

## Investigators for state gambling board recommend MGM Resorts International be found suitable for casino license if it meets conditions

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**BOSTON** - Investigators for the Massachusetts Gaming Commission on Monday recommended that **MGM Resorts International** be found suitable to apply for a **casino** license, subject to certain conditions.

James J. Murren, CEO of MGM, led a group of MGM officials who took questions on Monday during a meeting of the commission in **Boston** on the findings of the report by investigators. MGM is planning a casino in **Springfield** in the city's South End

Investigators said the conditions for suitability include MGM satisfying the commission that its business practices in Macau meet a legal standard of "responsible business practices" in any jurisdiction.

Investigators for the commission also said MGM must satisfy the commission regarding "Terry Christensen," a former member of the MGM board who resigned after a federal indictment for wiretapping and conspiracy.

The report also flagged MGM for entering the lucrative Macau market in a partnership with Pansy Ho, whose father was linked to organized crime in a 2009 special report in New Jersey.

MGM is the lone remaining applicant for a casino license in Western Massachusetts.

The five-member commission is expected to vote later this week on whether MGM is suitable to apply for a casino license for a resort in Springfield.

MGM owns 99 percent of the Springfield effort and Springfield hotel owner Paul Picknelly owns 1 percent, investigators reported today. Picknelly is the brother of Peter Picknelly, chairman and CEO of Peter Pan bus line in Springfield. Fifty-eight percent of Springfield voters approved a ballot question for the casino in July.

Last week, Murren told the Boston College Chief Executive's Club that MGM plans to hire 3,000 permanent employees in Springfield, and another 2,000 to construct the casino.

MGM officials declined comment after Monday's day-long hearing, but Murren issued a written statement saying he looks forward to "a favorable suitability finding" in the very near future.

"We were very pleased today to follow up on the Massachusetts Gaming Commission's extensive suitability investigation and detailed report with direct, honest and forthright discussion about MGM Resort's responsible business practices around the world," Murren stated in part.

Stephen P. Crosby, chairman of the gaming commission, said he respects the commission's investigators, but the panel itself must vote on suitability.

Crosby said the commission holds clear authority to negotiate the best possible deal with MGM even if MGM is the sole applicant for a resort license in Western Massachusetts. "One applicant, or 10, we will hold their feet to the fire to make sure we get a really good application," Crosby said.

Investigators questioned MGM officials about former board member Christensen, who is a lawyer.

An internal investigation by MGM in 2009 found that Christensen continued to advise company executives on internal matters even after Christensen was indicted and resigned from the board of MGM.

Taking up the criticism of Christensen, Roland A. Hernandez, a director of MGM, told the gaming commission today that the casino company has closed a gap in communications between the compliance and audit committees of MGM and the full board.

"There were lapses," Hernandez told the gaming commission. "We don't disagree there were lapses."

Christensen's criminal conviction resulted from a 2002 child-support dispute in which he represented billionaire Kirk Kerkorian, a large MGM shareholder.

In 2006, prosecutors alleged that Christensen had hired a private investigator, Anthony Pellicano, to illegally wiretap the phone of Kerkorian's ex-wife. 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, according to a report in August in the Wall Street Journal.

Murren told the commission he is "bitterly disappointed" with his own actions regarding Christensen. Murren, former chief financial officer for MGM who became CEO and board chair in December of 2008, said he should have done more with Christensen.

Despite Christensen's indictment, resignation from the board and ultimate conviction, he was allowed to take part, on a repeated and prolonged basis, in certain sensitive and non-public corporate matters of MGM Resorts International , including his attendance at board meetings, the gaming commission's report said.

"I don't have any excuses for this," Murren said, adding that the financial crisis in 2008 was a horrible time for the company and he had received threats for laying off people. "I should have acted differently from the beginning .. We have learned from this incredibly bad situation."

Murren said the company now is "the gold standard" for governance, independence and regulation.

The report by investigators also dug into MGM's ties to Pansy Ho. Her father, Stanley Ho, controlled a casino company that allowed organized crime to enter the Macau casino market, according to the New Jersey report, which was mentioned in the Massachusetts report.

MGM did not investigate Pansy Ho's source of funds when it negotiated a 2004 partnership deal with her for a casino in Macau, which opened in 2007, the report in Massachusetts said.

MGM did not look into whether she acted independently from her father, the report said. Pansy Ho is now co-chair of MGM China and owns 29 percent of the company.

When investigators interviewed her in June, Pansy Ho said there is no interest in going back to the traditional way of operating in Macau, when the scene was dominated by triad organized crime gangs, the report said.

Ho said she had little involvement when MGM first began working with her father.

Investigators said her statements about her involvement were consistent with prior testimony in Nevada, but inconsistent with findings of the special report in New Jersey.

The New Jersey report cited testimony from an MGM senior vice president who said that early on in the process Stanley Ho advised him that "from now on I want you to start the discussion and my daughter Pansy Ho will be my representative negotiating with you."

In their report, investigators also cited Vincent F. Barletta and Ronald J. Gillis, members of a trust that owns land in Brimfield, the initial site for an MGM casino in Massachusetts.

Barletta is a member of a realty trust that annually would receive a portion of gaming revenues from MGM in Springfield in return for releasing MGM from a

planned purchase of land in Brimfield, the report said. MGM dropped Brimfield and switched to Springfield in August of last year.

Gillis, an accountant, owns a portion of the realty trust, the report said. Barletta and Gillis are "qualifiers" in MGM's application.

Barletta's application to the commission contained factual errors, including saying that his driver's license had never been suspended when it was suspended five times, the report said. The report added that Barletta also said he had graduated from Northeastern University in Boston when he had not.

The report said Gillis, a notary public, notarized Barletta's signature on a waiver of liability form for the commission, even though Gillis himself had signed Barletta's name to the document.

In testimony before the commission, Gillis said it was inappropriate to sign the name of Barletta. Gillis said he also provided the inaccurate information about Barletta's degree and driver's license on the application to the commission. Gillis said he received the documents late and was facing time pressures around the Thanksgiving holiday last year.

As part of the background report into a company's ethics and finances, investigators for the gaming commission said they were required to establish the suitability of all financial sources relating to MGM. Investigators said they looked at anyone it determined had a bearing on the evaluation of suitability for MGM.

**Massachusetts Gaming Commission investigative report: MGM Resorts International by Greg Saulmon**

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