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*Attorneys for Defendants Lisa Rizzolo
and The Lisa M. Rizzolo Separate Property Trust*

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

* * * * *

KIRK and AMY HENRY,

Plaintiffs,

vs.

FREDRICK RIZZOLO aka RICK RIZZOLO,
an individual; LISA RIZZOLO, individually
and as trustee of The Lisa M. Rizzolo
Separate Property Trust and as successor
trustee of The Rick J. Rizzolo Separate
Property Trust; THE RICK AND LISA
RIZZOLO FAMILY TRUST; THE RICK
J. RIZZOLO SEPARATE PROPERTY
TRUST; and THE LISA M. RIZZOLO
SEPARATE PROPERTY TRUST; THE
RLR TRUST; and THE LMR TRUST

Defendants.

LISA RIZZOLO,

Crossclaimant,

vs.

FREDRICK RIZZOLO aka RICK
RIZZOLO, DOES I through X and
ROE CORPORATIONS I through
X, inclusive,

Crossdefendant.

Case No. 2:08-CV-635-PMP-GWF

**REPLY TO PLAINTIFFS OPPOSITION
TO DEFENDANT LISA RIZZOLO ET
AL.'S MOTION TO DISQUALIFY
DONALD J. CAMPBELL AND
C. STANLEY HUNTERTON
AS COUNSEL FOR PLAINTIFFS**

**REPLY TO PLAINTIFFS OPPOSITION TO DEFENDANT LISA RIZZOLO ET AL.'S
MOTION TO DISQUALIFY DONALD J. CAMPBELL, ESQ., AND C. STANLEY
HUNTERTON, ESQ. AS COUNSEL FOR PLAINTIFFS**

COMES NOW Defendants, LISA RIZZOLO ("Ms. Rizzolo") and THE LISA M. RIZZOLO SEPARATE PROPERTY TRUST (collectively "Defendants"), by and through their attorneys of record, BAILUS COOK & KELESIS, LTD., and hereby submit the following Reply to Plaintiff's Opposition to the Motion to Disqualify Donald J. Campbell and C. Stanley Hunterton as Counsel for KIRK HENRY and AMY HENRY ("Plaintiffs" or "Henrys"). This Reply is made and based upon all pleadings and papers on file herein, the attached Memorandum of Points and Authorities, and such argument as may be adduced at the hearing on this matter.

DATED this 21st day of October, 2009.

BAILUS COOK & KELESIS, LTD.

/s/

MARK B. BAILUS, ESQ.
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*Attorneys for Defendants Lisa Rizzolo
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POINTS AND AUTHORITIES

By way of introduction, Plaintiffs in this action allege state law causes of action for conspiracy to defraud and common law fraud, and a violation of Nevada's Uniform Fraudulent Transfer Act ("UFTA"), essentially related to efforts to collect the proceeds of a settlement related to a personal injury action that allegedly occurred against the Plaintiff, Kirk Henry ("Mr. Henry") on or about September 20, 2001. Plaintiffs filed suit on or about October 2, 2001 in the Eighth Judicial District Court of Nevada under Case No. A44070 (the "State Court case"). On or about June 7, 2005, Defendant Frederick "Rick" Rizzolo ("Rick Rizzolo") and Ms. Rizzolo obtained a lawful divorce in Nevada. On or about August 16, 2006, a petition regarding the settlement of the State Court case was filed. Ms. Rizzolo was not a party to the State Court case,

1 nor the settlement thereof. As such, Ms. Rizzolo is not obligated to pay the Plaintiffs in the State
2 Court action. *See Jahner v. Jacob*, 515 N.W.2d 183 (N.D. 1994); *see also Hullett v. Cousin*, 63
3 P.3d 1029, 1034 (Ariz. 2003). The Plaintiffs have the same counsel in the present matter as they
4 did at the time of the settlement of the State Court case which is at the heart of the complaint in
5 the case *sub judice*.

6 On or about June 2, 2006, Defendant Rick Rizzolo and the Power Company executed a
7 Plea Memorandum in the federal criminal case styled “*United States of America v. Power*
8 *Company, Inc., doing business as The Crazy Horse Too, and Frederick John Rizzolo*”, Case No.
9 2:06-CR-0186-PMP (PAL) (the “Federal Criminal” case). Again, Ms. Rizzolo was not involved
10 in the Federal Criminal case.

11 After reviewing Plaintiffs’ opposition, it is apparent that the Plaintiffs are confused. In
12 their opposition (at 8), Plaintiffs state that they “respectfully request that the court deny
13 Defendant’s Motion to Disqualify the Law Firms of Campbell & Williams, and Hunterton and
14 Associates.” In their confusion, Plaintiffs have completely misconstrued Ms. Rizzolo’s motion.¹
15 Ms. Rizzolo is not seeking to disqualify the law firms of Campbell & Williams, and Hunterton
16 and Associates. In her motion, Ms. Rizzolo is only seeking to disqualify the attorneys, Donald J.
17 Campbell, Esq., and C. Stanley Hunterton, Esq., as trial counsel. As hereinafter discussed in
18 more detail, Ms. Rizzolo’s motion is extremely limited as to the disqualification requested, and
19 as such, does not cause Plaintiff’s “excessive hardship and prejudice.”

20 Apparently, the source of Plaintiffs confusion is that they have lumped Ms. Rizzolo’s
21 motion with that of Defendant, Rick Rizzolo’s *pro se* motion to disqualify the entire law firms of
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23

24 ¹ Defendants were extremely disappointed in the tone of Plaintiffs opposition.
25 Apparently out of frustration with Rick Rizzolo’s *pro se* motion to disqualify (#170) which they
26 have inappropriately lumped together with Ms. Rizzolo’s motion, Plaintiffs have launched a
27 series of unsubstantiated, unfounded, and quite frankly, unwarranted accusations against Ms.
28 Rizzolo for bringing her motion. Defendants recognize this is an adversarial proceeding,
however, have endeavored to maintain a level of civility in this matter. Even though tempted to
do so, Defendants decided not to respond in kind, but rather, will continue to take the high road.

1 Campbell & Williams and Hunterton and Associates.² Ms. Rizzolo has not joined in and does
2 not adopt Mr. Rizzolo's motion. Ms. Rizzolo is only seeking to disqualify Mr. Campbell and Mr.
3 Hunterton as trial counsel and for no other purposes.

4 In their opposition (at 5), Plaintiffs argue that Ms. Rizzolo's motion "is an attempt to
5 disqualify counsel in order to cause Plaintiffs excessive hardship and prejudice." Ms. Rizzolo
6 disputes the same. Notwithstanding, in support thereof, Plaintiffs rely heavily upon *DiMartino v.*
7 *Eighth Judicial District Court*, 119 Nev. 119, 66 P.3d 945 (2003). Such reliance is misplaced.

8 Close scrutiny of Plaintiffs opposition (at 3-5) reveals that Plaintiffs have misread the
9 *DiMartino* case. A correct reading of the *DiMartino* decision reveals that Plaintiffs perceived
10 improper gamesmanship by Ms. Rizzolo's motion is not well taken by Plaintiffs. Clearly, Ms.
11 Rizzolo's motion fully complies with the dictates of the *DiMartino* case as it only seeks to
12 disqualify Mr. Campbell and Mr. Hunterton as trial counsel. Such would not create an "excessive
13 hardship and prejudice" to the Plaintiffs as Mr. Campbell and Mr. Hunterton would still be able
14 to appear in pretrial proceedings as well as participating in the discovery process, and other
15 lawyers in their firms could still be designated as trial counsel. There should be no quarrel that
16 Mr. Campbell's partner, J. Colby Williams, Esq., is a most competent, well-respected attorney
17 who could seamlessly be designated as trial counsel in this matter. Mr. Williams is intimately
18 familiar with the State Court case as he participated in the representation of Plaintiffs in said
19 litigation. Surely, Plaintiffs are not going to dispute Mr. Williams is a qualified and skilled
20 attorney who could easily represent the Plaintiffs at the time of trial. As such, Plaintiffs
21 argument that they would suffer "excessive hardship and prejudice" by the disqualification of
22 Mr. Campbell and Mr. Hunterton is of no moment.

23 Plaintiffs erroneously argue that the Nevada Supreme Court has expressly recognized the
24 potential for misuse of NRPC 3.7 in the context of Ms. Rizzolo's motion. Simply put, Plaintiffs
25 are wrong. As quoted in their opposition (at 3-4), the Nevada Supreme Court stated:

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27
28 ² See Defendants Rick Rizzolo et al.'s Motion to Disqualify the Law Firms of Campbell
& Williams, and Hunterton and Associates as counsel for the Plaintiffs (# 170).

1 “[W]e are loathe to allow a party to wholly disqualify opposing counsel under
2 [NRPC 3.7] by simply listing that counsel as a witness two years into the
3 litigation and asserting that disqualification doubts should be resolved in
4 favor of disqualification. The potential for abuse is obvious. Interpreting
5 [NRPC 3.7] to permit total disqualification would invite the rule’s misuse as
6 a tactical ploy.”

7 *Id.*, 119 Nev. at 122-123.

8 As evident from the foregoing, the Nevada Supreme Court recognized the potential for
9 misuse was interpreting NRPC 3.7 to permit the total disqualification of counsel “by simply
10 listing that counsel as a witnesses two years into the litigation.” *Id.* It was in this context of total
11 disqualification of counsel which “would invite the rule’s misuse as a tactical ploy.” *Id.* As such,
12 the Nevada Supreme Court refused to interpret NRPC 3.7 to require total disqualification of
13 counsel. In *DiMartino*, the Nevada Supreme Court opined that Rule 3.7 (formerly Supreme Court
14 Rule 178) prohibits an attorney who is expected to testify at trial from appearing as trial counsel.
15 *Id.* at 121. The Nevada Supreme Court goes on to state that the rule is meant to eliminate any
16 confusion and prejudice that could result if any attorney appears before a jury as an advocate and
17 as a witness, however, pretrial disqualification generally is not necessary. *Id.* at 122. The Nevada
18 Supreme Court further states that SCR 178 is derived from, and virtually identical to, ABA Model
19 Code Rule of Professional Conduct 3.7, which the ABA Commission on Ethics and Professional
20 Responsibility has interpreted to allow a lawyer who is expected to testify at trial to represent his
21 client in pretrial proceedings, with consent, although the lawyer may not appear in any situation
22 requiring the lawyer to argue his own veracity to a court or other body, whether in a hearing on a
23 preliminary motion, an appeal or other proceeding. *Id.* at 122. This interpretation preserves the
24 right to counsel of one’s own choice while protecting the integrity of the judicial proceeding. *Id.*
25 at 122.

26 Complying with *DiMartino*, Ms. Rizzolo is not seeking to “wholly disqualify opposing
27 counsel.” *Id.* As stated above, Ms. Rizzolo is only seeking to disqualify Mr. Campbell and Mr.
28 Hunterton as trial counsel. Such would not create an “excessive hardship” on Plaintiffs as Mr.
Campbell and Mr. Hunterton would still be able to appear at pretrial hearings and participate in
the discovery process, and other lawyers in their firms could be designated as trial counsel.

Contrary to Plaintiff's argument, Ms. Rizzolo did not name Mr. Campbell and Mr. Hunterton "as necessary witnesses at a very late stage in the proceeding" (*Opposition* at 5). Such is incorrect. Mr. Campbell and Mr. Hunterton were listed as witnesses in Ms. Rizzolo's Rule 26.1 disclosures. Unlike *DiMartino*, Plaintiffs have had notice that Ms. Rizzolo intended to call Mr. Campbell and Mr. Hunterton as witnesses since the beginning of this litigation.

In this action, Plaintiffs have alleged beginning on or about May 24, 2005 that Defendants Mr. Rizzolo and Ms. Rizzolo conspired with third parties believed to be attorneys and accountants to defraud Plaintiffs on their claim by concealing and alienating the ownership of their assets. *Second Amended Complaint* (#200), ¶ 19. As evident from the foregoing, the Plaintiffs have made the attorneys an issue in this case. Recognizing their ethical obligation by the above insinuation, the Rizzolo's divorce attorneys, *i.e.*, Dean R. Patti, Esq., and the law firm of Patti, Sgro & Lewis, sought and were allowed to withdraw as attorneys for Mr. Rizzolo in this matter. It is these same ethical concerns which preclude Mr. Campbell and Mr. Hunterton to represent Plaintiffs at the time of trial in light of the fact that they will be witnesses at the same.

In *Comden v. Superior Court of Los Angeles County*, 576 P.2d 971, 20 Cal. 3d 906, 145 Cal.Rptr. 9 (1978), the California Supreme Court stated that:

An attorney who attempts to be both advocate and witness impairs his credibility as witness and diminishes his effectiveness as advocate. While the harm recedes when the attorney-witness is not himself trial counsel but only a member of trial counsel's firm, the opportunity still exists for opposing counsel to argue the attorney-witness' stake in the litigation through his law firm influences his objectivity. Significantly, the prohibition seeks to avoid the appearance of attorney impropriety.

Comden, 576 P.2d 971, 973.

Indeed, the preservation of public trust both in the scrupulous administration of justice and in the integrity of the bar is paramount to the client's recognizably important right to counsel of his choice. *Comden, supra*. The client's right to counsel must yield to considerations of ethics which run to the very integrity of the judicial process. *Comden, supra*. Thus, even when it is impractical to determine with certainty whether an attorney ought to testify, any doubt should be resolved by favoring disqualification. *Comden* at 974. It would be patently unfair to allow Mr. Campbell and Mr. Hunterton to be both advocates and witnesses at the time of trial as it

1 would be confusing to the jury and prejudicial to Ms. Rizzolo. Such is especially true, in light of
2 the fact that Plaintiffs have accused Ms. Rizzolo's attorneys of wrongdoing, which she will have
3 to defend against by calling the same as witnesses at the time of trial.

4 In the case *sub judice*, Ms. Rizzolo has carried her burden of demonstrating that Mr.
5 Campbell and Mr. Hunterton are necessary witnesses to her defense. As acknowledged by
6 Plaintiffs, Mr. Campbell and Mr. Hunterton represented the Plaintiffs in the State Court case.
7 Contrary to Plaintiffs contentions, Mr. Campbell and Mr. Hunterton are the only witnesses who
8 can testify as to the underlying assessments regarding the global settlement as it pertains to the
9 acceptance of the same by Plaintiffs. Specifically, the global settlement and the attendant
10 assessments made by Mr. Campbell and Mr. Hunterton regarding the composition of the same by
11 design precludes fraud. In other words, it was Mr. Campbell and Mr. Hunterton who assessed
12 the assets of Rick Rizzolo and the Power Company in structuring the global settlement and
13 determining which assets were essentially unencumbered. As such, Mr. Campbell and Mr.
14 Hunterton, *de facto*, cast as alienable, the interest in the other marital assets save and except, the
15 Crazy Horse Too. As such, Plaintiffs can not now claim fraud, as the expected testimony of Mr.
16 Campbell and Mr. Hunterton should establish the Crazy Horse Too was evaluated as a viable
17 asset forming the essence of the settlement agreement.

18 Further, Mr. Campbell and Mr. Hunterton were well aware early on of the Rizzolo's 2005
19 divorce. If Plaintiffs truly believed as they now allege that the Rizzolo's divorce was collusive
20 their failure to seek any immediate redress in the courts is telling. While not obligated to,
21 Plaintiffs could have intervened in the divorce proceedings³ and/or filed an independent action if
22

23 ³ In its opposition (at 7), citing *Pellitier v. Pelletier*, 103 Nev. 408, 409, 742 P.2d 1027
24 (1987), as to a party intervening in a divorce proceeding Plaintiffs argue "that the Nevada
25 Supreme Court described such an action as 'most unusual' and further observed that the
26 'confusion already inherent in the [divorce] litigation was compounded' by the third-party
27 claim." After carefully reviewing the *Pellitier* case, it is apparent that Plaintiffs have
28 misconstrued the same. In *Pellitier*, the Nevada Supreme Court stated that it was a "most
unusual" case because a person who was not a party to the divorce action was allowed to
prosecute a "counterclaim." The Nevada Supreme Court held that the third party was not a party
to the *quasi-in-rem* divorce action and as such, was not eligible to file a "counterclaim." The

1 they felt that the Rizzolo's divorce was a sham. Plaintiffs failed take any immediate action,
 2 instead, they waited almost three (3) years to file the instant litigation even though it is based on
 3 state court causes of action. Clearly, the timing of their lawsuit almost three years after the
 4 Rizzolo divorce is germane to the issue of fraud. The Plaintiffs do not, as they cannot, argue that
 5 the Rizzolo's concealed their divorce and the division of martial property therein. Thus, the fact
 6 that the Plaintiffs brought this action at such a late date is indica that Plaintiffs did not consider
 7 the Rizzolo's divorce to be collusive. Absent a collusive divorce, any transfers of property
 8 awarded to Ms. Rizzolo as a result of her divorce into separate property trusts for the benefit of
 9 her children could not be considered a fraudulent transfer. At trial, Ms. Rizzolo intends to present
 10 evidence that the divorce decree was not collusive and was in accordance with considerations
 11 allowed by Nevada state law regarding the division of marital property. As such, the decree of
 12 divorce determined the interest of the parties in the property. See *BFP v. Resolute Trust Corp.*,
 13 511 U.S. 531 (1994); *In Re Erlewine*, 349 F.2d 205 (5th Cir. 2003).⁴

14 Additionally, Mr. Campbell and Mr. Hunterton are necessary witnesses regarding the
 15

16 Nevada Supreme Court noted that no application was made for intervention under NRCP Rule
 17 24.

18 ⁴ It is Ms. Rizzolo's position that any award of marital property in a non-collusive
 19 dissolution proceeding conducted in accordance with state law, such as here, is conclusively
 20 presumed to be in exchange for reasonably equivalent value. In support thereof, Defendant Lisa
 21 Rizzolo would refer the Court to *In re Erlewine*, *supra*, wherein the Fifth Circuit, in discussing
 the *BFP* decision, noted that:

22 The Court limited its holding to mortgage foreclosures [internal citation omitted],
 23 but the decision's reasoning is helpful here. In explaining the meaning of
 24 reasonable equivalence in the context of a foreclosure sale, the Court remarked
 that "[f]ederal statutes impinging upon important state interests 'cannot . . . be
 25 construed without regard to the implications of our dual system of government.'" [internal citations omitted]. In interpreting § 548, the court therefore took account
 26 of the states' interest in the security of titles to real property, an interest that would
 be threatened if every foreclosure could be undone in the federal bankruptcy court.
 27 Some of the same concerns are present in this case and they suggest that we
 should hesitate before we impute to Congress an intent to upset the finality of
 28 judgments in an area as central to state law as divorce decrees. *Erlewine* at 212.

1 structure of the settlement agreement in the State Court case and the companion plea agreement
2 in Rick Rizzolo's Federal Criminal case. Mr. Campbell and Mr. Hunterton structured the global
3 settlement in such a way as the Plaintiffs would be paid from the proceeds of the sale of the
4 Crazy Horse Too. Plaintiffs counsel were advised by opposing counsel, Daniel E. Carvalho,
5 Esq., prior to entering the settlement agreement that Rick Rizzolo did not have sufficient funds to
6 pay the \$10 Million settlement if the club did not sell.⁵ Notwithstanding, Plaintiff and their
7 counsel entered into the settlement agreement. Obviously, attorneys of the stature of Mr.
8 Campbell and Mr. Hunterton would not have allowed their clients enter into a settlement
9 agreement without the expectation that the asset the proceeds would be derived from would be
10 sufficient to satisfy the settlement amount. While Mr. Campbell and Mr. Hunterton may not be
11 land appraisers, certainly, their due diligence in determining the viability of Rick Rizzolo being
12 able to perform under the settlement agreement is critical to Ms. Rizzolo's defense.

13 The planned sale of the Crazy Horse Too reportedly failed because of the revocation of its
14 liquor license by the City of Las Vegas. Interestingly, and more significantly, Plaintiffs did not
15 allege that the Rizzolo's 2005 divorce was collusive and the transfer of assets into separate property
16 trusts were fraudulent until after it became apparent that they were not going to be able to collect the
17 remaining \$9 Million from the proceeds of the sale of the Crazy Horse Too. As such, Mr. Campbell
18 and Mr. Hunterton are necessary witnesses as to the foreseeability that the City of Las Vegas would
19 revoke the liquor license.

20 Unfortunately, it has turned out that Plaintiffs made a bad deal in the State Court case. This
21 is not Ms. Rizzolo's fault. However, she has been dragged into this litigation because Plaintiffs are
22 looking for someone with "deep pockets" to collect against as it is obvious Rick Rizzolo is broke
23 and the sale of the Crazy Horse Too will not yield sufficient funds to pay the remaining sums owed
24 to Plaintiffs. It is Defendants position that Plaintiffs lawsuit is meritless as Ms. Rizzolo has done
25 nothing wrong and the only way she can properly defend herself at trial is to call the various
26

27 ⁵ See attached hereto as Exhibit "A" a series of emails and correspondences as well as
28 transcripts which had been attached as exhibits to Plaintiffs' Objections (#82).

1 attorneys, including Mr. Campbell and Mr. Hunterton, as witnesses. Whether Mr. Campbell and Mr.
2 Hunterton like it or not, how they handled the State Court case is germane to Ms. Rizzolo's defense
3 as is Mr. Patti's handling of the divorce case. As to the latter, Mr. Patti has already withdrawn as
4 Rick Rizzolo's attorney in this action evidently recognizing that he may have to testify at the time
5 of trial.

6 For the reasons stated above, Mr. Campbell and Mr. Hunterton should not be allowed to be
7 both advocates and witnesses. Accordingly, Defendants are seeking to have Mr. Campbell and Mr.
8 Hunterton disqualified as trial counsel. Such would not create an "excessive hardship and prejudice"
9 on the Plaintiffs as Mr. Campbell and Mr. Hunterton would be able to appear in pretrial proceedings
10 as well as participating in the discovery process, and other lawyers in their firms could still be
11 designated as trial counsel. As such, Defendants' motion should be granted.

12 DATED this 21st day of October, 2009.

13 Respectfully submitted,

14 BAILUS COOK & KELESIS, LTD.

15
16 /s/

17 MARK B. BAILUS, ESQ.

Nevada Bar No. 2284

18 GEORGE P. KELESIS, ESQ.

Nevada Bar No. 0069

19 400 South Fourth Street, Suite 300

Las Vegas, Nevada 89101

20 *Attorneys for Defendants Lisa Rizzolo*

21 *and The Lisa M. Rizzolo Separate Property Trust*

CERTIFICATE OF SERVICE

I hereby certify that on the 21st day of October, 2009, I electronically filed a true and correct copy of the foregoing MOTION TO DISQUALIFY DONALD J. CAMPBELL AND C. STANLEY HUNTERTON AS COUNSEL FOR PLAINTIFFS with the Clerk of the Court for the United States District Court, District of Nevada by using the appellate CM/ECF system. All parties were served by the CM/ECF system.

/s/

Stephanie O'Rourke
Employee of Bailus Cook & Kelesis, Ltd.

EXHIBIT “A”



ROGERS, MASTRANGELO,
CARVALHO & MITCHELL

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STEPHEN H. ROGERS
REBECCA L. MASTRANGELO
DANIEL E. CARVALHO
BERT O. MITCHELL
IMRAN ANWAR

June 14, 2006

Donald J. Campbell, Esq.
700 South Seventh Street
Las Vegas, NV 89101

Via Facsimile No. 382-0540 and U.S. Mail

C. Stanley Hunteerton, Esq.
333 South Sixth Street
Las Vegas, NV 89101

Via Facsimile No. 388-0361 and U.S. Mail

Re: Crazy Horse Too adv. Henry

Dear Gentlemen:

This letter shall acknowledge receipt of your respective W-9's in the above matter. I have ordered the \$1,000,000 settlement draft and will contact you once the same has been received. In the meantime, I have prepared a Release and Indemnity Agreement which I have enclosed herewith for your review. Please let me know if you have any changes, and if not, please have your clients execute the same and we can exchange the Release for the settlement draft.

I thank you for your anticipated prompt attention to this matter. As always, should you have any questions or concerns regarding the hereinabove or any other matter in the meantime, please feel free to contact me.

Sincerely,

ROGERS, MASTRANGELO, CARVALHO &
MITCHELL



Daniel E. Carvalho, Esq.

DEC/pt
cc: Anthony Sgro, Esq.
Enclosure

**RELEASE OF ALL CLAIMS AND AGREEMENT TO INDEMNIFY
FOR AND IN CONSIDERATION OF THE ISSUANCE OF A DRAFT**

For the total sum of TEN-MILLION DOLLARS (\$10,000,000.00), ONE-MILLION DOLLARS (1,000,000.00) the receipt of which is hereby acknowledged, and, with the agreement between the parties that an additional NINE-MILLION DOLLARS (\$9,000,000.00) will be paid to KIRK HENRY and AMY HENRY, AND DONALD CAMPBELL, ESQ., AND STANLEY HUNTERTON, ESQ. their attorneys, from the proceeds of the sale of THE POWER COMPANY, INC. dba CRAZY HORSE TOO GENTLEMENS CLUB pursuant to the terms of the guilty plea agreement made between THE POWER COMPANY, INC, FREDERICK RIZZOLO, and THE UNITED STATES OF AMERICA:

KIRK & AMY HENRY, do hereby forever fully release, acquit and discharge THE POWER COMPANY, INC. dba CRAZY HORSE TOO GENTLEMENS CLUB, FREDERICK RIZZOLO and their reinsurers, subsidiaries, agents, employees, attorneys, assigns, and all other persons, firms, associations and corporations interested and concerned, of and from all known and unknown claims, actions, causes of action and suits for damages, at law and in equity, filed or otherwise, including without limitation personal injury; uninsured/underinsured claims; loss of compensation, profits, interest, use, consortium, services, society, contribution and support; loss or diminishment of ability, capacity, function, earning potential or capacity, or estate, and associated costs and expenses which he now has or may hereafter acquire by reason of any loss of or damage to any property, property right, injury to his person, or the death of his person as a result of that certain accident, casualty, incident or event that occurred on or about the 20th day of September, 2001, in Clark County, Nevada, which was the basis of Case No. A440740 in District Court, Clark County, Nevada.

IT IS UNDERSTOOD AND AGREED, AND MADE A PART HEREOF:

That the issuance of said draft is not, nor is it to be construed as, an admission of liability on the part of any releasee, but is in compromise, settlement, accord and satisfaction, and discharge of loss, damages, claims, actions, causes of action, suits and liability which are each and all uncertain, doubtful and disputed.

That this Release extends, applies to, coheres and includes all unknown, unforeseen, unanticipated and unsuspected injuries, damages, loss and liability, and the consequences thereof, as well as those now alleged, disclosed and known to exist;

That this Release is the entire, complete, sole and only understanding and agreement of, by, and between or among the undersigned and releasees pertaining to and concerning the subject matter and things expressed herein, and there are no independent, collateral, different, additional or other understandings or agreements, oral or written, or obligations to be performed, things to be done, or payments to be made; and, further, no promise, inducement or consideration other than the issuance of said draft has been made or agreed upon by or on behalf of releasees, or any of them; and

That each releasee shall be held harmless of and from and indemnified for and against all losses, damages, costs and expenses, including reasonable attorney's fees, and all other sums which each releasee may hereafter incur, pay, be required or become obligated to pay on account of any and every further, additional or other demand, claim or suit by or on behalf of KIRK AND AMY HENRY, for any loss of or damage to any property or property right, injuries to or the death of any person as provided in this Release, or for any contest or attempt to modify, change, reform, break, set aside, nullify, cancel or negate this Release, or any part

or provision of this Release, for any reason whatsoever.

That KIRK AND AMY HENRY, hereby accepts responsibility for and agrees to pay, compromise or discharge by court order, from the consideration for this Release, any lien or subrogation right which may be enforceable under the laws of the State of Nevada, or any other State, or any federal law. KIRK AND AMY HENRY further agrees to accept responsibility for and agree to pay, compromise or discharge by court order, from the consideration of this Release, any outstanding expense for past or future medical or hospitalization costs which arises as a result of treatment rendered arising from the acts complained of in this case and further, any common law lien or subrogation right, including any assignment of such right whatsoever related to the incident described above.

**BY SIGNING THIS RELEASE KIRK AND AMY HENRY DO HEREBY
ACKNOWLEDGE AND WARRANT:**

That this Release was read carefully in its entirety by them, with the assistance of their counsel, and was and is understood and known to be a full and final compromise, settlement, release, accord and satisfaction, and discharge of all claims, actions and causes of action, suits and liability, as above stated;

That this Release was signed and executed voluntarily and without reliance upon any statement or representation of or by any releasee, or any representative, agent, or adviser of same, concerning the nature, degree and extent of said damages, loss, or legal liability therefor;

That this Release contains the entire agreement of and between or among all of the parties mentioned herein;

That all of the terms and provisions of this Release are contractual, not a mere recital;

and

That KIRK AND AMY HENRY are of legal age and capacity, and are competent to sign and execute this Release, and accepts full responsibility therefor.

READ AND SIGNED THIS _____ day of _____, 2006 at

_____.

KIRK HENRY

AMY HENRY

STATE OF _____)
COUNTY OF _____) ss:

On this _____ day of _____, 2006 before me appeared KIRK HENRY, who personally known, and who acknowledged the execution of the foregoing instrument as his free act and deed, for the consideration set forth therein.

NOTARY PUBLIC

STATE OF _____)
COUNTY OF _____) ss:

On this _____ day of _____, 2006 before me appeared AMY HENRY, who personally known, and who acknowledged the execution of the foregoing instrument as her free act and deed, for the consideration set forth therein.

NOTARY PUBLIC

Mary Pizzariello

From: Colby Williams
Sent: Tuesday, August 01, 2006 8:58 AM
To: Mary Pizzariello
Subject: FW: Henry

-----Original Message-----

From: Daniel Carvalho [mailto:dcarvalho@rmcmclaw.com]
Sent: Monday, July 31, 2006 2:27 PM
To: Colby Williams
Subject: RE: Henry

Colby:

As I informed you early last week, my client has a problem with the language in the proposed release dealing with the sufficiency of proceeds from the sale. That is why I have not forwarded an original to you. As you are aware, the plea agreement specifically indicates that the remaining \$9mil would come "from the proceeds" of the sale. There was a mutual understanding when the plea was made that the viability of the club would remain intact pursuant to the terms of the plea agreement, and thus, sufficient proceeds would be available. My client's concern is magnified by the city attorney's recent representation to the city council that he spoke with both counsel for Kirk & Amy Henry regarding whether the disciplinary action sought, (which includes a \$2.192mil. fine, and revocation of the tavern license) would in any manner frustrate the plea agreement or goals of the Henry's. As you are aware, the city attorney specifically represented to the city council, that he spoke with your firm, and you indicated to him that you did not believe the discipline he sought would frustrate the goals of your client, nor the agreement between the U.S. and the Defendant. With our mutual interests in the financial viability of the club, and it remaining open pursuant to the plea agreement, we doubted that you would have made such a representation to the city attorney.

When we spoke, you told me that his representation was inaccurate. I had asked that you speak with Don about taking affirmative steps to set the record straight regarding this issue. I did not hear back from you, but instead, saw today that Don had used the draft version I sent, after I told you about the problem, had his clients sign the same, and asked me to have Mr. Rizzolo sign the same.

Can you please let me know the status of your efforts in correcting the significant misrepresentation made to the city council on this most important issue. I would like to get the release issue resolved as soon as practical, and hope you can appreciate my prompt efforts in working with you on the release, getting the check ordered, and addressing your and our concerns as noted above. I am meeting with the client this afternoon, and you can reach me on my cellular phone at 682-8848.

-----Original Message-----

From: Colby Williams [mailto:jcw@campbellandwilliams.com]
Sent: Tuesday, July 25, 2006 7:52 AM
To: Daniel Carvalho
Subject: RE: Henry

Dan

We are good on all the documents. I caught one slight change in the Release – Page 4, first full paragraph, 4th line down, we just need to delete the "s" from the word "agrees." Other than that you can finalize the settlement agreement, get me the original, and I'll forward it to our clients for execution. I'll finalize the QSF documents on our end and get those to the court for approval. Meanwhile, call or e-mail

me with any questions.

Thanks,
Colby

-----Original Message-----

From: Daniel Carvalho [mailto:dcarvalho@rmcmclaw.com]
Sent: Monday, July 24, 2006 3:28 PM
To: Colby Williams
Subject: RE: Henry

Colby:

I think I understand your concern. I have incorporated your changes in the release and attempted to address your concern regarding the timing of the payment of the \$9mil, i.e. upon the close of the sale. I also added a section to address your concern regarding potential insufficient proceeds. I also made a few other changes which are redlined and noted herein in response to your additions of the QSF information. Finally, I have attached a redlined version of each of your pleadings to incorporate some of the same issues. If the release is o.k., I can create an original which you can give to your clients and we can exchange the same for the first \$1mil check which is here at my office.

I will await your response.

Thanks,
Dan

-----Original Message-----

From: Colby Williams [mailto:jcw@campbellandwilliams.com]
Sent: Friday, July 21, 2006 2:27 PM
To: Daniel Carvalho
Subject: RE: Henry

Dan

Respectfully, we are not trying to deviate from the plea agreement. We agreed to wait for the \$9 mil. payment until the club was sold. We also acknowledge that while the requirement is to sell the club within a year, the plea agreement recognizes it may take longer and sets forth language addressing this situation. We also recognize that in all likelihood, the entire \$9 mil. will in fact be coming out of the proceeds of the sale. None of this is a problem. Our point, is that the parties agreed before Judge Leen that defendants would pay \$10 million to settle the Henry's claims. If, for example, the sale of the club netted only \$7 million that could be paid to the Henry's, our position is that defendants would still owe \$2 million pursuant to the agreement reached before Judge Leen.

While none of us want or believe that this situation will arise, and we're not trying to make a mountain out of a molehill, we just believe there should be some clarifying language in the written settlement agreement to this effect. Give me a call if you think we need to discuss this in more detail.

Thanks,
Colby

-----Original Message-----

From: Daniel Carvalho [mailto:dcarvalho@rmcmclaw.com]
Sent: Friday, July 21, 2006 10:04 AM
To: Colby Williams

8/1/2006

Subject: RE: Henry

Colby:

Great. It seems the only issue now is your desire to deviate from the terms of the guilty plea agreement which indicates that the Defendant will pay the remaining \$9mil. from the proceeds of the sale. He will not have the \$ to pay without the sale, and pursuant to the plea agreement, it is theoretically possible that the sale is not closed in 12 months. The plea agreement describes exactly what would happen if that occurs. I thought that Don was involved in the agreement, and understood those terms, as well as the fact that he would be paid out of the proceeds of the sale.

Tony and I are hopeful that the sale will in fact likely occur within the first year, and this may be a non-issue, however, we can never be sure, and cannot commit our client to being obligated to make payment contrary to the terms of his plea agreement. Let me know your thoughts.

-----Original Message-----

From: Colby Williams [mailto:jcw@campbellandwilliams.com]
Sent: Wednesday, July 19, 2006 4:06 PM
To: Daniel Carvalho
Subject: Henry

Dan

I received confirmation today from tax counsel that we do not have to get the \$1 mil. check reissued. That eliminates one issue. Let me know where we are on the documents, and we'll get the rest of this thing put to bed.

Thanks,
Colby

8/1/2006



CAMPBELL
& WILLIAMS
ATTORNEYS AT LAW

HAND DELIVERED

July 28, 2006

Daniel E. Carvalho, Esq.
Rogers, Mastrangelo, Carvalho & Mitchell
300 South Fourth Street, #710
Las Vegas, Nevada 89101

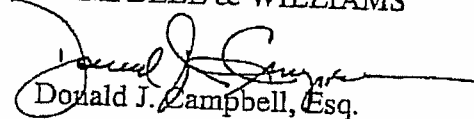
Re: *Henry v. Crazy Horse Too, et al.*

Dear Mr. Carvalho:

Enclosed you will find the Release and Settlement Agreement you forwarded to my partner, Mr. Williams, which incorporated your changes. As is self-evident, our clients have executed the same and the respective firms of Campbell & Williams and Hunterton & Associates similarly indicated their approval as to form and content. Please have Mr. Rizzolo sign, on behalf of himself as well as in his representative capacity on behalf of The Power Company, and return the same together with the check that you have represented you have in your possession. We will then forward the same to Judge Glass in support of our petitions, courtesy copies of which have accompanied this letter.

Sincerely,

CAMPBELL & WILLIAMS


Donald J. Campbell, Esq.

DJC:mjp
encls. a/s

cc: Kirk and Amy Henry
C. Stanley Hunterton, Esq.
Anthony P. Sgro, Esq.

RELEASE OF ALL CLAIMS AND AGREEMENT TO INDEMNIFY
FOR AND IN CONSIDERATION OF THE ISSUANCE OF A DRAFT

For the total sum of TEN-MILLION DOLLARS (\$10,000,000.00), ONE-MILLION DOLLARS (\$1,000,000.00) of which will be deposited forthwith into the Henry Qualified Settlement Fund, and, with the agreement between the parties that an additional NINE-MILLION DOLLARS (\$9,000,000.00) will be paid to the Henry Qualified Settlement Fund, due and owing upon the closing of the sale of THE POWER COMPANY, INC., dba CRAZY HORSE TOO GENTLEMEN'S CLUB, consistent with the terms of those certain guilty plea agreements made between THE POWER COMPANY, INC, FREDERICK RIZZOLO, and THE UNITED STATES OF AMERICA; Although it is anticipated that the NINE-MILLION DOLLARS (\$9,000,000.00) will be paid from the proceeds of the sale, the obligation to make said payment upon the closing is not contingent upon the realization of net proceeds from the sale sufficient to make the NINE-MILLION DOLLARS (\$9,000,000.00) payment.

KIRK & AMY HENRY, upon payment of the aggregate amount of TEN MILLION DOLLARS (\$10,000,000) to the Henry Qualified Settlement Fund, do hereby forever fully release, acquit and discharge THE POWER COMPANY, INC. dba CRAZY HORSE TOO GENTLEMEN'S CLUB, FREDERICK RIZZOLO and their reinsurers, subsidiaries, agents, employees, attorneys, assigns, and all other persons, firms, associations and corporations interested and concerned, of and from all known and unknown claims, actions, causes of action and suits for damages, at law and in equity, filed or otherwise, including without limitation personal injury; uninsured/underinsured claims; loss of compensation, profits, interest, use, consortium, services, society, contribution and support; loss or diminishment of ability, capacity, function, earning potential or capacity, or estate, and associated costs and expenses which they now have or may hereafter acquire by reason of any loss of or damage to any property, property right, injury to their person, or the death of their person as a result of that certain accident, casualty, incident or event that occurred on or about the 20th day of September, 2001, in Clark County, Nevada, which was the basis of Case No. A440740 in District Court, Clark County, Nevada.

IS UNDERSTOOD AND AGREED, AND MADE A PART HEREOF:

That the issuance of said draft is not, nor is it to be construed as, an admission of liability on the part of any releasee, but is in compromise, settlement, accord and satisfaction, and discharge of loss, damages, claims, actions, causes of action, suits and liability which are each in all uncertain, doubtful and disputed;

That this Release extends, applies to, coheres and includes all unknown, unforeseen, anticipated and unsuspected injuries, damages, loss and liability, and the consequences thereof, as well as those now alleged, disclosed and known to exist;

That the "Henry Qualified Settlement Fund" shall mean the Qualified Settlement Fund to be established by the Court and Trustee for the purpose of receiving and distributing the funds to be paid by Defendants The Power Company, Inc. and Frederick "Dick" Rizzolo.

its Agreement. Defendants shall have no financial obligations to the Settlement Fund other than to make payment as explicitly set forth above;

That the Trustee of the Settlement Fund shall take all necessary steps to ensure that the Settlement Fund that is to receive the payments to be made by Defendants is established and maintained as a Qualified Settlement Fund in accordance with Section 468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. The Qualified Settlement Fund will provide claimants with lump sum settlements and/or periodic payment settlements. If periodic payment settlements are provided then the obligation to make the periodic payments shall be assigned to a qualified assignee in accordance with Sections 1404(a)(2) and 130(c) of the Internal Revenue Code of 1986, as amended. The proceeds of any periodic payments shall represent damages on account of personal injuries or sickness within the meaning of the above referenced provisions of the Internal Revenue Code of 1986, as amended;

That this Release, in conjunction with those certain guilty plea agreements made between the Power Company, Frederick Rizzolo, and the United States, is the entire, complete, sole and only understanding and agreement of, by, and between or among the undersigned and releasees pertaining to and concerning the subject matter and things expressed herein. Other than Defendants' obligation to pay the remaining settlement balance of NINE MILLION DOLLARS (\$9,000,000), there are no independent, collateral, different, additional or other understandings or agreements, oral or written, or obligations to be performed, things to be done, or payments to be made; and, further, no promise, inducement or consideration other than the issuance of said draft has been made or agreed upon by or on behalf of releasees, or any of them; and

That each releasee shall be held harmless of and from and indemnified for and against all losses, damages, costs and expenses, including reasonable attorney's fees, and all other sums which each releasee may hereafter incur, pay, be required or become obligated to pay on account of any and every further, additional or other demand, claim or suit by or on behalf of KIRK AND AMY HENRY, for any loss of or damage to any property or property right, injuries to or the death of any person as provided in this Release, or for any contest or attempt to modify, change, reform, break, set aside, nullify, cancel or negate this Release, or any part or provision of this Release, for any reason whatsoever. The indemnification provisions of this paragraph shall not apply to (i) any efforts by Kirk and Amy Henry to enforce the terms of this agreement should it become necessary to do so.

That KIRK AND AMY HENRY, hereby accept responsibility for and agree to pay, compromise or discharge by court order, from the consideration for this Release, any lien or subrogation right which may be enforceable under the laws of the State of Nevada, or any other State, or any federal law. KIRK AND AMY HENRY further agree to accept responsibility for and agree to pay, compromise or discharge by court order, from the consideration of this release, any trustee or counsel compensation for administration of the Qualified Settlement Fund, and any outstanding expense for past or future medical or hospitalization costs which arises as a result of treatment rendered arising from the acts complained of in this case and further, any common law lien or subrogation right, including any assignment of such right whatsoever related to the incident described above.

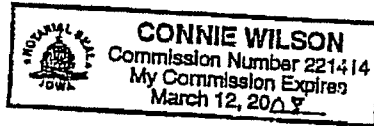
BY SIGNING THIS RELEASE KIRK AND AMY HENRY DO HEREBY ACKNOWLEDGE AND

the consideration set forth therein.

Connie Wilson

NOTARY PUBLIC

STATE OF IOWA)



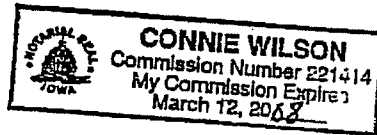
) ss:

COUNTY OF DICKINSON)

On this 26th day of , 2006 before me appeared AMY HENRY, who personally known and who acknowledged the execution of the foregoing instrument as her free act and deed, for the consideration set forth therein.

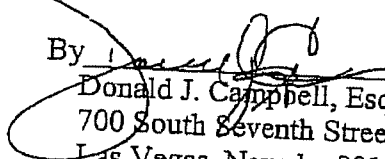
Connie Wilson

NOTARY PUBLIC

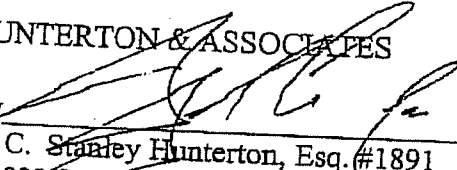


APPROVED AS TO FORM AND CONTENT this 28th day of July, 2006.

CAMPBELL & WILLIAMS

By 
Donald J. Campbell, Esq., #1216
700 South Seventh Street
Las Vegas, Nevada 89101
Attorneys for Plaintiff Kirk Henry

HUNTERTON & ASSOCIATES

By 
C. Stanley Hunterton, Esq. #1891
333 South Sixth Street
Las Vegas, Nevada 89101
Attorneys for Plaintiff Amy Henry

READ AND SIGNED this _____ day of July, 2006.

FREDERICK RIZZOLO, Individually

THE POWER COMPANY, INC. dba
CRAZY HORSE TOO GENTLEMEN'S CLUB

By _____
FREDERICK RIZZOLO

APPROVED AS TO FORM AND CONTENT this _____ day of July, 2006.

ROGERS, MASTRANGELO, CARVALHO
& MITCHELL

By _____
Daniel E. Carvalho, Esq., #5600
300 South Fourth Street, #710
Las Vegas, Nevada 89101
Attorneys for Defendants

**CAMPBELL
& WILLIAMS**

ATTORNEYS AT LAW

*VIA FACSIMILE
and U.S. MAIL*

August 1, 2006

Daniel E. Carvalho, Esq.
Rogers, Mastrangelo, Carvalho & Mitchell
300 South Fourth Street, #710
Las Vegas, Nevada 89101

Re: *Henry v. Crazy Horse Too, et al.*

Dear Mr. Carvalho:

I am currently out of town but my partner, Mr. Williams, has advised me of your most recent e-mail. Let me be as clear as I can be concerning this matter. I am not going to re-negotiate this matter with you or your client, Mr. Rizzolo. Your suggestion that I am compelled to take some affirmative steps with the City Attorney's office is absolutely false. Although I have shared my client's view of this matter with Mr. Sgro, and he has memorialized the same in a letter to me last week, we have no intention of re-working these negotiations with you on any level. Moreover, the suggestion that somehow the core of our agreement was not that \$10 million had to be paid but rather that the \$10 million had to be realized entirely from the sale is nonsense. Indeed, your changes in the final version of the agreement which you e-mailed to us and signed by our clients contain the appropriate language.

So this is our position. If the agreement that you sent over is not signed by your client today and returned to our office along with the check for \$1 million which is currently in your possession and which you are withholding from my client, I will file a motion with Judge Glass and serve a copy on the United States Attorney and United States Department of Parole and Probation.

I do not intend to deal with you any further on this issue.

Sincerely,

CAMPBELL & WILLIAMS

Donald J. Campbell

Donald J. Campbell, Esq.

Dictated, but not read to avoid delay

DJC:mjp

cc: C. Stanley Hunterton, Esq.
Anthony P. Sgro, Esq.

700 SOUTH SEVENTH STREET
LAS VEGAS, NEVADA 89101

PHONE: 702/382-5222
FAX: 702/382-0540

HUNTERTON & ASSOCIATES
Attorneys at Law
333 SOUTH SIXTH STREET
LAS VEGAS, NEVADA 89101

C. STANLEY HUNTERTON*
SAMUEL B. BENHAM
PAMELA R. LAWSON**
TERRY JOHN CARE

*ALSO LICENSED IN NEW YORK
** ALSO LICENSED IN CALIFORNIA

TELEPHONE: (702) 388-0088
FACSIMILE: (702) 388-0361
E-MAIL: SHunterton@Huntertonlaw.com

August 1, 2006

(via facsimile – 384-1460) and regular mail
Daniel E. Carvalho, Esq.
Rogers, Mastrangelo, Carvalho & Mitchell
300 South Fourth Street #710
Las Vegas, Nevada 89101

Re.: *Henry v. Crazy Horse Too, et al.*

Dear Mr. Carvalho:

I have reviewed the recent exchange of emails between you and Colby Williams as well as Don Campbell's letter to you earlier today.

While Don's letter is perfectly clear, I feel I must add my own note of astonishment at your attempt to rewrite our settlement agreement. Your position is, frankly, absurd.

Sincerely,

HUNTERTON & ASSOCIATES


C. Stanley Hunterton

CSH/jma

cc: Donald J. Campbell, Esq.
Colby Williams, Esq.
Anthony P. Sgro, Esq.



ROGERS, MASTRANGELO,
CARVALHO & MITCHELL

ATTORNEYS AT LAW

ATTORNEYS AT LAW

300 SOUTH 4TH STREET, SUITE 710
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ATTORNEYS@RMCM.LAW.COM

STEPHEN H. ROGERS
REBECCA L. MASTRANGELO
DANIEL E. CARVALHO
BERT O. MITCHELL
IMRAN ANWAR
CHARLES A. MICHALEK

August 2, 2006

Donald J. Campbell, Esq.
700 South Seventh Street
Las Vegas, NV 89101

Via Facsimile No. 382-0540 and U.S. Mail

Re: Crazy Horse Too adv. Henry

Dear Mr. Campbell:

This letter shall acknowledge yours of yesterday, Tuesday, August 1, 2006. Mr. Rizzolo is also out of town today, Wednesday August 2, 2006. He will be returning tomorrow, Thursday, August 3, 2006.

We will bring him the release your client recently signed tomorrow, and contact you (or Mr. Williams if you are still out of town) on Thursday. I remain hopeful that we will have this finalized then.

I acknowledge that you are in no way compelled to take any affirmative steps with the City Council. As I informed Mr. Williams, we wanted the City Council to hear from you regarding what we believed were significant inaccurate impressions left with them from the City Attorney at the July 12, 2006 hearing regarding his conversation with you.

As always, should you have any questions or concerns regarding this matter, please feel free to contact me.

Very truly yours,

ROGERS, MASTRANGELO, CARVALHO
& MITCHELL



Daniel E. Carvalho

DEC/lf

cc: Stan Hunterton, Esq. (via facsimile 388-0361)

LAS VEGAS CITY COUNCIL MEETING

SEPTEMBER 6, 2006

IN THE MATTER REGARDING

DISCUSSION AND PLAN FOR THE CRAZY HORSE TOO

REPORTED BY: DENISE R. KELLY, CCR #252, RPR

CSR ASSOCIATES OF NEVADA (702)382-5015

1

LAS VEGAS CITY COUNCIL MEETING

IN THE MATTER REGARDING
DISCUSSION AND PLAN FOR THE CRAZY HORSE TOO

REPORTER'S TRANSCRIPT

OF

RECORDED PROCEEDINGS

HELD ON SEPTEMBER 6, 2006

Enclosed is a partial transcript that was prepared from a DVD and is a complete, true, and accurate transcription to the best of my ability to hear and identify the words on the DVD.

Transcribed by: Denise R. Kelly, CCR #252, RPR

3

Councilman. It's telling a potential buyer that there's a liquor license out there.

And in relation to that, I would submit to you that if Mr. Sero had said to you a few minutes ago, "We have sold the business, pending all the approvals of the new buyer that are necessary," that it would take 180 days to get those approvals.

The first thing that has to happen is, pursuant to page 9 and paragraph 3 of The Power Company, Inc. guilty plea, plea memoranda, the government has to:

"The government shall have the right to disapprove a buyer of the Crazy Horse Too whom the government objectively demonstrates is a close relative or ongoing business partner of Frederick Rizzolo, is a multiple felon or a felon within the last 10 years, or has business dealings with identified members and associates of La Cosa Nostra or other identified organized crime group or has been convicted of crime with identified members and associates of the LCN or other identified organized crime group.

Metro would have to do a background check, as they always do, for liquor licensees. And I

2

LAS VEGAS, NEVADA, SEPTEMBER 6, 2006

* * * * *

(EXCERPT NO. 1)

COUNCILMAN WOLFSON: If we accept Mr. Bill Henry's -- what did you call it, Sanction B, Mr. Henry?

MR. HENRY: Yes, Councilman.

COUNCILMAN WOLFSON: -- which calls for a suspension for six months, then we reopen for three months, that takes us to the 12-month date.

MR. HENRY: Yes.

COUNCILMAN WOLFSON: That's part of time frame you were working within.

MR. HENRY: Yes.

COUNCILMAN WOLFSON: If at the end of this reopening for three months and the sale has not occurred -- because I think your motivation,

Mr. Henry, in recommending that is we want to punish and discipline, and therefore suspend for six months, but then allow them to reopen. In other words, allow them to have their liquor license back so theoretically they could reopen the business for three months, and be an up and running and ongoing business for the marketability aspect.

MR. HENRY: It's not so much that.

4

I dare say in this instance they would just be a little more careful and take a little more time than they normally do. And then business licensing would have to do the same thing.

So it's beyond my contemplation that this would all happen in much less than 180 days.

COUNCILMAN WOLFSON: But if that were to occur, then we allow them to have their license back for three months, and at the end of that three months the business isn't sold, that's a scenario that would then kick in, according to the plea agreement, what's on page 8, paragraph 2, which is this third-party manager/seller would have to come in, but at that point in time there is no liquor license.

MR. HENRY: Yes, there is a liquor license. Because if you're taking Sanction B, the liquor license comes back into effect September 1st. There's three more months for Rick Rizzolo to try to sell the business. If he doesn't sell the business pursuant to the federal plea bargain, then he and the United States Attorney try to agree upon a receiver to operate the business and sell it.

If they can't, either one of them petitions the federal court and a Judge appoints a receiver.

5

1 But in any event, that license is
2 back in effect as of September 21st.

3 COUNCILMAN WOLFSON: Then that was my
4 mistake. So your Sanction B proposal is that the
5 license would go back into effect after the 180-day
6 suspension in perpetuity, not just for a three-month
7 period.

8 MR. HENRY: That's how suspensions work.

9 COUNCILMAN WOLFSON: And then, Mr. Sero,
10 it's the defendant corporation which agreed to pay the
11 \$10 million in restitution, not Mr. Rizzolo himself.

12 MR. SGRO: It's all coming from the
13 proceeds of the sale of the club, Councilman.

14 COUNCILMAN WOLFSON: Okay. So Mr. Rizzolo
15 in his plea agreement did not agree to pay the
16 \$10 million in restitution personally.

17 MR. SGRO: Not in the plea agreement.
18 However, he has executed a document where he does, a
19 separate independent document.

20 COUNCILMAN WOLFSON: I'm lost. A guilty
21 plea agreement --

22 MR. SGRO: Correct.

23 COUNCILMAN WOLFSON: -- that is executed
24 by you on behalf of the corporation, where the
25 corporation agrees to pay the \$10 million out of the

7

1 money to pay Mr. Henry. Mr. Kirk Henry's lawsuit is
2 still alive. And theoretically there is that remedy
3 that could then be picked up again and prosecuted.

4 MR. HENRY: Councilman, if I might, I
5 believe settlement and release document is a civil
6 procedure term of art that means that the civil action
7 has been settled and that Mr. Rizzolo has agreed to
8 pay a sum of money to settlement.

9 If that is the case, and you can
10 find out by asking Mr. Rizzolo and Mr. Sero, then all
11 of this concern about whether or not Kirk Henry would
12 actually get his money if we were to revoke the
13 license or suspend the license is irrelevant, because
14 there is a personal promise in place that can be
15 enforced in civil court by Mr. Rizzolo.

16 MR. SGRO: Mr. Rizzolo's fines to pay only
17 exist insofar as the assets he owns. This is the
18 asset he owns. There is no financial ability to pay
19 if this asset is stripped from him.

20 COUNCILMAN WOLFSON: I understand that.
21 But you just told us that there is a settlement and
22 release agreement. Is that part of the civil lawsuit
23 in District Court?

24 MR. SGRO: You have to do a settlement and
25 release to dismiss the underlying litigation; so yes.

6

1 proceeds of the sale --

2 MR. SGRO: That's correct.

3 COUNCILMAN WOLFSON: -- in Mr. Rizzolo's
4 guilty plea agreement; but I don't think it contains
5 language in the GPA where he agreed to pay the
6 \$10 million.

7 MR. SGRO: You're correct.

8 COUNCILMAN WOLFSON: There's a third
9 document?

10 MR. SGRO: There's another document that
11 Mr. Rizzolo signed relative to payment of those fines.

12 COUNCILMAN WOLFSON: And what is that
13 document?

14 MR. SGRO: It's essentially the settlement
15 and release document.

16 COUNCILMAN WOLFSON: The what?

17 MR. SGRO: The settlement and release
18 document.

19 COUNCILMAN WOLFSON: Settlement and
20 release document.

21 MR. SGRO: Yes, sir.

22 COUNCILMAN WOLFSON: And my final
23 question, at least at this stage, is that should this
24 thing blow up in our faces, whether by action of the
25 City Council or the seller doesn't net the amount of

8

1 that was executed.

2 MR. RIZZOLO: That's when he got his first
3 million.

4 MR. SGRO: Correct.

5 COUNCILMAN WOLFSON: So is the district
6 court proceeding that's in front of Judge Jackie Glass
7 dismissed?

8 MR. SGRO: I don't know if the order has
9 been entered yet or not.

10 COUNCILMAN WOLFSON: Okay. But the
11 settlement and release agreement are part of that
12 legal case.

13 MR. SGRO: That's correct.

14 COUNCILMAN WOLFSON: And I think
15 Mr. Rizzolo just offered that once the 1 million was
16 paid, that gave rise to this document.

17 MR. SGRO: That's correct.

18 COUNCILMAN WOLFSON: Now, it's your
19 position that that document also provided for
20 Mr. Rizzolo's promise to pay the remaining \$9 million
21 as well personally? I understand that he has to pay
22 out of the proceeds of the sale.

23 MR. SGRO: Yes. The way the document is
24 structured, Councilman, is that the Henrys are to be
25 paid whether or not the sale of the club yields

9

1 sufficient funds.

2 COUNCILMAN WOLFSON: Okay. That answers
3 my question. That's all I have for now. Thank you.
4 (Conclusion of Excerpt No. 1.)

5
6 (EXCERPT NO. 2)

7 COUNCILWOMAN TARKANIAN: I would like to
8 make a comment, Mayor Pro Tem.

9 MAYOR PRO TEM - COUNCILMAN REESE: Okay.

10 COUNCILWOMAN TARKANIAN: The comment is
11 this, that when you look at Section B, and we see the
12 second bullet point there about the fine to be paid,
13 and we look at the third bullet point about not having
14 people who have pled guilty to felonies remaining. It
15 seems to me the group is talking along the same line
16 that these are things of which there is some
17 agreement.

18 The problem we've had, all of us, it
19 seems to me, is that of your client Mrs. Henry. And I
20 would like her to know that I think it's bearing
21 heavily. Because of some of the comments you made
22 about what we might be doing, I want you to know that
23 it is bearing heavily I think on all of the council
24 members we want to do what is right here.

25 I myself have a very close relative

11

1 discussed here today.

2 One of the things that is required
3 is that restitution be made. That restitution is in
4 the amount of \$10 million. But the government
5 recognized, presumably because the Internal Revenue
6 Service, who have numerous case agents on the case and
7 obviously conducted a very thorough financial
8 investigation, obviously the IRS told certain
9 officials with the prosecution that they probably
10 couldn't come up with this money without selling the
11 club.

12 So you have to give them some time
13 to sell this club. I'm sure they've had a microscope
14 on Mr. Rizzolo and his finances. And I'm sure that
15 that's one of the reasons. Because this isn't a
16 question of whether or not the club remains open, it
17 doesn't. At least as insofar as this matter. The
18 club is going to close like Mr. Henry wants. It's
19 going to happen. It's just not going to happen as
20 quickly as he wants it to without your approval.

21 So the government wanted the option
22 there of giving them the opportunity, since he was
23 getting out of the business and couldn't be it in
24 anywhere else, of selling the club in an orderly
25 fashion to fund his obligation to pay that

10

1 who has a similar injury. I know the effect on the
2 family. I know how crushing the extra work is and the
3 emotionality of it. So I believe I and the others
4 feel for you in that. And this is where I find our
5 questioning is coming.

6 I wanted to just let you know, as
7 her legal representatives, that I believe everybody up
8 here is trying to work this out. And from the
9 questions that came up when we first covered this
10 item, it's always been a concern about what happens
11 with the Henry family. And this is what we've been
12 trying to do.

13 I still can't understand what this
14 settlement and release document was. And I wondered
15 if maybe you could explain it.

16 MAYOR PRO TEM - COUNCILMAN REESE:
17 Mr. Campbell.

18 MR. CAMPBELL: I'll be happy to.

19 Pursuant to the global negotiations,
20 we can't tell the federal government what to do. The
21 federal government's deal with the Crazy Horse and its
22 management is its deal with the Crazy Horse and its
23 management. They don't listen to me. They cut their
24 own deal. But they did so in recognition of all of
25 the variables that have been placed out there and

12

1 restitution. And that's why this window of
2 opportunity to sell the club over a 12-month period
3 was given.

4 COUNCILWOMAN TARKANIAN: And I understood
5 that part. But my question is, suppose you didn't --
6 what is the guarantee for the additional \$9 million
7 for the Henry family? I thought someone mentioned
8 that.

9 MR. CAMPBELL: There is a separate
10 settlement agreement that disposed of the civil case.
11 The civil case has, for all intents and purposes, been
12 concluded. Mr. Rizzolo has personally signed a
13 document in which he acknowledges he must pay the \$10
14 million, 1 million of which has already been paid by
15 the insurance company, \$9 million of which he will
16 have to pay.

17 There was inherent in all of that
18 the understanding that he would be paying that once he
19 sold. He has to pay it no matter what.

20 You know, quite frankly, I'll chase
21 Mr. Rizzolo to the gates of hell to get that money for
22 my client. And I think anyone that knows me, knows I
23 will do that.

24 But I'm not in this to chase
25 Mr. Rizzolo. I don't care about Mr. Rizzolo one way

13

1 or the other. But what I do care about is a man
2 that's sitting in Olathe, Kansas that's never going to
3 use his arms and his legs again.

4 And I don't want to have to chase
5 someone, okay, when the opportunity has been
6 structured where that money can come in a clean
7 fashion. And Mrs. Henry doesn't have to lose sleep at
8 night over whether or not I'm going to be able to
9 after five years collect on all of that.

10 COUNCILWOMAN TARKANIAN: So it's not that
11 you wouldn't be getting the money, it's the length of
12 time that would be involved and the additional
13 problems it would cause her.

14 MR. CAMPBELL: Oh, yes, it would be an
15 enormous problem, enormous problem.

16 COUNCILWOMAN TARKANIAN: I just wanted to
17 collect that information.

18 I had some other comments I wanted
19 to make later. But, finally, I wanted to say to you
20 that I understand why you didn't think of the City.
21 Why would you be thinking of the City with all those
22 other things that were happening. Or even Mr. Sero's
23 situation. You wouldn't be thinking of the City with
24 all the other things that are happening.

25 But I would also like to say that I

15

1 MAYOR PRO TEM - COUNCILMAN REESE: Thank
2 you.

3 (Conclusion of Excerpt No. 2)

14

1 did have several constituents who called me often
2 about "Why aren't you doing something?" And I did
3 check regularly, and I checked with the Mayor. And,
4 basically, the information we were given was that the
5 federal government is handling this, and you don't get
6 involved to cause any problems until after that's
7 over. So I think that's what's sort of happened. It
8 was a little bit of a mishmash there.

9 MAYOR PRO TEM - COUNCILMAN REESE: Thank
10 you, Councilwoman.

11 COUNCILWOMAN TARKANIAN: Thank you very
12 much.

13 MAYOR PRO TEM - COUNCILMAN REESE: Any
14 other questions of Mr. Campbell?

15 COUNCILMAN VOLFSOHN: Mayor Pro Tem, if you
16 don't mind --

17 MAYOR PRO TEM - COUNCILMAN REESE: I just
18 want to release Mr. Campbell.

19 Mr. Campbell, I don't want to hold
20 you up.

21 I want to direct my questions to
22 Mr. Sero and Mr. Rizzolo.

23 Mr. Campbell has done his job very
24 well.

25 MR. CAMPBELL: Thank you very much.

16

1 REPORTER'S CERTIFICATE

2
3 STATE OF NEVADA)
4 COUNTY OF CLARK) ss.

5 I, Denise R. Kelly, a duly
6 commissioned Notary Public and Certified Court
7 Reporter, Clark County, State of Nevada, do hereby
8 certify:

9 That the attached proceedings
10 were transcribed by me from a DVD provided
11 by the law office of Campbell & Williams.
12 That I thereafter transcribed my
13 said shorthand notes from the DVD into typewriting
14 and that the typewritten transcript of said
15 DVD is a complete, true, and accurate transcription
16 of my said shorthand notes taken down at said time
17 to the best of my ability to hear and identify the
18 words on the DVD.

19 I further certify that I am not
20 a relative or employee of an attorney or counsel
21 involved in said action, nor a person financially
22 interested in said action.

23 Dated this 12th day of February,
24 2008.

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Denise R. Kelly,
CSR #252, RPR