

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

AMI SHAFRIR, an individual,
Plaintiff,

vs.

DANIEL NISHRIE, et al
Defendants.

DANIEL NICHERIE, an individual,
Counter-Claimant,

vs.

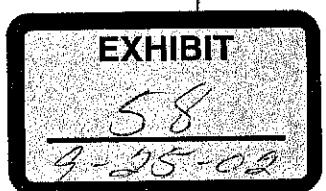
SARIT SHAFRIR, et al
Counter-Claim Defendants

) Case No.: CV-01-01507 CAS (JWJx)
) (assigned to Hon. Cynthia A. Snyder)
)
) **AFFIDAVIT OF KENNETH HOWARD**
) **TAVES**

I, KENNETH HOWARD TAVES, CERTIFY, DECLARE AND AVER AS

FOLLOWS:

1. I am over eighteen years of age and make this declaration of my own free will.
I have personal knowledge of facts set forth herein and if called upon, can and will testify
thereto in a court of law.



KT

1 2. I have read the May 15, 2001 declaration of Ami Shafir, attached hereto as
2 Exhibit "A," wherein Ami Shafir declares that his only contact with me is meeting me at "an
3 industry conference six or seven years ago for not more than five minutes." This statement is
4 untrue. As is demonstrated below, I was in business with Ami Shafir in 1997 and 1998 and
5 had extensive contact with Mr. Shafir and his employees.
6

7 3. In 1997, I first encountered Ami Shafir ("Ami") when I purchased a group of
8 800/900 vanity numbers from Ami through his company Amtec Audiotext, Inc. These
9 numbers were adult phone sex lines.
10

11 4. In 1997, Ami suggested that my computer server be co-located at his building
12 located at 8670 Wilshire Boulevard in Beverly Hills, California ("8670 Wilshire") where his
13 companies Amtec Audiotext, Inc. ("Amtec") and Worldsite, Inc. ("Worldsite") were located.
14 Ami boasted of having the most bandwidth in Los Angeles, California. I accepted Ami's offer
15 and placed my server on the third floor at 8670 Wilshire and allowed Ami to maintain and
16 control my servers. I believe my server was the first server hooked up to the web at 8670
17 Wilshire. During this time I also had in effect a working office at 8670 Wilshire as well as an
18 office in Malibu, California. I had contact with Ami and/or his employees on almost a daily
19 basis.
20

21 5. From that point on, I had my phone sex lines and adult websites at 8670
22 Wilshire. Ami's employees at Worldsite, among them Adam Joffe and Ethan Joffe, controlled
23 my servers and backed up my databases on a daily basis.
24

25 6. Ami, his employees and his business associate and/or partner David Goldfarb
26 ("Goldfarb") began processing all my billing and continued to do so until my business was
27 shutdown by a receiver in January 1999. Ami and Goldfarb worked on the technical and
28

1 commerce aspects of my pornography business for substantial compensation because I had no
2 knowledge whatsoever of the technical aspects of the business, as I took care of creation,
3 production and promotion.
4

5 7. Ami's business associate David Goldfarb at Automated Trans Services ("ATS")
6 processed the billing for the adult websites through various merchant accounts that he helped
7 set up and control. Goldfarb and Ami were both in the business of getting users data and
8 analyzing data for positive and negative users, more fully described in paragraph 11 below.
9

10 8. In the adult phone sex and website business, customers primarily pay to access
11 phone lines or websites via credit cards. These credit card charges are processed through
12 revolving credit lines at financial institutions called "merchant accounts." The consumer's
13 credit cards are charged for these services through these merchant accounts. The owner of the
14 merchant account has a "settlement account" which is subsequently credited for the
15 corresponding amount of the charge. The amount credited is later adjusted on almost a daily
16 basis based upon any charge backs that may later occur. Charge backs occur when a consumer
17 or his or her bank disputes the amount billed to his or her credit card, thereby nullifying the
18 charge.
19

20 9. In 1997 and 1998, having witnessed the growth of my business through his
21 control of my server, billing and data processing and access to my customer data, Ami took
22 steps to assist me with obtaining more merchant accounts and increased levels of credit,
23 including persuading Richard Gordon ("Gordon") of Electronic Card Services ("ECS") to
24 increase my limits. In response to my inquiries, Gordon stated: "Oh, you're scrubbing through
25 Ami." I was later led to believe that Gordon and Ami were partners, which explained why my
26 credit limits were increased so quickly and easily.
27
28

1 10. Around that same time, because of increased processing needs and a boom in
2 business, Ami and Goldfarb offered to get me merchant accounts at Charter Pacific Bank
3 ("CPB") through their contacts, including Richard Cornejo. Ami's name helped secure the
4 opening and extended credit limits on these merchant accounts. Ami also used his partner
5 Richard Gordon to obtain merchant accounts for me at Humbolt Bank. Ami gave the banks an
6 informal guarantee on these merchant accounts. Attached hereto as Exhibit "B" is a true and
7 correct copy of one of these guarantees. Ami ensured that I received the merchant accounts
8 (which I had no hope of getting on my own based on my then poor credit history and lack of
9 reputation and expertise in the pornography industry). Ami also had access to the historical
10 databases of CPB and other commercial lending institutions, which contained consumer
11 information, credit card and telephone numbers by virtue of his association with Richard
12 Gordon and his credibility, experience and reputation in the adult pornography business.

13
14
15 11. Ami had a reputation of being an experienced and profitable adult audiotext
16 (phone sex) merchant and was known to have a large database of positive or good users to
17 upgrade or increase billing limits, so that a particular customer, based on certain criteria, could
18 have his or her charges increased without the risk of charge backs to the merchants. Ami also
19 had a large database of negative or bad users (complainers), which were comprised of different
20 criteria, including consumers' names, addresses, telephone numbers and credit card numbers.
21 This database was essential so that the merchants knew which customers not to charge or to
22 limit the amount they would be charged. This is why CPB, ATS and others' databases would
23 have been so vital to Ami's revenue stream. Ami was able to use these databases to help lessen
24 the percentage of charge backs to be less than the limits imposed by the credit card companies.
25 This enables Ami, Goldfarb and others to preserve the merchant accounts and ensure they
26
27
28

1 continue to operate. Ami and Goldfarb were able to use these databases to determine which of
2 the names and credit card numbers obtained from banks, merchants and other sources were
3 suitable targets to be billed for adult services or to have their charges increased with minimum
4 risk of extending credit to these customers.
5

6 12. Ami also used his influence to clear up any problems I had with the merchant
7 accounts he helped set up for me, including, but not limited to, excessive charge backs to the
8 credit card companies. Financial institutions have a requirement that the charge back rates in
9 merchant accounts not exceed a certain level. When the charge back rates get too high, these
10 institutions have a policy of canceling or restricting the merchant accounts. Ami implied that
11 through the manipulation of databases charge back ratios could be minimized. Ami told me
12 that this is how he helped Seth Warshevsky and other adult pornography merchants stay in
13 business.
14

15 13. In 1998, I had a problem with a company named JetNet, which I later learned
16 was an Internet Service Provider ("ISP") owned by a partner of Ami's. Some of JetNet's
17 customers were appearing on my database and were mysteriously getting charged without my
18 knowledge or approval through Ami and/or ATS on my merchant accounts. The officers of
19 JetNet were aware that I had some of their customers on my database and may have been
20 mistakenly billing them. Ami and/or Goldfarb then communicated with CPB or JetNet's
21 officers to ensure that none of JetNet's customers would be mistakenly billed again. This
22 could only have been made possible through a very nepotistic and sinister relationship between
23 Ami and/or Goldfarb and CPB or JetNet. Goldfarb also scrubbed my databases to ensure there
24 were no more duplicate or mistaken charges to negative users that had requested no adult
25 charges, past credit backs and/or charge backs. Scrubbing means comparing the current
26
27
28

167

1 database to previous databases and removing information from a database to ensure
2 unqualified consumers, i.e. complainers, are not re-billed to avoid charge backs to the
3 merchant accounts, thus ensuring the merchants stay in business.
4

5 14. Ami knew that Goldfarb at ATS helped monitor, process and settle my
6 merchant accounts and charge the consumers. Goldfarb had a method to keep charge backs
7 low by scrubbing, changing expiration dates on the credit cards, determining what days of the
8 month are best to run charges and processing charges due to other providers through my
9 accounts and vice-versa to make sure charge backs remain low and volume is high.
10

11 15. I further believe Goldfarb and Ami are connected because Goldfarb used Ami's
12 programmers to process the charges and bill the end users as well as sharing databases with
13 each other.
14

15 16. Ami through his employees, primarily through Chris Ewing and others, also
16 billed the 800/900 numbers directly. I later learned that Ami re-directed cash from my
17 settlement account to his own. Before my business was shut down in 1999, Chris Ewing told
18 me the numbers that I owned and billed for with Ami's help were re-directed to Ami's
19 companies. Apparently, Ami unlawfully re-directed the settlement of my 800/900 numbers to
20 his own merchant account for his own benefit.
21

22 17. I believe Ami also received traffic from my adult websites from my server
23 located at 8670 Wilshire.
24

25 18. I am informed and believe that Ami was netting close to \$7 Million per month
26 by, among other things, (1) underreporting charges that should have been credited to my
27 account and retaining the balance; (2) billing my customers through his own companies for
28 services that I provided; and/or (3) double billing my customers for services they never

1 received. I am further informed and believe that Ami sent \$5 Million a month offshore
2 through his business Hungarian Broadcast Company and I assume other shell corporations as
3 well.
4

5 19. In late 1998, Ami sold me a database of 650,000 names for \$500,000. I was
6 instructed to direct funds to a Liechtenstein account, which I did for a database that I never
7 received.

8 20. I believe Ami through Adam Joffe and Gary Mittman purchased my servers
9 from the receiver in 1999 and probably continue to process and bill 800/900 numbers and adult
10 websites on their own.
11

12 21. Between mid 2001 and March 2002, Ami Shafrir's attorney Robert Young
13 ("Young") was allegedly acting as my attorney paid for by Ami Shafrir. Young visited me
14 often, sometimes several times per week. Originally Young did not fully disclose the nature of
15 his relationship with Ami Shafrir. I later learned that Young was and is living at Ami Shafrir's
16 Beverly Hills home and he was living there at the time he represented me both civilly and
17 criminally. This is important because Young had my confidential information and documents
18 in his possession, custody or control at Ami's home notwithstanding Judge J. Spencer Letts'
19 express ruling that anything I told Young is and would remain confidential. Despite repeated
20 demands, Young refused to present me with a retainer agreement, conflict waiver or detailed
21 billing. After Young ceased representing me and notified me of a conflict, six to nine months
22 after commencing representation, I again requested time sheets to determine how much was
23 owed for his time. These were never provided. Young abandoned me, leaving extremely
24 important matters unresolved. Young also has failed to provide my new counsel with all of the
25 documents that I entrusted with him in connection with my representation. These documents
26
27
28

ICT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

may be lost or destroyed, as they may have implicated Young's main client Ami Shafir in fraudulent and unlawful conduct. I believe Ami Shafir may have used his control over Young in a threatening or coercive manner in an effort to have Robert Young preserve my silence, including cutting potential revenue stream from me and my needy wife and child.

I declare and certify under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct to the best of my information and belief.

Executed in Los Angeles, California on April 15, 2002.

Kenneth Howard Taves
KENNETH HOWARD TAVES

Subscribed and Sworn before me this 15th day of April 2002

SEE ATTACHED
Notary Public

SEAL