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# **News Release**

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## **Gentlemen's club owner pleads guilty to filing a false tax return**

The owner of the King of Diamonds Gentlemen's Club in Inver Grove Heights pleaded guilty today in federal court to one count of filing a false income tax return.

Lawrence Frank Kladek, 65, Inver Grove Heights, entered his plea Dec. 11 in St. Paul before United States District Court Judge Patrick Schiltz. Kladek was indicted Sept. 22.

According to Kladek's plea agreement, in or about 1999, Kladek purchased an automatic teller machine (ATM) for the adult entertainment establishment for use by its customers, and was supposed to stock the machine with cash deposited into a bank account set up by Kladek for his corporation.

Instead, during the taxable year 2000, Kladek admitted that he diverted and concealed \$170,139 in taxable business receipts by stocking the ATM with the business receipts instead of funds received by way of reimbursement for prior ATM withdrawals. Kladek also admitted using funds in the corporate bank account for personal purchases and investments, and concealing the existence of the corporate account from the Internal Revenue Service.

Kladek admitted that on Oct. 19, 2001, he filed a materially false U.S. Individual Income Tax Return on Form 1040, in which he willfully under-reported the \$170,139 in business receipts. Kladek also agreed that the tax loss encompasses the taxable years of 2000 through 2003, and that the total tax loss was \$912,976.

Kladek faces a potential maximum penalty of three years in prison. Judge Schiltz will determine his sentence at a future date. This case is the result of an investigation by the IRS-Criminal Investigation Division and is being prosecuted by Assistant U.S. Attorney David J. MacLaughlin.