

San Diego Ex-Mayor Confronts \$1 Billion Gambling Problem

By Jennifer Medina

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LOS ANGELES — A former mayor of San Diego spent the last decade wagering more than a billion dollars at casinos across the country, eventually liquidating her savings, auctioning her belongings, selling off real estate, borrowing from friends and taking more than \$2 million from a charity set up by her late husband, a fast-food tycoon.

The former mayor, Maureen O'Connor, 66, blamed an addiction to gambling aggravated by a brain tumor for the gargantuan spree. Her lawyers said that while she had made well over a billion dollars in bets at casinos in Las Vegas, Atlantic City and San Diego, her actual net losses were around \$13 million.

Federal prosecutors said it was impossible to know precisely how much Ms. O'Connor had lost over those years, but she emerged with her fortune gone and her health shattered. She took out second and third mortgages on her La Jolla, Calif., home to pay for the gambling.

The former Southern California political power broker, whose husband, Robert O. Peterson, founded the Jack-in-the-Box fast-food chain, appeared in court in San Diego on Thursday to answer to charges that she had stolen money from her late husband's foundation to fuel her addiction.

She walked unsteadily into court, leaning on a cane and appearing wobbly and distraught. She teared up as she told reporters, "Those of you who know me here would know that I never meant to hurt the city that I love."

Ms. O'Connor was not accused of taking money from the city, but the money in her husband's trust would probably have gone to local charities. "I always intended to pay it back and I still intend to pay it back," she said.

It was a rapid fall from grace for the former mayor once described as a "goody two shoes" by a reporter covering her campaign.

Ms. O'Connor came from a working-class family in San Diego, one of 13 children of a part-time bookie. When she was a child her family was once so poor that her parents could not

afford turkey on Thanksgiving and instead molded a bird out of hamburger meat, she once said in an interview. She became wealthy only after she married Mr. Peterson. Her lawyers said she had between \$40 million and \$50 million before her gambling problems began.

Ms. O'Connor started her career as a teacher at a Catholic school and was mayor from 1986 to 1992.

Under an agreement with federal prosecutors, she will receive treatment for gambling addiction and has two years to repay the money to the foundation, as well as taxes owed to the government. Prosecutors cited her health as the main reason for the deal. "Right now she is in a very poor financial state," said Eugene Iredale, her lawyer. He said, "This is a woman who has been through real trauma."



Maureen O'Connor Peggy Peattie/UT San Diego, via Associated Press

Mr. Iredale said Ms. O'Connor had surgery for a brain tumor in 2011. That was just one of many problems she is said to have suffered since leaving office.

According to documents filed in court by her lawyers, she turned to gambling to deal with the death of her husband in 1994 and of other close friends and family members. "She began to seek an outlet in gambling," her lawyer wrote. "The pattern fits the syndrome known as grief gambling."

Ms. O'Connor spent hours at video poker, prosecutors said.

In 2009 she sold a luxury hotel she owned in Mendocino County, Calif., for \$7 million, but she is suing a German bank and three buyers saying they defrauded her. Banks later foreclosed on the hotel — and on several other properties.

Prosecutors say that she took \$2,088,000 from her husband's foundation, which was established in 1966, taking all of its assets and leaving it bankrupt. The foundation gave millions of dollars over the years to organizations like the Alzheimer's Association and San Diego Hospice.

As jaw-dropping as the amounts that Ms. O'Connor wagered — and lost — she is far from being on the top of the list of all-time casino losers. Terry Watanabe, a businessman, lost more than \$205 million in Las Vegas, including more than \$120 million in 2007 alone. The British media mogul Robert Maxwell once lost £1.5 million, about \$2.3 million, in less than three minutes at a London casino.

Still, to wager a billion dollars over the course of her nine-year gambling spree, Ms. O'Connor would have had to bet the equivalent of more than \$300,000 a day, seven days a week.

Phillip L. B. Halpern, the chief of the major frauds and special prosecutions section for the United States attorney's office in San Diego, said the case was first brought to prosecutors' attention by the Internal Revenue Service, which receives reports of winnings from casinos.

Friends and former colleagues of Ms. O'Connor said that while they knew she gambled at local casinos, they had no idea how much time or money she spent there.

"It seemed totally out of character with everything I knew about Mayor O'Connor," said Ben Dillingham, who was her chief of staff.

Gerry Braun, a journalist who covered Ms. O'Connor's campaigns, said that she rarely drank and that a little Champagne on election night to celebrate her victory went straight to her head.

“She had a reputation for slipping away from City Hall to watch movies,” said Mr. Braun, a former reporter for The San Diego Union Tribune. “That was considered her great vice.”

Ian Lovett contributed reporting from Los Angeles, and Will Carless from San Diego.

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