. However, because they did not want CTRs filed on their cash withdrawals, they entered into this scheme of withdrawing cash from more than one bank so they could withdraw more than \$10,000 currency in a single day. These cash withdrawals were made undetected and without a CTR being filed.

Instead of writing one check to cash from their Wells Fargo Bank operating account for the entire amount of currency, D. HOUSTON, INC, transferred funds to their accounts at Compa's Bank, Texas Capital Bank, and Chase Bank, then wrote checks to cash out of these account, plus their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more then \$10,000 in currency withdrawals. For the period September 2, 2003 through February 27, 2004, the total multiple structured cash withdrawals from all of the D. HOUSTON, INC, bank accounts totaled \$2,474,835.

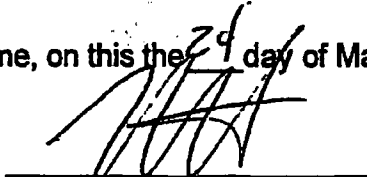
Additionally, your Affiant believes the sheer volume of 385 separate currency withdrawals from the Wells Fargo Bank account, in amounts of \$9,500.00 or below, from June 17, 2002 through February 25, 2004, for an aggregate total of \$3,632,445, in structured transactions is indicative of flagrant and aggravated structuring of currency transactions.

This affidavit establishes that the cash withdrawals out of the D. HOUSTON, INC, Bank Account at Wells Fargo Bank is part of an established pattern of cash withdrawals from multiple banks in an attempt to circumvent the CTR filing requirements in violation of Title 31 U.S.C. Section 5324. This affidavit also establishes that all funds contained in the Bank Account constitute property involved in or traceable to criminal activity (structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

WHEREFORE, PREMISES CONSIDERED, your Affiant respectfully requests that a warrant be issued authorizing your Affiant, or any other peace officer of the State of Texas to enter the aforementioned premises, which is the Wells Fargo Bank, 1000 Louisiana, Houston Harris County, Texas 77002, with authority to search for and to seize any and all funds in account number 5400113514, in the name of D. HOUSTON, INC, described in this affidavit which constitute implements, instruments, instrumentalities and proceeds that are kept or located at the above stated suspected place in violation of the Texas Penal Code, Chapter 34, and the Texas Code of Criminal Procedure, Chapter 59.


Wayne T. Chaney, Affiant

Sworn to and subscribed before me, on this the 29 day of May, 2004.


Judge, 262 District Court
Harris County, Texas

THE STATE OF TEXAS

§

§
S/W RETURN AND INVENTORY

COUNTY OF HARRIS

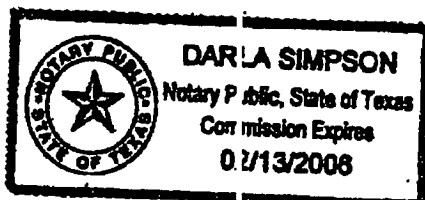
§

The undersigned, being a peace officer under the laws of the State of Texas and being duly sworn on oath, certifies that the foregoing warrant came to hand on the 24 day of May of 2004, A.D. and that it was executed on the 25 day of May of 2004, A.D. by making the search directed therein and pursuant thereto seizing the following property:

Seized one: cashier check from Wells Fargo Bank
067,520,1687 for \$ 226,822.88

[Signature]
AFFIANT

26th Sworn to and Subscribed before me, the undersigned authority, on this the day of May of 2004, A.D.



Darla Simpson
NOTARY PUBLIC in and for
The State of Texas

1 BRADFORD R. JERBIC
City Attorney
2 400 East Stewart
Las Vegas, Nevada 89101
3

4 LAS VEGAS MUNICIPAL COURT
5 CLARK COUNTY, NEVADA
6

7 -oOo-

8 CITY OF LAS VEGAS,)

9 Plaintiff,)

10 vs.)

11 JESSICA LYNN CROCKETT,
ID# 1861204)

12 Defendant.)

Case No. C 568979 A/B
Dept. No. 5
Code No. 5701/5137

CRIMINAL COMPLAINT

13 COUNT A

14 The Defendant has committed the crime of SOLICITING PROSTITUTION (Misdemeanor -
15 LVMC 10.36.020), in the manner following, to-wit: That the said Defendant, on or about the 31st
16 day of October, 2003, within the City of Las Vegas, State of Nevada, did then and there offer to or
17 agree with another, to-wit: Detective Peck, in the area of 2801 Westwood, to commit an act of
18 prostitution, to-wit: oral copulation and sexual intercourse, for an undetermined sum of money not
19 to exceed \$700.00.

20 COUNT B

21 The Defendant has committed the crime of VIOLATION OF EROTIC DANCE
22 ESTABLISHMENT REGULATIONS (Misdemeanor - LVMC 6.02.370 and 6.35.100(I)), in the
23 manner following, to-wit: That the said Defendant, on or about the 31st day of October, 2003, at and
24 within the City of Las Vegas, State of Nevada, did then and there wilfully and unlawfully while
25 performing a lap dance, did dance in a manner which encouraged, caused, induced, allowed or aided
26 and abetted unlawful fondling or caressing, in violations of Las Vegas Municipal Code 6.35.100,
27 6.35.170 and NRS 195.020; to-wit: by exposing her genital area, fondling Detective Peck's genital
28 area, and rubbing her genital area on the said Detective, which occurred at 2801 Westwood.

1 All of which is contrary to the form, force and effect of Statutes in such cases made and
2 provided and against the peace and dignity of the City of Las Vegas, State of Nevada. Said
3 Complainant makes this declaration on information and belief subject to the penalty of perjury.

4 DATED: November 26, 2003.

5 Cynthia S. Leung

6 CYNTHIA S. LEUNG, Complainant

COPY

1

MUNICIPAL COURT
LAS VEGAS, NEVADA

CITY OF LAS VEGAS,
Plaintiff,

vs.

JESSICA COLLEEN CROCKETT,
Defendant.

Case No. C568979-A and B
Dept. V

TRANSCRIPT OF PROCEEDINGS

BEFORE THE HONORABLE CEDRIC A. KERNS

Taken on Wednesday, August 18, 2004

At Las Vegas Municipal Court

400 East Stewart Avenue

Las Vegas, Nevada

Proceedings recorded by electronic sound recording;
transcript produced by transcription service.

1 APPEARANCES:

2 For the Plaintiff:

EDWARD POLESKI, ESQ.
City Attorney's Office
400 East Stewart Avenue
Ninth Floor
Las Vegas, Nevada 89101

5 For the Defendant:

ROSS C. GOODMAN, ESQ.
Goodman Law Firm
520 South Fourth Street
Las Vegas, Nevada 89101

T. LOUIS PALAZZO, ESQ.
Palazzo Law Firm
520 South Fourth Street
Second Floor
Las Vegas, Nevada 89101

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1 (Court convened at 11:07:02 a.m.)

2 THE COURT: This is back on Jessica Crockett,
3 568979-A and B.

4 Where is Ms. Crockett?

5 MR. GOODMAN: We're asking the Court to waive her
6 appearance, your Honor.

7 THE COURT: Do we know where she's at or --

8 MR. GOODMAN: She could be late, your Honor. I'm
9 not much sure where she is right now.

10 THE COURT: City, do you have a position on that?

11 MR. POLESKI: Well, regardless of the Court's
12 decision here this morning, we do have a conviction on the
13 erotic dance code violation that there has to be a
14 sentencing on.

15 THE COURT: I need to sentence her.

16 MR. POLESKI: Certainly, you know, we can have
17 this decision without her present today, but we want to have
18 a sentencing on this at a minimum, your Honor --

19 THE COURT: Well, let's go ahead and go forward --

20 MR. POLESKI: -- the dance violation very quickly.

21 THE COURT: -- with what we have today.

22 MR. POLESKI: Yeah.

23 THE COURT: I'll let both of you know that I spent
24 hours and went over the 250 some pages of testimony and the
25 briefs that both of you have -- you've submitted last week.

1 I've gone over it numerous times.

2 I told both of you on the phone that I'd allow you both
3 five minutes to argue. If there's anything you need to add
4 that's not in the briefs, I'll allow you to do that. But if
5 you've already got it in there, I'd ask that -- you know,
6 I've read it. I know it.

7 So, City, what's your position?

8 MR. POLESKI: Just the first thing, a
9 photographer's sitting up here. We still have the same
10 order in effect regarding the undercover officers; is that
11 correct?

12 THE COURT: Right.

13 MR. POLESKI: Okay.

14 THE COURT: You're aware that no pictures are
15 allowed, sir, right?

16 UNIDENTIFIED SPEAKER: (No audible response.)

17 MR. POLESKI: Thank you.

18 THE COURT: Okay.

19 MR. POLESKI: I just have a couple of brief
20 comments, Judge, and I'd like to save a minute or so for
21 rebuttal, if I could.

22 THE COURT: All right.

23 MR. POLESKI: In the defendant's reply brief for
24 lack of a better term, apparently, their basic defense that
25 there was and their criticism of the cases that we cited was

1 that there was no specific amount, \$50 or \$20 or \$100,
2 agreed upon in this particular matter.

3 In that, again, I would point to the Steinbeck
4 (phonetic) case which is attached to our brief where she
5 argued on appeal -- this is the one where the dancer --
6 every time she got an extra \$20 she took more clothes off.
7 Even though the \$20 was the standard fee, she argued on
8 appeal that the exact sum of money wasn't agreed upon for
9 the sexual conduct to occur and that the Texas appeals court
10 said that that's not required.

11 Also, the DeBarlow (phonetic) case which we've cited,
12 Judge, no specific portion of the fee needed to be allocated
13 to the actual sexual act. That was a massage parlor case
14 where there was \$50, but no specific part of that was
15 allocated toward the sex act.

16 So there is no requirement that a specific fee be
17 agreed upon. There is no requirement that a specific sexual
18 act be agreed upon. That the agreement be so clear and
19 concise that it passes contract law muster. All of our
20 cases indicate that these things can be implied based upon
21 all the circumstances surrounding this particular event.

22 The defendant has presented no cases that I could see,
23 Judge, that said a specific act, agreement, or price must be
24 explicitly agreed upon where there would be a conviction.

25 I would leave the entrapment argument to the Court. I

1 would ask the Court to address it in its findings, but the
2 City's position is I think set out in our briefs. And with
3 that, your Honor, I don't have anything else.

4 THE COURT: Counsel.

5 MR. GOODMAN: Thank you, your Honor. Ross Goodman
6 on behalf of Jessica Crockett with Louie Palazzo (phonetic).

7 As the Court has reviewed our pleadings, we believe
8 that the City is just plain wrong on this issue. They cited
9 ten cases which in our reply brief we've been able to
10 distinguish. In fact, the City, up until our reply brief,
11 has said that these cases support the proposition that you
12 don't need a set price.

13 And we have meticulously gone through each and every
14 case supported by the City to support that contention and
15 distinguish them. And not only have we distinguished it,
16 your Honor, but each case doesn't even stand for the
17 proposition that there's a requirement for a set fee.

18 And if I can back up, your Honor. Let me start off by
19 responding to the City's motion to strike. The claimant
20 should be denied for the following reasons:

21 They believe that entrapment is not at issue. We've
22 cited multiple cases from California, from Colorado, federal
23 law, all which allows a defendant to raise the affirmative
24 defense of entrapment on even denying the elements of the
25 charged crime.

1 And, in fact, the City goes so far and says in their
2 conclusion that we are legally prevented from raising the
3 defense of entrapment, but nowhere in their brief do they
4 support that contention. There is no case law that supports
5 that proposition. All the case law that we cited shows and
6 including the federal law that you can raise the defense of
7 entrapment where you have an inconsistent defense, and we
8 would ask the Court to give a lot of weight to that
9 proposition.

10 The focus of this case is whether or not the defense of
11 entrapment requires that the State lure someone into
12 committing a crime. The City again misleads the Court in
13 citing different cases which stand for the proposition that
14 you need some sort of coercive element, you need some sort
15 of pressure, you need some sort of threats or intimidation,
16 or some sort of arm-twisting.

17 Clearly, the case law in Nevada does not require that.
18 In fact, Collin v. State (phonetic) says that you need to
19 lure someone into committing a crime. That some old case
20 in Nevada regarding Foster talks about that you merely need
21 to put forth evidence that a crime was going to be
22 committed. Here, you don't have that.

23 The entrapment defense in this case is particularly
24 important given the uncontroverted evidence that the uncover
25 police officer in this case instigated the repeated conduct,

1 and we know that through the detective's own testimony.
2 And in both our original brief as well as our supplemental
3 brief, we go to great length to show in the record evidence
4 of that.

5 There is no dispute, your Honor, that the officer was
6 the first person to broach the subject of money. According
7 to the officer's own testimony, he was the one who first
8 initiated the issue of money. Even then, the defendant,
9 according to the officer's own testimony, never quoted a
10 price, but, instead, merely gave an ambiguous response.

11 There was never any discussion of when this encounter
12 in this in this room was supposed to occur. There was no
13 time set or availability mentioned.

14 And the record is replete as we show in our briefs
15 through the transcripts that Jessica Crockett had gone to
16 great lengths to go up to the VIP room for additional dances
17 versus ever taking his bait and talking about going back to
18 his hotel room. It was the undercover officer in the record
19 which shows that he was the one who continually returned to
20 the subject of going back to his room and about the issue
21 regarding money.

22 When he persisted, Jessica Crockett told him that she
23 was not telling him that she was charging money for sex. In
24 addition, on more than one occasion, he tried to get
25 Jessica Crockett to take his room key, but that she refused.

1 All the facts show in the record, your Honor, that you
2 have an undercover officer who was aggressively pursuing
3 Ms. Crockett to get the words and get the statements which
4 would support a solicitation and conviction here.

5 And even though I cited it in my brief, and I cited it
6 in my reply, it is worth noting because it's remarkable that
7 the undercover officer would testify to this in court. And
8 he basically said that you have to walk a fine line that she
9 was truly going to solicit. There's a time when a window
10 opens and a time when it closes.

11 He then goes on to say that she was somewhat agitated
12 in that he was going upstairs to try and get a specific
13 price. So, here, you have testimony from the undercover
14 officer himself who knows what the case is and says that he
15 has to go upstairs to get a set price because a price was
16 not had at that point.

17 That is critical, your Honor, because, first, it is
18 clear it shows that the officer himself did not feel that he
19 had sufficient evidence to support a charge of solicitation,
20 and it is also clear from his testimony that Jessica
21 Crockett was not amenable to any further discussions of
22 going back to his room.

23 All that conduct, 45 minutes of going upstairs to try
24 to pursue her, goes far beyond merely providing the
25 opportunity for the defendant, Jessica Crockett, in this

1 case to decide on her own to engage in a criminal act.

2 Accordingly, the defense of entrapment is available
3 even if a defendant denies a criminal act if there is
4 evidence that the police instigated necessary elements of
5 the crime. Here, there is no question that such evidence is
6 in the record because it was pointed out by his own
7 testimony.

8 If I can just briefly now talk about the issue that the
9 Court was concerned about regarding the contract, whether
10 contractual law applied to the ordinance regarding sex for
11 money.

12 We quoted you multiple cases, your Honor, and there's a
13 case from Hawaii that talks specifically about words of
14 solicitation for prostitution or, essentially, words of
15 offer and acceptance in the formation of a contract for sex
16 in exchange for money.

17 There has to be an offer for a service for a
18 consideration. Nevada, the case of Serpa v. Darling
19 (phonetic), a Nevada case, talks about in Nevada in order
20 for a contract to be valid there must be mutuality by
21 obligation. Unless both parties are obligated, then neither
22 is obligated.

23 Here, the term that is lacking by the officer's own
24 admissions is a "price", a set price. Here, you have the
25 officer even testifying to the fact that he had to go

1 upstairs to try and get that price.

2 Consideration cannot be determined simply through a
3 statement of what is not, and that's all the Court is left
4 with in the record. That it would not be more than \$700.
5 Zero dollars to \$699 is meaningless to try and extract or
6 support some form of consideration.

7 And I think it's notable that instead of focussing on
8 the money issue and trying to get Jessica Crockett to agree
9 to a specific price, she was more interested, and the
10 testimony bore this out, during the entire trial that she
11 was more interested in going upstairs and having more
12 dances.

13 She showed no reluctance in talking about a fee with
14 respect to dances, but she was nowhere to be found. There
15 was no statements. There was nothing to support the fact
16 that she was in agreement at all to any of the repeated
17 advances by the officer.

18 And, again, the City's supplemental brief, your Honor,
19 is made of up of ten cases where they originally alleged
20 that supports the fact that the Court does not need a
21 specific amount of money to have consideration. We've
22 distinguished those cases. And, in fact, all ten cases
23 don't stand for the proposition of having a set fee.

24 The evidence show that it was the officer who first
25 brought the issue of money and continued to do so. He could

1 not get her to discuss a particular price, and he never
2 raised the issue of a particular price.

3 The testimony also show that he was the one that
4 initiated the conversation about the money, about giving her
5 a room key, about the room number, all things that testimony
6 bore out that she refused to do.

7 He also said that a window of opportunity to get her to
8 set her price for going back to his room and commit sexual
9 acts closed when she became angry, agitated, and
10 noncommunicative. But he persisted in the face of that,
11 going upstairs for the specific purpose of trying to achieve
12 that specific price because he knew that's what he needed.

13 I think we've shown enough to show entrapment. The
14 burden obviously shifts to the City where they have to prove
15 beyond a reasonable doubt that Jessica Crockett was not
16 predisposed -- that she was predisposed.

17 The record is devoid of any evidence that she was
18 predisposed. There's no warnings. She's never been warned
19 before. There's no arrest. There's no other citations.
20 The record clearly shows that she was reluctant in rejecting
21 his advances.

22 Here, we see a circumstance where a topless dancer is
23 trying to sell lap dances while undercover police officers
24 attempt to get her to say things that will constitute and
25 support a conviction of prostitution; yet, she never

1 discusses price, and the (indiscernible) to get her to set a
2 price. And, instead, Jessica Crockett pushes the officer to
3 go through the VIP room for additional dances. Nothing in
4 that context suggests a solicitation for an act of
5 prostitution.

6 Thank you.

7 THE COURT: Mr. Poleski.

8 MR. POLESKI: Very briefly, your Honor. Regarding
9 the entrapment, your Honor, we dealt with the five issues in
10 Foster (phonetic) in our brief. I'd leave it at that.

11 But before we get to those factors, we still have to
12 see if there's instigation on the officer's part, and we
13 briefed that out.

14 I would submit that this defendant was the one who was
15 being extraordinarily sexually aggressive. She was bragging
16 about breaking the rules.

17 She was involved in an extraordinarily illegal lap
18 dance that this officer characterized as one of the most
19 blatant violations he had ever seen.

20 So, clearly, your Honor, she was the one who first
21 brought up the issue of going back to his home room -- or
22 excuse me -- to his hotel room to have sex with him. It is
23 the defendant in this particular case who initiated the
24 illegal conduct, not the officer.

25 Regarding the lack of specificity regarding the time

1 that they were the going to have sex, the availability,
2 where they're going to go, and so on, that's not required
3 under the ordinance, your Honor. Counsel is trying to add
4 elements of proof that are not required. Our ordinance says
5 if it's sex for a fee, it's soliciting prostitution,
6 agreement of sex for a fee, and that's all that's required,
7 your Honor.

8 Counsel has cited no case law nor any part of our
9 ordinance that requires it be a set-specific fee. It is a
10 fee, and not more than \$700 is a fee.

11 And I would just end, your Honor, with the analogy that
12 we put in our original brief that if you take your car into
13 a mechanic, and the mechanic looks at it and says I'm not
14 sure what's wrong, but it won't cost you more than \$700,
15 there's an agreement to fix the car for no more than \$700,
16 and that's what we have here.

17 Thank you.

18 THE COURT: Ms. Crockett, stand up.

19 I want to, first of all, say that during the seven
20 years on the bench, that this case was the best tried case
21 that I've ever had in front of me from all four of you. I
22 can go as far to say that, Mr. Palazzo and Mr. Goodman, that
23 I'm not sure your father could have done a better job than
24 you two have done today, and I think he would be very proud.

25 In the same vein, I want to say, Mr. Poleski and Mr.

1 Oh, that Oscar Goodman, as the mayor, should also be very
2 proud of the job that you two did in trying this case. I
3 know it was a very touchy case, and I think that there's
4 been a lot of professionalism that was displayed by all of
5 the parties.

6 With that said, I want to begin by making a finding
7 that I don't believe Ms. Crockett in any way intended to go
8 to the detective's room to have sex for money. I believe
9 this was evidenced by the fact that after the detective said
10 he did not want to spend more than \$700 for oral sex and
11 sex, Ms. Crockett's response was to talk the detective into
12 paying another \$100 for lap dances.

13 If, indeed, she was indicated -- she was going to be
14 influenced in having sex with this person, she wouldn't have
15 him spending money in addition to the 700 that he already
16 had.

17 Further, when the detective tried to give the defendant
18 the room key, she didn't accept it. She claimed that she
19 had no place to keep it, although she had places to keep the
20 money that she was receiving from tips. So if there was any
21 indication that the defendant was going to have sex for
22 money, she would have taken the key at that point.

23 The claim was she didn't have a purse. She had showed
24 up later. When she showed up later, she had a purse with
25 her. At that time, she did not take the room key.

1 Every action that Ms. Crockett took was not to have sex
2 for money in the future. It was to get more money at the
3 time.

4 I feel that the evidence in this case that Ms. Crockett
5 was simply saying whatever she felt the detective or the
6 customer wanted to hear, so she could receive more money.

7 With that said, it needs to be noted that the Supreme
8 Court of Nevada established in Regola v. State (phonetic)
9 that the crime of soliciting prostitution is not a
10 specific-intent crime. It's a crime of general intent.
11 The mere fact that a person offers or agrees to a sexual act
12 for a fee would meet the requirements of law no matter what
13 the intent of the agreement was.

14 Now, the Defense has put forth the defense of
15 entrapment. The controlling case on entrapment I believe is
16 Foster v. State. Now, according to Foster, once the Defense
17 has put forth evidence of Government instigation, the City
18 then has the burden of proving that the defendant was
19 predisposed to commit the crime.

20 First of all, I'm finding that the statement of not
21 wanting to spend over \$700, after the defendant made the
22 statement of wanting to go to the detective's hotel to give
23 oral sex, is not instigation.

24 Secondly, if I found that this is instigation, I
25 believe the defendant was predisposed to do whatever it took

1 to make more money, even if the meant making the customer
2 believe that she's going to have sex with him later when, in
3 fact, this was never her intention, and the evidence shows
4 it was not her intention.

5 Now, this was evident in the way that she blatantly
6 violated the dance code ordinance even after being warned
7 twice from the employees of Treasures not to be violating.

8 Finally, her testimony in this court even further
9 convinces the Court that this individual will do whatever it
10 takes if it is in the best interest of her. And on this
11 night in question what was in the best interest for her was
12 to make money, even if it meant making whatever statements
13 she needed to make. I'm finding that there was no
14 entrapment.

15 Finally, there's still the issue of the elements of the
16 crime. Now, it's unlawful to offer or agree to engage in
17 sexual conduct for a fee.

18 I find the defendant did, indeed, offer sexual conduct;
19 however, she did not offer the conduct with the fee. The
20 fee was offered by the officer. The only question I have
21 left now is whether the defendant agreed to have sex for a
22 fee.

23 Now, I find that the defendant and the detective,
24 indeed, agreed to engage in sexual conduct for a fee, not in
25 the true sense of an agreement because I don't believe

1 either party intended to actually go forward with this act.
2 However, the Supreme Court's made it clear that intent is
3 not necessary in cases such as this.

4 Now, there was never an agreement as to what the fee
5 was. However, I believe the law does not require that the
6 parties actually agree as to what the fee is, but only that
7 there is a fee.

8 I therefore find that the City has met their elements
9 in the burden, and I'm finding Ms. Crockett guilty of
10 soliciting prostitution.

11 Now, with regards to sentencing, City, is there
12 anything you would like to say?

13 MR. POLESKI: Your Honor, I think from the City's
14 perspective, certainly, her motivation was to make as much
15 money as she could.

16 I'd also point out the blatant denials to this Court
17 about what happened. Somebody lied to you, Judge. It's
18 pretty obvious who that is, certainly from the City's
19 perspective who that is.

20 The City requests a \$1,000 fine on each count, A and B,
21 plus costs.

22 THE COURT: Mr. Good, Mr. Palazzo?

23 MR. PALAZZO: Thank you, your Honor. Obviously,
24 the Court made a finding that they believed the officer and
25 disbelieved Jessica Crockett. That does not mean that

1 (indiscernible) a situation where you have an individual who
2 was lying to the Court.

3 Obviously, this is her first conviction. It's a
4 misdemeanor conviction. She's saddled with the solicitation
5 now. We think that's punishment enough, and we would ask
6 the Court not to levy a fine.

7 THE COURT: As far as the soliciting for
8 prostitution, this is Count A, 568979-A. As odd as this
9 sounds, I do not find that violation as egregious as I do
10 the violation of the erotic dance code because I don't
11 believe that she ever intended to have sex with this person.
12 She was just going to say what she needed to. That's still
13 illegal.

14 On that case, I'm going to fine your client in the
15 amount of \$200 plus at this time -- was it 80 and 10 or 70
16 and 10 in assessments?

17 UNIDENTIFIED SPEAKER: I think it's 80.

18 UNIDENTIFIED SPEAKER: 80 and 10.

19 THE COURT: (Indiscernible) 80 and 10?

20 UNIDENTIFIED SPEAKER: Yeah.

21 UNIDENTIFIED SPEAKER: I think it's 80.

22 UNIDENTIFIED SPEAKER: 80 and 17.

23 THE CLERK: 80 (indiscernible).

24 THE COURT: 80 and 10?

25 THE CLERK: Yeah, and 10.

1 THE COURT: For a total of \$290.

2 On the B code, I'm deeply concerned. After she was
3 already warned once, then they went upstairs, and there were
4 more violations. And I have to say that I found your
5 client's testimony just absolutely not credible, and I went
6 over that at the first time.

7 And I find that the violations that she did do -- now,
8 this decision was difficult because I'll tell you, I know
9 everything, and we've discussed beforehand all the
10 ramifications that come with this decision.

11 Now, I don't believe Treasures has any control of what
12 their employees do. Frankly, the employees or
13 subcontractors or whatever Ms. Crockett is have a duty to
14 this place. And to blatantly violate like this, I have a
15 problem with that. And based on that, I am going to fine
16 your client \$1,000 in costs.

17 Now, I'll set the appeal on this with an OR, so you can
18 appeal my decision. You do not have to post a bond.

19 MR. PALAZZO: Thank you, your Honor.

20 THE COURT: We have an issue, however. The issue
21 is that cases are being randomly assigned to Department II
22 because we are filling the Department II calendar.

23 This is one of the cases that's supposed to be randomly
24 assigned. I am going to make an exception, unless you both
25 want this to be sent to II. And although I'm supposed to

1 send every fifth one over, I'm going to keep this case,
2 unless either of you have an exception to that based on the
3 random assignment.

4 MR. POLESKI: The City would concur with that,
5 Judge. We would rather have it stay in V.

6 MR. PALAZZO: Your Honor, with respect to this
7 random assignment, could the Court elaborate on what it's
8 referring to, because I understand -- are you talking about
9 if there's a remand or if there's some sort of ensuing
10 decision that needs to be made after the appeal?

11 THE COURT: Yes. It would go to Judge Kolkoski,
12 but I can tell you even if I send this to Judge Kolkoski,
13 because I'm the one that's had everything, she's going to
14 send it back. So --

15 MR. PALAZZO: Okay. And so if --

16 THE COURT: And if you guys --

17 MR. PALAZZO: And, you know, just so that we don't
18 have any appearance of impropriety, if we can go through the
19 formality, whatever the Court thinks is best, but maybe it's
20 best to send something and then have it reverse back, so
21 that we don't have any appearance of impropriety or issues
22 that may arise with regard to that. But whatever the
23 Court's pleasure, we'll be happy to, you know, accommodate.

24 THE COURT: You know what I'm actually going to
25 do? The random assignment was an order from the chief judge

1 that every fifth case is done.

2 I am actually going to keep this case. I'm going to
3 send a note to the chief judge. I'm letting both of you
4 know that I'm going to send the note to the judge saying
5 that this was randomly assigned there but because of the
6 appeal issues that I've kept it. And if the chief judge
7 still wants me to send it down, I'll send it down. And if
8 he's okay with me keeping it, then I'm going to keep this.

9 UNIDENTIFIED SPEAKER: Very well.

10 THE COURT: At this point, there's 1,300 or 1,000
11 and -- what is it?

12 UNIDENTIFIED SPEAKER: It's 290, your Honor.

13 THE COURT: Well, it's 1,000 in costs. And with
14 the costs, it's 1,110 plus the 280.

15 UNIDENTIFIED SPEAKER: So the 1400?

16 THE CLERK: 1405.

17 THE COURT: 1405. I'm sure that we should
18 probably come back in 30 days just to check the status to
19 see whether or not this goes up to district court. And if
20 not, then we can check and see how we're going to get this
21 taken care of financially.

22 MR. GOODMAN: Is the Court staying that until we
23 have that determination?

24 THE COURT: Well, I'm just sentencing her to it.
25 I'm not going to order she pay anything, yet. We're going

1 to come back in 30 days, but I can check the status of this
2 case itself. And if this case stays with me, then we'll
3 talk about how we're going to get it paid.

4 MR. GOODMAN: And may the record reflect that Ms.
5 Crockett did come in shortly after argument started?

6 THE COURT: Yes. It will reflect that.

7 MR. PALAZZO: Judge, and with respect to the
8 transcripts from the case and the sentencing hearing, are we
9 able to request that that be done now for purposes of the
10 appeal?

11 THE COURT: Sure. We'll go ahead and order it,
12 and then we'll send it to both parties.

13 UNIDENTIFIED SPEAKER: Thank you.

14 UNIDENTIFIED SPEAKER: Thank you, your Honor.

15 THE COURT: Thank you.

16 Court's adjourned.

17 UNIDENTIFIED SPEAKER: Do we have a date?

18 THE COURT: 30 days.

19 THE CLERK: (Indiscernible).

20 THE COURT: Yeah. Give me a 30-day now in
21 Department V.

22 UNIDENTIFIED SPEAKER: What is it?

23 THE CLERK: (Indiscernible).

24 THE COURT: 9:00.

25 THE CLERK: September 28th at 9:00 a.m. for a

1 status check.

2 THE COURT: All right.

3 THE CLERK: All rise.

4 (Court concluded at 11:36:42 a.m.)

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1 I certify that the foregoing is a correct transcript
2 from the electronic sound recording of the proceedings in
3 the above-entitled matter.
4
5

6 *Michele Phelps*
7 Michele Phelps, Transcriptionist

08-24-04
Date

IN THE MUNICIPAL COURT OF THE CITY OF LAS VEGAS, NEVADA
JUDGMENT

CASE NO. C568979A

On 8/18/04, the Defendant, Jessica Lynn Crockett, being ☐ Present ☐ In-custody

☐ Not Present — Presence Waived

☐ Represented by Counsel

☐ Having waived Counsel

☐ Having been found guilty by the Court after trial

☐ Having been found not guilty at trial

☐ Having entered a plea of: ☐ Guilty ☐ Nolo Contendere to the Charge/Amended Charge of _____

_____, THE DEFENDANT IS HEREBY ADJUDGED: ☐ Guilty ☐ Not Guilty

☐ Complaint Dismissed ☐ Other _____

SENTENCED on 8/18/04, by the Court as follows:

Sentence Imposed

Contempt

☐ Jail _____

DATE REASON PENALTY SIGNATURE

☐ Credit for time served _____

☒ Fine \$ 200 + AA Fee \$ 80

☒ CA Fee \$10.00

☐ DUI Program _____

☐ Chemical Analyst Fee \$ _____

☐ Work Program _____ hrs.

☐ Victim Impact Panel _____

☐ Counseling _____

☐ Community Service _____ hrs.

☐ Charitable Donation \$ _____

☐ Restitution \$ _____

☐ In-House Arrest _____ Days

Sentence Suspended ☐ Yes ☐ No

Suspension period _____

Terms of Suspension 1. _____

2. _____

3. _____

4. _____

Upon successful completion _____

of suspension, sentence _____

modified to: _____

☒ Notice of Appeal filed 8-84, 2004, on SOL PROST Charge(s). Appeal Bond CR

The undersigned does hereby certify that the foregoing is the true and correct docket and proceedings of the above entitled Court.

Clerk
11505-010-12/01

Judge

Dept. 5

I HEREBY CERTIFY that this is a full,
true and correct copy of the
Judgment made and entered
on the above entitled action.

Sharon Turner
MUNICIPAL COURT CLERK

IN THE MUNICIPAL COURT OF THE CITY OF LAS VEGAS, NEVADA
JUDGMENT

CASE NO. C568979B

On 8/15/04, the Defendant, JESSICA LYNN CROCKETT, being ☐ Present ☐ In-custody

☐ Not Present — Presence Waived

☐ Represented by Counsel

☐ Having waived Counsel

☒ Having been found guilty by the Court after trial

☐ Having been found not guilty at trial

☐ Having entered a plea of: ☐ Guilty ☐ Nolo Contendere to the Charge/Amended Charge of _____

_____, THE DEFENDANT IS HEREBY ADJUDGED: ☐ Guilty ☐ Not Guilty

☐ Complaint Dismissed ☐ Other _____

SENTENCED on 8/15/04, by the Court as follows:

Sentence Imposed

Contempt

☐ Jail _____

DATE REASON PENALTY SIGNATURE

☐ Credit for time served _____

☒ Fine \$ 1000 + AA Fee \$ 100

☒ CA Fee \$10.00

☐ DUI Program _____

☐ Chemical Analyst Fee \$ _____

☐ Work Program _____ hrs.

☐ Victim Impact Panel _____

☐ Counseling _____

☐ Community Service _____ hrs.

☐ Charitable Donation \$ _____

☐ Restitution \$ _____

☐ In-House Arrest _____ Days

Sentence Suspended ☐ Yes ☐ No

Suspension period _____

Terms of Suspension

1. _____

2. _____

3. _____

4. _____

Upon successful completion _____

of suspension, sentence _____

modified to: _____

☒ Notice of Appeal filed 8-24, 2004, on Viol ERAT DANCE COOE Charge(s). Appeal Bond OR

The undersigned does hereby certify that the foregoing is the true and correct docket and proceedings of the above entitled Court.

Clerk
11506-010-12/01

Judge [Signature]

Dept. 5

I HEREBY CERTIFY that this is a full,
true and correct copy of the
Judgment made and entered
on the above entitled action.

Sharon L. Loran
MUNICIPAL COURT CLERK

CONFIDENTIAL

**LAS VEGAS METROPOLITAN POLICE DEPARTMENT
PRIVILEGED LICENSE
INVESTIGATION REPORT**

CONFIDENTIAL

December 19, 2000

TO : Daniel Barry, Captain
Organized Crime Bureau

FROM : John Loretto, Detective
Special Investigations Section

SUBJECT : Background Investigation
D. Westwood, Inc.
dba
The Board Room
2801 Westwood Dr.
Las Vegas, NV. 89104
(City report)

APPLICANTS: Ali Mashalle Davari, 50%
40# 25862
ID# 1705807

Hassan Davari, 50%
40# 25863
ID# 1705808

The applicant seeks approval for a Tavern license in conjunction with an Adult Cabaret at the above captioned location.

ALL PERSONAL HISTORY AND EMPLOYMENT INFORMATION IS AS SUPPLIED BY THE APPLICANT AND UNVERIFIED UNLESS OTHERWISE INDICATED.

AREA OF CONCERN:

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CONFIDENTIAL
Investigation Report (Cont.)

CONFIDENTIAL
December 8, 2000

SUBJECT: The Board Room

The applicants are brothers who have jointly opened and closed several adult entertainment businesses in the state of Texas and one in Canada. These Businesses are :

GIGI'S
11150 NW Freeway
Houston, TX. 77092
Opened 1986
Sold 1993

CENTERFOLDS
6166 Richmond ave.
Houston, TX. 77057
Opened 1990
Still owned

GOLD CUP
12747 NW Freeway
Houston, TX. 77092
Opened 1993
Still owned

SOLID PLATINUM
2732-44 W. TC Jester Blvd.
Houston, TX. 77018
Opened 1993
Sold 1996

PLEASURES
3027 W. NW HWY.
Dallas, TX. 75220
Opened 1995
Sold 1996

TREASURES

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SUBJECT: The Board Room

5647 Westheimer
Houston, TX. 77056
Opened 1995
Still owned

COVER GIRLS, THE
10310 W. Little York
Houston, TX. 77040
Opened 1999
Still owned

SPLENDOR, THE
7440 W. Greens Rd.
Houston, TX. 77064
Opened 2000
Still owned

RUNWAY 66
5745 Atlantic Dr.
Mississauga, Ontario Canada
Opened 1999
Still owned

During this investigation this Detective has learned that there are two types of enforcement agencies in Houston. That which is done by the Texas Alcoholic Beverage Commission and those done by the Houston Police Department. There have been numerous violations from both agencies noted at the applicants clubs.

1. DISCIPLINE / ACTS WHICH WOULD CONSTITUTE A CRIME
LVMC 6.06.120 (C) - 6.06.250 (B) (5) (6)

Texas Alcoholic Beverage Commission:

Texas Alcoholic Beverage Commission (TABC) has performed several enforcement actions at the applicants clubs. There were a total of 27 inspections which resulted in the TABC finding 55 violations. Of these violations 10 were criminal in nature, 11 were settled with a warning being issued and the remaining 34 were administrative cases against the liquor license. For these 34 violations the applicants were given an option of

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CONFIDENTIAL**CONFIDENTIAL****CONFIDENTIAL**

Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

closing their doors for a total of 166 days or pay a fine in lieu of closing totaling \$28,400. The applicants chose to pay the fine. The complete break down of this summary is as follows:

<u>GIG'S</u>	<u>Date</u>	<u>Violation</u>	<u>Disposition</u>
	09-13-1990	Soliciting an alcoholic beverage by an employee	\$1050.00
	09-13-1990	Soliciting for immoral relations	(Part of above)
	09-13-1990	Place or manner, misc.	(Part of above)
	07-12-1991	Permit Public Lewdness, Sexual contact	\$ 450.00
	10-11-1991	Permit Public Lewdness, Sexual contact	\$ 750.00

CENTERFOLDS

03-11-1991	Place or manner, misc.	\$1,800.00
03-11-1991	Soliciting for immoral relations	(Part of above)
03-11-1991	Soliciting an alcoholic beverage by an employee	(Part of above)
03-13-1991	Soliciting an alcoholic beverage by an employee	(Part of above)
03-13-1991	Place or manner, misc.	(Part of above)
02-25-1993	Permit public lewdness, sexual contact, obscene act	\$1050.00
02-25-1993	Soliciting for immoral relations	(Part of above)
02-25-1995	Soliciting an alcoholic beverage by an employee	(Part of above)
08-10-1995	Local distributor stamp not mutilated	Warning
11-21-1995	Permit public lewdness, sexual contact, obscene act	\$7,500.00
11-21-1995	Soliciting for immoral relations	(Part of above)
11-21-1995	Place or Manner, misc.	(Part of above)
01-05-1997	Permit consumption during prohibited hours	Warning
03-26-1998	Soliciting an alcoholic beverage by an employee	\$2,250.00
03-26-1998	Place or Manner, misc.	(Part of above)
03-26-1998	Lewd, immoral, sex offense	Pending
03-26-1998	Lewd, immoral, sex offense	Pending
03-27-1998	Lewd, immoral, sex offense	Pending
03-27-1998	Other beverage code violation	Pending
08-10-2000	Lewd, immoral, sex offense	Warrant

GOLD CUP**CONFIDENTIAL**

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

07-07-1993	Permit public lewdness, sexual contact, obscene act	\$1050.00
07-07-1993	Soliciting an alcoholic beverage by an employee	(Part of above)
10-03-1995	Permit public lewdness, sexual contact, obscene act	\$5,000.00
10-03-1995	Place or Manner, misc.	(Part of above)
05-05-2000	Permit public lewdness, sexual contact, obscene act	Pending

SOLID PLATINUM

07-23-1994	Refusing Inspection (Locked Kitchen Closet)	Warning
03-11-1995	Permit public lewdness, sexual contact, obscene act	\$1,500.00
03-11-1995	Intoxicated Employee on the premise	(Part of above)
07-20-1995	Lewd, immoral, sex offense	Criminal
07-03-1996	Place or manner of operation	\$3,000.00

PLEASURES

06-15-1996	Sale to intoxicated person	Warning
07-27-1996	Local Distributor stamp not mutilated	Warning

TREASURES

11-13-1996	Sale delivery of drugs by employee	\$3,000.00
11-13-1996	Permit public lewdness, sexual contact, obscene act	(Part of above)
11-13-1996	Soliciting an alcoholic beverage by an employee	(Part of above)
08-01-1997	Permit public lewdness, sexual contact, obscene act	Warning
08-01-1997	Failure to post license in a conspicuous place	Warning
08-01-1997	Refusing inspection of licensed premise	Warning
01-10-1999	Poss. of distilled spirits without local dist. stamp	Warning
01-10-1999	Poss. of alcoholic beverage unfit for consumption	Warning
01-08-2000	Poss. of alcoholic beverage unfit for consumption	Warning
04-09-2000	Permit public lewdness, sexual contact, obscene act	\$1,500.00
04-09-2000	Public intoxication	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal

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04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
05-19-2000	Public intoxication	Criminal

COVER GIRLS

None noted by Texas Alcoholic Beverage Commission. Please note that the business has only been opened since 1999

Splendor

None noted by Texas Alcoholic Beverage Commission. Please note that the business has only been opened since November of 2000

2. APPLICATION INCOMPLETE OR MISLEADING**LYMC 6.06.120 (C) - 6.06.250 (B) (1)****Houston Police Department:**

Neither of the applicants listed any of the following information on their Personal History Application under the Licensing History section question #20 (Have you ever appeared before any licensing agency or similar authority in or outside the State of Nevada, for any reason whatsoever?). The Vice section of the Houston Police Department (HPD) is responsible for the enforcement of the adult clubs. The applicants have owned seven of the above listed adult clubs within the HPD jurisdiction. In May of 1996, the City of Houston proceeded with a revocation hearing against Centerfolds, Gold Cup and Solid Platinum with intent to revoke their Sexually Oriented Business (SOB) license. The HPD Vice Section had conducted numerous undercover operations which lead to the City Of Houston filing to revoke the SOB license of the listed clubs. Here are the statistics of their investigation conducted from September 28, 1994, thru September 18, 1996. There were 177 dancers contacted. Of them, 134 were arrested, 24 had warrants issued and 21 were found not to be in violation. Of those arrested 86.39% were convicted. The charges were usually one of four (4): public lewdness, prostitution, aggravated promotion of prostitution or indecent exposure. The arrest statistics from Houston Police Department, Vice Section showed that 15 of the other area clubs had an average of 15.8 arrest per club. The average for the Centerfolds, Gold Cup and Solid Platinum were 51 each. Of the other 119 SOB's in Houston

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CONFIDENTIAL**CONFIDENTIAL**
Investigation Report (Cont.)**CONFIDENTIAL**
December 8, 2000**SUBJECT:** The Board Room

only 'Michael's International had more then 40 arrest. Refer to the following breakdown for further information on the arrest statistics:

<u>BUSINESS</u>	<u>ARRESTED</u>	<u>WANTED</u>	<u>NO ILLEGAL ACTIVITY</u>	<u>TOTAL</u>
CENTERFOLDS	51 77.27%	8 15.96%	7 13.73%	66
GOLD CUP	40 78.43%	7 13.73%	4 7.84%	51
SOLID PLATINUM	41 68.33%	9 15%	10 16.67%	60
<u>TOTAL</u>	132	24	21	177

the above resulted in an overall conviction rate of 86.39%

CALLS FOR SERVICE BY CLUB:

<u>BUSINESS</u>	<u>FROM</u>	<u>TO</u>	<u>TOTAL</u>
CENTERFOLDS	01-01-1994	11-14-1996	156
GOLD CUP	01-18-1992 01-01-1994	01-18-1994 11-14-1996	39 107
SOLID PLATINUM	11-14-1994	11-14-1996	59

total calls for service (excluding Gold Cup for 1992-1994) **TOTAL 322**

During the revocation hearing several affidavits were introduced into evidence. The following are portions of those affidavits:

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SUBJECT: The Board Room

- While in the 'Champagne Room' of Centerfolds the dancer unzipped my pants and performed fellatio on me. I was aware that dancers and customers in the 'Champagne Room' were engaging in sexual conduct. Dated 09-26-1995.
- Ronnie Greenroad (manager of Centerfolds) would allow the dancers to perform fellatio on the customers. Dancers would tip Ronnie after engaging in sexual conduct with the customers. There was a lot of cocaine in the club. Ronnie would supply the dancer with cocaine if she needed it. In the 'Champagne Room' the dancers and customers were engaging in sexual intercourse, dancers were performing fellatio and masturbating the customers. Dancers would perform cunnilingus on each other for the customer for a fee. Customers may or may not use a condom. If they did they would occasionally end up on the floor. After the female officer came and took photos on August 21, 1995, we were told, by the bartender and waitress, to put the used condom in a kleenex and flush them. In the 'Champagne Room' I performed cunnilingus on another dancer for money twice. Then a male customer inserted his penis into my vagina, I protested but he persisted so I pushed him away before he ejaculated and then demanded \$400.00 and he complied. Dated 08-31-1995.
- I have been going to Centerfolds for about five years. A female dancer put her hands in my pants and masturbated me. I paid her as if I was paying for dances on my charged coupons. Dated 09-19-1995.
- When I was in the 'Champagne Room' at Centerfolds about 75% of the time I would engage in sexual conduct with a dancer. She would either perform fellatio or masturbate me. I never used a condom. We engaged in the activity on the couches. The female gave the waitress \$20.00 and told her to give it to Ronnie, she then performed fellatio on me. She charged me \$150.00. Dated 09-19-1995.
- When I went to work for Centerfolds no one ever told me what I could or could not do. Customers go into the 'Champagne Room' because they know they can get sexual favors and not be bothered by anyone. Condoms were never used. I have met with customers away from the club and had sex with them. Most of the dancers would tip Ronnie, but we never knew what it was for. I have seen two dancers engage in sexual conduct with each other in the club. Another dancer engaged in sexual conduct with a customer. I saw a dancer give a customer a 'head job' while in the 'Champagne Room'. Dated 10-11-1995.
- At Centerfolds I was very aware that Mr. Greenroad allowed the dancers to perform fellatio on the male customers or masturbate them. Mr. Greenroad would 'turn the other way' while the dancers engaged in prostitution activity and then tip him later. The dancers could also leave with the customers to engage in prostitution. I observed this on many occasions. In each case the girls would give Mr. Greenroad \$20

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SUBJECT: The Board Room

to \$50 a day. Mr. Greenroad has a set of girls referred to as the 'A Team' These nine girls will engage in sexual intercourse, perform fellatio, masturbate customers and perform cunnilingus on each other as a show for the customer. Another set of girls 'B Team' will masturbate the customers. I have seen this in the 'Champagne Room' and on the second floor. Semen goes onto the couches and floor. Some girls do not use condoms when they perform fellatio and later spit into napkins. The condoms and napkins are commonly discarded onto the floor. There is no standard fee but usually a girl will get \$200.00 for intercourse, \$150.00 for fellatio and \$75.00 to \$100.00 for masturbating the customer. Dated 08-23-1995.

- At Centerfolds in the 'Champagne Room' I observed some of the female dancers were performing fellatio on customers. Ronnie Greenroad would walk away if he observed the dancers engaged in sexual conduct, only to later return and ask if the dancer had a good night to which they would say yes and give him some money. Dated 08-21-1995.
- At Centerfolds in the 'Champagne Room' a dancer masturbated me. I would pay with my credit card a \$20.00 dance would be charged as \$25.00 on my credit card. I observed a dancer performing fellatio on a customer. Dated 09-20-1995.
- I have engaged in sexual conduct with customers while working at Centerfolds. Ronnie knew that sex was going on in the 'Champagne Room.' I could see other dancers having sex with their customers in the 'Champagne Room.' Dancers do drugs in the club. I had sexual intercourse one time in the 'Champagne Room.' I tipped Ronnie because I thought I had to. I observed another dancer give a customer a head job and have sexual intercourse with him. One dancer was very nasty so she was fired and then went to work at Gold Cup. Dated 10-11-1995.

While in Houston I observed photos at the City Attorney's office that showed the semen stains and used condoms on the floor that are referred to in the above affidavits.

3. APP. INCOMPLETE OR MISLEADING / DISCIPLINE / ACTS CONSTITUTE A CRIME
LVMC 6.06.120 (C) - 6.06.250 (B) (1)

Neither of the applicants listed any of the following information on their Personal History Application under the Licensing History section question #20. The listed clubs agreed to a settlement with the City of Houston. The terms of the agreement are as follows:

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

GOLD CUP

The club known as Gold Cup agreed to a suspension of its SOB permit for a period of 20 days. The club will also pay \$50,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

CENTERFOLDS

The club known as Centerfolds agreed to a suspension of its SOB permit for a period of 20 days. The club will also pay \$50,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

SOLID PLATINUM

The club known as Solid Platinum agreed that there will be no suspension of its SOB permit. The club will pay \$100,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

It should be noted that these three clubs were the only ones affected as the other clubs owned by the applicants were closed, sold or had recently been opened prior to this proceeding.

CURRENT INVESTIGATIONS

During September of 2000, the Houston Vice Section conducted several investigations based on citizen complaints reference illegal activities at Treasures club. During this investigation, that occurred on four occasions within a seven day period, there were numerous violations. The violations were; public lewdness, prostitution, indecent exposure and liquor violation. Of the 28 dances received by the undercover officers only two were found not to be in violation. There were 23 public lewdness violations, one prostitution, two indecent exposure, four no dance license violations and three liquor violations. There was also one arrest of the manager for violating the SOB code by failing to manage to ensure entertainers comply with the no touching and three foot ordinance.

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

During the month of October this investigator, along with another detective, traveled to Houston and Dallas to further our investigation on the applicants. We contacted the Houston Vice Section to ask for their assistance while we visited the applicants' clubs. With the assistance of two detectives we went to two of the clubs. The first one we visited was Centerfolds. While inside Centerfolds I could observe several dancers engaged in actions that would violate the Houston SOB code. Several dancers were rubbing their bare buttocks against the clothed genitals of the male customers. Dancers would also rub their bare breast in the face of customers. While seated at a table Detective Hafen was approached by a female dancer who solicited him for a dance. During the dance she was never further than the three feet required by the Houston SOB code. She rubbed her bare breast in his face and rubbed her bare buttocks in his lap. She performed a move referred to as a body slide where the female either facing the customer or with her back to the customer lays against the customer and slides down till she ends up between the customers legs. After the song was over the dancer was paid \$30.00 she then attempted to solicit another dance from our table, we declined and she left. After a few minutes another dancer approached and sat down on the lap of one of the Houston Vice Detectives. I observed this dancer take the Detectives left hand and place it between her legs against her clothed vagina. She had his hand in this position for approximately 4 minutes until she got up and solicited myself for a dance to which I agreed. While performing this dance she rubbed her bare breast in my face, rubbed her bare buttocks against my clothed genitals, rubbed my genitals with her knee and grabbed my clothed genitals with her hand. When the song was over she was paid \$30.00 and stated she would be back later. I turned to the Vice Detective to ask about his hand being between her legs and he stated that she actually stuck his left thumb under her g-string and penetrated her vagina with his thumb. He then got up from the table to go and wash his hand. A short time later we left the club to proceed to another club owned by the applicants.

Upon arriving at the Gold Cup we paid our entrance fee and were then seated at a table by a waitress. While in the club I could observe several dancers violating the three foot rule of the SOB ordinance. We were seated near a darkened corner of the club. I observed several dancers bring customers over to this area to perform dances for them. These dances were also in violation of the three foot rule. After a short period of time some dancers came over to our table and engaged in small talk. After a short period of time they left our table without performing any dances for us. I then observed a man in a suit, possibly the manager, walk over to this darkened area and whisper something in the ear of two of the dancers then he walked about ten feet away. He stayed in this area for a few minutes then walked back to the dancer and whispered something again in her ear. This manager was more upset this time. At no time after the manager came around did any dancers approach us. Then another man possibly a manager came and stood with the first man. They stayed in this area the remainder of the time we were seated. As one of the detectives was not generally undercover we felt as if we had been 'made' by the club managers. I then got up and walked to the second floor of the club. While walking around I observed several dancers violating the three foot rule. One dancer was

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

performing a dance for a customer and she was rubbing her clothed pubic area in the customers face. We then left the club and concluded our investigation in Houston.

We traveled to Dallas to inquire about the business the applicants had owned there. We contacted the Dallas Police Department Special Investigation Section. They had no information of a negative nature on the applicants. They stated the club Pleasures was opened 03-1996 and sold 12-1996.

The Honorable Mayor and City Council may deny this Liquor License based on the following Ordinances:

6.06.120 Council action on applications—Grounds for denial.

(A) The City Council may approve, deny or take such other action with respect to such application as it considers appropriate. The burden of showing qualifications, acceptability or fitness for a license or approval for suitability is upon the applicant.

(B) Grounds for denial of a license include, but are not limited to, the grounds for disciplinary action against a licensee as set forth in Section 6.02.330 et seq.

(C) Grounds for denial of an approval of suitability include, but are not limited to, the grounds for disciplinary actions against a principal approved for suitability as set forth in Sections 6.06.250 and 6.06.260.

6.06.250 Disciplinary action—Grounds.

(B)A principal approved for suitability may be subject to disciplinary action by the City Council for good cause, which may include, but is not limited to:

- (1) The application is incomplete or contains false, misleading or fraudulent statements with respect to any information required in the application;
- (5) The principal has been subject, in any jurisdiction, to disciplinary action of any kind against a license, permit, approval for suitability or work card to the extent that such disciplinary action reflects on the qualification, acceptability or fitness to be approved for suitability;
- (6) The principal has committed acts which would constitute a crime involving moral turpitude or involving any Federal, State or local law or regulation relating to the same or a similar business;

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CONFIDENTIAL**CONFIDENTIAL**
Investigation Report (Cont.)**CONFIDENTIAL**
December 8, 2000**SUBJECT:** The Board Room**PERSONAL HISTORY:**

Ali Mashalleh Davari was born on January 13, 1952, in Iran. Ali Davari is also know as David Davari. He attended Amir Kadir High School in Abadan, Iran. He graduated in 1970. Ali Davari moved to the United States in 1977. He continued his education at the University of Tennessee where in 1982 he obtained a degree in Electrical Engineering. In November of 1983 Mr. Davari married Holly Ann Simeri in Houston, Texas. This marriage ended in divorce June of 1984. He married again in December of 1984 to Cynthia D. Holcombe. Cynthia D. Holcombe passed away in November of 1985. In August of 1986 Mr. Davari married Barbara Leanne Upton. This marriage Produced two Children, one born in 1986 and the other in 1989. The marriage then ended in divorce May of 1990. The two minor children live with the applicant in his Houston home. Along with his place of birth the applicant has lived in Tennessee, Oklahoma and now currently resides in Houston, Texas.

EMPLOYMENT:

08-2000	Splendor	50% Owner	Houston, Texas
09-1999	Runway 66	50% Owner	Mississauga, Ontario, Canada
01-1999	Cover Girls	50% Owner	Houston, Texas
1995- Sold 12-1996	Pleasures	50% Owner	Dallas, Texas
1995	Treasures	50% Owner	Houston, Texas
1993- Sold 02-1996	Solid Platinum	50% Owner	Houston, Texas
1993	Gold Cup	50% Owner	Houston, Texas
1990	Centerfolds	50% Owner	Houston, Texas
1986- Sold 09-1993	GiGi's	50% Owner	Houston, Texas
1985-1986	GiGi's	Bookkeeper	Houston, Texas
1983-1985	Denny's	Chef	Houston, Texas
1982-1983	Babes	Bartender	Houston, Texas

(Before 1982 the applicant worked part-time while attending College)

ARREST RECORD:

None

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room**FINANCIAL:**

Ali Davari listed his assets of \$42,484,881.00, with liabilities of \$265,000.00.

PERSONAL HISTORY:

Hassan Davari was born on July 16, 1957, in Iran. Hassan Davari is also known as George Davari. He attended Azar High School in Tehran, Iran. He graduated in 1975. Hassan Davari moved to the United States in 1976. He continued his education at the University of Tennessee where in 1982 he obtained a degree in Electrical Engineering. In November of 1983 Mr. Davari married Holly Kim Hunt in Houston, Texas. This marriage produced three children, one born in 1987 another in 1989 and the third in 1993. The minor children live with the applicant and his wife in their Houston home. Along with his place of birth the applicant has lived in Tennessee, Oklahoma and now currently resides in Houston, Texas.

EMPLOYMENT:

08-2000	Splendor	50% Owner	Houston, Texas
09-1999	Runway 66	50% Owner	Mississauga, Ontario, Canada
01-1999	Cover Girls	50% Owner	Houston, Texas
1995- Sold 12-1996	Pleasures	50% Owner	Dallas, Texas
1995	Treasures	50% Owner	Houston, Texas
1993- Sold 02-1996	Solid Platinum	50% Owner	Houston, Texas
1993	Gold Cup	50% Owner	Houston, Texas
1990	Centerfolds	50% Owner	Houston, Texas
1986- Sold 09-1993	GiGi's	50% Owner	Houston, Texas
1985-1986	GiGi's	Bartender	Houston, Texas
1984-1985	Texas Fillies	Bartender	Houston, Texas
1983-1984	Colorado Ore House	Bartender	Houston, Texas
1982-1983	Babes	Bartender	Houston, Texas

(Before 1982 the applicant worked part-time while attending College)

ARREST RECORD:**CONFIDENTIAL**

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Investigation Report (Cont.)

CONFIDENTIAL
December 8, 2000

SUBJECT: The Board Room

None

FINANCIAL:

Hassan Davari listed his assets of \$45,854,728.00, with liabilities of \$554,509.00.

SLOT PARTICIPATION AGREEMENT:

None

LEASE AND/OR PURCHASE AGREEMENT:

The Capitalization of this corporation will come from the profits of several of the applicants corporations in Texas. The applicants have anticipated an opening cost of \$7,400,000.00 of which will be disbursed as follows: \$2,000,000.00 for Real Estate and Building, \$2,250,000.00 Business License, Permits and Rights, \$1,500,000.00 Remodeling Cost, \$1,000,000.00 Furniture, Fixtures and Equipment, the remainder will be spent on Inventory and other pre-opening cost.

ENTERTAINMENT POLICY:

None

ALCOHOL AWARENESS/WORK CARD COMPLIANCE:

These ordinances have been explained to all the applicants and they have advised that if approved for this License they and all employees will be in compliance.

CONCLUSION:

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Investigation Report (Cont.)

CONFIDENTIAL
December 8, 2000

SUBJECT: The Board Room

This investigation was completed on December 19, 2000, and is hereby submitted to the Honorable Mayor and City Council or the Director of the Department of Finance and Business Services for final action. Your attention is directed to the listed AREA OF CONCERN.

INVESTIGATOR'S NOTES:

The investigation also revealed that the applicants are involved in two law suits at this time. The applicants along with several area SOB's are suing the City of Houston in reference to their new city ordinance 97-75 which relates to the SOB ordinance. This suit is currently in the 5th Circuit of Appeals in New Orleans awaiting oral arguments. The applicants recently filed suit against the City of Houston where it alleges Houston Police Department, Vice Section has used selective enforcement against the applicants clubs, Centerfolds, Gold Cup and Treasures. This suit was filed under cause # 2000-49555 in the District Court of Harris County.

Respectfully submitted,

John Loretto, Detective

Reviewed by:

Reagan Alexander, Sergeant

Approved by:

Patrick D. Neville, Lieutenant

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Memorandum

City of Las Vegas
City Auditor's Office

To: Bradford Jerbic, City Attorney
From: Radford K. Snelding, City Auditor
Date: September 9, 2004
Re: Treasures – Las Vegas

Bryan Smith for Rad Snelding

OBJECTIVES

The Mayor, City Council, and City Attorney's Office requested the City Auditor's Office review structured withdrawals, payments to dancers and other selected issues related to a gentlemen's club known as Treasures located in the City of Las Vegas.

SCOPE AND METHODOLOGY

Our work was performed in accordance with the City Auditor's Office Operating Instruction OI A.050 and applicable generally accepted governmental auditing standards. Procedures included:

- ▶ Interviewing personnel, and
- ▶ Reviewing records, reports, and other applicable documentation.

Our work was limited to a review of Treasures' 2003 transactions and select documents (i.e., bank records, W2-s, and 1099's) of related businesses in Texas.

BACKGROUND

Treasures is being considered by the Las Vegas City Council for a liquor license. A temporary liquor license was previously granted to Treasures. During consideration of the permanent liquor license, questions arose regarding structured withdrawals from bank accounts to avoid cash reporting requirements, payments to dancers, and the filing of federal form 1099.

A civil lawsuit by the Harris County Texas District Attorney's Office is currently seeking to seize funds held by the applicants as a result of alleged structured payments by their Texas clubs.

As a result of the various questions raised regarding the operations of Treasures and an investigation by the Las Vegas Metropolitan Police, the City Attorney's Office and Finance and Business Services were asked by the Council to review the matter. The City Auditor's Office was asked to provide technical support in the review of financial matters.

REVIEW OF ISSUES

The following is a discussion of issues raised in the review:

STRUCTURED WITHDRAWALS

ISSUE:

- Were structured withdrawals made at Treasures?

CONDITION:

- Structured withdrawals are cash withdrawals made in an attempt to evade the federal currency reporting requirements. Currency reporting requirements require a form to be filed for all cash transactions in excess of \$10,000.
- Routine cash withdrawals below the threshold of \$10,000 may be evidence of structured withdrawals. For example, multiple withdrawals of \$9,999 or less that in total exceed \$10,000 could be structured withdrawals.
- We reviewed bank statements for the five bank accounts associated with Treasures' operations for evidence of structured withdrawals. We identified and reviewed all payments by check greater than \$5,000. We noted no checks written for cash and all payments were found to be business related.
- We noted the Operating bank account established at the opening of Treasures included twelve cash withdrawals from the bank vault (four for \$20,000, five for \$15,000, one for \$14,000, and two for \$10,000). All these withdrawals were for the routine operations of the business.
- We noted the ATM bank account established at the opening of the Las Vegas operation included fifteen cash withdrawals from the bank vault (nine for \$60,000, two for \$40,000, one for \$30,000, and three for \$20,000). All these withdrawals were found to be for replenishment of the two ATM machines located at Treasures.
- We noted that operations at Treasures differed from the operations of the related gentlemen clubs in Texas in that a separate ATM bank account and a Credit Card bank account were established.
- Based on our review, we found no structured cash withdrawals by Treasures.

PAYMENTS TO DANCERS

ISSUE:

- How are dancers paid at Treasures?
- Were 1099s filed for the dancers at Treasures?

CONDITION:

- We noted that federal form 1099's are not filed by Treasures for their dancers.
- Treasures management stated that a 1099 reportable event has not occurred and therefore no 1099's were filed.
- In our review, we noted that this practice is different than what is being done in the related Texas clubs. These clubs file form 1099's for their dancers.
- Treasures management stated that the operations of the Texas clubs are different from Treasures in that customer payments are made to a company representative and payments to dancers are made from these accumulated funds. At Treasures, customer payments are made directly to dancers except in the case of credit card payments.

ADDITIONAL ISSUES

ISSUE:

- Were valid Social Security Account Numbers (SSAN) reported to the Metropolitan Police Department by Treasures for their dancers?

CONDITION:

- During our review, we found invalid SSAN reported by Treasures to the Metropolitan Police Department.
- On review of the employee list filed with the Police Department, we noted 23 SSANs out of 486 dancers were invalid. Among these SSANs, eight had the same repeating number (i.e., 111-11-1111).
- We noted fifteen SSANs that were not valid numbers.
- Treasures management stated that these invalid SSANs were due to incorrect information provided to them by the dancers or data input errors.

CONCLUSION

In conclusion, we found the following:

- No structured cash withdrawals by Treasures were identified.
- No form 1099s were filed for Treasures' dancers.
- Several invalid SSANs were identified.

As of Sept, 1, 2004	2003 Months of Operations	2003 Erotic Dance	# of Visits	2004 Solicit Prostitution	# of Visits	2004 Months of Operations	2004 Erotic Dance	# of Visits	2004 Solicit Prostitution	# of Visits
CLUB A	12	1	1	0	0	8	0	0	2	1
CLUB B	12	7	4	2	1	8	28	8	0	0
CLUB C	12	3	2	0	0	8	1	1	0	0
CLUB D	12	5	3	2	1	8	12	3	0	0
CLUB E	12	18	7	5	3	8	22	5	0	0
CLUB F	12	19	6	5	3	8	28	8	0	0
CLUB G	12	9	2	1	1	8	1	1	0	0
Treasures	3	10	3	4	2	8	13	6	0	0

END OF
DOCUMENT
SUBMITTED BY
CITY ATTORNEY
BRAD JERBIC

IN THE MUNICIPAL COURT OF THE CITY OF LAS VEGAS, NEVADA
JUDGMENT

CASE NO. C568979A

On 8/18/04, the Defendant, Jessica Lynn Crockett, being ☐ Present ☐ In-custody

☐ Not Present — Presence Waived

☐ Represented by Counsel

☐ Having waived Counsel

☐ Having been found guilty by the Court after trial

☐ Having been found not guilty at trial

☐ Having entered a plea of: ☐ Guilty ☐ Nolo Contendere to the Charge/Amended Charge of _____

_____, THE DEFENDANT IS HEREBY ADJUDGED: ☐ Guilty ☐ Not Guilty

☐ Complaint Dismissed ☐ Other _____

SENTENCED on 8/18/04, by the Court as follows:

Sentence Imposed

Contempt

☐ Jail _____

DATE REASON PENALTY SIGNATURE

☐ Credit for time served _____

☒ Fine \$ 200 + AA Fee \$ 80

☒ CA Fee \$10.00

☐ DUI Program _____

☐ Chemical Analyst Fee \$ _____

☐ Work Program _____ hrs.

☐ Victim Impact Panel _____

☐ Counseling _____

☐ Community Service _____ hrs.

☐ Charitable Donation \$ _____

☐ Restitution \$ _____

☐ In-House Arrest _____ Days

Sentence Suspended ☐ Yes ☐ No

Suspension period _____

Terms of Suspension 1. _____

2. _____

3. _____

4. _____

Upon successful completion _____

of suspension, sentence _____

modified to: _____

☒ Notice of Appeal filed 8-84, 2004, on Sol Prost Charge(s). Appeal Bond OK

The undersigned does hereby certify that the foregoing is the true and correct docket and proceedings of the above entitled Court.

Clerk
11505-010-12/01

Judge

Dept. 5

I HEREBY CERTIFY that this is a full,
true and correct copy of the Judgment
made and entered
on the above entitled action.

Sharon Turner
MUNICIPAL COURT CLERK

Submitted at City Council

Date 9/15/04 Item 86

IN THE MUNICIPAL COURT OF THE CITY OF LAS VEGAS, NEVADA
JUDGMENT

CASE NO. C568979B

On 8/18/04, the Defendant, JESSICA LYNN CROCKETT, being ☐ Present ☐ In-custody

☐ Not Present — Presence Waived

☐ Represented by Counsel

☐ Having waived Counsel

☒ Having been found guilty by the Court after trial

☐ Having been found not guilty at trial

☐ Having entered a plea of: ☐ Guilty ☐ Nolo Contendere to the Charge/Amended Charge of _____

_____, THE DEFENDANT IS HEREBY ADJUDGED: ☐ Guilty ☐ Not Guilty

☐ Complaint Dismissed ☐ Other _____

SENTENCED on 8/18/04, by the Court as follows:

Sentence Imposed

Contempt

☐ Jail _____

DATE REASON PENALTY SIGNATURE

☐ Credit for time served _____

☒ Fine \$ 1000 + AA Fee \$ 100

☒ CA Fee \$10.00

☐ DUI Program _____

☐ Chemical Analyst Fee \$ _____

☐ Work Program _____ hrs.

☐ Victim Impact Panel _____

☐ Counseling _____

☐ Community Service _____ hrs.

☐ Charitable Donation \$ _____

☐ Restitution \$ _____

☐ In-House Arrest _____ Days

Sentence Suspended ☐ Yes ☐ No

Suspension period _____

Terms of Suspension 1. _____

2. _____

3. _____

4. _____

Upon successful completion _____

of suspension, sentence _____

modified to: _____

☒ Notice of Appeal filed 8-24, 2004, on Viol PROT DANCE COOE Charge(s). Appeal Bond OR

The undersigned does hereby certify that the foregoing is the true and correct docket and proceedings of the above entitled Court.

Clerk
11505-010-12/01

Judge [Signature]

Dept. 5

I HEREBY CERTIFY that this is a full,
true and correct copy of the _____
Judgment made and entered
on the above entitled action.

Sharon Lurie
MUNICIPAL COURT CLERK

Submitted at City Council
Date 9/15/04 Item 86

- (3) "Peace officer" means a person who is elected, appointed, or employed by a governmental entity and who is a peace officer under Article 2.12, Code of Criminal Procedure, or other law.
- (4) "Proceeds" means funds acquired or derived directly or indirectly from, produced through, or realized through an act.

SEC. 34.02. MONEY LAUNDERING

- (a) A person commits an offense if the person knowingly:
- (1) acquires or maintains an interest in, receives, conceals, possesses, transfers, or transports the proceeds of criminal activity;
 - (2) conducts, supervises, or facilitates a transaction involving the proceeds of criminal activity; or
 - (3) invests, expends, or receives, or offers to invest, expend, or receive, the proceeds of criminal activity or funds that the person believes are the proceeds of criminal activity.
- (b) For purposes of Subsection (a)(3) of this section, a person is presumed to believe that funds are the proceeds of criminal activity if a peace officer or a person acting at the direction of a peace officer represents to the person that the funds are proceeds of criminal activity, regardless of whether the peace officer or person acting at the peace officer's direction discloses the person's status as a peace officer or that the person is acting at the direction of a peace officer.
- (c) It is a defense to prosecution under this section that the person acted with intent to facilitate the lawful seizure, forfeiture, or disposition of funds or other legitimate law enforcement purpose pursuant to the laws of this state or the United States.
- (d) It is a defense to prosecution under this section that the transaction was necessary to preserve a person's right to representation as guaranteed by the Sixth Amendment of the United States Constitution and by Article 1, Section 10, of the Texas Constitution or that the funds were received as bona fide legal fees by a licensed attorney and at the time of their receipt, the attorney did not have actual knowledge that the funds were derived from criminal activity.
- (e) An offense under this section is:
- (1) a felony of the third degree if the value of the funds is \$3,000 or more but less than \$20,000;
 - (2) a felony of the second degree if the value of the funds is \$20,000 or more but less than \$100,000; or
 - (3) a felony of the first degree if the value of the funds is \$100,000 or more.

SEC. 34.03. ASSISTANCE BY ATTORNEY GENERAL

The attorney general, if requested to do so by a prosecuting attorney, may assist in the prosecution of an offense under this chapter.

CHAPTER 35. INSURANCE FRAUD

SEC. 35.01. DEFINITIONS

In this chapter:

- (1) "Health care goods" means a tangible product, device, medicine, or other object provided in conjunction with a health care service.
- (2) "Health care provider" means a person who renders health care services or an agent or employee of an organization that renders or provides a facility and means to render health care services. The term includes a physician, surgeon, person who may be selected by an insured or a beneficiary under Article 21.52, Insurance Code, and person defined as a provider of health care under Section 152.003, Occupations Code.
- (3) "Health care service" means a service that is intended to improve or maintain the physical or mental condition of an individual and that is rendered, directed, or supervised by a health care provider.
- (4) "Insurer" means a person who engages in the business of insurance in this state, including:
 - (A) an insurer that is not authorized to do business in this state;
 - (B) a health maintenance organization;
 - (C) a group hospital service corporation regulated under Chapter 20, Insurance Code; and
 - (D) any person who self-insures and provides health care benefits to the person's employees.
- (5) "Statement" means an oral or written communication or a record or documented representation of fact evidencing a loss, injury, or expense. The term includes computer-generated information.

Amendment to statute citation in subsection (2) effective Sept. 1, 2001 (HB 2812, §14.830).

SEC. 35.02. INSURANCE FRAUD

- (a) A person commits an offense if, with intent to defraud or deceive an insurer, the person causes to be prepared or presents to an insurer in support of a claim for payment under a health or property and casualty insurance policy a statement that the person knows contains false or misleading information concerning a matter that is material to the claim, and the matter affects a person's right to a payment or the amount of payment to which a person is entitled.
- (b) A person commits an offense if, with intent to defraud or deceive an insurer, the person solicits, offers, pays, or receives a benefit in connection with the furnishing of health care goods or services for which a claim for payment is submitted under a health or property and casualty insurance policy.
- (c) For purposes of Subsection (a), information concerning a matter that is material to a claim for payment under an insurance policy includes information concerning:
- (1) whether health care goods or services were provided;
 - (2) whether health care goods or services were medically necessary under professionally accepted standards;
 - (3) the nature of the health care goods or services provided;

NO. 2004-2858

THE STATE OF TEXAS

V.

APPROXIMATELY \$2,168,462.06

§
§
§
§
§

IN THE DISTRICT COURT
OF HARRIS COUNTY, TEXAS
____ JUDICIAL DISTRICT

**PLAINTIFF'S NOTICE OF SEIZURE
AND INTENDED FORFEITURE**

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW, the State of Texas as Plaintiff by and through her District Attorney for Harris County, Texas, and files this Notice of Seizure and Intended Forfeiture of APPROXIMATELY \$2,168,462.06 and alleges the following:

I.

This proceeding is brought under and by virtue of Chapter 59 of the Texas Code of Criminal Procedure. The Plaintiff alleges that discovery is intended to be conducted under Discovery Plan Level 2, in accordance with Rule 190, of the Texas Code of Civil Procedure.

II.

Jurisdiction is conferred upon this Court by virtue of Article V, Section 8 of the Texas Constitution and Article 59.04 of the Code of Criminal Procedure, and the occurrences recited hereinafter.

III.

Petitioner complains of ALI DAVARI, hereinafter referred to as RESPONDENT, as owner and possessor of APPROXIMATELY \$2,168,462.06. FURTHER, Petitioner complains of HASSAN DAVARI, hereinafter referred to as CO-RESPONDENT, as co-owner and co-possessor of APPROXIMATELY \$2,168,462.06.

DEPUTY
04 JUN - 11 PM 3:06
HARRIS COUNTY CLERK
CHARLES FILE

IV.

Petitioner alleges that said property is contraband as defined by Article 59.01 of the Code of Criminal Procedure and is thereby subject to forfeiture. Said property was seized on the 25th day of MAY 2004, in Harris County, Texas.

V.

Petitioner alleges the last known residence or place of business of RESPONDENT, ALI DAVARI is 15906 TAHOE, HOUSTON, TEXAS 77040. FURTHER, Petitioner alleges the last known residence or place of business of CO-RESPONDENT, HASSAN DAVARI is 2 RIVERCREST, HOUSTON, TEXAS 77042.

VI.

Petitioner alleges that the above property bears no known liens or other encumbrances by any other person or entity.

WHEREFORE, PREMISES CONSIDERED, the State of Texas prays that upon hearing, this Court enter a finding that the said APPROXIMATELY \$2,168,462.06 is contraband and upon such finding to order the forfeiture of said property to the State of Texas with the Harris County District Attorney's Office, Special Crimes Bureau, acting as agent for the State, and then to be administered and disposed of by said office in compliance with Article 59.06 of the Code of Criminal Procedure.

Respectfully submitted,


KAREN L. MORRIS
Assistant District Attorney
Harris County, Texas
1201 Franklin, Suite 600
Houston, Texas 77002
Phone: (713) 755-5461
Facsimile: (713) 755-6863
Office Bar No. 99999997
Attorney Bar No. 14491100
Attorney for Plaintiff

NOTICE OF SEIZURE

INCIDENT NO. 2004SZ006056901
HPD Case No. 56538804W

TO THE DISTRICT ATTORNEY OF HARRIS COUNTY, SPECIAL CRIMES BUREAU:

YOU ARE HEREBY NOTIFIED that on May 25, 2004, The undersigned peace officer, Special Agent Wayne T. Charney, who is duly employed by the following law enforcement agency, Department of Homeland Security, Bureau of Immigration & Customs Enforcement [ICE], along with the Houston Police Department, seized the below listed property:

\$210,832.20 in funds represented by Coastal Banc Official Check # 1627830.
\$776,872.88 in funds represented by Wells Fargo Bank Cashier's Check # 0675201687
\$109,685.89 in funds represented by Compass Bank Cashier's Check # 4880181131
\$1,071,071.09 in funds represented by Compass Bank Cashier's Check # 4880181130

The undersigned peace officer believes that said property constitutes the proceeds of a felony offense and is contraband as defined by Chapter 59 of the Code of Criminal Procedure for the following reasons:

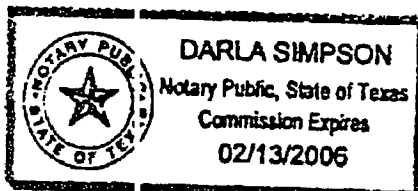
The SAC Houston Asset Removal Team has identified Ali DAVARI and Hussan DAVARI as structuring cash withdrawals from several of their bank accounts in the Houston area. During a six-month period, the DAVARI have withdrawn approximately 2.5 million dollars in cash, in increments of approximately \$9,500 from their bank accounts. Ali and Hussan DAVARI own D HOUSTON Inc., which are numerous sexual oriented businesses in the Houston, Texas area. The Houston Police Department has been participating with the Houston Asset Removal Team in this ongoing investigation.

On May 25, 2004, the Houston Asset Removal Team executed three seizure warrants for bank accounts utilized by the DAVARIS. The following accounts and funds were seized:

Wells Fargo	account:# 5400113514	\$ 776,872.88
Coastal Bank	account:# 351207154	\$ 210,832.20
Compass Bank	account# 75070934	\$ 109,685.89
	38994409	\$ 1,071,071.09
	Total	\$2,168,462.06


Peace Officer's Signature

SWORN TO AND SUBSCRIBED before me on this the 26th day of May, 2004.




Notary Public in and for
Harris County, Texas

THE STATE OF TEXAS

SEARCH WARRANT AFFIDAVIT

COUNTY OF HARRIS

AFFIDAVIT FOR SEARCH WARRANT

I, Wayne T. Chaney, a Senior Special Agent of the Department of Homeland Security, U.S. Immigration & Customs Enforcement [ICE], Houston Field Office, do solemnly swear that I have reason to believe and do believe that there is at Compass Bank, account number 75070934 and account number 38994409, in the name of D. HOUSTON, INC, d.b.a. TREASURES, property acquired by a violation of the laws of the State of Texas, Texas Penal Code, Chapter 34 (Money Laundering), namely property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

There is in Harris County, Texas, a place and premise described and located as follows:

1. Compass Bank, 7050 Portwest, Suite 100, Houston, Harris County, Texas 77024.

Said proceeds are currently within the Compass Bank, account number 75070934 and account number 38994409, in the name of D. HOUSTON, INC, d.b.a. TREASURES.

MY BELIEF IS BASED ON THE FOLLOWING FACTS:

Your Affiant has been employed as a Senior Special Agent of the U.S. Immigration & Customs Enforcement [ICE], Department of Homeland Security [formerly the United States Customs Service], for approximately sixteen years. Your Affiant has conducted criminal investigations related to drug smuggling and drug trafficking, conspiracies, money laundering, and the seizure and forfeiture of criminally derived assets. Your Affiant has received advanced training in financial investigative techniques and criminal procedures, methods of money laundering, and asset forfeiture.

For the past three years, your Affiant has been assigned to investigate financial and currency violations as part of a multi-agency Task Force dedicated to the identification, disruption, and dismantling of the financial systems and infrastructures used by criminal organizations to illegally launder currency. This Task Force targets currency violators, unregulated financial systems, cash smuggling, fraudulent import/export schemes and other activities. This Task Force is made up of agents, officers and analysts from the U.S. Immigration & Customs Enforcement and the Houston Police Department.

The information contained in this affidavit is known to me personally through my own investigation, or was communicated to me by other agents, officers and analysts participating in this case.

INTRODUCTION

Your Affiant has reason to believe that Compass Bank account number 75070934 and Compass Bank account number 38994409 contain funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure because the funds therein represent the proceeds of criminal activity under Chapter 34 (Money Laundering) of the Texas Penal Code.

On or about December 12, 2003, ICE officers received information from JP Morgan Chase Bank [Chase Bank] that their customer D. HOUSTON, INC, a "Sexually Oriented Business" was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements for cash transactions. Further investigation determined that D. HOUSTON, INC, was also "structuring" checks to cash from one of their accounts at Compass Bank, account number 75070934.

Under Title 31, United States Code, Section 5313, and Title 31 of the Code of Federal Regulations, Part 103.22, financial institutions are required to file a Currency Transaction Report [CTR] with the Internal Revenue Service for each currency transaction in excess of \$10,000.

* { "Structuring" is an attempt by a violator to evade the federal currency reporting requirements. "Structuring" in this case means the cashing of checks at one or more financial institutions to receive currency from each bank in an amount of less than \$10,000, however, the aggregate total of the checks cashed is over \$10,000.

The "Structuring" of currency, which is a felony violation under Title 31, USC Section 5313(a) and 5324(a), caused the currency to become the proceeds of a "Criminal Activity" under Chapter 34 of the Texas Penal Code, Money Laundering. This is because under Chapter 34 "Criminal Activity" is "classified as a felony under the laws of this state or the United States." Accordingly, Compass Bank, account number 75070934, contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure, because the funds therein represent the proceeds of criminal activity (structuring) under Chapter 34 of the Texas Penal Code.

Furthermore, funds that are contained in Compass Bank, account number 38994409, were traced back to the bank in which the "structuring" scheme started. Therefore, the funds in Compass Bank, account number 38994409, are funds which constitute property involved in or are traceable to criminal activity (the structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and

forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

FACTS

D. HOUSTON, INC, d.b.a. TREASURES is located at 5647 Westheimer, Houston, TX 77056, and was incorporated in Texas on May 30, 1995. According to the Articles of Incorporation, ALI M. "DAVID" DAVARI and HASSAN "GEORGE" DAVARI are listed as the two members of the Board of Directors of D. HOUSTON, INC. According to the Harris County Assumed Name Records, on July 3, 1995, D. HOUSTON, INC, registered TREASURES as its assumed name.

According to the Compass Bank signature cards, accounts number 75070934 and 38994409 were opened in the name of D. HOUSTON, INC, d.b.a. TREASURES, and the authorized signers on both accounts are ALI DAVARI, President, and HASSAN DAVARI, Vice-president. Compass Bank account number 75070934 was opened on June 24, 1999. Compass Bank account number 38994409 was opened on March 5, 1998.

ICE officers initially received information from Chase Bank that D. HOUSTON, INC, d.b.a. TREASURES, was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements. ICE officers were advised that when a Chase Bank Officer became aware that TREASURES was cashing checks for \$9,000 on a daily basis this Bank Officer became concerned that they were structuring their cash withdrawals. This Bank Officer spoke to the manager of TREASURES and told him that he should withdraw the amount of money he needed to operate the club, as opposed to \$9,000 every day. The Bank Officer told the manager of TREASURES that withdrawing the same amount every day was suspicious.

The Chase Bank Officer said that the cash withdrawals in the same amount continued, therefore, the decision was made to close the account. A letter was sent to D. HOUSTON, INC advising them that their account would be closed on December 5, 2003. In this letter it states the "reason for the closure is Excessive structured withdrawal activity."

A review of the bank statements and checks for Chase Bank account number 179-906911-65, show that from September 23, 2003 through November 26, 2003, D. HOUSTON, INC, negotiated 17 checks for cash, all in the amount of \$9,000, totaling \$153,000.

Further investigation determined that D. HOUSTON, INC, also had an account at Wells Fargo Bank, account number 54000113514. Information regarding this account shows that beginning on June 17, 2002, D. HOUSTON, INC, was cashing checks just under the \$10,000 CTR reporting requirement. A review of the information and records received from Wells Fargo Bank, shows that from June 17, 2002 through February 25,

2004, three hundred and eighty-five [385] checks were cashed totaling \$3,632,445, all just under \$10,000 each. In fact, from June 17, 2002 through December 2, 2003, three hundred and thirty-two [332] checks were written and negotiated for cash, and each one of these checks was in the exact amount of \$9,500. However, beginning on December 3, 2003, D. HOUSTON, INC, began varying the amounts of the checks that they were cashing. From December 3, 2003 through February 25, 2004, fifty-three [53] checks were cashed, and only three were for \$9,500, and the remainder varied in amounts from \$9,400 to a low of \$3,250.

It is significant to note that only after D. HOUSTON, INC.'s account at Chase was closed, effective December 5, 2003, because of "excessive structured withdrawal activity" did they begin to vary the amount of their cash withdrawals from their Wells Fargo Bank account.

Additional information showed that on November 26, 2003, D. HOUSTON, INC, opened account number 3111000851, at Texas Capital Bank, N.A. A Bank Officer advised that D. HOUSTON, INC, would make one deposit a month and then the funds would be withdrawn by checks payable to the bank that were cashed. This Bank Officer said that because these checks were always just under the \$10,000 CTR reporting requirement, that this structuring activity caused her to be suspicious about the account. Additionally, she was suspicious as to why they needed so much cash.

A review of the Texas Capital Bank account records for account number 3111000851, shows that from December 12, 2003 through February 27, 2004, that 40 checks, between \$1,800 and \$9,500, were cashed for a total of \$305,000.

This Bank Officer said that she spoke to Norm, the TREASURES manager, and asked him why they needed so much cash. She said the TREASURES manager told her that the cash was needed to pay the dancers. The Bank Officer said that because the banking activity did not change that she told Norm that the account would have to be closed. The account was closed in early March 2004.

Additional information showed that D. HOUSTON, INC, d.b.a. TREASURES, maintained a bank account at Compass Bank, account number 75070934. Compass Bank records show that from September 2, 2003 through February 27, 2004, D. HOUSTON, INC, wrote 119 checks to cash, all under \$10,000. These 119 checks to cash totaled \$1,041,190. It should be noted that all of the 61 checks from September 2, 2003 through December 2, 2003, were for \$9,500 exactly; and it was not until December 3, 2003, that the amounts of the checks to cash began to vary. It was only after D. HOUSTON, INC.'s account at Chase Bank was closed for excessive structuring activity, were the cash withdrawal amounts at Compass Bank varied from between \$6,400 to \$9,500.

An analysis of the Compass Bank records for account number 75070934, shows that from September 2, 2003 through February 26, 2004, only two deposits were made into this account each month. Account records show that these funds were checks

written from D. HOUSTON, INC.'s bank account number 5400113514, at Wells Fargo Bank. Accordingly, funds are being transferred from D. HOUSTON, INC.'s Wells Fargo Bank to their Compass Bank account to be structured out, in an attempt to circumvent the CTR reporting Requirements.

A review of CTRs filed by First Bank Houston [now Wells Fargo Bank] under the name of D. HOUSTON, INC, showed that on December 9, 1997, HASSAN DAVARI was identified as the transactor for a cash withdrawal of \$19,000.00 from account number 113603. Another CTR was filed by First Bank for a cash withdrawal of \$10,185.00 from account number 113603, on October 4, 1999. It identified ALI DAVARI as the transactor.

CTR forms require, among other things, the identity of the individual who conducted the transaction and the individual or organization for which the transaction was completed. Accordingly, these two CTRs identifying each HASSAN DAVARI and ALI DAVARI as the transactor shows their knowledge of the CTR reporting requirements for cash transactions over \$10,000, as early as 1997 and 1999, respectively.

Your Affiant knows that persons committing financial crimes, including money launderers, wish to evade audit and law enforcement scrutiny. Therefore, when they become aware of or are notified of the CTR reporting requirements, they begin breaking down deposits and withdrawals of cash into amounts of \$10,000 or less. This active step is referred to as "structuring", and in this case involves making cash withdrawals in amounts of less than \$10,000, from more than one bank on the same day.

According to a Bank Officer, D. HOUSTON, INC.'s Wells Fargo Bank, account number 5400113514, was the operating account for TREASURES. A review of all of the bank records determined that all of the funds that were deposited into Compass Bank, Texas Capital Bank, and Chase Bank accounts were checks from the Wells Fargo Bank account. Instead of writing one check from their Wells Fargo Bank operating account for the amount of currency Norm said they needed, they transferred funds to their other accounts, then wrote checks to cash out of these accounts. In addition, they wrote checks to cash out of their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day.

Their purpose in devising and implementing this scheme was to enable them to withdraw more than \$10,000 on any single day, without a CTR being filed. By using different banks, and the other banks not knowing they were doing the same thing at other banks, D. HOUSTON, INC, was knowingly and willfully circumventing the CTR reporting requirements.

There were 123 days that banks were open from September 2, 2003 through February 27, 2004, and D. HOUSTON, INC.'s bank records show that on 110 of those

days, they structured two or more cash withdrawals, each under \$10,000, from bank accounts that they had at separate banks.

For the period September 2, 2003 through February 27, 2004, multiple structured cash withdrawals were made from the following D. HOUSTON, INC, bank accounts:

<u>Bank</u>	<u>Multiple "Structured" Cash Withdrawals Over \$10,000 per Day</u>
Compass Bank, # 75070934	\$1,012,690.00
Well Fargo Bank, # 5400113514	\$1,003,845.00
Texas Capital Bank, # 3111000851	\$305,000.00
<u>Chase Bank, # 179-90669155-65</u>	<u>\$153,000.00</u>
Total	\$2,474,835.00

4
Compass Bank account number 38994409 was opened on March 4, 1998. This account is in the name of D. HOUSTON, INC, d.b.a. TREASURES, and its authorized signers are ALI DAVARI and HASSAN DAVARI. On August 30, 2003, the account balance was \$8,236.35, and from August 30, 2003 until February 2, 2004, the only account activity was a \$15 bank service charge each month. On February 2, 2004, an \$800,000 check was deposited into this account from the D. HOUSTON, INC, d.b.a. TREASURES, operating account at Wells Fargo Bank, account number 5400113514. On February 17, 2004, a check for \$300,000 was deposited into the Compass Bank from the D. HOUSTON, INC.'s operating account at Wells Fargo Bank. These funds from D. HOUSTON, INC.'s operating account, totaling \$1,100,000, are still on deposit in the Compass Bank, account number 38994409.

Through information and records from Wells Fargo Bank, it has been established that from June 17, 2002 through February 27, 2004, D. HOUSTON, INC, structured \$3,632,445 in checks, all under \$10,000, that were written and negotiated for cash. This currency represents funds involved in, and are the proceeds of, illegal structuring, and is property subject to seizure and forfeiture. Furthermore, funds transferred directly from the Wells Fargo Bank account to the other bank accounts identified in this affidavit owned by D. HOUSTON, INC, is property traceable to the Wells Fargo Bank account, and therefore, is property "involved in" the money laundering offenses specified herein.

Conclusion

Based upon bank records, other information, and their pattern of banking activity, D. HOUSTON, INC, ALI DAVARI, HASSAN DAVARI and Norm, the manager of TREASURES, were aware of the CTR reporting requirement. However, because they did not want CTRs filed on their cash withdrawals, they entered into this scheme of withdrawing cash from more than one bank so they could withdraw more than \$10,000 currency in a single day. These cash withdrawals were made undetected and without a CTR being filed.

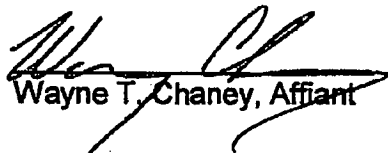
Instead of writing one check to cash from their Wells Fargo Bank operating account for the entire amount of currency, D. HOUSTON, INC, transferred funds to their accounts at Compass Bank, Texas Capital Bank, and Chase Bank, then wrote checks to cash out of these account, plus their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more then \$10,000 in currency withdrawals in a single day. For the period September 2, 2003 through February 27, 2004, the total multiple structured cash withdrawals from all of the D. HOUSTON, INC, bank accounts totaled \$2,474,835.

Additionally, your Affiant believes the sheer volume of 115 separate currency withdrawals by D. HOUSTON, INC, from Compass Bank, account number 75070934, in amounts of \$9,500.00 or below, from September 2, 2003 through February 27, 2004, for an aggregate total of \$1,041,190, in structured transactions is indicative of flagrant and aggravated structuring of currency transactions.

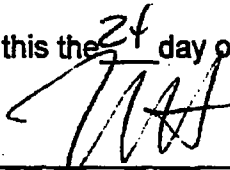
Furthermore, funds that are contained in Compass Bank, account number 38994409, were traced from the Wells Fargo Bank account, the account from which all of the "structured" funds came from. Therefore, the funds in Compass Bank are funds which constitute property involved in or are traceable to criminal activity (the structuring) under Chapter 34 of the Texas Penal Code.

This affidavit establishes that the cash withdrawals out of the D. HOUSTON, INC, Bank Account at Compass Bank is part of an established pattern of cash withdrawals from multiple banks in an attempt to circumvent the CTR filing requirements in violation of Title 31 U.S.C. Section 5324. This affidavit also establishes that all funds contained in the Compass Bank, account number 75070934 and account number 38994409 constitute property involved in or traceable to criminal activity (structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

WHEREFORE, PREMISES CONSIDERED, your Affiant respectfully requests that a warrant be issued authorizing your Affiant, or any other peace officer of the State of Texas to enter the aforementioned premises, which is the Compass Bank, 7050 Portwest, Suite 100, Houston, Harris County, Texas 77024, with authority to search for and to seize any and all funds in account number 75070934 and account number 38994409, in the name of D. HOUSTON, INC, d.b.a. TREASURES, described in this affidavit which constitute implements, instruments, instrumentalities and proceeds that are kept or located at the above stated suspected place in violation of the Texas Penal Code, Chapter 34, and the Texas Code of Criminal Procedure, Chapter 59.


Wayne T. Chaney, Affiant

Sworn to and subscribed before me, on this the 24 day of May, 2004.



Judge, 24 District Court
Harris County, Texas

THE STATE OF TEXAS

§

S/W RETURN AND INVENTORY

COUNTY OF HARRIS

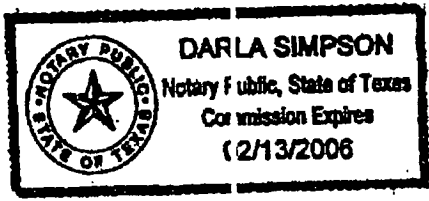
§

The undersigned, being a peace officer under the laws of the State of Texas and being duly sworn on oath, certifies that the foregoing warrant came to hand on the 24 day of May of 2004, A.D, and that it was executed on the 25 day of May of 2004, A.D, by making the search directed therein and pursuant thereto seizing the following property:

<u>Two cashiers checks from Compass Bank</u>			
<u># 4880181130</u>	<u>for</u>	<u>\$1,071,071.00</u>	
<u># 4880181131</u>	<u>for</u>	<u>\$109,685.89</u>	

[Signature]
AFFIANT

26th Sworn to and Subscribed before me, the undersigned authority, on this the 26th day of May of 2004, A.D.



Darla Simpson
NOTARY PUBLIC in and for
The State of Texas

THE STATE OF TEXAS

SEARCH WARRANT

COUNTY OF HARRIS

TO THE SHERIFF, ANY PEACE OFFICER OR SPECIAL INVESTIGATOR OF
HARRIS COUNTY, TEXAS

GREETINGS:

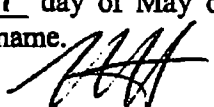
WHEREAS, I am a Magistrate in and for Harris County, Texas, and WHEREAS, Wayne T. Chaney a Senior Special Agent of the United States Department of Homeland Security, Bureau of Immigration and Customs Enforcement, Houston Field Office and Special Investigator pursuant to Art. 2.12, Texas Code of Criminal Procedure and hereafter called Affiant, came before me this day with an affidavit (which is attached hereto and is specially incorporated by reference for all purposes), requesting a warrant; and WHEREAS, I have made inquiry of the basis of said beliefs of the Affiant and find that; the affidavit sets forth substantial facts establishing that probable cause does exist for the issuance of a warrant, that the person, place or thing to be searched is not one which is prohibited nor beyond the authorization of this magistrate and that the search is requested upon proper grounds.

THEREFORE, YOU ARE COMMANDED to go straightaway to Compass Bank, 7050 Portwest, Suite 100, Houston, Harris County, Texas 77024, for the purpose of searching for and seizing the proceeds currently within accounts number 75070934 and 38994409 in a manner authorized by law including but not limited to any and all proceeds, and any and all incoming items, credited to that account, in violation of the Texas Penal Code, Chapter 34 and is property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

HEREIN FAIL NOT, as the peace officer to whom this warrant is delivered, you shall execute it without delay and within three whole days and due return make by faithfully completing the form attached hereto designated for said purpose. It is further ORDERED that Compass Bank, may comply with this warrant by converting the funds found in said accounts to a cashier's check payable to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE. The officer executing this warrant, upon executing the return attached hereto is further authorized to deliver the seized funds to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE for the purposes consistent with Chapter 59 of the Texas Code of Criminal Procedure.

IN THE NAME AND BY AUTHORITY OF THE STATE OF TEXAS.

SIGNED, ENTERED and ORDERED this 24 day of May of 2004 A.D, at 9:30 o'clock AM, to attest to which I subscribe my name.



Judge, 262 District Court
Harris County, Texas

05/19/2004 12:01 PM

THE STATE OF TEXAS

016

SEARCH WARRANT

COUNTY OF HARRIS

TO THE SHERIFF, ANY PEACE OFFICER OR SPECIAL INVESTIGATOR OF
HARRIS COUNTY, TEXAS

GREETINGS:

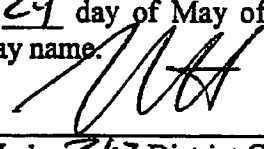
WHEREAS, I am a Magistrate in and for Harris County, Texas, and WHEREAS, Wayne T. Chaney a Senior Special Agent of the United States Department of Homeland Security, Bureau of Immigration and Customs Enforcement, Houston Field Office and Special Investigator pursuant to Art. 2.12, Texas Code of Criminal Procedure and hereafter called Affiant, came before me this day with an affidavit (which is attached hereto and is specially incorporated by reference for all purposes), requesting a warrant; and WHEREAS, I have made inquiry of the basis of said beliefs of the Affiant and find that; the affidavit sets forth substantial facts establishing that probable cause does exist for the issuance of a warrant, that the person, place or thing to be searched is not one which is prohibited nor beyond the authorization of this magistrate and that the search is requested upon proper grounds.

THEREFORE, YOU ARE COMMANDED to go straightaway to Coastal Banc, 5718 Westheimer, Houston, Harris County, Texas 77057, for the purpose of searching for and seizing the proceeds currently within account number 351207154 in a manner authorized by law including but not limited to any and all proceeds, and any and all incoming items, credited to that account, in violation of the Texas Penal Code, Chapter 34 and is property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

HEREIN FAIL NOT, as the peace officer to whom this warrant is delivered, you shall execute it without delay and within three whole days and due return make by faithfully completing the form attached hereto designated for said purpose. It is further ORDERED that Coastal Banc may comply with this warrant by converting the funds found in said accounts to a cashier's check payable to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE. The officer executing this warrant, upon executing the return attached hereto is further authorized to deliver the seized funds to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE for the purposes consistent with Chapter 59 of the Texas Code of Criminal Procedure.

IN THE NAME AND BY AUTHORITY OF THE STATE OF TEXAS.

SIGNED, ENTERED and ORDERED this 24 day of May of 2004 A.D, at
9:30 o'clock AM to attest to which I subscribe my name.



Judge Z62 District Court
Harris County, Texas

THE STATE OF TEXAS

SEARCH WARRANT AFFIDAVIT

COUNTY OF HARRIS

AFFIDAVIT FOR SEARCH WARRANT

I, Wayne T. Chaney, a Senior Special Agent of the Department of Homeland Security, U.S. Immigration & Customs Enforcement [ICE], Houston Field Office, do solemnly swear that I have reason to believe and do believe that there is at Coastal Banc, account number 351207154, in the name of D. HOUSTON, INC, d.b.a. TREASURES, property acquired by a violation of the laws of the State of Texas, Texas Penal Code, Chapter 34 (Money Laundering), namely property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 49 of the Texas Code of Criminal Procedure.

There is in Harris County, Texas, a place and premise described and located as follows:

Coastal Banc, 5718 Westheimer, Houston, Harris County, Texas 77057.

Said proceeds are currently within the Coastal Banc, account number 351207154, in the name of D. HOUSTON, INC, d.b.a. TREASURES.

MY BELIEF IS BASED ON THE FOLLOWING FACTS:

Your Affiant has been employed as a Senior Special Agent of the U.S. Immigration & Customs Enforcement [ICE], Department of Homeland Security [formerly the United States Customs Service], for approximately sixteen years. Your Affiant has conducted criminal investigations related to drug smuggling and drug trafficking, conspiracies, money laundering, and the seizure and forfeiture of criminally derived assets. Your Affiant has received advanced training in financial investigative techniques and criminal procedures, methods of money laundering, and asset forfeiture.

For the past three years, your Affiant has been assigned to investigate financial and currency violations as part of a multi-agency Task Force dedicated to the identification, disruption, and dismantling of the financial systems and infrastructures used by criminal organizations to illegally launder currency. This Task Force targets currency violators, unregulated financial systems, cash smuggling, fraudulent import/export schemes and other activities. This Task Force is made up of agents, officers and analysts from the U.S. Immigration & Customs Enforcement and the Houston Police Department.

The information contained in this affidavit is known to me personally through my own investigation, or was communicated to me by other agents, officers and analysts participating in this case.

INTRODUCTION

Your Affiant has reason to believe that Coastal Banc, account number 351207154, contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure because the funds therein represent the proceeds of criminal activity under Chapter 34 (Money Laundering) of the Texas Penal Code.

On or about December 12, 2003, ICE officers received information from JP Morgan Chase Bank [Chase Bank] that their customer D. HOUSTON, INC, a "Sexually Oriented Business" was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements for cash transactions.

Under Title 31, United States Code, Section 5313, and Title 31 of the Code of Federal Regulations, Part 103.22, financial institutions are required to file a Currency Transaction Report [CTR] with the Internal Revenue Service for each currency transaction in excess of \$10,000.

"Structuring" is an attempt by a violator to evade the federal currency reporting requirements. "Structuring" in this case means the cashing of checks at one or more financial institutions to receive currency from each bank in an amount of less than \$10,000, however, the aggregate total of the checks cashed is over \$10,000.

The "Structuring" of currency, which is a felony violation under Title 31, USC Section 5313(a) and 5324(a), caused the currency to become the proceeds of a "Criminal Activity" under Chapter 34 of the Texas Penal Code, Money Laundering. This is because under Chapter 34 "Criminal Activity" is "classified as a felony under the laws of this state or the United States." Accordingly, Compass Bank, account number 75070934, contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure, because the funds therein represent the proceeds of criminal activity (structuring) under Chapter 34 of the Texas Penal Code.

FACTS

D. HOUSTON, INC, d.b.a. TREASURES is located at 5647 Westheimer, Houston, TX 77056 and was incorporated in Texas on May 30, 1995. According to the Articles of Incorporation, ALI M. "DAVID" DAVARI and HASSAN "GEORGE" DAVARI are listed as the two members of the Board of Directors of D. HOUSTON, INC. According to the Harris County Assumed Name Records, on July 3, 1995, D. HOUSTON, INC, registered TREASURES as its assumed name.

ICE officers initially received information from Chase Bank that D. HOUSTON, INC, d.b.a. TREASURES, was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements. ICE officers were advised that when a Chase Bank Officer became aware that TREASURES was cashing checks for \$9,000 on a daily basis this Bank Officer became concerned that they were structuring their cash withdrawals. This Bank Officer spoke to the manager of TREASURES and told him that he should withdraw the amount of money he needed to operate the club, as opposed to \$9,000 every day. The Bank Officer told the manager of TREASURES that withdrawing the same amount every day was suspicious.

The Chase Bank Officer said that the cash withdrawals in the same amount continued, therefore, the decision was made to close the account. A letter was sent to D. HOUSTON, INC, advising them that their account would be closed on December 5, 2003. In this letter it states the "reason for the closure is Excessive structured withdrawal activity."

A review of the bank statements and checks for Chase Bank account number 179-906911-65, show that from September 23, 2003 through November 26, 2003, D. HOUSTON, INC, negotiated 17 checks for cash, all in the amount of \$9,000, totaling \$153,000.

Further investigation determined that D. HOUSTON, INC, also had an account at Wells Fargo Bank, account number 54000113514. Information regarding this account shows that beginning on June 17, 2002, D. HOUSTON, INC, was cashing checks just under the \$10,000 CTR reporting requirement. A review of the information and records received from Wells Fargo Bank, shows that from June 17, 2002 through February 25, 2004, three hundred and eighty-five [385] checks were cashed totaling \$3,632,445, all just under \$10,000 each. In fact, from June 17, 2002 through December 2, 2003, three hundred and thirty-two [332] checks were written and negotiated for cash, and each one of these checks was in the exact amount of \$9,500. However, beginning on December 3, 2003, D. HOUSTON, INC, began varying the amounts of the checks that they were cashing. From December 3, 2003 through February 25, 2004, fifty-three [53] checks were cashed, and only three were for \$9,500, and the remainder varied in amounts from \$9,400 to a low of \$8,250.

It is significant to note that only after D. HOUSTON, INC.'s account at Chase was closed, effective December 5, 2003, because of "excessive structured withdrawal activity" did they begin to vary the amount of their cash withdrawals from their Wells Fargo Bank account.

Additional information showed that on November 26, 2003, D. HOUSTON, INC, opened account number 3111000851, at Texas Capital Bank, N.A. A Bank Officer advised that D. HOUSTON, INC, would make one deposit a month and then the funds would be withdrawn by checks payable to the bank that were cashed. This Bank Officer said that because these checks were always just under the \$10,000 CTR reporting

requirement, that this structuring activity caused her to be suspicious about the account. Additionally, she was suspicious as to why they needed so much cash.

A review of the Texas Capital Bank account records for account number 3111000851, shows that from December 12, 2003 through February 27, 2004, that 40 checks, between \$1,800 and \$9,500, were cashed for a total of \$305,000.

This Bank Officer said that she spoke to Norm, the TREASURES manager, and asked him why they needed so much cash. She said the TREASURES manager told her that the cash was needed to pay the dancers. The Bank Officer said that because the banking activity did not change that she told Norm that the account would have to be closed. The account was closed in early March 2004.

Additional information showed that D. HOUSTON, INC, d.b.a. TREASURES, maintained a bank account at Compass Bank, account number 75070934. Compass Bank records show that from September 2, 2003 through February 27, 2004, D. HOUSTON, INC, wrote 119 checks to cash, all under \$10,000. These 119 checks to cash totaled \$1,041,190. It should be noted that all of the 61 checks from September 2, 2003 through December 2, 2003, were for \$9,500 exactly, and it was not until December 3, 2003, that the amounts of the checks to cash began to vary. It was only after D. HOUSTON, INC.'s account at Chase Bank was closed for excessive structuring activity, were the cash withdrawal amounts at Compass Bank varied from between \$6,400 to \$9,500.

An analysis of the Compass Bank records for account number 75070934, shows that from September 2, 2003 through February 26, 2004, only two deposits were made into this account each month. Account records show that these funds were checks written from D. HOUSTON, INC.'s bank account number 5400113514, at Wells Fargo Bank. Accordingly, funds are being transferred from D. HOUSTON, INC.'s Wells Fargo Bank to their Compass Bank account to be structured out, in an attempt to circumvent the CTR reporting Requirements.

After D. HOUSTON, INC.'s bank account at Texas Capital Bank was closed, they opened an account at Coastal Banc on March 1, 2004. According to the Coastal Banc signature card, account number 351207154 was opened in the name of D. HOUSTON, INC, d.b.a. TREASURES, and the authorized signers on this account is ALI "David" DAVARI, and HASSAN "George" DAVARI.

A review of the Coastal Banc records of account number 351207154, from March 1, 2004 through March 19, 2004, showed that two deposits were made. The first deposit was made on March 1, 2004, for \$105,000, and the second deposit was made on March 19, 2004, for \$100,000. The source for both of these deposits, totaling \$205,000, was D. HOUSTON, INC.'s Wells Fargo Bank operating account, account number 5400113514.

A review of the withdrawals from D. HOUSTON, INC.'s Coastal Banc account, show that from March 9, 2004 through April 9, 2004, seven checks were written for amounts between \$7,250 and \$8,300, and these checks were cashed for a total of \$54,350. Additionally, two debits for \$8,000 and \$7,000 on March 8, 2004 and March 9, 2004, respectively, were withdrawn for cash. The total structured cash withdrawals from Coastal Banc, account number 351207154, was \$69,350.

A Coastal Banc Officer stated that he was suspicious of the withdrawals from this account because all of the sums were near, but below the CTR reporting requirements.

A review of CTRs filed by First Bank Houston [now Wells Fargo Bank] under the name of D. HOUSTON, INC, showed that on December 9, 1997, HASSAN DAVARI was identified as the transactor for a cash withdrawal of \$19,000.00 from account number 113603. Another CTR was filed by First Bank for a cash withdrawal of \$10,185.00 from account number 113603, on October 4, 1999. It identified ALI DAVARI as the transactor.

CTR forms require, among other things, the identity of the individual who conducted the transaction and the individual or organization for which the transaction was completed. Accordingly, these two CTRs identifying each HASSAN DAVARI and ALI DAVARI as the transactor shows their knowledge of the CTR reporting requirements for cash transactions over \$10,000, as early as 1997 and 1999, respectively.

Your Affiant knows that persons committing financial crimes, including money launderers, wish to evade audit and law enforcement scrutiny. Therefore, when they become aware of or are notified of the CTR reporting requirements, they begin breaking down deposits and withdrawals of cash into amounts of \$10,000 or less. This active step is referred to as "structuring", and in this case involves making cash withdrawals in amounts of less than \$10,000, from more than one bank on the same day.

According to a Bank Officer, D. HOUSTON, INC.'s Wells Fargo Bank, account number 5400113514, is the operating account for TREASURES. A review of all of the bank records determined that all of the funds that were deposited into Coastal Banc, Compass Bank, Texas Capital Bank, and Chase Bank accounts were checks from the Wells Fargo Bank account. Instead of writing one check from their Wells Fargo Bank operating account for the amount of currency the manager of TREASURES said they needed, they transferred funds to their other accounts, then wrote checks to cash out of these accounts. In addition, they wrote checks to cash out of their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day.

Their purpose in devising and implementing this scheme was to enable them to withdraw more than \$10,000 on any single day, without a CTR being filed. By using different banks, and the other banks not knowing they were doing the same thing at

other banks, D. HOUSTON, INC, was knowingly and willfully circumventing the CTR reporting requirements.

There were 123 days that banks were open from September 2, 2003 through February 27, 2004, and D. HOUSTON, INC.'s bank records show that on 110 of those days, they structured two or more cash withdrawals, each under \$10,000, from bank accounts that they had at separate banks.

For the period September 2, 2003 through February 27, 2004, multiple structured cash withdrawals were made from the following D. HOUSTON, INC, bank accounts:

<u>Bank</u>	<u>Multiple "Structured" Cash Withdrawals Over \$10,000 per Day</u>
Compass Bank, # 75070934	\$1,012,690.00
Well Fargo Bank, # 5400113514	\$1,003,845.00
Texas Capital Bank, # 3111000851	\$305,000.00
<u>Chase Bank, # 179-90669155-65</u>	<u>\$153,000.00</u>
Total	\$2,474,835.00

Once the D. HOUSTON, INC, bank account at Texas Capital Bank was closed, they opened another account at Coastal Banc. The banking activity they conducted at Coastal Banc, account number 351207154, follows the same pattern of banking activity of making one or two deposits a month and then "structuring" their withdrawals in the form of checks written to cash, all under the CTR reporting requirement of \$10,000. Between March 1, 2004 and April 9, 2004, two deposits were made into this account, for a total of \$205,000. Additionally, from March 9, 2004 through April 9, 2004, seven checks and two debit memos, all under the CTR reporting requirement, were cashed for a total amount of \$69,350.

Conclusion

Based upon bank records, other information, and their pattern of banking activity, D. HOUSTON, INC, ALI DAVARI, HASSAN DAVARI and Norm, the manager of TREASURES, were aware of the CTR reporting requirement. However, because they did not want CTRs filed on their cash withdrawals, they entered into this scheme of withdrawing cash from more than one bank so they could withdraw more than \$10,000 currency in a single day. These cash withdrawals were made undetected and without a CTR being filed.

Instead of writing one check to cash from their Wells Fargo Bank operating account for the entire amount of currency, D. HOUSTON, INC, transferred funds to their accounts at Coastal Banc, Compass Bank, Texas Capital Bank, and Chase Bank, then wrote checks to cash out of these accounts, plus their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day. For the period

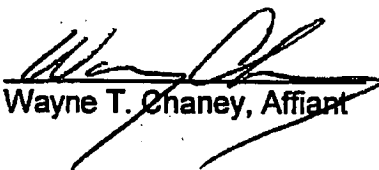
September 2, 2003 through February 27, 2004, the total multiple structured cash withdrawals from all of the D. HOUSTON, INC, bank accounts totaled \$2,474,835.

Your Affiant believes the pattern of structured withdrawals is continuing and is currently ongoing, in the D. HOUSTON, INC, bank account that they just opened on March 1, 2004. The withdrawals by D. HOUSTON, INC, from Coastal Banc, account number 351207154, in amounts below the CTR reporting requirements of \$69,350, in structured transactions is a continuation of their pattern of structuring and is indicative of flagrant and aggravated structuring of their currency transactions.

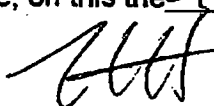
Furthermore, the \$205,000 in funds that were deposited into Coastal Banc, account number 351207154, were traced from the Wells Fargo Bank account, the account from which all of the "structured" funds came from. Therefore, the funds in Coastal Banc are funds which constitute property involved in or are traceable to criminal activity (the structuring) under Chapter 34 of the Texas Penal Code.

This affidavit establishes that the cash withdrawals out of the D. HOUSTON, INC, Bank Account at Coastal Banc is part of an established pattern of cash withdrawals from multiple banks in an attempt to circumvent the CTR filing requirements in violation of Title 31 U.S.C. Section 5324. This affidavit also establishes that all funds contained in the Coastal Banc, account number 351207154 constitute property involved in or traceable to criminal activity (structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

WHEREFORE, PREMISES CONSIDERED, your Affiant respectfully requests that a warrant be issued authorizing your Affiant, or any other peace officer of the State of Texas to enter the aforementioned premises, which is the Coastal Banc, 5718 Westheimer, Houston, Harris County, Texas 77057, with authority to search for and to seize any and all funds in account number 351207154, in the name of D. HOUSTON, INC, d.b.a. TREASURES, described in this affidavit which constitute implements, instruments, instrumentalities and proceeds that are kept or located at the above stated suspected place in violation of the Texas Penal Code, Chapter 34, and the Texas Code of Criminal Procedure, Chapter 59.


Wayne T. Chaney, Affiant

Sworn to and subscribed before me, on this the 24 day of May, 2004.


Judge, 262 District Court
Harris County, Texas

THE STATE OF TEXAS
COUNTY OF HARRIS

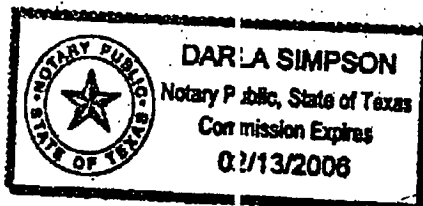
§
§
S/W RETURN AND INVENTORY

The undersigned, being a peace officer under the laws of the State of Texas and being duly sworn on oath, certifies that the foregoing warrant came to hand on the 24 day of May of 2004, A.D. and that it was executed on the 25 day of May of 2004, A.D. by making the search directed therein and pursuant thereto seizing the following property:

official check from Coastal Bank
162,830 for \$210,832.20

[Signature]
AFFIANT

Sworn to and Subscribed before me, the undersigned authority, on this the 26th day of May of 2004, A.D.



Darla Simpson
NOTARY PUBLIC in and for
The State of Texas

THE STATE OF TEXAS

SEARCH WARRANT

COUNTY OF HARRIS

**TO THE SHERIFF, ANY PEACE OFFICER OR SPECIAL INVESTIGATOR OF
HARRIS COUNTY, TEXAS**

GREETINGS:

WHEREAS, I am a Magistrate in and for Harris County, Texas, and WHEREAS, Wayne T. Chaney, a Senior Special Agent of the United States Department of Homeland Security, Bureau of Immigration and Customs Enforcement, Houston Field Office and Special Investigator pursuant to Art. 2.12, Texas Code of Criminal Procedure and hereafter called Affiant, came before me this day with an affidavit (which is attached hereto and is specially incorporated by reference for all purposes), requesting a warrant; and WHEREAS, I have made inquiry of the basis of said beliefs of the Affiant and find that; the affidavit sets forth substantial facts establishing that probable cause does exist for the issuance of a warrant, that the person, place or thing to be searched is not one which is prohibited nor beyond the authorization of this magistrate and that the search is requested upon proper grounds.

THEREFORE, YOU ARE COMMANDED to go straightaway to Wells Fargo Bank, 1000 Louisiana, Houston, Harris County, Texas 77002, for the purpose of searching for and seizing the proceeds currently within account number 5400113514 in a manner authorized by law including but not limited to any and all proceeds, and any and all incoming items, credited to that account, in violation of the Texas Penal Code, Chapter 34 and is property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

HEREIN FAULT, as the peace officer to whom this warrant is delivered, you shall execute it without delay and within three whole days and due return make by faithfully completing the form attached hereto designated for said purpose. It is further ORDERED that Wells Fargo Bank, may comply with this warrant by converting the funds found in said account to a cashier's check payable to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE. The officer executing this warrant, upon executing the return attached hereto is further authorized to deliver the seized funds to the HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE for the purposes consistent with Chapter 59 of the Texas Code of Criminal Procedure.

IN THE NAME AND BY AUTHORITY OF THE STATE OF TEXAS.

SIGNED, ENTERED and ORDERED this 24 day of May of 2004 A.D, at 9:20 o'clock PM, to attest to which I subscribe my name [Signature]

Judge 242 District Court
Harris County, Texas

THE STATE OF TEXAS

SEARCH WARRANT AFFIDAVIT

COUNTY OF HARRIS

AFFIDAVIT FOR SEARCH WARRANT

I, Wayne T. Chaney, a Senior Special Agent of the Department of Homeland Security, U.S. Immigration & Customs Enforcement [ICE], Houston Field Office, do solemnly swear that I have reason to believe and do believe that there is at Wells Fargo Bank, NA, account number 5400113514 [the Bank Account] in the name of D. HOUSTON, INC, d.b.a. TREASURES, property acquired by a violation of the laws of the State of Texas, Texas Penal Code, Chapter 34 (Money Laundering), namely property constituting the proceeds of criminal activity classified as a felony, and this property is contraband as defined by Chapter 59 of the Texas Code of Criminal Procedure.

There is in Harris County, Texas, a place and premise described and located as follows:

1. Wells Fargo Bank, 1000 Louisiana, Houston, Harris County, Texas 77002.

Said proceeds are currently within the Bank Account in the name of D. HOUSTON, INC, d.b.a. TREASURES.

MY BELIEF IS BASED ON THE FOLLOWING FACTS:

Your Affiant has been employed as a Senior Special Agent of the U.S. Immigration & Customs Enforcement [ICE], Department of Homeland Security [formerly the United States Customs Service], for approximately sixteen years. Your Affiant has conducted criminal investigations related to drug smuggling and drug trafficking, conspiracies, money laundering, and the seizure and forfeiture of criminally derived assets. Your Affiant has received advanced training in financial investigative techniques and criminal procedures, methods of money laundering, and asset forfeiture.

For the past three years, your Affiant has been assigned to investigate financial and currency violations as part of a multi-agency Task Force dedicated to the identification, disruption, and dismantling of the financial systems and infrastructures used by criminal organizations to illegally launder currency. This Task Force targets currency violators, unregulated financial systems, cash smuggling, fraudulent import/export schemes and other activities. This Task Force is made up of agents, officers and analysts from the U.S. Immigration & Customs Enforcement and the Houston Police Department.

The information contained in this affidavit is known to me personally through my own investigation, or was communicated to me by other agents, officers and analysts participating in this case.

INTRODUCTION

Your Affiant has reason to believe the Bank Account contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure because the funds therein represent the proceeds of criminal activity under Chapter 34 (Money Laundering) of the Texas Penal Code.

On or about December 12, 2003, ICE officers received information from JP Morgan Chase Bank [Chase Bank] that their customer D. HOUSTON, INC, a "Sexually Oriented Business" was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements for cash transactions.

Under Title 31, United States Code, Section 5313, and Title 31 of the Code of Federal Regulations, Part 103.22, financial institutions are required to file a Currency Transaction Report [CTR] with the Internal Revenue Service for each currency transaction in excess of \$10,000.

"Structuring" is an attempt by a violator to evade the federal currency reporting requirements. "Structuring" in this case means the cashing of checks at one or more financial institutions to receive currency from each bank in an amount of less than \$10,000, however, the aggregate total of the checks cashed is over \$10,000.

The "Structuring" of currency, which is a felony violation under Title 31, USC Section 5313(a) and 5324(a), caused the currency to become the proceeds of a "Criminal Activity" under Chapter 34 of the Texas Penal Code, Money Laundering. This is because under Chapter 34 "Criminal Activity" is "classified as a felony under the laws of this state or the United States." Accordingly, the Bank Account contains funds subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure, because the funds therein represent the proceeds of criminal activity (structuring) under Chapter 34 of the Texas Penal Code.

FACTS

The owners of D. HOUSTON, INC, and signers on the Bank Account, are identified as ALI DAVARI, President, and HASSAN DAVARI, Vice-president. D. HOUSTON, INC, d.b.a. TREASURES is located at 5647 Westheimer, Houston, TX 77056, and was incorporated in Texas on May 30, 1995. According to the Articles of Incorporation, ALI M. "DAVID" DAVARI and HASSAN "GEORGE" DAVARI are listed as the two members of the Board of Directors of D. HOUSTON, INC. According to the Harris County Assumed Name Records, on July 3, 1995, D. HOUSTON, INC, registered TREASURES as its assumed name.

As stated on or about December 12, 2003, ICE officers received information from Chase Bank that D. HOUSTON, INC, d.b.a. TREASURES, was suspected of intentionally "structuring" checks that they were cashing to circumvent the Currency Transaction Reporting requirements.

ICE officers were advised that when a Chase Bank Officer became aware that TREASURES was cashing checks for \$9,000 on a daily basis this Bank Officer became concerned that they were structuring their cash withdrawals. This Bank Officer spoke to the manager of TREASURES and told him that he should withdraw the amount of money he needed to operate the club, as opposed to \$9,000 every day. The Bank Officer told the manager of TREASURES that withdrawing the same amount every day was suspicious.

The Chase Bank Officer said that the cash withdrawals in the same amount continued, therefore, the decision was made to close the account. A letter was sent to D. HOUSTON, INC advising them that their account would be closed on December 5, 2003. In this letter it states the "reason for the closure is Excessive structured withdrawal activity."

A review of the bank statements and checks for Chase Bank account number 179-906911-65, show that from September 23, 2003 through November 26, 2003, D. HOUSTON, INC, negotiated 17 checks for cash, all in the amount of \$9,000, totaling \$153,000.

Further investigation determined that D. HOUSTON, INC, also had an account at Wells Fargo Bank, account number 54000113514. Information regarding this account shows that beginning on June 17, 2002, D. HOUSTON, INC, was cashing checks just under the \$10,000 CTR reporting requirement. A review of the information and records received from Wells Fargo Bank, shows that from June 17, 2002 through February 25, 2004, three hundred and eighty-five [385] checks were cashed totaling \$3,632,445, all just under \$10,000 each. In fact, from June 17, 2002 through December 2, 2003, three hundred and thirty-two [332] checks were written and negotiated for cash, and each one of these checks was in the exact amount of \$9,500. However, beginning on December 3, 2003, D. HOUSTON, INC, began varying the amounts of the checks that they were cashing. From December 3, 2003 through February 25, 2004, fifty-three [53] checks were cashed, and only three were for \$9,500, and the remainder varied in amounts from \$9,400 to a low of \$8,250.

It is significant to note that only after D. HOUSTON, INC.'s account at Chase was closed, effective December 5, 2003, because of "excessive structured withdrawal activity" did they begin to vary the amount of their cash withdrawals from their Wells Fargo Bank account.

Additional information showed that on November 26, 2003, D. HOUSTON, INC, opened account number 3111000851, at Texas Capital Bank, N.A. A Bank Officer advised that D. HOUSTON, INC, would make one deposit a month and then the funds

would be withdrawn by checks payable to the bank that were cashed. This Bank Officer said that because these checks were always just under the \$10,000 CTR reporting requirement, that this structuring activity caused her to be suspicious about the account. Additionally, she was suspicious as to why they needed so much cash.

A review of the Texas Capital Bank account records for account number 3111000851, shows that from December 12, 2003 through February 27, 2004, that 40 checks, between \$1,800 and \$9,500, were cashed for a total of \$305,000.

This Bank Officer said that she spoke to Norm, the TREASURES manager, and asked him why they needed so much cash. She said the TREASURES manager told her that the cash was needed to pay the dancers. The Bank Officer said that because the banking activity did not change that she told Norm that the account would have to be closed. The account was closed in early March 2004.

Additional information showed that D. HOUSTON, INC, d.b.a. TREASURES, opened a bank account at Compass Bank, account number 75070934, on June 24, 1999. Compass Bank records show that from September 2, 2003 through February 27, 2004, D. HOUSTON, INC, wrote 119 checks to cash, all under \$10,000. These 119 checks to cash totaled \$1,041,190. It should be noted that all of the 61 checks from September 2, 2003 through December 2, 2003, were for \$9,500 exactly, and it was not until December 3, 2003, that the amounts of the checks to cash began to vary. It was only after D. HOUSTON, INC.'s account at Chase Bank was closed for excessive structuring activity, were the cash withdrawal amounts at Compass Bank varied from between \$6,400 to \$9,500.

A review of CTRs filed by First Bank Houston [now Wells Fargo Bank] under the name of D. HOUSTON, INC, showed that on December 9, 1997, HASSAN DAVARI was identified as the transactor for a cash withdrawal of \$19,000.00 from account number 113603. Another CTR was filed by First Bank for a cash withdrawal of \$10,185.00 from account number 113603, on October 4, 1999. It identified ALI DAVARI as the transactor.

CTR forms require, among other things, the identity of the individual who conducted the transaction and the individual or organization for which the transaction was completed. Accordingly, these two CTRs identifying each HASSAN DAVARI and ALI DAVARI as the transactor shows their knowledge of the CTR reporting requirements for cash transactions over \$10,000, as early as 1997 and 1999, respectively.

Your Affiant knows that persons committing financial crimes, including money launderers, wish to evade audit and law enforcement scrutiny. Therefore, when they become aware of or are notified of the CTR reporting requirements, they begin breaking down deposits and withdrawals of cash into amounts of \$10,000 or less. This active step is referred to as "structuring", and in this case involves making cash withdrawals in amounts of less than \$10,000, from more than one bank on the same day.

According to a Bank Officer, D. HOUSTON, INC.'s Wells Fargo Bank, account number, 5400113514, was the operating account for TREASURES. Review of all of the bank records determined that all of the funds that were deposited into Compass Bank, Texas Capital Bank, and Chase Bank accounts were checks from the Wells Fargo Bank account. Instead of writing one check from their Wells Fargo Bank operating account for the amount of currency Norm said they needed, they transferred funds to their other accounts, then wrote checks to cash out of these accounts. In addition, they wrote checks to cash out of their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more than \$10,000 in currency withdrawals in a single day.

Their purpose in devising and implementing this scheme was to enable them to withdraw more than \$10,000 on any single day, without a CTR being filed. By using different banks, and the other banks not knowing they were doing the same thing at other banks, D. HOUSTON, INC, was knowingly and willfully circumventing the CTR reporting requirements.

There were 123 days that banks were open from September 2, 2003 through February 27, 2004, and D. HOUSTON, INC.'s bank records show that on 110 of those days, they structured two or more cash withdrawals, each under \$10,000, from bank accounts that they had at separate banks.

For the period September 2, 2003 through February 27, 2004, multiple structured cash withdrawals were made from the following D. HOUSTON, INC, bank accounts:

<u>Bank</u>	<u>Multiple "Structured" Cash Withdrawals Over \$10,000 per Day</u>
Well Fargo Bank	\$1,003,845.00
Compass Bank	\$1,012,690.00
Texas Capital Bank	\$305,000.00
<u>Chase Bank</u>	<u>\$153,000.00</u>
Total	\$2,474,835.00

Conclusion

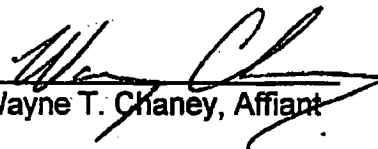
Based upon bank records, other information, and their pattern of banking activity, D. HOUSTON, INC, ALI DAVARI, HASSAN DAVARI and Norm, the manager of TREASURES, were aware of the CTR reporting requirement. However, because they did not want CTRs filed on their cash withdrawals, they entered into this scheme of withdrawing cash from more than one bank so they could withdraw more than \$10,000 currency in a single day. These cash withdrawals were made undetected and without a CTR being filed.

Instead of writing one check to cash from their Wells Fargo Bank operating account for the entire amount of currency, D. HOUSTON, INC, transferred funds to their accounts at Compa's Bank, Texas Capital Bank, and Chase Bank, then wrote checks to cash out of these account, plus their Wells Fargo Bank account. These checks to cash were all under the \$10,000 CTR reporting amount, but together they added up to more then \$10,000 in currency withdrawals. For the period September 2, 2003 through February 27, 2004, the total multiple structured cash withdrawals from all of the D. HOUSTON, INC, bank accounts totaled \$2,474,835.

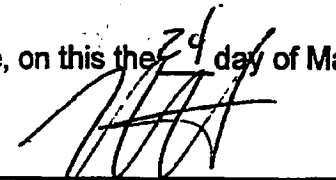
Additionally, your Affiant believes the sheer volume of 385 separate currency withdrawals from the Wells Fargo Bank account, in amounts of \$9,500.00 or below, from June 17, 2002 through February 25, 2004, for an aggregate total of \$3,632,445, in structured transactions is indicative of flagrant and aggravated structuring of currency transactions.

This affidavit establishes that the cash withdrawals out of the D. HOUSTON, INC, Bank Account at Wells Fargo Bank is part of an established pattern of cash withdrawals from multiple banks in an attempt to circumvent the CTR filing requirements in violation of Title 31 U.S.C. Section 5324. This affidavit also establishes that all funds contained in the Bank Account constitute property involved in or traceable to criminal activity (structuring) under Chapter 34 of the Texas Penal Code. Moreover, these funds are subject to seizure and forfeiture by the State of Texas under the provisions of Chapter 59 of the Texas Code of Criminal Procedure.

WHEREFORE, PREMISES CONSIDERED, your Affiant respectfully requests that a warrant be issued authorizing your Affiant, or any other peace officer of the State of Texas to enter the aforementioned premises, which is the Wells Fargo Bank, 1000 Louisiana, Houston Harris County, Texas 77002, with authority to search for and to seize any and all funds in account number 5400113514, in the name of D. HOUSTON, INC, described in this affidavit which constitute implements, instruments, instrumentalities and proceeds that are kept or located at the above stated suspected place in violation of the Texas Penal Code, Chapter 34, and the Texas Code of Criminal Procedure, Chapter 59.


Wayne T. Chaney, Affiant

Sworn to and subscribed before me, on this the 29 day of May, 2004.


Judge, 242 District Court
Harris County, Texas

THE STATE OF TEXAS

§

§
SW RETURN AND INVENTORY

COUNTY OF HARRIS

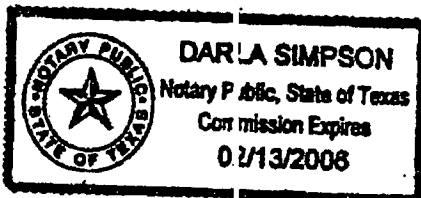
§

The undersigned, being a peace officer under the laws of the State of Texas and being duly sworn on oath, certifies that the foregoing warrant came to hand on the 24 day of May of 2004, A.D, and that it was executed on the 25 day of May of 2004, A.D, by making the search directed therein and pursuant thereto seizing the following property:

Seized one cashier check from Wells Fargo Bank
067,520,1687 for \$ 226,872.88

[Signature]
AFFIANT

26th Sworn to and Subscribed before me, the undersigned authority, on this the day of May of 2004, A.D.



Darla Simpson
NOTARY PUBLIC in and for
The State of Texas

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**LAS VEGAS METROPOLITAN POLICE DEPARTMENT
PRIVILEGED LICENSE
INVESTIGATION REPORT**

CONFIDENTIAL

December 19, 2000

TO : Daniel Barry, Captain
Organized Crime Bureau

FROM : John Loretto, Detective
Special Investigations Section

SUBJECT : Background Investigation
D. Westwood, Inc.
dba
The Board Room
2801 Westwood Dr.
Las Vegas, NV. 89104
(City report)

APPLICANTS: Ali Mashalle Davari, 50%
40# 25862
ID# 1705807

Hassan Davari, 50%
40# 25863
ID# 1705808

The applicant seeks approval for a Tavern license in conjunction with an Adult Cabaret at the above captioned location.

ALL PERSONAL HISTORY AND EMPLOYMENT INFORMATION IS AS SUPPLIED BY THE APPLICANT AND UNVERIFIED UNLESS OTHERWISE INDICATED.

AREA OF CONCERN:

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Submitted at City Council

Date 9/15/04 Item 86

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

The applicants are brothers who have jointly opened and closed several adult entertainment businesses in the state of Texas and one in Canada. These Businesses are :

GIGI'S

11150 NW Freeway
Houston, TX. 77092
Opened 1986
Sold 1993

CENTERFOLDS

6166 Richmond ave.
Houston, TX. 77057
Opened 1990
Still owned

GOLD CUP

12747 NW Freeway
Houston, TX. 77092
Opened 1993
Still owned

SOLID PLATINUM

2732-44 W. TC Jester Blvd.
Houston, TX. 77018
Opened 1993
Sold 1996

PLEASURES

3027 W. NW HWY.
Dallas, TX. 75220
Opened 1995
Sold 1996

TREASURES**CONFIDENTIAL**

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

5647 Westheimer
Houston, TX. 77056
Opened 1995
Still owned

COVER GIRLS, THE
10310 W. Little York
Houston, TX. 77040
Opened 1999
Still owned

SPLENDOR, THE
7440 W. Greens Rd.
Houston, TX. 77064
Opened 2000
Still owned

RUNWAY 66
5745 Atlantic Dr.
Mississauga, Ontario Canada
Opened 1999
Still owned

During this investigation this Detective has learned that there are two types of enforcement agencies in Houston. That which is done by the Texas Alcoholic Beverage Commission and those done by the Houston Police Department. There have been numerous violations from both agencies noted at the applicants clubs.

1. DISCIPLINE / ACTS WHICH WOULD CONSTITUTE A CRIME
LVMC 6.06.120 (C) - 6.06.250 (B) (5) (6)

Texas Alcoholic Beverage Commission:

Texas Alcoholic Beverage Commission (TABC) has performed several enforcement actions at the applicants clubs. There were a total of 27 inspections which resulted in the TABC finding 55 violations. Of these violations 10 were criminal in nature, 11 were settled with a warning being issued and the remaining 34 were administrative cases against the liquor license. For these 34 violations the applicants were given an option of

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

closing their doors for a total of 166 days or pay a fine in lieu of closing totaling \$28,400. The applicants chose to pay the fine. The complete break down of this summary is as follows:

<u>GIGI'S</u>	<u>Date</u>	<u>Violation</u>	<u>Disposition</u>
	09-13-1990	Soliciting an alcoholic beverage by an employee	\$1050.00
	09-13-1990	Soliciting for immoral relations	(Part of above)
	09-13-1990	Place or manner, misc.	(Part of above)
	07-12-1991	Permit Public Lewdness, Sexual contact	\$ 450.00
	10-11-1991	Permit Public Lewdness, Sexual contact	\$ 750.00

CENTERFOLDS

03-11-1991	Place or manner, misc.	\$1,800.00
03-11-1991	Soliciting for immoral relations	(Part of above)
03-11-1991	Soliciting an alcoholic beverage by an employee	(Part of above)
03-13-1991	Soliciting an alcoholic beverage by an employee	(Part of above)
03-13-1991	Place or manner, misc.	(Part of above)
02-25-1993	Permit public lewdness, sexual contact, obscene act	\$1050.00
02-25-1993	Soliciting for immoral relations	(Part of above)
02-25-1995	Soliciting an alcoholic beverage by an employee	(Part of above)
08-10-1995	Local distributor stamp not mutilated	Warning
11-21-1995	Permit public lewdness, sexual contact, obscene act	\$7,500.00
11-21-1995	Soliciting for immoral relations	(Part of above)
11-21-1995	Place or Manner, misc.	(Part of above)
01-05-1997	Permit consumption during prohibited hours	Warning
03-26-1998	Soliciting an alcoholic beverage by an employee	\$2,250.00
03-26-1998	Place or Manner, misc.	(Part of above)
03-26-1998	Lewd, immoral, sex offense	Pending
03-26-1998	Lewd, immoral, sex offense	Pending
03-27-1998	Lewd, immoral, sex offense	Pending
03-27-1998	Other beverage code violation	Pending
08-10-2000	Lewd, immoral, sex offense	Warrant

GOLD CUP**CONFIDENTIAL**

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CONFIDENTIAL**CONFIDENTIAL****CONFIDENTIAL****Investigation Report (Cont.)****December 8, 2000****SUBJECT:** The Board Room

07-07-1993	Permit public lewdness, sexual contact, obscene act	\$1050.00
07-07-1993	Soliciting an alcoholic beverage by an employee	(Part of above)
10-03-1995	Permit public lewdness, sexual contact, obscene act	\$5,000.00
10-03-1995	Place or Manner, misc.	(Part of above)
05-05-2000	Permit public lewdness, sexual contact, obscene act	Pending

SOLID PLATINUM

07-23-1994	Refusing Inspection (Locked Kitchen Closet)	Warning
03-11-1995	Permit public lewdness, sexual contact, obscene act	\$1,500.00
03-11-1995	Intoxicated Employee on the premise	(Part of above)
07-20-1995	Lewd, immoral, sex offense	Criminal
07-03-1996	Place or manner of operation	\$3,000.00

PLEASURES

06-15-1996	Sale to intoxicated person	Warning
07-27-1996	Local Distributor stamp not mutilated	Warning

TREASURES

11-13-1996	Sale delivery of drugs by employee	\$3,000.00
11-13-1996	Permit public lewdness, sexual contact, obscene act	(Part of above)
11-13-1996	Soliciting an alcoholic beverage by an employee	(Part of above)
08-01-1997	Permit public lewdness, sexual contact, obscene act	Warning
08-01-1997	Failure to post license in a conspicuous place	Warning
08-01-1997	Refusing inspection of licensed premise	Warning
01-10-1999	Poss. of distilled spirits without local dist. stamp	Warning
01-10-1999	Poss. of alcoholic beverage unfit for consumption	Warning
01-08-2000	Poss. of alcoholic beverage unfit for consumption	Warning
04-09-2000	Permit public lewdness, sexual contact, obscene act	\$1,500.00
04-09-2000	Public intoxication	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
05-19-2000	Public intoxication	Criminal

COVER GIRLS

None noted by Texas Alcoholic Beverage Commission. Please note that the business has only been opened since 1999

Splendor

None noted by Texas Alcoholic Beverage Commission. Please note that the business has only been opened since November of 2000

2. APPLICATION INCOMPLETE OR MISLEADING**LVMC 6.06.120 (C) - 6.06.250 (B) (1)****Houston Police Department:**

Neither of the applicants listed any of the following information on their Personal History Application under the Licensing History section question #20 (Have you ever appeared before any licensing agency or similar authority in or outside the State of Nevada, for any reason whatsoever?). The Vice section of the Houston Police Department (HPD) is responsible for the enforcement of the adult clubs. The applicants have owned seven of the above listed adult clubs within the HPD jurisdiction. In May of 1996, the City of Houston proceeded with a revocation hearing against Centerfolds, Gold Cup and Solid Platinum with intent to revoke their Sexually Oriented Business (SOB) license. The HPD Vice Section had conducted numerous undercover operations which lead to the City Of Houston filing to revoke the SOB license of the listed clubs. Here are the statistics of their investigation conducted from September 28,1994, thru September 18,1996. There were 177 dancers contacted. Of them, 134 were arrested, 24 had warrants issued and 21 were found not to be in violation. Of those arrested 86.39% were convicted. The charges were usually one of four (4): public lewdness, prostitution, aggravated promotion of prostitution or indecent exposure. The arrest statistics from Houston Police Department, Vice Section showed that 15 of the other area clubs had an average of 15.8 arrest per club. The average for the Centerfolds, Gold Cup and Solid Platinum were 51 each. Of the other 119 SOB's in Houston

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

only 'Michael's International had more then 40 arrest. Refer to the following breakdown for further information on the arrest statistics:

<u>BUSINESS</u>	<u>ARRESTED</u>	<u>WANTED</u>	<u>NO ILLEGAL ACTIVITY</u>	<u>TOTAL</u>
CENTERFOLDS	51 77.27%	8 15.96%	7 13.73%	66
GOLD CUP	40 78.43%	7 13.73%	4 7.84%	51
SOLID PLATINUM	41 68.33%	9 15%	10 16.67%	60
TOTAL	132	24	21	177

the above resulted in an overall conviction rate of 86.39%

CALLS FOR SERVICE BY CLUB:

<u>BUSINESS</u>	<u>FROM</u>	<u>TO</u>	<u>TOTAL</u>
CENTERFOLDS	01-01-1994	11-14-1996	156
GOLD CUP	01-18-1992 01-01-1994	01-18-1994 11-14-1996	39 107
SOLID PLATINUM	11-14-1994	11-14-1996	59

total calls for service (excluding Gold Cup for 1992-1994) TOTAL 322

During the revocation hearing several affidavits were introduced into evidence. The following are portions of those affidavits:

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

- While in the 'Champagne Room' of Centerfolds the dancer unzipped my pants and performed fellatio on me. I was aware that dancers and customers in the 'Champagne Room' were engaging in sexual conduct. Dated 09-26-1995.
- Ronnie Greenroad (manager of Centerfolds) would allow the dancers to perform fellatio on the customers. Dancers would tip Ronnie after engaging in sexual conduct with the customers. There was a lot of cocaine in the club. Ronnie would supply the dancer with cocaine if she needed it. In the 'Champagne Room' the dancers and customers were engaging in sexual intercourse, dancers were performing fellatio and masturbating the customers. Dancers would perform cunnilingus on each other for the customer for a fee. Customers may or may not use a condom. If they did they would occasionally end up on the floor. After the female officer came and took photos on August 21, 1995, we were told, by the bartender and waitress, to put the used condom in a kleenex and flush them. In the 'Champagne Room' I performed cunnilingus on another dancer for money twice. Then a male customer inserted his penis into my vagina, I protested but he persisted so I pushed him away before he ejaculated and then demanded \$400.00 and he complied. Dated 08-31-1995.
- I have been going to Centerfolds for about five years. A female dancer put her hands in my pants and masturbated me. I paid her as if I was paying for dances on my charged coupons. Dated 09-19-1995.
- When I was in the 'Champagne Room' at Centerfolds about 75% of the time I would engage in sexual conduct with a dancer. She would either perform fellatio or masturbate me. I never used a condom. We engaged in the activity on the couches. The female gave the waitress \$20.00 and told her to give it to Ronnie, she then performed fellatio on me. She charged me \$150.00. Dated 09-19-1995.
- When I went to work for Centerfolds no one ever told me what I could or could not do. Customers go into the 'Champagne Room' because they know they can get sexual favors and not be bothered by anyone. Condoms were never used. I have met with customers away from the club and had sex with them. Most of the dancers would tip Ronnie, but we never knew what it was for. I have seen two dancers engage in sexual conduct with each other in the club. Another dancer engaged in sexual conduct with a customer. I saw a dancer give a customer a 'head job' while in the 'Champagne Room'. Dated 10-11-1995.
- At Centerfolds I was very aware that Mr. Greenroad allowed the dancers to perform fellatio on the male customers or masturbate them. Mr. Greenroad would 'turn the other way' while the dancers engaged in prostitution activity and then tip him later. The dancers could also leave with the customers to engage in prostitution. I observed this on many occasions. In each case the girls would give Mr. Greenroad \$20

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

to \$50 a day. Mr. Greenroad has a set of girls referred to as the 'A Team' These nine girls will engage in sexual intercourse, perform fellatio, masturbate customers and perform cunnilingus on each other as a show for the customer. Another set of girls 'B Team' will masturbate the customers. I have seen this in the 'Champagne Room' and on the second floor. Semen goes onto the couches and floor. Some girls do not use condoms when they perform fellatio and later spit into napkins. The condoms and napkins are commonly discarded onto the floor. There is no standard fee but usually a girl will get \$200.00 for intercourse, \$150.00 for fellatio and \$75.00 to \$100.00 for masturbating the customer. Dated 08-23-1995.

- At Centerfolds in the 'Champagne Room' I observed some of the female dancers were performing fellatio on customers. Ronnie Greenroad would walk away if he observed the dancers engaged in sexual conduct, only to later return and ask if the dancer had a good night to which they would say yes and give him some money. Dated 08-21-1995.
- At Centerfolds in the 'Champagne Room' a dancer masturbated me. I would pay with my credit card a \$20.00 dance would be charged as \$25.00 on my credit card. I observed a dancer performing fellatio on a customer. Dated 09-20-1995.
- I have engaged in sexual conduct with customers while working at Centerfolds. Ronnie knew that sex was going on in the 'Champagne Room.' I could see other dancers having sex with their customers in the 'Champagne Room.' Dancers do drugs in the club. I had sexual intercourse one time in the 'Champagne Room.' I tipped Ronnie because I thought I had to. I observed another dancer give a customer a head job and have sexual intercourse with him. One dancer was very nasty so she was fired and then went to work at Gold Cup. Dated 10-11-1995.

While in Houston I observed photos at the City Attorney's office that showed the semen stains and used condoms on the floor that are referred to in the above affidavits.

3. APP. INCOMPLETE OR MISLEADING / DISCIPLINE / ACTS CONSTITUTE A CRIME
LYMC 6.06.120 (C) - 6.06.250 (B) (1)

Neither of the applicants listed any of the following information on their Personal History Application under the Licensing History section question #20. The listed clubs agreed to a settlement with the City of Houston. The terms of the agreement are as follows:

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room**GOLD CUP**

The club known as Gold Cup agreed to a suspension of its SOB permit for a period of 20 days. The club will also pay \$50,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

CENTERFOLDS

The club known as Centerfolds agreed to a suspension of its SOB permit for a period of 20 days. The club will also pay \$50,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

SOLID PLATINUM

The club known as Solid Platinum agreed that there will be no suspension of its SOB permit. The club will pay \$100,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

It should be noted that these three clubs were the only ones affected as the other clubs owned by the applicants were closed, sold or had recently been opened prior to this proceeding.

CURRENT INVESTIGATIONS

During September of 2000, the Houston Vice Section conducted several investigations based on citizen complaints reference illegal activities at Treasures club. During this investigation, that occurred on four occasions within a seven day period, there were numerous violations. The violations were; public lewdness, prostitution, indecent exposure and liquor violation. Of the 28 dances received by the undercover officers only two were found not to be in violation. There were 23 public lewdness violations, one prostitution, two indecent exposure, four no dance license violations and three liquor violations. There was also one arrest of the manager for violating the SOB code by failing to manage to ensure entertainers comply with the no touching and three foot ordinance.

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

During the month of October this investigator, along with another detective, traveled to Houston and Dallas to further our investigation on the applicants. We contacted the Houston Vice Section to ask for their assistance while we visited the applicants' clubs. With the assistance of two detectives we went to two of the clubs. The first one we visited was Centerfolds. While inside Centerfolds I could observe several dancers engaged in actions that would violate the Houston SOB code. Several dancers were rubbing their bare buttocks against the clothed genitals of the male customers. Dancers would also rub their bare breast in the face of customers. While seated at a table Detective Hafen was approached by a female dancer who solicited him for a dance. During the dance she was never further than the three feet required by the Houston SOB code. She rubbed her bare breast in his face and rubbed her bare buttocks in his lap. She performed a move referred to as a body slide where the female either facing the customer or with her back to the customer lays against the customer and slides down till she ends up between the customers legs. After the song was over the dancer was paid \$30.00 she then attempted to solicit another dance from our table, we declined and she left. After a few minutes another dancer approached and sat down on the lap of one of the Houston Vice Detectives. I observed this dancer take the Detectives left hand and place it between her legs against her clothed vagina. She had his hand in this position for approximately 4 minutes until she got up and solicited myself for a dance to which I agreed. While performing this dance she rubbed her bare breast in my face, rubbed her bare buttocks against my clothed genitals, rubbed my genitals with her knee and grabbed my clothed genitals with her hand. When the song was over she was paid \$30.00 and stated she would be back later. I turned to the Vice Detective to ask about his hand being between her legs and he stated that she actually stuck his left thumb under her g-string and penetrated her vagina with his thumb. He then got up from the table to go and wash his hand. A short time later we left the club to proceed to another club owned by the applicants.

Upon arriving at the Gold Cup we paid our entrance fee and were then seated at a table by a waitress. While in the club I could observe several dancers violating the three foot rule of the SOB ordinance. We were seated near a darkened corner of the club. I observed several dancers bring customers over to this area to perform dances for them. These dances were also in violation of the three foot rule. After a short period of time some dancers came over to our table and engaged in small talk. After a short period of time they left our table without performing any dances for us. I then observed a man in a suit, possibly the manager, walk over to this darkened area and whisper something in the ear of two of the dancers then he walked about ten feet away. He stayed in this area for a few minutes then walked back to the dancer and whispered something again in her ear. This manager was more upset this time. At no time after the manager came around did any dancers approach us. Then another man possibly a manager came and stood with the first man. They stayed in this area the remainder of the time we were seated. As one of the detectives was not generally undercover we felt as if we had been 'made' by the club managers. I then got up and walked to the second floor of the club. While walking around I observed several dancers violating the three foot rule. One dancer was

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

performing a dance for a customer and she was rubbing her clothed pubic area in the customers face. We then left the club and concluded our investigation in Houston.

We traveled to Dallas to inquire about the business the applicants had owned there. We contacted the Dallas Police Department Special Investigation Section. They had no information of a negative nature on the applicants. They stated the club Pleasures was opened 03-1996 and sold 12-1996.

The Honorable Mayor and City Council may deny this Liquor License based on the following Ordinances:

6.06.120 Council action on applications—Grounds for denial.

(A) The City Council may approve, deny or take such other action with respect to such application as it considers appropriate. The burden of showing qualifications, acceptability or fitness for a license or approval for suitability is upon the applicant.

(B) Grounds for denial of a license include, but are not limited to, the grounds for disciplinary action against a licensee as set forth in Section 6.02.330 et seq.

(C) Grounds for denial of an approval of suitability include, but are not limited to, the grounds for disciplinary actions against a principal approved for suitability as set forth in Sections 6.06.250 and 6.06.260.

6.06.250 Disciplinary action—Grounds.

(B) A principal approved for suitability may be subject to disciplinary action by the City Council for good cause, which may include, but is not limited to:

- (1) The application is incomplete or contains false, misleading or fraudulent statements with respect to any information required in the application;
- (5) The principal has been subject, in any jurisdiction, to disciplinary action of any kind against a license, permit, approval for suitability or work card to the extent that such disciplinary action reflects on the qualification, acceptability or fitness to be approved for suitability;
- (6) The principal has committed acts which would constitute a crime involving moral turpitude or involving any Federal, State or local law or regulation relating to the same or a similar business;

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room**PERSONAL HISTORY:**

Ali Mashalleh Davari was born on January 13, 1952, in Iran. Ali Davari is also know as David Davari. He attended Amir Kadir High School in Abadan, Iran. He graduated in 1970. Ali Davari moved to the United States in 1977. He continued his education at the University of Tennessee where in 1982 he obtained a degree in Electrical Engineering. In November of 1983 Mr. Davari married Holly Ann Simeri in Houston, Texas. This marriage ended in divorce June of 1984. He married again in December of 1984 to Cynthia D. Holcombe. Cynthia D. Holcombe passed away in November of 1985. In August of 1986 Mr. Davari married Barbara Leanne Upton. This marriage Produced two Children, one born in 1986 and the other in 1989. The marriage then ended in divorce May of 1990. The two minor children live with the applicant in his Houston home. Along with his place of birth the applicant has lived in Tennessee, Oklahoma and now currently resides in Houston, Texas.

EMPLOYMENT:

08-2000	Splendor	50% Owner	Houston, Texas
09-1999	Runway 66	50% Owner	Mississauga, Ontario, Canada
01-1999	Cover Girls	50% Owner	Houston, Texas
1995- Sold 12-1996	Pleasures	50% Owner	Dallas, Texas
1995	Treasures	50% Owner	Houston, Texas
1993- Sold 02-1996	Solid Platinum	50% Owner	Houston, Texas
1993	Gold Cup	50% Owner	Houston, Texas
1990	Centerfolds	50% Owner	Houston, Texas
1986- Sold 09-1993	GiGi's	50% Owner	Houston, Texas
1985-1986	GiGi's	Bookkeeper	Houston, Texas
1983-1985	Denny's	Chef	Houston, Texas
1982-1983	Babes	Bartender	Houston, Texas

(Before 1982 the applicant worked part-time while attending College)

ARREST RECORD:

None

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room**FINANCIAL:**

Ali Davari listed his assets of \$42,484,881.00, with liabilities of \$265,000.00.

PERSONAL HISTORY:

Hassan Davari was born on July 16, 1957, in Iran. Hassan Davari is also know as George Davari. He attended Azar High School in Tehran, Iran. He graduated in 1975. Hassan Davari moved to the United States in 1976. He continued his education at the University of Tennessee where in 1982 he obtained a degree in Electrical Engineering. In November of 1983 Mr. Davari married Holly Kim Hunt in Houston, Texas. This marriage produced three children, one born in 1987 another in 1989 and the third in 1993. The minor children live with the applicant and his wife in their Houston home. Along with his place of birth the applicant has lived in Tennessee, Oklahoma and now currently resides in Houston, Texas.

EMPLOYMENT:

08-2000	Splendor	50% Owner	Houston, Texas
09-1999	Runway 66	50% Owner	Mississauga, Ontario, Canada
01-1999	Cover Girls	50% Owner	Houston, Texas
1995- Sold 12-1996	Pleasures	50% Owner	Dallas, Texas
1995	Treasures	50% Owner	Houston, Texas
1993- Sold 02-1996	Solid Platinum	50% Owner	Houston, Texas
1993	Gold Cup	50% Owner	Houston, Texas
1990	Centerfolds	50% Owner	Houston, Texas
1986- Sold 09-1993	GiGi's	50% Owner	Houston, Texas
1985-1986	GiGi's	Bartender	Houston, Texas
1984-1985	Texas Fillies	Bartender	Houston, Texas
1983-1984	Colorado Ore House	Bartender	Houston Texas
1982-1983	Babes	Bartender	Houston, Texas

(Before 1982 the applicant worked part-time while attending College)

ARREST RECORD:**CONFIDENTIAL**

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

None

FINANCIAL:

Hassan Davari listed his assets of \$45,854,728.00, with liabilities of \$554,509.00.

SLOT PARTICIPATION AGREEMENT:

None

LEASE AND/OR PURCHASE AGREEMENT:

The Capitalization of this corporation will come from the profits of several of the applicants corporations in Texas. The applicants have anticipated an opening cost of \$7,400,000.00 of which will be disbursed as follows: \$2,000,000.00 for Real Estate and Building, \$2,250,000.00 Business License, Permits and Rights, \$1,500,000.00 Remodeling Cost, \$1,000,000.00 Furniture, Fixtures and Equipment, the remainder will be spent on Inventory and other pre-opening cost.

ENTERTAINMENT POLICY:

None

ALCOHOL AWARENESS/WORK CARD COMPLIANCE:

These ordinances have been explained to all the applicants and they have advised that if approved for this License they and all employees will be in compliance.

CONCLUSION:**CONFIDENTIAL**

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

This investigation was completed on December 19, 2000, and is hereby submitted to the Honorable Mayor and City Council or the Director of the Department of Finance and Business Services for final action. Your attention is directed to the listed AREA OF CONCERN.

INVESTIGATOR'S NOTES:

The investigation also revealed that the applicants are involved in two law suits at this time. The applicants along with several area SOB's are suing the City of Houston in reference to their new city ordinance 97-75 which relates to the SOB ordinance. This suit is currently in the 5th Circuit of Appeals in New Orleans awaiting oral arguments. The applicants recently filed suit against the City of Houston where it alleges Houston Police Department, Vice Section has used selective enforcement against the applicants clubs, Centerfolds, Gold Cup and Treasures. This suit was filed under cause # 2000-49555 in the District Court of Harris County.

Respectfully submitted,

John Loretto, Detective

Reviewed by:

Reagan Alexander, Sergeant

Approved by:

Patrick D. Neville, Lieutenant

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LAS VEGAS METROPOLITAN POLICE DEPARTMENT

**PRIVILEGED LICENSE
INVESTIGATION REPORT**

CONFIDENTIAL

December 19, 2000

TO : Daniel Barry, Captain
Organized Crime Bureau

FROM : John Loretto, Detective
Special Investigations Section

SUBJECT : Background Investigation
D. Westwood, Inc.
dba
The Board Room
2801 Westwood Dr.
Las Vegas, NV. 89104
(City report)

APPLICANTS: Ali Mashalle Davari, 50%
40# 25862
ID# 1705807

Hassan Davari, 50%
40# 25863
ID# 1705808

The applicant seeks approval for a Tavern license in conjunction with an Adult Cabaret at the above captioned location.

ALL PERSONAL HISTORY AND EMPLOYMENT INFORMATION IS AS SUPPLIED BY THE APPLICANT AND UNVERIFIED UNLESS OTHERWISE INDICATED.

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

AREA OF CONCERN:

The applicants are brothers who have jointly opened and closed several adult entertainment businesses in the state of Texas and one in Canada. These Businesses are :

GIGI'S

11150 NW Freeway
Houston, TX. 77092
Opened 1986
Sold 1993

CENTERFOLDS

6166 Richmond ave.
Houston, TX. 77057
Opened 1990
Still owned

GOLD CUP

12747 NW Freeway
Houston, TX. 77092
Opened 1993
Still owned

SOLID PLATINUM

2732-44 W. TC Jester Blvd.
Houston, TX. 77018
Opened 1993
Sold 1996

PLEASURES

3027 W. NW HWY.
Dallas, TX. 75220
Opened 1995
Sold 1996

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DONOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

TREASURES

5647 Westheimer
Houston, TX. 77056
Opened 1995
Still owned

COVER GIRLS, THE

10310 W. Little York
Houston, TX. 77040
Opened 1999
Still owned

SPLENDOR, THE

**7440 W. Greens Rd.
Houston, TX. 77064
Opened 2000
Still owned**

RUNWAY 66

5745 Atlantic Dr.
Mississauga, Ontario Canada
Opened 1999
Still owned

During this investigation this Detective has learned that there are two types of enforcement agencies in Houston. That which is done by the Texas Alcoholic Beverage Commission and those done by the Houston Police Department. There have been numerous violations from both agencies noted at the applicants clubs.

1. DISCIPLINE / ACTS WHICH WOULD CONSTITUTE A CRIME

LVMC 6.06.120 (C) - 6.06.250 (B) (5) (6)

Texas Alcoholic Beverage Commission:

Texas Alcoholic Beverage Commission (TABC) has performed several enforcement actions at the applicants clubs. There were a total of 27 inspections which resulted in the TABC finding 55 violations. Of these violations 10 were criminal in nature, 11 were settled with a warning being issued and the remaining 34 were

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room**GOLD CUP**

07-07-1993	Permit public lewdness, sexual contact, obscene act	\$1050.00
07-07-1993	Soliciting an alcoholic beverage by an employee	(Part of above)
10-03-1995	Permit public lewdness, sexual contact, obscene act	\$5,000.00
10-03-1995	Place or Manner, misc.	(Part of above)
05-05-2000	Permit public lewdness, sexual contact, obscene act	Pending

SOLID PLATINUM

07-23-1994	Refusing Inspection (Locked Kitchen Closet)	Warning
03-11-1995	Permit public lewdness, sexual contact, obscene act	\$1,500.00
03-11-1995	Intoxicated Employee on the premise	(Part of above)
07-20-1995	Lewd, immoral, sex offense	Criminal
07-03-1996	Place or manner of operation	\$3,000.00

PLEASURES

06-15-1996	Sale to intoxicated person	Warning
07-27-1996	Local Distributor stamp not mutilated	Warning

TREASURES

11-13-1996	Sale delivery of drugs by employee	\$3,000.00
11-13-1996	Permit public lewdness, sexual contact, obscene act	(Part of above)
11-13-1996	Soliciting an alcoholic beverage by an employee	(Part of above)
08-01-1997	Permit public lewdness, sexual contact, obscene act	Warning
08-01-1997	Failure to post license in a conspicuous place	Warning
08-01-1997	Refusing inspection of licensed premise	Warning
01-10-1999	Poss. of distilled spirits without local dist. stamp	Warning
01-10-1999	Poss. of alcoholic beverage unfit for consumption	Warning
01-08-2000	Poss. of alcoholic beverage unfit for consumption	Warning
04-09-2000	Permit public lewdness, sexual contact, obscene act	\$1,500.00
04-09-2000	Public intoxication	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
05-19-2000	Public intoxication	Criminal

COVER GIRLS

None noted by Texas Alcoholic Beverage Commission. Please note that the business has only been opened since 1999

Splendor

None noted by Texas Alcoholic Beverage Commission. Please note that the business has only been opened since November of 2000

2. APPLICATION INCOMPLETE OR MISLEADING**LVMC 6.06.120 (C) - 6.06.250 (B) (1)****Houston Police Department:**

Neither of the applicants listed any of the following information on their Personal History Application under the Licensing History section question #20 (Have you ever appeared before any licensing agency or similar authority in or outside the State of Nevada for any reason whatsoever?). The Vice section of the Houston Police Department (HPD) is responsible for the enforcement of the adult clubs. The applicants have owned seven of the above listed adult clubs within the HPD jurisdiction. In May of 1996, the City of Houston proceeded with a revocation hearing against Centerfolds, Gold Cup and Solid Platinum with intent to revoke their Sexually Oriented Business (SOB) license. The HPD Vice Section had conducted numerous undercover operations which lead to the City Of Houston filing to revoke the SOB license of the listed clubs. Here are the statistics of their investigation conducted from September 28, 1994, thru September 18, 1996. There were 177 dancers contacted. Of them, 134 were arrested, 24 had warrants issued and 21 were found not to be in violation. Of those arrested 86.39% were convicted. The charges were usually one of four (4): public lewdness, prostitution, aggravated promotion of prostitution or indecent exposure. The arrest statistics from Houston Police Department, Vice Section showed that 15 of the other area clubs had an average of 15.8 arrest per club. The

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MONTHS IN JAIL.

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Investigation Report (Cont.)

December 8, 2000

SUBJECT: The Board Room

average for the Centerfolds, Gold Cup and Solid Platinum were 51 each. Of the other 119 SOB's in Houston only 'Michael's International had more then 40 arrest. Refer to the following breakdown for further information on the arrest statistics:

<u>BUSINESS</u>	<u>ARRESTED</u>	<u>WANTED</u>	<u>NO ILLEGAL ACTIVITY</u>	<u>TOTAL</u>
CENTERFOLDS	51 77.27%	8 15.96%	7 13.73%	66
GOLD CUP	40 78.43%	7 13.73%	4 7.84%	51
SOLID PLATINUM	41 68.33%	9 15%	10 16.67%	60
<u>TOTAL</u>	132	24	21	177

the above resulted in an overall conviction rate of 86.39%

CALLS FOR SERVICE BY CLUB:

<u>BUSINESS</u>	<u>FROM</u>	<u>TO</u>	<u>TOTAL</u>
CENTERFOLDS	01-01-1994	11-14-1996	156
GOLD CUP	01-18-1992 01-01-1994	01-18-1994 11-14-1996	39 107
SOLID PLATINUM	11-14-1994	11-14-1996	59

total calls for service (excluding Gold Cup for 1992-1994) TOTAL 322

During the revocation hearing several affidavits were introduced into evidence. The following are portions of those affidavits:

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

- While in the 'Champagne Room' of Centerfolds the dancer unzipped my pants and performed fellatio on me. I was aware that dancers and customers in the 'Champagne Room' were engaging in sexual conduct. Dated 09-26-1995.
- Ronnie Greenroad (manager of Centerfolds) would allow the dancers to perform fellatio on the customers. Dancers would tip Ronnie after engaging in sexual conduct with the customers. There was a lot of cocaine in the club. Ronnie would supply the dancer with cocaine if she needed it. In the 'Champagne Room' the dancers and customers were engaging in sexual intercourse, dancers were performing fellatio and masturbating the customers. Dancers would perform cunnilingus on each other for the customer for a fee. Customers may or may not use a condom. If they did they would occasionally end up on the floor. After the female officer came and took photos on August 21, 1995, we were told, by the bartender and waitress, to put the used condom in a kleenex and flush them. In the 'Champagne Room' I performed cunnilingus on another dancer for money twice. Then a male customer inserted his penis into my vagina, I protested but he persisted so I pushed him away before he ejaculated and then demanded \$400.00 and he complied. Dated 08-31-1995.
- I have been going to Centerfolds for about five years. A female dancer put her hands in my pants and masturbated me. I paid her as if I was paying for dances on my charged coupons. Dated 09-19-1995.
- When I was in the 'Champagne Room' at Centerfolds about 75% of the time I would engage in sexual conduct with a dancer. She would either perform fellatio or masturbate me. I never used a condom. We engaged in the activity on the couches. The female gave the waitress \$20.00 and told her to give it to Ronnie, she then performed fellatio on me. She charged me \$150.00. Dated 09-19-1995.
- When I went to work for Centerfolds no one ever told me what I could or could not do. Customers go into the 'Champagne Room' because they know they can get sexual favors and not be bothered by anyone. Condoms were never used. I have met with customers away from the club and had sex with them. Most of the dancers would tip Ronnie, but we never knew what it was for. I have seen two dancers engage in sexual conduct with each other in the club. Another dancer engaged in sexual conduct with a customer. I saw a dancer give a customer a 'head job' while in the 'Champagne Room'. Dated 10-11-1995.
- At Centerfolds I was very aware that Mr. Greenroad allowed the dancers to perform fellatio on the male customers or masturbate them. Mr. Greenroad would 'turn the other way' while the dancers engaged in prostitution activity and then tip him later. The dancers could also leave with the customers to engage in prostitution. I observed this on many occasions. In each case the girls would give Mr. Greenroad \$20

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

to \$50 a day. Mr. Greenroad has a set of girls referred to as the 'A Team' These nine girls will engage in sexual intercourse, perform fellatio, masturbate customers and perform cunnilingus on each other as a show for the customer. Another set of girls 'B Team' will masturbate the customers. I have seen this in the 'Champagne Room' and on the second floor. Semen goes onto the couches and floor. Some girls do not use condoms when they perform fellatio and later spit into napkins. The condoms and napkins are commonly discarded onto the floor. There is no standard fee but usually a girl will get \$200.00 for intercourse, \$150.00 for fellatio and \$75.00 to \$100.00 for masturbating the customer. Dated 08-23-1995.

- At Centerfolds in the 'Champagne Room' I observed some of the female dancers were performing fellatio on customers. Ronnie Greenroad would walk away if he observed the dancers engaged in sexual conduct, only to later return and ask if the dancer had a good night to which they would say yes and give him some money. Dated 08-21-1995.
- At Centerfolds in the 'Champagne Room' a dancer masturbated me. I would pay with my credit card a \$20.00 dance would be charged as \$25.00 on my credit card. I observed a dancer performing fellatio on a customer. Dated 09-20-1995.
- I have engaged in sexual conduct with customers while working at Centerfolds. Ronnie knew that sex was going on in the 'Champagne Room.' I could see other dancers having sex with their customers in the 'Champagne Room.' Dancers do drugs in the club. I had sexual intercourse one time in the 'Champagne Room.' I tipped Ronnie because I thought I had to. I observed another dancer give a customer a head job and have sexual intercourse with him. One dancer was very nasty so she was fired and then went to work at Gold Cup. Dated 10-11-1995.

While in Houston I observed photos at the City Attorney's office that showed the semen stains and used condoms on the floor that are referred to in the above affidavits.

3. APP. INCOMPLETE OR MISLEADING / DISCIPLINE / ACTS CONSTITUTE A CRIME
LVMC 6.06.120 (C) - 6.06.250 (B) (1)

Neither of the applicants listed any of the following information on their Personal History Application under the Licensing History section question #20. The listed clubs agreed to a settlement with the City of Houston. The terms of the agreement are as follows:

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room**GOLD CUP**

The club known as Gold Cup agreed to a suspension of its SOB permit for a period of 20 days. The club will also pay \$50,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

CENTERFOLDS

The club known as Centerfolds agreed to a suspension of its SOB permit for a period of 20 days. The club will also pay \$50,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

SOLID PLATINUM

The club known as Solid Platinum agreed that there will be no suspension of its SOB permit. The club will pay \$100,000.00 to the City of Houston to cover cost, attorney's fees and to avoid potential loss of income due to a further suspension or revocation of the club's SOB permit.

It should be noted that these three clubs were the only ones affected as the other clubs owned by the applicants were closed, sold or had recently been opened prior to this proceeding.

CURRENT INVESTIGATIONS

During September of 2000, the Houston Vice Section conducted several investigations based on citizen complaints reference illegal activities at Treasures club. During this investigation, that occurred on four occasions within a seven day period, there were numerous violations. The violations were; public lewdness, prostitution, indecent exposure and liquor violation. Of the 28 dances received by the undercover officers only two were found not to be in violation. There were 23 public lewdness violations, one prostitution, two indecent exposure, four no dance license violations and three liquor violations. There was also one arrest of the manager for violating the SOB code by failing to manage to ensure entertainers comply with the no touching and three foot ordinance.

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

During the month of October this investigator, along with another detective, traveled to Houston and Dallas to further our investigation on the applicants. We contacted the Houston Vice Section to ask for their assistance while we visited the applicants' clubs. With the assistance of two detectives we went to two of the clubs. The first one we visited was Centerfolds. While inside Centerfolds I could observe several dancers engaged in actions that would violate the Houston SOB code. Several dancers were rubbing their bare buttocks against the clothed genitals of the male customers. Dancers would also rub their bare breast in the face of customers. While seated at a table Detective Hafen was approached by a female dancer who solicited him for a dance. During the dance she was never further than the three feet required by the Houston SOB code. She rubbed her bare breast in his face and rubbed her bare buttocks in his lap. She performed a move referred to as a body slide where the female either facing the customer or with her back to the customer lays against the customer and slides down till she ends up between the customers legs. After the song was over the dancer was paid \$30.00 she then attempted to solicit another dance from our table, we declined and she left. After a few minutes another dancer approached and sat down on the lap of one of the Houston Vice Detectives. I observed this dancer take the Detectives left hand and place it between her legs against her clothed vagina. She had his hand in this position for approximately 4 minutes until she got up and solicited myself for a dance to which I agreed. While performing this dance she rubbed her bare breast in my face, rubbed her bare buttocks against my clothed genitals, rubbed my genitals with her knee and grabbed my clothed genitals with her hand. When the song was over she was paid \$30.00 and stated she would be back later. I turned to the Vice Detective to ask about his hand being between her legs and he stated that she actually stuck his left thumb under her g-string and penetrated her vagina with his thumb. He then got up from the table to go and wash his hand. A short time later we left the club to proceed to another club owned by the applicants.

Upon arriving at the Gold Cup we paid our entrance fee and were then seated at a table by a waitress. While in the club I could observe several dancers violating the three foot rule of the SOB ordinance. We were seated near a darkened corner of the club. I observed several dancers bring customers over to this area to perform dances for them. These dances were also in violation of the three foot rule. After a short period of time some dancers came over to our table and engaged in small talk. After a short period of time they left our table without performing any dances for us. I then observed a man in a suit, possibly the manager, walk over to this darkened area and whisper something in the ear of two of the dancers then he walked about ten feet away. He stayed in this area for a few minutes then walked back to the dancer and whispered something again in her ear. This manager was more upset this time. At no time after the manager came around did any dancers approach us. Then another man possibly a manager came and stood with the first man. They stayed in this area the remainder of the time we were seated. As one of the detectives was not generally undercover we felt as if we had been 'made' by the club managers. I then got up and walked to the second floor of the club. While walking around I observed several dancers violating the three foot rule. One dancer was

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room

performing a dance for a customer and she was rubbing her clothed pubic area in the customers face. We then left the club and concluded our investigation in Houston.

We traveled to Dallas to inquire about the business the applicants had owned there. We contacted the Dallas Police Department Special Investigation Section. They had no information of a negative nature on the applicants. They stated the club Pleasures was opened 03-1996 and sold 12-1996.

The Honorable Mayor and City Council may deny this Liquor License based on the following Ordinances:

6.06.120 Council action on applications--Grounds for denial.

(A) The City Council may approve, deny or take such other action with respect to such application as it considers appropriate. The burden of showing qualifications, acceptability or fitness for a license or approval for suitability is upon the applicant.

(B) Grounds for denial of a license include, but are not limited to, the grounds for disciplinary action against a licensee as set forth in Section 6.02.330 et seq.

(C) Grounds for denial of an approval of suitability include, but are not limited to, the grounds for disciplinary actions against a principal approved for suitability as set forth in Sections 6.06.250 and 6.06.260.

6.06.250 Disciplinary action--Grounds.

(B)A principal approved for suitability may be subject to disciplinary action by the City Council for good cause, which may include, but is not limited to:

- (1) The application is incomplete or contains false, misleading or fraudulent statements with respect to any information required in the application;
- (5) The principal has been subject, in any jurisdiction, to disciplinary action of any kind against a license, permit, approval for suitability or work card to the extent that such disciplinary action reflects on the qualification, acceptability or fitness to be approved for suitability;
- (6) The principal has committed acts which would constitute a crime involving moral turpitude or involving any Federal, State or local law or regulation relating to the same or a similar business;

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DO NOT PHOTOCOPY OR OTHERWISE REPRODUCE

SUBJECT: The Board Room**PERSONAL HISTORY:**

Ali Mashalleh Davari was born on January 13, 1952, in Iran. Ali Davari is also know as David Davari. He attended Amir Kadir High School in Abadan, Iran. He graduated in 1970. Ali Davari moved to the United States in 1977. He continued his education at the University of Tennessee where in 1982 he obtained a degree in Electrical Engineering. In November of 1983 Mr. Davari married Holly Ann Simeri in Houston, Texas. This marriage ended in divorce June of 1984. He married again in December of 1984 to Cynthia D. Holcombe. Cynthia D. Holcombe passed away in November of 1985. In August of 1986 Mr. Davari married Barbara Leanne Upton. This marriage Produced two Children, one born in 1986 and the other in 1989. The marriage then ended in divorce May of 1990. The two minor children live with the applicant in his Houston home. Along with his place of birth the applicant has lived in Tennessee, Oklahoma and now currently resides in Houston, Texas.

EMPLOYMENT:

08-2000	Splendor	50% Owner	Houston, Texas
09-1999	Runway 66	50% Owner	Mississauga, Ontario, Canada
01-1999	Cover Girls	50% Owner	Houston, Texas
1995- Sold 12-1996	Pleasures	50% Owner	Dallas, Texas
1995	Treasures	50% Owner	Houston, Texas
1993- Sold 02-1996	Solid Platinum	50% Owner	Houston, Texas
1993	Gold Cup	50% Owner	Houston, Texas
1990	Centerfolds	50% Owner	Houston, Texas
1986- Sold 09-1993	GiGi's	50% Owner	Houston, Texas
1985-1986	GiGi's	Bookkeeper	Houston, Texas
1983-1985	Denny's	Chef	Houston, Texas
1982-1983	Babes	Bartender	Houston, Texas

(Before 1982 the applicant worked part-time while attending College)

ARREST RECORD:

None

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SUBJECT: The Board Room**FINANCIAL:**

Ali Davari listed his assets of \$42,484,881.00, with liabilities of \$265,000.00.

PERSONAL HISTORY:

Hassan Davari was born on July 16, 1957, in Iran. Hassan Davari is also known as George Davari. He attended Azar High School in Tehran, Iran. He graduated in 1975. Hassan Davari moved to the United States in 1976. He continued his education at the University of Tennessee where in 1982 he obtained a degree in Electrical Engineering. In November of 1983 Mr. Davari married Holly Kim Hunt in Houston, Texas. This marriage produced three children, one born in 1987 another in 1989 and the third in 1993. The minor children live with the applicant and his wife in their Houston home. Along with his place of birth the applicant has lived in Tennessee, Oklahoma and now currently resides in Houston, Texas.

EMPLOYMENT:

08-2000	Splendor	50% Owner	Houston, Texas
09-1999	Runway 66	50% Owner	Mississauga, Ontario, Canada
01-1999	Cover Girls	50% Owner	Houston, Texas
1995- Sold 12-1996	Pleasures	50% Owner	Dallas, Texas
1995	Treasures	50% Owner	Houston, Texas
1993- Sold 02-1996	Solid Platinum	50% Owner	Houston, Texas
1993	Gold Gup	50% Owner	Houston, Texas
1990	Centerfolds	50% Owner	Houston, Texas
1986- Sold 09-1993	GiGi's	50% Owner	Houston, Texas
1985-1986	GiGi's	Bartender	Houston, Texas
1984-1985	Texas Fillies	Bartender	Houston, Texas
1983-1984	Colorado Ore House	Bartender	Houston, Texas
1982-1983	Babes	Bartender	Houston, Texas

(Before 1982 the applicant worked part-time while attending College)

ARREST RECORD:**CONFIDENTIAL**

THIS MATERIAL IS NOT TO BE DISSEMINATED AND NOT FURTHER REPRODUCED BY THE SPECIAL INVESTIGATIONS SECTION, MISSOURI
 METROPOLITAN POLICE DEPARTMENT, AS A RESULT OF A POLICE ACTION IS ACRIMINALLY PUNISHABLE BY A FINE OF \$1,000 AND SIX
 MONTHS IN JAIL.

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Investigation Report (Cont.)

CONFIDENTIAL
December 8, 2000

SUBJECT: The Board Room

None

FINANCIAL:

Hassan Davari listed his assets of \$45,854,728.00, with liabilities of \$554,509.00.

SLOT PARTICIPATION AGREEMENT:

None

LEASE AND/OR PURCHASE AGREEMENT:

The Capitalization of this corporation will come from the profits of several of the applicants corporations in Texas. The applicants have anticipated an opening cost of \$7,400,000.00 of which will be disbursed as follows: \$2,000,000.00 for Real Estate and Building, \$2,250,000.00 Business License, Permits and Rights, \$1,500,000.00 Remodeling Cost, \$1,000,000.00 Furniture, Fixtures and Equipment, the remainder will be spent on Inventory and other pre-opening cost.

ENTERTAINMENT POLICY:

None

ALCOHOL AWARENESS/WORK CARD COMPLIANCE:

These ordinances have been explained to all the applicants and they have advised that if approved for this License they and all employees will be in compliance.

CONCLUSION:

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Investigation Report (Cont.)

CONFIDENTIAL
December 8, 2000

SUBJECT: The Board Room

This investigation was completed on December 19, 2000, and is hereby submitted to the Honorable Mayor and City Council or the Director of the Department of Finance and Business Services for final action. Your attention is directed to the listed AREA OF CONCERN.

INVESTIGATOR'S NOTES:

The investigation also revealed that the applicants are involved in two law suits at this time. The applicants along with several area SOB's are suing the City of Houston in reference to their new city ordinance 97-75 which relates to the SOB ordinance. This suit is currently in the 5th Circuit of Appeals in New Orleans awaiting oral arguments. The applicants recently filed suit against the City of Houston where it alleges Houston Police Department, Vice Section has used selective enforcement against the applicants clubs, Centerfolds, Gold Cup and Treasures. This suit was filed under cause # 2000-49555 in the District Court of Harris County.

Respectfully submitted,

John Loretto, Detective

Reviewed by:

Reagan Alexander, Sergeant

Approved by:

Patrick D. Neville, Lieutenant

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regarding

Ali & Hassan Davari

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LAS VEGAS METROPOLITAN POLICE DEPARTMENT

**PRIVILEGED LICENSE
INVESTIGATION REPORT**

CONFIDENTIAL

March 17, 2004

TO : Jim DiFiore, Manager
City Business License

THROUGH : Robert Wills, Lieutenant
Special Investigations Section

FROM : John Loretto, Detective
Special Investigations Section

SUBJECT : Background Investigation
Treasures, d.b.a.
D. Westwood, Inc.
2801 Westwood Dr.
Las Vegas, NV. 89104
(City Report)

APPLICANT: Ali Mashalle Davari, 50% Owner
ID# 1705807
40-25862

Hassan Davari, 50% Owner
ID# 1705808
40-25863

Six Month Review:

Tavern and Adult Cabaret

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SUBJECT: D. Westwood, Inc.

SYNOPSIS OF INVESTIGATION:

This report will be an account of the first six (6) months that D. Westwood, Inc., dba Treasures at 2801 Westwood Drive, has been opened here in Las Vegas. The Licensees opened their business on September 16, 2003. Since this date the Special Investigations section has been to this business on seven (7) different occasions. The reasons for (and results of) these visits will be detailed below. The results of two visits from the Vice section are also included. As you will see the Licensees have not come close to "Raising the bar" as was expected of them by this board. As their previous area of concern report (which is attached) detailed years of misconduct in Texas, this report will detail the pattern that is unfolding just in the short time the Licensees have been opened.

On September 16, 2003, Detectives went into this business in an undercover capacity to see what was going to be allowed to occur on the opening day. Two detectives reported that they had observed several violation of the City Code. The Detectives observed entertainers allowing customers to touch the entertainers buttock and breasts without any floor person / security stopping this contact. Detectives saw an entertainer giving a dance to a female customer where there was direct groin to groin grinding along with fondling and caressing of the entertainer by the customer as other customers and a floor person watched. The Detectives did not see any correcting or educating of the entertainers or customers when violations were observed. (The intent of this was to observe how this business was going to be operated.) From opening day through our last inspection on March 11, 2004 there has been no improvement on conduct at the business despite the efforts of Special Investigations visits and the commitment of the key and Owners to correct and prevent violations at the business..

On October 10, 2003, Detectives issued four (4) citations for violation of the erotic dance code to four different entertainers. These along with many other citations have been continued and are awaiting a court date. The business received three (3) notices of non-compliance for allowing violations of the erotic dance code.

On October 24, 2003, Detectives conducted an inspection at the request of a Traffic officer. The officer had concerns over the lack of cooperation from the employees of this business while he was conducting a DUI with accident investigation involving one of the customers of this business. When he asked for management he was asked to wait outside as he, (the uniform) was bad for business. It was learned that this investigation involved

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SUBJECT: D. Westwood, Inc.

a professional ball player who had wrecked a motorcycle belonging to one of the employees of this business. Keep in mind that the original area of concern investigation showed that this business had indulged professional ball players (which specifically included allowing some very serious acts to occur on there property) as a result of this relationship. As a direct result of these violations a conference call was held with Mr. Davari to explain the concerns and the lack of cooperation that was received from his business. During the conference call in the business office, Detectives outside the office were issuing six (6) citations. Three entertainers received a citation for violation of the erotic dance code and employee work card address change. The business also received seven (7) notices of non-compliance. Six (6) were for the same violation as the entertainers and one (1) was for duties of licensee. It was learned that security was telling the entertainers that Vice was in the business and to be careful. This is a perfect example of what occurs every time Special investigations conducts an inspection at this business. Unlike Vice, detectives of Special Investigation show their badge and advise that they will be conducting an inspection of the business. The mere fact that employees feel it necessary to advise the entertainers 'Vice' is in the building indicates the level of complicity and involvement by the company employees to protect the illegal conduct occurring at the business. It also leads LVMPD to believe that the conduct would and could not occur without the acknowledgment and blessing of the owner. Clearly the employees and security are also aware of the conduct that is occurring and that it is in violation of the code.

On November 21, 2003, Detectives visited the club to deliver the work card referral to the key employee Nicholas Foskaris. Foskaris was conducting a new entertainer orientation class so we offered to answer any questions for the entertainers. During his class Foskaris was explaining the house rules for the entertainers which were more restrictive then City Code, but with neither of them being aggressively enforced its no wonder that each visit results in more citation for violations of the City Code. There were no citations issued on this date as the intent of the visit was to drop off the referral and observe the new entertainer orientation not to conduct an inspection.

On January 16, 2004, Detectives conducted an inspection of what is referred to as the front of the house employees. Basically stated, all employees other then entertainers. A bartender stated he had been working for the business since they opened and that he did not have a work card on him, nor had he every got one as required by code. He was cited for no work card and the business received a notice of non-compliance for employing without a work card. The valet proved to be an even greater problem. The key employee was

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SIX MONTHS IN JAIL

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SUBJECT: D. Westwood, Inc.

asked if the valet was privately owned and operated and he stated yes. An inspection of the valet showed no business license and the valet person did not have a drivers license. After a lengthy investigation into the identity of the valet person and his associate, who was the former valet person, it was learned that they both had immigration issues and neither had a valid drivers license. After a phone call with to a person in Texas the valet person was issued a citation for his failure to display a business license, (apparently the person on the phone claimed that there was a valid license issued.) We could not disprove that at the time of our investigation. It was later learned that there was no business license. The key employee Alson Lee was again warned about allowing unlicensed activities at this business.

On March 05, 2004, Detectives issued ten (10) citations to persons working at the business. Eight (8) entertainers were cited for violation of the erotic dance regulation and one (1) for no business license to perform massage. One (1) cocktail waitress was cited for obstructing a police officer, for her efforts in advising the entertainers that 'Vice' was in the business. The business was issued eleven (11) notices of non-compliance for the above and for not having a current employee list as required by code. Despite the fact that it was brought to managements attention two months ago, this business, it's owner and management are still allowing an unlicensed valet to operate on their property. A check of valet information showed it was the same company from Texas operating at the business. City business license was advised and it is our understanding that they are addressing this issue. This particular inspection showed us that our ability to issue citations for violations is generally limited only by the number of detectives we have to conduct our inspection. It has become abundantly clear that there is a notification network that exist among employees at the business that spreads rapidly when police enter the business which severely hampers police efforts at enforcement of observed violations. Police are also hampered by the size of the business and the number of separate areas found within. Short of including additional manpower to spread throughout the business in rapid fashion SIS is limited in addressing and documenting the full scope and severity of the violations at this business.

On March 11, 2004, Detectives went back to the business to see if there were any major changes since the volumes of citations had been issued the week prior. Sadly, there were no changes, improvements or modifications in the conduct observed. Two (2) of the entertainers, from the previous week, were cited in the 'VIP' area off the main stage as the floor person / security watched the detective watch the entertainers. On this visit the same floor person was working the same area while there were again more violations occurring. The cocktail waitress was heard telling three (3) entertainers that 'Vice' was in the business. Detectives

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SUBJECT: D. Westwood, Inc.

brought this to the attention of both the key employees to ascertain what, if anything, is going to be done. There was talk of more training and suspension of employees.

The following are the details of the Vice sections efforts at this business.

On September 30, 2003, just 14 days after this business opened, Vice detectives conducted an investigation into vice related activities at this business. The results of that investigation is the arrest of an entertainer for two (2) counts of soliciting prostitution. This case has not yet been adjudicated

On October 31, 2003, the Vice detectives made three arrest from this business. Two (2) entertainers were arrested for soliciting prostitution and violation of the erotic dance regulation and one (1) was arrested for violation of the erotic dance code. These cases too, have yet to be adjudicated.

CONCLUSION:

The Special investigation section has had meeting with the Attorneys both before opening and since they have been open. We have discussed what our suggestions were about various aspects of the business operation. We have also had meetings with the owner Mr. Davari at the business before and after opening, in our office and over the phone. We have spoken to a key employee or the owner every time we visit the business or have had a problem. These meeting always end with the sense that thing will be better, that has yet to be seen. As this report has detailed this business has not come close to the expectation set upon them to 'Raise the bar' in this industry. The contrary has occurred. It has been one hundred and seventy eight days from our observations on opening day through our last inspection on March 11, violations have been seen and the business continues to operate without being in compliance. The only policing of this business is being done by the police. It is at this time during their six (6) month review the council should consider disciplinary action for the above mentioned pattern of violations.

Despite our best efforts to prevent this operation from becoming yet another problem-riddled erotic operation it is clear that there is absolutely no appetite on the part of management (nor ownership) to operate within any regulatory guidelines. Every trip to this business result in voluminous numbers of repeat violations with no efforts whatsoever at correcting them. There is a culture of lawlessness at this business that is accelerating,

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Investigation Report (Cont.)

CONFIDENTIAL

March 17, 2004

SUBJECT: D. Westwood, Inc.

as is demonstrated by the ever-increasing number of violations and citations being documented by SIS and LVMPD Vice. This behavior also extends to adjunct operations as demonstrated by the unlicensed valet operation taking place there. Even when that violation was brought to managements attention there is no corrective action taken. The culture of violation and cover-up promotes a system where all employees act as look-outs to announce to each other that police are present in the establishment. This further serves to temporarily stop the violations that should result in disciplines against the business. Specific ordinances designed to curtail the type of conduct which is occurring was put in place as mandatory operating policy for erotic establishments city wide. There is no exception to adherence by any one owner or establishment, or at least there should not be. These ordinances are designed to set standards of conduct that limit contact of a sexual nature and to dissuade prostitution activity. What we have observed and documented leads us to believe that Management and ownership are well aware of the violation of conduct and willing allow it for the purposes of profitability and fulfilling customer expectations. There is no other explanation for why this is being allowed. The intentional disregard of regulatory dance ordinances, the volume of citations issued for prohibited dance contact, the failure to correct the activity as a responsible owner would do, and the notification network set up to thwart police efforts at enforcement (rather than eliminating the behavior itself) mean that management and ownership are either silently or vocally complicit in the activity. That is a far cry for "Raising the bar" as was the pre-opening agreement.

Respectfully submitted,

John Loretto, Detective

Approved by:

Anthony Arnone, Sergeant

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Ali & Hassan Davari**

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LAS VEGAS METROPOLITAN POLICE DEPARTMENT

**PRIVILEGED LICENSE
INVESTIGATION REPORT**

CONFIDENTIAL

September 13, 2004

TO : Jim DiFiore
Director of City Business Licensing

THROUGH : Robert Wills, Lieutenant
Special Investigations Section

FROM : Stacy Rodd, Detective
Special Investigations Section

SUBJECT : Background Investigation
D. Westwood, Inc., d.b.a.
Treasures
2801 Westwood Avenue
Las Vegas, NV.
(City Report)

APPLICANT: Ali Davari, Dir., Pres., Treas. 50%
ID# 1708807
40-25862
Hasan Davari, Dir., Sec. 50%
ID# 1705808
40-25863

BACKGROUND INVESTIGATION TYPE:

Tavern and Adult Cabaret

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SUBJECT: Treasures**SYNOPSIS OF INVESTIGATION:**

The applicants have been operating under a temporary license since February 21, 2001. That time was utilized to conduct an additional investigation of the applicants, their local and out-of-state business practices, finances, and other factors related to their suitability for the license being sought. The results of that investigation, and the resulting Areas of Concerns (A.O.C.) can be found in the body of this report.

A.O.C. #1 Previously Presented Suitability Issues - (Houston, TX.)

As detailed in the previously submitted Investigative Report dated December 19, 2000, the applicants have a demonstrated pattern of violations that speak directly to their suitability for this license. These violations are a significant consideration when determining an applicants overall fitness to hold a privileged or regulated license. The report details a history of city and state violations, charges and convictions which are listed below:

1. DISCIPLINE / ACTS WHICH WOULD CONSTITUTE A CRIME
LVMC 6.06.120 (C) - 6.06.250 (B) (5) (6)**Texas Alcoholic Beverage Commission:**

Texas Alcoholic Beverage Commission (TABC) has performed several enforcement actions at the applicants clubs. There were a total of 27 inspections which resulted in the TABC finding 55 violations. Of these violations 10 were criminal in nature, 11 were settled with a warning being issued and the remaining 34 were administrative cases against the liquor license. For these 34 violations the applicants were given an option of closing their doors for a total of 166 days or pay a fine in lieu of closing totaling \$28,400. The applicants chose to pay the fine. The complete break-down of this summary is as follow:

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Investigation Report (Cont.)

September 13, 2004

SUBJECT: Treasures

<u>GIGI'S</u>	<u>Date</u>	<u>Violation</u>	<u>Disposition</u>
	09-13-1990	Soliciting an alcoholic beverage by an employee	\$1050.00
	09-13-1990	Soliciting for immoral relations	(Part of above)
	09-13-1990	Place or manner, misc.	(Part of above)
	07-12-1991	Permit Public Lewdness, Sexual contact	\$ 450.00
	10-11-1991	Permit Public Lewdness, Sexual contact	\$ 750.00

CENTERFOLDS

03-11-1991	Place or manner, misc.	\$1,800.00
03-11-1991	Soliciting for immoral relations	(Part of above)
03-11-1991	Soliciting an alcoholic beverage by an employee	(Part of above)
03-13-1991	Soliciting an alcoholic beverage by an employee	(Part of above)
03-13-1991	Place or manner, misc.	(Part of above)
02-25-1993	Permit public lewdness, sexual contact, obscene act	\$1050.00
02-25-1993	Soliciting for immoral relations	(Part of above)
02-25-1995	Soliciting an alcoholic beverage by an employee	(Part of above)
08-10-1995	Local distributor stamp not mutilated	Warning
11-21-1995	Permit public lewdness, sexual contact, obscene act	\$7,500.00
11-21-1995	Soliciting for immoral relations	(Part of above)
11-21-1995	Place or Manner, misc.	(Part of above)
01-05-1997	Permit consumption during prohibited hours	Warning
03-26-1998	Soliciting an alcoholic beverage by an employee	\$2,250.00
03-26-1998	Place or Manner, misc.	(Part of above)
03-26-1998	Lewd, immoral, sex offense	Pending
03-26-1998	Lewd, immoral, sex offense	Pending
03-27-1998	Lewd, immoral, sex offense	Pending
03-27-1998	Other beverage code violation	Pending
08-10-2000	Lewd, immoral, sex offense	Warrant

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Investigation Report (Cont.)

September 13, 2004

SUBJECT: Treasures**GOLD CUP**

07-07-1993	Permit public lewdness, sexual contact, obscene act	\$1050.00
07-07-1993	Soliciting an alcoholic beverage by an employee	(Part of above)
10-03-1995	Permit public lewdness, sexual contact, obscene act	\$5,000.00
10-03-1995	Place or Manner, misc.	(Part of above)
05-05-2000	Permit public lewdness, sexual contact, obscene act	Pending

SOLID PLATINUM

07-23-1994	Refusing Inspection (Locked Kitchen Closet)	Warning
03-11-1995	Permit public lewdness, sexual contact, obscene act	\$1,500.00
03-11-1995	Intoxicated Employee on the premise	(Part of above)
07-20-1995	Lewd, immoral, sex offense	Criminal
07-03-1996	Place or manner of operation	\$3,000.00

PLEASURES

06-15-1996	Sale to intoxicated person	Warning
07-27-1996	Local Distributor stamp not mutilated	Warning

TREASURES

11-13-1996	Sale delivery of drugs by employee	\$3,000.00
11-13-1996	Permit public lewdness, sexual contact, obscene act	(Part of above)
11-13-1996	Soliciting an alcoholic beverage by an employee	(Part of above)
08-01-1997	Permit public lewdness, sexual contact, obscene act	Warning
08-01-1997	Failure to post license in a conspicuous place	Warning
08-01-1997	Refusing inspection of licensed premise	Warning
01-10-1999	Poss. of distilled spirits without local dist. stamp	Warning

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Investigation Report (Cont.)

September 13, 2004

SUBJECT: Treasures

01-10-1999	Poss. of alcoholic beverage unfit for consumption	Warning
01-08-2000	Poss. of alcoholic beverage unfit for consumption	Warning
04-09-2000	Permit public lewdness, sexual contact, obscene act	\$1,500.00
04-09-2000	Public intoxication	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
04-09-2000	Lewd, immoral, sex offense	Criminal
05-19-2000	Public intoxication	Criminal

As a direct result of the evidence presented during revocation hearings, the applicants accepted negotiated settlements with the city of Houston. That evidence included dozens of convictions of entertainers and a manager in charge. The evidence also detailed patron/employee testimony that violations were encouraged so that the business, the entertainers and the manager all profited directly from the illicit activity. The terms of the negotiation included payment of fines in the hundreds of thousands of dollars, temporary suspension of their Sexually Oriented Business License for a stipulated period of time and reimbursement to the City of Houston for attorney fees incurred in bringing the applicants forward for disciplinary action.

A.O.C. #2 Voluntary Single Conviction Standard / Treasures Commitment to the City Council

On February 21, 2001, Treasures came before the City Council seeking licensing as an Tavern (Adult Cabaret). The Privileged classification of the license meant that the applicants had to meet a standard of suitability that is, by definition, higher than that of most any other license issued. Code specifically references protecting the health, safety, and welfare of the citizens of the community from those who would misuse these licenses. It is also established that Las Vegas Municipal Code recognizes the importance of protecting the reputation of the industry, the city and existing businesses from unscrupulous practices where liquor sales and/or service are undertaken. The

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SUBJECT: Treasures

investigation of these applicants and their business has clearly established not only patterns of sex-related criminal conduct that brought the applicants before a regulatory board seeking revocation of their sexually oriented business licenses (Texas Alcoholic Beverage Commission) but also 34 violations against their liquor license.

In that February 21, 2001, City Council Meeting, Treasures publically acknowledged this history which was detailed in LVMPD's report. With this type of history as business owners/operators in another jurisdiction, the applicants business history was subject to consideration, as referenced in City Code 6.06.250, which states that an applicants' business history in another jurisdiction will be the subject of consideration when applying for a license within the city of Las Vegas.

With the details of the aforementioned history in Houston at issue when seeking approval, the applicant's voluntarily suggested (through their attorney) that they, and their establishment, would set a new standard for conduct at sexually oriented businesses within Las Vegas. On behalf of the applicants, their attorney pledged to "Raise the bar" by accepting the revocation of their Sexually Oriented Business License at Treasures if there was just one single conviction for any "Sexual Misconduct" occurring at the business. This voluntary verbal commitment was clarified by the Council in a series of follow-up questions specifically posed to remove all ambiguity and potential confusion about the proposition being tendered by the applicants. The exchange culminated with the applicants and their attorney agreeing to accept revocation of their license should that conviction take place. Such a conviction did occur resulting from the following Vice-related arrests at Treasures:

On October 31, 2003, three entertainers at Treasures were arrested in three separate incidents by LVMPD Vice officers. The arrests came after two entertainers offered and agreed to perform various acts of prostitution (for a specified price) upon the undercover officers. One of the three was charged with "Soliciting Prostitution" and "Violation of the Erotic Dance Code". The third arrest was for "Erotic Dance Code Violations". As a result of her arrest on October 31, 2003, the entertainer was convicted of "Soliciting Prostitution" on August 18, 2004.

The violations that took place on October 31, 2003, are a clear and direct breach of city erotic dance code regulations that prohibit sexually based contact between dancers and patrons. The offer and agreement to engage in sexual activity for a fee is a violation of criminal law that constitutes "Solicitation of Prostitution". These violations were observed, acknowledged and permitted by floor persons stationed in or around the VIP Room, with no efforts made to curtail or interrupt the illicit activity. The only interaction taking place at all between the entertainer and the floor

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person at the time that these violations were observed was when the floor person in question advised the dancer to "be careful because Vice might be in the house". This prostitution activity (which originated in every case from a violation of the Erotic Dance Ordinance) violates the commitment from the applicants attorney that such activity would not take place in their establishment because they would discourage and disallow it by employing additional supervisory/floor staff to prevent it. As observed and documented at the time of these arrests, those employees placed in positions of responsibility to prevent and eliminate these dance code violations and the resulting prostitution activity have repeatedly demonstrated willing complicity.

LVMPD has also discovered that another "Preventative Program" that the applicants have reportedly established and implemented to prevent and/or eliminate prostitution activities at the business is ineffective. You will recall that the applicants attorney detailed that Treasures hired a private detective to conduct background checks on the dancers. This was reportedly designed to prevent the hiring of undesirable employees and, if effective, significantly curb the violations occurring at the business. As witnessed in the aforementioned history of recent arrests, the illicit and illegal activity continues at this establishment. Of particular interest is the obvious failure of the "background checks" that are reportedly being conducted. The following is a telling example of information that should have been discovered during a background check. Theoretically, that discovery would have prevented the hiring of the entertainer in question.

Treasures hired an entertainer who could only produce a Temporary Work Card at the time of application. (This in and of itself should have generated closer investigation of the applicant since their dancers receive referrals to get the required Permanent card). An investigation into this unusual circumstance would have shown that the temporary card in question was issued because the dancer was awaiting trials wherein she was charged with two separate counts of "Soliciting Prostitution". The charges in question dated back to criminal violations taking place on November 11, 2003, and December 4, 2003, respectively. This presumably would have prevented Treasures from hiring her, however, that was not the case. Shortly after Treasures hired this entertainer on April 15, 2004, several things took place. First, she was convicted of "Soliciting Prostitution" on April 16, 2004, after a trial. Reviewing her work history from that point on revealed that there is no change of employment recorded on the work card between being hired on April 15, 2004, at Treasures and April 30, 2004. Then, on May 1, 2004 she was cited for "Violation of the Erotic Dance Code" at Treasures. Her next violation was a citation for "Violation of Erotic Dance Code" on June 3, 2004 at another sexually orientated business. She was almost immediately re-hired at Treasures on June 8, 2004,

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where she worked uninterrupted until July 1, 2004, when she was not allowed to renew her temporary work card due to the prostitution conviction of April 15, 2004.

The information presented in the preceding paragraph is a matter of record on the entertainers' criminal history or "Scope" printout. Any employer can request that an employee provide a copy of this record as a prerequisite for employment. This would also verify that the employer has a complete local criminal history before deciding whether to hire the individual or not. With Treasures' commitment to the City Council that these types of violations would not occur in the future, one would reasonably expect that they would utilize this form of verification which in this example it is not the case. As Treasures stated in the June 16, 2004, City Council Meeting, one of their employment practices was to check the backgrounds of entertainers who have showed a steady work history. The above incident indicates this employment practice to be inconsistent with what was stated in that Council Meeting.

A.O.C #3 Corroboration of Reports on Management/Employee Conduct at Treasures

LVMPD- SIS has received several anonymous calls from two separate and independent sources regarding prohibited behavior at the Treasures. These calls detail conduct taking place inside the business that would not be known or outwardly obvious to police (even after they enter the business in an official capacity) as the callers claimed the conduct was carefully concealed by employees and staff alike.

Some of this specific behavior, in its entirety, was observed and documented in an covert/undercover site check of the business conducted on August 12, 2004. That visit to the business was in response to the aforementioned anonymous calls detailing inappropriate conduct that takes place at Treasures. The behavior of the entertainers and management before identifiable enforcement officers arrived at the business differed greatly and is described below:

An undercover detective, who had entered the business posing as a patron, was able to get a \$100 private dance in a "VIP" room wherein his groin was grabbed and fondled for five minutes continuously, while the entertainer involved pressed and ground herself against him so forcefully that the undercover detective's clothing was covered with the tanning lotion that she had previously applied to her body. However, during the time City Enforcement Officers, and a City Official, as well as LVMPD made entry into the business, the undercover detective observed the

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managers and floor personnel scrambling to the VIP room and to those entertainers giving full-contact, simulated-sex body grinding to whisper in their ears. This had to be warnings that the police/enforcement were in the building because the aforementioned groping, grinding and other prohibited contact immediately ceased throughout the business as the word was spread by management.

In the most telling confirmation, the entertainer that had agreed to perform a dance for the undercover detective prior to police entry was immediately warned of the presence of police, again by a floor manager. She immediately sat down beside the undercover detective making no additional contact from that point on. She explained to the undercover detective that she had just been warned to be cautious for a while because Metro was in the business.

The reference to this particular incident is not to focus entirely on the illegal contact and conduct regarding the simulated sex acts that constitute a major code violation. Just as importantly, these series of circumstances clearly detail and define the role that management undertakes in allowing and promoting illegal activity at Treasures. This visit reinforced that management routinely sets in motion those practices designed and implemented to thwart police enforcement efforts at curtailing these violations at this establishment.

CONCLUSION:

This report has detailed several significant issues with the business entities owned and operated by the applicants for this license, Ali and Hasan Davari. There is a lengthy history of operational violations that have plagued their businesses in both locations, Houston and Las Vegas. The documented vice-related violations taking place at Treasures exist because of a systemic disregard of regulatory codes and ordinances that establish and maintain standards of conduct for patrons, staff and management at Sexually Oriented Businesses. Those violations also register as criminal conduct, which has led to the arrest and/or citations of several entertainers employed at the business for prostitution and/or dance code violations.

Treasures has failed in the hiring and screening process that has led them to employ a convicted prostitute as an entertainer. This type of employment practice, when teamed with the documented sexual misconduct taking place

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at the business, and management who observe the illegal activity but fail to act upon it creates an environment without regard for laws, rules, or boundaries for conduct. Perhaps most troubling is that the same floor managers that allow the sexual misconduct will announce police presence in the business to further thwart police efforts at bringing their business into regulatory compliance.

Since these applicants came before City Council with a lengthy history of violations in another jurisdiction, they proposed that if they were to be granted a temporary license to operate then they would operate a model establishment where violations would be prevented before they occur. This would, in their attorneys words, "raise the bar" on standards of conduct for the industry. One can and should reasonably expect that a licensee will properly regulate the conduct of those working within their establishment to ensure compliance with the law and regulatory ordinances. When the applicants failed to set the proper tone for conduct by allowing their business to be operated under an umbrella of illegal sexual conduct, dance code violations, prostitution and non-cooperation with police and enforcement officials they violated their own commitment to the council of operating as a model establishment and within the laws and ordinances of this city.

The lengthy list of concerns that comprise the history of Treasures includes:

- 1) The previous business history of the applicants in another jurisdiction
- 2) Managements failure to properly prevent similar violations under their current temporary license in Las Vegas
- 3) Failure to properly screen out undesirable entertainers
- 4) The collective efforts by staff and management to prevent effective enforcement activities by police
- 5) The current charges being investigated by the State of Texas

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Investigation Report (Cont.)

CONFIDENTIAL
September 13, 2004

SUBJECT: Treasures

The history in Houston and Las Vegas speak directly to the suitability and character of the applicants. In reviewing that history in the preparation of this report, LVMPD is concerned about the effect that permanent licensing will have on the industry, the suitability standard for future applicants and similar businesses, and the health, safety and welfare of the citizens of Las Vegas.

This investigation was completed and is hereby submitted with three AREA(S) OF CONCERN.

Respectfully submitted,

Stacy Rodd, Detective

Approved by:

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Investigation Report (Cont.)

CONFIDENTIAL
September 13, 2004

SUBJECT: Treasures

Paul C. Page, Sergeant

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September 14, 2004

Ali Davari
Treasures
2801 Westwood Avenue
Las Vegas, NV.

In response, please reply to:
Stacy Rodd, Detective
(702) 229-3243

Dear Ali Davari,

The investigation of your application for a Tavern and Adult Cabaret at 2801 Westwood Avenue , Las Vegas, Nevada, has been completed. An investigative report with AREA(S) OF CONCERN has been submitted to the Director of Business License.

You may contact this office prior to the meeting to review the completed investigation report. If you have any questions or information not presented during our investigation which you feel may have an effect on our report, please contact us at 229-3243.

Contact Business License at if you have any questions concerning the approval or denial of your license.

Sincerely,

BILL YOUNG, SHERIFF

BY: ROBERT WILLS, LIEUTENANT
SPECIAL INVESTIGATIONS SECTION

EXHIBITS IN SUPPORT

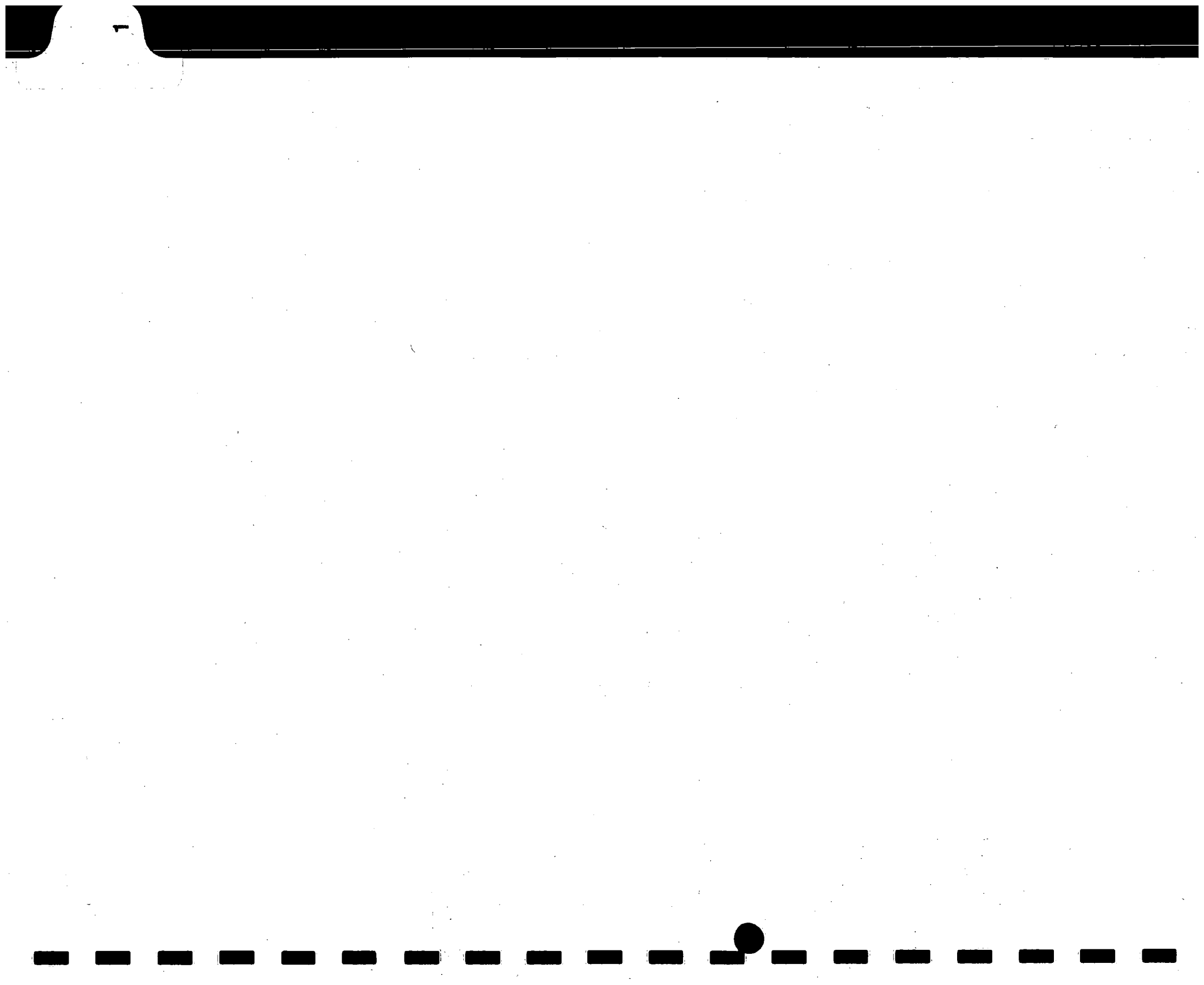
OF

D. WESTWOOD, INC., DBA
TREASURES

LAS VEGAS CITY COUNCIL

SEPTEMBER 15, 2004

Submitted at City Council
Date 9/15/04 Item #86



TREASURES

Summary of Compliance Measures

- Developed a Compliance Policy to govern the operation of Treasures, which includes the following:
 - Immediate termination for conviction of solicitation or prostitution.
 - Title 6 violations:
 - For the first offense, the employee or entertainer is reprimanded and placed on probation pending the disposition of the violation.
 - For the second offense, the employee is suspended without pay for two weeks, while the entertainer is prohibited from performing at Treasures for two weeks.
 - For the third offense, the employee is terminated and the entertainer is prohibited from ever performing at Treasures in the future.
- Developed separate Compliance Regulations for management, employees and entertainers.
- Required entertainers to sign an agreement requiring:
 - Conformance to all City regulations governing erotic dance establishments;
 - Consent to background checks; and
 - Consent to random drug searches.
- Tracked all citations received by any employee or entertainer in order to implement disciplinary action.
- Maintained a log of all instances where management warned an entertainer that her performance was approaching a violation of the erotic dance code.
- Maintained a log of all disciplinary actions taken by Treasures against any employee or entertainer.
- Placed signs notifying employees and entertainers that prostitution, solicitation and the use of illegal drugs are strictly prohibited and shall result in immediate termination or dismissal.
- Placed table-cards throughout the establishment warning customers that solicitation of prostitution and the use of illegal drugs are prohibited.
- Implemented the random use of a drug-sniffing dog to check for the presence of illegal drugs in the establishment.

- Prohibited entertainers from leaving the establishment with any patron (defined as any person who enters Treasures other than employees or entertainers).
- Established a "one-foot on the floor" rule requiring all entertainers to maintain one foot on the floor at all times when performing lap dances. This rule makes it very difficult for entertainers to violate the erotic dance code during their performances.
- Installed a computerized fingerprint and database system for the tracking of each entertainer in the establishment.
- Hired Compliance Officers for the sole purpose and function of enforcing the erotic dance code.
- Instituted the use of laser pens by management as a more efficient and simplified method of enforcement of the erotic dance code.
- Hired a private investigator to assist with the following:
 - Provide guidance on the implementation of Treasures' Compliance Policy.
 - Hire appropriate personnel for management and security positions.
 - Provide weekly training classes to management and entertainers on the erotic dance code.
 - Conduct background checks on all managers, and on all entertainers who have performed at Treasures at least 20 times within the last 60 days.
 - Conduct undercover inspections of Treasures to weed out "bad apples."

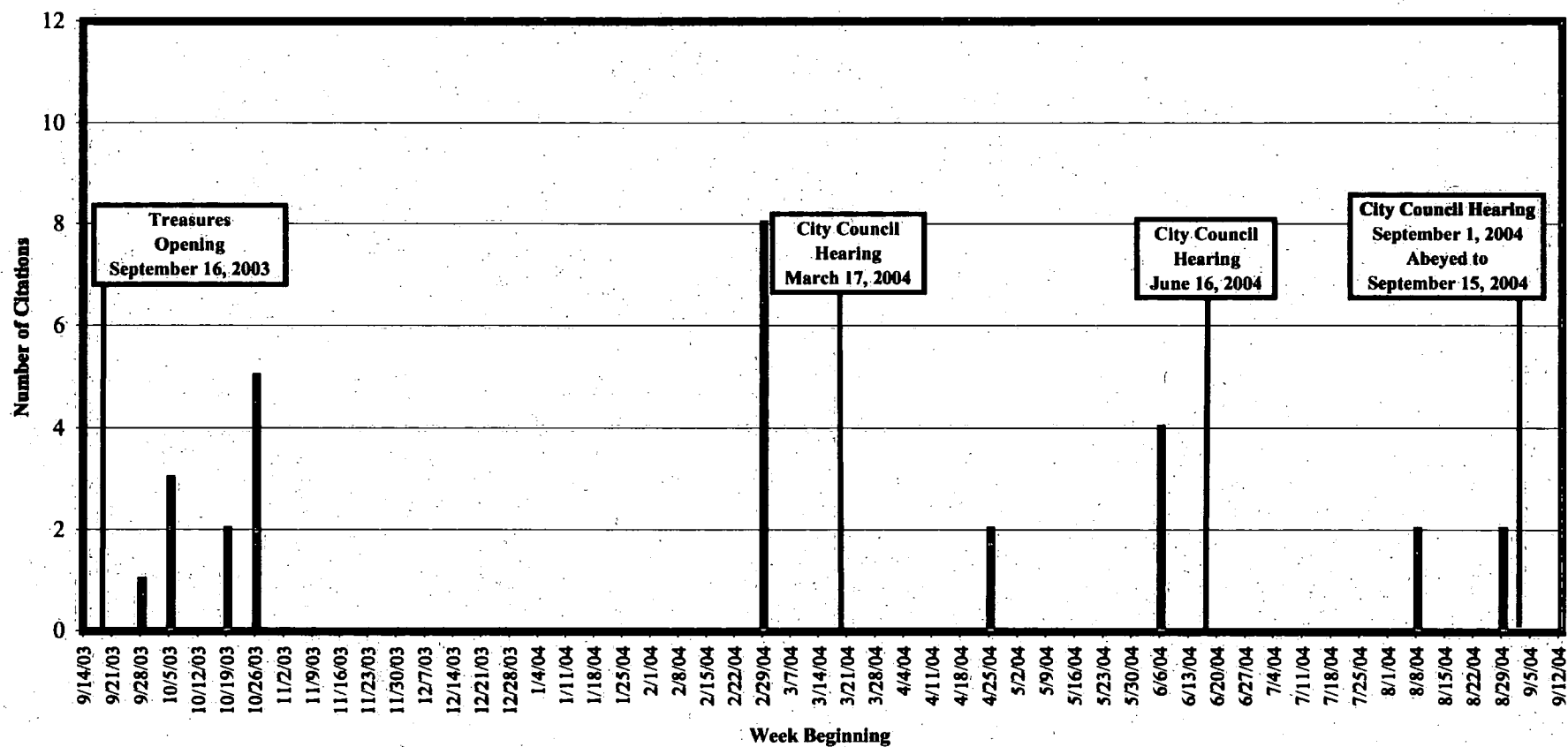
TREASURES
Cross-referenced Chart
Citations/Disciplinary Action

Date	Name of Person/Entity Cited	Citation/Violation	Disciplinary Action
09/30/03	Angela Wise ("Sunflower")	Two counts of solicitation of prostitution	Probation Agreement
10/10/03	Jessica E. Stephens ("Jessica")	Misdemeanor Citation for EDC	Probation Agreement
10/10/03	Carrie S. Spanton ("Mckenna")	Misdemeanor Citation for EDC	Probation Agreement
10/10/03	Denise L. Graham ("Bambi")	Misdemeanor Citation for EDC	Probation Agreement
10/10/03	Melissa T. Blynn ("Brooke")	Misdemeanor Citation for EDC	Probation Agreement
10/24/03	Petra A. Stunova ("Ice")	Misdemeanor Citation for EDC	Probation Agreement
10/24/03	Leona J. Shepherd ("Tia")	Misdemeanor Citation for EDC	Inactive – Has not worked at Club since cited
10/24/03	Vonda Millar ("Vonda")	Misdemeanor Citation for EDC/Work card violations	Probation pending outcome of citation
10/31/03	Barbara Lewis ("Paige")	Solicitation of prostitution/Violations of EDC	Acquitted of prostitution charge; Still on probation for EDC violation
10/31/03	Christina Esteras ("Jackie O")	Misdemeanor Citation for EDC	Placed on probation, terminated one week later
10/31/03	Jessica L. Crockett ("Shawni")	Solicitation of prostitution/Violations of EDC	Terminated
03/05/04	Lucilene Ribeiro ("Luci")	Misdemeanor Citation for EDC	Probation Agreement
03/05/04	Renae M. Ott ("Mary Jane")	Misdemeanor Citation for EDC	Probation Agreement
03/05/04	Susan L. Stio ("Bree")	Misdemeanor Citation for EDC	Probation Agreement
03/05/04	Celisa R. Finnin ("Thumper")	Misdemeanor Citation for EDC	Probation Agreement
03/05/04	Liz Cuero ("Lizzy")	Misdemeanor Citation for EDC	Probation Agreement
03/05/04	Meghan Goodman ("Porsche")	Misdemeanor Citation for EDC	Five month voluntary leave; Probation Agreement
03/05/04	Anna Lawrynowicz ("Kasia")	Misdemeanor Citation for EDC	Probation Agreement
03/05/04	Karie Brown (cocktail waitress, not entertainer)	Citation for Obstruction	Charges dismissed; Probation lifted
03/05/04	Elizabeth Jane Hahn ("Luna")	Misdemeanor Citation for EDC	Probation Agreement
03/05/04	Aminata Diagne ("Carmen")	Misdemeanor Citation for EDC	Probation Agreement
4/30/04	Rozanna Solano ("Raydrianna")	Misdemeanor Citation for EDC	Probation Agreement
05/01/04	Corissa Garberich ("Desire")	Misdemeanor Citation for EDC	Probation Agreement
05/01/04	Rozanna E. Solano ("Raydrianna")	Misdemeanor Citation for EDC	Probation Agreement
06/11/04	Karina Singer ("Karina")	Misdemeanor Citation for EDC	Probation Agreement
06/11/04	Julie A. Zayas ("Neenie")	Misdemeanor Citation for EDC	Probation Agreement
06/11/04	Karin Valverde ("Corina")	Misdemeanor Citation for EDC	Probation Agreement
06/11/04	Susan Stio ("Bree")	Second Citation for EDC Violation	Suspended
08/12/04	Parizan Bazarganvali ("Amaya")	Misdemeanor Citation for EDC	Probation Agreement
08/12/04	Nikki Mortenson ("Honey Jo")	Misdemeanor Citation for EDC	Probation Agreement
	Aschelle Abernathy (shot girl, not entertainer)	Obstructing Police Officer; Selling Alcohol While Intoxicated	Verbal warning, additional training required; Acquitted of Charges
08/27/04	Kendra Andrews ("Kendra Jade")	Misdemeanor Citation for EDC	One-time feature – not at Club anymore
08/27/04	Danielle Turk ("Celeste")	Misdemeanor Citation for EDC	Probation Agreement

As of Sept. 1, 2004	2003		2003		2004 Months		2004		2004		# of Visits
	Months of Operations	Erotic Dance	# of Visits	2004 Solicit Prostitution	# of Visits	Operations	Erotic Dance	# of Visits	2004-Solicit Prostitution		
CLUB A	12	2	2	0	0	8	0	0	2	1	
CLUB B	12	8	4	2	1	8	28	8	0	0	
CLUB C	12	3	2	0	0	8	1	1	0	0	
CLUB D	12	5	3	2	1	8	12	3	0	0	
CLUB E	12	20	6	6	3	8	22	5	0	0	
CLUB F	12	20	4	6	3	8	28	8	0	0	
CLUB G	12	9	2	1	1	8	1	1	0	0	
Treasures	3	10	3	4	2	8	13	6	0	0	

Treasures Citation Tracking

Solicitation
 Erotic Dance Code



**Summary of Houston Citations
Alleged in METRO
Report Dated
December 8, 2000**

Vice Citations

Vast majority of the egregious conduct occurred in 1995. This is 5 years before the report, 8 years prior to Treasure's opening, and 9 years from today's date.

Table Citations

Total Citations noted: 55

1990	Citations:	3	(5.45%)	
1991	Citations:	7	(12.73%)	
1992	Citations:	0	(0.00%)	
1993	Citations:	4	(7.27%)	
1994	Citations:	1	(1.82%)	
1995	Citations:	10	(8.18%)	
1996	Citations:	6	(10.91%)	
1997	Citations:	4	(7.27%)	
1998	Citations:	6	(10.91%)	
1999	Citations:	2	(3.64%)	→ 5 years or older (78%)
2000	Citations:	12	(21.82%)	

HOUSTON CLUB VILATIONS 2001-2004
(Total of All 6 Clubs)

2001	:	3 Citations
2002	:	10 Citations
2003	:	1 Citation
2004	:	9 Citations

Memorandum

City of Las Vegas
City Auditor's Office

To: Bradford Jerbic, City Attorney
From: Radford K. Snelding, City Auditor
Date: September 9, 2004
Re: Treasures - Las Vegas

Bryan Smith for Rad Snelding

OBJECTIVES

The Mayor, City Council, and City Attorney's Office requested the City Auditor's Office review structured withdrawals, payments to dancers and other selected issues related to a gentlemen's club known as Treasures located in the City of Las Vegas.

SCOPE AND METHODOLOGY

Our work was performed in accordance with the City Auditor's Office Operating Instruction OI A.050 and applicable generally accepted governmental auditing standards. Procedures included:

- ▶ Interviewing personnel, and
- ▶ Reviewing records, reports, and other applicable documentation.

Our work was limited to a review of Treasures' 2003 transactions and select documents (i.e., bank records, W2-s, and 1099's) of related businesses in Texas.

BACKGROUND

Treasures is being considered by the Las Vegas City Council for a liquor license. A temporary liquor license was previously granted to Treasures. During consideration of the permanent liquor license, questions arose regarding structured withdrawals from bank accounts to avoid cash reporting requirements, payments to dancers, and the filing of federal form 1099.

A civil lawsuit by the Harris County Texas District Attorney's Office is currently seeking to seize funds held by the applicants as a result of alleged structured payments by their Texas clubs.

As a result of the various questions raised regarding the operations of Treasures and an investigation by the Las Vegas Metropolitan Police, the City Attorney's Office and Finance and Business Services were asked by the Council to review the matter. The City Auditor's Office was asked to provide technical support in the review of financial matters.

REVIEW OF ISSUES

The following is a discussion of issues raised in the review:

STRUCTURED WITHDRAWALS

ISSUE:

- Were structured withdrawals made at Treasures?

CONDITION:

- Structured withdrawals are cash withdrawals made in an attempt to evade the federal currency reporting requirements. Currency reporting requirements require a form to be filed for all cash transactions in excess of \$10,000.
- Routine cash withdrawals below the threshold of \$10,000 may be evidence of structured withdrawals. For example, multiple withdrawals of \$9,999 or less that in total exceed \$10,000 could be structured withdrawals.
- We reviewed bank statements for the five bank accounts associated with Treasures' operations for evidence of structured withdrawals. We identified and reviewed all payments by check greater than \$5,000. We noted no checks written for cash and all payments were found to be business related.
- We noted the Operating bank account established at the opening of Treasures included twelve cash withdrawals from the bank vault (four for \$20,000, five for \$15,000, one for \$14,000, and two for \$10,000). All these withdrawals were for the routine operations of the business.
- We noted the ATM bank account established at the opening of the Las Vegas operation included fifteen cash withdrawals from the bank vault (nine for \$60,000, two for \$40,000, one for \$30,000, and three for \$20,000). All these withdrawals were found to be for replenishment of the two ATM machines located at Treasures.
- We noted that operations at Treasures differed from the operations of the related gentlemen clubs in Texas in that a separate ATM bank account and a Credit Card bank account were established.
- Based on our review, we found no structured cash withdrawals by Treasures.

PAYMENTS TO DANCERS

ISSUE:

- How are dancers paid at Treasures?
- Were 1099s filed for the dancers at Treasures?

CONDITION:

- We noted that federal form 1099's are not filed by Treasures for their dancers.
- Treasures management stated that a 1099 reportable event has not occurred and therefore no 1099's were filed.
- In our review, we noted that this practice is different than what is being done in the related Texas clubs. These clubs file form 1099's for their dancers.
- Treasures management stated that the operations of the Texas clubs are different from Treasures in that customer payments are made to a company representative and payments to dancers are made from these accumulated funds. At Treasures, customer payments are made directly to dancers except in the case of credit card payments.

ADDITIONAL ISSUES**ISSUE:**

- Were valid Social Security Account Numbers (SSAN) reported to the Metropolitan Police Department by Treasures for their dancers?

CONDITION:

- During our review, we found invalid SSAN reported by Treasures to the Metropolitan Police Department.
- On review of the employee list filed with the Police Department, we noted 23 SSANs out of 486 dancers were invalid. Among these SSANs, eight had the same repeating number (i.e., 111-11-1111).
- We noted fifteen SSANs that were not valid numbers.
- Treasures management stated that these invalid SSANs were due to incorrect information provided to them by the dancers or data input errors.

CONCLUSION

In conclusion, we found the following:

- No structured cash withdrawals by Treasures were identified.
- No form 1099s were filed for Treasures' dancers.
- Several invalid SSANs were identified.



SHINDEL SCHEUER & ROCK, P.C.

Certified Public Accountants

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DAVID H. SHINDEL
KATHY A. SMITH
TRICIA I. WALTERS
ROBERT C. WEIDR
STEVEN M. WISINSKI

September 9, 2004

Mr. Mark H. Fiorentino
Kummer, Kaempfer, Bonner, & Renshaw
Seventh Floor
3800 Howard Hughes Parkway
Las Vegas, NV 89109

Regarding: D. Westwood, Inc., dba Treasures

Dear Mr. Fiorintino,

We have been retained by counsel for purposes as follows:

1. To provide tax research regarding IRS Form 1099 reporting requirements relating to transactions occurring within a gentlemen's club.
2. To provide data on industry standards for gentlemen's clubs located in Clark County, Nevada.

QUESTIONS:

Specifically, we have been asked to answer the following:

Question 1: Pursuant to the agreement between independent contractors who perform entertainment services (hereinafter referred to as "Entertainers") and D. Westwood, Inc. dba Treasures (hereinafter referred to as the "Club") is the Club required to file IRS Forms 1099 when it exchanges club-issued scrip (referred to as "Dance Dollars") turned in by the Entertainers for cash?

Question 2: Do other gentlemen's clubs located in Clark County, Nevada have similar arrangements with the entertainers as does the Club, and, if so, do these clubs issue Forms 1099 to these entertainers?

FACTS

The Club is a gentlemen's club located in Clark County, Nevada. The Club has executed independent contractor agreements with outside entertainers to provide lawful entertainment to patrons at the Club.

For a fee charged by the Entertainers, the patrons of the club may request a specific Entertainer to perform for them. The Entertainer is compensated by the patron using cash or club-issued scrip (the "Dance Dollars"). To purchase these "Dance Dollars," the patron must complete a request form indicating the dollar amount desired and provide a valid drivers license and credit card. When the "Dance Dollars" are purchased, the patrons are charged an amount equal to the face value of the "Dance Dollars" plus an additional 10% service fee. The Club makes a copy of the driver license, charges the requested amount (along with the 10% service fee) to the patron's credit card, returns the patron's credit card and driver license, and gives the patron the "Dance Dollars" he purchased.

Entertainers that are compensated with "Dance Dollars" may, at the end of their shift, exchange these "Dance Dollars" for cash from the Club. The Club charges the Entertainers a 10% service fee based on the face amount of the "Dance Dollars" exchanged.

ANALYSIS

Question 1: The issue of revenue recognition and Form 1099 reporting requirements, as they explicitly relate to the exchange of scrip between the Club and Entertainers, has been extensively litigated, as documented in the following cases:

- Marlar, Inc. v. U.S. [98-2 USTC ¶50,619]
- JJR, Inc. v. US [97-1 USTC ¶50,411]
- Howard's Yellow Cabs, Inc. v. U.S. [97-2 USTC ¶50,694]
- Manchester Music Company, Inc., v. U.S. [90-1 USTC ¶50,168]
- ACME Music Company, Inc. v. IRS [96-2 USTC ¶50,391]

-In *Marlar, Inc. v. U.S.*, an adult club that treated its dancers as lessees, rather than employees, was entitled to relief from the payment of employment taxes under the safe harbor provisions of section 530 of the Revenue Act of 1978 (P.L. 95-600) [hereinafter referred to as "Section 530"]. For a taxpayer to utilize these safe harbor provisions, certain requirements must be met, one of which is that *all* required reporting must be complied with. The government's position in this case was that the taxpayer was not allowed to utilize Section 530 relief because it failed to issue Forms 1099 for cash it paid

to dancers in exchange for scrip. *The court, however, determined that the club did not fail to meet this requirement as it determined that the club made no "payments" to the dancers that would require information reporting (Forms 1099) when it exchanged cash for scrip. The court went on to say that although the club issued scrip that was exchangeable for cash, the club was merely a conduit or disburser of funds, not a payor. [Italics added for emphasis].*

-In *JJR, Inc. v. U.S.* the court held that a nightclub owner was not liable for employment taxes with respect to dancers who performed at his club because they fell within the safe harbor provisions of Section 530. One of the government's arguments in this case was that the taxpayer was not allowed to utilize Section 530 relief because it failed to issue Forms 1099 for cash it paid to dancers in exchange for scrip. The dancers received cash payments directly from club customers and there was no sharing or accounting to the owner. If a customer wished to use a credit card, the club issued scrip which could be used by the customer to pay the dancers. The dancers could then redeem the scrip for cash, for which the club charged the dancer 10% of the face amount of the scrip. *The club contended that the fee represented the cost of processing the charges and that it undertook credit card transactions as an accommodation to the customers, not on behalf of the dancers.* The court determined that this arrangement did not constitute "payments" to the dancers such that would require the issuance of Forms 1099. [Italics added for emphasis].

-In *Howard's Yellow Cabs, Inc. v. U.S.* the court held that a cab company's fare splitting arrangement with the drivers did not constitute "payments" which would require the filing of information returns (Forms 1099). The cab company and the drivers had a 50/50 fare arrangement whereby some fares were collected in cash and retained by the driver and some fares were contracted by and remitted to the cab company. The cab company and the drivers also split the cost of fuel on a 50/50 basis. Additionally, drivers kept the tips they received from both the cash fare passengers and the contracted fare passengers. The cab company and the drivers would "settle up" approximately weekly whereby both parties determined the total amount of fares during the period (the cash fares collected by the driver and the contracted fares incurred during the period) and the amount due from the driver for his share of the fuel expense. The driver and cab company then determined the amount of money which the driver owed to the cab company or which the cab company owed to the driver in accordance with their split fare arrangement. At no time during the course of these transactions did the cab company physically handle the drivers' portion of the cash collected from the cash fares.

The government's position was that payments made by the cab company to the drivers to "settle up" the fare splitting arrangement were "payments" that required the issuance of Forms 1099, and since no Forms 1099 were issued, the cab company was not entitled to Section 530 relief. Based on the overall arrangement, however, the court determined that the cab company never had actual title to any more than 50% of the amounts which it collected for the contracted fares or 50% of the amounts which was collected by the drivers for the cash fares. Thus, any monies transferred by the cab company to the

drivers (or visa versa) were not "payments" subject to informational reporting (Forms 1099).

Accordingly, the cab company was entitled to relief from liability for past employment taxes under Section 530 as follows, even though it did not issue Forms 1099 for the drivers: the cab company filed all required tax returns consistent with its treatment of its drivers as independent contractors; it did not treat any of its drivers as employees during the relevant period; and it had a reasonable basis for treating its drivers as nonemployees in light of its reliance on industry practice, an independent contractor agreement, and advice from its accountants, attorney and a state (North Carolina) employment security commission.

-In *Manchester Music Company, Inc. v. U.S.* the government was unsuccessful in its argument that that the division of proceeds received from amusement machines owned by the taxpayer and the owners of the establishments where such machines were located, were "payments" made by the taxpayer, and, accordingly, the taxpayer should have filed information returns (Forms 1099). Manchester Music had entered into agreements with the owners of several establishments whereby 1) it agreed to install mutually selected amusement devices on the proprietors' premises in exchange for the owners' agreements to exclusively use Manchester Music's machines, and 2) both parties were to share equally in the proceeds, as well as, the expenses for the use of the machines.

Neither party had sole access to the machine proceeds, and, thus, the division of proceeds could only take place with both parties present. Accordingly, the court determined that the arrangements were in essence, independent joint ventures, and that only half of the proceeds to which Manchester Music had a right could be considered income to it and the "transfer" of the other portion to the owners of the establishments are not payments for purposes of informational reporting under I.R.C. section 6041(a). The court determined that the same conclusion could be reached based on the legal definition of the term "payment," whereas at no point in time did Manchester Music ever exercise "possession, dominion, or control" over the funds which ultimately wound up in the proprietors' hands (since the funds remained in the machines until the time they were counted and divided by both parties together and neither party had access without the consent of the other).

-In *ACME Music Company, Inc. v. Internal Revenue Service*, the facts of the case mirrored that of Manchester Music case, for purposes of our analysis, except that the proprietors did not share in the expenses of the machines. The court determined that, even though a joint venture did not exist, the division of the proceeds from the coin-operated machines between the taxpayer and the proprietors did not constitute "payments" by the taxpayer that were subject to information reporting requirements. The court determined that the taxpayer did not exercise "possession, dominion, or control" over the funds which ultimately wound up in the proprietors' hands: although the taxpayer had exclusive access to the machines, it did not have unilateral access to the establishments where the machines were located, and the proceeds from the machines were divided at a mutually accorded time with representatives of both parties present.

The court also determined, as it did in the Manchester Music case, that the taxpayer only possessed a right to a portion of the receipts collected from the machines.

Question 2: Shindel, Scheuer & Rock CPA, PC currently provides full accounting and tax related services to three adult clubs located in Clark County, Nevada. These clubs' treatment of their dancers is consistent with that of Treasures.

Shindel, Scheuer & Rock, CPA, PC also represents over 100 adult businesses located throughout the United States, Canada and Europe. Businesses represented include alcohol and non-alcohol lounges, arcades, bookstores, and theatres. In representing these businesses, Shindel, Scheuer & Rock, CPA, PC has provided, on numerous occasions, litigation support involving criminal proceedings, independent contractor disputes, damage reports, business valuations, forensic services, speaking engagements, expert witness testimony, bookkeeping, and accounting and tax services.

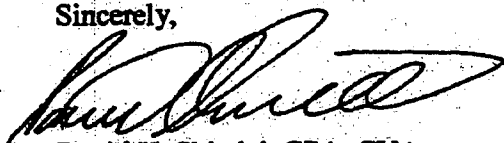
As a footnote to the discussions above, I.R.C. section 6721 provides for penalties to taxpayers and/or their professionals for issuing Forms 1099 with incorrect information. Based on our knowledge of the adult entertainment industry, the analysis cited above, and our direct involvement in three audits and subsequent litigation (*Taylor Blvd. Theatre v. U.S.*, 98-2 USTC 50,521, *Déjà vu Entertainment Enterprises of Minnesota, Inc. v. U.S.*, 98-2 USTC 50,521, *Cinema Art Theatre of Springfield, Inc. v. U.S.*, 99-1 USTC 50,424), if we were to advise an adult club to issue Forms 1099 for the scrip exchange transaction discussed above, we and/or the club could be exposed to the penalty provisions under I.R.C. section 6721.

CONCLUSIONS:

- 1 Based on the above information and analysis, the Club is not required to issue Form 1099 to the independently contracted Entertainers for the exchange of the Entertainers' scrip for cash.

Based on our representation of three clubs located in Clark County, Nevada, there are other clubs in that county which have similar arrangements with the entertainers as does the Club. Additionally, these clubs do not issue Forms 1099 to these entertainers for the exchange of scrip for cash.

Sincerely,



David H. Shindel, CPA, CVA

As of Sept. 1, 2004	2003 Months of Operations	2003 Erotic Dance	# of Visits	2003 Solicit Prostitution	# of Visits	2004 Months of Operations	2004 Erotic Dance	# of Visits	2004 Solicit Prostitution	# of Visits
CLUB A	12	2	2	0	0	8	0	0	2	1
CLUB B	12	8	4	2	1	8	28	8	0	0
CLUB C	12	3	2	0	0	8	1	1	0	0
CLUB D	12	5	3	2	1	8	12	3	0	0
CLUB E	12	20	6	6	3	8	22	5	0	0
CLUB F	12	20	4	6	3	8	28	8	0	0
CLUB G	12	9	2	1	1	8	1	1	0	0
Treasures	3	10	3	4	2	8	13	6	0	0

Submitted at City Council
Date 9/15/04 Item #86

CITY COUNCIL MEETING OF
September 15, 2004

VERBATIM TRANSCRIPT — ITEM 86

**DISCUSSION AND POSSIBLE ACTION REGARDING A SIX MONTH REVIEW OF A
TAVERN LICENSE, D. WESTWOOD, INC., DBA TREASURES, 2801 WESTWOOD
DRIVE**

Appearance List:

OSCAR GOODMAN, Mayor

GARY REESE, Mayor Pro Tem

MICHAEL MACK, Councilman

BRAD JERBIC, City Attorney

LARRY BROWN, Councilman

STEVE WOLFSON, Councilman

JOHN REDLEIN, Assistant City Attorney

JIM DiFIORE, Business Services Division

MARK FIORENTINO, Attorney, representing D. Westwood, Inc.

BARBARA JO RONEMUS, City Clerk

LAWRENCE WEEKLY, Councilman

TOM DILLARD

GARY SCHOFIELD, Las Vegas Metropolitan Police Department

ROB WILLS, Lieutenant, Las Vegas Metropolitan Police Department

JANET MONCRIEF, Councilwoman

(11:05 – 1:55)

2-977/3-1/4-1

2 hours 50 minutes

Typed by: Vicky Darling/Gabriela S. Portillo-Brenner/Ydoleena Yturalde

Proofed by: Gabriela S. Portillo-Brenner/Angela Crolli

**CITY COUNCIL MEETING OF
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28 **MAYOR GOODMAN**

29 Our next item is Item 86, which is discussion and possible action regarding a six month review
30 of the tavern license for D. Westwood, Inc., doing business as Treasures, located at 2801
31 Westwood Drive, in Ward 1. And, the reason I introduced you youngsters at this time is this is a
32 matter which pertains to what is referred to as a gentlemen's club and there could be testimony
33 and presentations which would be of a – sexual nature. And you're certainly mature enough to –
34 appreciate the – purpose of these proceedings, but, for the viewers at home, they might want to
35 be a little sensitive to what's becoming, in the coming – minutes.

36 I, myself, am going to abstain. I asked for a written opinion from our City Attorney's office
37 concerning this item. Item 86 involves the review of a tavern license for Treasures. I informed
38 the City Attorney that my son, Ross, had been retained to represent certain of the employees at
39 Treasures who have been charged with certain activities, which will probably be the subject of
40 discussion here. And, because of the Council's action, either in approving or denying the license
41 application, this could affect Ross' future business relation with Treasures. So, I believe that
42 under NRS 281.5012, that this is the type of matter which is contemplated for purposes of
43 abstention. And, in light of those representations to the City Attorney's office, I have been
44 advised that I should abstain. I – want the record to reflect that I've had no discussions with
45 members of my Council concerning this. And, at this time, I'm going to turn it over to the
46 Mayor Pro Tem to conduct the proceedings, and I'm going to excuse myself so there's no
47 appearance of impropriety.

48

49 **MAYOR PRO TEM REESE**

50 Thank you, Your Honor.

51

52 **COUNCILMAN MACK**

53 Mayor Pro Tem?

54

55 **MAYOR PRO TEM REESE**

56 Yes, Sir? Councilman Mack?

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57 **COUNCILMAN MACK**

58 I'd like to also submit, for the record, I think, Brad, you've turned in an original to Roni? The
59 same disclosure, in – essence, but my disclosure's a little different. Treasures is a client of Mack
60 Consulting, a company that I own. We do the marketing and public relations for Treasures. I
61 believe this is a – clear conflict of interest, so I'll be abstaining and having any discussion on this
62 item, and I'll be removing myself as well.

63

64 **MAYOR PRO TEM REESE**

55 Thank you, Councilman Mack. This is an item that I think needs to have closure today, for many
66 reasons, and I want the – Councilmembers to realize and understand that, please, if there are any
67 questions you want to ask, please feel free to ask questions any time you want. I want to make
68 sure that we all have a complete understanding of what's gone on before and what we need to do
69 here today. So, we're not under any time, timeline. We got all day, if that's what it takes. But I
70 want to make sure that we all have a – pretty good idea of what we need to do, when the
71 hearing's over.

72 I've kind of outlined, in my mind, what I would like to see here today. I think Mr. Jerbic should
73 go first with staff. I would ask Brad to please explain the importance of today being the drop-
74 dead day. I – think it's important that we understand how the license was – obtained, when it
75 was obtained. I – expect staff to make a thorough presentation first, and then I will allow the
76 Councilmembers to ask questions, if they so desire, at that time of staff. And then we'll have the
77 applicant's attorneys step forward and – make their presentation, and then, again, we will allow
78 the Councilmembers to ask questions of them, and then if there's any rebuttal, I would like it to
79 go through the – Council, or the – Mayor, Mayor Pro Tem and the Council here, up here on the
80 dais. Are there any questions? Councilmembers, are there any questions? Okay. Mr. Jerbic.

81

82 **BRAD JERBIC**

83 Thank you, Mr. Mayor Pro Tem, members of Council. A couple of housekeeping matters first. I
84 wanted to make a record that both the abstention of Councilman Mack and the Mayor were
85 sought by our office prior to their putting it on the record today. They did receive written

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86 opinions in advance of their putting it on the record, and I have filed both of those written
87 opinions with the City Clerk.

88 I would also like to note that under Tab 7, in a book that I provided to each of you, for the
89 record, I'm going to be referring to this binder that I provided each member of Council and Mr.
90 Fiorentino, which is titled Treasures, it's got seven tabs. The last tab has an updated erotic dance
91 club statistics sheet in it. There was a slight error in a couple of the columns. Their numbers
92 were off by just one or two for the clubs. I don't know that it was significant, but to correct the
93 record, I'm gonna file with each member of the Council now a corrected copy of the statistics.

94

95 **MAYOR PRO TEM REESE**

96 But, again, Mr. Jerbic, when I was going through this huge folder here, I noticed also, and I had
97 questions about the violations. But the thing that sticks out in my mind is is that some of them
98 had a lot more violations than other clubs. But, again though, all the visits, those that had less
99 violations had less visits. So, I think, if we would have went through here and had ten visits, ten
100 visits, ten visits, ten visits, I think that our violations would have been about the same.

101

102 **BRAD JERBIC**

103 Right. As a matter of fact, I'm – going to tell you, the Councilmembers, that I do not intend and
104 never intended to make this hearing a comparison of the clubs around town. Staff is not going to
105 stand up here and argue to you that you can tell a major difference between statistics between
106 clubs. Objectively speaking, just looking at these numbers, Treasures is certainly no where near
107 first when it comes to prostitution citations in 2003 or 2004, and, at best, they are in fourth place
108 when it comes to erotic dance citations when it comes to 2003/2004. So staff's not gonna stand
109 up here and argue that. I told Mr. Fiorentino that that was not an issue that we were going to
110 present to the Council today. If the Council wants to go into it, it's your prerogative, we'll be
111 glad to address it appropriately at that time. This morning's presentation is gonna focus solely,
112 from staff's point of view, on what we consider the suitability of the applicants.

113 I know that we have two members of Council that are here that were not here, Mr. Mayor Pro
114 Tem, at the time that this application was originally considered. So, with your permission, I'll

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115 just go back in time a moment. I'll try and keep this as brief as possible. Keeping in mind what
116 the Mayor said, if –

117
118 **MAYOR PRO TEM REESE**
119 No, I – wanna make sure that they understand the importance of what we, what we're doing here
120 today, so take your time.

121
122 **BRAD JERBIC**
23 I appreciate that, Mr. Mayor Pro Tem. I would also like to reiterate, for anybody who has got
124 children watching this right now, it's a good time to switch to the Cartoon Network. I'm going
125 to have to read portions of the Metro report, which will refer to sexual conduct in the clubs in
126 Houston. I'm going to keep it brief, but I think Mr. Mayor Pro Tem and the Council understands
127 that I need to make a record, not for this Council, but in the event that there is a motion for
128 denial, I need to make a record for the District Court, if there's a lawsuit. So, please bear with
129 me.

130 On February 21st, two thousand and one, Ali and Hassan Davari appeared before the Las Vegas
131 City Council seeking approval for a change of ownership and business name for a tavern license
132 from Ranger Building Corporation to Westwood, D. Westwood, Inc., doing business as the
133 Board Room. That was the original application that appeared before the Council in –, excuse
134 me, in February of 2001. Prior to that application being considered, the Metropolitan Police
135 Department prepared a report dated December 9th, two thousand and one. It is Tab, excuse me,
136 the transcript of that hearing is Tab 1 in your index and that report itself is Tab 5 in your index.
137 As I go through this presentation this morning, I'm going to refer to tabs and page numbers so
138 that everybody can follow along.

139 The Las Vegas Metropolitan Police Department presented a report that looked at nine clubs
140 owned or at one time owned by the Davaries in the United States and one in Canada. Sergeant
141 Reagan Alexander, on behalf of the Metropolitan Police Department, indicated that the
142 investigation revealed seven general areas of concern. If you'll turn to Tab 1, Page 2, Sergeant
143 Alexander stated, and I'll repeat, 1) concerns regarding discipline acts or acts that would
144 constitute a crime; 2) concerns regarding unlawful, blatant and discon – and continued sexual

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related activity; 3) concerns over a documented high volume of calls for police services; 4) concerns regarding incomplete or misleading information in the application for this license that they have presented to the City as well as to us; 5) concerns regarding affidavits which were introduced into evidence during a revocation hearing regarding one of the businesses; 6) concerns identified during an onsite visit by our detectives, which was as recent as October of last year, that's October of 2000, of the clubs owned by the applicants; and 7) he says, which is not in the report, but which is the most recent information, concerns regarding unlawful activity as recent as three weeks ago as reported to the Las Vegas Metropolitan Police Department by the Houston Police Department. At the end of Mr., Sergeant Alexander's presentation, there was a recommendation for denial.

Today, I am going to present on behalf of staff a recommendation for denial based on three reasons. And I'll start with the first reason, which is past conduct and areas of concern from the February 21st, two thousand and one, report. By way of the Metropolitan Police Department's report, we know that the Davaries started in the adult entertainment business in 1986 with a \$12,000 investment that has turned into a multi-million dollar corporation. Rather than repeat the Metro report of 2/21/01, let me turn to the Confidential Report of 12/8/0 – of, excuse me, of December 8th, 2000. That is Tab 5 in your binder.

If you'll turn to Page 3 of Tab 5, you'll note the first reason the Metropolitan Police Department recommended denial, and staff joined in that recommendation, was discipline acts which would constitute a crime. These are under Las Vegas Municipal Code 6.06.120c and 6.06.250b(56). The Texas Alcoholic Beverage Commission has performed several enforcement actions at the applicants' clubs. There were a total of 27 inspections which resulted in the Texas Alcohol and Beverage Commission finding 55 violations. Of these violations, ten were criminal in nature, eleven were settled with a warning being issued for, the remaining thirty-four were administrative cases against the liquor license. For these thirty-four violations, the applicants were given an option of closing their doors for a total of one hundred sixty-six days or pay a fine in lieu of closing of \$28,400. The applicants chose to pay the fine. The complete breakdown, it follows:

On Page 4, 5 and 6, you will see the violations as noted by the Texas Alcohol and Beverage Commission. I'm not gonna read all of them, but, as you can see, they occurred at numerous

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clubs, all owned by the applicants. They included numerous citations for public lewdness, sexual conduct, obscene act, lewd/immoral sex offense, sale/delivery of drugs by an employee and possession of alcoholic beverage unfit for consumption. Those were the reasons for the first recommendation for denial.

The second reason for denial begins on Page 6 of that same report. And that is the application was incomplete or misleading. Turning to Page 6, neither of the applicants listed any of the following information on their personal history application, under the licensing history section, question number 20. And the question was, have you ever appeared before any licensing agency or similar authority in or outside the State of Nevada for any reason whatsoever? That was an unanswered question by the applicants, and, as you will see clearly, they had and there may have well been a motive for them not answering that question.

The Vice Section of the Houston Police Department is responsible for the enforcement of an (sic) adult clubs. The applicants have owned seven of the above listed clubs within the Houston Police Department jurisdiction. In May of 1996, the City of Houston proceeded with a revocation hearing against Centerfolds, Gold Cup and Solid Platinum, all owned by the applicants, with intent to revoke their sexually oriented business license. The Houston Police Department Vice Section had conducted numerous undercover operations, which lead to the City of Houston filing to revoke the SOB license of the listed clubs.

Here are the statistics of the investigation conducted from September 28th, 1994, through September 18th, of 1996. There were one hundred and seventy-seven dancers contacted. Of them, one hundred and thirty-four were arrested, 24 had warrants and 21 were found not to be in violation. Of those arrested, 86.39% were convicted. The charges were usually one of four; public lewdness, prostitution, aggravated promotion of prostitution or indecent exposure. The arrest statistics from the Houston Police Department Vice Section showed that 15 of other area clubs had an average of 15.8 arrests per club. The average for Centerfolds, Gold Cup and Solid Platinum were 51 each. Of the other one hundred and nineteen SOBs in the Houston area, only Michael's International had more than 40 arrests. Then the following pages refer to the breakdown statistics for each of the clubs.

At the time the Texas Alcohol and Beverage Commission held their hearing, a number of affidavits were introduced as evidence in support of the position that the license should be

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205 revoked. Summaries of those affidavits begin on Page 8 of Tab 5, and I'm not going to read all
206 of them, but I – think I just need to give you a flavor for some of them. First, while in the
207 Champagne Room, this, these are from affidavits now. While in the Champagne Room of
208 Centerfold, (sic) the danner (sic), dancer unzipped my pants and performed fellatio on me. Next,
209 Ronnie Greenwald (sic), 'road, manager of Centerfolds, would allow the dancers to perform
210 fellatio on the customers. Next, I had been going to Centerfolds for about five years. A female
211 dancer put her hands in my pants and masturbated me. Next, when I was in the Champagne
212 Room at Centerfolds, about 75% of the time, I would engage in sexual conduct with a dancer.
13 Next, when I went to work for Centerfolds, no one ever told me what I could or could not do.
214 Customers into the Champagne Room, go into the Champagne Room 'cause they know they can
215 get sexual favors and not be bothered by anyone. Condoms were never used.
216 Next, at Centerfolds I was very aware that Mr. Greenroad allowed the dancers to perform fellatio
217 on the male customers or masturbate them. Mr. Greenroad would turn the other way while the
218 dancers engaged in prostitution activity and would tip him later. Continuing on, in each case the
219 girls would give Mr. Greenroad \$20 or \$50 a day. Mr. Greenroad has a set of girls referred to as
220 the A Team. These nine girls would engage in sexual intercourse, perform fellatio, masturbate
221 customers and perform cunnilingus on each other as a show for the customers. The other set of
^22 girls was called the B Team that merely masturbated customers. There was no standard fee, but
^23 usually a girl got \$200 for intercourse, \$150 for fellatio, \$75 to \$100 for masturbating the
224 customer, and that was from 1995.

225 Next, Centerfolds, at the Champagne Room, I observed some of the female dancers were
226 performing fellatio on customers. Next, at Centerfolds, in the Champagne Room, a dancer
227 masturbated me. Next, I could see dancers having sex with their customers in the Champagne
228 Room. Dancers do drugs in the club. I had sexual intercourse one time in the Champagne
229 Room. And then we finally end with the observation, and this is by the Las Vegas Metropolitan
230 Police Department that went to the Houston City Attorney's office and viewed photographs and
231 they make the note, and I quote, on Page 9, while in Houston, I observed photos at the City
232 Attorney's office that showed the semen stains and used condoms on the floor that are referred to
233 in the above affidavits. That was the third recommendat (sic), third reason for recommending
234 denial, as contained in the report of December 2000.

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The third recommendation was the application was incomplete or misleading regarding discipline acts, constituting a crime under Las Vegas Municipal Code 6.06.120c, 6.06.250b(1). Neither of the applicants listed any of the following information on their personal history application under the licensing history section, question 20. The listed clubs agreed to a settlement with the City of Houston. The terms of the agreement are as follows: On Page 10, under Tab 5, you'll see the Gold Cup agreed to a suspension of its sexually oriented business license for a period of 20 days and agreed to pay a 50, \$50,000 fine. Centerfolds agreed to a 20-day suspension of its sexually oriented business license and agreed to pay a \$50,000 fine. Solid Platinum did not agree to any period of suspension, but agreed to pay a \$100,000 fine.

Members of Council, when you add the money up on Page 10, along with the fines on the previous pages, from what we could tell, as of that report in December of 2000, the Davaries had paid over two hundred and twenty-eight thousand dollars in fines to the City of Houston or to the State of Texas as a result of their conduct at their clubs, but never had a license revoked.

I would also note in the report that when the, when you fill out a background check for the City, you have to let your net worth and your – liabilities. Each of the Davari brothers have listed assets amounting to more than \$40 million apiece. I would submit to you that 28, \$228,000 in fines with over \$80 million in assets combined is a mere drop in the bucket.

The Metropolitan Police Department traveled to Houston in the year 2000 when they were preparing this report and made some observations on their own regarding the management of the clubs. If you'll turn to Tab 1, Page 16 to 17, I begin with Detective John Laretto's presentation before the Council on February 1st, 2001. It's at the bottom of Page 16 and it begins, well, we're there in October and the Houston Lieutenant is sitting, we're sitting down at a table and four and one of the female dancers comes up and sits in the Lieutenant's lap, at which time she takes his hand and sticks it between her legs. Now, shortly, after she begins, she then gets up to perform a dance for myself, which she rubbed her body all over me in violation of the three-foot rule. Stopping here for a moment, keep in mind that Houston, unlike Las Vegas, has a distance requirement. There's a three-foot distance separation between the dancers and the patrons. In Las Vegas, if we get to a part of the presentation where we're talking about lap dances, there is no physical distance separation. You're merely not allowed to fondle or caress during the course of a lap dance. But that's the only limitation we have in our local code regarding lap dances. In

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265 Houston it is a three-foot distance separation. This is a pretty easy call on behalf of the police
266 department.

267

268 **MAYOR PRO TEM REESE**

269 Mr. Jerbic, if I could, please. Why don't we have a three-foot separation here in Las Vegas?

270

271 **BRAD JERBIC**

272 It is a policy call by the City Council. I can tell this Council that when we adopted the Erotic
13 Dance Code, probably about ten years ago, there was an active discussion as to whether or not
274 there should be a distance separation. And, based on the testimony from the club owners and
275 based on the discussion by the City Council, there was a decision by this Council not to have a
276 distance separation.

277

278 **MAYOR PRO TEM REESE**

279 Not by this Council, but the Council that was sitting.

280

281 **BRAD JERBIC**

282 The Council at the time, that's correct. That's correct, Mr. Mayor Pro Tem. I can also tell you at
283 the time that the County had adopted a very similar code. In fact, we copied ours from the
284 County. But they adopted a no-touch requirement. We didn't have that. Prior to the City
285 Council considering the Erotic Dance Code ordinance, the District Court had stricken down the
286 County's no-touch provision, finding that it was constitutionally vague and ambiguous, because,
287 as you know, you sometimes touch a dancer when you're tipping her. You sometimes touch a
288 dancer when you give her money for a drink. And, because it didn't differentiate between sexual
289 touching and – non-sexual touching, the District Court felt that it was unconstitutional and struck
290 down the County's provision at that time, which prohibited touching. That, that's the history as I
291 recall it.

292

293 **MAYOR PRO TEM REESE**

294 (inaudible)

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295 **BRAD JERBIC**

296 Continuing on with the Council's permission, she also grabbed my genitalia, clothed genitalia,
297 and then she was paid for the dance, and she left the table. I asked the Lieutenant, you know,
298 about his hand being between her legs, and he explained to me that she actually penetrated her
299 own vagina with his thumb under her G-string that she was wearing and that he had to get up and
300 wash his hands because of this. And we then proceeded, we left the club. We sent this thing was
301 (inaudible), as far as violations of the three-foot rule, nobody was in observance of that. You can
302 continue to read on, but that was the conclusion, that was the specific observations made by our
303 Police Department when they traveled to Houston in the year 2000.

304 As a result of those reports, as I stated earlier, the recommendation from staff was to deny the
305 permanent license and the transfer of the license to D. Westwood, Inc., doing business as the
306 Board Room at the time.

307 The, there's been much discussion about what standard has been set, as a result of the Council's
308 action, so let me go back in time and – refresh everybody's memory as to what happened at the
309 Council meeting. If you'll turn to Page 24 of Tab 1, that is the page where the Mayor offered,
310 made the first statement and said, of course, Mr. Jerbic, and answering Councilman Reese's
311 inquiry, I'm gonna address the Davari brothers with this, 'cause I'm gonna make them an offer
312 they may want to refuse. As that conversation continues, there was an offer, eventually, to offer
313 a temporary license to the Davari brothers on the condition that there not be a conviction for
314 either an act of prostitution or an act of sexual activity. Mr. Fiorentino, who will appear before
315 you in a moment, represented the Davaries at the time. They were in the audience at the time. If
316 you view the audio, view the video tape, there was conversation between Mr. Fiorentino and the
317 Davaries and Mr. Fiorentino put on the record, on Page 29, and I quote, here's what I've told
318 them and what they have agreed to do, that any citation that was remotely close to the first part
319 of your report, where people were talking about illegal, inappropriate sexual activity, that a
320 single citation was gonna result in you telling them they can't keep their license any more, and
321 they're willing to commit to that.

322 Mayor Goodman, single citation of a sexual, like it what was described by the officer? That
323 would be the bar? Answer, yes. Okay, fine. Very good.

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Mr. Fiorentino, they're here to pledge to you that there will be no prostitution related activity, no drug related activity, that sort of thing. The Mayor, no, I don't care about that. I appreciate that, I'm not particularly concerned about their pledge at this time, but a single citation, they're agreeing, will result in a revocation of a license that they're actually paying seven point million dollars for? Yes.

Let me clarify at this point in time, the – license did not cost the Davaries \$7.4 million. When their application, they indicate they paid \$2 million for the property and \$2,250,000 for the use permit and the license. The \$7.4 million that's referred to in the transcript, I believe, is what the Davaries estimated would be their investment in removing the existing building and building the new club known as Treasures.

As the conversation continued on Page 32, it changes from citation to conviction. This is Mr. Fiorentino, and I'll go to the very bottom of the paragraph. That a single conviction will result in them losing their license. They understand that as clearly as I can make it to them, 'cause I told them a hundred times, and they can tell you themselves if you want to hear it from them. The Mayor remarks that it's either being pregnant or not, with respect to a conviction.

On Page 33, going to the Mayor, and – by the way, if the, if Mr. Fiorentino or the Davaries (inaudible) all parts of this read into the record, that's fine. I'm just cutting to what I think are the relevant portions that get to the conclusion that this was a condition of their temporary license. Mayor Goodman, on Page 33, okay, where it talks about prostitution, it talks about masturbation, a lot of things that are illegal under our laws here. If there's one conviction that you agree that you will have your license revoked, is that, do I understand that? Sir, now this is the Davaries now having a conversation with the Mayor. Where there's a discussion as to whether or not knowledge would be attributed to them even if they weren't here, and, eventually, they agreed to the standard that was set by the Council. Councilman Brown says, and, again, I agree with where you're heading with this. We're on Page 35 now, at the end of the page. If we raise the bar and hold this application to that standard of one conviction, zero tolerance, then do we also raise the bar and hold other licensees to the same standard? The Mayor, I'm not sure how to answer that. The reason I'm even suggesting this is because of their history.

I made a representation to Mr. Fiorentino prior to this presentation today, and I told him I would make the same presentation, same statement to the Council. They think that that statement is

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354 very relevant. I do not think that anybody on staff or the Metropolitan Police Department would
355 recommend the revocation of any existing strip club's liquor license based on one conviction for
356 prostitution, unless the owners or managers were absolutely complicitious in it. It is somewhat
357 inevitable that, because of the nature of the industry, this kind of conduct will occur. It is hard to
358 prevent when you have independent contractors. It, or people they call independent contractors.
359 It's hard to prevent when you have people highly motivated to make money in the sex business.
360 But, in spite of that fact, the fact is that because of the abhorrent record in Houston, and
361 everybody went into that hearing knowing full well what that record was, they agreed to that
52 higher standard, probably even knowing that they would not be able to meet it. But it was
363 abundantly clear it was not an act of ignorance on behalf of their attorney, it was not a flip
364 promise, it was a deliberate process that, as you can see over pages of transcript, involved not
365 only the Davaries' attorney representation that he had consulted with them, but the Davaries
366 appearing before the Council at the podium, having an active discussion with the Council over
367 what the standard was and a complete understanding that we would not do it but for the history
368 of their conduct in Houston.

369 Turning to Page 36, Mr. Fiorentino, I just asked him the question I thought you asked, which is,
370 if the manager would have, knew or should have known, you're gonna input that knowledge to
^71 him. The Mayor says yes. This is the discussion as to whether or not there would be inputted
572 knowledge to the Davaries if they weren't here and a manager knew something. Is he willing to
373 accept that responsibility, and is he willing to accept that responsibility? The Mayor says yes
374 and Mr. Fiorentino says, and I thought the answer was yes. Do you agree and Ali Davari says,
375 yes, Sir, I will accept that. All right, how about your brother? Hassan Davari, absolutely. I'd
376 like to make a comment on that, if someone passes a red light, are they gonna fine you as the
377 Mayor of the City? And then there's some joking back and forth as to what would happen to the
378 Mayor if he ran a red light. That's irrelevant to the discussion, but you have agreement by the
379 Davaries and their counsel as to the standard.

380 Going now to Page 39, end of the page, end of the last big paragraph on the page. This is Mayor
381 Pro Tem Reese speaking, and if, Mr. Fiorentino, if I can put this in the record to the conditions,
382 and also the condition that the Mayor alluded to, one conviction, then they stand to lose their

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383 liquor license and with no long lawsuits, nothing. Mr. Fiorentino, understood. And that's
384 understood. So, then, I would make that one of the conditions.

385 Page 40, again, beginning with Mayor Pro Tem Reese, well, I think that those, and I went over
386 those conditions and I feel like those conditions that you're agreeing to, we already have those in
387 place here in the City of Las Vegas. And then finally the motion, on Page 40, by Mayor Pro
388 Tem Reese, and with those conditions in place, then my motion would be approval of this
389 application as noted.

390 Members of the Council, reason number two that staff is recommending denial of a permanent
391 liquor license for Treasures is because there has been a direct violation of the conditions set on
392 the temporary license as voted on by the City Council February 21st, 2001.

393 If you'll turn to Tab 5 in your backup, you'll find a criminal complaint against Jessica Crockett,
394 a dancer at Treasures, for prostitution and violation of Erotic Dance Code. You will find a
395 transcript following that, which is the transcript of the hearings before Judge Kerns, when she
396 was found guilty on both counts, and you will find copies of, certified copies of the judgment of
397 conviction that went with those.

398 At this time, with the Council's permission, I would like to file with the Clerk two documents,
399 they are certified copies of the judgment of conviction for Jessica Crockett for soliciting
'00 prostitution, which is the first document I'm handing to the Clerk, and this occurred on August
+01 18th, 2004. She received a \$250 fine, I mean a \$200 fine. And on August 18th, 2004, same
402 defendant, a \$1,000 fine for violation of the Erotic Dance Code.

403 I would submit to the Council at this time, when there is a condition on a license as clear as the
404 condition that was placed on this license in the Council transcript of February of 2001 and a
405 direct violation of that condition, that that alone is grounds for not granting the permanent license
406 in this case and would have even been grounds if the temporary didn't expire today to revoke the
407 temporary license.

408 Reason number three that staff is recommending denial of the permanent license today is the
409 civil complaint for forfeiture filed in Houston, recently, based on structuring allegations in
410 several bank accounts involving the Davaries. If you could go to the overhead, please.

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411 **MAYOR PRO TEM REESE**

412 Could we have the overhead?

413

414 **BRAD JERBIC**

415 I don't know if they can zoom in on that or not. If you'll turn to Tab 3.

416

417 **MAYOR PRO TEM REESE**

418 We need to go to the overhead first, please. There we go.

19

420 **BRAD JERBIC**

421 Okay. What I have presented, for the overhead, is a summary of the transactions that are the
422 central point of the Houston civil complaint for forfeiture. I believe I filed this at the last
423 Council meeting, but I would like again to file with the Clerk a series of documents that were
424 provided to me by the Harris County District Attorney's office. They are a copy of Texas law
425 regarding money laundering. They are copies of the plaintiff's notice of seizure and intended
426 forfeiture. They are copies of a notice of seizure and an affidavit for search warrant –

427

428 **MAYOR PRO TEM REESE**

429 Does the applicant –

430

431 **BRAD JERBIC**

432 – and the search warrant itself.

433

434 **MAYOR PRO TEM REESE**

435 Does the applicant have this?

436

437 **BRAD JERBIC**

438 Yes, they do. In fact, I think the applicant provided me a copy about the same time I received
439 one from the Harris County D.A.'s office.

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440 **MAYOR PRO TEM REESE**

441 (inaudible) I just wanted to make sure they got one.

442

443 **BRAD JERBIC**

444 I will, for the record, tell the Council that the very notebook that I have provided you that we're
445 using today I have provided to Mr. Fiorentino with the same exhibits in it.

446 Structuring is an interesting crime. It is a federal offense and it simply means that you have, with
447 the intention to avoid filing currency transaction reports, structured withdrawals or deposits with
48 a commercial institution to avoid filing those currency transaction reports. In this particular case,
449 the federal law requires any amount of cash over 10,000 going into a bank account or coming out
450 of a bank account has to have a currency transaction report filed out by the bank, signed by the
451 individual making the transaction, and then filed with the IRS. Individuals sometimes, if they
452 receive a – gift of \$20,000, don't want to have it declared to the IRS or have the IRS know about
453 it, might break it down into individual deposits. That's one way people structure. Another way
454 is that they withdraw from bank accounts in specific amounts designed to be under \$10,000.

455 As you can see, going to the overhead, the Houston affidavit –

456

457 **MAYOR PRO TEM REESE**

458 Could you zoom, could the overhead zoom in a little bit more, please?

459

460 **BRAD JERBIC**

461 I'm sorry. I'm going to point to number one.

462

463 **MAYOR PRO TEM REESE**

464 No, that's – fine. Yeah.

465

466 **BRAD JERBIC**

467 That's better. Thank you for putting it on my screen. I can see as well. I'm pointing to number
468 one. At a Wells Fargo Bank account, June 17th, 2002, through December 2nd, 2003, three
469 hundred and thirty-two checks were cashed in an amount of \$9,500 each. On December 3rd of

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that year, through February 25th of 2004, 53 more checks were cashed, but this time the amounts were varied between ninety-four hundred dollars and eight thousand two hundred and fifty dollars. There's no accident that that number changes after December 2nd, 2003, and I'll get to that in a moment.

At another bank, Compass Bank, between September 2nd, 2003, and December 2nd, 2003, 61 checks are cashed in the amount of \$9,500 each. Between December 3rd, 2003, and February 27th, 2004, 58 more checks are cashed, but now the amounts vary between \$6,400 and ninety-four hundred dollars. And finally, at the Chase Bank, they cashed checks between September 23rd, 2003, and November 26th, 2003, according to the affidavit, 17 checks are cashed in the amount of \$9,000 each. And this is at the point, I believe, December 5th, 2003, is what the affidavit reflects, Chase Bank closes the account after warning them that this looks like structuring. It is after that warning, on December 5th, 2003, that you see at the Wells Fargo account and the Compass Bank account that the amounts begin to vary and they move from the 9500 per withdrawal and the 9,000 to withdrawal to some varied amount. But always, in every single case, keeping it below \$10,000.

With respect to that particular transaction, you have an affidavit from an officer in the Houston area, swearing to those facts in support of the seizure. You also had a representation by Mr. Nugent, the Houston attorney for the Davaries, who appeared at the last Council meeting and, at least according to my recollection, said that this did happen but there was a good reason for it happening. And the reason was that they had to pay the dancers cash and there's a 1099, I believe he said, to go with every one of these. I had asked the Council to continue this matter until today so that we could have the Auditor take a look at the financial records of the Davaries to see if there was any way to make a connection between that representation and the – 1099s, to also take a look at the structure of the construction of Treasures in Las Vegas and to look at the local accounts. The reason I asked for that is because it had struck me as suspicious at the time that at least some of these transactions at two banks, Compass Bank and Chase Bank, all began in early September and mid September of 2003, which was within days of Treasures Las Vegas opening, which was September 15th, 2003.

The Auditor was not able to find any connection between those structured withdrawals, those alleged structured withdrawals, and the – construction of Treasures Las Vegas. What he was

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500 able to find in his report is that there were no structured withdrawals or alleged structured
501 withdrawals from local Treasures accounts. Now when you read the Auditor's report, it says, no
502 structured withdrawals at Treasures but (inaudible) Treasures Las Vegas, the reason I state that is
503 there are two Treasures. There's a Treasures Houston and there's a Treasures Las Vegas. No
504 structured withdrawals from here that he found.

505 He did find that there were no 1099s filed in Las Vegas for the dancers and there are 1099s filed
506 in Houston. I told Mr. Fiorentino that that's not an issue that we think should be a cause for
507 revocation. I am not a tax expert. I believe Mr. Fiorentino has consulted a tax expert who says
508 that this is not illegal conduct. I accept that, and I will accept the fact that these are probably two
509 different business climates which result in 1099s being filed in one, 1099s not being filed in
510 another. So that there's no confusion, staff is not basing any part of this recommendation on the
511 Auditor's findings that there were no 1099s filed in Las Vegas.

512 There were 28 false social security numbers submitted to the Las Vegas Metropolitan Police
513 Department in over 400 that were submitted from the club. I had been told that a good number
514 of those 20 some, plus, social security numbers were just transposed numbers. In other words,
515 an average person looking at that number would not know that it was a false social security
516 number. There were some that were submitted that were all ones or something like that, that an
517 average person might be able to tell. I don't know the reason for it and, because we don't know,
518 that is not part of the staff's recommendation for denial of a permanent liquor license for this
519 establishment.

520

521 **MAYOR PRO TEM REESE**

522 But you are – saying, though, Brad, if I could ask you that the activity in Houston, you are
523 recommending that, that we use that in making our decision?

524

525 **BRAD JERBIC**

526 Absolutely. And –

527

528 **MAYOR PRO TEM REESE**

529 Why – there and not in La – I mean, why would you recommend – we use that?

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530 **BRAD JERBIC**

531 The, I, I'll be honest with the Council, the – fact of the matter is these individuals were granted a
532 temporary privileged license on February 21st, 2001, that would go into effect on September 15th,
533 2003, that's the day they opened, made the – license active the day the door opened. But they
534 got the license on that day, and they were deemed at least to have a privileged licensed, a
535 temporary privileged license as of that date. After a privileged license is granted, activity that is
536 criminal under the United States code is cited in an affidavit for seizure in Texas. And that is the
537 basis for the seizure of over \$2 million, which remained in those accounts. Based on that alleged
538 criminal activity, as contained in the affidavit that I have submitted to the Clerk, that you have in
539 your backup book, and based on the admissions of Mr. Nugent at the last meeting, I believe that
540 the applicants are, there's – strong evidence that these applicants have committed structuring in
541 Texas, and it is supported by the affidavit of the, for seizure and it was after they were issued a
542 privileged license here.

543 And I will tell the Council that I – spoke with the Metropolitan Police Department about this, if
544 you were to have an active licensee in any other part of this town have similar accusations, that
545 would be brought to our office's attention for reason to revoke a license, not just not grant one.
546 That is the third reason that staff is recommending denial.

547 And finally, I turn to the updated report. Metropolitan Police Department updated their report
548 and included in it some observations about the, how the club was run after it was opened. As
549 you know, the very first report that was given to the City Council, dated December 19th, 2000,
550 was written before the club opened, so there were no comments in it about how the local club
551 was run. I'm not gonna dwell much on this, because I don't think it is the biggest part of it, but
552 is certainly worth understanding that if Mr. Fiorentino wants to go into how clubs are run or how
553 this club is run, there will be testimony from Jim DiFiore and from the Metropolitan Police
554 Department regarding a lack of cooperation by managers, regarding a, an attitude that they feel is
555 different than other clubs in town. Whether or not that's accurate remains for you to determine
556 as kind of the triers of fact in this particular case, but that is contained in the March 17th update
557 of the Confidential Report submitted by the Metropolitan Police Department.

558 With that, I would like to file with the Clerk the Confidential Report that was given to the
559 Council on December 19th, 2000. I would also like to file with the Clerk the current Confidential

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Report which was provided to the Council today, which includes portions of the December 19th report, the March 17th report and the September 13th, two thousand and four report.

Members of the Council, based upon the conduct in Houston, based upon the fact that there has been an allegation in a civil complaint for forfeiture, that there were structuring accounts in Houston after a privileged license was given, given the fact that there was incomplete history by the Davaries and we saw what history was omitted on their application, I would submit it's not difficult to understand why it was omitted from the application. It involved, as you recall, the affidavits that I read portions of regarded the Texas Alcohol and Beverage Commission's findings, regarded the fact that they paid over two hundred and twenty-eight thousand dollars in fines, all, apparently, not included on their application.

Based upon these reasons and the record contained on February 21st, 2000, the record from June of this year and today's record, staff submits that the permanent license ought to be denied. With that, I will stand open to any questions.

MAYOR PRO TEM REESE

Thank you very much for your report. Councilmembers? Mr. Brown.

COUNCILMAN BROWN

I thank you, Mayor Pro Tem. Mr. Jerbic, just a couple quick questions at this point. One is one of your last statements indicated, referencing the charges in Houston, recent charges as far as structuring. You – indicated that if any other clubs in Las Vegas, their licensees, if they had similar charges, they would be brought before this Council. So, the assumption is that that's not happening, or there are no pending charges similar to those with any other clubs?

BRAD JERBIC

All I can say is, if we become aware of it through the Police Department, and, of course, in this case that's exactly how we became aware of the Houston charges, it's brought to our attention, I can tell you that Mr. DiFiore always makes a recommendation that we proceed forward with a complaint for discipline as a result of it. The fact that you don't have one against any of the

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589 other clubs here only tells me that it either doesn't exist or nobody's brought any such thing to
590 our attention. I have no reason to believe it exists at this point in time with respect to any club.

591
592 **COUNCILMAN BROWN**
593 Secondly, as far as the verdict on the solicitation for prostitution, what – happens now? Is that –
594 a decision that can be appealed?

595
596 **BRAD JERBIC**
597 There can be an appeal of the prostitution conviction to District Court; that's correct.

598
599 **COUNCILMAN BROWN**
600 Do we know if that has taken place?

601
602 **BRAD JERBIC**
603 I do not know.

604
605 **COUNCILMAN BROWN**
606 Okay. And, Mayor Pro Tem, I'm – gonna have more questions for Mr. Jerbic at a – later time.

607
608 **MAYOR PRO TEM REESE**
609 That'd be fine.

610
611 **COUNCILMAN BROWN**
612 Thank you.

613
614 **MAYOR PRO TEM REESE**
615 Any other questions? Ms. Moncrief? Councilman?

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616 **COUNCILMAN WOLFSON**

617 Thank you, Mayor Pro Tem. Mr. Jerbic, I've read all the materials that have been provided to
618 me and —, in one of the transcripts, I believe, you attempted to define suitability. I believe you
619 spoke of suitability at our City Council meeting, which I was not present at, back in February of
620 '01, on Page 15. What I'd like you to do today is restate, if you will, what you believe to be the
621 definition of suitability. Whether you read from that transcript or otherwise, and I'd ask you to
622 put it in commonsense terms. Because we are being asked, as a trier of fact, like you said, to
623 make a determination of this applicant on whether or not they, and we're talking about human
24 beings, not businesses, whether they are suitable. So what does that mean?

625

626 **BRAD JERBIC**

627 I'll do my best, Councilman Wolfson. The, I'm — going to read this, because I read it at the time
628 I put it in the record, and I — just don't want to get it wrong. The Council has broad latitude
629 under —

630

631 **MAYOR PRO TEM REESE**

632 What tab —, Brad, what tab and where?

633

634 **BRAD JERBIC**

635 I'm sorry. We're on Page 14, Tab 1. My apologies, Mr. Mayor Pro Tem. It's the very last
636 comment that I make at the bottom of Page 14 and it continues to Page 15. I'm also going to ask
637 Mr. Redlein to opine in a moment, because in addition to 6.50, we have 6.06, which is our
638 general privileged license sections of our code.

639 Continuing on Page 14, the Council has broad latitude under 6.50 of the Las Vegas Municipal
640 Code regarding privileged licenses to determine the suitability of applicants to run a particular
641 business. They have (inaudible) according to the chapter, and I'll read it verbatim. The City
642 Council declares that liquor control is an exercise of its regulatory powers, delegated to the City
643 Council by the State. The regulations contained in this chapter involve the highest degree, the
644 economic, social, physical and moral well being of the residents and the taxpayers of the City.
645 The sale or the disposition of alcoholic beverages is not a matter of right, but of privilege, which

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646 would otherwise be unlawful, if it were not exercised pursuant to a license. This privilege may
647 be denied, revoked, conditioned or suspended by any disciplinary action by the Council, and it
648 goes on to say, for the protection of the safety, welfare, health, peace, morals and residents of the
649 taxpayers of the City.

650 And that's what I informed the Council at the time. I will tell you that specifically contained in
651 the code is prior discipline is an absolute ground for denial of a privileged license. It is
652 contained very specifically and bluntly in our code. I don't know if I can make it any simpler
653 than that, Councilman.

54

655 **COUNCILMAN WOLFSON**

656 Mr. Jerbic, would you please read the next paragraph, 'cause I think that gives some language
657 that is – beneficial to all of us as well.

658

659 **BRAD JERBIC**

660 Under the very broadest language, you are quite able, based upon the facts presented to the
661 Council to determined whether or not these applicants meet those standards as individuals who
662 are economically, socially, physically and morally suited to hold a privileged license with the
663 City of Las Vegas. And that was the conclusion of my statement. I –

664

665 **COUNCILMAN WOLFSON**

666 Did you want – to ask Mr. Redlein to cite to something?

667

668 **BRAD JERBIC**

669 I will. And I would put one more thing in the record, Councilman, before Mr. Redlein adds any
670 more to the record, from 6.06. That is the burden here today. The burden here today is on the
671 applicant to show suitability, not upon the City or the Metropolitan Police Department to
672 demonstrate that they're not. We have, because of the way just things played out today, gone
673 first, and that's generally the way things have gone at these hearings, but it is their burden to
674 prove that they are suitable. Mr. Redlein?

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675 **JOHN REDLEIN**

676 Our privilege license scheme has an unusual component in it, and it says to us that any act, for
677 which your permission is required, may be denied for good cause. So it's got this global and
678 very broad provision in it that doesn't exist in most licensing application plans. Then it goes on
679 to say, and, in addition, for any cause, which we've enumerated in other statutes for which a
680 license may be denied or a person who actually possesses a license, which I'm not sure they're
681 there yet, they certainly don't have a permanent license, there (sic) never have in this
682 jurisdiction, for what, the kinds of acts that other such people may be disciplined for. And I just
33 tried to count in the existing laundry list and, disregarding the more global good-cause provision
684 that is within your power, we have enumerated in our scheme specific grounds for denial of a
685 license or discipline of somebody who already possesses a license that include from 6.02.090
686 that there has been prior discipline which reflects upon the fitness of the applicant. And I cite
687 that because of the substantial troubles they had before they came to us, in Texas.

688 In 6.02.090, we also find a specific grounds for denial that there has been a violation of a
689 condition which has been imposed upon the licensee, and I cite this because of the extraordinary
690 promise they had to make that there wouldn't be any convictions for sexual offenses in their club
691 if you gave them a chance to operate here. Again, from 6.02.090, we find a general, more
692 general provision that their business is being conducted in an impermissible manner.

693 And, finally, the fourth that is enumerated in our code, from 6.02.090, that their initial
694 application for licensure from you is incomplete or misleading. And I reference that because of
695 their omission to tell Mr. DiFiore in our Business Licensing Division, when they first appeared
696 here, that they'd had any trouble in Texas when they had had so much trouble.

697

698 **COUNCILMAN WOLFSON**

699 Thank you. May I ask another question?

700

701 **MAYOR PRO TEM REESE**

702 Just a moment, please. We know you're Mr. Redlein, but can you please give us your name, for
703 the record.

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704 **JOHN REDLEIN**

705 John Redlein, Assistant City Attorney, acting as board counsel for the purposes of this hearing.

706

707 **MAYOR PRO TEM REESE**

708 Thank you very much. Councilman?

709

710 **COUNCILMAN WOLFSON**

711 Thank you. Mr. Jerbic, with all this trouble that these applicants have had in the State of Texas
12 and in the materials I've read, it dates back beginning, I think, to 1990, dating back almost 15
713 years, my information is that none of these businesses have ever had their licenses revoked by
714 the State of Texas. And I recognize it's a different state, different jurisdiction, perhaps different
715 rules. But I would think that probably their rules are more similar than dissimilar to ours. From
716 your research, is the greatest discipline they've had in the form of fines?

717

718 **BRAD JERBIC**

719 That's correct. Between the 20-day suspensions that I referenced at two clubs and the 50, 50 and
720 100,000 dollar fines between three clubs, that's the maximum discipline that I have found at the
721 State of Texas.

722

723 **JOHN REDLEIN**

724 May I interrupt for one moment. Councilman Wolfson, in two of those, I believe there are four
725 clubs which over a period of some time they were disciplined at, at two of those clubs, there
726 were fairly substantial suspensions of operation. And, if I understand the rhythm of how much
727 business a successful gentlemen's club can make here in Las Vegas, I've heard estimates out of
728 our Business Licensing Department that \$50,000 a night gross action is not unheard of. And, by
729 the way they conducted their clubs in Texas, they were pretty determined to make them the most
730 popular clubs in Houston. They were suspended at two of those clubs for more than 20 days. I
731 mean, we could be talking about a million dollars in lost revenue in two instances, of those clubs,
732 in addition to the two hundred and twenty-eight thousand dollar fines.

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733 **COUNCILMAN WOLFSON**

734 Thank you. And that's a good point. And then my final question, do we have an idea of the size,
735 and I'm not sure how we're gonna measure that, between the Treasures Club in Las Vegas, the
736 number of dancers that – entertain or the revenue raised, do we have any idea how the Treasures
737 in Las Vegas rates as compared to the clubs in Texas?

738

739 **BRAD JERBIC**

740 I do not. The only statistic I'm aware of, I believe the local Treasures is over 26,000 square feet.

41 I don't know the exact number of dancers that dance there. I don't know if Mr. Fiorentino might
742 be able to address that better than I can. And I certainly don't have any real basis of comparing
743 size and volume to the Texas locations.

744

745 **COUNCILMAN WOLFSON**

746 Thank you.

747

748 **BRAD JERBIC**

749 Mr. Fiorentino?

750

751 **MAYOR PRO TEM REESE**

752 Any other questions? Thank you, Mr. Jerbic.

753

754 **BRAD JERBIC**

755 Thank you.

756

757 **MAYOR PRO TEM REESE**

758 Mr. DiFiore, you have anything, at this time, you want to add?

759

760 **JIM DiFIORE**

761 No, Sir.

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762 **MAYOR PRO TEM REESE**

763 Thank you. Mr. Fiorentino?

764

765 **MARK FIORENTINO**

766 Here, Roni. Will you distribute these (inaudible)

767

768 **MAYOR PRO TEM REESE**

769 And, again, may I just state for the record that, Mr. Fiorentino, you have as much time as you so
70 desire also.

771

772 **MARK FIORENTINO**

773 Well, I hope we're not here all day. Your Honor, members of the Council, take just a second and
774 let that be distributed to you. While it is, I'll introduce myself for the record. I'm Mark
775 Fiorentino. I represent D. Westwood, Inc., here today. I wanted to start with a couple of brief
776 opening comments. This is obviously, been a very long and arduous process, as all of you know.
777 I've appeared before you on a number of occasions just in this year, prepared and making
778 presentations to you, asking you to put this behind us one way or another. Trying to give you the
779 information that I had at the time to make, give you an opportunity to make an educated
780 decision. For one reason or another, almost always outside of our control. We're here today, at
781 the eleventh hour, with really no, you only have two choices and – so, I'm gonna do the very best
782 I can to be concise, but to try to address the issues as we understand them.

783 This has kind of been a long and winding road for me personally, and I think for the applicants,
784 with a number of twists and turns and –, I think, to a certain extent, for you on the Council as
785 well. What I'd like to do is I did have a brief, well, it's probably not so brief, a prepared
786 presentation, and I'd like to go through it and then I'd like to go back and maybe address some of
787 the specific comments that were made before we came up. I was going to start by going back
788 and talking about the original report myself, to put, try to put it back into the context that it
789 belongs in, I think. What I'd like to ask you to do, maybe, is to start with Tab 5 in our booklet.

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790 **MAYOR PRO TEM REESE**

791 Do we have an extra copy?

792

793 **MARK FIORENTINO**

794 We have others. Did it –

795

796 **MAYOR PRO TEM REESE**

797 We're – one short.

798

799 **MARK FIORENTINO**

800 Okay.

801

802 **MAYOR PRO TEM REESE**

803 Here you go.

804

805 **BRAD JERBIC**

806 With the Council's permission, I could use a copy as well.

807

808 **MARK FIORENTINO**

809 I'm sorry, Brad. We, I distributed what I thought was plenty. We still have more if there's
810 someone else up here who needs one.

811

812 **MAYOR PRO TEM REESE**

813 You have one, Roni?

814

815 **BARBARA JO RONEMUS**

816 Yes, we do.

817

818 **MAYOR PRO TEM REESE**

819 Sorry, Larry.

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820 **MARK FIORENTINO**

821 I —, Mr. Jerbic actually did a pretty good job of reading verbatim from the original Metro reports,
822 so let's not play around any more. But I think it's important. It's where we started, and it's
823 probably where you need to end the day. The types of activity that were being discussed at the
824 time, in that report, were pretty lurid, frankly. I told you at the time, and I'm not going to, except
825 maybe in one instance, go through and quote the record. But I read the record, and I told you at
826 the time, and I'll tell you again, that those were serious allegations, they were allegations. They
827 were allegations made in a case that was settled, subject to a settlement agreement, we gave you
28 at the time, by the way, that indicated no one admitted any guilt. But that was neither here nor
829 there, that the allegations were serious enough that you absolutely should pay attention to them.
830 And you decide what you should do about them and you should decide how Davaries were going
831 to prove to you that that kind of stuff wasn't gonna happen here.

832 And I think that's where you're gonna have to end up at the end of the day, despite all the other
833 discussions we're having on other issues. The reason I put Tab 5 together for you is because past
834 conduct, number one, I hope we can put that behind us. It was in fact past conduct. And
835 remember, most of those allegations that you were just read verbatim, 40 minutes ago, or so,
836 happened in 1995.

837 That was five full years before the hearing, but, that we had in front of you in 2000. It's eight
838 years prior to Treasures opening here in Las Vegas, and it's nine years almost prior to today. So,
839 I hope, you will do what I hope we committed to you, way back when, was just to find in your
840 hearts whether we did anything about that, and whether we did anything to prohibit that kind of
841 activity here at Treasures and whether, in fact, it's occurring at Treasures. To me, it seems that
842 that should be the heart of the discussion today.

843 And I will submit to you that you have not heard anything in any of the hearings we've talked
844 about, in any of the reports that have been given to you, in any of the testimony that you will
845 hear today that indicates there is anything even remotely close to that kind of activity occurring
846 in Treasures today. And that's where I wanted to start our presentation.

847 We talked a number of times about the measures that Treasures was gonna take up front here, in
848 Las Vegas, to prohibit that kind of activity. That was described to you in very graphic detail.
849 Behind Tab 1 in our book is a copy of what you've seen numerous times before. I gave it to you

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850 only for reference in case you had questions. There's two full pages of different measures
851 Treasures has taken, most of them from day one, some of them, this has been a growing
852 document that were added from nine months ago, or so, but measures they've taken to try to
853 make sure that activity doesn't occur here. I have said in, on numerous occasions, asserted, that
854 these are unique to Treasures, that no one else, to the best of our knowledge, is doing anything
855 remotely close to this. I've said it on the record each time you've given me an opportunity in a
856 public hearing to do it. No one has ever challenged that assertion. I hope today I don't get a
857 challenge of the assertion that these are unique to Treasures that we are doing these, and, to the
58 best of everyone's knowledge, other clubs are not.

859 I have repeatedly invited input to these measures, way back when before we even had the first
860 hearing, because you'll recall probably, Councilman Reese, that we presented a draft of these
861 measures to you in your hearing before you made a decision on the license. I presented that draft
862 to Metro. I presented it to Mr. DiFiore, I've repeatedly done the same thing throughout this
863 process. I've repeatedly said in public hearings. It was the last sentence I said at the last public
864 hearing we had where we had any discussion on June 16th. If there's anyone in this room who
865 thinks we should be doing something different to make sure that activity isn't occurring, I'd like
866 to know. No one has ever had any input or suggestions that we haven't taken and incorporated
---867 into these standards.

868 So, what has happened, been open almost a year now at Treasures, had this resulted in anything
869 to prohibit the kind of conduct that was described to you. I don't -- know how to prove that.
870 Okay? There's only one way I can prove it, to try to compare it to what's happening at other
871 clubs. That, that's the first way I tried to prove it, and we're gonna go through this in detail. And
872 I have to rely on the statistics you all gave me, and those statistics are behind Tab 3. Mr. Jerbic
873 said this in his presentation, and I guess no one disputes it. If you look carefully at those, in terms
874 of both prostitution and Erotic Dance Code violations, which, by the way, if you wanna get into
875 that, we can start quoting the record, but, at least, a couple of you in 2001 said, Mark, we're not
876 talking about dance violations. But I don't think we have to go that far yet, unless you have
877 specific questions. But that's one measure of how people try and enforce the Code.

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878 **MAYOR PRO TEM REESE**

879 I – do have a question here. It's under your Summary of Compliance Measures, okay, and let us
880 remember that there's, supposedly, millions of dollars at stake with the decision that's made here
881 today, and over on the second page, down the fourth dot, it says, hired compliance officers for
882 the sole purpose and function of enforcing the Erotic Dance Code.

883

884 **MARK FIORENTINO**

885 Yes.

36

887 **MAYOR PRO TEM REESE**

888 Okay? And, to me, that is, more or less, telling us that you hired a chaperon. And, so, to me, if
889 you hired a chaperon, then there should be no erotic dance violations at all for these young
890 ladies. They, it should be very easy for us to see that there's been no violations. Because, if you
891 had a chaperon there or compliance officer there, anytime a girl got a little bit out of line, if they
892 was, to me –, if they was doing their job, they would be saying, no, no. No, no, back off. No, no.
893 Has this ever happened?

894

895 **MARK FIORENTINO**

896 Well, two-part answer to your question. First, if that's the standard, that in your heart you think I
897 committed to, then you should revoke the license today, because that's an impossible standard.
898 It's impossible to make sure that no one ever, ever violates the Code. The second part –

899

900 **MAYOR PRO TEM REESE**

901 But, why – is it impossible, though, Mr. Fiorentino? If – you hire somebody there that is,
902 supposedly, doing their job, being there, if you have 26 girls, you had 36 girls, if you have to hire
903 four or five of these compliance officers to walk around, and when you see, you, they –
904 understand what, what's supposed to be going on. They walk in there and they look and say, no,
905 no, no. You got people in there telling them, no, you're not supposed to that, there won't be any
906 violations.

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907 **MARK FIORENTINO**

908 Well, there's two reasons it's impossible. Number one, the – sheer volume of the number of
909 dances that happen in the club, at any given time, and a lot of nights there are in excess of a
910 hundred dancers dancing at the same time. Number one. And, number two, the standard, by
911 definition, is subjective. The standard is you cannot caress or fondle in a affectionate or sexual
912 manner. That's gonna mean different things to different people. I think the second answer,
913 though, the second part of my answer to your question is the more important one, is that being
914 done? The answer is yes. It is being done. And the reason that's unique, again, as far as I know,
15 is not only at Treasures do you have the managers attempting to enforce the Code, but you have
916 people whose only job it is to attempt to enforce the Code. Mr. Dillard, who you're gonna hear
917 from in a few minutes, who's done multiple inspections of this Code. Frankly, far more, or
918 inspections of Treasures, frankly, far more than anybody else in the room will tell you that he, in
919 fact, his operatives, have witnessed those people doing what they were supposed to be doing. We
920 also gave you a log, the last time we were here. I did not reproduce it today. It got kinda used
921 against me a little bit, but it was done at my direction. I said, start keeping a log, because the
922 allegation is you're not doing this, Fiorentino, you're not doing this. Keep a log of when you're
923 doing it. Have the managers and the compliance officers literally have a notebook in their hand,
924 and, when they warn someone, they write it down. They get together about once a week, and
925 they compile it, and it goes into a log. They keep physical notes. We have a log of every time the
926 dancers are warned. It's pages and pages and pages long.

927

928 **MAYOR PRO TEM REESE**

929 Thank you.

930

931 **COUNCILMAN BROWN**

932 Mayor Pro Tem, just –

933

934 **MAYOR PRO TEM REESE**

935 Yes.

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936 **COUNCILMAN BROWN**

937 I –

938

939 **MAYOR PRO TEM REESE**

940 Councilman Brown?

941

942 **COUNCILMAN BROWN**

943 You just referenced to have one Page Two. Just, I'm not sure if the City Clerk has a copy, but
14 my copy doesn't have a Tab One/Page Two. I don't know what's going into the record, but –

945

946 **MARK FIORENTINO**

947 We did this at about 2:00 o'clock this morning, so, if it's a –

948

949 **COUNCILMAN BROWN**

950 I have a copy of what you're referencing, but I just, no I –

951

952 **BARBARA JO RONEMUS**

953 (inaudible)

954

955 **MARK FIORENTINO**

956 The Clerk does.

957

958 **COUNCILMAN BROWN**

959 That's – the important one. Thank you.

960

961 **MAYOR PRO TEM REESE**

962 Councilman Weekly, you have a Page Two?

963

964 **COUNCILMAN BROWN**

965 I do have a copy.

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966 **COUNCILMAN WEEKLY**

967 Yes, Sir.

968

969 **MAYOR PRO TEM REESE**

970 Okay. We have a copy.

971

972 **MARK FIORENTINO**

973 Sir, I was, getting back to Tab 3, for a second, which shows the statistics. Councilman Reese, I
74 think you're right when you said, will this, how do the statistics mean anything if one club has
975 three visits and the other clubs have eight, or five, or whatever the chart shows? I had the same
976 question. I asked some other questions, too, like, I was told, specifically, these are only the
977 citations that were, resulted in enforcement visits and not other compliance or other related visits.
978 And I said, well, what does that mean? And how many of those visits were there in the different
979 clubs? Apparently, there is not information to answer those questions. But they think the
980 statistics speak for themselves. Either in terms of raw numbers, or one way to convert it to you to
981 make sure that they're equivalent is just to divide the number of citations by the number of visits,
982 which I did, but I didn't do it in your chart, because I didn't think of it until you asked the
983 question. But in the, just focus on two thousand and four, if you just go down the road, the —
984 column, in Club B, 28 citations, 8 visits, that's 3.2, roughly, citations per visit. Keep going 1.1,
985 4.0, 4.4, 3.2, you get to Treasures, 2.1, roughly, citations per visit. And I'm gonna get into that,
986 in a little bit more detail in a minute. But, so, roughly, half of the number, citations per visit. It's,
987 roughly, half in Treasures than it is in some of the other worse clubs, based on your own
988 statistics.

989 The thing, I think, though, that you have to, that this chart doesn't show, is it does not show the
990 prostitution, the solicitation arrests for the year two thousand and two. I was told that we can't
991 provide you any information prior to 2003 for numerous different reasons, but I obtained, and I,
992 remember we talked about this the last time I was here, separately, the prostitution arrests for two
993 thousand and two. I think it's important for a couple of reasons. In two thousand and three, there
994 were a total of 17 solicitation (sic) of prostitution citations, according to the information we were
995 provided outside of Treasures, so, if you don't count Treasures, there were 17. There were 41 in

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two thousand and two in all of the other clubs combined. So, there's a trend downward there, but I think that's important to show, at least, some perspective.

The reason I asked for the years prior is wouldn't you wanna know if you're trying to determine whether we did our job and made the industry a better place, for lack of a better term, what the baseline was before we got here? And I couldn't establish it any better way than the statistics that I was able to detain for two thousand and two. So, I think that's dramatic. I think it shows the point I'm trying to show. That whatever we're doing, whether we're doing it perfectly or right or wrong, is having some result. But, in terms of, is it having a result in terms of the type of conduct that was described to you? It's absolutely 100% perfect, 'cause no one has alleged any of that kind of conduct. Even in the prostitution, the solicitation citations that were issued in our case, and I guess I'll get in that in just a little bit.

The other thing I wanted you to look at is Tab 4. We did this chart. This is just in graphic format, in a graph form, the citations at Treasures. Two things I wanted to point out to you. Since March 17th, which was kind of a critical day, based on some of the comments made, Metro made in their report. The general trend at Treasures has been downward. March 17th is also a critical date because it's about a month, or so, after we brought Mr. Dillard on board to begin some of the training on compliance issues and how to enforce, to avoid citations for Erotic Dance Code. And, again, I guess, the numbers speak for themselves. We think it's working, just based on the overall downward trend. I didn't give you these numbers, again, because I didn't think of it until now. But let me just give them to you. Reading acrossed (sic), from right to left, the citations blue are prostitution, solicitation of prostitutions. There have been none since the second month after we've opened. Since October of last year, there have been none issued. But, reading across, on the, for the first blue line, at that time, that – relative period of time, and we have records that we tracked the dancers in and out, so we know this, there are about 30 dancers performing at the club. So you can put this in perspective. Thirty dancers dancing, one citation issued. The next bar, there are three citation (sic) issued. At that time, there are 81 dancers, approximately, performing dances, at, when those citations are issued. Same thing on the next bar, 81 approximate dancers for two citations. Next bar is five citations; this is a relatively slow night. There are only 26 dancers, approximately. When you get to March 17th where it spikes to eight citations, there's a reason for it, there are a hundred and sixty-two dancers performing on that

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1026 night, roughly, plus or minus. The next bar is a hundred and three, ninety-nine, sixty-four, and
1027 one "O" four. Again, so you could tell there's a great deal of activity going on.

1028 And I wanna make another, I wanna make a point of that in just a second, but, before I do, I
1029 would like to bring Tom Dillard up here and ask him to make some brief testimony to you. And,
1030 while he's walking up, I wanna explain two things. Yeah, I guess you could just take my word
1031 for this. Councilwoman Moncrief, you asked me, I – think in March 17th why it took me so long
1032 to do this, 'cause I committed I'd get it done, and the reason is because it took me a long time to
1033 find somebody I think who was qualified enough and who I could trust enough to do the job I
34 needed done, and who I hoped integrity would not be questioned. And I asked enough people
1035 who would know, before I – brought him on board. And I instructed him, I don't want any
1036 sugarcoating. I don't want any B.S. I want you to tell me exactly what is going on. I wanna know
1037 for two reasons, I guess, maybe three reasons: Number one, I want you to make sure that if
1038 there's something they're not doing that you can help them improve, to do it. Number two, I
1039 wanna know myself whether what I'm saying is accurate. I want an independent judgment of
1040 whether this activity is occurring in the club or not. And, number three, I think I owe it to all of
1041 you, especially you, Councilman Reese, on the Council that I get somebody independent to tell
1042 you whether that activity is going on or not, because it was important to all of us.

1043 He's here. He's gonna provide some testimony. I want you, I'll ask you to ask him as many
1044 questions as you did. He did basically two things: He did numerous inspections of Treasures, 30,
1045 I believe, in the last six months. He did numerous inspections of other clubs in town. He can tell
1046 you what's going on at Treasures. He can tell you what's going on in other clubs in town, in
1047 terms of both the effort that's being made and the results that are being produced. He also has
1048 prepared a-hundred-and-twenty-page sworn affidavit that is in great detail, equally as graphic, I
1049 submit to you, in some of his findings as what you heard today, that I have. And, if we're
1050 preparing for litigation, I think maybe at the end I ought to put it in the record. I'd rather not if
1051 we don't have to, because it mentions clubs by names, and it is extremely graphic. I guess we'll
1052 make that judgment at the end. I would offer him to you, though, to make sure that you get
1053 everything you need from him before he sits down, or, obviously, he can come back up. So –

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1054 **MAYOR PRO TEM REESE**

1055 Thank you very much.

1056

1057 **MARK FIORENTINO**

1058 You wanna go hear or –

1059

1060 **MAYOR PRO TEM REESE**

1061 Yes, Sir?

52

1063 **TOM DILLARD**

1064 Tom Dillard, I'm the president of –

1065

1066 **MAYOR PRO TEM REESE**

1067 I was asked by Councilman Wolfson. I'll ask our attorney. Should he be sworn in?

1068

1069 **BRAD JERBIC**

1070 That's Council's prerogative at these hearings. We have sometimes sworn witnesses, sometimes

1071 not. But, if you wish to have him sworn, this would be the time to do it before he testifies.

1072

1073 **MAYOR PRO TEM REESE**

1074 I don't believe so.

1075

1076 **TOM DILLARD**

1077 I have no problem.

1078

1079 **MARK FIORENTINO**

1080 Yeah, we don't have any objection to swearing in witnesses.

1081

1082 **BRAD JERBIC**

1083 It's Council's call, Mr. Mayor Pro Tem.

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1084 **MAYOR PRO TEM REESE**

1085 Roni, please swear the witness in.

1086

1087 **BARBARA JO RONEMUS**

1088 Sir, would you raise your right hand. Do you swear to tell the truth, the whole truth, and nothing
1089 but the truth, so help you God?

1090

1091 **TOM DILLARD**

92 Yes, I do.

1093

1094 **MAYOR PRO TEM REESE**

1095 Thank you. Thank you, Roni.

1096

1097 **TOM DILLARD**

1098 Tom Dillard. I'm the president of Professional Investigators, a private investigative company in
1099 Las Vegas, State License No. 657657-A, and we're located at 123 N. 9th Street, Las Vegas,
1100 Nevada. If I could, I could just give you a brief synopsis of what Mr. Fiorentino asked me to do
1101 when I was first retained on this case, which was in February, February the 27th, I believe it was,
1102 of 04. We were asked to do a variety of things, more particularly conduct undercover
1103 investigations, not only in Treasures, but the other clubs. We were asked to put together a format
1104 to provide training for compliance purposes for the dancers, as well as the management
1105 personnel. We were asked to coordinate a – drug-detecting dog to come on property from, on
1106 occasion to determine if any drugs were kept in the locker room, or things of that nature. And we
1107 were also asked to take our findings from our undercover investigations and make a comparison
1108 as to the activity as it pertains to the – entertainers and management in the other clubs.
1109 We started the undercover portion of it on, I believe, it was April the 7th, and we went until
1110 August the 21st of 04. I can answer questions about what's occurring in Treasures, as it runs
1111 today, in 04. I – had (sic) no knowledge of what occurred prior to that. I can answer questions
1112 about some of the other clubs. I hesitate to name them, but, if asked, I guess I would respond,
1113 because I was just sworn.

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1114 We concentrated our effort, we did approximately 80 inspections in clubs that are within similar
1115 licensing categories. We did a few in other licensing categories, in fact, we even did a couple in
1116 one establishment that is in Clark County. So, we did a total of 80 within the jurisdiction of Las –
1117 Vegas, approximately 80. Thirty of those were in Treasures. That's about thirty-seven and a half
1118 percent of our effort. The other sixty-two and a half percent were spread out, proportionately, on
1119 four other locations.

1120

1121 **MAYOR PRO TEM REESE**

22 Mr. Dillard, if I could interrupt for just a second.

1123

1124 **TOM DILLARD**

1125 Sure.

1126

1127 **MAYOR PRO TEM REESE**

1128 Okay, Mr. Fiorentino represented yourself as going in and training some of your employees at
1129 Treasures?

1130

31 **TOM DILLARD**

1132 No, no, the – dancers, the entertainers.

1133

1134 **MAYOR PRO TEM REESE**

1135 The dance, okay, you went in and – trained the dancers?

1136

1137 **TOM DILLARD**

1138 Yes.

1139

1140 **MAYOR PRO TEM REESE**

1141 Okay –

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1142 **TOM DILLARD**

1143 To date, we've done two hundred and thirty-one, have gone through our little class. Mr.
1144 Fiorentino, or, excuse me, Mr. DiFiore was at one of our classes.

1145

1146 **MAYOR PRO TEM REESE**

1147 Okay. My question it is was these visits that you made prior to this training or after the training?

1148

1149 **TOM DILLARD**

50 They started the day after.

1151

1152 **MAYOR PRO TEM REESE**

1153 So you – trained them and then you went out and did the –

1154

1155 **TOM DILLARD**

1156 We started the – compliance classes I think the – day before we started the undercover
1157 investigation.

1158

1159 **MAYOR PRO TEM REESE**

1160 Yeah. So you're – dancers was trained and the other – establishments, they didn't have the
1161 training?

1162

1163 **TOM DILLARD**

1164 Not my fault.

1165

1166 **MAYOR PRO TEM REESE**

1167 Well, no, I'm just, I want that, to me, that's a very important part – of the record, though, is that
1168 you trained your – dancers, and then you went in and – seen if they was, learned anything.

1169

1170 **TOM DILLARD**

1171 Well, what, that's correct, yes.

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1172 **MAYOR PRO TEM REESE**

1173 Okay.

1174

1175 **MARK FIORENTINO**

1176 Except, Councilman Reese, again, and I know he's under oath, so correct me if I'm wrong, they
1177 – overlapped. We are still training today.

1178

1179 **MAYOR PRO TEM REESE**

80 Well, that, that's fine –

1181

1182 **MARK FIORENTINO**

1183 The training is ongoing.

1184

1185 **MAYOR PRO TEM REESE**

1186 But I, but –, again, though, he, he's trying to or he is implying that it was done boom, boom,
1187 boom, boom, and it – wasn't in sync. The other clubs didn't have the training, the same training
1188 that your – dancers, whether it was 50 dancers, a hundred dancers, had before he went and made
1189 his visits. Is that fair?

1190

1191 **MARK FIORENTINO**

1192 Oh, that's fair. Yeah, the other clubs aren't doing the training.

1193

1194 **MAYOR PRO TEM REESE**

1195 Okay. Okay.

1196

1197 **MARK FIORENTINO**

1198 As far as we know.

1199

1200 **MAYOR PRO TEM REESE**

1201 Fine. Okay. Thank you.

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1202 **TOM DILLARD**

1203 That's correct. I – can also say that I heard Mr. Jerbic, who I've known for a long time, and he
1204 went through a – litany of – violations that occurred in Houston, allegedly occurred in Houston.
1205 I – can tell you that nothing – remotely in that area has occurred in Treasures, as far as my
1206 investigation has uncovered, during the reporting period. Now, some of those type of acts, we
1207 have experienced in other places. And this is all outlined in – my report, in my affidavit, in very
1208 graphic form. And it's, I don't know if you're gonna make it available or how this is gonna
1209 work, but it's there.

10 The – point is here is there's –, this is the way I like to put it, basically, we concentrated our
1211 effort on – five locations, one in particular, Treasures. We had more effort on Treasures than the
1212 others. Treasures' group with – three of the others, four of them, are pretty much in the same
1213 basic category, as far as their level of – violations that occur on a daily basis. There's one that is
1214 way out in left field. It is a real problem. I would say it is – out of control, would be my
1215 opinion.

1216 The – violations vary. There are some – incidents, instance where even some of the management
1217 in other places have encouraged these type of violations. There are areas that, where, well, I can
1218 tell you one incident, without being too graphic, where my people went into one particular club.

1219 Before they even really got set down and even ordered a drink, one of the dancers came up and
1220 said, you know, I can do a – table dance for you for twenty bucks or I can just go to your room
1221 for three hundred. That's pretty brazen, if you ask me.

1222

1223 **MAYOR PRO TEM REESE**

1224 Well, you know, I – can certainly appreciate your – remarks. But I – don't want, you know,
1225 we're looking at Treasures and Treasures only.

1226

1227 **TOM DILLARD**

1228 Okay.

1229

1230 **MAYOR PRO TEM REESE**

1231 And, so, I – would like to, you know, keep that – focus.

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1232 **TOM DILLARD**

1233 Okay. All right. And – that’s fine, and, but I can just tell you basically that –, since I’ve been
1234 involved in this, since we’ve been doing our training, since we’ve been doing the – things that
1235 Mr. Fiorentino just outlined, I can tell you that – we have uncovered very few violations. There
1236 are violations. I’m not saying it’s perfect. I mean there’ll probably be one tonight. I can say,
1237 without reservation, I think you can walk into virtually any club in the jurisdiction and come out
1238 with a violation on any given day. I think Mr. Jerbic even made some comment about that in the
1239 last – meeting.

40 But the – idea that Treasures is some sort of outlaw club with no regard for the rules, the
1241 regulations that go along with the industry is just, it’s just not true. It’s, and I’d go so far and say
1242 it’s preposterous to come to that conclusion, based upon the information that I’ve – compiled
1243 here. So, with that, if there’s any questions, I’ll be – glad to answer them.

1244

1245 **MAYOR PRO TEM REESE**

1246 Thank you very much. Are there any questions?

1247

1248 **COUNCILMAN WOLFSON**

1249 Yes.

1250

1251 **MAYOR PRO TEM REESE**

1252 Mr. Wolfson.

1253

1254 **COUNCILMAN WOLFSON**

1255 Thank you, Mayor Pro Tem. Mr. Dillard, first of all, tell us what kind of training you’re talking
1256 about and what timeframe you provided the training to the entertainers at Treasures.

1257

1258 **TOM DILLARD**

1259 We started the – training on April the, can tell you exactly, if you just give me a second here. I
1260 think we started on April the, on or about April the 8th.

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1261 **COUNCILMAN WOLFSON**

1262 April 8?

1263

1264 **TOM DILLARD**

1265 April the 8th of '04, we started the training.

1266

1267 **COUNCILMAN WOLFSON**

1268 And how many training sessions have you been, have you provided, you or, is it just you or do
59 you have staff working for you?

1270

1271 **TOM DILLARD**

1272 I have an assistant. I couldn't tell you exactly how many. I can tell you the number of –
1273 entertainers who have gone through the class to date. That –

1274

1275 **COUNCILMAN WOLFSON**

1276 Is it one class or is it more than one class?

1277

1278 **TOM DILLARD**

1279 It's more, well, we do it, it depends on the – turn out we get. We go in usually before it gets too
1280 busy. We'll put on as many classes. They take about 30 to 45 minutes, depending on the
1281 question and answer period, as there are entertainers to attend. When there are no more
1282 entertainers to attend, then we go home. But we, so far we've got through two hundred and
1283 thirty-one.

1284

1285 **COUNCILMAN WOLFSON**

1286 Dan, entertainers?

1287

1288 **TOM DILLARD**

1289 Correct.

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1290 **COUNCILMAN WOLFSON**

1291 Is there a set number of hours for a training class?

1292

1293 **TOM DILLARD**

1294 It – usually runs around 35 to 45 minutes, depending on the question and answer period.

1295

1296 **COUNCILMAN WOLFSON**

1297 Okay, but, I guess my question, Mr. Dillard, is, if an entertainer attends a 45-minute class, and it

98 isn't busy and they sit through the whole class, at the end of the 45 minutes they're done, is their

1299 training over? Or do they come back for session number two and session number three? Or are

1300 we talking about a 45-minute training session and that's what you consider to be trained?

1301

1302 **TOM DILLARD**

1303 We're talking about a 45-minute training session. Now, if they come to the attention of

1304 management, they have the – prerogative to request that they re-take the class.

1305

1306 **COUNCILMAN WOLFSON**

1307 Okay. I have in front of me exhibits in support of and this, Mr. Fiorentino, is dated June 16th. So

1308 I'm working off things that are in this booklet. And, Mr. Fiorentino, you know where I'm going,

1309 'cause I – discussed this with you yesterday. And from –

1310

1311 **MARK FIORENTINO**

1312 They're bring –

1313

1314 **COUNCILMAN WOLFSON**

1315 I'm sorry?

1316

1317 **MARK FIORENTINO**

1318 I'm sorry. Keep going.

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1319 **COUNCILMAN WOLFSON**

1320 From Tab Number 4 in the Exhibit Book dated June 16th, I have an erotic dance establishment
1321 enforcement log. And this shows the log of —

1322

1323 **MAYOR PRO TEM REESE**

1324 Do we have that —

1325

1326 **COUNCILMAN WOLFSON**

27 This was — provided to me. I — would trust that —

1328

1329 **MARK FIORENTINO**

1330 Mayor Pro Tem, I'll put it on the screen. This is part of the record from your last hearing.

1331

1332 **MAYOR PRO TEM REESE**

1333 That's — fine.

1334

1335 **COUNCILMAN WOLFSON**

1336 Thank you, Mr. Fiorentino.

1337

1338 **MAYOR PRO TEM REESE**

1339 Can we have the overhead, please.

1340

1341 **COUNCILMAN WOLFSON**

1342 But, while it's going up on the overhead, what this shows is, and this is your, or Mr. Fiorentino's
1343 work product. This was provided to us from Mr. Fiorentino. And this shows a log of entries of
1344 individual entertainers, the violation, who saw the violation, I'm assuming that's a manager or —
1345 another employee and what action was taken. And I'll give an example. On March 19th, Amber
1346 received a violation for EDC, that's the Erotic Dance Code, by Ed and the action taken was
1347 tapped. I assume that means that the manager or whomever went up to the entertainer and —
1348 tapped the entertainer during the violation and that acts as a warning. And here's my question, in

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1349 viewing this log, it goes all the way through June of '04 and there are many instances where
1350 many entertainers have action taken against them in the form of being tapped, laser, verbal,
1351 whatever, but then when you look to the discipline report, which is Tab 9 of this booklet, there
1352 isn't any discipline.

1353 So what I'm getting at, I guess, is that what we have is your testimony and I – believe your
1354 testimony that there have been training sessions starting in April, but, apparently, they don't
1355 seem to be working. Because we have multiple, multiple, multiple entries in your documentation
1356 showing many, many entertainers, let's take Arial, for example, eight violations over a span of
57 two or three months. Eight. And then I look to the discipline report and there is nothing in the
1358 discipline report where she was disciplined. And then I go back to Tab Number Two, which is
1359 the compliance policy, which has Page Two, progressive discipline for first offense, second
1360 offense, third offense, reprimand, probation, suspension, termination; I don't see any of that kind
1361 of action being taken against entertainers for violations. It doesn't seem like your training is
1362 working.

1363

1364 **TOM DILLARD**

1365 Well, that portion of it is – not really my responsibility. I'm doing the training. I can – tell you,
1366 I believe, from my people's experiences in there, that I think Treasures management are being a
1367 little more aggressive than most places. They're not, they're cautioning these girls when they
1368 even get close to – what may considered a violation. And I think that's one of the reasons why
1369 you may see more activity in one particular girl than another.

1370

1371 **COUNCILMAN WOLFSON**

1372 If I may, Mayor Pro Tem –

1373

1374 **MAYOR PRO TEM REESE**

1375 Surely.

1376

1377 **COUNCILMAN WOLFSON**

1378 Mr. Fiorentino, same question for you.

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1379 **MARK FIORENTINO**

1380 I have a different answer, but I, be, before I go –

1381

1382 **COUNCILMAN WOLFSON**

1383 But let me – pose the question, if you don't mind.

1384

1385 **MARK FIORENTINO**

1386 Oh, I'm sorry. Thought you said same question.

37

1388 **COUNCILMAN WOLFSON**

1389 Well, it is, but let me – rephrase it, if you will. You're telling us about a compliance policy
1390 which the entertainers must acknowledge and – sign a form that they've read it and understand it,
1391 and then you're giving us a log where Amber, and I understand these are stage names, so these
1392 aren't the real entertainers' names, but Arial, for example, has eight violations; Gina, nine;
1393 Amaya, eight. And I understand that these are not Metro citations. The Police Department is not
1394 coming in and citing these entertainers. These are internal actions. But you're telling us about
1395 how much your club is doing and you're telling us how much you're in compliance. And you're
1396 telling us how hard you're trying, but I've got Amaya, whose done eight violations of the EDC
1397 and all she's being is tapped and verbally warned. Is that really compliance?

1398

1399 **MARK FIORENTINO**

1400 You ready?

1401

1402 **COUNCILMAN WOLFSON**

1403 Go for it.

1404

1405 **MARK FIORENTINO**

1406 A couple of things, 'cause there were a lot of questions in there, and, actually, I think this came
1407 up at the last hearing and we never really appropriately addressed it. Let's start with the
1408 compliance policy. You're right, there's a policy that they have to sign. We provided that to

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1409 you last time. It indicates that on a first offense there'll be probation and then it gets
1410 progressively there. That, although I – admit it, especially after you pointed it out to me, it's not
1411 entirely clear. The management has always been enforcing those with respect to Metro citations,
1412 not internal warnings; okay?

1413 That leads into what Mr. Dillard said, and – this may be, bear with me for a second because you
1414 haven't had a lot of the – history to, but that's what's – happened to us is, I'd say, hey, there
1415 can't be any room for error here, that you have to be overboard on these. And, again, remember
1416 I said I'm the one who told them to keep the log, start keeping a log so we can show that you are
17 aggressively enforcing the code as you see it, because there was an allegation you're not
1418 enforcing the code.

1419 I think Mr. Dillard misspoke, so I wanna give him the opportunity, if what I say is inaccurate.
1420 When you – asked a question, employees versus dancers, and he says he's been training the
1421 dancers, he's actually been training the managers as well. And, I think, that training includes a –,
1422 what to look for and how to be aggressive to make sure that you're – erring on the side of
1423 caution. But, before I go on, is that accurate?

1424

1425 **TOM DILLARD**

1426 Yes. The majority of the managers, to my knowledge, have gone through a separate class.

1427

1428 **MARK FIORENTINO**

1429 Now, but I, now let me more directly, and – unless we analyzed the statistics wrong, and, again,
1430 it was 1:00 or 2:00 a.m. in the morning, and I did not provide this for copies to distribute. I can
1431 leave it for the record if you want. Let's take Arial, for example. When we examined our own
1432 log, we discovered that Arial has not been warned or tapped in Treasures, this is on the, this is
1433 not in your book, it's on the overhead, after April 24th of '04. Now, I don't know if I could
1434 precisely prove that, the next point. But we believe that, because that's right about the time the
1435 training began. We began to train the dancers and the management team in March. And I think,
1436 if you look at all of the ones that you cited in particular, you will find that in April or May the
1437 warnings stopped. Now that may not always be because we trained them. It may be beca –

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1438 **COUNCILMAN WOLFSON**

1439 Has she been in your employment during that time, though? Post-April?

1440

1441 **MARK FIORENTINO**

1442 Well, I was just – going to say, my belief is everyone that I’ve shown on this is they, they’re not
1443 employees, but we keep track of when they come in and out ‘cause they log. My belief is that
1444 they – all have – been performing in the club since then, but I wouldn’t swear to that. And it
1445 might be that some of them just didn’t come back or haven’t danced since then.

46 You also find, though, I think, if you look closely, that, at least in a couple of instances, for
1447 example, Serena was in fact, I don’t know if you mentioned Serena, but it’s one we picked out
1448 because she had, she appeared on the tapping log five times.

1449

1450 **COUNCILMAN WOLFSON**

1451 I pointed her out to you yesterday, Mark.

1452

1453 **MARK FIORENTINO**

1454 She was suspended in 4/22, and, since then, she’s had no additional violations. Amber, one, two,
1455 three, four times. There was no disciplinary action taken, other than it – appears that she went to
1456 the class, and she has no additional violations, though, after March 25th. So, again, I would
1457 suggest to you, I’m not gonna stand here and tell you anything we do or the collection of
1458 everything we’re doing is going to be perfect and result in a (sic) atmosphere, as Councilman
1459 Reese asked me earlier, where there aren’t gonna be Erotic Dance Code violations. I, if that’s
1460 the standard, then we don’t have to go on. You should revoke the license. Because that’s a
1461 standard I can’t keep and, I submit, no one could keep, that – there will never be a violation of
1462 that code. Nor do I think that’s what we committed to. But –

1463

1464 **COUNCILMAN WOLFSON**

1465 Can you answer the question I asked earlier? How does the size of the Treasures Las Vegas club
1466 compare to the clubs in Texas? I mean I heard – some testimony about, at one time there was a
1467 hundred twenty-one dancers in one night. Is that what I heard?

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1468 **MARK FIORENTINO**

1469 In – Treasures Las Vegas?

1470

1471 **COUNCILMAN WOLFSON**

1472 Yes.

1473

1474 **MARK FIORENTINO**

1475 Yes. Let me – answer it, and they'll tap me on the shoulder if I'm wrong. It depends on which
76 club you're talking about. Because remember the Davaries own, I believe, six clubs in Houston.

1477 Some of them are substantially smaller than Treasures here, a couple are larger, at least in terms

1478 of volume. So it's not unusual, I think, in Texas, for them to have 2 or 300 dancers on the floor

1479 at any given night. Here we have not experienced, yet experienced that volume. My belief is, hit

1480 me in the back of the head with a piece of paper if I'm wrong, that the facility is large enough

1481 that it would accommodate perhaps 2 or 300 dancers, but we have not achieved that level here.

1482 So the, more succinctly, the larger clubs in Houston have substantially more dancers performing

1483 at any given time on a busy night, the smaller clubs have substantially less.

1484

1485 **MAYOR PRO TEM REESE**

1486 Councilman, any more questions? Council, other Councilmembers, any questions? Thank you,

1487 Mr. Dillard. Unless you have something else you'd like to add?

1488

1489 **TOM DILLARD**

1490 Yes.

1491

1492 **MARK FIORENTINO**

1493 Mayor Pro Tem, so getting back to my train of thought, we have what we're doing up front, I

1494 was about half way through what is that producing. We submit, based on the raw numbers and

1495 Mr. Dillard's work, it's producing what you expected. Again, especially if the standard is is

1496 there any of this kind of conduct going on that we talked about when we first started this hearing

1497 this morning. I also –

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1498 **MAYOR PRO TEM REESE**

1499 Mr. Fiorentino, I guess – I have another question, if I could interrupt for just a second.

1500

1501 **MARK FIORENTINO**

1502 Sure.

1503

1504 **MAYOR PRO TEM REESE**

1505 Okay. To me, when the promise was made that we wouldn't have any violations or convictions,
06 why did we wait so long to hire a compliance officer or a training officer like Mr. Dillard?

1507

1508 **MARK FIORENTINO**

1509 Well, that's, actually, again, two questions.

1510

1511 **MAYOR PRO TEM REESE**

1512 Okay.

1513

1514 **MARK FIORENTINO**

1515 Because the compliance officers are a little bit different than Mr. Dillard. But let's start with Mr.
1516 Dillard. I actually tried earlier, but I was looking for a number of criteria that –

1517

1518 **MAYOR PRO TEM REESE**

1519 Okay, I'll clarify my question a little bit more. How come something like this didn't happen
1520 before the club ever – opened?

1521

1522 **MARK FIORENTINO**

1523 Now that's a darned good question I don't think I have a good answer for. I know that in the
1524 first six month time period, I can look you in the eye and tell you from when they opened in
1525 September of two thousand and three to that March, first March hearing, in, we focused hard on
1526 trying to, I cannot tell you, I cannot look you in the eye and tell you I worked hard to find
1527 someone like Mr. Dillard prior to opening. I can tell you, once we opened, I – worked hard to do

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1528 it. And it was difficult to do, because I wanted someone that no one, everyone could trust, who
1529 had experience, who wasn't conflicted. And I went through a number of candidates before I
1530 arrived at him. I will tell you, in retrospect, it's probably the best thing that happened to us, in
1531 my personal opinion, that I – ended up with him. Because he's done everything I've asked him
1532 to do. He's not only provided us information that has satisfied me that Mr. Davari at Treasures
1533 here has done what he promised you, but he's helped them accomplish that, in terms of the
1534 training and the suggestions he's made in – the way they record things and – that sort of thing.
1535 But that's – my own editorializing.

36

1537 **MAYOR PRO TEM REESE**

1538 Well, –

1539

1540 **MARK FIORENTINO**

1541 Now the compliance officers are different. One of the things we heard early on was the
1542 managers don't try hard enough. The managers don't even have incentive to enforce the code,
1543 because they're working with the dancers to let things go as far as they could go. So, again, my
1544 idea, good idea, bad idea, no one suggested anything different, I said, well, let's hire people who
1545 aren't managers. They're only job, and at the same time we instituted a policy where let's move
1546 away from tapping so much, because the tapping sort of interrupts the patron's experience and –
1547 let's go to a laser pen situation, where you can warn the dancer by flashing something that only
1548 she can see. And – they were hired midway through the process again. Not immediately. It was
1549 expanding. We're trying to do what we can. We're trying to address concerns, what can we do
1550 better sort of thing.

1551 So, I think, if you ask Mr. Dillard whether he has witnessed whether those things are occurring,
1552 whether the compliance officers are using the laser pens and when they're, whether they are
1553 attempting to enforce the code, I think he will tell you yes, they are.

1554

1555 **MAYOR PRO TEM REESE**

1556 And I just feel like, though, if you'd have had this in place before they ever opened the doors, we
1557 may not be here today. My opinion. Continue, continue.

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1558 **MARK FIORENTINO**

1559 Could be. Could be. Getting back to the results, I wanna go back to Houston for a second. I
1560 wanna make two points here, and the first point is – amplified by Tab 6 of your booklet. I started
1561 earlier by reminding you that many, many, the vast majority of the allegations that were read in
1562 the complaint earlier this morning are now nine years old. I asked the staff at the Davaries
1563 operations in Houston to give me the total number of citations that have been issued to all of the
1564 clubs by the – Alcohol and Beverage Commission in the Houston area in the last four years;
1565 2001, 2, 3 and 4, in the last four years. And that's before you today. Let me break that down for
56 you, though, for a minute. That's all of the clubs. There are six clubs in Houston. There have
1567 been a total of 23 citations in four years in six clubs. That's a little tiny bit more than four
1568 citations per club in Houston. But to put it in a slightly different perspective and to use an
1569 analysis that was reported to you in the Metro's original report about how, at that time, in, when
1570 they were doing the investigation referenced in 1995, how Davaries' arrests per visit was 23
1571 something and all the good clubs in Texas were at 15.5, only half of those 23 citations that I've
1572 mentioned to you here resulted in arrest. So there's twelve arrests in four years in six clubs in
1573 Houston. And remember this is per year about a million dances, physical dances taking place
1574 because of the total number of clubs and the volumes in the clubs.

1575
1576 **MAYOR PRO TEM REESE**
1577 Okay. It makes me want to ask a question. How come after the report that I seen in 2001, what
1578 did they do to alleviate some of those arrests or citations?

1579
1580 **MARK FIORENTINO**
1581 Same thing they're doing here.

1582
1583 **MAYOR PRO TEM REESE**
1584 Well, what – I remember seeing in 2001 would overshadow this a hundred to one.

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1585 **MARK FIORENTINO**

1586 Right. It would. Of course it would. And for two reasons. What you saw in two thousand and
1587 one were not two thousand and one numbers. They were 1995 numbers. And if you look at the
1588 transcripts carefully of that first hearing when we talked about this, I pointed that out. I said they
1589 took it seriously in Houston, and if you go from 1995 to two thousand and one, you'll see a
1590 downward trend in Houston and you'll see it even more dramatic now from two thousand and
1591 one to two thousand and four. And the reason is because they tried to live up to your
1592 commitment and they're doing some of the same things in Houston that they're doing here, in
93 terms of training people and – teaching their managers and dancers different ways to conduct
1594 themselves.

1595 Okay. Let's move on to the promise. I, I've looked you all in the eye, except the ones I can't
1596 remember whether you were here when I did this, and people have told me to my face, publicly
1597 and privately, they don't believe this. I'll tell you you can believe it. I made the promise in good
1598 faith. I did not in any way, no, hey, I've got this scheme to get us through this, to commit to a
1599 standard no one could ever live up to and I'll fix that later, eighteen months from now. It just –
1600 didn't work out that way. And I think, actually, if you read the transcript carefully you'll see that
1601 that's not, there was a lot of discussion about specific activity, about sexual acts in the club and
1602 drug activity and that kind of stuff. But it is what it is.

1603 If you're gonna hold us to the promise that there would not be a single conviction for a
1604 solicitation of prostitution, by the way, that's not what the actual record says, if you read it very
1605 carefully, it doesn't say the solicitation of prostitution. It says prostitution, which from a purely
1606 legal standpoint is different, but that's neither here nor there. If you read it literally, unless we
1607 win the appeal, I lose. There has been a conviction.

1608 But what the judge actually said there brings back the point I've been trying to make, I hope.
1609 Even in that particular case, by the way there were three cases, one where there was an acquittal,
1610 everybody knows about that. The second there was a conviction, which is on appeal. And, in
1611 the conviction on appeal, the judge said, and I believe Mr. Jerbic gave you this transcript for the
1612 record, but let me just quote a part of what he said –

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1613 **MAYOR PRO TEM REESE**

1614 Excuse – me just a moment. Excuse me just a moment, please. Ma'am, we're – having an,
1615 discussion here. You might want to take your son outside until we have the hearing completed.
1616 Thank you very, very much.

1617

1618 **MARK FIORENTINO**

1619 I'm gonna take the name out, although I'm sure her name is well known by now. Actually, I
1620 guess I'll take a break.

21

1622 **COUNCILMAN BROWN**

1623 Somebody explain to her why.

1624

1625 **MAYOR PRO TEM REESE**

1626 Will somebody – Ma'am, this is very explicit, and we just don't want your young man to – listen
1627 to it. Thank you.

1628

1629 **MARK FIORENTINO**

1630 They couldn't get out that way.

1631

1632 **MAYOR PRO TEM REESE**

1633 Thank you very much, Ma'am. Okay, Mark.

1634

1635 **MARK FIORENTINO**

1636 I'll wait one more minute, Your Honor, 'cause I don't think he's left the room yet. I think
1637 they're translating for her.

1638

1639 **MAYOR PRO TEM REESE**

1640 Okay, go ahead.

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1641 **MARK FIORENTINO**

1642 This is only a partial quote, you've got the whole transcript in the record. The judge said, I want
1643 to begin by making a finding that I don't believe the dancer, I took her name out, is in any way
1644 intended to go to the detective's room to have sex for money. I'm not a criminal attorney, I
1645 don't understand that finding, and then the subsequent conviction, but, again, that's neither here
1646 nor there. The point I wanted to try to make is the whole case was based on conversations the
1647 detective had with the dancer, that I'm not sure, and the judge said this, I believe further on in the
1648 transcript, that anyone in Treasures could have known what that conversation was gonna be. In
49 fact, he makes specific reference in his finding that he was, these are my words, not the judge's
1650 word, he was particularly mad at her with respect to the Erotic Dance Code violation, which he
1651 also found her guilty on, because twice during her discourse with the detective she was warned
1652 by management at Treasures, to not conduct in that kind of activity. I guess that speaks for itself.
1653 But it still doesn't indicate the kind of activity that we were talking about when we started years
1654 ago.

1655 Okay. Let me try to pick up speed. We did the audit. We gave everything we had, it was a
1656 substantial audit. The audit speaks for itself. It's part of what Mr. Jerbic gave you, it's part of
1657 what I gave you. It reached a specific conclusion, two things, I guess, one written and one
1658 implicit, I believe Mr. Jerbic confirmed, that there's no evidence that any structuring transactions
1659 occurred here in Las Vegas and that there was no evidence that anything relating to those
1660 transactions in Houston had any connection whatsoever to the activities here in Las Vegas.

1661 We did also give you a report, Mr. Jerbic said it doesn't, he doesn't think this is a matter that's
1662 worthy of much weight, so I won't give it much weight either, on the 1099 issue. We did give
1663 you a report from a CPA that concludes and he cites a number of specific tax cases that are
1664 precisely on point dealing with adult businesses that in the suit, the circumstances here, 1099s
1665 are not required.

1666 And, briefly, on the social security number, it is true. We have, we don't deny that, one of the
1667 things we did give the auditor, even though we don't have 1099s, is we have complete computer
1668 records of – payments that were made to the dancers and on that, those records, in that log, we
1669 have their social security number. But not in every case are the social security numbers accurate
1670 because we don't have any – interest or authority, really, to get their social security number

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1671 'cause they're not employees and we're not filing 1099s. Often they voluntarily give it to us and
1672 we report it. But it shouldn't be a big issue because clearly Metro and Mr. DiFiore can get the
1673 social security numbers if they want them. They have the dancer's name, they all have work
1674 cards. You could go to your work card database, because when you get a work card you do have
1675 to give them your social security number. So, we'll move on from there.

1676 Mr. Nugent is here, if you wanna hear more from him about the allegations in Texas. This is
1677 what I want to say about it. There are no, even today, after an audit conducted here in Las
1678 Vegas, even after three more months of publicity and media attention to the case here and
79 everything we've turned over for the City of Las Vegas' review and all of the discussions we are
1680 having, today there are no criminal charges pending against the Davaries. In Houston, it is a
1681 civil complaint. Mr. Nugent told you last time, it's a civil complaint that may go away. They
1682 may settle it, it may get dropped, it may take two or three years to – reach a conclusion. But Mr.
1683 Jerbic's already told you that he looked in the audit, and he found no evidence that these alleged
1684 transactions had any connection to Las Vegas.

1685 And I will tell you, despite what they said, it would be unheard of, I submit to you, to revoke
1686 someone's license based on a civil, an unresolved civil complaint in another jurisdiction. I –
1687 can't think of a single case. And there have been some very public cases involving very good,
1688 upstanding gaming companies in this town in the last five or six years where, relating to some
1689 things going on in other jurisdictions. Some of them relating specifically to CTR transactions.
1690 Where you have ever, ever revoked someone's license based on a pending civil complaint in
1691 another jurisdiction.

1692 But we, we're honest with you. Mr. Nugent said it. It's in the record. You can read it again.
1693 Yes, yes, the, we – went through transactions that were less than \$10,000. They've been doing it
1694 for years. For a decade, is what his words were. And the, but there was a specific business
1695 reason to do it. Now, Mr. Jerbic and I disagree on this point, 'cause I see him smiling over there.
1696 He says, we think you made a huge mistake, privately, when he talks to me, because we think
1697 that's a general intent crime and you just admitted to three hundred and thirty-two felonies. I
1698 respectfully disagree with that interpretation of the law. We've researched it. I do think that in
1699 order to be guilty of a crime, that you have to show that there was an intent to do this for the
1700 purposes of avoiding the reporting requirements.

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1701 We also gave you other evidence of why, if he was trying to avoid the reporting requirements,
1702 he's – dumber than I am when I made the commitment to you. Because here in Las Vegas,
1703 they've been filing the CTRs, because their business operations are different. They require
1704 different transactions. He's been doing it for a decade. Why Houston focused it on eighteen
1705 months, we have no idea. And they have specific security problems there. Can you imagine
1706 giving any one of your employees 30, \$40,000, a single employee, cash that they need to run the
1707 business for a day to – carry with them from a single bank to your business?

1708 But you're gonna give that way, what weight whatever you want. But I –, again, I would submit
09 to you that I cannot think of a single case in which you've revoked someone's license over a
1710 pending civil matter in another jurisdiction. Now, clearly, if that, if something goes wrong there
1711 and you take a positive action on this license today and something goes wrong in that
1712 jurisdiction, you clearly have the authority to bring this thing back and – take action based on
1713 what ultimately happens there.

1714 The final part of my structured presentation, I wanted to touch a little bit on Metro's report
1715 today, which wasn't read into the record but which was handed into the record and Metro's
1716 previous reports and Mr. DiFiore's previous recommendations. Because –

1717

1718 **COUNCILMAN BROWN**

1719 Mayor Pro Tem, would –

1720

1721 **MAYOR PRO TEM REESE**

1722 Yes?

1723

1724 **COUNCILMAN BROWN**

1725 What report, Mark? What are we referring to?

1726

1727 **MARK FIORENTINO**

1728 Metro's confidential reports. You've received three, to my knowledge; one prior to your first
1729 hearing, one prior to March 17th and one prior to today. I believe Mr. Jerbic turned them into the

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1730 record, although I'm not sure he handed all three of them to you. I think they're in the tabs in
1731 your books, but he'll have to confirm that.

1732 And – I'm, this is what I guess I wanna stay (sic), I wanna focus first an, and mark some things
1733 that were said in March, on March 17th, and the whole atmosphere that's been created here. Mr.
1734 Dillard addressed this. The atmosphere that, you know, anything's the game in Treasures. It's
1735 basically what you've been told, that the management doesn't do really anything, they're non,
1736 uncooperative. Mr. Jerbic used that word today. The words in the March 17th report was there's
1737 a culture of lawlessness in Treasures. And I just want to submit to you and I'm gonna give you a
38 couple of specific examples that there is nothing in the record that supports that conclusion, that
1739 there's a culture of lawlessness, that no one's trying, that they, that you can get whatever you
1740 want in Treasures. That actually was said on the record, I believe it was March 17th or June 16th,
1741 heck, you can get whatever you want at Treasures, everybody knows that. That's why I don't
1742 have any calls for service at Treasures.

1743 I wanna read you a quote from that Metro report on the 17th, that'll maybe illustrate my point.
1744 I'm not gonna look for the quote. If you want the quote, I'll – tell you basically what it says.
1745 This was relating to the citations that were issued right before the March 17th City Council
1746 hearing and Metro's and Mr. DiFiore's inspection of Treasures. There's a sentence that says
1747 something like this, our ability to issue citations in Treasures is limited only by the number of
1748 police officers we can take into Treasures at any given time. So I wanna take you to Tab 4 again,
1749 it's the multi-colored chart. Couple things I want to point out in regards to that chart. First, that
1750 was the busiest night in Treasures since they opened, one hundred and sixty-two dancers, I told
1751 you that earlier, were working that particular night. There were eight citations, no prostitution,
1752 all Erotic Dance Code citations. That's what this chart shows. There were eight Erotic Dance
1753 Code citations. Despite the fact that there's a culture of lawlessness, that it only matters how
1754 many officers they can have in the club, since that night, that's roughly the same point in time in
1755 which Mr. Dillard is actively now training management and dancers, there's a general downward
1756 trend in the number of citations issued at Treasures and not a single one for the solicitation of
1757 prostitution.

1758 If you look to the extreme right of the chart, the last two times that there were inspections at
1759 Treasures, in each time there were two citations issued. Two on each night. The first night there

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1760 were 64 dancers, the second night there were one hundred and four dancers, plus or minus. It's
1761 the management's belief that on those two nights, there were somewhere between five and seven
1762 officers in the facility. They think they know that, because, as Metro's told you before, they
1763 recognize the officers when they come in. They recognized Mr. DiFiore and the agents that
1764 work with him. They were there roughly on each night about an hour. So you got five officers
1765 there for an hour, they issued two citations. Now, I'm not trying to disrespect Metro, but I think
1766 that does not show a culture of lawlessness. That does not show a situation in which the number
1767 of citations issued is limited only by the number of officers they can have in the building. It is
58 also our belief that on one of those two nights, or shortly in that same time period, the same team
1769 of officers went to another club and issued somewhere in the vicinity of nine or ten citations. I
1770 don't know that for sure. I know it because the management was told that by other managers in
1771 other clubs. I suspect it might be true, because, if you go back to the chart that they gave you,
1772 the updated chart, you will see that in this last three and a half months a couple of the clubs had a
1773 substantial increase, in the last couple months, of the number of citations that they were issued.
1774 Now I want to focus on a couple of things that was in the most recent report, and I'm not gonna
1775 quote, unless you want me to. Again, it wasn't – read to you, but. I'll paraphrase. One of the
1776 concerns raised was, this whole thing's a scam, this whole screening of, because one of the
1777 things we do, remember, is we run our own background checks on – certain dancers, on all
1778 managers and certain dancers. Well, this whole thing's a scam because we found a dancer who
1779 they hired with a temporary work card and when they hired her she had two charges for the
1780 solicitation of prostitution, not convictions, but charges. And she was ultimately convicted and
1781 they should have – caught that, and, if they were doing their right background checks, they
1782 would have caught it.
1783 Well, a couple points I wanna make. First, it is not and has never been the policy of Treasures to
1784 run background checks on every dancer. That would be impossible. Many of the dancers aren't
1785 here long enough to wait for a background check, which takes several days to do. So we set
1786 criteria, never heard anybody object to the criteria, that you have to dance a certain number of
1787 times within a certain period of days, so that we know you're a regular in the club, and then
1788 we're gonna run a check on you. Mr. Dillard, I forgot the number. He can come back up here
1789 and tell you. He's run a substantial number of checks. This petit, particular dancer, there was

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1790 not, we did not run a background check on her 'cause she didn't meet the criteria. She didn't
1791 dance enough times in the club in the period of time she was there. She, by the way, is gone.
1792 Has never appeared in the club again, and the reason is because she was subsequently convicted
1793 of -- a solicitation of prostitution charge.

1794 But they also say something in there that I think is relevant, because it -- sort of helps you
1795 understand this environment we're all trying to operate in. They say, you Treasures, you
1796 management, you, Fiorentino, whoever you is, you should have known, because when, that she
1797 had a temporary work card, there was something wrong. And I submit to you that's unfair to
1798 say. Because it's Metro who intro, who issued her the temporary work card. Metro knew when
1799 they issued her the card that she had charges for the solicitation of prostitution, and they issued
1800 her the card anyway. But you're telling us that we should have caught it, and we should have
1801 denied her a right to employment or the right to perform in the club, even though you wouldn't
1802 deny her the right to hold a work card.

1803 Two other points I want to make on that. That is such a small percentage, though. There have
1804 been 1500, plus or minus, dancers who have danced at one time or another at Treasures. We've
1805 found one instance in a year in which we unknowingly, although Metro asserts we should have
1806 known, hired someone who had charges pending. And I will tell you, though, Mr. Dillard will
1807 tell you this again if you come up, that we have found people who've had charges, and,
1808 generally, the policy is to not necessarily prohibit them based on a charge, because, again,
1809 they've been issued a work card, a temporary work card, unless there's lots of charges. And
1810 there have actually been dancers we've told you cannot work here with your history. And they
1811 sign, in their -- independent contractor agreement, a submission to the background checks and a
1812 statement that says that you understand we may deny you employment based on what we do.

1813 The other point I wanna make is they suggest that we should, as management, require the
1814 dancers to get their own scope report, I think it's called. In other words, I can't, as the employer,
1815 go down and find her scope report. But she can and we should demand it. We should demand
1816 that they show it to us so that we, you know, what not a bad idea. Not a bad idea. Why didn't
1817 you tell me it a year ago, especially if you were going to suggest that it's something I'm doing
1818 wrong. You should have told us a year, that's not a bad idea. You want us to start doing that.
1819 We will do that. That's a pretty good idea.

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1820 The second thing I want to address, I'm not gonna address the second thing. I want to get to Mr.
1821 Jerbic's comments and addressing them specifically, to the extent I haven't already, and then
1822 we're gonna open ourselves up for questions.

1823 Three things, the past conduct. We've addressed the past conduct. It is what it was. Can't erase
1824 it. You have to decide have I done anything about it. Second, the conviction, and the condition
1825 we agreed to. I've address it. It is what it is. The third, the civil complaint in Houston. Again,
1826 we've said everything we wanna say about that. But I want to answer a specific question that
1827 you asked, Councilman Wolfson, about the process in Texas and has there ever been a
28 revocation. Mr. Nugent is here, who represents the Davaries and has for a number of years in
1829 Houston. And so, he thinks there was a misstatement with respect to the closure of the clubs and
1830 – what the discipline was back in 1995. He's happy to tell you about that if you still care about
1831 1995, and I'll leave that up to you. But I thought your question was a relevant one. Actually, we
1832 discussed it at length in two thousand and one, when we first talked about it, was the fact that
1833 even the Houston authorities, with that one exception in 1995, have never saw it fit to revoke the
1834 license. And their system there is different than it is here. You don't automatically review every
1835 year. Every year you get the opportunity, if you are the local jurisdiction, to revoke the license.
1836 You don't, you know, have to go through a hearing. You have to go through a process every
1837 year to reprove yourself. I think it's relevant. I think it's relevant especially in the context of
1838 your question of, well, why, what are they doing different in Houston and why are they doing it.
1839 They're doing what they think they can.

1840 One final point I think I wanna make, and then, I, this gets back to the two thousand and one
1841 transcript and temporary license revocation, all that kind of stuff. But, one of the things that Mr.
1842 Jerbic said that struck me and I think I have to answer is a lot of what we talked about, what I –
1843 committed to was based on, what your decision was was based on the conduct that was occurring
1844 in Houston. We, the conduct was what it was. You're gonna have to make a decision here in a
1845 minute, but, something that I wanted to point out to you, at that time, I had a confidential report
1846 done based on private investigation. This is in two thousand and one, indicating that that
1847 conduct that's being referenced in 1995 in Houston is occurring right here today in two thousand
1848 and one in clubs in Las Vegas. I had a certified affidavit. I didn't turn it into the record, for the
1849 same reason I didn't today. I said does anybody challenge that it's doing that? And the reason I

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1850 bring that up today is because I think, I hope, you will remember this in your deliberations, that
1851 that points to what I have always in my heart expected. And that would be that this standard I
1852 have agreed to, whether it's right or wrong, whether it can be enforced or not, I think I was
1853 entitled, and I frankly think you meant that we would have a reasonable expectation that we
1854 would, everyone would be treated fairly. And, especially, if the conviction is going to be a basis
1855 for your decision, I will submit to you we have not been treated fairly and Mr. Jerbic said that.
1856 He said it in June 16th. He said, he's right, they haven't been treated fairly. We've prosecuted
1857 every one of their cases and we settle the vast majority of every other cases. Cases don't go to
58 trial, unless they are at Treasures.

1859 So, I'm gonna end, unless you have questions or unless someone wants to raise something that I
1860 think deserves a response to with – this.

1861

1862 **MAYOR PRO TEM REESE**

1863 Thank you very much. Councilmembers, are there any –

1864

1865 **MARK FIORENTINO**

1866 Well, with – this. I want to say one more thing, Mayor Pro Tem. This is basically the decision
1867 that's before you today, and you have to search your heart, and you have to make a decision on
1868 this particular issue. I – know what we talked about. It can be spun in the press one way. You
1869 can spin it lots of different ways. I know what we talked about. That conduct was egregious, it
1870 was unacceptable, and I – told you in a very poor way that you should expect that it not happen
1871 here. You have to search your heart and make a decision about whether it has in fact happened
1872 here. And whether he's done everything within his power to prohibit it happening here. If the
1873 answer to that question is yes, we think he's done it, and we think he's done everything in his
1874 power, then, I hope, you'll grant his permanent license. If it's not, then you should revoke the
1875 license. It's a pretty simple question.

1876

1877 **MAYOR PRO TEM REESE**

1878 Thank you very much. Are there any questions? Any comments? Mr. Jerbic, you have anything
1879 to add?

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1880 **COUNCILMAN BROWN**

1881 (inaudible)

1882

1883 **MAYOR PRO TEM REESE**

1884 I don't think so, unless you want him to, Larry.

1885

1886 **COUNCILMAN BROWN**

1887 If that's okay.

88

1889 **MAYOR PRO TEM REESE**

1890 Yeah. Okay.

1891

1892 **JOHN REDLEIN**

1893 Mayor Pro Tem?

1894

1895 **MAYOR PRO TEM REESE**

1896 Yes?

1897

1898 **JOHN REDLEIN**

1899 I need to point something out for record that's relevant to Mr. Fiorentino's last remarks, and
1900 more than one person has made the same mistake. I need to remind you –

1901

1902 **MAYOR PRO TEM REESE**

1903 And who are you again, Sir?

1904

1905 **JOHN REDLEIN**

1906 – that – Roni always gets it. That these people have applied for a tavern license which has never
1907 been granted. And rather than deny it completely, when you declined to grant them the tavern
1908 license, you awarded them a temporary license, which they started using in September of '03,
1909 which has been extended for an additional six months, to get us to today's anniversary date,

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1910 where they've been operating with a temporary for one year. There is not a revocation on the
1911 table here today. It is the same decision that was before you when they came in here before they
1912 started building the place, which is will you grant us a tavern license. That decision has never
1913 been affirmatively answered by this Council.

1914

1915 **MAYOR PRO TEM REESE**

1916 Well, that's the comment I had wrote down here to — make. Mr. Jerbic?

1917

18 **BRAD JERBIC**

1919 Thank you, Mr. Mayor Pro Tem, members of the Council. I'll be very brief. We've been here
1920 for a long time.

1921

1922 **MAYOR PRO TEM REESE**

1923 Just — a moment, Mr. Jerbic, before you — start. Is there any representative from Metro here? Do
1924 they have anything that they would like to put on the record at this time?

1925

1926 **GARY SCHOFIELD**

1927 Members of the Council, thank you. Gary Schofield, S-C-H-O-F-I-E-L-D, Las Vegas
1928 Metropolitan Police Department. With reference to these allegations that Mr. Fiorentino just
1929 made, we wanna point out one thing to you all. We work for you. We go out and investigate on
1930 your behalf, and then we present our findings and our facts to you. In 2003, the members of my
1931 staff did sit down with the management team from this establishment and explained to them,
1932 explicitly, what kind of actions would get them into trouble. We regulate currently twelve
1933 thousand four hundred and ten different privileged licenses within the City of Las Vegas.

1934 In reference to the downward trend, you also have to realize, and I would offer to you, that right
1935 now the Metropolitan Police Department is impact with a large number of outside of events that
1936 are occurring. Tomorrow we have presidential candidate John Kerry appearing here. President
1937 Bush. The detail that I am in charge of, the bureau that I'm in charge of is also tasked with
1938 taking care of that, along with the Teamsters' strike that just currently occurred.

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1939 The reference to lawlessness was not intended to indicate anything about these individuals'
1940 character. What we're attempting to say is that when we're arriving on the scene and we're
1941 asking for assistance, at the majority of the clubs in this Valley what occurs is people come out
1942 and they assist us. They don't notify everybody inside that the police are here. They don't tell
1943 uniformed traffic officers investigating a simple traffic accident to stand outside of a club. They
1944 allow entrance. Case after case, in this club, what we have found is, for whatever reason, they
1945 don't allow us in there without notifying people inside the club that we're there. We're not the
1946 Vice Unit. We don't conduct covert operations or anything like, everything that we do is in the
47 open. My detectives wear uniforms, on different occasions, they're in plain clothes on different
1948 occasions. So, I just wanted to make it very clear that we have no ax to grind, as it has been
1949 claimed in the local media, with this club.

1950 We conducted, in this period, from 9/16/03 to 3/17/04, seven total inspections. Out of the seven,
1951 the majority resulted in citations. So that's all I basically have, unless anybody has any questions
1952 for my staff.

1953

1954 **MAYOR PRO TEM REESE**

1955 Any questions? Councilman Brown?

1956

1957 **COUNCILMAN BROWN**

1958 What is the size of your staff, out of curiosity?

1959

1960 **GARY SCHOFIELD**

1961 Rob?

1962

1963 **ROB WILLS**

1964 For the record, Lieutenant Rob Wills, I'm in the Special Investigations Section. And we have
1965 two enforcement squads, basically totaling twelve. One in, one works the evening with five
1966 detectives and a sergeant. And that's the majority of the citations and the visits that we've been
1967 discussing today.

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1968 **COUNCILMAN BROWN**

1969 And, again, from a general standpoint, what, these type visits or investigations, what portion of
1970 the unit or the section's activities does the SOB industry handle?

1971

1972 **ROB WILLS**

1973 I would be guessing, Councilman, but I would say about 10 to 15 percent.

1974

1975 **COUNCILMAN BROWN**

76 Thank you.

1977

1978 **MAYOR PRO TEM REESE**

1979 Any other questions? Yes, Councilman Wolfson.

1980

1981 **COUNCILMAN WOLFSON**

1982 Quickly, Officer, you – talked about a lack of cooperation from a timeframe of September of '03
1983 through March of '04.

1984

1985 **ROB WILLS**

1986 Yes, Sir.

1987

1988 **COUNCILMAN WOLFSON**

1989 We've heard testimony that this club has since tried to change things.

1990

1991 **ROB WILLS**

1992 Yes.

1993

1994 **COUNCILMAN WOLFSON**

1995 What has the cooperation been since March of '04 through the presence (sic)?

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1996 **ROB WILLS**

1997 The cooperation has increased, without a doubt, with the arrival of Mr. Dillard, because he came
1998 in and explained to them what they need to do, when it came to us. My concern is, from the
1999 inception of this in 2003, they should have been cooperating with us all the time. It shouldn't be
2000 that, you know, when your license is suddenly subjected to the scrutiny that it is, that you have to
2001 bring in an outside consultant. They've been running these clubs, from what I understand, for
2002 over 15 years. They've been dealing with regulatory agencies and the police multiple times.
2003 And, from one incident on the opening night, September 16th, 2003, we were able to see
2004 violations of code upon arriving there. We're not under cover. We're announcing ourselves to
2005 the people when we come inside. And that's on the opening day.

2006

2007 **COUNCILMAN WOLFSON**

2008 And then, secondly, a violation of the EDC, the Erotic Dance Code, is a violation of the criminal
2009 law, is it not? It's a misdemeanor?

2010

2011 **BRAD JERBIC**

2012 Yes.

2013

2014 **ROB WILLS**

2015 Yes.

2016

2017 **BRAD JERBIC**

2018 That's correct.

2019

2020 **COUNCILMAN WOLFSON**

2021 It's the same degree of criminal offense misdemeanor as the crime of soliciting prostitution?

2022

2023 **BRAD JERBIC**

2024 That's correct, Councilman. It's a misdemeanor with a maximum \$1,000 fine and/or a six month
2025 jail sentence, just like any other misdemeanor.

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2026 **MAYOR PRO TEM REESE**

2027 Any other questions? Thank you very much, Mr. Schofield.

2028

2029 **GARY SCHOFIELD**

2030 Thank you.

2031

2032 **MAYOR PRO TEM REESE**

2033 Thank you.

34

2035 **BRAD JERBIC**

2036 Thank you, Mr. Mayor Pro Tem, members of Council. I will be brief. Mr. Fiorentino
2037 represented that these were old violations. Let me remind you that when you submit an
2038 application for a privileged license, you also submit the fees that it takes to offset the
2039 Metropolitan Police Department's cost of traveling sometimes to investigate a local jurisdiction
2040 to see if you comply. In this case, they went one time, to my knowledge, to Houston, Texas.
2041 One time, in the year 2000. This wasn't back in 1990. This was when they were first
2042 investigated. And poor Detective Hafen goes in, sits down at a booth, he is an undercover
2043 detective from Las Vegas, so they don't recognize him, and the first thing that happens causes
2044 him to have to run to the washroom and wash his hand. I read that, and I'm not going to reread
2045 that in the record. There's a three-foot distance separation. There was a zero-foot distance
2046 separation on that one visit. This was not past conduct. This was conduct that was a pattern,
2047 consistent through the 1990s to the year 2000.

2048 Now, I'll give him the benefit of the doubt. I don't know what happened after the year 2000.
2049 They didn't go back there again and see what happened in the clubs. But up to the very day they
2050 submitted their application to this Council that was going on in those clubs. There's absolutely
2051 no claim that this was past conduct, all old, and nothing has happened since.

2052 Let me also point to the re, confidential report. If you'll turn to Tab 4 in this book, your
2053 confidential book, that is the current, updated report. We, fortunately, don't find incidents like
2054 we found in Houston, but we do have something that is current, March 5th, 2004, detective issued
2055 ten citations –

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2056 **MAYOR PRO TEM REESE**

2057 What page?

2058

2059 **BRAD JERBIC**

2060 I'm sorry, on Page 4 of the report for March 17th. I believe there's three reports in here. The
2061 original 2000 report, the March 17th update and the September update. So I'm referring to the
2062 March 17th, 2004, update, Page 4. Middle paragraph, March 5th, 2004, detectives issued ten
2063 citations to persons working at the business. Not old, 2004, a mere six months ago. Eight
54 entertainers were cited for violation of the erotic dance regulation and one for no business license
2065 to perform massage. One cocktail waitress was cited for obstructing a police officer, for her
2066 efforts in advising entertainers that quote, vice was in the business. The business was issued
2067 eleven notices of non-compliance for the above and not having current employee list, as required
2068 by code, despite the fact that it was brought to management's attention two months ago. It's, this
2069 business, its owner and management are still allowing an unlicensed valet to operate at the
2070 company.

2071 Now, I'm not gonna sit here and tell you don't grant a privileged license because they have an
2072 unlicensed valet there. It's not legal. It's not good. But that's not something we revoke licenses
2073 for, and it's not gonna rise to the top of the list of things that – people do wrong that cause us to
2074 recommend against a – privileged license.

2075 But let's continue on, March 11th, we are now six days later. Detectives went back to the
2076 business to see if there were any major changes since the volumes of citations that had been
2077 issued the week prior. Sadly, there were no changes, improvements or modifications in the
2078 conduct observed. Two of the entertainers from the previous week were cited in the VIP area off
2079 the main stage, as the floor person/security watched the detective watch the entertainers. On this
2080 visit, the same floor person was working the same area and while they were there again, more
2081 violations occurring. The cocktail waitress was heard telling three entertainers that vice was in
2082 the business.

2083 Detectives brought this to the attention of both the key employee, to ascertain what, if anything,
2084 is going to be done. There was no talk of more training and suspension of employees.

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2085 Go forward to Page – 9 of the September 13th, 2000, '04 update. I'm gonna read from the
2086 second paragraph and you have to go the previous Page 8 to realize that this was August 12th,
2087 2004, just a little over a month ago. In the most telling information, the entertainer had agreed to
2088 perform a dance for the undercover detective prior to police entry and was immediately warned
2089 of police, again, by a floor manager. She immediately set down beside the undercover detective,
2090 making no additional contact from that point on. She explained to the undercover detective that
2091 she had just been warned to be cautious for a while, because Metro was in the business.

2092 I would like to see what part of the training manual includes direction to management to warn
93 dancers that Metro's in the house, so that illegal behavior won't occur. I doubt that it's there. I
2094 will tell you that any representation that there aren't problems with this business to this date is
2095 incorrect. I will tell you there aren't condoms on the floor. There aren't allegations like there
2096 were in Texas coming out of this club. That's absolutely true. What Mr. Fiorentino represented
2097 is absolutely true. But that does not mean that there aren't problems with the club that have
2098 continued up until just about a month ago.

2099 Councilman Wolfson observed that when you look at the exhibits in support of Westwood's
2100 license, dated June 16th, 2004, there's a list of individuals who have received warnings, taps on
2101 shoulders by management, and the like. I don't know, personally, how you would track people
2102 who use stage names. And every one of these is a stage name. None of these is somebody
2103 who's tracked by a full name and social security number. We have Jaguar, Ariel, Queen,
2104 Thumper, Bambi. You know, I doubt that when you compare these against a log of individuals
2105 who've received discipline, that there's any real way to – know one way or the other, but that's
2106 just a personal observation.

2107 Let me finally note that what happened at the meeting in February of 2001 wasn't a promise. It
2108 was more than a promise. There was a promise to raise the bar. There was a promise, at a
2109 minimum, I don't think you'd get any disagreement from Mr. Fiorentino, at a minimum, it was a
2110 promise not to have a prostitution conviction, at a minimum. And there was. It was a promise
2111 that there'll be no lawsuits. If there was, then you didn't grant the license. We'll see if they're
2112 true to their word on that, depending on your vote today.

2113 Let me safe (sic) that when I hear the allegation that they were not treated fairly, I really take
2114 umbrage with that. This club has received information in real time. I have shared information

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2115 about today's presentation. I have provided my very book to opposing counsel so they could see
2116 exactly what it is that we were gonna present. With respect to trying these dancers as opposed to
2117 negotiating cases, they set the standard. They said one conviction and we're gone. One
2118 conviction and we won't sue. Do they think for one minute that that means that they're going to
2119 get a negotiation when there's an allegation of prostitution to something less than a conviction?
2120 By the very action of my office, I deply (sic) this Council of the ability to know whether or not
2121 people are committing prostitution in the clubs. And what happens when they go to trial?
2122 They're represented by extremely competent counsel. They're before a judge, who's a neutral
23 magistrate. They had every constitutional privilege afforded to them, and this is unfair? That is
2124 absolutely absurd. They received the most fair treatment that an applicant can receive. To come
2125 in here with a record from Texas that looks more like the lobby of a brothel in Pahrump than it
2126 does a strip club in Las Vegas and still get a temporary license is remarkable. But they got it,
2127 and they got it after making a promise. And after making that promise and coming here, they
2128 didn't meet the only standard that they set for themselves.
2129 They said they were gonna raise the bar. What does it say for an industry when this Council
2130 says, we're gonna grant a privileged license to individuals who have this record in Houston, who
2131 have a – civil complaint in Houston filed against them for structuring over \$4.6 million in cash in
2132 increments of ninety-five hundred dollars over a year and a half period of time at one bank and a
2133 couple months at another two banks. I submit to you, based on the record today, based on what
2134 you've heard, that based upon the Metropolitan Police Department's recommendation and
2135 background check, based on the Department of Business Services, that this application for a
2136 license should be denied.

2137

2138 **MAYOR PRO TEM REESE**

2139 Thank you very much. Any questions? Councilman Brown.

2140

2141 **COUNCILMAN BROWN**

2142 Mr. Jerbic –

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2143 **MAYOR PRO TEM REESE**

2144 Mr. Jerbic.

2145

2146 **COUNCILMAN BROWN**

2147 Just one of the things that has weaved its way through just about every public record on this item
2148 is, and I'll paraphrase, but essentially that Treasures has invited the City and Metro to put them
2149 under the microscope, put them under intense scrutiny. It's my understanding that this, when –
2150 the citation for the solicitation of prostitution was issued, it was one of the first cases that we
51 tried, we, the City, tried, opposed to at least the history of the last few years of either plea
2152 bargaining and negotiating to a lesser charge. I – ask that because one of the things that Mr.
2153 Redlein brought up earlier is our ruling and our judgments, the fact that they have invited this.
2154 And in, from my perspective, we are giving them attention. We are prosecuting this situation.
2155 Are you comfortable that, from that standpoint, that we are being fair and equitable in our
2156 treatment of Treasures, independent of the industry?

2157

2158 **BRAD JERBIC**

2159 Yes, I am. I am completely confident that there has been no effort, certainly by my office, to
'60 look at their cases different than others, except for this one point. When they said conviction is
2161 the standard, I feel an obligation, and – you can disagree with me as my bosses and my Council,
2162 but I feel an obligation that that case needs to go to trial. Now, if it's not there, it's not there, and
2163 the judge will say it's not there. And, as Mr. Fiorentino pointed out, there was one case recently
2164 where a judge did acquit on a prostitution charge, that convicted on an Erotic Dance Code
2165 violation. I didn't even present that here today, but I could have submitted that as well if I
2166 wanted to. They have had every constitutional right afforded to them.

2167 But, with respect to prostitution, I need to – also let the Council know this. We try prostitution
2168 cases regularly, out of my office. There are two kinds of prostitution cases we see, though.
2169 There are street prostitutes and club prostitutes. Street prostitutes typically are subject to the
2170 order-out-corridor and all those things that are a little bit more meaningful with respect to where
2171 they commit that kind of crime and how they commit it. And their motivation for committing it
2172 is quite often quite different than a club prostitution. Do we negotiate other clubs' prostitution

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2173 cases? Absolutely, we have negotiated some. And I'm absolutely confident we have probably
2174 tried some of them too. But I – don't have those figures in front of you, but I will tell you that
2175 these cases went to trial because of the standard they set, not because of some desire to be unfair
2176 to them.

2177

2178 **MAYOR PRO TEM REESE**

2179 Councilman Brown?

2180

81 **COUNCILMAN BROWN**

2182 And also, just for clarity, regarding the case, two things. One is in the transcript the judge
2183 indicates it's a crime of general intent. Now, if you look at the whole transcript, the degree of
2184 severity may come into question. But the fact that this person was found guilty of solicitation of
2185 prostitution, that's just a fact; okay?

2186 Secondly, at this moment in time, we can take that conviction, regardless of a potential appeal or
2187 something that may change the course of this case further down the road, legally we can make
2188 that determination at this point in time?

2189

'90 **BRAD JERBIC**

2191 That's correct. You have a conviction today. They did not state it's a conviction until we
2192 exhaust our last appeal. They didn't state, and, of course, they could appeal and it's – possible
2193 District Court could reverse a conviction. But that was a standard they set for themselves and at
2194 some point in time there needs to be finality. And I would submit that, as of today, that is – on
2195 the record. Again, the judge made explicit findings, of all the elements of the offense, offense
2196 were met and – found the individual guilty.

2197

2198 **COUNCILMAN BROWN**

2199 And my last question for clarity is, understanding that, again, in the context of time, one, you
2200 clarified in one of the transcripts, Mr. Jerbic, that we've – separated the SOB license, which one
2201 instance of solicitation or one event or, may not be as easy to prove as the privileged license
2202 we're addressing today. So, do we, the decision today can, in fact, take into consideration what

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2203 was testified on February of 2001? We, this span of three years, that certainly impacts it, but
2204 we're still able to go back to that point in time and take all the testimony to date, up to 2001, in
2205 relation to today's decision?

2206

2207 **BRAD JERBIC**

2208 Absolutely. In fact, you reminded me, though, what I want to do, at this point in time, is take the
2209 three-ring binder that I provided each member of Council and file it with the Clerk. That
2210 contains the transcripts of all hearings from February until the – most recent one in June. I
11 would like to make all this part of the record. You can rely on every bit of testimony and every
2212 report that has occurred from the time this process began until today's date.

2213

2214 **COUNCILMAN BROWN**

2215 And a final, final, clarity question, this confirmed for me what I think I've heard today from your
2216 office is that original public transcript in 2001, there was a clear distinction between, let's call it
2217 the sexual activity that was documented in the Houston clubs. The prostitution, the sexual acts,
2218 the drugs, that whole group versus some of these other things as far as erotic dance code
2219 violations. There – seem to be a clear distinction, at least, from my perspective that that record
2220 speaks to specifically the – hard-core activities that were documented. So, there, there's a
2221 separation. At least I'm hearing –

2222

2223 **BRAD JERBIC**

2224 Right.

2225

2226 **COUNCILMAN BROWN**

2227 – a big difference from what was documented and in a lot of cases what we're talking about
2228 today with the EDC's and the violations and the uncooperate, you know.

2229

2230 **BRAD JERBIC**

2231 That's correct. I'll – be the first to concede that those violations are not nearly as serious as those
2232 that occurred in the past in Houston. They are certainly serious enough that Metro considers

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2233 them worthy of inclusion in the report. But I would never argue to you that those have the same
2234 eight.

2235

2236 **COUNCILMAN BROWN**

2237 Thank you, Mayor Pro Tem.

2238

2239 **MAYOR PRO TEM REESE**

2240 Thank you. Any other questions or comments? Well I have, not in questions, but I want to
41 thank you for your presentations. I want to thank Mark for the job he did today. I feel like that
2242 when I was sitting here in 2001, I— think that all, I won't speak for the rest of Council, but I
2243 know myself I was concerned about the allegations of sexual misconduct that was taking place in
2244 Houston. And by me, by what I say about sexual misconduct, touching is as bad as, I guess, is as
2245 bad as it can get in a club like that. Especially when you have a three-foot rule like they have in
2246 Houston. Here we don't have the three-foot rule so I think it's awful hard for anybody to go in
2247 there and judge and see if there's any misconduct that is — taking place.

2248 I think that when I voted for this temporary license I thought that we made it quite clear, I think
2249 the point was made that we wouldn't, that the City of Las Vegas would not have blatant sexual
2250 misconduct that it wouldn't be tolerated here in Las Vegas. I think we -- did establish a zero
2251 tolerance to emphasize that point and by that I mean that's when the promise was asked for and
2252 the promise made. And so, I think there's been a lot of rhetoric here today, I think there's been a
2253 lot of points reiterated, in fact, sometimes sitting here today, I feel like that I was sitting at that
2254 meeting in 2001 all over again and, I have to make that same decision today based not upon a
2255 promise, but upon the conviction that was part of that promise. So, any other comments?

2256

2257 **COUNCILMAN WOLFSON**

2258 Go ahead.

2259

2260 **COUNCILMAN BROWN**

2261 No go.

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2262 **COUNCILMAN WOLFSON**

2263 I'll follow you.

2264

2265 **MAYOR PRO TEM REESE**

2266 Councilman Wolfson.

2267

2268 **COUNCILMAN WOLFSON**

2269 Thank you, Mayor Pro Tem. I think it's real important for us to make a good record today cause
70 depending on what the decision of this council is there is certainly a possibility of, if not, a
2271 probability of future litigation. The decision today is one of suitability and that's why I had
2272 Mr. Jerbic reiterate to everyone involved what he feels is the definition of suitability and once
2273 again, as reading from page 15 of the transcript back in '01, whether these applicants meet those
2274 standards as individuals who are economically, socially, physically, and morally suited to hold a
2275 privileged license. Taking into account the protection of the safety, welfare, health, peace, and
2276 morals of the residents of this City.

2277 This decision in my opinion, as all decisions, must be done on a case-by-case basis. I appreciate
2278 the information. We've all learned about comparisons to other clubs etcetera. I think that's a
2279 factor, at least I take into consideration, but my decision today is based upon the conduct at
2280 Treasures and my determination of the suitability of these applicants. I'm also going to base my
2281 decision today on evidence. I – I'm new to this Council, but I read the newspapers and I watch
2282 television and there's been a lot of rumors who owns the property if our decision today is X,
2283 what'll happen to Y.

2284 There's been a lot of discussion about that. There's been a lot of speculation and in certain
2285 instances there's been some politicking, but I'm going to base my decision today on evidence.
2286 What is that evidence today? We have a conviction for soliciting prostitution. That is
2287 un rebutted. Whether it is a condition that I must determine is a all-encompassing condition,
2288 that's for me to decide. But we do have a conviction for soliciting prostitution and that, by itself,
2289 based on the agreement, is enough. In my opinion, it can be enough, that conviction. But we
2290 have more than that. I must look at the conduct that's been occurring in this club in the last six
2291 months.

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2292 I look to the applicant's own documentation and, without going into a lot of detail because I
2293 already mentioned it in some of my questions. We have many entertainers who, for months and
2294 months, were warned by management. We have Serena, five violations in the last six or so
2295 months. They go up to June of '04 but dating from June. A dancer with the stage name of
2296 Serena has five separate warnings from management. And what was the discipline? A tap or
2297 verbal warning. Amber, four violations. Ariel eight violations. That's eight separate times that
2298 this applicant has noted in their documentation that a dancer was given a warning, a tapping, a
2299 verbal, whatever. But when you then look to their discipline report, there's no discipline. Now,
00 Mr. Fiorentino, I understand your explanation. Your explanation was, well they only receive the
2301 progressive discipline of probation, suspension and termination if there's a violation as cited by
2302 Metro. But I question whether that's enough. I mean, what good is internal discipline if it's not
2303 working. We have Gina with nine violations of the Erotic Dance Code. Now, I understand
2304 there's a difference between solicitation of prostitution and EDC. Believe me, I'm a criminal
2305 defense lawyer, I know there's a difference, but we have a law in the book that says if you violate
2306 the Erotic Dance Code, that's a misdemeanor.

2307 Gina did not receive any discipline according to your own documentation. Amaya, eight
2308 violations, same thing, no discipline. Mr. Fiorentino, you said the policy refers to Metro
2309 involvement. Well, I don't think that's a very good policy because if the policy of this club is to
2310 warn, how many warnings are we going to give them? Ten, twelve, fifteen, twenty? Whatever
2311 steps that have been taken by the applicant for compliance and argument could be made, aren't
2312 working. Regarding the Texas conduct, the banking practices in particular, I'm not going to base
2313 my decision at all, on any information concerning Texas banking practices. I'm going to find
2314 that that evidence is primarily speculative, incomplete. There's a civil lawsuit, which is like a
2315 criminal complaint and accusation. All we have are accusations, and allegations in Texas
2316 concerning the banking practices. So, none of the information in Texas involving banking am I
2317 going to consider. But I do agree that I must look at the business practices that occurred in the
2318 clubs in Texas. I'm going to consider this evidence. I'm going to consider it because it shows
2319 fifteen years of operating in this business, and that's fifteen years of knowledge of what goes on
2320 in these clubs. And now in 2004, since April, we institute compliance. And then my final
2321 couple of comments are this.

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2322 I'm not saying that this club, its owners, its managers, its attorneys, aren't acting in good faith.
2323 You may very well be acting in good faith and may actually be trying. I'm not sure if this is an
2324 industry that can be in compliance. Perhaps if we have a club with five dancers or ten dancers
2325 and you're able to regulate a small number of people, that – can be accomplished. But when we
2326 have a 121 dancers, and that's just the entertainers, that's doesn't account for the managers, the
2327 compliance officers and the patrons. We're talking about a business with three or 400 people
2328 perhaps, in any one time, consuming alcohol, and engaging in the type of conduct that occurs at
2329 these clubs.

30 I'm not sure if you can comply at all. But my final comment is that this is an apple you chose to
2331 bite into. You chose to open up a club of 26,000 square feet or whatever it is. So, you chose an
2332 environment that even recognizing the best efforts can't be in compliance. Thank you.

2333

2334 **MAYOR PRO TEM REESE**

2335 Thank you. Councilman Brown.

2336

2337 **COUNCILMAN BROWN**

2338 Thank you Mayor Pro Tem. I will start with an – additional owner of an SOB club in town. His
2339 quote in the newspapers was, even though Treasures is my competitor, I don't think they should
2340 take his license. Then we should all close. If they want to take it from them, then take it from
2341 the hotels and all the adult entertainers because it's something that goes on all the time. And to –
2342 pick up where Councilman Wolfson let off, I think this industry, we're somewhat fooling
2343 ourselves because the limited resources of Metro, and if they're not proper, I think I heard the
2344 section is able to dedicate only fifteen percent of the time, the enforcement people. So, just
2345 limited resources and, they're certainly in the context of the severity of crime in Las Vegas,
2346 there's certainly more important things in my mind than Erotic Dance Code violations.

2347 So, the limited recourses, a code, a City code that it is not illegal for a dancer, while dancing in
2348 someone's face to have contact, unless that contact is of a sexual nature. You're talking about
2349 creating something that invites these kinds of problems so the Erotic Dance Code violation is
2350 something, as someone mentioned earlier, is so subjective you could probably get into any club
2351 on any night and find these violations. That is a code and I've talked to Mr. DiFiore, we talked

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2352 on the record one of the last hearings, if we're serious about the industry, then the City should
2353 take a serious look at the code. It's not fair to put Metro in a position at fifteen percent of their
2354 time to go in and try to distinguish between in your face and in your face with intent. That's, it's
2355 absurd.

2356 So, the code needs to be looked at. Again, if we're serious about toughening up on this industry.
2357 The nature of this business as the court transcript indicated and some testimony has indicated
2358 said, these entertainers are there to make money. And to make money they go from A to Z right
2359 up to things that are illegal. From the legal stuff all the way to the end so, the industry, unless
50 we, from a policy standpoint, want to take a tougher stand, it's gonna – remain what it is. And
2361 it's not just the SOB's. It's the pick up the phone book and, I don't know how many hundreds of
2362 pages are dedicated to the escort services and we, we've heard all that before.

2363 But the three things that I will comment on briefly that over the last four months we've kind of
2364 focused in on, is one is certainly the structuring. And I would agree that it, certainly troubling
2365 and, in briefings with Mr. Jerbic, it's something of an extremely serious nature, something when
2366 a – potential issue that could shut down any privileged license. But as much as it's troubling to
2367 me I think it's separate from the issues that we're asking to focus on. The second issue of raising
2368 the bar. And this one, absent of the commitment for no prostitution, this one by itself would
2369 have made my – decision a lot more difficult. Because there are some things that have been
2370 done from the manual and even if it's a week manual, it's a manual, a training manual. I will take
2371 Mr. Dillard's sworn testimony and his statement that Treasures is no worse and perhaps no better
2372 than the industry as a whole.

2373 I think maybe we shouldn't have called it raising the bar but doing things differently. I think they
2374 have done some real positive things compared to the Las Vegas community. At the same time,
2375 and – I will take everything that it is in Metro's report as the truth, but the troubling aspects there,
2376 are the management continuing to be obstructive or get in the way of doing, Metro doing their
2377 job. That's significant. The valet issue is a – minor example. So, the – balance of the whole
2378 raising the bar independent, I wouldn't feel comfortable in making the decision without the third
2379 issue and that is the promise of no prostitution. And I will, I won't speak for the Mayor, but my
2380 sense of that meeting in 2001, the context of that sexual activity was so lewd and such a different
2381 component than we're talking about Erotic Dance Code violations.

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2382 The whole, you will not let this happen in Las Vegas, I feel strongly that that was geared
2383 specifically to that type of behavior. And that would have made this decision a lot more
2384 difficult. But the testimony speaks clearly to almost a chronology of when it was asked
2385 specifically of Mr. Fiorentino and both of the Davari brothers, are you willing to state for the
2386 record that if someone is found guilty of prostitution, you will relinquish your license? And at
2387 first they acknowledged, and I think very truthfully, acknowledged that that's impossible. How –
2388 I'm in Houston how can I, they referred to management and things like that. They started to say
2389 what I thought was the honest response. It's impossible. It's impossible for an owner of this type
90 of club to be responsible for every action of 500 dancers that are contractors with clubs. It's an
2391 impossible situation but it was pressed. And finally and clearly, it was stated and agreed to that
2392 one conviction would result in – the revocation of this case and in this case not providing a
2393 privileged license. And but for the fact of that promise, I personally think that in 2001 their
2394 application would have been denied and, that's where hearing this for four months and going
2395 back for all the records, that's where my position is. If we went back to 2001 and that promise,
2396 that commitment was not made, I feel strongly it would have been denied at that point.
2397 They were asking for an unrealistic objective. But that unrealistic objective, that promise got
2398 them that temporary license to put us where we are today. And that's why some of my earlier
2399 questions, as far as treating them fairly and the contexts of time, I need to go back to that point
2400 and – understand why we made the decisions, the public record and the contexts of all the
2401 different activities, so I appreciate Mr. Fiorentino. He has been very forthright in his briefings. I
2402 appreciate Mr. Jerbic, Mr. DiFiore and Metro. This has not been an easy one, but regardless of
2403 the decision today, I would ask our attorney's office, our Managers office and our Business
2404 Licensing, as well as Metro, what are we gonna do next.
2405 If we're not gonna take the next step and start getting perhaps more aggressive or giving the
2406 people the tools that are needed, then nothing's gonna change regardless of this decision today.
2407 Thank you.

2408

2409 **MAYOR PRO TEM REESE**

2410 Thank you. Thank you Councilman Brown. Any other comments. Councilwoman?

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2411 **COUNCILWOMAN MONCRIEF**

2412 Thank you Mayor Pro Tem. On March 17th the City Council meeting the transcript states that I
2413 said I'm new to the Council and so I wasn't there for the initial voting on this license. But
2414 reading this confidential report on the Sexual Oriented Businesses that the Davaries own in
2415 Texas, which is extremely graphic, I was very surprised that this license was ever given. But
2416 that, now this is not what we're discussing today but if I would have been on that Council at that
2417 time, I would have not supported that license at that time. Just like Councilman Brown just said,
2418 that the only reason that they got that license in the initial temporary was due to the fact that they
19 made that promise about prostitution.

2420 So, we're not discussing today temporary license now we're going on to a permanent license.
2421 One statement I want to make, we are not reviewing or putting any other Sexually Oriented
2422 Business on trial today. That's not what we're discussing. We, we'll look at each applicant
2423 separately every time an applicant comes before us. We are reviewing the suitability of this
2424 applicant. With this information from staff, which I appreciate staff, their, they've been
2425 wonderful and the research they've done is incredible. Number one, past conduct. Metro's
2426 reports from Texas. Number two, press, present conduct including questionable structuring
2427 money activity in Houston.

2428 Number three, the promise from the Davaries no conviction of prostitution, which I understand,
2429 was not realistic. But they made that promise on record and there has been another conviction of
2430 prostitution. But number four mainly, is suitability for the privileged license. From the initial
2431 application staff recommended that this applicant was not suitable and today staff is still saying
2432 that they are not suitable for a privileged license from the City of Las Vegas. Mr. Jerbic I want
2433 to appreciate, I want to say I appreciate what you said. What does this say for our industry?
2434 What does this say of our Council when staff is recommending that they are not suitable for a
2435 license? Staff meaning Metro and City Attorneys, are recommending denial.
2436 So today I must recommend denial for this license.

2437

2438 **MAYOR PRO TEM REESE**

2439 Are there any questions on the motion? Hearing none, please cast your vote. Pardon me.
2440 Councilwoman Moncrief. Any other question on the – motion. Motion for denial. Please cast

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2441 your vote. Please post. Motion carries. **(Motion carried UNANIMOUSLY with GOODMAN**

2442 **and MACK abstaining)**

2443 **(END OF DISCUSSION)**

2444 /vwd;gpb;yy/gpb;ac