

# Trial outs Sands' dealings for Macau

**Adelson defending the license approval process against claim on profit**

The biggest players in the gaming business have long wondered exactly how Sheldon Adelson's company won one of three lucrative casino licenses in 2002 to operate in Macau. It was the deal of a lifetime – one that made Adelson one of the world's richest men and spawned an Asian gaming frontier richer than the Las Vegas Strip and evolving to adult size in one-tenth the time.

Now, a lawsuit by a consultant claiming he helped pave the way for the deal on Adelson's behalf may shed some light on a secretive process rife with intrigue – the kind of behind-the-scenes wheeling and dealing that business tycoons would like to keep secret.

Other major companies seeking permission to open casinos in cash-drenched Macau were turned down, including MGM Mirage, which ultimately found its way into the semiautonomous province on the Chinese coast, and Harrah's Entertainment, which is still trying to get a foot in the door.

They all have their own closely held methods and professional negotiators to make business deals happen.

Among them: Hong Kong businessman Richard Suen, who in 2004 sued Adelson and his company, Las Vegas Sands, claiming he was never compensated for his services in helping the company land its Macau license.

Suen's story – which includes meetings with high-ranking Chinese officials and an offer to help Beijing land the 2008 Olympic Games by leaning on politicians on Capitol Hill – will

now be discussed openly in spite of Las Vegas Sands' herculean attempts to seal many of the depositions and other court documents filed by both sides over the past several years.

Adelson's competitors will be hanging on every word.

In court filings, Suen says meetings he helped arrange were critical to securing the initial license and have paved the way for future development deals, such as Las Vegas Sands' plans to build another resort development on Hengqin Island, near Macau.

Sands officials say neither those meetings nor anything else Suen did helped make or break the granting of the license.

### **Adelson could testify today**

Opening statements in the trial, which could last a month, began Wednesday in District Judge Michelle Leavitt's Clark County courtroom – a seemingly unlikely place to explore Chinese political and business practices.

Adelson is scheduled to take the witness stand today.

"This is a case about trust," Suen's attorney John O'Malley told the jury Wednesday. "This is a case about the value of relationships."

O'Malley said Suen was introduced to Adelson in 2000 through Adelson's brother, Lenny, who had done business with Suen. Suen brought Adelson into a circle of high-level trusted relationships to help Adelson land a gaming license in Macau.

Establishing relationships, or guanxi (pronounced gwan-she), is crucial to the success of any business in China, O'Malley said.

Adelson operated a single Las Vegas casino, the Venetian, at the time and did not have the credentials of some of the larger, more established gaming companies vying for rights to

operate in Macau.

But O'Malley said Suen devised a twofold strategy to help him gain an advantage over the competition. The strategy was based on Adelson's international expertise in the convention business and his political clout in the United States, where he is a major Republican Party donor.

He advised Adelson to focus on his strengths as a convention-based hotel operator – a strategy that went over well in China given that government's hesitancy to embrace gambling and a desire in Macau to grow resort tourism and diversify beyond gambling.

O'Malley said Suen arranged a July 2001 meeting for Adelson with Qian Qichen, the vice premier of China, in Beijing. Adelson was invited to bid on the Macau license at that meeting with Qian who oversees China's Special Administrative Regions, including Hong Kong and Macau.

Adelson was able to put his political muscle on display at subsequent meetings with other Chinese officials, including Liu Qi, the mayor of Beijing, who was heading up China's efforts to land the 2008 Olympics.

The mayor asked Adelson to help quell congressional opposition to China's Olympic bid, O'Malley said. A bill requiring the U.S. Olympic Committee to vote against Beijing had been introduced in the House by Rep. Tom Lantos, D-Calif., (who died this year) and was enjoying strong bipartisan support because of concerns about Chinese human rights violations.

O'Malley said Adelson asked then-House Majority Whip Tom DeLay, R-Texas, to intervene, and eventually DeLay told Adelson to tell the mayor of Beijing that he had "nothing to worry about. That bill will never see the light of day."

With the measure tabled, Beijing was awarded the 2008 Olympics 10 days later, O'Malley said. Adelson's camp later attempted

to inform Chinese officials that Adelson had played a role in stalling the Lantos bill, Suen's attorney said.

### **Benefits still being reaped**

In pretrial court filings, Suen says Las Vegas Sands "is still highlighting and getting political mileage out of meetings" he arranged years ago for the company.

Suen also says he warned Las Vegas Sands against using a Taiwanese bank that the Sands had arranged to be part of its bid for the Macau license. The bank's involvement would go over badly with the Chinese, who have a politically volatile relationship with Taiwan, Suen said.

In their court filings, Sands attorneys minimized the Chinese government's influence on the granting of the gaming concession.

Some of Las Vegas Sands' competitors say it will be difficult for Suen or any expert to prove in a U.S. court how the Beijing and Macau governments interact with each other.

Macau, a former Portuguese colony, transferred back to China in 1999 but was granted the autonomy to run its government. Just how autonomous the government of Macau is from China is the subject of great debate in gaming and academic circles.

### **USD 5 million offer declined**

Although Judge Leavitt has ruled that Suen didn't actually have a contract with Las Vegas Sands to provide services, she said Suen is entitled to argue for the "reasonable value" of his services.

Las Vegas Sands originally offered Suen USD 5 million and 2 percent of the company's net profit in Macau, an amount Suen rejected as too low, both sides say in court papers. As the negotiations progressed, Sands executives told Suen he would be compensated if he could produce an investor. Suen claims

there was never a requirement that he produce investors, only that he help the company get the license.

The dispute over what was said and when comes down to a flurry of faxes in the months leading up to a partnership between Las Vegas Sands and Galaxy, the Hong Kong company with local Macau connections that emerged in 2002 as one of the three license winners. The other two were Wynn Resorts and Macau's incumbent casino company, run by gambling tycoon Stanley Ho.

Both sides acknowledge that the Macau government arranged Las Vegas Sands' last-minute marriage to Galaxy. Days before the winners were announced, Sands President Bill Weidner, on his way to an event with his family, got a call in his limo and was on a plane that night to Macau to meet with Macau's leader, Edmund Ho, and link up with Galaxy.

Shortly after the announcement, Las Vegas Sands split from Galaxy, which was reluctant to undergo licensing by Nevada gaming authorities, and now holds its own license. Separately, Galaxy has opened multiple Macau casinos under its license.

Adelson ultimately financed his resorts without partners.