

COMMONWEALTH OF MASSACHUSETTS  
MASSACHUSETTS GAMING COMMISSION  
PUBLIC MEETING #97

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RE: FBT Everett Land Discussion  
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COMMISSIONERS

James F. McHugh

Gayle Cameron

Bruce W. Stebbins

Enrique Zuniga

December 13, 2013 12:59 p.m.

BOSTON CONVENTION AND EXHIBITION CENTER

415 Summer Street, Room 151A & B

Boston, Massachusetts 02210

1                   COMMISSIONER MCHUGH: All right.  
2                   It's one o'clock, and so I'm going to call to  
3                   order public meeting No. 97. It's hard to  
4                   believe that we've gotten to that number, but  
5                   it is, public meeting No. 97 of the  
6                   Massachusetts Gaming Commission.

7                   The purpose of this public meeting  
8                   is a limited one. It's set forth on the  
9                   agenda. It's to explore the issues  
10                  surrounding a land transaction between FBT,  
11                  LLC and Wynn Mass, LLC, Wynn MA, LLC, dealing  
12                  with land in Everett on which Wynn, the  
13                  applicant for a class Category 1 gaming  
14                  license wishes to build its property.

15                  To set the stage a little bit, every  
16                  applicant, including Wynn, undergoes a  
17                  suitability investigation. And the hearing on  
18                  Wynn's suitability investigation will take  
19                  place on Monday. The investigation has been  
20                  completed and this is not part of the  
21                  suitability hearing.

22                  But during the course of that  
23                  suitability hearing, information came to the  
24                  attention of the commission's investigation

1 and enforcement bureau dealing with certain  
2 features of the transaction among the owners  
3 of the property in Everett. That is the  
4 subject of today's hearing and -- meeting and  
5 inquiry. And the investigation and  
6 enforcement bureau brought those issues to the  
7 attention of the Wynn principals.

8 The Wynn principals took action that  
9 we'll hear about in response to that  
10 information, and have filed with the  
11 commission, a petition and a request for a  
12 hearing to the effect of allowing the  
13 commission to determine whether those steps  
14 were adequate to deal with the investigation  
15 and enforcement bureau's issues.

16 So today we're going to explore that  
17 topic. That's the agenda for today. That's  
18 the limited agenda for today.

19 With me are Commissioners Stebbins,  
20 Zuniga and Cameron. I'm Commissioner McHugh.  
21 Commissioner Crosby, the chairman, has recused  
22 himself from this particular hearing for  
23 reasons that he's stated publicly, so we'll  
24 proceed with the four of us.

1                   We will hear from the IEB to begin,  
2                   then we'll here from the applicant's  
3                   representatives. We'll have an opportunity  
4                   for the commissioners to ask questions, and  
5                   then at the end we will have a discussion  
6                   among the commissioners ourselves and announce  
7                   the result of our conclusions based on the  
8                   hearing.

9                   Because this is not a suitability  
10                  hearing, we're not following the adjudicatory  
11                  rules. We're not following the evidentiary  
12                  examination and cross-examination that those  
13                  hearings are typically accompanied by, but  
14                  we'll proceed in the normal style that we have  
15                  for public meetings with presentations by both  
16                  sides.

17                 So I think we will begin with the  
18                 IEB, and with General Counsel Blue and  
19                 Director Wells leading us off, and then we'll  
20                 come to the Wynn side, which is represented by  
21                 Governor William Weld, General Counsel  
22                 Sinatra, and others who will be introduced to  
23                 us as we proceed, I take it. Ms. Blue --

24                 MS. BLUE: So thank you,

1           commissioners. We have before us today the  
2           petition dated December 5th of the applicant  
3           for your consideration. I would like to start  
4           by asking the applicant to introduce the folks  
5           that are here so that you can -- you can see  
6           who's here on their behalf.

7                       MR. WELD: If the members of  
8           commission please, my name is William Weld.  
9           I'm a member of the law firm, Mintz Levin, and  
10          I represent the applicant Wynn Mass. With me  
11          is Kim Sinatra, who is the general counsel of  
12          Wynn Resorts Limited, which is the parent of  
13          applicant Wynn Mass. Mr. Matt Maddox, who's  
14          the president and chief financial officer of  
15          Wynn Resorts Limited, which is the parent of  
16          applicant, Wynn Mass, and Mr. Robert LaPorte  
17          who's a certified real estate appraiser and a  
18          managing director at Colliers International in  
19          Boston.

20                      MS. BLUE: Thank you. And we'd like  
21          to proceed next by hearing from Director Wells  
22          with her report.

23                      MS. WELLS: Good afternoon members  
24          of the commission. I'm here this afternoon to

1 report on the findings of the IEB  
2 investigation into questions that arose  
3 regarding the ownership of the property in  
4 Everett that Wynn Mass, LLC has an option to  
5 purchase, should the applicant be successful  
6 in obtaining a license from the commission.

7 The commission has been provided  
8 with the section of the Wynn suitability  
9 report that pertains to this issue. I will  
10 defer to the report for the details of the  
11 investigation and specific facts that were  
12 uncovered. I will highlight the significant  
13 areas that are relevant for the proposal  
14 before you here today.

15 As a preliminary matter, as anyone  
16 with experience in law enforcement is aware,  
17 information-sharing, particularly between  
18 different law enforcement agencies, is  
19 critical to ongoing success. It is no  
20 different with respect to the emerging gaming  
21 industry in Massachusetts. The commitment to  
22 working together and sharing relevant  
23 information was demonstrated by the FBI, who  
24 were extremely helpful to the Massachusetts

1 State Police and the investigations and  
2 enforcement bureau at the gaming commission.

3 As is detailed in the report, as  
4 statutorily required, the land ownership of  
5 the property was examined for purposes of  
6 suitability investigation. And due to the  
7 development of information shared by the FBI,  
8 the IEB conducted a more penetrating and  
9 broader inquiry into the ownership.

10 What at first appeared to be a  
11 relatively direct transaction was revealed to  
12 be a complex web of questionable conduct by  
13 the sellers that required even deeper scrutiny  
14 as each layer of the transaction was  
15 penetrated.

16 Ultimately, evidence was uncovered  
17 raising concerns about an intentional  
18 concealment of a hidden interest in property  
19 for the casino. What is critically important  
20 to understand at this juncture, is that it  
21 became readily apparent through the  
22 investigation that there may be additional  
23 information related to the parties at issue in  
24 this transaction that is beyond the scope of

1 the IEB regulatory investigation.

2 This was not a criminal  
3 investigation, but rather a suitability  
4 investigation which is -- pardon me, which is  
5 exclusively regulatory in nature. All  
6 information obtained during this investigation  
7 either has been, or expect will be turned over  
8 to the appropriate law enforcement agencies  
9 for separate evaluation and investigation as  
10 needed.

11 At this point, I would like to  
12 compliment and thank Lieutenant Kevin Condon  
13 and Detective Lieutenant Brian Connors from  
14 the Massachusetts State Police for all of  
15 their work on this investigation, along with  
16 Guy Michael and Robert Carroll from our  
17 consultant law firm.

18 This investigation was conducted  
19 professionally and thoroughly, and developed  
20 into one of the most complex and convoluted  
21 fact patterns to try to put down on paper.  
22 Thank you, Bob Carroll, for all of your work  
23 drafting that section of the report.

24 To summarize the facts of this -- as

1 part of this investigation, this is extremely  
2 difficult, as the statements by the parties  
3 involved was, at times, conflicting. And  
4 based on the totality of the evidence, the  
5 voracity of those statement is at issue.

6 Generally, the property at issue,  
7 which I will herein refer to as the Everett  
8 property, was purchased by the -- by the  
9 entity FBT Realty in 2009. Originally, the  
10 property was to be purchased in equal parts by  
11 Paul Lohnes and Gary DeCicco. As is detailed  
12 in the report, that original plan changed and  
13 Anthony Gattineri, and then Charles Lightbody  
14 provided funding investing in the property.  
15 Dustin DeNunzio retained an interest by way of  
16 his management -- management role with FBT.

17 I refer the commission to Exhibits 8  
18 and 9 for detailed background information on  
19 DeCicco and, most importantly, Lightbody, to  
20 evidence why the IEB had concerns about his  
21 involvement in the transaction.

22 After Wynn executives visited the  
23 proposed site and met with the mayor and other  
24 city officials on November 27, 2012, a

1 memorandum of agreement was executed between  
2 the applicant and FBT Realty. The general  
3 terms called for an option to purchase for  
4 \$75 million with a \$100,000 a month carrying  
5 cost. At the time, the owners of FBT Realty  
6 were specifically identified to the applicant  
7 as only Lohnes, Gattineri and DeNunzio.

8 On December 19, 2012, the MOA was  
9 followed up with a formal set of option  
10 agreements for the parcels of property in  
11 Everett and a smaller one in Boston.

12 On January 14, 2013, the applicant,  
13 Wynn, filed its formal application for a  
14 Massachusetts gaming license. During July of  
15 2013, information was developed, which  
16 indicated the possibility that the property  
17 was being sold with a hidden or concealed  
18 ownership interest of one or more persons of  
19 concern to the IEB.

20 The IEB subpoenaed certain recorded  
21 conversations between Charles Lightbody and an  
22 incarcerated Massachusetts state prisoner of  
23 significant concern to Massachusetts law  
24 enforcement. Please see Exhibit 10 for

1 information pertaining to the inmate.

2 Excerpts of those calls between July 2012 and  
3 July 2013 are detailed in the report. And I  
4 refer the commission back to the report for  
5 transcribed portions of those calls.

6 Although these conversations were  
7 conducted on telephone facilities where the  
8 parties are noticed of no expectations of  
9 privacy, they, nonetheless, brazenly spoke  
10 about the matters under investigation herein.  
11 While some of the conversations are overtly  
12 pertinent, some portions tend to be  
13 self-serving, guarded, and occasionally  
14 cryptic in content. In -- indeed, some  
15 content can vacillate between both involvement  
16 and withdraw in the sus -- pardon me,  
17 suspicious activities under investigation  
18 herein, in the same conversation.

19 However, the repetitive nature of  
20 the common theme of involvement, when coupled  
21 with the conduct of the sellers during  
22 subsequent IEB sworn and documented interviews  
23 of the sellers and Lightbody himself, as well  
24 as their provision of various misleading and

1 backdated documents, supports the proposition  
2 that an attempt to conceal the involvement of  
3 at least one convicted felon in this  
4 transaction was exposed by the investigation.

5 The inquiry revealed the complex  
6 series of suspicious activities by the  
7 sellers, which prevent the absolute final  
8 determination as to whether Charles Lightbody,  
9 and, perhaps, Gary DeCicco possessed an  
10 ownership interest in the project property  
11 at and/or after the time of the option  
12 agreement sale to the applicant.

13 Further, the investigation also  
14 raised significant issues regarding the  
15 conduct of the remaining sellers, that is  
16 Paul Lohnes, Dustin DeNunzio and  
17 Anthony Gattineri, during the period when the  
18 applicant became involved in the acquisition  
19 process, as well as during the course of the  
20 IEB investigation.

21 The inquiry was also hampered by the  
22 refusal of Anthony Gattineri and Gary DeCicco  
23 to provide sworn testimony to the IEB via  
24 their assertions of their fifth amendment

1 privilege against self-incrimination.

2 Additionally, despite being subpoenaed to  
3 testify before the IEB, Charles Lightbody too  
4 refused to appear and provide testimony under  
5 oath to the IEB.

6 Some of the specific concerns  
7 uncovered by the investigation are the  
8 following, as I indicated evidence exists to  
9 suspect that Charles Lightbody, a convicted  
10 felon, may have retained an interest in the  
11 Everett property well after the applicant had  
12 been advised that he had been removed.

13 Also, Charles Lightbody may have a  
14 legal reversionary interest in the event  
15 Anthony Gattineri does not repay his  
16 promissory obligations.

17 Also, documents were provided to IEB  
18 investigators that were said to evidence, in  
19 written form, the specified transactions, that  
20 is promissory notes dated August 15th and  
21 December 14th of 2012, and memorandum of  
22 transfer dated August 15th and December 14th  
23 of 2012, in which to purport to have been  
24 executed on those dates, but, in fact, may --

1           may very well have not been prepared or  
2           executed on the depicted dates.

3                         Also, sworn or recorded testimony of  
4           sellers provided directly conflicting  
5           information about when such documents were  
6           prepared or executed, including, for example,  
7           when certain promissory notes in memorandum of  
8           transfer for Charles Lightbody and  
9           Anthony Gattineri were executed.

10                        One document provided that a  
11           purported transfer of Gary DeCicco's alleged  
12           FBT Realty, LLC ownership interest to Charles  
13           Lightbody occurred in April of 2012. Despite  
14           no previous mention of DeCicco's ownership of  
15           such rights or interest just four months  
16           before in the entity's operating agreement.

17                        Dustin DeNunzio provided sworn  
18           testimony that he personally altered the dates  
19           on the August 2012 promissory note and  
20           memorandum of transfer forms provided by his  
21           attorney to reflect the earlier date so as to  
22           provide documentary support after he and other  
23           sellers had been interviewed by IEB  
24           investigators over one year later, in

1 July 2013.

2 Also, Charles Lightbody, in graphic  
3 taped evidence, confirmed that he knew of  
4 restrictions against felons' involvement in  
5 the gaming industry. And, further, that he  
6 and his partners were working to double or  
7 triple blind his interest in the deal.

8 Also, Charles Lightbody filed for a  
9 2013 mortgage and provided an application  
10 after the Wynn option agreement was executed,  
11 wherein he cited his interest in the FBT  
12 Realty, LLC as -- as a \$10 million asset to  
13 support his collateral analysis for mortgage  
14 eligibility, despite and he and other sellers  
15 asserting he was already out of the deal at  
16 least four months earlier, in August 2012.

17 On October 23, 2013, city of Everett  
18 mayor, Carlo DeMaria was interviewed by IEB  
19 investigators. Information developed by the  
20 IEB indicated that Mayor DeMaria had a  
21 long-term personal friendship with  
22 Charles Lightbody and was aware of his  
23 interest in the FBT property. DeMaria  
24 indicated in his interview that his only

1 contact for FBT would have been Charlie,  
2 referring to Charles Lightbody.

3 More importantly, during the  
4 interview with IEB -- with the IEB,  
5 Mayor DeMaria indicated in response to IEB  
6 questions that Lightbody expressed that he was  
7 excited about the recent overwhelming approval  
8 of the Wynn Mass, LLC public proposal by the  
9 Everett voters on June 22, 2012, and confirmed  
10 that in his, that's the DeMaria's opinion, it  
11 appeared that Lightbody was still involved and  
12 would financially benefit from the FBT  
13 transaction.

14 This statement clearly contradicts  
15 the earlier representations that Lightbody had  
16 extinguished his beneficial ownership interest  
17 in the subject property before the applicant's  
18 option acquisition.

19 Based upon the information developed  
20 in its lengthy investigation and summarized in  
21 the report, the IEB believes that a substantial  
22 basis exists to believe that material  
23 information was being withheld by the sellers  
24 from both the applicant and IEB investigators,

1 false and deceptive information, and documents  
2 were being provided, and evidence existed that  
3 at least one of the sellers, that is Charles  
4 Lightbody, possessed a significant criminal  
5 history and took affirmative steps to conceal  
6 his role and interest in the transaction so as  
7 to avoid jeopardizing the sale of the property  
8 to applicant Wynn Mass, LLC and thus preserve  
9 the opportunity to share in the enhanced  
10 financial rewards due to the site's potential  
11 casino use.

12 One important aspect of this  
13 investigation was to conclusively determine if  
14 the applicant had any complicity or knowledge  
15 of the misconduct and/or concerns outlined in  
16 the report by the sellers of the property. No  
17 evidence whatsoever was developed that  
18 suggested any involvement or knowledge of the  
19 applicant regarding the conduct at question in  
20 this part of the investigation.

21 Once substantially completed,  
22 executives from Wynn were briefed on the facts  
23 of the investigation by the IEB. I informed  
24 them that I was deeply troubled by what was

1 uncovered and I wanted to bring it to the  
2 applicant's attention. I did specifically  
3 inform the applicant that it was in -- that it  
4 was my opinion that these matters were of  
5 concern as director of the IEB, and that the  
6 commission had not deliberated on the matter.

7 Certainly, how the applicant  
8 proceeded at this point, and their position  
9 regarding the sellers receiving a financial  
10 windfall as a result of the gaming facility  
11 was something the IEB would report on  
12 regarding the applicant's suitability.

13 Also, the IEB, and ultimately the  
14 commission, must consider whether allowing the  
15 deal as it was structured to go through --  
16 whether to go through a structure would rise  
17 to the level of being injurious to the  
18 interests of the commonwealth under  
19 Massachusetts General Laws, Section -- Chapter  
20 23K.

21 Since notification of these issues,  
22 the applicant entered into intense  
23 negotiations with the sellers, and have a  
24 proposal here for the commission's

1 consideration, which is the subject of the  
2 hearing today. Thank you.

3 MR. MCHUGH: All right, Director  
4 Wells, thank you very much. Are there any  
5 questions before we turn to the Wynn side?  
6 Commissioners?

7 COMMISSIONER STEBBINS: No.

8 COMMISSIONER CAMERON: No.

9 COMMISSIONER ZUNIGA: No.

10 COMMISSIONER MCHUGH: All right.

11 Mr. Weld --

12 MR. WELD: Thank you very much,  
13 Judge. Members of the commission, as you have  
14 heard, the investigation and enforcement  
15 bureau of the commission has expressed to us  
16 to Wynn Mass, the applicant, concerns  
17 regarding the sellers of the land in Everett  
18 on which Wynn Mass proposes to develop a  
19 casino.

20 And, in particular, whether certain  
21 of the sellers were less than forthcoming or  
22 outright deceitful. Respecting -- with --  
23 with the commission's investigative staff, as  
24 well as with representatives of Wynn Mass.

1           Respecting the identity of holders of  
2           ownership interest in the land.

3                     The IEB, as Director Wells has  
4           indicated, did determine as a fact that  
5           applicants Wynn Mass had no involvement in or  
6           knowledge at anytime of the possible  
7           misrepresentations or misconduct on the part  
8           of any of the sellers.

9                     Members of the commission, I  
10          personally have many years experience in  
11          conducting criminal investigations, both as  
12          United States Attorney for Massachusetts, and  
13          assistant U.S. Attorney General in Washington  
14          in charge of the justice department's criminal  
15          division. And I can say on behalf of the  
16          applicant, that we have been much impressed  
17          with the thoroughness of the IEB's  
18          investigation and the professional manner in  
19          which they shared their concerns with us.

20                    We appreciate the commission holding  
21          this hearing today so that you can decide  
22          whether the actions Wynn Mass has taken to  
23          address the IEB's concerns, deal with those  
24          concerns in an appropriate manner acceptable

1 to the commission.

2 Applicant, Wynn Mass, will present  
3 three witnesses today. Kim Sinatra, the  
4 general counsel of Wynn Resorts, Limited, the  
5 parent of Wynn Mass, Matt Maddox, president of  
6 Wynn Resorts, Limited -- president and chief  
7 financial officer, which is the parent of Wynn  
8 Mass. And Robert LaPorte, a certified real  
9 estate appraiser and manager director at  
10 Colliers International, who conducted an  
11 appraisal of the current fair market value of  
12 the land in question, based on it's highest  
13 and best use under existing zoning, but  
14 excluding any possible use as a casino, or any  
15 value attributable to the land's possible use  
16 for a casino. Our first witness will be  
17 Ms. Sinatra.

18 MS. SINATRA: Thank you, Mr. Weld.  
19 Commissioners, thank you for having us here  
20 today. And I wanted to thank the IEB for, as  
21 Mr. Weld said, its thorough investigation and  
22 its collaboration with us in first advising us  
23 for the issue that arose as a result of their  
24 investigation.



1 cooperate both with our compliance  
2 infrastructure and with any applicable  
3 regulators.

4 And, lastly, it provides a remedy in  
5 the event that either the cooperation or the  
6 results of any investigation are  
7 unsatisfactory. In this case, as in many  
8 cases, the remedy is the ability to terminate  
9 without any adverse, economic consequences to  
10 our company.

11 For reasons that will be relatively  
12 obvious, we elected not to pursue termination,  
13 although -- because we would like to pursue  
14 our project in Everett. Although we come  
15 forward with an amendment to the contract that  
16 we hope is sufficient to take away from the  
17 transaction, the enhanced benefit, economic  
18 benefit that casino usage would add to this --  
19 this valuation of this property.

20 And so, Mr. Maddox will go through  
21 in a few moments, the process we went through  
22 in identifying the piece of property in  
23 Everett that is at issue, and his original  
24 calculation of the \$75 million purchase price.

1           I think that it would be helpful for  
2           you and for the record to fill in a little bit  
3           more about the process. As Director Wells  
4           mentioned, we put the land under option  
5           agreement at the end of 2012. We then, in  
6           early January of 2013, filed our application  
7           for probity with the Massachusetts Gaming  
8           Commission and continued, and continue all the  
9           way until Monday, the investigation related to  
10          that probity finding.

11           We moved along on many other parts  
12          of this project, which were long and  
13          complicated, and actually quite expensive,  
14          including the negotiation of our host  
15          community agreement, the first one in the  
16          commonwealth, and our process to the first  
17          community vote, which was held in June of  
18          2013. We were incredibly gratified to have an  
19          87-percent approval rate from the voters in  
20          Everett, convincing us that we had, indeed,  
21          chosen the right community to partner with for  
22          our project.

23           In July of 2013 I received an e-mail  
24          that was somewhat surprising to me from, I

1 believe, Bob Carroll, indicating that he and  
2 some other members of the investigative staff  
3 needed to come to Las Vegas on an urgent basis  
4 to interview Mr. Maddox, Mr. Aziz, who's the  
5 president of our Wynn Resorts development  
6 company, and myself, regarding details related  
7 to our land transaction. While we had been  
8 interviewed on many counts, and talked and  
9 provided documentation on a myriad of issues,  
10 the land issue seemed surprising to me that  
11 would require an urgent visit. But as we do,  
12 we cooperated fully, and within a matter of a  
13 few days we sat for the sworn interviews.

14           During the course those interviews  
15 it became apparent to us that the IEB, through  
16 its cooperation with law enforcement and  
17 access to resources that we don't have as a  
18 nonlaw-enforcement agency, had developed  
19 information that cast some serious doubt upon  
20 the voracity of some of the information that  
21 we had received from the sellers of our land  
22 in Everett.

23           Once they took the information that  
24 they had received from us, and continued to

1 work on the investigation, we continued to  
2 stay in touch on this issue, because it was of  
3 some degree of importance to us both regarding  
4 our internal compliance process and procedure,  
5 and the viability of our project going  
6 forward.

7 In the fall, the IEB, as Director  
8 Wells has mentioned, had developed the facts  
9 enough that they felt comfortable sharing with  
10 us the level of their concerns with respect to  
11 the sellers. Needless to say, we were quite  
12 surprised and significantly unhappy about the  
13 development. We had run our compliance  
14 process on the three designated principals  
15 from FBT, Mr. Lohnes, Mr. DeNunzio and  
16 Mr. Gattineri, and they passed our background  
17 check without incident. That action was taken  
18 in December and January of '12 and '13,  
19 commensurate with the beginning of our  
20 relationship. And we, frankly, had heard  
21 nothing to the contrary as we proceeded  
22 through the six or seven months that  
23 intervened.

24 Once we had received the full set of

1 fact from the IEB, we immediately sent a  
2 notice of default to the sellers under the  
3 privilege license provision of our contract,  
4 noting their failure to cooperate in good  
5 faith and give credible, believable evidence  
6 to the investigators.

7 We immediately began a discussion  
8 internally as to whether or not there was a  
9 way to salvage this -- our commitment to this  
10 site in light of the facts. And since the  
11 concerns seemed to be additional value going  
12 to people of questionable character and,  
13 frankly, with criminal backgrounds, we decided  
14 that it would be worthwhile to undergo an  
15 investigation of the fair market value of the  
16 property without a casino use. Because  
17 assuming that these sellers would have the  
18 ability to sell to a retail user or other  
19 highest and best user in this redevelopment  
20 area, we thought that we would like to see the  
21 difference between the 75 million, which  
22 included, as Mr. Maddox will outline, our  
23 specific casino use. What that -- what that  
24 lower value would be.

1           So we engaged Mr. LaPorte after  
2           reviewing his CV and the reputation of his  
3           firm. He did a full appraisal that he's  
4           prepared to discuss with you. His number  
5           ended up being \$35 million as fair market  
6           value at highest and best use.

7           So we began, as Director Wells has  
8           indicated, a period of intense negotiation  
9           with our sellers, with the idea that the best  
10          we could do would be -- to be able to buy that  
11          property as a noncasino user. We were able,  
12          on November 26 of 2013, enter into the ninth  
13          amendment to our option agreement. It sounds  
14          like a lot, but the original eight amendments  
15          were extension of diligence periods. One of  
16          the complicating factors of this property is,  
17          as you know, its environmental condition.

18          And so, when we entered into the  
19          initial agreement, we had set a period of time  
20          to determine the allocation of liabilities for  
21          environmental cleanup. And it took our  
22          experts a long time to get the information  
23          necessary to enable us to allocate those  
24          liabilities.

1           As part of ninth amendment we were  
2           able to allocate those liabilities, so the  
3           \$35 million fair market value is reduced by an  
4           additional \$10 million, which will go into an  
5           escrow account necessary to achieve what's  
6           called a permanent solution under  
7           Massachusetts law. That will take care of the  
8           environmental cleanup necessary to get that  
9           property to a regular commercial use.

10           We at Wynn will end up doing  
11           significant, additional remediation of that  
12           site to accommodate a couple of things.  
13           Number one is, we will address polluted  
14           sediment in the water in the Mystic River,  
15           because we will end up dredging the water  
16           that's in front of property to accommodate  
17           both water transportation, which is -- which  
18           is an essential part of our plan. And a  
19           remediation in return of that riverfront to  
20           usable public enjoyment.

21           Additionally, we will likely need to  
22           do underground parking to accommodate the  
23           parking requirements of our project. So that  
24           will be additional environmental remediation



1 and in light of the concerns both raised by  
2 our internal compliance rubric and the IEB, we  
3 included a representation in the ninth  
4 amendment as to the beneficial owners of the  
5 sellers, and that is attached to the Schedule  
6 3 to the ninth amendment.

7 Reading from the ninth amendment,  
8 there is a representation from the seller that  
9 says "Schedule 3," which we'll review in a  
10 moment, "is a true and accurate list of each  
11 person with a legal or beneficial ownership  
12 interest, direct or indirect in the seller.  
13 The percentage interest in seller of each such  
14 beneficiary and the address of each  
15 beneficiary."

16 It goes on to say, "Neither seller  
17 nor any beneficiary has made or has any  
18 agreement, whether oral or written, to make  
19 any payment to any other person or entity from  
20 the proceeds of the agreement, including  
21 without limitation, any of the option payments  
22 made pursuant to Section 2.2 or any portion of  
23 the purchase price."

24 Schedule 3 shows information

1 consistent with that information was provided  
2 to us in November of 2012. The owners include  
3 Mr. Paul Lohnes, Mr. Anthony Gattineri, and  
4 the DeNunzio Group, LLC, wholly owned by  
5 Dustin DeNunzio.

6 So I think with that, I'll -- if you  
7 have any questions for me, I'm happy to answer  
8 them. Otherwise, I'll pass the baton to  
9 Mr. Maddox.

10 COMMISSIONER MCHUGH: Questions,  
11 Commissioners?

12 COMMISSIONER ZUNIGA: Is Mr. Maddox  
13 going to address the -- the formal calculation  
14 of the 10 million, how you came about to  
15 calculate the remediation cost?

16 MS. SINATRA: He's not, but I can  
17 help you with that.

18 COMMISSIONER ZUNIGA: Okay, please.

19 MS. SINATRA: This site, of course,  
20 has been on the environmental radar for a long  
21 time. And so, the sellers had done some  
22 preliminary work with respect to expected cost  
23 of remediation. And they had used a reputable  
24 consulting firm. We wanted to be sure that we



1 comfortable that that's an adequate number.

2 COMMISSIONER ZUNIGA: And let's  
3 just -- let's just assume that the cost turns  
4 out to be more than 10 million, is that a  
5 liability that Wynn has now acquired  
6 effectively?

7 MS. SINATRA: Yes.

8 COMMISSIONER ZUNIGA: Okay.

9 COMMISSIONER MCHUGH: Any more?

10 COMMISSIONER CAMERON: I'll hold  
11 until --

12 COMMISSIONER MCHUGH: The -- I have  
13 just a couple. The -- as I understand it, the  
14 changes from the first agreement were --  
15 insofar as they're relevant here, were the  
16 change in the dollar amount, the -- the  
17 allocation of cleanup responsibility money,  
18 and the listing of the three people who were  
19 to get money from the sale?

20 MS. SINATRA: Yes. There were a few  
21 other cleanup changes around title survey and  
22 those sorts of issues.

23 COMMISSIONER MCHUGH: Right. But  
24 let's say those are the three material changes

1           that are -- that are pertinent here.

2                   MS. SINATRA:   Yes, sir.

3                   COMMISSIONER MCHUGH:   And who signed  
4           the schedule, or the document, or the  
5           appendix, or whatever it is, that listed the  
6           three people who are going to get the money?

7                   MS. SINATRA:   Mr. DeNunzio signed as  
8           the authorized signatory of FBT.

9                   COMMISSIONER MCHUGH:   Did he sign  
10          under oath; is his signature notarized; is  
11          that representation notarized?

12                   MS. SINATRA:   He did not sign under  
13          oath.

14                   COMMISSIONER MCHUGH:   All right.  
15          And he's the only one who did sign?

16                   MS. SINATRA:   Yes.

17                   COMMISSIONER MCHUGH:   Okay.  I may  
18          come back to that later.

19                   MS. SINATRA:   Okay.

20                   COMMISSIONER MCHUGH:   But I  
21          understand what you're saying.  Okay.

22                   MR. MADDOX:   Thank you.

23                   COMMISSIONER MCHUGH:   Mr. Maddox --

24                   MR. MADDOX:   Make sure this works.

1 Good afternoon. What I would like to spend a  
2 few minutes on is really the business  
3 opportunity. Why Everett?

4 So if you look at Wynn Resorts, we  
5 have a division called Urban Wynn. Urban Wynn  
6 is about the grand hotel. It's reinventing  
7 the grand hotel. And in order to have a grand  
8 hotel, you need to be in the great cities of  
9 America, which Boston is.

10 So when we looked at Urban Wynn, we  
11 decided that we would build a hotel first with  
12 restaurants with retail, with entertainment.  
13 That's the first thing you'll experience as a  
14 guest, and then you'll walk through into a  
15 casino. And the casino's really the engine  
16 that allows us to spend the money to  
17 revitalize and reinvent the grand hotel.

18 So what do you need to build a grand  
19 hotel and restaurants, and entertainment? For  
20 your business traveler, you need to access,  
21 quick access to the convention center. That's  
22 what they prefer. Everett is 10 minutes away  
23 from the convention center.

24 For the international traveler,

1           which we generate significant amounts of money  
2           from our international traveler, both on the  
3           nongaming side and on the gaming side. In  
4           fact, in Las Vegas 800 rooms a night out of  
5           our 4700 rooms are dedicated to our  
6           international customer. And over half of our  
7           table games business comes from Asia, and 25  
8           percent from Latin America in the United  
9           States. So our international business is very  
10          important.

11                        Now, what do they need? They need  
12          the grand hotel, the great experience and easy  
13          access from the airport. Everett is 10  
14          minutes away from Logan.

15                        For our local patrons, the local  
16          patrons need access off highways and the  
17          ability to move in and out quickly. This site  
18          is right off the 93, which has an average of  
19          120,000 cars passing by a day. So when you  
20          take a look at Everett, it really fits the  
21          model for the Wynn grand hotel.

22                        We were looking, after our  
23          experience in Foxborough, for an Everett model  
24          looking at various communities. And I

1           actually saw an article that Mayor DeMaria had  
2           said he would be supportive of an integrated  
3           resort development in Everett. So I began  
4           investigating Everett and noticed that it  
5           actually met a number of the criterias that  
6           can support Urban Wynn.

7                         I immediately talked to Kim Sinatra,  
8           and we placed a call into Mintz Levin to ask  
9           if they could arrange a meeting for us with  
10          the mayor to talk about potential  
11          opportunities in Everett. That was in  
12          November of 2012. Within a couple of weeks we  
13          had arranged that meeting. We also were  
14          contacted by the owners of the site. A  
15          gentleman named Trip McCoy reached out to me.  
16          He had been, I believe, retained by the  
17          sellers to reach out to various casino  
18          companies to gauge their interest in the site.

19                        So on the same first meeting to  
20          Everett, we set up a meeting with the mayor  
21          and the people in city hall, and we also set  
22          up a meeting with Dustin DeNunzio. That was  
23          the manager, the property manager for FBT  
24          Realty, to walk the site and to understand it.

1                   When we met with the mayor and his  
2                   team inside city hall, they had a large  
3                   chalkboard. And on that chalkboard was a map  
4                   of Everett. And this site was in orange as  
5                   the redevelopment site for the city of  
6                   Everett.

7                   Over -- over a number of years they  
8                   had hired Sasaki, the firm, the local firm  
9                   here, to think about ways to reinvent the  
10                  Mystic River. Urban renewal, mixed use. They  
11                  had multiple public meetings about what  
12                  contact can you do with a 30-acre site 10  
13                  minutes from downtown on the Mystic River?  
14                  There has to be some way to energize this  
15                  area.

16                  And so, when they were showing us  
17                  this site, and we indicated that we were going  
18                  to look at it later in the day, I proceeded to  
19                  tell them about what Mr. Wynn does, and what  
20                  Wynn Resorts does. And how the best way to  
21                  revitalize an area that needs an economic  
22                  boost is a grand hotel, a billion-dollar  
23                  property, 5,000 jobs. The ability to generate  
24                  hundreds of millions of dollars of revenue for

1 the state and for the city. That will create  
2 true economic redevelopment.

3 At the end of the hour with the  
4 mayor I believe he was quite excited about the  
5 idea. Much more so than the mixed use retail  
6 apartment ideas that they had been pursuing.

7 I then contacted Mr. Wynn and told  
8 Mr. Wynn that we had what appeared to be a  
9 city. And that was the most important thing  
10 for us. A city that seemed to be behind the  
11 idea of revitalization and of casino resorts.  
12 We -- we decided to engaged in the process.

13 Later in the afternoon, Ms. Sinatra  
14 and I went and walked the site with  
15 Dustin DeNunzio. We looked at various flood  
16 planes, Google Earth maps. Tried to  
17 understand what was submerged, what was above  
18 ground. How can we build on this site, just  
19 to make sure that we could at last take a hard  
20 look at it, that there weren't any  
21 show-stoppers. And we decided at the end of  
22 that meeting that we should pursue this. We  
23 did not discuss price at that meeting. We  
24 then left Everett, flew become to Las Vegas,

1           and I began working on modeling to see what is  
2           it that we could pay for a site like this.

3                     I implored the capital asset pricing  
4           model, and also an income-based approach,  
5           which basically said what -- how much can you  
6           pay for the real estate before you build a  
7           building in order to just identify your  
8           returns?

9                     As you'll find around the country,  
10          integrated resorts and casinos will typically  
11          pay somewhere between eight to 10 percent of  
12          their project costs will be dedicated to land.  
13          Sometimes they're quite a bit higher than  
14          that. And those projects, oftentimes will  
15          struggle. But if you look at our project and  
16          our thinking of \$1.3 billion, and if eight to  
17          10 percent was allocated to land, then the --  
18          the price can be just identified. We could --  
19          you know, we could begin the negotiations. We  
20          had some room.

21                    So, of course, I started the  
22          negotiations at \$25 million. And they  
23          countered at \$150 million, and actually walked  
24          through the exact math that I had performed.

1 The capital asset pricing model, the income  
2 approach model. Here's what you could make  
3 with a casino, here's what typical land  
4 allocations are.

5 We negotiated for -- quite  
6 extensively over a short period of time. Many  
7 e-mails, many phone calls, and ended up  
8 settling on \$75 million. But with the  
9 obligation of the environmental cleanup to get  
10 to a permanent solution, should be on the  
11 sellers, and then there would be a  
12 small-sharing of incremental environment  
13 cleanup.

14 At that point, we executed a  
15 memorandum of understanding, and we then --  
16 our lawyers and myself, we moved to the formal  
17 documentation and executed the option  
18 agreements before the end of the year, in  
19 advance of our filing of our application.

20 So that -- that's the history of why  
21 Everett and why \$75 million.

22 COMMISSIONER MCHUGH: Good. Thank  
23 you, Mr. Maddox. Questions?

24 COMMISSIONER ZUNIGA: Yeah. So when

1           you arrived to 75 million, the obligation was  
2           on the sellers to come to a permanent solution  
3           for the remediation; is that correct?

4           MR. MADDOX: Per -- the permanent  
5           solution per the Massachusetts state law. So  
6           not the -- if there's incremental remediation  
7           required due to some of the issues that  
8           Ms. Sinatra talked about, that was still in  
9           negotiation.

10           COMMISSIONER ZUNIGA: Is this the  
11           difference between what was the land -- the  
12           land remediation versus the dredging that  
13           might occur as part of the casino use?

14           MR. MADDOX: Yes.

15           COMMISSIONER ZUNIGA: Was there a  
16           quantification of what that may be at that  
17           time, how much remediation it would take?

18           MR. MADDOX: Of course, they had a  
19           quantification --

20           COMMISSIONER ZUNIGA: Okay.

21           MR. MADDOX: -- of eight -- seven or  
22           \$8 million provided by their consultant with  
23           lots of reports. But we didn't take that at  
24           face value. We hired GZA, one of the top

1 environmental consultants in Massachusetts,  
2 and they embarked on a six-month project  
3 studying the land, testing it, and came back  
4 to us with what they thought a permanent  
5 solution would be, and then what they thought  
6 could be required in -- as incremental cost,  
7 if we pursue certain things in the project.  
8 So the permanent solution was, in fact, fairly  
9 close to the number that the initial sellers  
10 had given us.

11 COMMISSIONER ZUNIGA: Or, in other  
12 words, 10 million?

13 MR. MADDOX: Yes.

14 COMMISSIONER ZUNIGA: What -- what  
15 is the incremental cost that GZA has now come  
16 up with for the remediation?

17 MR. MADDOX: The incremental costs  
18 are still being reviewed, because it depends  
19 on a number of things in terms of the  
20 underground parking. And if we go down three  
21 levels or five levels, if we have to build a  
22 slurry wall, the amount of dredging we will  
23 do. All that will come through in our MEPA  
24 filings with our environmental piece. But it

1           could be an extra -- you know, I would say it  
2           could be an extra 10 to \$15 million. But it's  
3           too early to say right now.

4                        COMMISSIONER ZUNIGA: Fair enough.  
5           But you assume that -- that liability so you  
6           can figure that out when you get there; is  
7           that a fair statement?

8                        MR. MADDOX: That's a part of --  
9           that's a part of our project budget as a  
10          contingency -- in -- in the project.

11                       COMMISSIONER ZUNIGA: Okay.

12                       COMMISSIONER CAMERON: Good  
13          afternoon.

14                       MR. MADDOX: Hi.

15                       COMMISSIONER CAMERON: I was  
16          interested in your statement that you saw, or  
17          you heard that the mayor was interested in  
18          talk to someone about a potential casino; is  
19          that correct?

20                       MR. MADDOX: Yes.

21                       COMMISSIONER CAMERON: And when you  
22          met with the mayor, were there other parcels  
23          of land, or was this the only parcel of land  
24          that would accommodate such a project?

1                   MR. MADDUX: So if you were to -- if  
2                   the maps are still up in city hall in Everett,  
3                   I'm not sure if there are, but when with we  
4                   walked in they opened a very large map, 3' by  
5                   4', and they were actually two parcels of land  
6                   both in orange. However, one was further  
7                   inside of Everett and surrounded by  
8                   residential community.

9                   So the mayor had said that they're  
10                  really focused on that being more parks,  
11                  fields, low-traffic zone in their urban  
12                  renewal, and that this was the only parcel  
13                  that they were looking at for large, mixed-use  
14                  development.

15                  COMMISSIONER CAMERON: I see. And  
16                  you also mentioned, Mr. Maddox, that you met  
17                  with an individual who was representing the  
18                  sellers; is that correct? I didn't take his  
19                  name.

20                  MR. MADDUX: Yes. A gentleman -- I  
21                  didn't meet with him. Trip McCoy --

22                  COMMISSIONER CAMERON: Yes.

23                  MR. MADDUX: -- I believe had  
24                  engaged by the sellers because he was a former

1 investment banker at Bear Stearns that covered  
2 the gaming industry --

3 COMMISSIONER CAMERON: I see.

4 MR. MADDOX: -- to go to the various  
5 companies to see if there were interest.  
6 Trip McCoy sent me an e-mail, and I talked to  
7 him by phone. I never met him. He just  
8 arranged the meeting with Dustin DeNunzio.

9 COMMISSIONER CAMERON: So -- so the  
10 sellers were only interested in dealing with a  
11 casino company, was that your understanding of  
12 his conversation with you?

13 MR. MADDOX: Well, his conversation  
14 with me was they have multiple people  
15 interested in this parcel, as you can imagine,  
16 someone trying to sell something.

17 COMMISSIONER CAMERON: People,  
18 meaning casino companies?

19 MR. MADDOX: Absolutely.

20 COMMISSIONER CAMERON: Okay. And  
21 last question, you gave us a synopsis of the  
22 negotiation, the 25, the 150 and the several  
23 e-mails, who were you negotiating, who was the  
24 person?

1 MR. MADDOX: Dustin DeNunzio.

2 COMMISSIONER CAMERON: Okay. Thank  
3 you.

4 COMMISSIONER MCHUGH: As I  
5 understand it, you said, Mr. Maddox, the  
6 responsibility for the site cleanup as part of  
7 the deal you signed with the sellers, was to  
8 be for the sellers, but the amount was to be  
9 determined at some point down the road; is  
10 that right?

11 MR. MADDOX: That's correct.

12 COMMISSIONER MCHUGH: And that's  
13 what led to those nine extensions that  
14 Ms. Sinatra referred to a minute ago, because  
15 GZA was preparing its analysis; is that right?

16 MR. MADDOX: Yes.

17 COMMISSIONER MCHUGH: When, in  
18 relation to the time you read the article  
19 speaking about Mayor DeMaria's interest, did  
20 you hear from Trip McCoy?

21 MR. MADDOX: It was all within a  
22 week or so time period.

23 COMMISSIONER MCHUGH: Did you -- had  
24 you make contact with Mayor DeMaria before you

1 heard with -- from Mr. McCoy?

2 MR. MADDOX: No. I had not --  
3 again, my first meeting with the mayor was  
4 actually in city hall.

5 COMMISSIONER MCHUGH: But you  
6 arranged it somehow. How did you arrange that  
7 meeting?

8 MR. MADDOX: Ms. Sinatra contacted  
9 Mintz Levin and ML Strategies --

10 COMMISSIONER MCHUGH: That's right  
11 you said that.

12 MR. MADDOX: -- and they set up the  
13 meeting.

14 COMMISSIONER MCHUGH: That's right.  
15 And -- and you never met with Mr. McCoy?

16 MR. MADDOX: I --

17 COMMISSIONER MCHUGH: You never met  
18 with Mr. McCoy?

19 MR. MADDOX: No.

20 COMMISSIONER MCHUGH: All right.  
21 Thank you. Other questions?

22 COMMISSIONER STEBBINS: Couple of  
23 quick questions. Again, getting back to the  
24 -- the offer price. Were you aware of the

1 purchase price of the property by FBT before  
2 you had offered, I think it was \$25 million  
3 was your starting offer?

4 MR. MADDOX: I had been told by a  
5 local developer here that he thought they had  
6 paid between somewhere between seven and  
7 \$8 million in 2009 for the property.

8 COMMISSIONER STEBBINS: Okay. And  
9 can I ask you what your initial reaction was  
10 to the -- to the counter of 150 million?

11 MR. MADDOX: I -- you know, I said  
12 that's ridiculous. Of course we're not going  
13 to pay \$150 million, because who's going to  
14 spend \$2 billion on this site. Now, you know,  
15 they thought that we could be because we do  
16 spend more money than anybody else on our  
17 resorts. And they just implored the  
18 investment banking model of 10-percent of  
19 project cost. So they had a reason for the  
20 number and the negotiation began.

21 Of course when -- you know, they  
22 paid \$8 million for it in 2009. That was a  
23 very depressed time. As an example, Wynn  
24 Resort's stock was \$15 in 2009, today it's

1           180. So prices have moved up since 2009.  
2           That's a fact across the board in real estate,  
3           everywhere.

4                        So I didn't start with 8 million. I  
5           knew that it was worth more than 8 million.  
6           And with Assembly Square going up right across  
7           the river, and the values that had been paid  
8           over there, I started at that range and  
9           determined that, that's the right place to  
10          start.

11                       COMMISSIONER STEBBINS: Okay.  
12          Did -- at any -- at any point as you were --  
13          as you were seeking out the mayor or -- and  
14          pressed or following up on the mayor's  
15          interest, did -- did you contemplate with them  
16          the whole notion of the Urban Wynn initiative,  
17          the strategy, the design, the development, the  
18          unique -- uniqueness because I don't think  
19          you've done this anywhere else in the world,  
20          if I'm not mistaken? At what point did that  
21          enter into the conversation either with the --  
22          with the sellers or with the local officials,  
23          this kind of unique concept that you were  
24          putting out there?

1           MR. MADDOX:  So within Wynn we had  
2           developed the concept, clearly before.

3           COMMISSIONER STEBBINS:  Right.

4           MR. MADDOX:  And in the first  
5           meeting with the mayor, we spent an hour on  
6           that concept, that we're going to take  
7           everything we've learned and we're going to  
8           develop in it into an urban model, because we  
9           believe that the grand hotel, its days have  
10          been long gone.  People just don't build great  
11          hotels, grand hotels anymore, because it's  
12          hard to get the room rate to justify.  So  
13          Mr. Wynn came up with the idea that if we have  
14          a casino to power this, and we do them really  
15          well, other cities around the country are  
16          going to like it, and they're going to notice  
17          it, and they're going to want one.  And Boston  
18          was, clearly, one of our first choices because  
19          it already had the legal framework in place  
20          for gaming that would allow us to develop this  
21          project.

22          COMMISSIONER STEBBINS:  Thank you.

23          COMMISSIONER MCHUGH:  Further  
24          questions?  All right.  Thank you very much,

1 Mr. Maddox. Mr. LaPorte --

2 MR. LAPORTE: My name's Bob LaPorte,  
3 and I am a managing director of valuation  
4 group at Colliers International, their Boston  
5 office. Just so you know, Colliers  
6 International was formerly Meredith & Grew,  
7 and in 2007 we sold our 80-percent interest in  
8 our company to First Service that owned  
9 Colliers. Part of that, I had been with the  
10 company since 1982, and I transferred my  
11 position to the valuation advisory services  
12 group, and I am now managing director of the  
13 -- the Boston office.

14 Professionally, I am a member of the  
15 Appraisal Institute. I have an MAI  
16 designation. In addition, I've been past  
17 president of the New England chapter of the  
18 Appraisal Institute, and nationally have been  
19 vice chairman of the ethics administration for  
20 the Appraisal Institute. I'm also a counselor  
21 of real estate and have a CRE designation.

22 My education includes a degree from  
23 Saint Anselm's College in urban studies, and  
24 my formal appraisal education has been

1           principally through the Appraisal Institute  
2           and their courses. I hold a -- licenses in  
3           Massachusetts as a real estate broker and as a  
4           general, certified appraiser. I'm also  
5           licensed in the states of New Hampshire and  
6           Maine.

7                        I've appeared as an expert witness  
8           in valuation matters in the superior courts of  
9           Massachusetts, including Suffolk County,  
10          Middlesex County, Dukes and Worcester County,  
11          and Norfolk County. I've appeared as an  
12          expert witness in the federal tax court, and  
13          the federal bankruptcy court here in Boston,  
14          Worcester and Milwaukee.

15                       Some of the clients that I've worked  
16          for include, in the Commonwealth of  
17          Massachusetts, the department of  
18          transportation, the division of capital asset  
19          management and maintenance, DCR, and the  
20          attorney general's office, where I've been  
21          retained by them as an expert witness in  
22          valuation matters. I've also completed  
23          valuation work for the justice department  
24          regarding contamination issues at the -- the

1 old naval air station in Quincy and one on the  
2 south shore.

3 The type of work that I principally  
4 do is commercial real estate. You know, being  
5 part of a full-service, commercial real estate  
6 company we have a lot of appraisal experience  
7 in everything from office buildings to  
8 shopping centers to industry properties. And  
9 I have been associated with Meredith and Grew  
10 Colliers for 32 years and fully had an  
11 opportunity to work on some pretty interesting  
12 assignments during that period of time. What  
13 else?

14 I can go through the appraisal  
15 process that I undertook in this appraisal and  
16 talk about some of the assumptions that I made  
17 at the beginning of the assignment in order to  
18 complete my valuation.

19 COMMISSIONER MCHUGH: I think that  
20 would be helpful, Mr. LaPorte. This is not an  
21 ordinary appraisal for reasons that we've  
22 already heard about. And so I think it'd be  
23 helpful for us and for others who may be  
24 watching, to understand how you went about

1           this -- this -- establishing this value.

2                       MR. LAPORTE: Well, we follow, as  
3           real estate appraisers, what's called the  
4           appraisal process. And that includes  
5           everything from defining property rights that  
6           are being appraised to identifying  
7           extraordinary assumptions and hypothetical  
8           conditions. And I think in this regard I  
9           think there are a couple of -- there's one  
10          hypothetical condition and some extraordinary  
11          assumptions that I've used.

12                      With regards to the hypothetical  
13          condition, my valuation instruction was to  
14          assume that the site was environmentally  
15          clean. With knowledge that the site has had a  
16          history of known environmental conditions.  
17          But I was to assume that the site were  
18          available for development to its highest and  
19          best use, and that any stigma or any  
20          conditions involving environmental cleanup had  
21          been resolved.

22                      The second salient assumption that  
23          I've used is that I was specifically asked to  
24          preclude a land valuation that would take --

1 or account for a casino use of the property.  
2 So that particularly use was totally  
3 disregarded in my analysis. And then I've  
4 made some other assumptions as to, you know,  
5 land area, how much of the site is usable.  
6 But in the course of what I'm doing, I'm  
7 looking at a lot of the relevant property  
8 characteristics that this 35 acres had, its  
9 location and its proximity to, you know,  
10 population and -- and zoning.

11 You know, zoning -- in this regard,  
12 zoning had historically been industrial on  
13 this property. And when the property was  
14 acquired in 2009 it was industrially-zoned.  
15 And as of date of my valuation, there were  
16 zoning changes in place that would allow for a  
17 commercial retail development on the property.  
18 And I thought that was a significant change  
19 and noted that the city of Everett had,  
20 through Sasaki, had really identified this  
21 whole neighborhood as being more appropriate  
22 for commercial development than what the  
23 industrial zoning allowed.

24 You know, with that I then took a

1 look at some of the demographic  
2 characteristics of this property. And  
3 interestingly enough, they're pretty  
4 significant. Within a 15-minute drive of this  
5 property there are a half a million residents.  
6 And that represents about 7-1/2 percent of the  
7 state's population. So in terms of a  
8 commercial retail use, there's a significant  
9 population, number of households available in  
10 this area.

11 I then looked at some of the data  
12 services that we have, such as Costar, and I  
13 did a vacancy report of commercial space  
14 within a 3-mile radius of this property, and  
15 the commercial vacancy rate is currently 2-1/2  
16 percent.

17 Then I looked at some of the other  
18 developments, such as Assembly Row. Companies  
19 representing the developers of Assembly Row in  
20 the office component of that. And as you've  
21 recently heard, there's a 700,000 square foot  
22 lease on a office building that will be  
23 constructed on Assembly Row for Partner's  
24 Health Care.

1           You know, all of these things  
2           pointed to me that this area is really a -- in  
3           a development phase of its life, real estate  
4           life. And given the population and density, I  
5           used that as part of my highest and best use  
6           analysis.

7           Highest and best use is really what  
8           is the optimum use of that land, what's  
9           legally permitted, what's physically possible,  
10          and what is financially feasible.

11          So in looking at this site, there's  
12          approximately 22 useable acres, and it is a --  
13          in terms of urban Boston and the inner  
14          suburbs, a 22-acre assembled site that's zoned  
15          commercially, with the demographics and access  
16          that this property has, is a rare commodity.  
17          Usually, when you look at development land it  
18          requires, where you need to acquire 20 acres,  
19          you have to go out and assemble many sites to  
20          get a development site of 22 acres.

21          So in looking at this I'm looking at  
22          zoning, I'm looking at location of the  
23          property, what's physically possible on the  
24          site. You know, I'm precluding any

1           contamination or environmental issues that  
2           would interrupt the development of the site,  
3           and I came up with the highest and best use  
4           that this is a retail development site.

5                        So with that conclusion, I then  
6           looked at -- we have six valuation techniques  
7           when we value land, and I looked at comparable  
8           land sales and analyzed those land sales. And  
9           then I looked at -- you know, at one time  
10          shortly after the property was acquired, they  
11          had entertained two tenants to do ground  
12          leases on the property, Walmart and Lowe's.  
13          And they had proposed in a letter of intent,  
14          some ground rent payment for those -- you  
15          know, to develop the land for those two uses.

16                       So I analyzed both comparable land  
17          sales, and I looked at what the potential  
18          ground rent payment would be for this site and  
19          capitalized that into a value indication.

20                       The end of the day, I reconciled  
21          those two approaches, and my opinion the  
22          market value of the property, again, subject  
23          without any contamination issues, and for a  
24          retail commercial development, disregarding a

1 casino, that the site had a market value of  
2 \$35 million.

3 COMMISSIONER MCHUGH: All right,  
4 sir, thank you. Questions?

5 COMMISSIONER ZUNIGA: Yes. I'm --  
6 just following your income approach  
7 calculation, you used 6.5 or something like  
8 that, cap rate?

9 MR. LAPORTE: 6.75.

10 COMMISSIONER ZUNIGA: 6.75. And you  
11 also had -- I don't have it right in front of  
12 me, but you had some comparative cap rates a  
13 little higher?

14 MR. LAPORTE: I had one higher and  
15 one lower.

16 COMMISSIONER ZUNIGA: One higher and  
17 one lower?

18 MR. LAPORTE: Yes.

19 COMMISSIONER ZUNIGA: Where are  
20 those from?

21 MR. LAPORTE: One site was the -- a  
22 land-lease sale in the town of Waltham on  
23 Seance Street, and the one was in Revere.

24 COMMISSIONER ZUNIGA: And what --

1           what were the amounts, those cap rates --

2                   MR. LAPORTE:    The --

3                   COMMISSIONER ZUNIGA:  No, no, the  
4           cap rates in each of those places?

5                   MR. LAPORTE:    7.25 percent in  
6           Waltham, and 6.25 percent, I believe, in  
7           Revere.

8                   COMMISSIONER ZUNIGA:  Okay.  Would  
9           it be fair to say that -- you mentioned that  
10          there was a commercial zoning change --

11                   MR. LAPORTE:    Yes.

12                   COMMISSIONER ZUNIGA:  -- since 2009?

13                   MR. LAPORTE:    Yes.

14                   COMMISSIONER ZUNIGA:  Do you know  
15          when was that, precisely?

16                   MR. LAPORTE:    In the fall of 2013.

17                   COMMISSIONER ZUNIGA:  So it might be  
18          fair to say that just by -- by that change  
19          itself there has been some appreciation to the  
20          land?

21                   MR. LAPORTE:    I think the change is  
22          the highest and best use of the land.  So I  
23          think a lot of value has to be ascribed from  
24          taking it from an industrial zoning district

1 to a --

2 COMMISSIONER ZUNIGA: Commercial

3 use.

4 MR. LAPORTE: Commercial.

5 COMMISSIONER MCHUGH: Are you

6 finished?

7 COMMISSIONER ZUNIGA: I actually had

8 a question for Mr. Maddox.

9 COMMISSIONER MCHUGH: Okay. Could

10 we finish -- could we with Mr. LaPorte, if

11 that's all right.

12 COMMISSIONER ZUNIGA: Yeah, that's

13 fine.

14 COMMISSIONER CAMERON: I'm all set.

15 COMMISSIONER MCHUGH: Okay. I want

16 to just step back a little bit. First of all,

17 when you're assumption is that the site is

18 clean, that means that you take into account,

19 in determining the highest and best use, the

20 site that's already been decontaminated.

21 Whoever pays for the decontamination is

22 irrelevant to getting there from a -- from a

23 pure valuation point; is that right?

24 MR. LAPORTE: That's true, Your

1 Honor.

2 COMMISSIONER MCHUGH: Okay. So let  
3 you -- you -- so let me back up and just see  
4 if I understand this in a little bit bigger  
5 picture sense. What you're trying to do here,  
6 when you're making a valuation, is figure out  
7 the market price with the assumptions that  
8 you've made that the other owners can get for  
9 the land; isn't that -- isn't that ultimately  
10 what you're trying to do?

11 MR. LAPORTE: Yes.

12 COMMISSIONER MCHUGH: And the value  
13 you're trying to establish is the value that  
14 any owner of that property could get, it's not  
15 owner specific; isn't that right?

16 MR. LAPORTE: What any buyer --

17 COMMISSIONER MCHUGH: What any --  
18 what any seller could -- could realize from  
19 the sale of that land?

20 MR. LAPORTE: Correct.

21 COMMISSIONER MCHUGH: So it doesn't  
22 have anything to do with the identity of the  
23 seller, these valuations?

24 MR. LAPORTE: No. I -- I don't look

1 at any ownership issues. I go out --

2 COMMISSIONER MCHUGH: Right.

3 MR. LAPORTE: Could be John Q  
4 public.

5 COMMISSIONER MCHUGH: And it's fair  
6 to say that the -- the market price is the  
7 price that a willing buyer, somebody who wants  
8 to sell, would receive from a willing seller  
9 in a free and open market when neither was  
10 under a compulsion, i.e, the seller had no  
11 compulsion to sell, and the buyer had no  
12 compulsion to buy? That's basically what a  
13 market price --

14 MR. LAPORTE: Yeah. That's a good  
15 point, Your Honor. I look at --

16 COMMISSIONER MCHUGH: Well, I'm just  
17 the commissioner today.

18 MR. LAPORTE: Commissioner. Sorry.

19 COMMISSIONER MCHUGH: That's all  
20 right.

21 MR. LAPORTE: When we do these  
22 appraisals we don't specifically say there's a  
23 specific buyer and he might pay a specific  
24 price. We look at open market, irregardless

1 of who owns it and who might be interested in  
2 buying it just --

3 COMMISSIONER MCHUGH: And the one  
4 departure from that general approach to this  
5 process that you made in this case was that  
6 you discounted use for a casino?

7 MR. LAPORTE: That is correct,  
8 Commissioner.

9 COMMISSIONER MCHUGH: Now in -- in  
10 making the computations that you've described  
11 and that you discussed a little bit with  
12 Commissioner Zuniga, you used two different  
13 approaches, did you not?

14 MR. LAPORTE: Yes.

15 COMMISSIONER MCHUGH: One is called  
16 the comparable sales approach?

17 MR. LAPORTE: Yes.

18 COMMISSIONER MCHUGH: And could you  
19 just describe, in general terms, what the  
20 comparable sale approach is? I don't want you  
21 to go into detail. But just in a general  
22 sense, what are -- what are you doing when you  
23 use the comparable sales approach?

24 MR. LAPORTE: What we do is go out

1           into the market, look at market participants  
2           as to -- again, keeping in mind that there is  
3           no piece of real estate that's identical to  
4           another piece of real estate. But we go out  
5           and look at what market participants have been  
6           paying for commercial land.

7                         And keeping in mind that no two  
8           sites are identical to one another, we go  
9           through an analysis of those sales looking at  
10          location, physical characteristics, and make  
11          adjustments to those prices that reflect the  
12          subject's quality.

13                        COMMISSIONER MCHUGH: And you take a  
14          look at actual sales data and then you use  
15          your experience and judgment to make  
16          adjustments to relate that sales data to this  
17          site; is that fair to say?

18                        MR. LAPORTE: Yes, it is.

19                        COMMISSIONER MCHUGH: And the second  
20          method you used in this case was the income  
21          approach; is that right?

22                        MR. LAPORTE: It's called the ground  
23          rent capitalization.

24                        COMMISSIONER MCHUGH: Okay. Could

1           you explain again at a -- at a layperson's  
2           level of detail, what that is?

3                       MR. LAPORTE: Well we -- what  
4           happens in this approach, we look at what  
5           market participants are leasing ground for,  
6           for development of commercial activity. And  
7           so we look -- we establish what the ground  
8           rent would be under those conditions, and we  
9           then make a deduction for any expenses that  
10          are appropriate, and convert that ground rent  
11          into a value through a capitalization process.  
12          And -- and that's what, basically, is the  
13          premise here.

14                      COMMISSIONER MCHUGH: And was  
15          similar -- at a similar level of generality,  
16          how do you convert the -- the -- how do you do  
17          that conversion you talked about at the end?

18                      MR. LAPORTE: The reconciliation of  
19          the two approaches?

20                      COMMISSIONER MCHUGH: No. The  
21          conversion.

22                      MR. LAPORTE: To the ground rent.

23                      COMMISSIONER MCHUGH: Yeah. Into a  
24          value.

1                   MR. LAPORTE:  What we do in terms of  
2                   capitalization, we look at actual market  
3                   transactions as to what investors are paying  
4                   for leased land.  And, secondly, we have  
5                   national publications.  Price Waterhouse  
6                   publishes capitalization rates as to what  
7                   different types of investors are looking for  
8                   on net leased properties.  So through those  
9                   two sources, you arrive at a -- with some  
10                  market capitalization rate.

11                  COMMISSIONER MCHUGH:  And the  
12                  capitalization rate is really what an investor  
13                  would expect to get as a return on an  
14                  investment; isn't that right?

15                  MR. LAPORTE:  Yes, it is,  
16                  Commissioner.

17                  COMMISSIONER MCHUGH:  And so, if  
18                  the -- say the investor was looking for a  
19                  return of 10 percent and had a -- \$100,000 to  
20                  spend, that would -- that would yield that  
21                  amount?

22                  MR. LAPORTE:  It would equal the  
23                  value of a million dollars.

24                  COMMISSIONER MCHUGH:  Right.  This

1 is not the first time you've done this?

2 MR. LAPORTE: No.

3 COMMISSIONER MCHUGH: Could you --  
4 could you tell us, approximately, how many  
5 times you've performed a similar analysis  
6 through the course of your long and -- your  
7 long career?

8 MR. LAPORTE: Well, I've been in  
9 this business for about 45 years, and  
10 95 percent of my time is in market value  
11 appraisals, and they're in the thousands in  
12 terms of how many appraisals I've done.

13 COMMISSIONER MCHUGH: Using,  
14 essentially, the same tools; different  
15 properties but, essentially, the same tools?

16 MR. LAPORTE: Same tools, same  
17 process.

18 COMMISSIONER MCHUGH: And the these  
19 are tools that are not unique to you; they're  
20 standard tools in the appraisal industry, are  
21 they not?

22 MR. LAPORTE: The work I did  
23 conformed to the uniform standards of  
24 professional appraisal practice.

1                   COMMISSIONER MCHUGH:  And you've  
2                   appeared in superior court, you said, on  
3                   number of occasions?

4                   MR. LAPORTE:  I have.

5                   COMMISSIONER MCHUGH:  And can you  
6                   estimate -- you've basically described for  
7                   juries or judges the kinds of analysis,  
8                   approach and results that you've described to  
9                   us today; is that right?

10                  MR. LAPORTE:  I have on many  
11                  occasions.

12                  COMMISSIONER MCHUGH:  And can you  
13                  estimate for us, the number of occasions  
14                  you've done that?

15                  MR. LAPORTE:  Probably, about a  
16                  hundred at this point.

17                  COMMISSIONER MCHUGH:  I have no  
18                  further questions.  Any -- any questions?

19                  COMMISSIONER CAMERON:  I think  
20                  general -- our general counsel has a couple of  
21                  questions.

22                  COMMISSIONER MCHUGH:  Oh, no.  I  
23                  mean, just for Mr. LaPorte.

24                  COMMISSIONER CAMERON:  Yeah.  No.

1                   COMMISSIONER MCHUGH: Okay. Now you  
2 had a -- thank you very much, Mr. LaPorte.  
3 Commissioner, you had another --

4                   COMMISSIONER ZUNIGA: Yeah. I was  
5 just curious what -- Mr. Maddox, you mentioned  
6 the capital asset pricing model. What  
7 discount rate do you normally use these days,  
8 or did you use for this to come up with --

9                   MR. MADDOX: I would have to go back  
10 and look at my files. Our weighted average  
11 cost of capital varies depending on our cost  
12 of equity and the volatility in the equity  
13 between seven to 9 percent. And the cost of  
14 debt, if we're just looking at it on the debt  
15 side, it's between five to 6 percent.

16                   COMMISSIONER ZUNIGA: Okay. So it's  
17 -- it's essentially your -- your cost of  
18 capital that you take into account?

19                   MR. MADDOX: Yes. Yes. That's how  
20 I look at it.

21                   COMMISSIONER ZUNIGA: Thank you.

22                   COMMISSIONER MCHUGH: Mr. Weld,  
23 anything from your side before we come back to  
24 the IEB side?

1 MR. WELD: No. No questions.

2 COMMISSIONER MCHUGH: Okay. Thank  
3 you.

4 MS. BLUE: I have just a couple of  
5 questions for Ms. Sinatra. You -- you  
6 mentioned the privileged license provision.  
7 Is it a provision you commonly include in your  
8 contracts; and if so, can you explain why?

9 MS. SINATRA: Yes, is the answer is  
10 to is it commonly included in our contracts.  
11 And the reason is that we are subject to  
12 licensure in more than one jurisdiction. And  
13 as you'll hear about on Monday, we have a  
14 relatively complex and robust compliance  
15 infrastructure. And in a transaction like  
16 this we would -- where we had a big diligence  
17 period of time, we would continue to monitor  
18 any developments. And so we need to have  
19 contract counter parties who are contractually  
20 obligated to cooperate with us and with our  
21 regulators, because it happens on a regular  
22 basis.

23 MS. BLUE: And you -- you mentioned  
24 in your testimony that when Michael & Carroll

1           came out to Las Vegas you were surprised at  
2           the information that you heard. Is it -- is  
3           it common to get information like this? I  
4           mean, can you kind of describe your reaction  
5           in a little more detail?

6                       MS. SINATRA: No, it's not very  
7           common. I've actually been doing this for a  
8           long time. I've been with Wynn for about 10  
9           years. And before that I worked, and I was  
10          the general counsel at Park Place, which was,  
11          at that point, the largest casino company in  
12          the world. And prior to that, I worked for  
13          Merv Griffin when he owned Resorts  
14          International in Atlantic City, so I've been  
15          doing this a long time.

16                       I frankly have not, in my career,  
17          seen a fact pattern like this. Clearly, not  
18          under my watch or accompanied with whom I have  
19          been affiliated. I was shocked. And the  
20          sellers were made immediately aware of the  
21          degree of our intolerance for such behavior.

22                       And as I say, you will have the  
23          opportunity to discuss with us and with our  
24          compliance and security people on Monday, some

1 of the actions we took in connection with this  
2 case and in the connection with the -- with  
3 the ordinary conduct of our business. But,  
4 no, this is not a regular occurrence for us.

5 MS. BLUE: And how quickly after  
6 heard -- you got the information, did you  
7 start put a plan in place or decide to take  
8 action on this?

9 MS. SINATRA: Well, it was immediate  
10 because Jim Stern, who, again, you'll have the  
11 opportunity, and the pleasure, actually, on  
12 Monday, is our global chief of security.  
13 Mr. Stern happened to be in the building. And  
14 so, when Mr. Carroll and the FBI agents and  
15 state police were in our conference room  
16 conducting our sworn interviews we invited  
17 Mr. Stern down, talked to him about the names  
18 that were surfaced with us, and he immediately  
19 began some additional diligence.

20 So this is not something that goes  
21 through a big bureaucratic process. But one  
22 of the things that I think we pride ourselves  
23 on is, from Mr. Wynn on down, compliance and  
24 regulatory adherence is something that is core

1 to what we do. It's the reason that we can be  
2 as successful as we are.

3 And the only thing that took us so  
4 long to get to final resolution on  
5 November 26th, was that there was a continuing  
6 investigation. And so, we continued to  
7 collaborate with the IEB in the finalization  
8 of our overall report and in the resolution of  
9 these issues.

10 The first time that we saw --  
11 actually, some of the facts that I saw in the  
12 report, the first time I saw them was in the  
13 report, but the first time we were made aware  
14 of the tapes and -- and other pretty salacious  
15 information was within the past month.

16 MR. WELD: December 3rd.

17 MS. SINATRA: Thank you, Mr. Weld.

18 MS. BLUE: And then, finally, I  
19 believe the Commissioner McHugh asked you if  
20 the document was signed or notarized. Do you  
21 recall if you received any supporting  
22 documentation for Mr. DeNunzio's authority to  
23 sign that document?

24 MS. SINATRA: We did not. What we

1           relied upon, starting back in November of  
2           2012, were the Secretary of State records from  
3           the Commonwealth of Massachusetts.

4                       As everybody knows by now, this  
5           property is held in an LLC, which is quite  
6           common in the real estate business.  But  
7           public records available with respect to LLCs  
8           are somewhat limited.  We were gratified to  
9           know, frankly, in two -- the end of 2012, that  
10          the three people who had been disclosed to us  
11          were the three people who appeared on the  
12          official records of FBT, as Mr. Gaquin from  
13          Mintz Levin pulled off the Secretary of  
14          State's Web site.  And so, we corroborated it  
15          with a public records check.  And so, that's  
16          what we corroborated it with.

17                      MS. BLUE:  I have no further  
18          questions.

19                      COMMISSIONER CAMERON:  I have a  
20          couple of questions for Ms. Sinatra.

21                      MS. SINATRA:  Sure.

22                      COMMISSIONER CAMERON:  Did you  
23          personally negotiate with the sellers after  
24          you were made aware of certain -- the

1 information that came -- came from the IEB  
2 investigation?

3 MS. SINATRA: So the negotiations  
4 were generally -- took place with our outside  
5 lawyer, who was Dan Gaquin, a partner at Mintz  
6 Levin, and Paul Feldman, who is the outside  
7 attorney for Mr. DeNunzio.

8 COMMISSIONER CAMERON: You mentioned  
9 that you were surprised and unhappy earlier to  
10 hear some of this information, and that you  
11 immediately advised the sellers. Is that  
12 through the attorneys, or did you make -- did  
13 you have an opportunity to let them --

14 MS. SINATRA: Oh, no. That time I  
15 picked up the phone.

16 COMMISSIONER CAMERON: You did?

17 MS. SINATRA: Mm-hmm.

18 COMMISSIONER CAMERON: And did they  
19 react in any way to your surprise and the fact  
20 that you were unhappy about this?

21 MS. SINATRA: Well, I was actually  
22 surprised that -- that all of this  
23 investigation and interviewing had occurred  
24 for period of a months and we were unaware of

1           it. I'm sure from the IEB's perspective we  
2           were unaware of it because it was a developing  
3           investigation. I was surprised that the  
4           sellers hadn't called us to indicate that they  
5           had -- were having any issues with the IEB  
6           investigation.

7                        COMMISSIONER CAMERON: Did they  
8           react when you brought these issues --

9                        MS. SINATRA: They have continued to  
10          maintain that there are three equity owners.  
11          And they have continued to be willing to  
12          submit to us in writing and confirm that those  
13          are the beneficiaries of our -- our payments  
14          both on the option side and on the full  
15          settlement of the contract.

16                       COMMISSIONER CAMERON: Did you or  
17          the individuals negotiating have an  
18          opportunity to discuss the details of this  
19          investigation, some of the -- some of the  
20          information that was developed that may lend  
21          itself to question their assertions to you  
22          that they are the only three owners?

23                       MS. SINATRA: We actually weren't  
24          aware of it until very --

1 COMMISSIONER CAMERON: Recently.

2 MS. SINATRA: -- recently.

3 COMMISSIONER CAMERON: Right.

4 MS. SINATRA: And so we didn't get  
5 into, frankly, who shot John. Because once  
6 the regulators told us this is a problem, we  
7 go into the mode of saying, okay, we're not  
8 going to relitigate this. And I think that  
9 the IEB will probably admit that they haven't  
10 come to a conclusion or a criminal  
11 investigation.

12 COMMISSIONER CAMERON: Correct.

13 MS. SINATRA: So we took the facts  
14 as presented to us by the IEB, the seriousness  
15 of the concerns expressed by them, and  
16 immediately tried to fashion a response. It's  
17 not generally our nature to be overwhelmingly  
18 argumentative with regulators. They came to  
19 us, we believed them, and we pursued a path of  
20 cure as opposed to arguing.

21 COMMISSIONER CAMERON: The  
22 negotiations with the sellers, I mean,  
23 obviously you were able to get to a place  
24 where you are comfortable and your appraiser

1 tells you that that's an appropriate price  
2 based on the methods. Was that a difficult --  
3 difficult negotiation because they, the  
4 sellers were not admitting to any wrongdoing?

5 MS. SINATRA: Sure, it was. And  
6 they suffered a severe diminution in the value  
7 that they thought they had on this piece of  
8 property. But I suppose they could have  
9 looked at it that if we terminated this  
10 agreement and went away, the best they could  
11 do would be a fair market value for another  
12 use.

13 And so, it seemed that once you get  
14 beyond the emotion, that rational business  
15 people may come to a place that they were  
16 willing to accept that as -- as the  
17 conclusion.

18 COMMISSIONER CAMERON: Okay. Thank  
19 you.

20 COMMISSIONER MCHUGH: Anything  
21 further?

22 COMMISSIONER STEBBINS: Just to  
23 follow up on that, you get the -- the market  
24 value appraisal back. Was there any -- I

1 mean, you know, essentially for the sellers  
2 they got somebody on the hook, but certainly  
3 the -- the next potential buyer's unforeseen  
4 or maybe not even on the horizon, would you  
5 even try -- was there any thought about trying  
6 to negotiate a lower purchase price than --  
7 than what the market value came out as?

8 MS. SINATRA: Mr. Maddox always  
9 wants to negotiate a lower price.

10 COMMISSIONER STEBBINS: I assume he  
11 would, but I'm asking you that question. I  
12 know what answer he'd give me.

13 MS. SINATRA: We actually --  
14 Mr. Maddox had a pretty good view on what the  
15 comps were. So intuitively he sort of new --  
16 had an idea of where Mr. LaPorte may -- may  
17 come back. And so we had an indication of  
18 value. We, frankly, did not want to mess  
19 around. We're incredibly serious about our  
20 intentions here in the commonwealth and we  
21 knew what we had to do.

22 And so, we basically sat them down  
23 and said this is the best that can happen for  
24 you. It enabled us to close up the

1 environmental discussion, which had been  
2 ongoing on for a long time, and resolve a lot  
3 of other issues. And so, for us it was a  
4 relatively straightforward negotiation.

5 COMMISSIONER ZUNIGA: So that --  
6 that amendment has been executed?

7 MS. SINATRA: Yes, sir.

8 COMMISSIONER ZUNIGA: That's what  
9 before us, but it's already -- it's not  
10 contingent on anything necessarily?

11 MS. SINATRA: It's not contingent,  
12 although it does provide and reference that  
13 the commission needs to be accepting of this  
14 resolution.

15 COMMISSIONER ZUNIGA: Fair enough.

16 COMMISSIONER MCHUGH: Commissioner  
17 Stebbins, were you finished?

18 COMMISSIONER STEBBINS: Yes.

19 COMMISSIONER MCHUGH: Yeah.  
20 Anything further?

21 COMMISSIONER CAMERON: No.

22 COMMISSIONER MCHUGH: All right.  
23 Anything further from the IEB; does the IEB  
24 have anything it --

1 MS. WELLS: No further comment.

2 COMMISSIONER MCHUGH: -- it wishes  
3 to add at this point?

4 MS. WELLS: No.

5 MS. BLUE: No.

6 COMMISSIONER MCHUGH: All right. I  
7 think our input is completed, and now for some  
8 output discussion.

9 COMMISSIONER ZUNIGA: Maybe somebody  
10 can confirm that this beneficial ownership  
11 clause, can we be comforted that that's --  
12 that's the most that these sellers are going  
13 to get, what's before us with this amendment?

14 COMMISSIONER MCHUGH: Well, I think  
15 we've certainly heard that that is the  
16 agreement. That's the agreement that's before  
17 us for the \$35 million gross, less up to  
18 \$10 million in decontamination fees.

19 One thing we could think about is  
20 whether we would insist on all three of the  
21 principals signing the -- nobody else is  
22 getting a share of the proceeds exhibit.  
23 But -- but it seems to me that the deal that  
24 we're approving is that the \$35 million gross

1 deal and nothing else. And I -- and I think  
2 we have to make that clear in whatever -- in  
3 whatever we say. But, I mean, does that meet  
4 that head on?

5 COMMISSIONER ZUNIGA: I suppose.

6 COMMISSIONER MCHUGH: Yeah.

7 Commissioner Stebbins any --

8 COMMISSIONER STEBBINS: No. I'd  
9 like that suggestion. Maybe we can get it  
10 notarized.

11 COMMISSIONER CAMERON: Yeah. I  
12 think that's an appropriate step as well. Do  
13 you want to talk a little bit about the  
14 entire --

15 COMMISSIONER MCHUGH: Sure.

16 COMMISSIONER CAMERON: -- project  
17 here?

18 COMMISSIONER MCHUGH: Sure. No.  
19 This is -- anything that needs discussion  
20 ought to be discussed now.

21 COMMISSIONER CAMERON: Things that  
22 are important to me with this whole process  
23 is, A, that there is no evidence whatsoever  
24 that the applicant knew about what was

1           happening behind the scenes with the  
2           land tracks -- transaction. That -- that, to  
3           me, is a very important piece of this.

4                     I actually want to commend law  
5           enforcement, our state police, IEB, excellent  
6           collaborative police work and -- which I  
7           suspect may not be over, and we've turned it  
8           over to the appropriate law -- law enforcement  
9           agencies here.

10                    You know, for a situation like this,  
11           it's probably never a perfect solution. I  
12           think we have to look at the -- the best  
13           interest of the citizens, the citizens of  
14           Everett, who voted overwhelmingly in support  
15           of this project.

16                    You know, I -- I'm convinced that  
17           the applicant, the representatives took the  
18           matter seriously, understood the concerns of  
19           the IEB, and I'm convinced they -- they worked  
20           to -- to come to a resolution that we could  
21           find acceptable. I wasn't sure there could  
22           be, I'll be honest with you. But I do -- I am  
23           persuaded by, you know, that's -- this is not  
24           something the applicant wants to be involved

1 with. They took it seriously when our IEB  
2 brought them the issues.

3 And I -- I, for one, could be  
4 persuaded to -- you know, in the best interest  
5 of all parties, and I'm really talking about  
6 the people here, the citizens, more than  
7 anything else, that I could be persuaded to --  
8 to move with this resolution. And we're doing  
9 our best to keep it clean, to keep it safe,  
10 expanded gaming. And, you know, the right law  
11 enforcement folks will be taking a look at  
12 that matter. And so, from a regulatory  
13 standpoint, I believe we've done a very good  
14 job here.

15 COMMISSIONER STEBBINS: I would  
16 agree. I would echo the -- Commissioner  
17 Cameron's points about, one, the work of the  
18 IEB I think, as we've gone down the road of  
19 doing these suitability investigations, I'm  
20 not sure we've expected an investigatory  
21 wrinkle like this to pop up. But I appreciate  
22 how thoughtful and diligent our team was, and  
23 again bringing the issue to our applicant and  
24 how they responded.

1                   Coming into this, I think some of my  
2 biggest questions were addressed by  
3 Mr. LaPorte. I think it helps to get an  
4 explanation of a piece of property bought for  
5 \$8 million that's -- that has some level of  
6 contamination, or obviously a nice piece of  
7 property like that would have moved,  
8 hopefully, a lot quicker. And it was helpful  
9 to have the explanation as to how the \$8  
10 million sale price got to a fair market value  
11 of \$35 million, so I appreciated that input.

12                   COMMISSIONER ZUNIGA: Well, it's  
13 technically 25, but it's -- it's good. It's  
14 good that -- that you're saying 35, because  
15 there's 10 million that goes into remediation.

16                   I'm similarly persuaded by all the  
17 comments as well. I was very focused on the  
18 -- on the notion of remediation, how it came  
19 about to value that piece, because that's  
20 liability that applicant retains. But I'm  
21 persuaded that it's in the interest of the  
22 applicant in order to develop what they plan  
23 to develop there. To dredge and, you know,  
24 excavate a lot more than what would otherwise

1           have to be done on a commercial use, which --  
2           which is a differential when it comes to  
3           whatever liability you acquired and \$10  
4           million.

5                        So I'm also very much going -- all  
6           the comments made here relative to your lack  
7           of knowledge of the situation that was  
8           uncovered by the IEB, but your swift steps to  
9           try to address those, so it's -- it's good to  
10          hear.

11                       COMMISSIONER MCHUGH: Well, I  
12          certainly echo what -- what everybody's said  
13          thus far. The key ingredients for me are,  
14          first of all, the independence and  
15          professionalism of the IEB. Once again, the  
16          IEB pursued a narrow thread that appeared on  
17          the horizon and took it as far as it needed to  
18          go in order or to uncover some -- at the very  
19          least, some -- some coverups and some -- some  
20          lies, I think it's fair to say, that were made  
21          to investigators in a piece of a transaction,  
22          though not involving the applicant, that lay  
23          behind the applicant, and that the applicant  
24          was unaware of. And it was the IEB, and the

1 diligence of the IEB that uncovered that. And  
2 that's not the first time that that's  
3 happened.

4 So I think we're in -- we can take  
5 great comfort in the fact that the IEB is  
6 staffed by, and headed, by a professional,  
7 diligent public servants who are doing a great  
8 service to this commonwealth. So that's the  
9 first thing. We did this once again and we  
10 got -- we uncovered it.

11 The second is the applicants had no  
12 role or participation in it. And immediately  
13 upon being informed that it was there, took  
14 prompt and aggressive steps to come up with --  
15 come up with a remedy.

16 The third is that the remedy  
17 included a thought, careful exhaustive,  
18 appraisal of -- of what a fair market value  
19 would be for a noncasino use, a use that  
20 anybody who was in possession and ownership of  
21 this property could get for a noncasino use --  
22 if the property were sold for noncasino use.

23 I've seen a lot love appraisals over  
24 the years. This is as thorough, comprehensive

1           and thoughtful an appraisal as I've seen. So  
2           I have great confidence in the values that are  
3           stated there. This, of course, is all an art.  
4           You can find some appraiser who would be a  
5           little higher, a little lower. But this is --  
6           this is a thoughtful, careful, well done,  
7           thoroughly considered appraisal. And I have  
8           great confidence in it, and great confidence  
9           in the explanation that we heard today. So I  
10          think I am prepared to rely on that as -- as a  
11          value that could be obtained -- a reasonable  
12          fair value that could be obtained for a  
13          noncasino use.

14                        Therefore, I'm inclined -- not  
15          inclined. Therefore, I'm prepared to approve  
16          this as a solution to this difficult problem.  
17          We'll call for a vote here in a second. But  
18          there are two pieces of this I'm going to put  
19          in a motion, or I'd like to discuss before I  
20          make a motion.

21                        And the first is, the crux of this  
22          problem is that nobody has been candid with  
23          us. And so, a simple signed document that  
24          nobody else is going to get any money out of

1           this is not, quite frankly, good enough for  
2           me.

3                         I would like to have -- in fact, I  
4           would like to discuss with you, my colleagues,  
5           the necessity for having everybody who's going  
6           to get something out of this, sign that  
7           document saying that we're the people who are  
8           going to get it, and sign it under oath, have  
9           it notarized. So that we, finally, can get to  
10          the bottom of where this money's going.

11                        Now, that wouldn't prevent somebody  
12          who invested some money from getting the  
13          investment back. But it certainly would mean  
14          that none of the appreciation of this property  
15          that came from the sale at this commercial  
16          price goes to somebody who's been dishonest,  
17          or lack of candidness. And so I would -- I  
18          would like to see that included in -- in the  
19          ultimate resolution.

20                        And the second thing is, I would  
21          like to include in our motion that we refer  
22          everything that we've got to the appropriate  
23          law enforcement authorities. The U.S.  
24          attorney, the district attorney, the attorney

1           general.

2                       This commission cannot succeed in  
3           doing its work, if people are not going to be  
4           candid with us.  It is intolerable to have  
5           people to tell us things that aren't true.  
6           It's intolerable for people to hide things  
7           from us.  It's intolerable for people to  
8           behave in a way that requires us to chase them  
9           around to get the answers to simple facts.  
10          And we've got to demonstrate that point early,  
11          and we've got to demonstrate that point often.  
12          And so, I think it's essentially important  
13          that we include that in our disposition.

14                      So those two are open to discussion.  
15          Welcomed to hear before -- before we make a  
16          vote or make a motion?

17                      COMMISSIONER ZUNIGA:  As usual,  
18          there's very little to add to your  
19          well-articulated remarks.  I would totally  
20          agree with that.  That's where I was trying to  
21          ask about when -- when we were talking about  
22          the beneficial ownership.  And I suspect that  
23          asking them to -- all the parties that would  
24          benefit from this to sign under oath would go

1 a long way. Especially, even that this matter  
2 could be referred -- would be referred to the  
3 appropriate authorities, they would know  
4 better, to sign under oath.

5 COMMISSIONER STEBBINS: I -- I would  
6 agree with that. I think that this matter  
7 also is -- maybe should invite us -- you know,  
8 we obviously make -- place a great deal of  
9 emphasis on applications, license  
10 applications, things coming down the road. We  
11 talked about it today in terms of accurate  
12 information that both vendors and potential  
13 employees of casinos submit to us in terms of  
14 their accuracy and -- and their truthfulness.  
15 And I think at some point we discuss, maybe,  
16 some level of penalties beyond just denying  
17 somebody a license. You know, making us chase  
18 around after an inaccurate information or  
19 expend a lot of time with people that are  
20 being less than honest with us, as you pointed  
21 out. But I agree with your -- the two  
22 provision of your motion.

23 COMMISSIONER MCHUGH: Commissioner?

24 COMMISSIONER CAMERON: I'm in total

1 agreement with everyone's comments and the --  
2 certainly, the resolution as -- as you've  
3 proposed is acceptable.

4 COMMISSIONER MCHUGH: All right. So  
5 then, I move that the commission accept the  
6 resolution proposed by Wynn Mass to the issues  
7 that arose out of the land transaction about  
8 which we've heard today, with the essential  
9 ingredients that were outlined.

10 That is that the sale price be 35 --  
11 no more \$35 million with the \$10 million  
12 proviso for cleanup cost, net -- net of the  
13 \$10 million or whatever portion of that needs  
14 to be spent on -- on cleanup costs, number  
15 one.

16 Number two, that the three members  
17 of FBT, LLC, who are nominally going to  
18 receive the proceeds be required to sign a  
19 document saying that they are the exclusive  
20 recipients of the proceeds, and that they do  
21 that on a notarized document under oath.

22 And three, that the IEB be  
23 instructed to deliver its entire file in this  
24 matter -- and any -- to deliver its entire

1 file in this matter to the U.S. attorney, the  
2 district attorney for Suffolk County, and the  
3 attorney general for such action, if any, as  
4 one or more of those bodies chooses to take.

5 Is there a second?

6 COMMISSIONER CAMERON: Second.

7 COMMISSIONER MCHUGH: All in favor?

8 COMMISSIONER CAMERON: Aye.

9 COMMISSIONER ZUNIGA: Aye.

10 COMMISSIONER STEBBINS: Aye.

11 COMMISSIONER MCHUGH: The ayes have  
12 it. Aye. The ayes have it unanimously.

13 MS. SINATRA: Thank you very much.

14 COMMISSIONER MCHUGH: All right.

15 COMMISSIONER STEBBINS: Thank you.

16 COMMISSIONER CAMERON: Thank you.

17 COMMISSIONER MCHUGH: That then  
18 concludes the business for this meeting. I'll  
19 entertain a motion to adjourn?

20 COMMISSIONER STEBBINS: So moved.

21 COMMISSIONER CAMERON: Second.

22 COMMISSIONER MCHUGH: All in favor?

23 Aye.

24 COMMISSIONER ZUNIGA: Aye.

1 COMMISSIONER STEBBINS: Aye.

2 COMMISSIONER CAMERON: Aye.

3 COMMISSIONER MCHUGH: Thank you.

4

5 (Proceeding concluded at 2:39 p.m.)

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1 ON BEHALF OF THE MASSACHUSETTS GAMING COMMISSION:

2 Karen Wells, Director of Investigations and  
3 Enforcement Bureau

4 Catherine Blue, General Counsel

5

6 GUEST SPEAKERS:

7 William F. Weld, Mintz Levin

8 Kim Sinatra, Wynn Resorts

9 Matt Maddox, Wynn Resorts

10 Robert P. LaPorte, Colliers International

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## C E R T I F I C A T E

1  
2  
3 I, Brenda M. Ginisi, Court Reporter, do  
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19  
20 WITNESS MY HAND THIS 19th of December  
21 2013.

22  
23 BRENDA M. GINISI My Commission expires:  
24 Notary Public July 11, 2014