

MGM's Legal Past Hangs Over Casino Projects

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An internal investigation found that Terry Christensen, shown in 2004, continued to advise MGM executives after he was indicted and resigned from the casino operator's board, people familiar with the matter say.

Old legal problems for a former MGM Resorts International director are hanging over the casino giant's business as the company seeks licenses to expand into new states.

Five years ago prominent Los Angeles attorney Terry Christensen was convicted in federal court of conspiring to illegally wiretap the ex-wife of his billionaire client Kirk Kerkorian. Now, state regulators are examining Mr. Christensen's relationship with Mr. Kerkorian's casino empire, according to people familiar with the matter.

At issue: An internal investigation by Mr. Kerkorian's MGM in 2009 found that Mr. Christensen

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continued to advise company executives on internal matters even after Mr. Christensen was indicted and resigned from the board of MGM, the people familiar with the matter say.

The allegations in the internal investigation haven't previously been disclosed. But now they could become an issue because gambling regulators in New Jersey, Massachusetts and Maryland are currently conducting formal investigations of MGM because MGM is seeking to operate in those states, the people familiar with the matter say.

Concern from Nevada and New Jersey regulators prompted the 2009 internal investigation, but the regulators didn't raise the issue publicly, people familiar with the matter said. A spokeswoman for the New Jersey Division of Gaming Enforcement had no comment on the investigations. A.G. Burnett, the chief of the Nevada Gaming Control Board, said he was aware that MGM's compliance committee looked into the matter but that he didn't know the details because he wasn't on the board at the time.

The 2009 report contributed to the resignation of Gary Jacobs, MGM's general counsel, president of corporate strategy and board member at the time, because Mr. Christensen was allegedly advising Mr. Jacobs on company matters, these people say. At the time, the company and Mr. Jacobs didn't comment on the reason for his departure.

An attorney for Mr. Christensen said he didn't know of any involvement by his client in MGM after his indictment and resignation and didn't have further comment. Mr. Christensen has appealed the wiretapping conviction to the Ninth Circuit Court of Appeals and denies wrongdoing.

A spokesman for Mr. Kerkorian had no comment. The billionaire has reduced his stake in MGM in recent years. Once the majority owner of MGM, his investment firm, Tracinda Corp., now owns just 18.6%, according to filings.

A spokesman for MGM said he couldn't comment on anything possibly involving state investigations. "Anything that goes on in our company is open to investigators and regulators," spokesman Alan Feldman said.

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Mr. Christensen's criminal conviction resulted from a 2002 child-support dispute in which he represented Mr. Kerkorian. In 2006 prosecutors alleged that Mr. Christensen had hired a private investigator, Anthony Pellicano, to illegally wiretap the phone of Mr. Kerkorian's ex-wife. Mr. Christensen was convicted in 2008 following a jury trial. He was sentenced to three years in prison and fined \$250,000, but he is appealing. Mr. Pellicano is serving a 15-year jail term on charges related to wiretapping and conspiracy.

A judge in a 2008 order said there was "reasonable cause to believe" that Mr. Kerkorian was "complicit" in some of the alleged misconduct. Mr. Kerkorian has repeatedly denied wrongdoing, wasn't charged with a crime, and denied under oath knowing of any of the illegal activities charged in the case.

The Christensen matter is resurfacing as MGM undergoes its first licensing investigations since the events four years ago. It is unclear how prominently it will feature in the investigations, though some people with knowledge of the matter called it a potentially significant issue.

In Maryland, MGM is seeking to build an \$800 million casino outside Washington, D.C., after voters affirmed a state referendum allowing an additional casino that MGM spent more than \$40 million to support. The state is investigating the company's suitability to operate a casino—a step in the licensing process—and expects to make that decision by the end of September.

Maryland investigators are looking closely at Mr. Christensen's involvement in the company and are interested in how the company handled any potential problems, a person familiar with the matter said.

In a conference call with analysts Tuesday, MGM Chief Executive Jim Murren said the company is "extremely excited about [the Maryland] opportunity and feel like we have the winning proposal."

Massachusetts is also investigating MGM and expects to make a decision on the company's suitability after hearings at the end of summer or early fall. With a site selected in Springfield, MGM is competing with several others for the right to build a casino in the western part of the state.

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A spokeswoman for the Massachusetts Gaming Commission declined to comment on MGM's application.

In New Jersey, MGM is seeking to retain its 50% ownership position in the Borgata Hotel Casino & Spa in Atlantic City. The company in 2010 agreed to sell its stake in the Borgata after New Jersey investigators alleged that MGM's business partner in Macau was unsuitable due to her father's alleged ties to organized crime. The business partner and her father have denied any connections to organized crime. MGM said it disagreed with the findings and earlier this year asked New Jersey to reinvestigate the company so that it could maintain its ownership in the New Jersey casino. The state hasn't said when it expects to complete that investigation.

A spokeswoman for the New Jersey Division of Gaming Enforcement declined to comment on the investigation.

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