

NEWS RELEASE



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SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

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For Immediate Release

FORMER SAN DIEGO MAYOR SQUANDERS A BILLION DOLLARS THEN RAIDS CHARITABLE FOUNDATION TO PAY DEBTS AND CONTINUE GAMBLING SPREE

NEWS RELEASE SUMMARY - February 14, 2013

Former San Diego Mayor Maureen O'Connor entered a deferred prosecution agreement today in which she acknowledged misappropriating millions of dollars from her deceased husband's charitable foundation. As part of the agreement, O'Connor agreed to pay \$2,088,000 in restitution to the foundation, settle any and all tax liability resulting from her receipt of these funds, and receive treatment for her gambling addiction.

According to documents filed in the proceeding, O'Connor was married to Robert O. Peterson (the Founder of the Jack in the Box restaurant chain) from 1977 until his death in 1994. Prior to his death, Peterson and others created the R.P. Foundation ("Foundation"). According to its Articles of Incorporation, "no part of the net earnings, properties, or assets shall enure to the benefit of any [Foundation] trustee" Defendant O'Connor was one of the three Trustees who were specifically prohibited from receiving a

benefit from the Foundation. Prior to 2008, in accordance with its charter, the Foundation provided money to various charities, such as City of Hope, the Alzheimer's Association, Sharp Healthcare, Little Wishes Foundation, San Diego Hospice, and the John Burton Foundation.

As revealed in court documents, between 2000 and 2009, O'Connor won more than \$1 billion while gambling in various casinos in Las Vegas, Atlantic City and San Diego. Despite these immense winnings, she suffered even larger gambling losses - resulting in a sizable net loss. Indeed, by early 2008, she incurred large, outstanding gambling debts at a number of different casinos. In order to stay afloat financially and continue her gambling spree, O'Connor liquidated her savings, sold numerous real estate holdings and auctioned valuable personal items. She also obtained second and third mortgages on her personal residence in La Jolla, California.

By September 2008, O'Connor had few, if any, assets that had not been mortgaged, sold off, or otherwise liquidated. At that point, she turned to the Foundation's assets to both pay her outstanding debts and continue her high-stakes gambling. Between September 2008 and March 2009, O'Connor misappropriated more than \$2,088,000 from the foundation. Equally troubling, despite winning hundreds of thousands of dollars during that time period, she literally "threw good money after bad" by continuing gambling - rather than reimbursing the Foundation for the wrongfully taken funds.

As noted in Court, O'Connor's transfers from the Foundation to her personal bank account were contrary to the Foundation's explicit charitable purpose and its non-profit status with the IRS. Her misappropriation of funds deprived the Foundation of its remaining assets and left it completely bankrupt. As a result, the Foundation was forced to close its bank accounts in April 2009. Although O'Connor characterized the misappropriated funds as "loans" from the Foundation (and may have initially intended to repay the funds) her actions were nevertheless specifically prohibited - and constituted impermissible self-dealing in violation of her fiduciary responsibility to the Foundation.

Despite having limited, if any, assets other than the funds improperly taken from the Foundation, O'Connor continued her non-stop gambling. After March 2009, Defendant made payments to casinos in an attempt to satisfy outstanding gambling markers (or lines of credit), yet once again did not make any attempt to repay the Foundation or bring it out of bankruptcy. In doing so (as specified in the

Government's charging documents), she improperly engaged in monetary transactions knowing that the transactions involved proceeds of her misappropriation of charitable funds.

According to court records, in 2011, surgeons operated on O'Connor to remove a large tumor from her brain. She subsequently suffered significant complications, including a pulmonary embolism and cognitive impairment. O'Connor's medical condition has resulted in a variety of continuing and serious health problems. While found competent to enter into this deferred prosecution agreement by Magistrate Judge David Bartick, all parties agree that her medical ailments render it highly improbable – if not impossible – that she could be brought to trial. If the defendant satisfies all the conditions of her deferred prosecution (including providing restitution), the government has agreed to dismiss the Information filed against her in two years.

United States Attorney Laura Duffy commented that despite the difficulties presented by this case, it was imperative to ensure that O'Connor, who was mayor from 1986 to 1992, not be allowed to simply pilfer the R.P. Foundation and avoid paying her appropriate tax obligations. "Maureen O'Connor was a selfless public official who contributed much to the well-being of San Diego," Duffy said. "However, no figure, regardless of how much good they've done or how much they've given to charity, can escape criminal liability with impunity."

N. Dawn Mertz, Acting Special Agent in Charge for IRS Criminal Investigation, Los Angeles Field Office commented: "Today, Maureen O'Connor, acknowledged that she embezzled over \$2 Million from the R.P. Foundation, a charitable nonprofit organization. This embezzlement contributed to the demise of this organization. O'Connor characterized the misappropriated funds as "loans" from the R. P. Foundation to conceal her illegal activity, gambling addiction and to evade the payment of tax on her embezzled funds. O'Connor's guilty plea emphasizes that those who violate our nation's tax laws, regardless of their status, face investigation by IRS Criminal Investigation, prosecution for their crimes and remain liable for their tax liability."

U.S. Attorney Duffy praised the enforcement work by the IRS who diligently pieced together the full scope of the fraud.

DEFENDANT

Criminal Case No. 13cr537BEN

Maureen O'Connor

SUMMARY OF CHARGES

Offense: Title 18, United States Code, Section 1957 – Prohibited Financial Transaction

Maximum penalties: 10 years custody; \$250,000 fine; 3 year supervised release.

INVESTIGATING AGENCY: Internal Revenue Service, Criminal Investigation Division