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[San Diego Corruption Trial](#)

Councilmen guilty

Inzunza, Zucchet could face three to four years in prison, legal experts say; now reduced to six members, council will need five votes to pass measures

**By Greg Moran
and Kelly Thornton**

UNION-TRIBUNE STAFF WRITERS

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San Diego Councilmen Michael Zucchet and Ralph Inzunza were convicted of conspiracy, extortion and fraud yesterday in a surprisingly swift verdict by a federal jury that dealt another body blow to a City Hall already staggering from a pension fund scandal, a vacancy in the mayor's office and eroding public confidence.

The verdict capped an 11-week trial of the councilmen, Las Vegas lobbyist Lance Malone and council aide David Cowan. Malone was also convicted of conspiracy, extortion and wire fraud, while Cowan, accused of a single count of making a false statement to an FBI agent, was acquitted.

The jury deliberated only about 16 hours before reaching a verdict on charges that stemmed from a scheme to trade money for efforts to repeal the city law banning touching between strippers and patrons. Sentencing is scheduled Nov. 9.

The verdicts plunged San Diego's government into an unprecedented and uncertain state of affairs. Dick Murphy resigned as mayor Friday, and Zucchet assumed the title of acting mayor at 12:01 a.m. Saturday.

He held the job just under 60 hours before the verdicts were read to the packed, silent courtroom of U.S. District Judge Jeffrey T. Miller.

Under state law, Zucchet and Inzunza are now suspended from office, which means they hold the title of the office but virtually nothing else. They cannot be paid, legislate or work on city business.

"So, who's the mayor?" asked city mailroom worker Cliff Anderson, minutes after the verdict. "What are they going to do now?"

At a meeting yesterday afternoon, a depleted City Council – down to six members with the absence of Murphy, Zucchet and Inzunza – somberly named Councilwoman Toni Atkins mayor pro tem for the week. The council will meet next week to name a formal mayor pro tem, who will serve until a mayor can be sworn in.

That swearing-in may not be until November. A week from today, city voters go to the polls to chose a replacement for Murphy. If no one gets 50 percent of the vote, a runoff will be held Nov. 8, one day before the councilmen are scheduled to be sentenced.

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Inzunza and Zucchet, both 35, face a sentence of five years on the conspiracy charge and 20 years on each wire fraud and extortion charge, though the sentences could be run concurrently and reduce their time in custody.

Legal experts predicted they would face between three and four years in prison.

Inzunza was convicted of conspiracy, nine counts of wire fraud and three counts of extortion. Zucchet was convicted of the conspiracy and extortion counts and five counts of wire fraud.

Malone, hired by Cheetahs strip club owner Michael Galardi to ply the councilmen with money in return for favors, was convicted of the conspiracy and extortion charges and 33 counts of wire fraud.

As the verdicts were read yesterday morning, the councilmen showed no reaction. Inzunza glanced at his wife and father, who were holding hands, as if to reassure them.



Zucchet held his chin in his hand, gazing into space or at the courtroom clerk as she spoke the word "guilty" nine times for him, 13 times for Inzunza and 37 times for lobbyist Malone.

"I am going to continue to fight this ... I will be back" Councilman Ralph Inzunza (left) declared after leaving the courthouse with his wife, Ana Inzunza, and his attorney, Michael Pancer. Nelvin Cepeda / Union-Tribune

Several jurors said later they relied largely on some 200 secretly recorded government tapes of Malone and the councilmen discussing a scheme to collect campaign contributions in exchange for changing city strip club regulations.

Jurors were told they had to find a quid pro quo – an agreement to exchange money for an official action – to convict. They said once they found such an agreement between the councilmen and Malone, the rest of the deliberations were smooth.

Jurors effectively made up their minds by Friday, when they sent a note to the judge indicating they had found all elements of many of the charges to be true and asking about a finer point of the law.

Jerry Coughlan, Zucchet's lawyer, said outside of court that he suspected then his client would be convicted. He said he would appeal the verdict.

Inzunza and his lawyer vowed they also would appeal. Outside the courthouse a defiant Inzunza maintained his innocence.

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"I believe I have done nothing wrong," said Inzunza, a former council aide and scion of a South Bay political family. "I am going to continue to fight this. I will be back."

Zucchet declined to comment after the verdict. He appeared wan and shaken in the minutes after the court session ended, hugging friends, family and supporters inside and outside Miller's courtroom. Several wept.

Malone walked silently from the courthouse through a thicket of media cameras, notepads and microphones. Earlier, his lawyer, Dominic Gentile promised an appeal and summed up his reaction by saying, "I'm not exactly going to go out and buy horns and hats."

At an afternoon news conference, U.S. Attorney Carol Lam said the verdicts showed that city residents have a right to hold local public officials to a "higher standard" in how they conduct their affairs.

"This verdict should signal a new day for San Diego politics going forward, a day in which our politicians do not trade away their obligations to the public for personal gain," Lam said.

She acknowledged the verdict comes at a tumultuous time for the city – a week before a special election to fill Murphy's seat and in the shadow of investigations by Lam's office and others into the debt-ridden pension fund – but said it was "both a sad day and a hopeful day" for the nation's seventh-largest city.

"This is something San Diego will get past," she said.

She declined to offer her opinion on whether Zucchet and Inzunza should immediately give up their seats.

Inzunza, Zucchet, Councilman Charles Lewis and Malone were indicted by a federal grand jury in August 2003, about three months after the FBI conducted simultaneous searches of City Hall and Galardi's strip clubs in San Diego and Las Vegas. The charges against Lewis, who died Aug. 8, 2004, were dropped after his death.

The case provided a rare glimpse into the secret lives of politicians and lobbyists and how they operate behind the scenes, and it put the jury in the position of deciding whether these political practices constituted a crime.

Lam's team of prosecutors – Michael Wheat, John Rice, Paul Cook and Robert Ciaffa – built their case largely on hundreds of hours of taped conversations between Malone, the councilmen and Michael



NANCEE E. LEWIS / Union-Tribune

Las Vegas lobbyist Lance Malone, who helped to launder campaign contributions from the strip-club industry to Councilmen Zucchet and Inzunza, left court yesterday with his wife, Rosemary Palacios-Malone.

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Galardi, the Las Vegas resident who owns Cheetahs strip club in Kearny Mesa. Malone, a former elected commissioner in Clark County, Nev., was his lobbyist.

Prosecutors said the councilmen accepted campaign contributions in exchange for working to repeal the city's no-touch rule at strip clubs. The rule banned dancers from touching patrons, and Galardi fumed it was hurting his business.

The government case rode on the tapes and was buttressed by the testimony of Galardi and an informant for the FBI named Tony Montagna. A Galardi employee, Montagna wore a concealed microphone and recorded many of the conversations played for jurors. He testified for nine days about his role.

Prosecutors centered the case on the tapes and around what it called "disguised money, bogus e-mails, sham issues and counterfeit citizens."

The councilmen knowingly accepted laundered campaign contributions. The scheme was intended to disguise the money's source and protect the candidates from any stigma associated with the adult-entertainment industry. And, laundering the money enabled Galardi to exceed limits on campaign contributions.

Inzunza asked Malone to create e-mail from residents and send them to him and fellow councilmen to drum up imaginary public interest in adult-entertainment laws so he could point to them as a reason for looking into the laws, according to the government's case. Inzunza then cited the e-mail messages, never mentioning he was the instigator, when calling a vice detective to discuss changing the adult-entertainment ordinance.

The councilmen and Malone arranged for a man posing as a concerned citizen to appear before the City Council's public safety committee, asking that the politicians increase the required distances separating strip clubs from schools, churches and other clubs. The man, who gave a bogus address, was an employee of one of Galardi's Las Vegas strip clubs.

The distance requirement was intended to be a distraction for other council members and the media, the government maintained. The real plan was to sneak the no-touching matter onto the agenda, along with the distance issue.



NADIA BOROWSKI SCOTT / Union-Tribune

FBI Special Agent in Charge Daniel Dzwilewski (left) and San Diego Police Chief William Lansdowne flanked U.S. Attorney Carol Lam yesterday as she announced the convictions against Councilmen Michael Zucchet, Ralph Inzunza and Las Vegas lobbyist Lance Malone.

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Malone, the lobbyist, helped launder the campaign contributions, composed the bogus e-mail and recruited the Las Vegas strip club employee.

And, the government contended Malone was aware that Galardi was bribing undercover vice Detective Russ Bristol, whom he thought was on the take, for advance warning of police inspections at Cheetahs, and that he was considering paying Bristol \$50,000 to tell the councilmen that police considered the no-touch rule a waste of their time.

The defense countered that the contributions were legitimate and the councilmen's actions were part of the normal, behind-the-scenes legislative process. While perhaps unseemly, it was no crime, they argued.

"They are in a system where they have to get money and they have to do it pretty crudely at times," Zucchet's lawyer, Coughlan, said outside of court. "That's the way the system works."

Pancer said a trio of factors the defense had feared before trial likely came into play. Those were the turmoil at City Hall, a general disgust with politicians among voters here and nationally and distaste among the public for the strip club business.

Pancer said the verdict would reverberate across the political spectrum.

"I would be very, very nervous if I were a political candidate today," he said.

Neither Inzunza nor Zucchet, politicians whose stock in trade is persuading people to agree with their positions on issues large and small, took the stand to testify.

Instead the defense lawyers put on experts on campaign finance and several character witnesses, including San Diego Police Chief William Lansdowne, who testified briefly for Zucchet.



NELVIN CEPEDA / Union-Tribune

Council aide David Cowan (right) was accompanied by his attorney, Michael Crowley, after Cowan was acquitted yesterday.