

THE COMMONWEALTH OF MASSACHUSETTS  
MASSACHUSETTS GAMING COMMISSION  
ADJUDICATORY HEARING

\*\*\*\*\*

IN THE MATTER OF: APPLICATION OF WYNN  
MASSACHUSETTS, LLC FOR SUITABILITY DETERMINATION  
FOR CATEGORY 1 GAMING LICENSE

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December 16, 2013, 9:30 a.m.  
BOSTON CONVENTION AND EXHIBITION CENTER  
415 Summer Street, Room 151  
Boston, Massachusetts 02210

1 APPEARANCES:

2

3 ON BEHALF OF THE MASSACHUSETTS GAMING

4 COMMISSION:

5 MASSACHUSETTS GAMING COMMISSION

6 Investigations and Enforcement Bureau

7 84 State Street

8 Boston, Massachusetts

9 BY: Director Karen Wells

10

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18 ON BEHALF OF THE APPLICANT WYNN MASSACHUSETTS, LLC:

19 MINTZ LEVIN

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21 Boston, MA 02111

22 BY: The Hon. William F. Weld

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24



1 EXHIBITS (Massachusetts Gaming Commission):

2 Exhibit 8.....1/21/2013 Wynn Corporate

3 Investigation Report of FBT Everett

4 Exhibit 9.....FBT Filing with Secretary of State

5 for 2010

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7 EXHIBITS(Wynn Massachusetts, LLC):

8 Exhibit 1.....PowerPoint Slide Presentation

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## 1 P R O C E E D I N G S

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3 CHAIRMAN CROSBY: Good morning,  
4 ladies and gentlemen. I am pleased to call this  
5 meeting to order. Today is Monday, December 16,  
6 2013. This is Phase 1 suitability hearing  
7 before the Massachusetts Gaming Commission  
8 relative to the application of Wynn  
9 Massachusetts, LLC.

10 My name is Steve Crosby and I am the  
11 Chairman of the Commission. I am joined today  
12 by Commissioners Cameron, McHugh, Zuniga and  
13 Stebbins. The entire Commission will preside  
14 over the hearing and decision in this matter.

15 This is an adjudicatory proceeding,  
16 which is convened in accordance with 205 CMR  
17 115.04 paragraph 3 and will be conducted  
18 pursuant to the formal rules outlined in 801 CMR  
19 1.01 subject to the clarifications contained in  
20 205 CMR 101.03 and Chapter 30A of the General  
21 Laws.

22 Before we begin, I'd like to explain  
23 the procedural history that led us here as well  
24 as the process that will govern this proceeding.

1 Wynn Massachusetts, LLC submitted a Phase 1  
2 application to the Commission. The Commission  
3 then instructed the Investigations and  
4 Enforcement Bureau to commence an investigation  
5 into the suitability of the applicant to hold a  
6 gaming license in Massachusetts.

7           The Bureau has conducted such an  
8 investigation into the qualifications and  
9 suitability of the applicant and its qualifiers,  
10 and generated an investigative report of its  
11 findings which it submitted to the Commission.

12           A copy of the report was provided to  
13 the applicant by the Commission. Based on the  
14 report, the Commission has scheduled this  
15 proceeding on its own initiative.

16           I see that a number of lawyers are  
17 present here today as usual on behalf of the  
18 applicant and the Bureau. I will ask that you  
19 each please identify yourself and advise the  
20 Commission as to whom you represent. On the  
21 applicant side?

22           THE HON. WILLIAM WELD: Mr.  
23 Chairman, good morning. My name is William  
24 Weld. I am a member of the Boston firm of Mintz

1 Levin representing the applicant Wynn Mass.,  
2 LLC.

3 CHAIRMAN CROSBY: Thank you.

4 MS. SINATRA: My name is Kim  
5 Sinatra. I am the General Counsel of Wynn  
6 Resorts and I am here representing the  
7 applicant.

8 CHAIRMAN CROSBY: Thank you.

9 MR. MACKEY: Good morning, Mr.  
10 Chairman, Commissioners. My name is David  
11 Mackey and to my left is Mina Makarious from the  
12 firm of Anderson and Kreiger. We represent the  
13 Investigations and Enforcement Bureau.

14 CHAIRMAN CROSBY: Thank you very  
15 much. At the conclusion of my opening comments,  
16 this proceeding will commence with a recitation  
17 and explanation of the investigative report by  
18 the Bureau. We will ask that the Bureau outline  
19 the manner in which the investigation was  
20 conducted and outline the findings relative to  
21 each qualifier.

22 The Bureau's presentation will  
23 largely be made by Karen Wells who is the  
24 Director of the Bureau. Director Wells is

1 joined by the consultant who has assisted in the  
2 conduct of this investigation. We will allow  
3 the consultants to offer any clarification or  
4 answer any questions during Director Wells'  
5 presentation.

6 Any Commissioner may ask a question  
7 of Director Wells or a consultant at any point  
8 during or following her presentation. At the  
9 conclusion of the Bureau's presentation, the  
10 applicant through its counsel will be afforded  
11 an opportunity to cross-examine Director Wells  
12 or a consultant relative to any information  
13 contained in the investigative report or to  
14 which they've testified. The applicant may  
15 reserve its right to cross-examination until the  
16 end of their own presentation if they so choose.

17 Next the applicant will be given an  
18 opportunity to present its case. The burden is  
19 on the applicant to demonstrate by clear and  
20 convincing evidence both its affirmative  
21 qualification for licensure and the absence of  
22 any disqualification for licensure.

23 To that end, the applicant has  
24 already subjected itself to a thorough

1 background investigation, the results of which  
2 are set out in the investigative report. Those  
3 findings will be considered in determining  
4 whether the burden has been satisfied.

5           For purposes of this proceeding,  
6 however, the applicant may call any witnesses  
7 and present any other evidence it desires in an  
8 effort to satisfy its burden. The Commission  
9 has directed that at a minimum Kim Sinatra and  
10 James Stern be available to present testimony as  
11 to the issue set forth in the notice of this  
12 hearing that was provided to the applicant.

13           I understand that Counsel for the  
14 applicant had an opportunity to meet with  
15 Counsel for the Bureau and the Commission to  
16 discuss this proceeding. The purpose in part  
17 was to clarify some of the issues that the  
18 applicant should be prepared to address in its  
19 presentation. Those are primarily the issues  
20 that are set forth in the written notice of that  
21 hearing. Is that conversation correct and did  
22 it take place?

23           THE HON. WILLIAM WELD: Yes, Mr.  
24 Chairman. The applicant is well content with

1 the procedures.

2 CHAIRMAN CROSBY: Thank you. While  
3 those areas should be included in the  
4 applicant's presentation, it may certainly  
5 address any other issues it believes may be  
6 relevant to its suitability determination.

7 Similarly, the Commissioners may  
8 certainly inquire into any issue that is of  
9 interest to us. At the conclusion of each  
10 witness's direct testimony, Counsel for the  
11 Bureau will be provided an opportunity to  
12 conduct cross examination of the witness.

13 Then each Commissioner will be  
14 afforded an opportunity to ask questions of the  
15 witness,. Any Commissioner may, however, ask  
16 any question of any witness at any time during  
17 examination or at the conclusion of the  
18 examinations. We will allow very limited  
19 redirect and recross of a witness of it is  
20 absolutely necessary.

21 Each party may raise any objection  
22 they desire at any time, however the basis for  
23 all objections must be clearly stated.

24 Finally, at the conclusion of all of

1 the evidence, the applicant will be provided an  
2 opportunity to make a closing statement, summing  
3 up why it believes it is suitable to be issued a  
4 gaming license and should be allowed to proceed  
5 to the Phase 2 portion of the process.

6           Before we begin, I understand that  
7 there a number of premarked exhibits that have  
8 been exchanged by the parties in advance of this  
9 hearing. I will now ask the Bureau's Counsel to  
10 introduce the Bureau's exhibits.

11           MR. MACKEY: Yes, Mr. Chairman. We  
12 have premarked nine exhibits including two that  
13 we have shown to the applicant's Counsel this  
14 morning.

15           The first four are the customary  
16 documents that we've introduced in connection  
17 with all of these proceedings, the notice of the  
18 proceeding, the memorandum that explains the  
19 process of the proceeding, Director Wells' cover  
20 letter and then the redacted copy of the  
21 suitability report itself.

22           Then we have five additional  
23 documents that we have premarked and that we may  
24 make use of during the course of our questioning

1 of the applicant's witnesses. And I don't  
2 believe that the applicant has any objection to  
3 the introduction any of these exhibits.

4 THE HON. WILLIAM WELD: That is  
5 correct.

6 CHAIRMAN CROSBY: Okay. Thank you.  
7 Now if the applicant has any exhibits it would  
8 like to introduce, I would ask that they'd be  
9 introduced.

10 THE HON. WILLIAM WELD: I think ours  
11 have been premarked, Mr. Chairman. And we may  
12 have some slides this morning.

13 MS. SINATRA: The only materials we  
14 have are the PowerPoint slides which we have  
15 provided to staff and to Counsel.

16 MR. MACKEY: We have no objection to  
17 them.

18 CHAIRMAN CROSBY: Okay. If either  
19 party would like to have any additional  
20 documents entered into evidence during the  
21 course of the hearing, I would ask that they be  
22 properly introduced and marked by the court  
23 reporter.

24 The Commission anticipates that its

1 inquiry at this proceeding will be limited to  
2 the matters addressed in the investigative  
3 report. In the event that a line of questioning  
4 conducted by the Commission or Bureau moves into  
5 an area that has not been included in the report  
6 but that is included as part of the  
7 investigative file and is material to the  
8 suitability determination, the applicant may  
9 request a recess in the proceedings so as to  
10 review the issue.

11           This would be an unlikely  
12 happenstance however, as the Commission  
13 anticipates addressing solely issues covered in  
14 the investigative report.

15           No final decision will be made at  
16 the conclusion of the hearing today. Instead  
17 the matter will be taken under advisement at the  
18 conclusion of the proceedings and a written  
19 decision issued. If at any point during the  
20 Commission's deliberations it determines that  
21 further testimonial or documentary evidence is  
22 desirable, it reserves the right to ask the  
23 applicant to provide such evidence prior to a  
24 suitability decision being made.

1                   We will now swear all of the  
2 witnesses in. Anyone who will be testifying at  
3 this proceeding, please stand and raise your  
4 right hand.

5

6                   WITNESSES, SWORN

7

8                   CHAIRMAN CROSBY: Note that all have  
9 answered in the affirmative. Thank you very  
10 much. Before we begin, does either Counsel have  
11 any preliminary issues or objections or issues  
12 for clarification?

13                   MR. MACKEY: No, Sir.

14                   CHAIRMAN CROSBY: Counselor?

15                   THE HON. WILLIAM WELD: No, Sir.

16                   CHAIRMAN CROSBY: With that, I will  
17 ask Attorney Mackey to begin the Bureau's  
18 presentation.

19                   MR. MACKEY: Good morning, again,  
20 Mr. Chairman, Commissioners. We will begin this  
21 morning with a presentation by Director Wells of  
22 a summary of the investigative report that was  
23 done in this matter.

24                   MS. WELLS: Thank you. Good

1 morning, Mr. Chairman and members of the  
2 Commission. It is with great pleasure that I  
3 submit the IEB's 10th and final suitability  
4 report of 2013 for Wynn Mass., LLC.

5           Once again, I would like to thank  
6 the team of Michael and Carroll along with the  
7 IEB and Massachusetts State Police investigators  
8 for their outstanding work on this  
9 investigation.

10           The specific entity seeking a  
11 Category 1 casino gaming license in  
12 Massachusetts is Wynn Mass., LLC, which was  
13 formed 2011. It is a wholly-owned subsidiary of  
14 Wynn Resorts, Limited. Wynn Resorts currently  
15 owns and operates Wynn Las Vegas and Encore at  
16 Wynn Las Vegas in Nevada.

17           It is also the owner of an interest  
18 in Wynn Macau Limited which operates Wynn Macau  
19 and the Encore at Wynn Macau in Macau's special  
20 administrative region of the People's Republic  
21 of China. The other percentages is publicly  
22 owned and traded on the Hong Kong stock  
23 exchange.

24           The officers of Wynn Mass., LLC are

1 Matthew Maddox, President and Treasurer,  
2 Kimmarie Sinatra, Senior Vice President and  
3 Secretary. They also hold positions at Wynn  
4 Resorts and are individual qualifiers.

5           The officers of Wynn Resorts and  
6 natural person qualifiers for this investigation  
7 are Stephen Wynn, Chairman of the Board and  
8 Chief Executive Officer, Matthew Maddox,  
9 President and Chief Financial Officer, John  
10 Strzemp, Executive Vice President and Chief  
11 Administrative Officer and Kimmarie Sinatra,  
12 Senior Vice President, General Counsel and  
13 Secretary.

14           Members of the board of directors  
15 who are also identified as natural person  
16 qualifiers, John Hagenbuch, Dr. Ray Irani,  
17 Robert J. Miller, J. Edward Virtue, Alvin  
18 Shoemaker, D. Boone Wayson and Elaine Wynn.

19           The Wynn Las Vegas operations  
20 consists of approximately 186,000 square feet of  
21 casino space, two luxury tower hotels with a  
22 total of 4750 hotel rooms, suites and villas, 35  
23 food and beverage outlets and other luxury  
24 shopping locations and services.

1           The Macau facilities include 265,000  
2 square feet of casino space, two luxury hotel  
3 towers with 1008 hotel rooms and suites, eight  
4 restaurants and brand-name shopping, spas,  
5 lounges and meeting facilities.

6           Wynn Resorts is also currently  
7 constructing Wynn Palace which is described as a  
8 full-scale integrated resort in the Cotai strip  
9 of Macau.

10           Wynn Mass., LLC is proposing a 350  
11 to 500 room luxury hotel in Everett with average  
12 room size of at least 600 plus square feet.  
13 Multiple restaurants will flank the casino and  
14 provide outdoor terracing overlooking the Mystic  
15 River and have spa and high-end retail space.

16           Gaming is planned for 150,000 square  
17 foot casino with you 2,500 to 3,000 slot  
18 machines and 100 to 150 table games. The  
19 project plans for lush landscaping to create a  
20 resort atmosphere in essentially an urban  
21 location.

22           The report gives an overview of  
23 Wynn's operations in both Las Vegas and Macau  
24 including security operations, surveillance

1 operations and their compliance program.

2           The Wynn Las Vegas has received only  
3 two citations from the Nevada Gaming Control  
4 Board during the past three years, and neither  
5 violation resulted in a fine. Wynn Las Vegas  
6 self-reports incidents of underage gambling to  
7 the NGCB. During 2012, seven incidents were  
8 reported. And during 2013, 10 incidents were  
9 reported.

10           The Wynn Las Vegas liquor license is  
11 current and is in good standing with no  
12 violations during the past three years. The  
13 Wynn Las Vegas AML compliance program that's  
14 anti-money-laundering compliance program was  
15 reviewed and found to be very thorough.

16           The report itself details an  
17 investigation into the sellers of the property  
18 for the proposed site. As I summarized the  
19 concerns for the Commission on Friday, I will  
20 not review those facts again. As far as  
21 suitability for Wynn Mass., LLC is concerned, I  
22 do note two things.

23           Number (1) the investigation  
24 confirmed the applicant was not complicit in the

1 identified concerning conduct. And number (2)  
2 when approached by the IEB about the concerns,  
3 the applicant proactively sought to remedy the  
4 situation so the sellers would not receive an  
5 enhanced price for the property based on gaming  
6 use.

7           The report also details the ongoing  
8 controversy between Wynn and a former major  
9 investor in the company, Kazuo Okada. The two  
10 parties are presently involved in litigation  
11 surrounding Wynn's action to remove Okada from  
12 the company after concerns arose regarding  
13 Okada's dealings in the Philippines and  
14 potential violations of the Foreign Corrupt  
15 Practices Act.

16           Okada included a counterclaim in the  
17 lawsuit that the SEC had commenced a formal  
18 inquiry into a Macau University donation. The  
19 IEB confirmed that in July 2013, the SEC  
20 announced it had terminated the investigation  
21 and found no wrongdoing on the part of Steve  
22 Wynn and his companies.

23           The IEB also confirmed the property  
24 of the donation had been fully vetted by the

1 company before it was made including legal  
2 advice approving the transaction. The Wynn's  
3 claim and Okada's counterclaims are still  
4 pending.

5           With respect to Macau, Wynn Macau  
6 opened in 2006 and has undergone subsequent  
7 expansions, the latest being the Encore at Wynn  
8 Macau in 2010. Wynn Resorts entry into the  
9 Macau gaming market has been a financial  
10 success. Since it opened in 2006, Wynn Macau  
11 operations have been the company's most  
12 significant source of revenues by a wide margin  
13 each year. Macau is the top grossing gaming  
14 jurisdiction in the world.

15           As I indicated last week during the  
16 suitability hearing last Monday for MGM, to  
17 understand concerns around gaming operations in  
18 Macau, it's important to differentiate between  
19 pre- and post-1999. It has been widely  
20 acknowledged that in the 1990s, Asian organized  
21 crime groups known as triads became prominent in  
22 the junket operation of Stanley Ho's casino  
23 monopoly. The triad presence remained high  
24 through the 1980s and the 1990s.

1           In the period 1995 through 1999,  
2 large scale violence erupted between rival Macau  
3 based triads vying for the lucrative gaming  
4 junket operation market and its related  
5 activities. During this period, Hong Kong based  
6 triads also moved into the area.

7           In December 1999 pursuant to a  
8 treaty between Portugal and China, Macau  
9 reverted to Chinese sovereignty and became a  
10 special administrative region of the People's  
11 Republic of China. Casino gaming remained legal  
12 in Macau while illegal in the PRC.

13           China took strong measures to  
14 curtail triad violence including dispatching its  
15 army and executing and imprisoning triad  
16 members. There was an immediate and drastic  
17 drop in violent crime.

18           Since 2000, a period in which  
19 there's been a dramatic rise in gaming related  
20 revenue in Macau, Macau has continued to  
21 experience a significant decline in violence.  
22 Nonetheless, concerns about organized crime  
23 persist. And I expect that the applicant today  
24 will address their approach to those concerns.

1           In 2001, the government opened a  
2 bidding process for three gaming concessions.  
3 Those concessions were granted to SJM owned by  
4 Stanley Ho's company, Galaxy Casino and Wynn  
5 Resorts.

6           Currently, in the Macau regulatory  
7 structure, there are six autonomous licenses  
8 operating approximately 35 of these casinos. Of  
9 these licensees, there are three US-based, Wynn,  
10 Sands and MGM.

11           I also discussed the gaming promoter  
12 system in Macau last Monday and indicate a  
13 significant portion of the gaming market is  
14 composed of high-stakes patrons from the PRC who  
15 almost exclusively play baccarat in dedicated  
16 VIP gaming rooms.

17           VIP gaming rooms are well-appointed  
18 suites generally located within a large casino  
19 that provide luxury accommodations and privacy  
20 exclusively for gaming by top-tier gaming  
21 patrons. The gaming promoters rely on a network  
22 of collaborators comprised of junket operators,  
23 subjunkets and agents. The structure resembles  
24 a pyramid as you go down the chain.

1           Because this lower-level network is  
2 not subject to licensing and vetting, there is  
3 an increased risk that criminal triads or other  
4 unsuitable persons may infiltrate or resume a  
5 foothold in Macau's casinos through this  
6 collaborator network.

7           In Macau, it's the role of the  
8 gaming promoter not the government to determine  
9 the suitability of the gaming promoter's  
10 partners. Wynn Macau currently has 12 gaming  
11 promoters.

12           The promoters are solely responsible  
13 for bringing customers to their respective  
14 operation. Wynn Macau supplies all of the game  
15 personnel such as dealers and game supervisors  
16 as well as security personnel and surveillance  
17 monitoring. The cage or financial center is  
18 operated exclusively by employees of the gaming  
19 promoter under the surveillance of Wynn Macau  
20 and the DICJ.

21           Only the principals and owners is  
22 disclosed on the licensing application are  
23 subject to vetting and licensure by the DICJ  
24 pursuant to regulations in Macau. Wynn takes

1 steps above and beyond those required by the DIC  
2 regulations by performing background checks on  
3 those employees of the gaming promoters working  
4 at the Wynn Macau casino including the anti-  
5 money-laundering coordinators and those  
6 employees who operate the financial cages in the  
7 gaming promoter rooms.

8           Wynn Macau advances commissions to  
9 the gaming promoters. And the gaming promoters  
10 in turn advance credit to the customer through  
11 the collaborator distribution system. Wynn  
12 Macau is not involved with the gaming promoter  
13 to customer credit issuance and collection  
14 process. Therefore, Wynn Macau has no corporate  
15 knowledge of what interest rate, if any, is  
16 charged or the manner in which debt collection  
17 is undertaken in jurisdictions that do not  
18 recognize gambling debts as legally enforceable  
19 obligations such as Macau.

20           IEB investigators reviewed the due  
21 diligence process that Wynn Macau uses for  
22 gaming promoters. It did note that  
23 investigators seldom if ever include interviews  
24 with the gaming promoters themselves, although

1 personal interviews are conducted at the level  
2 before it is forwarded to corporate  
3 investigations.

4           When negative information regarding  
5 junket personnel or activities comes to Wynn  
6 Macau's attention, the company's approach is to  
7 refer unsubstantiated or unverifiable  
8 information as well as unconfirmed intelligence  
9 to the DICJ, the Nevada Gaming Control Board or  
10 other appropriate agency.

11           Wynn Macau is fully compliant with  
12 DIC's regulatory requirements and as further  
13 detailed in the report has at times has gone  
14 above and beyond DICJ's requirements.

15           Investigators also reviewed the  
16 anti-money laundering policy at Wynn Macau as  
17 well as their procedures of politically exposed  
18 persons, which are compliant with regulatory  
19 requirements. Additionally, Wynn Resorts has a  
20 foreign corrupt practices policy prohibiting  
21 payments to foreign government officials.

22           Overall, the applicant was  
23 cooperative and provided the information  
24 requested by investigators. No issues were

1 discovered by the investigation that would  
2 disqualify the applicant entities or natural  
3 person qualifiers. As such, the IEB recommends  
4 that the Commission find the applicant, Wynn  
5 Mass., LLC, suitable subject to the following  
6 condition: that the applicant should satisfy  
7 the Commission at a hearing at the applicant's  
8 business practices in Macau meet the statutory  
9 requirement of responsible business practices in  
10 any jurisdiction. Accordingly, we are here for  
11 the hearing today. Thank you.

12 CHAIRMAN CROSBY: Any questions,  
13 response? Commissioners?

14 COMMISSIONER MCHUGH: I have none.

15 CHAIRMAN CROSBY: Then I think we  
16 will proceed to an introduction or presentation  
17 by the applicant.

18 THE HON. WILLIAM WELD: Mr.  
19 Chairman, the applicant would like to call four  
20 witnesses in the following order: Stephen A.  
21 Wynn, Founder, Chairman and CEO of Wynn Resorts,  
22 Kim Sinatra, General Counsel Wynn Resorts, Jim  
23 Stern, Senior Vice President Wynn Resorts in  
24 charge of corporate security, and Jay Schall

1 Senior Vice President Legal and General Counsel  
2 of Wynn Macau, Limited.

3 Matt Maddox, the President and Chief  
4 Financial officer of Wynn Resorts is again with  
5 us here today and available to answer questions.  
6 So, our first witness will be Mr. Wynn.

7 MR. WYNN: Thank you, Governor.  
8 First of all, can you hear me all right?

9 COMMISSIONER MCHUGH: We can.

10 CHAIRMAN CROSBY: Yes.

11 MR. WYNN: It's a pleasure to be  
12 here. In the interest of moving this procedure  
13 along and not taking any more time than is  
14 necessary but yet meeting our requirements,  
15 surely the most pressing issue in these moments  
16 is suitability. These moments of suitability  
17 would be our sensitivity to compliance and the  
18 way we run our business.

19 We have been doing this, I have, for  
20 47 years. The company was known as Golden  
21 Nugget then became Mirage Resorts and then  
22 subsequently Wynn Resorts. During that period,  
23 since I was 25 years old, I've had the chance to  
24 develop a fairly advanced sensitivity to the

1 kinds of things that are required of people in  
2 our business.

3           It isn't rocket science. It doesn't  
4 take an enormous amount of imagination. It just  
5 takes common sense. Gaming is a business that  
6 is unique. I mentioned earlier in a  
7 conversation with this Commission, and I've done  
8 so publicly that we in this industry have sort  
9 of a presumption that we need to prove that we  
10 know the difference between right and wrong, and  
11 we know how to conduct our business ethically.

12           I think that presumption is due to  
13 the unsavory and colorful history of gaming as  
14 it was conducted illegally earlier since the  
15 Depression and bootlegging days and through the  
16 early days of Las Vegas. I am fully sensitive  
17 to that.

18           And for the past 45 years I've dealt  
19 with that as best I can. And most importantly  
20 learned to be anticipatory. Anticipatory in  
21 understanding what would be expected of us and  
22 the kinds of things that would occur after the  
23 fact in questioning about our behavior at  
24 earlier times.

1           In that regard, when we entered our  
2 business career when we started in China, which  
3 is of course the most interesting subject,  
4 knowing very well about the history of our  
5 industry, the sort of you need to prove that  
6 you're worthy kind of mentality that was out  
7 there, we were entering a new market in Macau.

8           Our history in Las Vegas had been  
9 exemplary, spotless in every regard. We had  
10 been in business in New Jersey. We had never  
11 received a negative vote in all of the years,  
12 wherever we were. We had nothing to prove and  
13 nothing to explain in terms of our past.

14           But going to China represented a  
15 very interesting moment. I knew nothing of  
16 China, like most Americans. And Macau had a  
17 very, very funny reputation. It was Dodge City  
18 in many respects. I was aware of it. We had  
19 dealt to Hong Kong customers in the Mirage and  
20 at Bellagio. We had known about Asian business.  
21 Caesars Palace had a lot of it early on in the  
22 70s.

23           Now here we were with an opportunity  
24 to participate in the market. And we were lucky

1 enough, I was, to receive the first concession.  
2 They were giving two new ones, one to Stanley Ho  
3 because he had all of the employees in the  
4 buildings. But they were going to create two  
5 new primary concessions.

6 Under the aegis of the People's  
7 Republic of China following the turnover in  
8 1999, a new chief executive had been appointed  
9 named Edmund Ho. He had been educated in  
10 Canada. His family had started the first  
11 Chinese bank in Portuguese Macau called the  
12 TienPhong Bank. He was a highly respected  
13 family. He had been involved in the legislative  
14 activities of Portuguese Macau and was named the  
15 first chief executive.

16 The community had decided to expand  
17 the horizons of Macau, to take the tackiness out  
18 of it and to make it a tourist, a convention, an  
19 entertainment destination worthy of dominating  
20 Asia. Those were the decisions that were taken.  
21 And in that regard they were going to have new  
22 concessions.

23 We were lucky enough -- There were  
24 20-odd applicants. Then they made a shortlist.

1 And then we got on the shortlist. And finally  
2 they published the scores of the companies that  
3 had made their presentations in the South China  
4 Morning Post. And we were miles ahead of  
5 everyone else and we got the first concession.  
6 That was the beginning of our history there.

7           Early on, it occurred to me that if  
8 we were to maintain our reputation, we were  
9 going to have to handle this entry into Macau  
10 with a great deal of circumspection and a great  
11 deal of thought. So, when we put together our  
12 organization there, I went to a friend of mine  
13 who had been the director of the FBI and had  
14 just retired during the Bush administration,  
15 Papa Bush.

16           I asked him I said look, we are  
17 going into China. And I need to navigate some  
18 complicated waters. And I'm totally  
19 inexperienced in such things. I don't speak the  
20 language and I don't have any chance really of  
21 second-guessing the complexities of that  
22 culture. What can I do for help?

23           He said, I've got a guy for you,  
24 Steve. The FBI has never been allowed to

1 participate outside the United States until  
2 after 9/11. But because of the threat of  
3 terrorism, the FBI has been given a new brief.  
4 They now are opening offices around the world to  
5 make liaisons with all of the law enforcement  
6 and intelligence people around the world to  
7 protect Americans.

8           The FBI assistant director who was  
9 in charge of this is a man named Larry Mefford.  
10 He is the one that has opened all of the offices  
11 around the world. He is the most experienced  
12 international intelligence guy the FBI has ever  
13 had. He is just coming up for retirement. I am  
14 going to introduce him to you.

15           And I hired Larry Mefford, who you  
16 met last week because he's a new employee at  
17 MGM. I hired Larry when we were in  
18 construction. And I sat with him. And I said,  
19 Larry, you are fresh out the FBI. I remember he  
20 had a brand-new passport other than the one he  
21 used as a policeman.

22           I said Larry, we came here together  
23 during the very early days before we even broke  
24 ground. -- No, we were in construction, the

1 very early days of construction in '04. And we  
2 opened in '06, I might point out, Labor Day of  
3 '06. I said Larry, how are we going to figure  
4 out who we are doing business with here?

5 He said, good question. He said,  
6 what I'm going to do is I'm going to go recruit  
7 a guy that has worked on organized crime and all  
8 of the shenanigans in this part of the world at  
9 the Hong Kong Police Department named Lisle.  
10 And we recruited this fellow Lisle who MGM  
11 mentioned last week.

12 One of my employees in the early  
13 stages was Grant Bowie who you met last week.  
14 So, Grant Bowie met Larry Mefford with me while  
15 we were in construction. And he met Lisle, Jim  
16 Lisle while we were in construction. I  
17 recruited those men and put them in place to do  
18 background investigations and to understand the  
19 way it worked over there.

20 Who was unacceptable? Who was, a  
21 term I like to use, radioactive which meant we  
22 couldn't touch him. And who was okay? And in  
23 this world things are not black and white.  
24 Frequently, they are different shades of gray.

1           In China, the word triad was a word  
2 that in America had become synonymous with Mafia  
3 or Cosa Nostra. That was not true and it is not  
4 true today that those words are synonymous.

5           The triads started off as political  
6 action and dissension groups. And it was a  
7 short hop, I guess if you're a political  
8 dissension groups under Mao Tse-tung to get  
9 involved with other criminal or unlawful  
10 activity or prohibited activity. So, some of  
11 them engaged in loansharking and drugs and other  
12 criminal activities like prostitution.

13           But all kinds of people in China  
14 were involved or touched triads. So, triad  
15 became a word that was front and center for us.  
16 What did it mean if someone was associated with  
17 a triad? Did that mean that we couldn't have  
18 anything to do with them? Or were there some  
19 people that were okay and others that were not?

20           And it came to pass in my education  
21 by Mr. Lisle and Mr. Mefford and others that  
22 were recruited that if someone was engaged in  
23 unlawful activity or they belonged to an  
24 organization that engaged in unlawful activity

1 and they were engaged in unlawful activity they  
2 certainly were disqualified from doing business  
3 with Wynn Resorts or Wynn Macau.

4 But having some association with a  
5 triad in and of itself was not a disqualifier.  
6 On that basis we began. But again, the key to  
7 compliance is anticipation. Thinking in  
8 advance, having a modicum of imagination to know  
9 what people will expect when they look at your  
10 history.

11 So, when we started making  
12 investigative reports of people with whom we did  
13 business, we turned those investigative reports  
14 for Mr. Lisle and Mr. Mefford, we created a  
15 structure where their information went directly  
16 to our compliance committee. Excuse me. I'm  
17 getting over a cold.

18 One of the other advantages we had  
19 was that Wynn Resorts went public in '02 and was  
20 a company created after Sarbanes-Oxley was  
21 passed by the Congress. Which meant that all of  
22 our structure corporately was done after  
23 Sarbanes-Oxley and so included all of the  
24 safeguards that were instituted in the

1 securities business following the Enron scandals  
2 and such things.

3           So, we had a very anticipatory kind  
4 of structure, and very definite areas of  
5 compliance and responsibility that were built  
6 into our corporate structure.

7           But I fixed it up with Mr. Mefford  
8 and Mr. Lisle that their line of reporting would  
9 be direct apart from management directly to the  
10 compliance committee of the board of directors  
11 chaired by Governor Robert Miller.

12           That was another point. When we  
13 created a compliance committee pursuant to  
14 Sarbanes-Oxley in our new company, we did it  
15 with some anticipatory imagination again.  
16 Governor Miller had been the only two-term  
17 elected district attorney and prosecutor in Las  
18 Vegas.

19           His father had been a casino person.  
20 So, he came from a family familiar with gaming  
21 and deeply acquainted with Las Vegas. But he  
22 was the prosecutor in Las Vegas, the District  
23 Attorney for eight years and then the president  
24 of the National District Attorneys Association

1 nationwide in the United States.

2 Then he became lieutenant governor.

3 And when Dick Bryan left as governor to become a  
4 senator, he did two years of Dick Bryan's term  
5 as governor, and then with huge popular  
6 majorities, eight more years as governor  
7 himself. So, at 10 years, the longest sitting  
8 governor in Nevada history up until today.

9 And then during Clinton's  
10 administration, the chairman of the National  
11 Governors Association. A man of unquestioned  
12 integrity, total experience in gaming and  
13 prosecution and criminal affairs. He became the  
14 chairman of our compliance committee from day  
15 one of the existence of this company.

16 And I arranged with my colleagues  
17 for Larry Mefford and Jim Lisle and the whole  
18 security apparatus of the company to report  
19 directly anything that they discovered about  
20 people we did business with. People we  
21 rejected, people we accepted, went to Governor  
22 Miller.

23 Then in the summer of '06, before we  
24 opened the hotel in Macau, before we commenced

1 operation, not after, I instructed that all  
2 reports from Mr. Mefford and Mr. Lisle up or  
3 down, good or bad, would be given to the Gaming  
4 Control Board of Nevada.

5           There was no requirement to do so,  
6 but I understood that we would be subject to  
7 after-the-fact judgments. That we would be  
8 called upon to explain things in hearings like  
9 this one today. There was no guarantee that we  
10 would answer every question perfectly. Because  
11 to quote President Kennedy in his inaugural  
12 address: "Here on earth, God's work is done by  
13 men and therefore must necessarily be less than  
14 perfect".

15           But I bring up this story and I take  
16 your time this morning to put some context into  
17 the history of this company Wynn Resorts that's  
18 been public since '02 and that I started in  
19 2000. And it's consistent with the 27 years at  
20 Golden Nugget which became known as Mirage  
21 Resorts that was merged into MGM in 2000.

22           These practices are not new. They  
23 are not recent. I've been doing this for 47  
24 years. I must say, I've had good days and bad

1 days on this job. People who seek to trick  
2 people, to connive or to misbehave, they have  
3 unlimited resources to find new ways of doing  
4 it. We pretty much stay ahead of that.

5           But I have to tell you that in the  
6 years that I've been in Macau, and that's now  
7 since '01, and having been in this business for  
8 47 years, I am thoroughly impressed with the  
9 energy, the integrity that has been brought to  
10 bear in Macau by that government and that  
11 regulatory agency as they've dealt with the most  
12 historic expansion in the history of  
13 civilization.

14           Between 2002 and this morning,  
15 revenue in Macau went from about \$2 or \$3  
16 billion to \$45 billion this year. Think of  
17 that, Commissioners, \$45 billion from less than  
18 \$5 billion in 10 years. There is no comparable  
19 experience in the history of recorded  
20 civilization to the expansion, the job creation,  
21 the economic activity that's taken place under  
22 the government started by Edmund Ho and  
23 currently administered by Fernando Chui.

24           And to give you an idea about the

1 government in Macau, Fernando Chui, the Chief  
2 Executive Officer of the company got his  
3 bachelor degree in California in public health,  
4 then went to the University of Oklahoma and got  
5 his MBA in public health. And then he did his  
6 doctoral thesis in public health at the  
7 University of Oklahoma. He got a PhD. He wrote  
8 his doctoral thesis on the HMO in 1983 when it  
9 was a new thing. This is the quality of  
10 leadership in Macau today. These are very  
11 serious people who fully understand the  
12 challenges that are presented by their  
13 expansion.

14 But I have to say that it's the  
15 squarest place I've ever been. The people are  
16 wonderful. I am very proud to be in Macau and  
17 that is going to be the subject today. One of  
18 the reason I was so glad to be part of this  
19 procedure, was I want to make sure that I make a  
20 record of how proud I am to be in Macau, and  
21 what a great job I think they're doing.

22 Because everything that is said here  
23 today will be in the South China Morning Post  
24 tomorrow. Everything that happens in the world,

1 the world has shrunk. And Boston now that  
2 gambling is legal in Massachusetts, there is  
3 this giant worldwide community of regulation and  
4 exchange of information that's taking place.  
5 And everything that happens everywhere is known  
6 by everybody else.

7           When Larry Mefford came to me in  
8 '07, he said, you know Steve, all of those years  
9 in the FBI, my wife and I have always dreamed of  
10 being in Europe. I have been offered a terrific  
11 job. Because of this terrorism threat, Barclays  
12 Bank in London are worried about their worldwide  
13 antiterrorism protection. They contacted me  
14 through a headhunter, offered me a tremendous  
15 salary if I will take charge of Barclay  
16 worldwide, their banking antiterrorism for their  
17 branches.

18           I love working for you, but my wife  
19 just wants two years in London. You won't feel  
20 bad if I take advantage of it.

21           I said, no, Larry. That's great.  
22 He says, but I won't leave here until I get you  
23 somebody better than me. He said, you know my  
24 background, but there's a guy that's a friend of

1 mine that is coming for retirement that is in  
2 charge of the FBI and Asia, Asia. And he's  
3 bilingual. His name is Jim Stern.

4 He can take my place and do a better  
5 job than I can, Steve. And I'll go off to  
6 Barclays and my wife will have her two years in  
7 London.

8 I said, sure. Jim is here today.  
9 And he will be glad to talk to you about China  
10 and the things that he does and how we operate  
11 our business.

12 But I want you to know the key to  
13 compliance is anticipation and commonsense. But  
14 I don't think that any executive in my business  
15 can stand up and say that with all of that money  
16 moving around every second that anybody can keep  
17 track of it, not 100 percent perfectly.

18 But the issue is do we allow illegal  
19 activity in our casinos? The answer is no, no.  
20 Do we do everything that you can reasonably do  
21 to stop it? Yes. And I don't believe that  
22 casinos have criminal activity all of the time,  
23 everywhere by any means. And I'm here to say  
24 that. I am also here to answer your questions,

1 introduce my colleagues.

2 One other point, there's a  
3 sensitivity to problem gaming here in  
4 Massachusetts. Part of running our business is  
5 to be sensitive to problem gaming. My father  
6 was a compulsive gambler. And I broke because  
7 of it. It's a painful thing for families.

8 I was on the first board of  
9 directors of Dr. Robert Custer's Institute of  
10 Pathological Gaming many years ago and supported  
11 it financially. And I got education from Dr.  
12 Custer who has written all of the seminal work  
13 on this subject.

14 Problem gaming is like any other  
15 compulsive activity, drugs and alcohol, it  
16 destroys families. It affects a percentage of  
17 the population of the world. In gaming, Dr.  
18 Custer measured it was about one and a half to  
19 two and a half percent of the population that is  
20 susceptible to this form of compulsion.

21 But like alcohol and drug abuse,  
22 gambling abuse and its treatment depend on one  
23 essential fact, the victim has to recognize the  
24 problem and voluntarily decide that they've had

1 enough of it. That's the secret to the  
2 treatment of this illness according to all of  
3 the experts.

4 With that in mind, we are able to  
5 spot such people rather easily. If you are in  
6 my business, it's not hard to spot someone who's  
7 got a problem gaming. And we've always taken  
8 action about that when we see it.

9 There was a man whose last name  
10 begins with W, gambled when we opened Wynn. He  
11 kept playing every single day. Asked for more  
12 and more credit. He was a very, very wealthy  
13 man, a multimillionaire worth close to half a  
14 billion dollars. He applied for and got a  
15 credit limit of \$5 million. He kept a villa at  
16 the hotel and came every week.

17 He would win and lose \$1 million or  
18 \$2 million a trip. And if he owed us money, he  
19 would paid promptly. We watched this for a few  
20 months. My colleague Mark Shaw came to me one  
21 day and said -- I don't need to say his name to  
22 you in this hearing today. He said this  
23 individual Mr. W. is back. I said yes, what  
24 else is new?

1                   He said, Steve, he owes money in  
2 three other casinos. We gave him \$5 million.  
3 He's now 15. I don't think we should go any  
4 further with this guy. He's got all of the marks  
5 of what you and I call a compulsive player.  
6 This is about the hundredth conversation I've  
7 had of this sort with this guy over a period of  
8 years, my colleague. He said I want to pull the  
9 plug.

10                   I said, of course. I said, we don't  
11 need to be part of this anymore. This is all  
12 wrong. As a matter of fact, I'll deal with it  
13 myself. I know the customer. I picked up the  
14 phone while we were sitting there. I asked my  
15 secretary to call casino marketing, asked if  
16 they had his cell phone, got him on the phone.

17                   I said look, we appreciate that  
18 you've come here and given us all of this  
19 business. And you've been a gentleman to our  
20 employees. You've handled yourself in a very  
21 professional way. But I have to speak honestly  
22 to you, this it looks to me like it's out of  
23 hand. And I don't want to be part of this  
24 anymore. The company doesn't want to be part of

1 this anymore.

2 I want you to pay off the \$5  
3 million. And I want to tell you in advance that  
4 we are not going to -- We are going to cancel  
5 your credit. I don't want to be part of  
6 financing this anymore. You owe money all over  
7 town and that's not healthy for you. And it  
8 could be embarrassing for us as well.

9 I know that you are upset. He said  
10 look it, you have no right to tell me how to  
11 behave. I'm 50-odd years old. This is my  
12 money. I paid my debts.

13 I said, I know, but you've got a  
14 problem. I don't want be part of your problem.  
15 So, if you want to do this, go do it somewhere  
16 else. But if you want to play here, you play  
17 for cash, no more credit. And I'm going to  
18 deposit your check next week if you pay us. But  
19 I want to terminate the credit account.

20 Well, he said, you do what you have  
21 to do. And he hung up on me. We deposited the  
22 check. We got paid of course. The player never  
23 came back again.

24 He got buried by the opponents, by

1 the competition, ended up in an unsuccessful  
2 lawsuit. The company that gave him credit sued  
3 him. His defense was that he was taken  
4 advantage of and he won.

5 That kind of stuff negative  
6 publicity about our industry occurs when casinos  
7 don't exercise restraint and maturity. But that  
8 restraint and maturity is one of the things that  
9 the Commission should take into account in  
10 suitability and trust us to run our business  
11 properly based upon experience.

12 There are people that have applied  
13 for licenses here that don't have experience.  
14 Companies are like horses, they run true to  
15 form. People that have run their business  
16 properly for years will undoubtedly run their  
17 business properly going forward.

18 So, experience does matter as much  
19 as financial capability and all of the rest, or  
20 good taste and design. Those are all important  
21 things. But taking care of the employees, using  
22 commonsense and looking -- Your investigators  
23 have spent a fortune and they bill us for it, to  
24 find out what we're like, what's our history

1 like. And you know. And what we ask is that  
2 you accept our history for what it is, a story  
3 of best efforts, not perfect.

4 But I tell you that if you pick us  
5 to be in business in Massachusetts, we will do  
6 what we have done before, try our best. And we  
7 are here because it looks like fun. We do this  
8 because it's fun. We want to have fun building  
9 buildings, making people go wow.

10 And if I could dare to give some  
11 advice to the Commission, I would say you should  
12 pick someone that looks like fun to you. Here  
13 is Ms. Sinatra.

14 MS. SINATRA: Thank you very much.  
15 Are there any questions for Mr. Wynn before we  
16 continue?

17 CHAIRMAN CROSBY: Questions from  
18 Counsel?

19 MR. MACKEY: The Bureau has no  
20 questions of Mr. Wynn.

21 CHAIRMAN CROSBY: Commissioners?

22 COMMISSIONER MCHUGH: I may come  
23 back at the end, not at the moment.

24 MS. SINATRA: So, that person who

1 talked about animals and kids never met Steve  
2 Wynn, right?

3 My name is Kim Sinatra. And I'm  
4 going to try to go next. My job here is to give  
5 you an overview of our compliance programs both  
6 in the United States and Macau.

7 A little bit about my background. I  
8 went to Wellesley College. I graduated in 1982.  
9 I attended the University of Chicago Law School  
10 and graduated from there in 1985. I proceeded  
11 from there to become a partner at Gibson, Dunn  
12 and Crutcher in the New York office. And my  
13 specialty was real estate.

14 Through that I met Merv Griffin and  
15 I represented Mr. Griffin as an outside lawyer  
16 and then as his General Counsel in the early 80s  
17 and 90s. I have been at Wynn Resorts for 10  
18 years and that little path brings me to you  
19 today.

20 This first slide while it looks a  
21 bit messy and busy, I think what it's reflective  
22 of it is reflective of the incredible purview of  
23 compliance throughout our organization. As Mr.  
24 Wynn most eloquently told you is that the idea

1 of compliance is that it needs be an essential  
2 part of your entire corporate culture.

3 If one is to conduct one's business  
4 with integrity and in an ethical manner,  
5 compliance becomes part of what you do. And it  
6 shows up in very many ways. As Mr. Wynn also  
7 noted is the key for us on compliance is to be  
8 anticipatory. We try to develop an  
9 infrastructure before we start an area of  
10 operations that equips us to identify problems  
11 to stop them from happening.

12 Of course, being imperfect, and  
13 dealing with imperfect people, problems will  
14 arise. And the hallmark of a good compliance  
15 program is being able to identify those problems  
16 and deal with them in a reasonable way.

17 The second way I would describe a  
18 good compliance program and ours is that it's  
19 dynamic. While it is comprised of lots of boxes  
20 on charts, lots of written policies and  
21 procedures, and many job descriptions, is on a  
22 daily basis we examine ourselves. Are we doing  
23 a good job? Has anything happened that requires  
24 us to reform any portion of what we do?

1                   And while we have formal reviews,  
2 usually annually of most of our policies and  
3 clearly annually of all of our people, to the  
4 extent that circumstances occur and things  
5 happen that maybe we don't like, our compliance  
6 procedures will be reviewed and if appropriate  
7 will be reformed.

8                   So, let's take a minute to go  
9 through this slide. You can see at the top of  
10 the slide our parent company, Wynn Resorts  
11 Limited. That's our public company with a  
12 market value of about \$18 billion. It's traded  
13 on the NASDAQ under the symbol Wynn.

14                   You can see on the left-hand side of  
15 the slide, we have two operating companies, Wynn  
16 Las Vegas, which is 100 percent owned by Wynn  
17 Resorts. And then on the right side of the  
18 slide Wynn Macau, Limited, which is traded on  
19 the Hong Kong Exchange. We own 72 percent of  
20 the stock of that company, 27 percent of which  
21 is owned by public shareholders in China.

22                   The operations of our parent company  
23 are supervised by our board of directors, which  
24 you've heard about earlier. We have eight

1 members on our board, six whom are fully  
2 independent of management. The two inside  
3 directors being Mr. Wynn and Elaine Wynn.

4 Our board of directors is comprised  
5 of incredibly distinguished people. You've  
6 heard about a couple of them. Governor Miller  
7 chairs our compliance committee and is our  
8 presiding director.

9 Among the other independent  
10 directors are Ray Irani who serves as longtime  
11 chairman and CEO of Occidental Petroleum. Al  
12 Shoemaker who served as the chairman and CEO of  
13 First Boston and a longtime chairman of the  
14 Board of Trustees of the University of  
15 Pennsylvania. We are very proud of our board  
16 And we rely on their direction and oversight in  
17 the conduct of our business.

18 You see below the board, CEO and  
19 management. One of the hallmarks and essential  
20 features of a successful compliance program is  
21 what the books will tell you is the tone at the  
22 top. I think that you probably got an idea of  
23 our tone at the top from Mr. Wynn's presentation  
24 this morning.

1                   You see the next box over from CEO  
2 and management is the corporate compliance  
3 committee. This is the independent committee  
4 chaired by Governor Miller described earlier by  
5 Mr. Wynn.

6                   That committee is also populated by  
7 Mr. Maddox who serves as the president and CFO  
8 of the parent company and John Strzemp, our  
9 chief administrative officer of Wynn Resorts  
10 Limited. That compliance committee meets  
11 quarterly. It reports directly to the  
12 independent board of directors. Each meeting of  
13 our board of directors has a written agenda item  
14 for a report from Governor Miller with respect  
15 to the activities and findings of the compliance  
16 committee.

17                   The additional participants in those  
18 quarterly meetings include myself, our  
19 compliance officer Kevin Tourek who is also the  
20 General Counsel of Wynn Las Vegas. Mr. Schall,  
21 who you'll have the opportunity and great  
22 pleasure to meet in just a few minutes who is  
23 the General Counsel of Wynn Macau. Our head of  
24 internal audit, the executive director of Wynn

1 Las Vegas's casino finance department and our  
2 director of corporate compliance who is a woman  
3 called Shannon Nadeau.

4 Next to that you will see  
5 independent auditors. Ernst and Young serve as  
6 our independent auditors. Due to our public  
7 company status in the United States and Hong  
8 Kong, we are required to file periodic reports  
9 under SEC rules. Ernst and Young is our  
10 independent auditor in both jurisdictions and  
11 has been able to render unqualified opinions  
12 with respect to our financial controls since  
13 inception of our company in 2002.

14 We have a very robust internal audit  
15 department. That internal audit department  
16 again, pursuant to Sarbanes reports directly to  
17 the audit committee and the independent chair of  
18 the audit committee. So, they are independent  
19 of management.

20 Marcus Trummer who has experience  
21 with one of the big however many are left  
22 accounting firms has been our internal audit  
23 head for approximately 10 years.

24 Right below that you see corporate

1 investigations. You'll hear from Mr. Stern  
2 shortly. We have a disclosure committee, again,  
3 a creature of Sarbanes-Oxley. That disclosure  
4 committee is comprised of the functional heads  
5 of financial reporting, IT, security,  
6 surveillance and the operating companies in  
7 addition to legal.

8           That disclosure committee is  
9 responsible for reviewing all quarterly reports  
10 and annual reports before they are filed with  
11 the SEC and provide accountability down through  
12 the organization for all of the public  
13 disclosure that is made.

14           You see next to the disclosure  
15 committee, the compliance officer. That again  
16 is Mr. Tourek. He reports directly to Governor  
17 Miller in his capacity as the compliance officer  
18 and has a direct reporting relationship to the  
19 board of directors should he remain unsatisfied  
20 with any of his interactions with Governor  
21 Miller.

22           When we go down to the operating  
23 level, you'll see that at Wynn Las Vegas there  
24 is management there and a full executive

1 management team. There is a gaming compliance  
2 committee at the operating company level.

3           The Wynn Las Vegas gaming compliance  
4 committee is chaired by a very experienced  
5 gentleman named Larry Whelan. His title is  
6 executive director of casino finance. This  
7 committee meets monthly. It operates pursuant  
8 to a written agenda. While it is responsible  
9 for assuring compliance with all of the  
10 regulations promulgated by the Nevada Gaming  
11 Control Board, it has as a very large part of  
12 its function is to assure compliance with the  
13 Bank Secrecy Act obligations we have, which is  
14 filing currency transaction reports and  
15 suspicious activity reports, under the aegis of  
16 FinCEN as enforced by the IRS.

17           Under FinCEN and under our  
18 obligations under the Bank Secrecy Act, we are  
19 subject to a full audit by the IRS on our  
20 currency transaction reporting every three  
21 years. And what that means is the IRS, an  
22 entire team of them, move into the Wynn for  
23 anywhere between four and six months, and tick  
24 through thousands and thousands and thousands of

1 currency transaction reports that have been  
2 completed and filed by our organization.

3 We've just commenced our most recent  
4 audit. Our last audit three years ago was  
5 concluded with no fines being assessed and very  
6 minimal findings and was by IRS admission the  
7 most successful audit of our peers in Las Vegas.

8 As we move over to Wynn Resorts  
9 Macau, there's quite a similar structure there.  
10 Which is management, there's a gaming compliance  
11 committee there that also meets monthly. They  
12 are responsible for making sure that all of the  
13 rules and regulations promulgated by the DICJ in  
14 Macau are adhered to in the operation of Wynn  
15 Macau. And they also have as a very, very large  
16 part of their portfolio assurance that we comply  
17 with all of the currency transaction obligations  
18 in Macau, which are quite similar and mirror  
19 those in the United States.

20 They are applicable both to us and  
21 to our junket operators. That committee is  
22 chaired by the chief financial officer of Wynn  
23 Macau, a gentleman named Robert Gansmo. The  
24 other members of that compliance committee

1 include our chief operating officer, our General  
2 Counsel in China, several members of our legal  
3 and finance team, the casino controller, the EVP  
4 of casino operations, the gentleman in charge of  
5 cage operations, the director of surveillance,  
6 the executive director of gaming compliance and  
7 the senior members of the internal audit team in  
8 Wynn Macau.

9           There are US participants who listen  
10 in on those meetings. They include myself, our  
11 compliance officer, Mr. Stern, members of my  
12 team, internal audit and the compliance  
13 division.

14           In addition to the gaming compliance  
15 committee, there are two special committees in  
16 Macau that are necessary as a result of both  
17 regulatory requirements and the methods of  
18 operation. The first is the junket committee.

19           The junket committee is comprised of  
20 Mr. Schall, the president of Wynn Macau and the  
21 chief financial officer of Wynn Macau as well as  
22 a member of security. That committee is  
23 responsible for approving background of junkets  
24 before they are accepted to do business with

1 Wynn Macau and continues to supervise their  
2 operations throughout their relationship with  
3 us.

4           There is also called the PEP  
5 committee, which notwithstanding its name has  
6 nothing to do with cheerleaders. In Macau, we  
7 are required to review our entire player  
8 database for politically exposed persons as they  
9 are defined under Macau law. There is a  
10 worldwide database that includes this list of  
11 people upon which are many government officials,  
12 Chinese government officials, government  
13 officials from other jurisdictions, as well as  
14 those who may appear on certain watch lists or  
15 prohibited countries.

16           So, the PEP committee is responsible  
17 for identifying those people if they are either  
18 credit customers of ours or junkets and taking  
19 any action that is necessary under the laws of  
20 Macau.

21           Since corporate investigations and  
22 security is such an essential part of what we do  
23 in compliance, I thought it would be worthwhile  
24 for you to hear from Mr. Stern with respect to

1 his organization and some of the tools that he  
2 employs in discharging his duties.

3 MR. STERN: Good morning,  
4 Commissioners. It's nice to be back, good to  
5 see you again. My background prior to coming to  
6 work at Wynn Resorts six and half years ago, I  
7 was in the US military. I was in the Army. I  
8 was stationed in Vicenza Italy with the 509th  
9 Airborne. I discharged and went to college.

10 I went to the University of Southern  
11 California. I got a degree in international  
12 relations. I am bilingual. I'm a Japanese-  
13 American. I speak Japanese. I graduated from  
14 college.

15 And I served 25 years in the FBI.  
16 Eighteen of the 25 years in the Bureau was in  
17 the organized crime field. I served three tours  
18 at FBI headquarters. All three tours were in  
19 the Asian organized crime unit.

20 I transferred 10 times in the  
21 Bureau, which was not fun but that's the Bureau.  
22 That's the old Bureau. One of those assignments  
23 was also as the FBI attaché in Hong Kong  
24 '94/'95.

1           Again, I worked Asian organized  
2 crime, organized crime for about 18 years. I  
3 was either involved directly as a supervisor or  
4 an undercover agent in probably the three most  
5 significant operations in the Bureau in the 80s  
6 and 90s, Operation Tropical Storm, Crystal  
7 Thunder, and Royal Charm. I retired from the  
8 Bureau in 2007 as the chief of the Asian  
9 criminal enterprise unit.

10           I was fortunate enough to follow  
11 Larry Mefford, a FBI colleague of mine that Mr.  
12 Wynn referred to earlier. And I've been with  
13 the company for again, six and a half years.

14           In terms of the makeup of my  
15 department, both in Las Vegas and in Macau, we  
16 have hired the most experienced law enforcement  
17 officials both in Macau and here in the US. We  
18 have over 300 years of law enforcement  
19 experience both federal, state and local in  
20 Macau.

21           As an example, we've hired former  
22 Royal Hong Kong Police and Hong Kong police  
23 chief superintendents who have a background not  
24 only in intelligence but the Organized Crime

1 Triad Bureau, the Narcotics Bureau the  
2 Intelligence Bureau. They're very senior law  
3 enforcement officials retired and they are now  
4 working for our company at Wynn Macau.

5 On the slide, Danny Lawley is the  
6 current executive director of security for Wynn  
7 Macau. He has a staff of 14 investigators.  
8 From that staff, he's got over 150 years of law  
9 enforcement experience in Hong Kong, in the  
10 region in Macau.

11 In Las Vegas, I've got two  
12 additional retired FBI agents who work for me.  
13 The former assistant agent in charge of Nevada  
14 and also a very senior and experienced organized  
15 crime agent, who I hired about a year ago who is  
16 also part of our makeup.

17 We have again, very, very  
18 experienced security staff both in China and Las  
19 Vegas. And we take our job very, very  
20 seriously. I can tell you in my 25 years in the  
21 FBI, other than the two years after 9/11, I've  
22 never been busier in this job in my current  
23 capacity. And I spent two years in Pakistan  
24 after 9/11. So, I am very busy.

1                   Just so you know, I want to also  
2 touch on before I get into the intensive  
3 background checks, etc. that we do, to ensure  
4 due diligence and all of the backgrounds that we  
5 do on all of our employees, our junkets,  
6 vendors, etc., I want you to hear about one of  
7 our security initiative that we put into place  
8 both in Las Vegas and it will be implemented in  
9 Macau in 2016 when we have our third property  
10 there, the Wynn Palace. It's called the  
11 trifecta.

12                   The trifecta is based on experienced  
13 law enforcement officials overseeing the  
14 security department. And what that does is it  
15 focuses on experienced officials who have a  
16 specific skill set in their discipline.

17                   Now in Las Vegas, the trifecta is  
18 three individuals who have that skill set. The  
19 top person is a 30-year metro Lieutenant named  
20 Dave Logue. He's the on-scene commander. And  
21 we have a clear bifurcation between operation  
22 and administration.

23                   The operations side is supervised by  
24 a very decorated and experienced navy seal Joel

1 Beam. And on the administrative side is a  
2 career hotel security person who handles HR,  
3 etc. So, we don't comingle the  
4 responsibilities. There's a clear distinction  
5 and we delineate between operations and  
6 administration. And that's our trifecta.

7 And we're going to employ that also  
8 in Macau. It'll be a little bit different  
9 because our new property will not be contiguous  
10 to Wynn Macau and Encore. It will be across the  
11 bay. But we'll have a version of that trifecta.  
12 I also envision that trifecta here in Wynn  
13 Boston should have that opportunity.

14 Getting to the intensive background  
15 initiatives that we have, I think they speak for  
16 themselves from World-Check, etc. We are very  
17 thorough. All of our reports are sent to the  
18 regulators and enforcement agencies. We do  
19 maintenance checks. We do them every six  
20 months.

21 In addition, to the checks that we  
22 have access to, we also because of our law  
23 enforcement background, we glean and extrapolate  
24 intelligence information from our law

1 enforcement sources, etc. All of that  
2 information is put into our reports. And those  
3 reports were provided to your investigators.

4 Are there any questions at this  
5 point?

6 CHAIRMAN CROSBY: No. Proceed.

7 MR. WYNN: In observing the  
8 Massachusetts Commission recently, because your  
9 stuff is televised, there are some questions  
10 about the board of directors and management or  
11 the board's sense of self-consciousness.

12 We had a situation in our company a  
13 couple of years ago. Jim, one of our directors  
14 wanted to go in business in the Philippines, a  
15 big stockholder, a name you're familiar with. I  
16 had always heard about bad things about the  
17 Philippines, anecdotally.

18 I said Jim, I don't want to insult a  
19 fellow director but would you please use your  
20 resources and tell us about the Philippines.  
21 From the FBI and from Interpol and everybody,  
22 let's just take a look at the Philippines like  
23 any other person in my position might say.

24 Jim said sure. I said Jim but if

1 you do, have it translated into Japanese because  
2 Mr. Okada is interested. And I want to give him  
3 the courtesy of understanding any position we  
4 may take and the grounds for such position.

5 Jim went and did what he had to do,  
6 hired independent investigators, used his  
7 sources, and wrote a very thorough report that  
8 frankly speaking was a great deal of  
9 condemnation to the culture in the Philippines  
10 that tolerated a great deal of corruption on a  
11 political level.

12 There was a suggestion that was  
13 almost the way things work there. Enough for us  
14 to say we are not interested in the Philippines.  
15 Mr. Okada, read this. We did this for you. You  
16 are the largest shareholder of this company.  
17 With me, we have 25 million shares a piece. We  
18 don't need this. Read this. Hi, hi, hi Steve  
19 son, hi.

20 Well, we got going, it wasn't enough  
21 and Okada kept going. And Okada started using  
22 our names on the Internet that it was going to  
23 be a joint venture that we were going to go to  
24 the Philippines. I objected very strenuously

1 and told Mr. Okada he had to cease and desist  
2 from that activity.

3 And in one of our board meetings,  
4 which is all in your investigative reports, we  
5 asked Mr. Okada are you going to go in business  
6 in the Philippines? He said yes.

7 At an independent board meeting that  
8 day of the outside directors, Governor Miller  
9 said the other guys aren't comfortable. He's  
10 got to go. Okada had made a remark in a board  
11 meeting that when we told him about Foreign  
12 Corrupt Practices Act and how you couldn't do  
13 business in the Philippines because of the FCPA,  
14 Okada in a board meeting actually made a remark  
15 to the effect that in Asia it's different. You  
16 can use middlemen and it won't show.

17 Blood drained out of the face of all  
18 of the directors at the table. And the  
19 independent directors instructed me to get rid  
20 of Okada. And we couldn't do that.

21 In Macau, we could get rid of him by  
22 a vote of the other directors, by a vote of the  
23 other directors. But in America, you had to  
24 have a special meeting of the shareholders. You

1 had to get two-thirds of all of the shares  
2 outstanding to remove a director. An  
3 embarrassing, time-consuming, humiliating  
4 experience.

5           We said Mr. Okada, if you insist on  
6 going to the Philippines, you can't be on this  
7 board of directors anymore. You must resign and  
8 go away. Let me think about he said. I don't  
9 want it to be your idea. Don't throw me off.  
10 Let me think about it. He said this in a  
11 quarterly board meeting, the same day that he  
12 made the very incriminating remark about  
13 middlemen.

14           We had simultaneous translation for  
15 this fellow at the board meetings. People in  
16 another room, like in the UN, so that each of us  
17 could talk in English, he could hear it  
18 simultaneously. He could talk to us and we  
19 could hear it simultaneously just like the UN.

20           We had the translators there. So,  
21 Kim Sinatra and I sat down with Okada that night  
22 and told him he had to go. He answered me, let  
23 me think about it. It will be my idea. Don't  
24 throw me off. We waited a month. We called.

1 We waited another three weeks. We called. It  
2 was clear that Okada was not going to do it.

3 We got to the next board meeting,  
4 which took place 90 days later. And in the  
5 board meeting, I said Mr. Okada, do you intend  
6 to go in business in the Philippines, yes or no?  
7 He said yes. I said thank you.

8 At the conclusion of the meeting,  
9 Governor Miller ordered Ms. Sinatra to engage in  
10 a full-scale investigation of Mr. Okada's  
11 activities in the Philippines. We hired Louis  
12 Freeh, the director of the FBI, the youngest man  
13 ever appointed to the bench as a federal judge  
14 in American history, and the US Attorney for the  
15 Southern District of New York and finally  
16 director of the FBI for President Clinton.  
17 Louis Freeh conducted an investigation that  
18 revealed myriad violations of the Foreign  
19 Corrupt Practices Act, a virtual horror story.

20 We published this in an 8K when we  
21 received it on February 18 two years ago in an  
22 11-hour board meeting. We first saw the  
23 investigative report on February 18 in an 11-  
24 hour board meeting and he went through it page

1 by page.

2 On that day, we excluded Kazuo Okada  
3 from our board of directors. We redeemed his  
4 shares, but we could not exclude him. We had to  
5 go through such gyrations.

6 According to Nevada law, the board  
7 of directors is entitled to create an executive  
8 committee with the full power of the full board.  
9 The board of directors under Nevada law must  
10 meet at least once a year. In order that Okada  
11 not have any further contact with the affairs of  
12 our company, we excluded him as a shareholder,  
13 redeemed his shares pursuant to our bylaws and  
14 Nevada law.

15 And then on the spot, reorganized  
16 the board of directors in Las Vegas to put the  
17 entire board as an executive committee,  
18 everybody became a member of the executive  
19 committee except Okada so that we could conduct  
20 our business without him having any access to  
21 our affairs. We did that until we conducted the  
22 shareholder's vote. And 99 percent of the  
23 shareholders voted to remove him.

24 But my point of this long-winded

1 presentation is that the minute that we knew  
2 about this guy, we reorganized our board so that  
3 he could not be anywhere near us. That's  
4 compliance. That's what you do when you have a  
5 real strong sense of how to run the business if  
6 you've got the good fortune of having the  
7 information at your fingertips on which to act.

8 I wanted to add that in this  
9 compliance conversation about boards of  
10 directors.

11 MS. SINATRA: Thank you. Continuing  
12 on just so that you have the information is  
13 we've got a list in front of you of all of the  
14 different regulators with whom we interact on a  
15 regular basis.

16 We have the SEC and NASDAQ as a  
17 result of our public company status in the US.  
18 The Nevada Gaming Control Board, the Department  
19 of Justice and IRS as we talked about. DOJ with  
20 respect to FCPA and other items, the IRS with  
21 respect to currency transaction and Bank Secrecy  
22 Act, FinCEN is also under Bank Secrecy Act and  
23 OFAC under currency handling.

24 We switch over to Hong Kong and

1 Macau. We have a very similar set up, which is  
2 the Hong Kong Stock Exchange and its enforcement  
3 the SFC. The DICJ, which is the gaming  
4 regulator in Macau. The Financial Intelligence  
5 Office is also another regulatory agency in  
6 Macau. It is specifically responsible for  
7 currency transaction reporting. You'll see  
8 those reports referred to as HVTs or ROVE. I  
9 noticed last week they were talking about them.  
10 And a lot of that has to do with language and  
11 translation.

12 In addition, it's really important,  
13 Jim talked to you about what our internal  
14 resources are on security and surveillance. In  
15 Macau, both the judiciary police and the public  
16 security police, one is uniformed and one is  
17 not, maintain a 24/7 presence inside our casino  
18 as does DICJ.

19 In addition, Nevada takes some  
20 jurisdiction over our operations in Macau by  
21 requiring us to file quarterly reports upon  
22 which we are required to report any violations  
23 or any other adverse action that has occurred in  
24 connection with our operations outside of

1 Nevada.

2           If we go onto AML, anti-money  
3 laundering compliance, you can see in the US, we  
4 have currency transaction reports. And that's  
5 sort of a black-and-white issue. If there is a  
6 cash transaction in excess of \$10,000 you owe  
7 the report. It's applicable to all patrons. It  
8 includes foreign currency, and it is reported  
9 within 15 days to the IRS.

10           Suspicious activity reports are also  
11 mandated under the Bank Secrecy Act. They are  
12 discretionary and require us to exercise our  
13 supervision of currency transactions within our  
14 casino. And to the extent that our staff or  
15 cage is suspicious that a transaction may not be  
16 as it seems, one of these reports is filed  
17 within 30 days of the transaction.

18           We undergo extremely detailed and  
19 continuous training with respect to CTRs and  
20 SARs in the US as well as in Macau. All  
21 employees are made aware of these requirements.  
22 And the people who are responsible for  
23 implementing and administering these reporting  
24 requirements receive extensive initial training

1 and annual training in both places.

2 In Macau, you can see the high-value  
3 transaction report is very similar to a CTR.  
4 The threshold is larger. It has been since  
5 implementation of the law. That \$10,000 number  
6 hasn't moved or been indexed by the US  
7 government for, I don't know, 20 or 25 years.

8 In Macau, currency transaction  
9 reporting is applicable to all patrons including  
10 junket players. Junkets are primarily  
11 responsible for filing HVTRs with respect to  
12 their players. However, we are secondarily  
13 responsible for that under the law. So, we do  
14 training of the junkets.

15 In addition the government does  
16 training through the financial office of junket  
17 administrative staff. And each junket is  
18 required and has nominated an AML contact person  
19 with whom we liaise on a daily basis.

20 Summary reports are submitted to the  
21 DICJ. Suspicious transaction reports again,  
22 same deal is that they are discretionary. They  
23 apply both to ourselves and to junkets. And  
24 they are submitted to the financial intelligence

1 unit.

2           If we go to the next slide, this is  
3 a summary of some of the most material of our  
4 compliance programs and policies. I note that  
5 in Nevada the FCPA is left out of that list,  
6 which is of paramount importance. We have been  
7 doing annual training on Foreign Corrupt  
8 Practices Act for many years, both of hundreds  
9 of our employees and of our board of directors.

10           We also do FCPA compliance training  
11 at Wynn Design and Development, which is  
12 responsible for construction and procurement as  
13 well as at Wynn Macau for our marketing staff  
14 and procurement staff.

15           In addition to that, we have anti-  
16 money laundering, the gaming compliance program,  
17 the self-exclusion program you see limited there  
18 relates to problem gaming. It will be required  
19 in Massachusetts as well. It enables a player  
20 to come in, fill out some paperwork and say  
21 please don't give me credit or market to me.

22           We have a myriad of company  
23 policies, all of which have been reviewed by the  
24 IEB. The master of all of those is the company

1 code of conduct and business ethics which  
2 basically sets the tone.

3 We have department procedures and  
4 training for all compliance areas. There are  
5 monthly and quarterly meetings of our various  
6 compliance committees. There is reporting, both  
7 internally and to our board of directors as well  
8 as to our regulators.

9 In Macau, you can see on the right  
10 side of the slide a very similar infrastructure  
11 with some additional areas like PEP compliance,  
12 OFAC compliance.

13 Macau actually has stiffer  
14 regulations in some areas than we subject to in  
15 the United States. So, there are additional  
16 policies and procedures that we go through in  
17 Macau.

18 We have consistent company policies,  
19 starting with the company code of conduct.  
20 There are some additional policies applicable to  
21 Macau including our junket background policy.

22 There is as much training and  
23 compliance meeting and reporting in Macau as we  
24 have in our US operations and many would argue

1 probably more extensive.

2 I'm going to turn the mic. to Mr.  
3 Schall to review a little bit about our junket  
4 operators as well as the compliance and security  
5 that is relevant to our interaction with our  
6 junket operators.

7 MR. SCHALL: Good morning. It's  
8 nice to be back in Boston. You can hear me okay?

9 CHAIRMAN CROSBY: Yes.

10 MR. SCHALL: A little bit of  
11 background about myself. I am Jay Schall. I am  
12 the General Counsel of Wynn Macau, Limited and  
13 the senior vice president of legal at Wynn  
14 Resorts Macau, the operating company there.

15 I graduated from Colorado College in  
16 1995 and took a joint JD/MBA program at Tulane  
17 University, from which I graduated in 1999. I  
18 then spent about seven years in private  
19 practice, almost all of it was Skadden Arps, the  
20 last couple of years in their Hong Kong office  
21 doing all of the work for the Wynn Macau initial  
22 2004 financing, where I met Kim and Matt and Mr.  
23 Wynn and other members of the company.

24 I went in-house with Wynn in 2006.

1 And I've lived in Asia now nearly a decade, and  
2 the better part of eight years of that in Macau  
3 with a lot of frequent flyer miles to Las Vegas  
4 and now Boston.

5 Our legal team in Macau is three  
6 Portuguese lawyers and myself and some  
7 administrative staff. We have all been there  
8 since before opening. There's been zero turn  
9 over, zero attrition. We are with every  
10 department of the building.

11 In recent years, our focus as you  
12 can imagine as with every other company doing  
13 business anywhere has been compliance. I used  
14 to be a finance lawyer. Now I think I'm finance  
15 and compliance lawyer. So, I am the main  
16 contact I think for Kim and Jim and Matt and  
17 everyone else in Las Vegas for compliance in  
18 Asia. And I spend a lot of time in early  
19 mornings on the phone with Kim and Jim, five or  
20 six days a week.

21 I am going to take you through a few  
22 things. Junket overview very brief, because I'm  
23 sure you're all very familiar with the junket  
24 operation system in Macau now.

1                   Junkets organize playerships to  
2                   Macau casinos. And they extend credit and  
3                   collect money from those players. There are  
4                   over 200 licensed junket operators in Macau.

5                   Some of them are publicly traded and  
6                   incredibly large with thousands of employees and  
7                   dedicated compliance departments with dozens of  
8                   employees in those departments. Some of them  
9                   operate at vast majority of the properties in  
10                  Macau and all six concessions or subconcessions  
11                  do employ the services of junkets. They  
12                  facilitate about 60 percent of the Macau gaming  
13                  revenues. That's public information.

14                  In terms of economics, casinos pay  
15                  commissions to the junket operators. And the  
16                  junkets get working capital either from some  
17                  form of advances from casinos, which is the  
18                  system that Wynn uses, as you know, and  
19                  investments from public and private sources.

20                  Junkets are licensed and regulated  
21                  by DICJ. And the license process is extensive.  
22                  The application is very long and detailed. It  
23                  goes through shareholders, family members,  
24                  businesses, banking relationships. It's what

1 you would expect out of a full gaming license  
2 application.

3           The DICJ in conjunction with the  
4 Macau police run full criminal background  
5 checks. And licenses are only valid for one  
6 yet. So, there is sort of a mini renewal  
7 process every single year. And then there's  
8 full relicensing every three or six years  
9 depending on if the license holder is an  
10 individual or a corporation.

11           DICJ also, this isn't on the slide,  
12 puts the junkets through a nearly continual  
13 audit as they do with us. The majority of these  
14 audits focus on anti-money laundering related  
15 items. The quantity and quality of their high-  
16 value transaction reports, the structure and  
17 layout their compliance departments, the  
18 training of their compliance officers. This is  
19 a focus. And when we undergo that audit, the  
20 junkets are selected and undergo that audit at  
21 the same time. It's generally two times per  
22 year and has been intensifying over about the  
23 last three or four years.

24           Wynn puts junkets through additional

1 backgrounding procedures. As Jim went through,  
2 he showed you what we do. It's a fairly  
3 intensive background check. We used to update  
4 them annually. We now update them for the last  
5 three or four years semiannually. That at the  
6 request of several of our board meetings. And  
7 we felt it was a good idea.

8           Those reports go to our gaming  
9 regulators in the applicable jurisdictions. Our  
10 junket contract has largely been the same since  
11 2006. It's fairly short and sweet and fairly  
12 strong in our favor.

13           It has always contained an FCPA  
14 representation. It has always contained an  
15 obligation of the junket to adhere to the law in  
16 anything that they do, whether on or off of our  
17 property. It has always contained our ability  
18 to terminate them virtually instantly if we  
19 found a suitability issue with them. And it has  
20 always given Wynn full control of their  
21 operations in our building.

22           From where they operate, how many  
23 tables they get, the staff they get, the table  
24 limits. So, we keep a fairly tight hand on

1       them.

2                   We also have mandatory training for  
3 all junket employees before they start with us.  
4 In addition to going through full criminal  
5 background screening, and this is down from  
6 their tea lady to the person who runs the  
7 operations at Wynn, they get a background check.  
8 And we reserve the right to not allow their  
9 employees on our property before they start.

10                   We train them all in AML. And those  
11 junket employees who have a compliance role or a  
12 cash cage role get extra training. And that  
13 training is mandatorily refreshed every year.  
14 And our internal audit group as well as the  
15 government makes sure that that training is  
16 given to every employee before they start and on  
17 an annual basis.

18                   MS. SINATRA: To finish up our  
19 affirmative presentation on compliance, I just  
20 had a couple of random thoughts on this last  
21 page. One of the most important things about  
22 compliance is that it isn't within a silo. And  
23 I think one of the things --

24                   CHAIRMAN CROSBY: It isn't what? I

1 didn't hear what you said. A silo, okay.

2 MS. SINATRA: A silo, I'm sorry.

3 One of the things that became apparent is that  
4 on Friday for us is that cooperation between the  
5 regulator and the regulated is essential to  
6 getting to the place where you want to be.

7 So, we have an ongoing dialogue and  
8 a cooperation with our regulators on every  
9 level. And we generally take that as a  
10 principle to principle. You won't find layers  
11 of lawyers and outside advisor to talk to,  
12 although we appreciate them very much. You  
13 won't find them fronting for us in your  
14 interactions with us. We generally like to show  
15 up and be accountable for our actions.

16 The chairman of our corporate  
17 compliance committee, Governor Miller goes to  
18 Macau at least once a year. He meets at that  
19 time with the head of the DICJ as well as the  
20 chief of police and other senior law enforcement  
21 agencies directly because he wants to be sure  
22 that he's not hearing filtered information  
23 through management. So, he finds that to be  
24 very helpful.

1                   He also goes and meets annually with  
2 regulators in Nevada to talk about whether or  
3 not we are doing a good job as a company. And  
4 he reports that back to the full board of  
5 directors.

6                   Nevada has begun a very, very  
7 positive outreach with the DICJ. I think that  
8 one of the things that maybe IEB has found, and  
9 I would encourage all of you, is that the gaming  
10 regulatory world is relatively small. I think  
11 that people who operate in that world as  
12 regulators get a lot of benefit from talking to  
13 one another.

14                   They get to share information about  
15 of all of us. And they get to share information  
16 about issues that they may be seeing in their  
17 jurisdictions. So, Nevada I think was out last  
18 week meeting with DICJ because they've got three  
19 of Nevada operators working in Macau. So, they  
20 want to make sure that they have a good open  
21 communication with the DICJ regulators.

22                   We participate in industry  
23 roundtable discussions. The topic du jour is  
24 anti-money laundering and compliance in the US

1 and abroad. As you can see, FinCEN has been  
2 very, very active with Las Vegas operators. We  
3 always want to make sure that we have sort of  
4 best in class policies and procedures.

5 And we keep on retainer outside  
6 experts in those areas to advise us of changes  
7 that are happening, changes either in attitude  
8 or changes in regulations.

9 So, I think with that I can conclude  
10 our affirmative presentation on compliance and  
11 we're available for your questions.

12 CHAIRMAN CROSBY: Thank you. We  
13 sort of did all of the witnesses at once rather  
14 than one by one, but I think that's okay. You  
15 can manage your questions.

16 Why don't we take a quick break  
17 before we get into the next round.

18 COMMISSIONER MCHUGH: There was a  
19 raised hand there.

20 THE HON. WILLIAM WELD: I had a  
21 couple of questions, Mr. Chairman, but I'll do  
22 it after the break.

23 CHAIRMAN CROSBY: Okay. Thanks.  
24 Sorry, I didn't see that.

1 (A recess was taken)

2

3 CHAIRMAN CRSOBY: Why don't we  
4 reconvene. We will pick up. I do just want to  
5 make sure. I think this is clear to everybody,  
6 just to make sure everybody has a heads-up,  
7 particularly the Wynn Resorts group, we will  
8 break for lunch around 12:00 and then at 1:00  
9 will be convening -- the Commission has a  
10 special session that hopefully won't be more  
11 than about a half-hour from 1:00 to 1:30. Are  
12 you familiar with this?

13 MS. SINATRA: No.

14 CHAIRMAN CROSBY: We have something  
15 we have to do from 1:00 and 1:30 in a separate  
16 meeting. So, we won't reconvene this in session  
17 until give or take 1:30.

18 MS. SINATRA: So, you want us back  
19 at 1:30?

20 CHAIRMAN CROSBY: Yes, thereabouts.  
21 I thought you knew about that, sorry. It's just  
22 something else we have to do to get out of the  
23 way before we reconvene this meeting after  
24 lunch. Is that all right?

1 MS. SINATRA: Certainly.

2 CHAIRMAN CROSBY: Okay, Mr. Mackey.

3 MR. MACKEY: Mr. Chairman, I believe  
4 Governor Weld had a couple of questions.

5 THE HON. WILLIAM WELD: I am going  
6 to waive those until after.

7 MR. MACKEY: Okay. Thank you.

8

9

10 EXAMINATION OF KIM SINATRA BY MR. MACKEY:

11

12 Q. Ms. Sinatra, good morning. Can you  
13 hear me okay?

14 A. I can but I don't know if anyone  
15 else can.

16 Q. Is this mic. on? Is it okay?

17 CHAIRMAN CROSBY: Yes. You're fine.

18 Q. (By Mr. Mackey) I want to focus  
19 this morning, Ms. Sinatra, on the due diligence  
20 performed by Wynn in connection with this  
21 acquisition of the property in Everett.

22 A. Sure.

23 Q. Just to set the stage, I understand  
24 that, and this was likely your first involvement

1 in that acquisition, that you flew to Boston  
2 with Mr. Maddox at some point in November 2012;  
3 is that correct?

4 A. Correct.

5 Q. Was it just the two of you, yourself  
6 and Mr. Maddox?

7 A. That's my recollection.

8 Q. And at that time, you met with Mayor  
9 DeMaria and you also toured the site?

10 A. DeMaria, but yes.

11 Q. Excuse me, Mayor DeMaria. Then  
12 shortly after that visit, Wynn signed a  
13 memorandum of agreement or a letter of intent  
14 with respect to the potential of entering into a  
15 more formal option agreement?

16 A. That's correct.

17 Q. And I believe the date of that was  
18 November 27. Does that ring a bell?

19 A. That's my recollection.

20 Q. Prior to November 27, the execution  
21 of this call it preliminary document, the  
22 memorandum of agreement, Wynn performed some due  
23 diligence in connection with that current  
24 ownership of that site; is that correct?

1           A.     That's my recollection.  Is it  
2 helpful for you if I sort of give you an  
3 overview in a circumstance like this we would  
4 approach the due diligence or do you want to  
5 just ask questions?

6           Q.     Let me just focus in, and then to  
7 the extent you can't remember and your practice  
8 would be useful for us to hear that would be  
9 great.  Let me just ask some further questions  
10 here.

11                     Do you have the report in front of  
12 you, the redacted report that's been entered  
13 into evidence as Exhibit 4?

14           A.     I do.

15           Q.     Page 61.

16           A.     Okay.

17           Q.     There's a paragraph in the middle  
18 there that begins with in addition.  Do you see  
19 that?

20           A.     Yes.

21           Q.     "In addition, the IEB investigation  
22 also confirmed that in November 2012, the  
23 applicant performed some initial due diligence  
24 on the sellers.  They confirmed that the three

1 identified sellers that is Lohnes, Gattineri and  
2 DeNunzio were in fact the owners as listed on  
3 the legal documents," etc. etc.

4 Do you see that?

5 A. I do.

6 Q. Does that refresh your recollection  
7 at all about an initial due diligence exercise  
8 in November that was just limited to determining  
9 the ownership of the property?

10 A. Again, it's a general recollection.  
11 I know that Dan Gaquin, who was the real estate  
12 partner at Mintz Levin pulled the Secretary of  
13 State filings for this LLC that was our contract  
14 counterparty. It identified all of Lohnes,  
15 Gattineri and DeNunzio. It was consistent with  
16 our experience as well, because first we met  
17 with DeNunzio on our first trip to Everett. And  
18 at either that meeting or one in very close  
19 proximity, we met Mr. Lohnes.

20 Q. If I understand your answer, it  
21 would've been Wynn's practice to at least look  
22 at the Secretary of State filings for the LLC  
23 which owned the property; is that correct?

24 A. Yes.

1 Q. Do you recall what those filings  
2 with the Secretary of State's office showed at  
3 this time in November?

4 A. I'm not sure that I ever looked at  
5 them personally, but I was advised by Gaquin  
6 that they were Lohnes, Gattineri and DeNunzio.  
7 Are you aware of whether Mr. -- By the way, who  
8 is Mr. Gaquin?

9 A. Dan Gaquin is a partner at the firm  
10 of Mintz Levin. They have been representing our  
11 company for some number of years in our  
12 activities in the Commonwealth of Massachusetts.

13 Q. Thank you. Did Mr. Gaquin -- And  
14 did he communicate directly with you or was it  
15 with a another person at Wynn that he worked  
16 with?

17 A. He was working with many of us but  
18 he would have communicated that to me most  
19 likely.

20 Q. Did Mr. Gaquin tell you in November  
21 2012 how far back in time he went with respect  
22 to the Secretary of State filings?

23 A. No.

24 Q. Do you know if he -- Did Mr. Gaquin

1       communicate to you that he had reviewed all of  
2       the filings for the LLC, which owned the  
3       property?

4           A.     No, but I wouldn't have expected him  
5       to either.

6           Q.     Did you know at the time in November  
7       how old this company was when it was founded?

8           A.     No.

9           Q.     Let me just draw your attention to  
10       Exhibit Number 9, which is hopefully contained  
11       in the documents that I gave you.

12          A.     That's the one you handed me this  
13       morning?

14          Q.     Correct.

15          A.     Okay.

16          Q.     Just for the purposes of record,  
17       this is the annual filing for FBT Realty, LLC  
18       with the Secretary of State. Right there at the  
19       top it reflects it was filed on February 15,  
20       2011. Do you have that document in front of  
21       you, Ms. Sinatra?

22          A.     I do.

23          Q.     And it reflects on the second page  
24       of the document underlying A3 current executives

1 of the LLC. Do you see that?

2 A. I guess I would object to your word  
3 current but --

4 Q. I'm sorry as of the time it was  
5 filed. Sorry.

6 A. Sure.

7 Q. And those people are Gary DeCicco,  
8 Paul Lohnes and Dustin DeNunzio, correct?

9 A. Yes.

10 Q. Do you recall at this time in  
11 conversations with Wynn's attorney any reference  
12 to Mr. DeCicco? This is back in December 2012.

13 A. They were none.

14 Q. If I could draw your attention --  
15 Let me just back up a second. At this time  
16 again in November, any further investigation  
17 done of the three owners or really was it just  
18 to determine who the current ownership was?

19 A. This is where I'm going to have to  
20 tell you a little bit about practice. So, there  
21 are couple of things that are going on at the  
22 same time as our initial conversation with the  
23 FTB Everett owners is that we are negotiating  
24 formal documentation, which includes a very

1 extensive due diligence on all matters related  
2 to the acquisition.

3           And we included, as we reviewed on  
4 Friday, our privilege license language within  
5 the contract. That required both cooperation  
6 with our own internal compliance efforts and  
7 with any regulatory inquiry that may come with  
8 respect to the land.

9           So, the way that diligence is  
10 dynamic and continuing, so it often begins with  
11 a phone call from either myself or Mr. Tourek to  
12 Mr. Stern's group. If something is going  
13 relatively quickly, as this contractual  
14 relationship was going, Mr. Stern has the  
15 ability to do sort of a preliminary public  
16 records type of review, which would involve  
17 criminal records, property records, whatever  
18 they could pull up on the computer, which would  
19 be completed within a relatively short period of  
20 time, and we could receive an oral report about.

21           And if the transaction is going to  
22 go forward or continue that's generally followed  
23 up by some kind of written document that comes  
24 anywhere from three to six weeks later.

1 Q. So, that would be consistent with  
2 what's in the report on page 61, an initial  
3 review and it was likely just the Secretary of  
4 State filings, correct?

5 A. It may have been, yes.

6 Q. Let me draw your attention to a  
7 document that we've marked as Bureau Exhibit 5,  
8 which is for the record a December 14, 2012  
9 article in the Boston Business Journal. And the  
10 headline of the article is Everett Casino Site  
11 Could Be a Gamble for Wynn.

12 A. I see it.

13 Q. Do you recognize this document?

14 A. I do. I've seen it many times since  
15 December. It's been of immense importance in  
16 the investigation.

17 Q. Is it a document that recall you saw  
18 in December when it was published?

19 A. I likely saw it in December. I  
20 don't have any current recollection since I see  
21 so many things. But I do remember that the  
22 journalist either a day or two before he wrote  
23 the article called our company with his theory.

24 Q. So, this is Mr. Moore calling?

1 A. Yes.

2 Q. Do you recall that conversation with  
3 Mr. Moore, what he said, what you said?

4 A. I actually didn't talk to him  
5 personally. He reached out to PR. So, he  
6 would've talked to someone in Michael Weaver's  
7 group asking for a comment. Since it had to do  
8 with the Everett project, Michael called me to  
9 say hey, do you know anything about this?

10 Q. Let me just ask you this again so  
11 the record is clear, do you have a recollection  
12 of reading this article on or about the time  
13 that it was published in --

14 A. I don't remember particularly. I've  
15 seen it so many times since.

16 Q. If you could turn to page two of the  
17 article?

18 A. Sure.

19 Q. Right in the middle of page two  
20 there is a one sentence paragraph: "If Wynn's  
21 Everett casino gets passed Monsanto, Menino and  
22 Thibeault, it may still face a final obstacle in  
23 Gary P. DeCicco."

24 Do you see that?

1           A.     I do.

2           Q.     Do you recall hearing Mr. DeCicco's  
3 name in connection either with the reporter's  
4 outreach to Wynn or reading it in this article  
5 at any time in the month of December?

6           A.     It was in the initial outreach,  
7 because it's a name I had never heard before.

8           Q.     So, when you say it was in the  
9 initial outreach --

10          A.     With the conversation he called -- I  
11 found Boston to be such an interesting place.  
12 The media is very, very interested in lots of  
13 what's going on with respect to your potential  
14 new industry. And frankly, we get a phone call  
15 two or three times a week with a bunch of  
16 cockamamie theories.

17                   This particular article has three  
18 theories. One, this is impossible because it's  
19 so overly polluted you'll never be able to do  
20 it. The second theory is oh and by the way,  
21 it's in Boston, so you'll never be able to do  
22 it. And the third theory is and by the way  
23 there's a bad guy in there.

24                   So, I will tell you, and I don't

1 mean to be flippant about it, but our company  
2 has endured over a year of maligning and  
3 potential maligning of our integrity, our  
4 directors, our operations. And I think a few  
5 people in this room are sort of getting the idea  
6 of what it feels like for having cockamamie  
7 theories called and tried out on you on a weekly  
8 basis.

9 But I will say that the first time I  
10 heard Gary DeCicco's name was in the context of  
11 an article. Some of the things were retreads  
12 which was it's in Boston and it's overly  
13 contaminated, and some of which were new.

14 Q. You described a few minutes ago this  
15 November document, which is the memorandum of  
16 understanding --

17 A. Yes, Sir.

18 Q. -- that ultimately led to a formal  
19 option document that you executed with the  
20 owners of the property, correct?

21 A. Yes.

22 Q. And that more formal option  
23 agreement was executed on December 19, 2012?

24 A. Correct.

1 Q. Here's my question, and who signed  
2 that document by the way on behalf of Wynn?

3 A. On behalf of?

4 Q. Of Wynn.

5 A. I believe Mr. Maddox did, but I'm  
6 not looking at it.

7 Q. At the time that Mr. Maddox signed  
8 that document on December 19, was anyone at Wynn  
9 -- Let me ask, were you aware that there was  
10 this story in the Boston Business Journal that  
11 Mr. DeCicco may at one point in time have had an  
12 ownership interest in the property?

13 A. Yes.

14 Q. You were aware of that?

15 A. Yes.

16 Q. Did anyone at Wynn suggest that  
17 article, the linking of Mr. DeCicco's name with  
18 this property cause Wynn to do some further due  
19 diligence before it signed the option agreement?

20 A. This is how it went. The journalist  
21 called and tried on his various theories with  
22 Mr. Weaver. The new one was, again, this  
23 allegation of Mr. DeCicco. We had no knowledge  
24 of involvement with Mr. DeCicco. So, we called

1 Dustin DeNunzio who was our contact with the  
2 sellers to say gosh, we got this funny phone  
3 call. Who is Gary DeCicco and is he part of  
4 your deal?

5 He said that DeCicco was not an  
6 equity owner of the deal. And they actually  
7 gave a written statement to the journalist to  
8 that fact. And I think the journalist actually  
9 received it because he writes: Dustin DeNunzio  
10 told me that DeCicco has been out since January  
11 2012.

12 So, the article resolved the issue  
13 about whether DeCicco was in or out consistent  
14 with our current understanding. So, it frankly  
15 didn't change our due diligence. Our due  
16 diligence was commenced and in process. It  
17 didn't change what we were doing.

18 Q. So, it'd be fair to say that the  
19 first you heard Mr. DeCicco's name was around  
20 the time this reporter called. So, that would  
21 have been a few days before the December 14  
22 story, correct?

23 A. That's my recollection.

24 Q. Around there. Then the option

1 agreement, the formal option agreement was  
2 executed on December 19, correct?

3 A. Correct.

4 Q. So, in that interim what I'm asking  
5 is was there any further diligence done by  
6 anyone at Wynn in connection with Mr. DeCicco  
7 particularly?

8 A. There was not particular diligence  
9 done with respect to DeCicco. The overall deal  
10 investigation was continuing.

11 Q. You're anticipating where I'm going,  
12 because I want you to turn to the next exhibit,  
13 which is number six.

14 A. Mine aren't numbered. So, if you  
15 can tell me what this is that would be great.

16 Q. Bureau Exhibit 6, it's a huge page  
17 that says redacted on it with an email that  
18 begins at the very bottom of the page.

19 A. From Dustin DeNunzio?

20 Q. Yes, that's right. Do you recognize  
21 that email, Ms. Sinatra?

22 A. I see it now. I get hundreds of  
23 them every day. But I have no reason to  
24 disagree with it.

1 Q. This email is dated January 17,  
2 2013?

3 A. Yes.

4 Q. It's an email from Mr. DeNunzio to  
5 you. And it starts with: Kim, I assume that  
6 you received the quote that we sent to the  
7 Boston Herald. If you want the party line to be  
8 changed at all, please let us know.

9 Then the next paragraph begins: Per  
10 our conversation, below are the three people who  
11 have an interest in FBT Everett Realty.

12 Do you see that?

13 A. Right.

14 Q. It says per our conversation. So,  
15 what conversation was this? Is this the one you  
16 were just referring to you where you called Mr.  
17 DeNunzio and asked for further information?

18 A. I don't remember. He refers to a  
19 conversation. I've had many with Mr. DeNunzio.

20 Q. So, you don't remember what prompted  
21 the conversation with Mr. DeNunzio?

22 A. I don't. And he's referring to a  
23 different publication. So, I don't know if this  
24 -- He's referring to the Herald. So, there is

1 this other phenomenon which is I call it piling  
2 on. I don't know if the Boston Business Journal  
3 was sort of first on this and then the Herald  
4 took the bit and it got passed on. I don't  
5 really recall. There's hundreds if not  
6 thousands of pages of media on these issues.

7 Q. Do you recall in the conversation  
8 that you had with Mr. DeNunzio, at least the  
9 conversation referenced here, do you remember  
10 anything about that conversation?

11 A. Again, you're trying to -- And I  
12 don't mean to be picky with you, I'm sorry. --  
13 is that there isn't a particular conversation.  
14 He's referring to one, but there were many,  
15 several, whatever over the course of a period of  
16 time.

17 Q. Okay. Do you recall around this  
18 period of time in January, Mr. DeNunzio saying  
19 anything to you about Mr. DeCicco?

20 A. No. The conversation we had about  
21 DeCicco was quite definitive, which is DeCicco  
22 is was not in. We are prepared to make that  
23 statement publicly, which they did to the Boston  
24 Business Journal. And the Boston Business

1 Journal believed him, at least enough to report  
2 it that way.

3 Q. So, that was what Mr. DeNunzio was  
4 quite definitively telling you at that point in  
5 time, correct?

6 A. Yes.

7 Q. Did you ask Mr. DeNunzio what  
8 happened to Mr. DeCicco's interest?

9 A. No.

10 Q. Did you ask Mr. DeNunzio who Mr.  
11 DeCicco had conveyed his interest to?

12 A. No, I didn't. I was interested in  
13 who the current owners were.

14 Q. Did you ask Mr. DeNunzio or did  
15 anybody at Wynn to your knowledge ask Mr.  
16 DeNunzio for documents that reflected Mr.  
17 DeCicco's transfer of his interest?

18 A. No, I did not.

19 Q. Mr. DeNunzio on January 17 sends you  
20 this document that we've marked as Bureau  
21 Exhibit 6, correct?

22 A. Yes.

23 Q. Do you recall what you did with this  
24 email once you received it? Did you pass it

1 onto anybody?

2 A. I don't know what I did with this  
3 particular email.

4 Q. Did you at this point with the  
5 information you were receiving from Mr. DeNunzio  
6 ask Mr. Stern, for example, to investigate  
7 further the current ownership of the property?

8 A. We looked at the current owners.  
9 And I actually did ask Mr. Stern to do some  
10 diligence about Mr. DeCicco to see who he was.

11 Q. That's helpful. If you could turn  
12 then to Exhibit Number 8 for a minute.

13 A. You're going to have to describe it  
14 for me.

15 Q. Exhibit Number 8 is the document,  
16 Ms. Sinatra, we showed you this morning.

17 A. (Witness indicating)

18 Q. Hold it up again. Yes, correct.  
19 This is, for the record, a report of an internal  
20 corporate investigation done by Wynn on or about  
21 January 21, 2013. Do you have the document in  
22 front of you?

23 A. I do.

24 Q. Have you seen this document before?

1           A.     I'm not sure that I have seen it  
2 before, but it's in the usual form of our  
3 reports.

4           Q.     And it reflects a corporate  
5 investigation performed by Wynn or at least that  
6 someone at Wynn was asked on January 21, 2013 to  
7 perform, correct?

8           A.     It's interesting, because when you  
9 handed it to me, I figured you had a reason for  
10 it. And I figured that the reason was the  
11 January 21, 2013 date.

12                     So, the way that it works, I don't  
13 think the request was made on January 21. I  
14 actually think the date of the report is  
15 probably January 21, but I'm speculating.  
16 Because the way that we do it is that there is  
17 an oral request, an oral report and then  
18 generally a follow-up of a written report.  
19 Frankly, if there's no adverse information, I  
20 may not see the final report. It may go  
21 directly to the compliance committee.

22           Q.     You said just a minute ago that what  
23 was important to Wynn at this point in time was  
24 the fact that Mr. DeCicco was out of the deal.

1 He was no longer an owner of the property,  
2 correct?

3 A. Correct.

4 Q. So, there's an investigation  
5 performed on January 21, 2013 by Wynn of FBT  
6 Everett, LLC, which is the seller, correct?

7 A. Correct.

8 Q. And then three key executives Mr.  
9 DeNunzio, Mr. Lohnes and Mr. Gattineri, correct?

10 A. Correct.

11 Q. And it reflects that the resources  
12 used during the investigation encompass  
13 government sources, private sector databases,  
14 media articles and other confidential sources.  
15 Do you see that?

16 A. I do.

17 Q. But the report is only directed at  
18 the current owners of the company, correct?

19 A. Correct.

20 Q. Do you have any reason to believe,  
21 and again maybe this is a question that's better  
22 directed to Mr. Stern, why there is no reference  
23 in the body of this report to the Boston  
24 Business Journal article that appeared five

1 weeks previously?

2 MR. STERN: I think Ms. Sinatra  
3 explained that. We backgrounded the current  
4 owners of the property. And that's what we did  
5 at that time. It was documented as such.

6 MR. MACKEY: But it also appears  
7 that you were attempting to background FBT  
8 Everett, LLC; is that correct -- at least that's  
9 what the front page of the investigation report  
10 says.

11 MR. STERN: It was the three  
12 individuals that were backgrounded at that time.  
13 I think you're reading too much into the  
14 vernacular on this. The individuals who were  
15 backgrounded per our protocols were the current  
16 owners of the property.

17 And we did use all of the resources  
18 that we had access to. Again, we're not law  
19 enforcement. So, we don't have subpoena power,  
20 we don't have some of the traditional things  
21 that we can use when I was in law enforcement.  
22 But we did our due diligence checks on the  
23 current owners of the property.

24 MR. MACKEY: Would that due

1 diligence check have included, for example, a  
2 Google search on the three individuals  
3 identified?

4 MR. STERN: Would the due diligence  
5 check?

6 MR. MACKEY: Yes.

7 MR. STERN: We don't always depend  
8 on Google.

9 MR. MACKEY: I should say an  
10 Internet search.

11 MR. STERN: Our resources are such  
12 that I think they were explained in that prior  
13 slide. We look at the individuals, what their  
14 history is. And those individuals again were  
15 the individuals who currently own the property.

16 MR. MACKEY: So, you don't have any  
17 recollection, Mr. Stern, of in connection with  
18 this investigation whether it was the three  
19 individuals or the company itself of you  
20 generating any information whatsoever related to  
21 Mr. DeCicco?

22 MR. STERN: I don't have that  
23 recollection.

24 MR. MACKEY: Okay. Thank you.

1 Q. (By Mr. Mackey) Ms. Sinatra, this  
2 investigation was done in January 2013. Then I  
3 want to take you forward in time. You testified  
4 on Friday that you received an email from some  
5 of the investigators that were working on this  
6 matter, I believe you said in July 2013, related  
7 to the ownership of the Everett property,  
8 correct?

9 A. That was my recollection of the  
10 timeframe.

11 Q. Do you recall between January 2013  
12 and July 2013 any further diligence work at Wynn  
13 related to the ownership of the Everett  
14 property?

15 A. I do not.

16 Q. Do you recall any curiosity at this  
17 point, at any point between January and July  
18 2013, about what had happened to Mr. DeCicco's  
19 interest in the property?

20 A. No.

21 Q. You testified on Friday, I think you  
22 said that you used the word shocked, if I'm not  
23 mistaken, to learn that there might be some  
24 hidden ownership interest in the seller entity

1 FBT?

2 A. I was surprised that it was beyond  
3 some of this scurrilous reporting. The  
4 investigators had been incredibly thorough. So,  
5 when they came to us and talked to us, they  
6 actually at that point in July did not tell us  
7 what they were able to tell us in November of  
8 this year that culminated with us coming to some  
9 resolution with respect to this issue.

10 But they indicated and I believed  
11 them that they had some serious concerns about  
12 the credibility of people who had been appearing  
13 before them.

14 Q. The scurrilous reporting you're  
15 talking about, is that the Boston Business  
16 Journal article?

17 A. It didn't stop. If you would like  
18 to do a Google search, you could find a lot.

19 Q. The Boston Business Journal article  
20 though simply said that Mr. DeCicco had  
21 previously had an interest, correct?

22 A. Right.

23 Q. And we know as a matter of fact that  
24 that is true?

1 A. Correct.

2 Q. And in fact that's reflected on the  
3 Secretary of State's website?

4 A. Correct.

5 Q. Do you recall being asked a series  
6 of questions -- Let me step back a second.  
7 After you got this email in July, the Bureau's  
8 investigative team flew out to Las Vegas and  
9 they did an interview of you. Do you recall  
10 that?

11 A. I do.

12 Q. It was a sworn interview. And you  
13 were asked a series of questions I think at that  
14 point about -- to summarize it, why you were not  
15 especially interested in learning about the  
16 previous owners of FTB Realty. Do you recall  
17 those questions?

18 A. Again, I don't want to pick on you.  
19 But I don't think to say I wasn't interested in  
20 it. It's that did I think it was necessary.  
21 What our compliance requirements were was to  
22 understand with whom we were doing business.

23 And I'm happy to answer all of your  
24 questions, but I think that maybe Judge McHugh

1       said it best, it's awfully hard if people are  
2       running around and not telling you the truth and  
3       being credible with you that it's awfully  
4       difficult.

5                     But we had not had any of those  
6       conversations with the sellers. And we were  
7       unaware frankly, of the IEB's investigation with  
8       respect to them.

9             Q.       You said in your sworn interview and  
10       I'll give you a quote from it, but you have it  
11       front of you so if you doubt me, you can read  
12       it. When asked these questions by our  
13       investigators about Wynn's not being  
14       particularly interested in previous owners, your  
15       response was "a licensee" -- meaning Wynn in  
16       this case -- "is responsible for the entity or  
17       the person with whom they have a commercial  
18       relationship."

19                    Do you recall that answer?

20             A.       I don't specifically recall the  
21       answer but there's a transcript.

22             Q.       Is that a statement you would  
23       generally agree with though that the licensee is  
24       responsible for the person with whom they have a

1 commercial relationship?

2 A. Yes.

3 Q. When if those people with whom you  
4 have a relationship have associations with  
5 people who are convicted felons or otherwise  
6 have an unsuitable background, is that a concern  
7 of yours?

8 A. It would be a concern of mine. And  
9 it would be within the purview of our security  
10 and investigative team to determine how far they  
11 go with those "associations" and which are real  
12 and relevant to the commercial relationship at  
13 hand, yes.

14 Q. If I could just have one minute.

15 MR. MACKEY: Nothing further.

16 CHAIRMAN CROSBY: For all of the  
17 witnesses?

18 MR. MACKEY: I do have some  
19 additional questions of Mr. Stern.

20 CHAIRMAN CROSBY: Let's hold right  
21 now. Go ahead Governor Weld.

22

23

24

1 EXAMINATION OF KIM SINATRA BY THE HON. WILLIAM WELD:

2

3 Q. Ms. Sinatra, you told Counsel Blue  
4 on Friday that you had not encountered this  
5 behavior pattern before of counterparties being  
6 less than forthcoming with you concerning their  
7 ownership of what they were selling you.

8 Do you recall that?

9 A. Generally.

10 Q. So, it's correct that this was an  
11 unusual and even surprising situation, the back  
12 and forth with the sellers?

13 A. The back and forth with the sellers  
14 was surprising to me, yes.

15 Q. And a negative experience I take it?

16 A. Yes.

17 Q. Did you institute any new procedures  
18 as a result of that negative experience?

19 A. As I testified earlier, our  
20 compliance program is dynamic. And when you're  
21 dealing with people who are not going to be  
22 forthcoming and are going to lie to you, it's  
23 sometimes difficult no matter how strenuous and  
24 arduous you work on your compliance programs.

1                   But I will say that our company is  
2 engaged in a very high volume of development  
3 related work over the past 18 months as we  
4 pursued both this project and the project in  
5 Philadelphia.

6                   We ran through our general  
7 compliance requirements with respect to both of  
8 those projects. But since our tussle with the  
9 FBT folks and the amount of time it has taken  
10 both for the IEB of this Commission to sort of  
11 get happy with that, we have taken a very hard  
12 Look at our development activities.

13                   And we have instituted some  
14 additional pieces of paper and checks and  
15 requirements that maybe would help us in this  
16 sort of circumstances. It made it really hard  
17 for ad agencies and printers in Boston to get  
18 paid because we actually have a new process  
19 where unless the compliance is completed with  
20 respect any vendor or material contract, the  
21 check request can't go through.

22                   So, we have a couple of additional  
23 signatures box before payments are processed in  
24 the development area. And I'm hoping that the

1 frustration is worked out.

2 Q. Development, referring generally to  
3 real estate development?

4 A. I view development very broadly.  
5 It's basically new jurisdictions. I think one  
6 of the things that hopefully the Commission and  
7 the IEB will find is that a sophisticated level  
8 of gaming hopefully is conducted within the  
9 Commonwealth is that vendors and people will get  
10 used to what the requirements are.

11 And they will know how to fill out  
12 the forms. And they will know that they need to  
13 be notarized by a real notary. And they will  
14 know that they can't participate and they will  
15 be caught if they try to horse around with  
16 either the IEB or with you. And that you take  
17 it very seriously. That will discourage people  
18 from trying to horse around with you or with  
19 your operators.

20 So, I think as this rolls out, if  
21 you get the right operators, and you maintain  
22 the assiduous nature and the rigorous nature of  
23 what you are doing here that I think it gets  
24 easier because people figure out what is and is

1 not acceptable.

2 Q. That's all I have.

3 CHAIRMAN CROSBY: Thank you. Other  
4 questions?

5 COMMISSIONER MCHUGH: Can we take a  
6 break. Mr. Wynn looks like he's tired.

7 THE HON. WILLIAM WELD: No, he's  
8 okay. Thank you.

9 CHAIRMAN CROSBY: Do we have other  
10 questions for Ms. Sinatra?

11 COMMISSIONER CAMERON: Mr. Mackey,  
12 do you have other the questions for other  
13 witnesses?

14 MR. MACKEY: I do have questions of  
15 others.

16 COMMISISONER CAMERON: I'll hold.

17 MR. MACKEY: I was going to shift  
18 gears at this point and talk about something  
19 just related to Macau with Mr. Stern.

20 CHAIRMAN CROSBY: Others,  
21 Commissioners Stebbins, Zuniga? I have some  
22 here. I'm not quite sure where they go, but go  
23 ahead and we'll see where we end up.

24 MR. MACKEY: Give me one minute to

1 switch gears.

2

3

4 EXAMINATION OF JAMES STERN BY MR. MACKEY:

5

6 Q. Mr. Stern, good morning. Can you  
7 hear me okay?

8 A. I can.

9 Q. As I understood -- I just want to  
10 ask you a couple of questions about the team you  
11 have on the ground in Macau. It sounded like  
12 from this morning's PowerPoint that you had an  
13 investigative staff there in Macau with 14  
14 people, 14 investigators or is that the entire  
15 staff?

16 A. That's the entire staff.

17 Q. That staff includes experts in  
18 particular on Asian organized crime?

19 A. It includes experts on Chinese  
20 organized crime not Asia organized crime.

21 Q. And includes a former Macau police  
22 detective, correct?

23 A. It includes four former Hong Kong  
24 police detectives.

1 Q. And the director of the staff is a  
2 man named Danny Lawley who is also a former Hong  
3 Kong police detective?

4 A. He is the executive director of the  
5 corporate investigations handling Macau  
6 security.

7 Q. And I take it, that one of the  
8 primary responsibilities of this group is to try  
9 to determine whether there is possible criminal  
10 influence of the triads in the gaming promoter  
11 system, correct?

12 A. That's correct.

13 Q. I do want to ask you a few questions  
14 about the background vetting of the gaming  
15 promoters. And I will describe to you the  
16 process and maybe you can correct me if I get it  
17 wrong. It starts, as I understand with an  
18 application to that the DICJ. A gaming promoter  
19 has to be licensed, correct?

20 A. That's correct.

21 Q. And then assuming -- Nothing can  
22 happen if they're not licensed. You couldn't do  
23 business with them?

24 A. There's a step after that step.

1 Q. I understand many steps in fact, but  
2 just as a threshold matter, you can't even start  
3 if they're not licensed by the DICJ?

4 A. That's correct.

5 Q. Then from there if a gaming promoter  
6 wishes to do business in a VIP room at your  
7 hotel, they let you know that in some way or  
8 they submit a written application or is it just  
9 an expression of interest orally? Or how does  
10 that work?

11 A. There's an application process.

12 Q. Different from the application that  
13 goes to the DICJ?

14 MR. SCHALL: Generally, they'll be  
15 known in the market. It's hard to get into our  
16 property without an applicant junket. We  
17 haven't had a new junket in as long as I can  
18 remember, it's probably a year. Gaming  
19 operations and other people who deal with those  
20 (INAUDIBLE).

21 CHAIRMAN CROSBY: Be sure to speak  
22 into the mic.

23 MR. SCHALL: They'd be aware of  
24 those junkets who would like to operate with us.

1 And the junkets will express that interest and  
2 if we have that space and people are willing to  
3 do it then we will go through the application  
4 for DICJ and ourselves.

5 MS. SINATRA: Just to back up a  
6 little, because I just wanted to let you know we  
7 don't take sort of unsolicited over the trans,  
8 hey, I want to be a junket at Wynn. This is a  
9 very serious process. Anybody who makes it  
10 through the formal investigative process has  
11 been vetted and are commended by the marketing  
12 people in our organization.

13 Q. (By Mr. Mackey) I take it before -  
14 Again, sort of traditional steps is they are  
15 licensed by DICJ, they submit an application to  
16 you. Again, assuming they've got a decent  
17 reputation. Then you do a pretty extensive  
18 records check, correct?

19 A. Actually, prior to that, the DICJ  
20 also conducts a full background investigation on  
21 the applicant. That's step number two before  
22 they are cleared to the next process.

23 Q. Then, as I understand it from your  
24 report at least, they are interviewed by the

1 chief financial officer at Wynn Macau, a woman  
2 named Linda Chen?

3 MR. SCAHLL: Linda Chen is the  
4 chief operating officer of the Wynn Macau and  
5 she'll be involved in junket selection and the  
6 space sort of vetting the reputation financially  
7 and suitability wise before working with us.

8 MR. MACKEY: Does she conduct an  
9 interview of the gaming promoters?

10 MR. SCHALL: I can't speak for  
11 exactly to what she does, but she would at a  
12 minimum be aware of their reputation in terms of  
13 suitability and financial performance in order  
14 that's the most important thing for us.

15 Q. (By Mr. Mackey) I understand from  
16 the report that no interviews are conducted of  
17 the gaming promoters by your investigative team;  
18 is that correct?

19 A. You're referring to a face-to-face?

20 Q. Yes.

21 A. Unless there's an issue that comes  
22 up through the investigation, if the background  
23 is suitable, we do not do a face-to-face  
24 interview.

1 Q. Why not? Because you have the team  
2 of experts including experts on Chinese  
3 organized crime, why don't you deem it  
4 appropriate to do a face-to-face interview of  
5 the gaming promoter?

6 A. I'm not saying that we deem it  
7 appropriate or inappropriate. It's just not  
8 part of our business protocols. Quite frankly,  
9 I don't think it's necessary based on my  
10 experience.

11 Q. Mr. Stern, maybe you could borrow  
12 from Ms. Sinatra a copy of the redacted  
13 investigative report?

14 A. (Witness complying)

15 Q. If you could turn to page 157. Are  
16 you there?

17 A. Yes.

18 Q. The third bullet on Exhibit 5. The  
19 second sentence, I'll just read it into the  
20 record and have a discussion about it. It  
21 references -- Just below that it references the  
22 corporate security background investigations  
23 that you were describing earlier; is that a fair  
24 statement?

1 A. Earlier in the investigation?

2 Q. During your testimony just a minute  
3 ago, you talked about the background  
4 investigation conducted on the gaming promoters?

5 A. Yes.

6 Q. It looks like a written report of  
7 some kind is prepared on a gaming promoter  
8 candidate?

9 A. Yes. We have the initial  
10 investigative background report that as Mr.  
11 Schall alluded to, we also do maintenance,  
12 reports which are semiannual.

13 Q. This document Exhibit 5 states that  
14 several of these reports, I'm presuming reports,  
15 identified persons of questionable reputation  
16 having some type of association within the  
17 junkets operating out of several VIP rooms at  
18 Wynn Macau.

19 Did I read that correctly?

20 A. I think it says raw intelligence.  
21 Is that what you are referring to?

22 Q. I'm just reading the sentence.

23 A. I'm trying to read the same  
24 sentence. I believe it means raw intelligence

1 related to our semiannual maintenance checks and  
2 I think what that shows is that we are very  
3 transparent in everything that we put in and  
4 glean from our sources. However, we don't act  
5 on rumor, innuendo or conjecture.

6           Having been in the FBI, when  
7 intelligence was a huge issue, still is, I take  
8 the same stance. Is we don't overreact to  
9 things that are not substantiated as fact. I  
10 didn't do that in the FBI and I don't do that  
11 for Wynn.

12           Q.     Would it be an overreaction, to use  
13 your words, if you have raw intelligence that's  
14 suggestive of questionable association and you  
15 follow up and ask the gaming promoter a question  
16 about it?

17           A.     To answer your question, that  
18 information is provided to enforcement agencies  
19 and regulators who get those reports. They're  
20 active government officials who have the ability  
21 to vet that information we provided more  
22 thoroughly than us.

23                     It's my opinion that that they are  
24 in a position to get our reports and act on it

1 or ask us to further vet the information which  
2 they have not done.

3 We have these reports and these  
4 maintenance checks done semiannually now.  
5 They've always gone to both the DICJ and the  
6 Nevada regulators who are experts in this area.  
7 If they were to come to me and say can you  
8 further vet this information, this raw  
9 intelligence that you're getting that you've  
10 provided us, we would do something.

11 But I'm not going to react or  
12 overreact on information or intelligence that's  
13 not substantiated that is conjecture in some  
14 situations. But I will report it, which we have  
15 done to the people who need to know it. And  
16 those are the regulators both in Macau and in  
17 Nevada. That's been the policy and I think  
18 that's what I explained to the investigators  
19 that came out. I was with them both in Las  
20 Vegas and in Macau.

21 Q. Let me ask you, one of the  
22 regulators you mentioned the Nevada Gaming  
23 Control Board, the NGCG; is that correct - would  
24 be one of the regulators that you report this

1 information to?

2 A. Yes.

3 Q. Does the NGCB have any staff on the  
4 ground in Macau?

5 A. As far as I know, they don't have  
6 staff. But they do on-site inspections. They  
7 are obligated both statutorily and also  
8 internally their own policy to do on-sites. In  
9 fact, they were just there last week. They do  
10 it on a routine basis. They have an expertise  
11 in Asian matters. And of course we also provide  
12 it to the DICJ.

13 Q. Let me just stick with Nevada Gaming  
14 Control Board for a minute. I understand, and I  
15 may have this wrong and actually maybe Mr.  
16 Schall you can help on this that the Nevada  
17 Gaming Control Board cannot get access to any of  
18 the gaming promoter applications with the DICJ;  
19 is that fair to say?

20 MR. SCHALL: If you're talking about  
21 the actual application form, that's a  
22 proprietary form promulgated by DICJ. And it  
23 is between the junket promoter and the DICJ.  
24 While we internally get a copy of this for our

1 own background checks, it is not our place to  
2 give it out.

3 And we were specifically directed by  
4 the head of the DICJ not to. So, we respected  
5 that wish. It's just simply not our form to  
6 give out.

7 But we do provide our reports to the  
8 Gaming Control Board redacted for data privacy.  
9 But given the fact that our reports are largely  
10 proprietary and produced from our own sources  
11 there isn't a lot of redaction. We might redact  
12 a picture or a passport number but the guts of  
13 the report will all be there for the regulatory  
14 agencies.

15 Q. (By Mr. Mackey) So, how often in  
16 connection with these corporate investigative  
17 reports that you submit to the  
18 Nevada Gaming Control Board does the Nevada  
19 Gaming Control Board come back to you and say  
20 we're concerned about this, we're concerned  
21 about that. We want you to follow up on this  
22 information? How often do you get those  
23 directives from your regulator?

24 A. It's seldom, but I can tell you that

1 if they did, I would act immediately.

2 Q. When you say seldom?

3 A. I can't think of a situation.

4 Q. You cannot think of a situation  
5 where they have ever done that?

6 A. Not right now, no.

7 Q. Thank you. What about the DICJ?  
8 You also submit these reports to them, correct?

9 A. That's correct.

10 Q. On how many occasions has the DICJ  
11 come to you with expressions of concern about a  
12 gaming promoter?

13 MR. SCHALL: I don't recall any, but  
14 you also have to remember that the DICJ is the  
15 initial vetting authority of these people. So,  
16 we don't know how many people have gone to them  
17 to be licensed and then want to put themselves  
18 out there in the market have been turned down.

19 So we are getting people who are  
20 coming to us who are likely already active in  
21 the market. But if they're not, they've at  
22 least gone through the vetting process with DICJ  
23 and the police agencies that DICJ uses.

24 MR. WYNN: If I could add to that

1 answer. If we turned in a report to the DICJ,  
2 they wouldn't have to come back to us. They'd  
3 do it directly investigate themselves. They  
4 wouldn't need us anymore.

5 We made this point clear. They  
6 wouldn't come back to us. They're right there.  
7 They have primary jurisdiction. They wouldn't  
8 need to come back to us. If we give them  
9 something that's provocative that we hear about  
10 and ask them to check it out, if they wanted to  
11 check it out, they wouldn't necessarily share  
12 that with us. They'd just plain do it.

13 MR. MACKEY: Thank you.

14 Q. (By Mr. Mackey) Mr. Stern, if I  
15 could draw your attention to page 36 of the  
16 redacted report. In that paragraph in the  
17 middle of page 36, if you read down, there's  
18 reference to a review by gaming investigators of  
19 a specific corporate security background  
20 investigative report. Do you see that? It's  
21 kind of in the middle of the paragraph.

22 A. I do.

23 Q. It was an investigative report on  
24 one of Wynn Macau's gaming promoters. And it

1 reflects that in this background report that,  
2 I'm quoting now, "a close associate of an  
3 individual identified as an alleged" -- I'm  
4 sorry that "the gaming promoter is a close  
5 associate of an individual identified as an  
6 alleged senior member of a specific triad  
7 group."

8 Did I read that correctly?

9 A. Yes.

10 Q. And I take it that when the Bureau's  
11 gaming investigators came to Macau, they had an  
12 opportunity to interview an employee of this  
13 particular gaming promoter. Do you recall that?

14 A. I do.

15 Q. Were you present during that  
16 interview?

17 A. I was.

18 Q. And the employee was asked about  
19 this questionable individual's relationship with  
20 the gaming promoter. And the employee  
21 identified the individual as the gaming  
22 promoter's husband. Do you recall that?

23 A. Yes. I believe they said common-  
24 law.

1 Q. Common-law husband?

2 A. I believe so. I don't remember that  
3 specifically but I generally do.

4 Q. Then the next sentence reads the  
5 employee identified this -- I'm sorry strike  
6 that.

7 The next sentence reads "the  
8 employee further stated that the individual" --  
9 that's the individual with the questionable  
10 association -- "is her 'big boss'".

11 Do you recall that?

12 A. I remember those words. I do.

13 MR. SCHALL: That was in  
14 translation. I was in the interview. The  
15 employee in question was speaking in Cantonese.  
16 And she used the term lao ban, which one  
17 translation can be boss. But it can also be a  
18 matriarchal or patriarchal or form of respect  
19 for someone.

20 We identified the person you're  
21 talking about in our report that he was likely a  
22 close associate of this woman. So, to use the  
23 English term boss, it is not applicable in our  
24 meaning.

1           You need to get into a Chinese sense  
2 and she used lao ban, which could just mean he's  
3 a patriarchal figure in this organization  
4 somewhere. It doesn't necessarily mean he's at  
5 Wynn running things, because he is not. The  
6 person who is on the license is.

7           MR. STERN: And we explained that to  
8 your Massachusetts investigators.

9           MR. WYNN: We all got involved in  
10 this one, including me during my investigation.  
11 So, we're going to help you out here.

12           David Wong and chief operating  
13 officer said use that word. The person who is a  
14 junket operator who may be sleeping with David  
15 Wong was in Beijing that day. That woman runs  
16 the junket operation every day. It happened to  
17 be one of the only ones you didn't meet when you  
18 were there, your detectives.

19           But the woman that is the licensed  
20 junket operator is the licensed junket operator  
21 and runs it. She may or may not be sleeping  
22 with David Wong. That's not really important to  
23 us.

24           But the reason that we know about

1 this is because we pointed out that David Wong  
2 was involved. This was our investigative report  
3 given to the DICJ. That was us that did that.  
4 That's how you know about this. And that's how  
5 come the detective found out about it.

6 And at the time when I was asked  
7 about it, the question was what would David Wong  
8 be doing? Why would that girl who's an employee  
9 of the junket operator know about David Wong? I  
10 explained that David Wong and folks like him  
11 could be involved with the junket operation in a  
12 number of ways.

13 They could be a stockholder of the  
14 public company. They could be involved as part  
15 of the financing syndicate because these guys  
16 have tremendous amounts of money on the street.  
17 And like a mutual fund, this is our form of  
18 American Express, the junket operators. David  
19 Wong could have been could have been part of the  
20 financing syndicate that puts the money together  
21 and gets paid a certain amount every month for  
22 financing the float on the junket operator.

23 A guy like David Wong could've been  
24 involved as he is in so many of the junket

1 operations in town in the collection aspect of  
2 it or in the financing aspect of it.

3 So, that's what that story was  
4 about. So, we all know about that. So, we can  
5 deal with it really specifically if you'd like.

6 But remember you got that from us.  
7 We turned that information over the DIJC (SIC).  
8 They didn't find that out about us. We brought  
9 that up so that they could go check it out and  
10 tell us what they thought of it and whether we  
11 should follow through on it.

12 You asked a sequence of questions  
13 and I thought maybe we could get right to the  
14 heart of the matter.

15 Q. (By Mr. Mackey) Well, Mr. Wynn,  
16 what I'm interested in and let me direct this  
17 question back to Mr. Stern, obviously, I don't  
18 speak Cantonese and I don't know what the  
19 specific facts are related to this individual's  
20 association with this triad group.

21 What I am interested in is your  
22 response to the interview that took place with  
23 the gaming investigators where this employee  
24 described the relationship with this person with

1 the questionable associations.

2 Do you recall getting an email  
3 inquiry from the gaming investigators in,  
4 actually it was this month December 2013? There  
5 was some follow-up on this issue from our  
6 investigative team?

7 A. Yes, and my email response I think  
8 is in the record.

9 Q. It's quoted in the report?

10 A. Yes.

11 Q. I just wanted to ask you a couple of  
12 questions about that. You said in the first  
13 sentence we update our contracted junket reports  
14 semiannually. And those are those reports that  
15 you've already testified about, correct?

16 A. Correct.

17 Q. Then you said and no extraordinary  
18 work has been done as a result of employee's  
19 interview in August 2013. Do you see that? I'm  
20 just reading from the report. It's just below  
21 that sentence.

22 A. Okay.

23 Q. Did you see that?

24 A. I actually don't. I'm just agreeing

1 with you.

2 Q. Okay. Well, don't do that. In the  
3 block quote there where it begins with we  
4 update?

5 A. Okay, I got you on that.

6 Q. We update our contracted junket  
7 reports semiannually, and no extraordinary work  
8 has been done as a result of employee's  
9 interview in August 2013. That's what you said?

10 A. That's correct.

11 Q. When you say no extraordinary work  
12 was done, what did you mean by that? That there  
13 was nothing further done to investigate this  
14 matter?

15 A. That's correct.

16 Q. Did one of your team of 14  
17 investigators ask the gaming promoter about it  
18 following the revelations in that interview?

19 MR. SCHALL: There was no need. The  
20 employee you interviewed ran the operations for  
21 that junket citywide, which probably means she  
22 ran five or 600 tables in 20 different casinos  
23 because the license holder was in Beijing that  
24 day as Mr. Wynn said.

1                   So, there was no need for us to  
2                   because we know who the boss at Wynn is and it's  
3                   the license holder. And there isn't any need to  
4                   go any further that the report already says  
5                   which says the license holder may have a  
6                   relationship with the individual that you're  
7                   basing this line of questioning on.

8                   Q.       (By Mr. Mackey) The next sentence  
9                   of your email response, Mr. Stern, says our  
10                  reports reflect that the individual, I'm  
11                  presuming that's the individual with the  
12                  questionable association, may possibly be  
13                  associated with the, and redacted, junket. But  
14                  there is no documented ownership.

15                  Did I read that correctly?

16                  A.       That's correct.

17                  Q.       So, I guess would it in fact take  
18                  some form of documented ownership by someone  
19                  associated with Chinese organized crime to  
20                  trigger further investigation?

21                  A.       What are you referring to when you  
22                  say documented ownership? I don't understand.

23                  Q.       I'm just using the words that you  
24                  used there.

1           A.     In the context of this, are you  
2 talking about an arrest record, criminal history  
3 record? I don't know what you're referring to.

4           Q.     You used the words, Mr. Stern. I'm  
5 assuming that the phrase documented ownership  
6 refers to some document that reflects ownership  
7 of the gaming promoter that actually has the  
8 name of the person with the questionable  
9 association on it. Is that the threshold for  
10 conducting further inquiry?

11          A.     No.

12          Q.     Then what would be?

13          A.     This was the result of an interview  
14 that was conducted by your people. And we  
15 answered a follow-up question via this email.  
16 There was no additional investigation required.  
17 We've been putting the results in the semiannual  
18 reports for years. There's no reason to act on  
19 anything as a result of August 13 because  
20 nothing else had fundamentally changed, period.

21          Q.     Okay. Mr. Stern, I understand that  
22 the DICJ has never sanctioned the Wynn casino  
23 since it opened in September 2006 for any  
24 regulatory violation; is that correct?

1 MR. SCHALL: That's correct.

2 MR. MACKEY: And on an annual basis  
3 -- strike that.

4 For that same period of time, 2006  
5 to the present, approximately how many  
6 regulatory violations have gaming regulators in  
7 Nevada cited you for?

8 MS. SINATRA: The number in the  
9 report. It's really quite small. You could say  
10 it if you want.

11 MR. MACKEY: Should the Commission  
12 draw any inference from the fact that since the  
13 casino opened in Macau in 2006 there has never  
14 been a regulatory sanction from the DICJ to Wynn  
15 Macau?

16 MS. SINATRA: So, I think it's a  
17 function of how the regulatory process works.  
18 They are in our building every single day, 24  
19 hours a day. The failure to send people letters  
20 and assess fines does not mean that there's no  
21 regulation.

22 MR. WYNN: They operate completely  
23 differently there. It's all oral.

24 MS. SINATRA: So, you'll get a phone

1 call that says I'm worried about this or that.  
2 With respect to the anti-money-laundering, there  
3 is a lot of work as between our compliance  
4 people, anti-money-laundering people, a lot of  
5 training, a lot of auditing.

6 It's just not their way to send you  
7 letters and assess fines. But you won't get  
8 your concession renewed if you're not doing the  
9 right thing.

10 CHAIRMAN CROSBY: Mr. Mackey, excuse  
11 me. How much more time do you have on this?  
12 Because of our one o'clock issue, we will be  
13 reconvening.

14 MR. MACKEY: Fifteen minutes,  
15 probably 20 minutes.

16 CHAIRMAN CROSBY: I think we better  
17 stop now. Let me just make sure I'm right about  
18 this. At 1:00 we have this brief meeting.  
19 Where's Director Day and Ombudsman Ziemba,  
20 right, to talk briefly about the arbitration  
21 discussion, correct?

22 MR. ZIEMBA: Mr. Chairman, that may  
23 not be a full half hour

24 CHAIRMAN CROSBY: Is there any

1 reason why this has to get done at 1:00? Since  
2 we posted it, we can start it at 1:00 and then  
3 do it later on at the end.

4 We'll have to convene at 1:00  
5 because we said we would, but then we'll  
6 postpone it. I think we should take a temporary  
7 break now. We'll have a quick lunch break.  
8 We'll come back here at 1:00. We'll convene  
9 that meeting for a moment or two and then pick  
10 back up with you all and finish the Wynn  
11 suitability hearing.

12 MR. ZIEMBA: We're back here at  
13 1:00?

14 CHAIRMAN CROSBY: Yes. Everybody  
15 clear on that? Thank you.

16 (A recess was taken)

17

18 CHAIRMAN CROSBY: We may now  
19 reconvene public meeting number 98, which is  
20 Wynn Suitability hearing. And if I'm not  
21 mistaken Mr. Mackey was in the midst of  
22 questioning the applicant at 1:15.

23 MR. MACKEY: Mr. Stern, I want to  
24 turn now to the suspicious transaction reports,

1 the STRs. You're familiar with what those are.  
2 Could you just describe them generally for the  
3 Commission?

4 MR. SCHALL: Suspicious transaction  
5 report in Macau is very similar to a suspicious  
6 activity report in the US. If you have a  
7 reasonable suspicion that there is something  
8 untoward possibly about the transaction at hand,  
9 you would file a report to the applicable  
10 authority in Macau, which is the Bureau of  
11 Financial Intelligence, Financial Intelligence  
12 Unit I think you refer to it in your report.

13 The difference between Macau and  
14 Vegas is that the frontline staff in Macau is  
15 trained to be -- the frontline staff in Macau is  
16 a little more, I would say, oversensitive to  
17 these. So, we'll have a lot more preliminary  
18 reports than in Vegas.

19 Because in Vegas, they have less  
20 cages, less transactions. So, they have more  
21 senior people dealing with them in Vegas right  
22 from the outset. Whereas in Macau we could have  
23 a very junior level let's say cashier employee  
24 dealing with it. So, we'll deal with a lot of

1 preliminary reports each month and then filter  
2 them through to actual suspicious transaction  
3 reports which get filed.

4 MR. MACKEY: And could you give some  
5 examples of situations that would trigger the  
6 filing of a suspicious transaction report? I  
7 know there are a million different scenarios,  
8 but maybe just the top three or four.

9 MR. SCHALL: First, in Macau, the  
10 reach of your AML policies and the laws is a  
11 little further than the United States in that  
12 affects any financial transaction.

13 So, in the US you focus on cash. In  
14 Macau of course we focus on cash but we also  
15 focus on wire transfers, checks, money orders,  
16 anything. So, even though money might be in the  
17 financial system coming from a reputable bank,  
18 let's say a major Hong Kong bank that would also  
19 have branches in the US and around the world, we  
20 would take a look at it both from a high-value  
21 transaction report standpoint and file, even if  
22 it's a wire transfer in from somebody's bank  
23 account and from a suspicious standpoint.

24 So, the most common suspicious

1 transaction that you get in Macau, because  
2 people -- I think 30-, 40,000 people a day walk  
3 in the casino and there's multiple cages, is  
4 somebody trying to what you'd refer to in the US  
5 is smurf under the reporting threshold.

6 So, if the reporting threshold is  
7 500,000 patakas, which it is, they come in and  
8 they try to do one and \$200,000 transactions in  
9 multiple cages, not provide ID, not tell us  
10 where they got the chips from, things like that.  
11 That is your most common.

12 You'll have somebody who tries to  
13 play a game on us and because we have  
14 sophisticated surveillance and highly trained  
15 cage staff, we catch these for the most part.  
16 Can I say we catch them all, no. But I would  
17 suspect we catch the overwhelming majority of  
18 them.

19 The second one would be, and it's a  
20 distant second to the first, would be when we  
21 receive a wire transfer from a third-party. So,  
22 party A transfers in funds for the benefit of  
23 party B. When this happens, it triggers a few  
24 things. We immediately run full corporate

1 investigations on both parties, both the  
2 remitter and the beneficiary. And that means  
3 the full corporate investigations department  
4 figures out who these people are.

5 And then they need to show us, now  
6 under current policies, they need to show us a  
7 nexus. So, if it's father-son, husband-wife.  
8 Or in a company situation, it's a company that  
9 is a sole proprietorship and the owner is  
10 sending the money. That's fine. But they need  
11 to document that relationship for us so that we  
12 can tie the two together. And it isn't me  
13 sending in money for someone that is completely  
14 unrelated to me.

15 That would be the second case where  
16 we would file suspicious. So, if somebody is  
17 sending in money from a bank account and we  
18 can't establish why that bank account would be  
19 used to be sending money to a casino, we would  
20 file a suspicious.

21 We also bounce the wire back. So,  
22 we won't accept it. But that doesn't mean that  
23 we won't file the suspicious transaction report.

24 MR. SCHALL: How about with respect

1 to PEPs. politically exposed persons?

2 MR. SCHALL: So, from the outset of  
3 operations, the Macau AML statute that applies  
4 to casinos. So, you have an AML law that the  
5 Legislature in Macau called LegCo passed. Then  
6 they passed an administrative regulation which  
7 basically told all of the various bureaus in  
8 Macau who oversee the different businesses in  
9 Macau how to act on it.

10 Then you have the regulators who  
11 oversee the various businesses tell those  
12 businesses here's how we want you to act. Our  
13 main regulator is DICJ.

14 In their instruction to us, written  
15 instruction it said you need to use enhanced  
16 diligence to make sure the politically exposed  
17 persons, if they're doing business with you,  
18 it's legitimate.

19 So, what happens is every month,  
20 there's a threshold that we have. And your  
21 investigators got the procedures. The threshold  
22 is about US\$500,000 in activity in a 24-hour  
23 period, we run full investigation on the person  
24 who engage in that type of activity.

1           If they have any type of political  
2 exposure, which some do because people get  
3 appointed to committees because they're people  
4 of certain notoriety in the country that they're  
5 from. We will examine number one, what is their  
6 political exposure? Are they the mayor of a  
7 city or are they just appointed to some  
8 consultative body that advises maybe a Chinese  
9 agency on occasion?

10           After that then we have to verify  
11 that that person has a source of wealth  
12 independent from their government position that  
13 would allow them to be gaming at this level.

14           MR. MACKEY: Because otherwise, let  
15 me just stop you there, the concern would be  
16 that they're using public money to gamble.

17           MR. SCHALL: Correct. So, we've  
18 never had an instance that you're referring to  
19 that someone has possibly taken state funds and  
20 used them. But we run across plenty of  
21 politically exposed persons, maybe between two  
22 and eight per month. And we will vet them out  
23 and make sure that they have an independent  
24 source of wealth.

1           Quite frankly, a lot of these  
2 people, they are on the fortune list of the  
3 richest people in the world. And that's  
4 probably the reason they're a politically  
5 exposed person because of their wealth and their  
6 business stature in whatever country they're  
7 from. The government appoints them to an  
8 advisory body to help the government on economic  
9 affairs, social affairs, etc.

10           MR. MACKEY: Would there be another  
11 scenario where you would have a person at your  
12 facility who attempts to cash in a large number  
13 of chips but your surveillance or whatever kind  
14 of security you have reflects that they actually  
15 weren't gaming at all?

16           MR. SCHALL: That does happen on  
17 occasion. And there is a DICJ instruction that  
18 says if you want to cash out chips, you need to  
19 have verified gaming winnings not just activity  
20 that supports that level cash out.

21           So, if someone comes in with \$1  
22 million in chips and they don't have any game  
23 activity at all, they're not going to get cashed  
24 out. They're stuck with the chips. If they

1 have 800,000 in verified winnings, they'll get  
2 800,000 and they're left with 200,000 in chips.

3 MR. MACKEY: And how do you monitor  
4 what their winnings are?

5 MR. SCHALL: Surveillance and  
6 ratings. So, in a VIP program, we're rating  
7 every single bet of every single player. And  
8 we're also surveying every single bet in the  
9 entire casino at all times.

10 So, when someone comes to the cage  
11 and says here's my chips and it's a substantial  
12 amount, which for us is over  
13 HK\$200,000/US\$25,000, the cage will call  
14 surveillance. They'll ask the person where did  
15 you get these? And they'll say pit 96. Okay.  
16 We'll call surveillance and see were they in pit  
17 96 gaming. Then we'll call pit 96 and say was  
18 this person playing? Do you have ratings? How  
19 much did they win? And we'll let them cash out  
20 or not.

21 MR. MACKEY: So, there's really no  
22 ability to sneak into your Wynn Macau casino and  
23 sneak out again with nobody noticing?

24 MR. SCHALL: It would very difficult

1 with any type of material amount of money. If  
2 you want to do it for HK\$500, sure. But that's  
3 not really on anyone's radar.

4 MR. MACKEY: At the Wynn Macau there  
5 are, as I understand it, independent of the VIP  
6 rooms where the gaming promoters operate, you  
7 have your own casino floor, correct?

8 MR. SCHALL: Correct.

9 MR. MACKEY: And it's about, is it  
10 60 percent of the revenue gaming promoters, 40  
11 percent your own floor, more or less?

12 MR. SCHALL: More or less, yes.

13 MR. MACKEY: With respect to the  
14 suspicious transactions like some of the ones  
15 you just described for us, on your own floor you  
16 would file those, correct?

17 MR. SCHALL: Correct.

18 MR. MACKEY: What about the gaming  
19 promoters, do they fill out their own suspicious  
20 transaction reports?

21 MR. SCHALL: Because they're  
22 regulated and licensed independently by DICJ  
23 although we do have a large measure of  
24 responsibility for their activities, they are

1 responsible to fill out their own STRs.

2 MR. MACKEY: The report reflects,  
3 the redacted reported, it's Exhibit 4 reflects  
4 that at least two of the gaming promoters said  
5 they have never filled out a suspicious  
6 transaction report. Is that of concern to you?

7 MR. SCAHLL: For two reasons, no.  
8 One is that I believe one of the answers given  
9 to your investigators when asked why have you  
10 never had any was because if somebody doesn't  
11 give me all of the documentation I need, I don't  
12 do the transaction.

13 You can take the view that an STR is  
14 not required if no transaction is performed.  
15 So, if you reject the transaction and don't  
16 transact with them, you don't need to do an STR.  
17 Wynn does not take that view. We try to be more  
18 proactive. But the reality is oftentimes if you  
19 don't have the person's ID, filling out an STR  
20 doesn't really do much good, because there is no  
21 detail.

22 The second piece of that is simply  
23 that junkets, as you pointed out, have their own  
24 cages. They transact with their own customers.

1 Random people don't walk into junket rooms and  
2 go to their cages and try to transact. It  
3 simply does not happen.

4           Whereas our cages are opened to the  
5 public. So, we do have random people walk up  
6 and try occasionally to pull a fast one on us  
7 and we stop them.

8           MR. MACKEY: For those gaming  
9 promoters that do fill out the suspicious  
10 transaction reports, do they give Wynn Macau a  
11 copy of those?

12           MR. SCHALL: You know, I believe  
13 that we have on occasion worked with them when  
14 they have a suspicious issue and want to file a  
15 report. But the nature of a suspicious  
16 transaction report is such that by law you can't  
17 tell other people that you filled the report out  
18 because it could tip off the person who has had  
19 the report filled out about them that they might  
20 be under scrutiny by law enforcement.

21           So, therefore, it is not our policy  
22 get the STRs. And my understanding of the way  
23 the law works in Macau and in talking with my  
24 Macau lawyers is it's actually not appropriate

1 for us to ask them for their suspicious  
2 transaction reports.

3 I understand from reading another  
4 company's report that that might be a little bit  
5 different and maybe that's where you're going.  
6 That's not something that we do for the reasons  
7 I just articulated.

8 MR. MACKEY: Do you have a  
9 discussion? Is there some kind of periodic  
10 meeting with each of the gaming promoters where  
11 you have an opportunity at least to ask them  
12 about the suspicious transactions that are  
13 happening in their rooms?

14 MR. SCHALL: Our gaming compliance  
15 group at Wynn Macau literally speaks with the  
16 gaming promoters on a daily basis. I'm not  
17 going to tell you they speak to all 12 every  
18 single day. But certainly they are speaking  
19 with all 12 on a weekly basis.

20 And we do work closely with them on  
21 their HVTRs and making sure that they are doing  
22 STRs when needed. Because ultimately the gaming  
23 regulator will come to us and say we're not  
24 happy with how a junket or a gaming promoter is

1 performing in their AML area and we want them to  
2 step up their quality, quantity, oversight, etc.

3 To be honest with you, the gaming  
4 promoters in our building are of the highest  
5 quality. We simply don't really have that issue  
6 very often with the DICJ. Our junkets at least  
7 as they operate in our building, operate at a  
8 very high level. They know that they will not  
9 last in our building if there is any kind of  
10 compliance issue with them. They will be gone  
11 in a second. We will put them right out.

12 MR. MACKEY: Let me ask you, Mr.  
13 Schall or Mr. Stern, whoever is appropriate  
14 about the subjunkets or the collaborators. I  
15 don't know what would be the right term that you  
16 would use. Collaborators?

17 MR. SCHALL: It's a broad term. You  
18 can use either with me and I can answer your  
19 question.

20 MR. MACKEY: What I'm referring to  
21 are those entities that work under the gaming  
22 promoters that I'm presuming help feed the  
23 gaming promoters customer base and provide other  
24 services of some sort. Am I correct that these

1 collaborators, for lack of a better word, they  
2 have to register with the DICJ?

3 MR. SCHALL: You're correct in the  
4 sense that there is some level, and I can't  
5 articulate what it is, where a collaborator  
6 would be expected to register with the DICJ.  
7 And there's what I would call a licensing  
8 process, like a light form of a licensing  
9 process.

10 It's not as much as a junket,  
11 certainly not as much as us. But there are  
12 levels below that that don't register because  
13 they might bring six players one time per year  
14 and they bring them in through a licensed  
15 junkets.

16 MR. MACKEY: Do you get a list from  
17 each of your 12 gaming promoters of the  
18 collaborators that each one of them works with?

19 MR. SCHALL: So, our junkets are  
20 contractually required to provide us a list of  
21 their collaborators, and they do so. And we do  
22 have a list of collaborators on file for our  
23 junkets.

24 MR. MACKEY: How often do you get

1 that list? Is this something that you get  
2 annually or semiannually?

3 MR. SCHALL: They're either required  
4 to give it to us monthly or quarterly, but it's  
5 at least four times a year. It might be 12  
6 times per year.

7 MR. MACKEY: Can you give me some  
8 sense of a ballpark of what the numbers are? I  
9 know you've got 12 gaming promoters. So, is  
10 there like an average number that each works  
11 with?

12 MR. SCHALL: Are you asking about  
13 how many are registered or how many work for us?

14 MR. MACKEY: I shouldn't say how  
15 many are registered. But it sounds like you get  
16 a list from the promoters. They're  
17 contractually required to give you a list. So,  
18 I guess I'm saying in order of magnitude, how  
19 many on that list for each of the promoters?

20 MR. SCHALL: I don't know per each,  
21 but we have about 20 on the total list.

22 MR. MACKEY: Do the collaborators,  
23 do they work with different gaming promoters or  
24 they have one that they have an exclusive

1 relationship with?

2 MR. SCHALL: It varies. I would  
3 suspect most of them probably work with more  
4 than one junket for sure.

5 MR. MACKEY: There's 20 ballpark, I  
6 won't hold you to the exact number, but  
7 approximately 20 of these collaborators. What  
8 form of due diligence, if any, does Wynn Macau  
9 do on those?

10 MR. SCHALL: Full background, just  
11 like a junket.

12 MR. MACKEY: Same background check  
13 that the gaming promoters get?

14 MR. SCHALL: Yes. Danny Lawley's  
15 group does a full check of them. The one thing  
16 we -- Yes, full background check.

17 They come and go. And like I said,  
18 you might have a collaborator who might show up  
19 once and never come again. You might have one  
20 that comes three times a year. You might have  
21 one who comes every day and likely be on our  
22 list. It's a process that is between the  
23 collaborator and the junket and the DICJ.

24 We can require them to give us

1 things. But we don't have -- It's not a process  
2 DICJ or anyone expects us to be actively  
3 involved in. So, we do the best that we can as  
4 they provide it.

5 MR. MACKEY: So, if I understand  
6 your testimony, when the gaming promoters  
7 actually give you the name of a collaborator,  
8 then you do your full background check on those?

9 MR. SCHALL: Correct.

10 MR. MACKEY: I read by one account  
11 that there may be gaming promoters working at  
12 Wynn Macau and other casinos as well that have  
13 as many as 100 or more collaborators working for  
14 them.

15 MR. SCHALL: I think this is where  
16 you get into the distinction, and I don't mean  
17 to split hairs or plug Macau legalese for you  
18 where my reading of the law, my understanding is  
19 that the term collaborator would apply to more  
20 of a formal subjunct, almost a mini junket that  
21 in some cases even could be bigger than a  
22 junket.

23 MR. WYNN: Your junket operators who  
24 are the ones that are licensed and investigated

1 who give credit. And they're the only ones that  
2 can do that. Then there are these subjunket  
3 operators, guys they use on a regular basis in  
4 different regions or parts of the country.

5 And within that system, there's also  
6 this mass of salesmen that come and go. And  
7 that's a much larger group that are just people  
8 that are just sort of bird dogging customers.

9 This whole thing makes up this huge  
10 moving complex of salespeople and sub salesmen.  
11 And they're salesmen, travel agents, people  
12 trying to hustle business for these different  
13 operators.

14 MR. MACKEY: It's the salesmen and  
15 the travel agents are the ones who are unlikely  
16 to be showing up on these lists that you get  
17 from the gaming promoters?

18 MR. WYNN: Right. And they change  
19 constantly. They're adding and subtracting and  
20 dropping off and adding on. The minute any of  
21 them get any kind of traction and have a  
22 following, they become subjunket operators. And  
23 then invariably they try to become junket  
24 operators.

1                   They try and move up the  
2           entrepreneurial ladder. That's how that mainly  
3           works. That's what's fueled the growth there is  
4           that a guy will be a subjunket operator for  
5           somebody in Guangdong Province and get very  
6           strong in Fujian and all of a sudden a new hotel  
7           opens and they'll try and get to be a junket  
8           operator on his own, and get a larger share of  
9           the portion of the commission we give for that  
10          sort of thing. That's how this works.

11                   MR. MACKEY: So, it's this group  
12          it's very difficult to do -- I guess what you're  
13          saying it it's very difficult to do any formal  
14          due diligence with respect to the salespeople  
15          and the travel agents that operate at a level  
16          below the formal collaborator level?

17                   MR. SCHALL: Yes. And you have to  
18          remember, it's a little proprietary to both the  
19          collaborator and the junket that they don't  
20          really want to give us too much information,  
21          because these are their customers. And they  
22          know that we will go try and market them. And  
23          then thus cut them out of the commission stream  
24          if we could. So, that's a business concern for

1       them as well.

2               MR. WYNN: We would never do that.

3               CHAIRMAN CROSBY: Of course not.

4               MR. WYNN: I want to make it clear,  
5 Mr. Schall is not speaking for the company on  
6 that. We have respect for their customers and  
7 their relationship with their customers.

8               MR. MACKEY: Mr. Stern, I want to  
9 direct your attention to page 158 in the  
10 redacted report, if I could, maybe 157. Just a  
11 question for Mr. Stern or Mr. Schall, whoever is  
12 more appropriate to answer. It's the second  
13 page of Exhibit 5. I just want to ask you about  
14 the anecdote that's described in the bullet  
15 point of that exhibit. It begins with during  
16 one interview.

17               MR. STERN: Okay.

18               MR. MACKEY: Mr. Stern, were you  
19 present for this?

20               MR. STERN: Are you referring to the  
21 last bullet?

22               MR. MACKEY: Yes.

23               MR. STERN: I was.

24               MR. MACKEY: You were?

1 MR. STERN: Yes.

2 MR. MACKEY: Is this description of  
3 what happens an accurate description of what  
4 transpired between the Massachusetts  
5 investigators and the gaming promoter?

6 MR. STERN: Well, you're using the  
7 terms here as I quote "displaying belligerent,  
8 arrogant and disrespectful behavior." Is that  
9 what you're asking me?

10 MR. MACKEY: Yes. Would that be  
11 your view as well?

12 MR. STERN: Well my view would be  
13 more it was there was more lost in translation I  
14 think in that than there was. That was one of a  
15 dozen interviews that were conducted over this  
16 period. I think the frustration of the  
17 questions that were being translated was  
18 palpable in that meeting.

19 MR. MACKEY: Frustration on whose  
20 part?

21 MR. STERN: I think just on the  
22 translation part. You're trying to annunciate  
23 certain words, etc. to people that perhaps  
24 weren't on their A-game that day. I don't know

1 if I'd describe it that way, but I was there  
2 during that meeting. It did end that way in  
3 terms of it ended prematurely.

4 MR. MACKEY: The way it was  
5 described in the report?

6 MR. STERN: Yes.

7 MR. MACKEY: Where the gaming  
8 promoter asks can I leave? And the investigator  
9 says no, we've got more questions but that no  
10 one was making them stay. And at that point the  
11 gaming promoter terminated the interview and  
12 abruptly left the room?

13 MR. STERN: That's correct.

14 MR. MACKEY: Was there any follow-up  
15 with this particular gaming promoter about their  
16 conduct during this interview?

17 MR. STERN: About their?

18 MR. MACKEY: About their conduct  
19 during the interview.

20 MR. STERN: I had no follow-up with  
21 them. I'm not sure if the investigators did.

22 MS. SINATRA: So, if you don't mind  
23 I just have an observation with respect to that.  
24 I was not at the interview, but while we

1 submitted our company and our company's  
2 operations to the travails of the Commonwealth  
3 of Massachusetts, not all of our junket  
4 operators submitted to individual licensing.

5           They were not use to this process.  
6 I don't know how well it was explained to them  
7 or understood by them. So, you had a whole room  
8 full of Anglo police swearing people in and  
9 trying to take their deposition in a place where  
10 they were used to just conducting their  
11 business.

12           So, I think there was a lot of sort  
13 of cultural misinformation, which is translated  
14 through to some of these "anecdotes". I guess I  
15 would try to focus on the overall level of  
16 submission and cooperation.

17           If you felt like our company was not  
18 adequate in its cooperation then that is  
19 something you should take up with us for sure.

20           MR. MACKEY: No. I'm not obviously  
21 taking any issue with any of the conduct of the  
22 Wynn people who participated. My question is  
23 more did Wynn take any steps to inform the  
24 gaming promoters that discourteous or

1       disrespectful behavior towards your regulators  
2       was something that would not be acceptable?

3               MR. SCHALL: We did. And that  
4       particular junket is relatively small and that  
5       guy runs it actively. He, I think, was having a  
6       pretty busy day. I can't recall which junket it  
7       was.

8               MR. WYNN: It happens to be, and  
9       there's no nexus here, that'd be a guy who's not  
10      there anymore. He was a small operator in the  
11      link between Encore and Wynn. And he has been  
12      excluded from our ranks as a matter of fact, not  
13      because he was impatient with the interview, but  
14      also because he was inadequate. This particular  
15      fellow is not an issue anymore. He's not there.

16              MR. MACKEY: Mr. Schall, you said  
17      you did take it up with the gaming promoter or  
18      somebody?

19              MR. SCHALL: Well, beforehand, we  
20      told them that this was a process that our  
21      company was going through to get a casino in  
22      another jurisdiction in the United States. And  
23      that they needed to participate and be  
24      cooperative.

1                   And we got that cooperation out of  
2 11 of the 12. This guy was agitated, impatient  
3 and I believe there was a lot lost in  
4 translation. And he had three cell phones with  
5 him and he just decided he wanted be somewhere  
6 else.

7                   MR. MACKEY: Okay. But you said you  
8 took it up with him afterwards?

9                   MR. SCHALL: Before he was told.  
10 Afterwards, I did not. I did relay to the  
11 people who had set up the interview to convey  
12 that we weren't really happy with his  
13 performance but he wouldn't be called back.

14                   MR. WYNN: He was under other  
15 pressure and was severed from the company  
16 thereafter.

17                   MR. MACKEY: I don't have any  
18 further questions.

19                   CHAIRMAN CROSBY: For any witnesses?

20                   MR. MACKEY: No, not at this point.

21                   CHAIRMAN CROSBY: Any redirect at  
22 this point?

23                   THE HON. WILLIAM WELD: No, Mr.  
24 Chairman.

1                   CHAIRMAN CROSBY: Commissioners?

2                   COMMISSIONER CAMERON: I have a few  
3 questions, Mr. Chair. This may be for either  
4 Mr. Stern or Mr. Schall. You were speaking  
5 about the suspicious activity reports.

6                   I'm looking on page 94. I see an  
7 increase every year with those reports. Mr.  
8 Schall, I think you mentioned that some of the  
9 folks over in Macau may be less sophisticated.  
10 I'm not sure that's the word you used. But are  
11 they more experienced now? Is that why there's  
12 an increase every year?

13                  MR. SCHALL: I'm sorry you're saying  
14 that the number of STRs is going up in Macau?

15                  COMMISSIONER CAMERON: Yes.  
16 According to this report from 193 in 2010 and  
17 it's up to 395 in 2013.

18                  MR. SCHALL: My personal view of  
19 that is that transactions in Macau have gone up.  
20 The gaming market has grown.

21                  COMMISSIONER CAMERON: So, it's a  
22 question of volume?

23                  MR. SCHALL: That would be my best  
24 educated guess for you.

1                   COMMISSIONER CAMERON: Thank you.  
2           Also, you mentioned earlier I believe it was Mr.  
3           Stern that there are now semiannual  
4           investigations for the junket operators. And  
5           that was due to the board of directors asking  
6           for that; is that correct?

7                   MR. SCHALL: That was me. About two  
8           or three years ago, a couple of board members in  
9           Hong Kong said we like that you do this annually  
10          but let's do it semiannually. It seems  
11          appropriate. And we of course completely agreed  
12          and started doing it that way.

13                   COMMISSIONER CAMERON: Was there a  
14          reason asked for semiannual?

15                   MR. SCHALL: No. They just thought  
16          that doing it every six months was more  
17          appropriate than saying we do it once per year.

18                   MR. WYNN: Commissioner Cameron, the  
19          chairman of the audit committee -- We were the  
20          first American company to be allowed to be  
21          listed on the Hong Kong Exchange in the history  
22          of that Exchange.

23                   We're required also in order to  
24          obtain that listing to have outside directors

1 that were not from the parent company because of  
2 the minority shares that were traded on the  
3 Exchange.

4 Our audit committee chairman is Nick  
5 Sallnow-Smith a businessman of wide-ranging  
6 respect and honor. He was the chairman of Hong  
7 Kong Land, which is the real estate division of  
8 Jardine Matheson, the great British colonial  
9 trading company. Nick Sallnow-Smith works very  
10 closely with Mr. Schall. And it was his idea  
11 that we tighten that up.

12 COMMISSIONER CAMERON: I see. Thank  
13 you. Mr. Wynn, while you're speaking, I just  
14 had one question for you, Sir. And you've  
15 explained to us, probably this is your second  
16 occasion explaining to us about the system of  
17 junkets and the promoters.

18 But you did make one statement that  
19 I found -- I just wasn't sure what you meant.  
20 That was that the junket system was a giant  
21 entrepreneurial pyramid scheme, Sir. I just  
22 wanted you to explain that statement, if you  
23 could.

24 MR. WYNN: I meant exactly that.

1 And I'll be glad to clarify it, Ma'am. The top  
2 of the pyramid, of course, is the casino and  
3 ourselves. Then right below us is the junket  
4 operator. And it begins to spread with his  
5 licensed and registered junket operators.

6 And then these salesmen that fan out  
7 in ever larging groups throughout mainland  
8 China, Taiwan and even Thailand. This huge  
9 massive group tends to be, in my mind I  
10 visualize it a pyramid of -- like a tree with  
11 branches that keep growing out wider and wider.

12 The reason that we're perhaps more  
13 sanguine about this structure than we would be  
14 in the United States for example is one basic  
15 reason. That all of this credit, all of this  
16 activity is done in our VIP room that we operate  
17 ourselves -- There are several of them. -- and  
18 those operated by the junket operators. We  
19 operate them but that are occupied by junket  
20 guys, is that they give the money in  
21 nonredeemable chips.

22 So, the opportunity for money-  
23 laundering is chopped off at the knees. They  
24 can't take the chips and cash them out. They

1 have to bet them. Which means as a scheme for  
2 money-laundering is completely counterintuitive  
3 and uneconomical.

4 The customers take the chips when  
5 they win when they bet the nonredeemable chips  
6 -- Well, I'm getting off the point.

7 The system that is in operation in  
8 these casinos, the \$45 billion, \$30 billion of  
9 it, \$38 to \$40 billion of it rather is done in  
10 nonredeemable chips. That makes control a lot  
11 easier, because people can't just switch money  
12 and do exchanges.

13 In Las Vegas, there is no such  
14 thing. In Pennsylvania, in Chicago, in  
15 Mississippi, this is not a system. Dead chips  
16 they're called. They're nonredeemable chips.  
17 This is not a system that's taken hold in the  
18 United States.

19 It might be nice if it did. It  
20 makes life a lot simpler. So, people can't play  
21 games with credit and money in a casino where  
22 you have to bet the chips that you get.

23 And all of these salespeople in that  
24 pyramidal scheme, that's my choice of words.

1 You could also think of it as a tree with lots  
2 of branches. That was the sense of --

3 THE HON. WILLIAM WELD: Next time a  
4 tree.

5 MR. WYNN: Pyramid is a pejorative  
6 term?

7 THE HON. WILLIAM WELD: It starts  
8 with the same letter as Ponzi.

9 MR. WYNN: Oh, I failed to be  
10 sensitive to that. Sorry.

11 CHAIRMAN CROSBY: I was struck by  
12 the same thing.

13 COMMISSIONER CAMERON: Thank you for  
14 explaining Mr. Wynn. I just had two questions  
15 for Mr. Stern. More of investigative questions,  
16 so I thought I would ask you, Sir.

17 The first was this statement now and  
18 we've heard this a couple of times is that Wynn  
19 Macau is unaware of any manner in which credit  
20 is extended debts collected. There's a whole  
21 paragraph there at the bottom of page 33.

22 Does that mean that there's nothing  
23 substantiated, because I know you like to  
24 differentiate between intelligence and

1 substantiated information. And I certainly see  
2 the value in that.

3 It can't mean that you don't have  
4 any idea. It must mean that there's just not  
5 anything substantiated, so there's no action for  
6 you to take; is that correct?

7 MR. STERN: Yes, that's correct.

8 COMMISSIONER CAMERON: And I had one  
9 more question for you, Sir. You've had a chance  
10 to read about the land transaction and whatnot,  
11 the information in the report about the land  
12 transaction.

13 MR. STERN: Yes.

14 COMMISSIONER CAMERON: And I just  
15 was wondering from an investigative standpoint  
16 what your thoughts were on the fact that Mr.  
17 DeCicco asserted his Fifth Amendment right, Mr.  
18 Gattineri asserted his Fifth Amendment right as  
19 well as the fact that Mr. DeNunzio provided  
20 sworn testimony that he personally altered the  
21 dates on the August 12 promissory notes.

22 What were your thoughts when you  
23 learned of that information?

24 MR. STERN: That what just said,

1 Ma'am, is troubling. And we had the answers to  
2 the test beforehand, we would not have these  
3 questions. It's just very bad. I wish we had  
4 that information before.

5 COMMISSIONER CAMERON: Okay. Thank  
6 you. That's all I have.

7 CHAIRMAN CROSBY: Commissioner  
8 McHugh?

9 COMMISSIONER MCHUGH: Mr. Mackey  
10 asked most of the questions that I was going to  
11 ask. So, I will be brief. I have a few  
12 questions for Mr. Schall.

13 I thought I understood this chip  
14 thing last week, but now I'm not so sure that I  
15 do. Before I get to that. Let me ask you to  
16 describe what again, and I know Ms. Sinatra  
17 covered this in her introductory remarks.  
18 What's the function of the junket committee?

19 MR. SCHALL: The junket committee is  
20 just a committee made up of the senior  
21 executives that Kim when through that after DICJ  
22 and after Jim and Danny's group do their report  
23 that we sit together. We look at the report  
24 together and say okay, this junket is now okay

1 to operate at Wynn Macau.

2 Rather than just getting a report  
3 and they just sort of fall into operations, we  
4 wanted a definitive step where you put senior  
5 executive on the line who say we read the  
6 report. We looked at it. And we are okay with  
7 them to operate here. That is the pure function  
8 of the junket committee.

9 COMMISSIONER MCHUGH: Does the  
10 junket committee review the semiannual reviews  
11 of the junkets?

12 MR. SCHALL: A small group including  
13 myself does. If an issue were to arise in a  
14 semiannual review, we would convene the junket  
15 committee and then we would convene the full  
16 compliance committee. And then we would convene  
17 the Wynn Resorts Limited compliance committee  
18 with Governor Miller.

19 COMMISSIONER MCHUGH: Does the  
20 junket committee have any role with respect to  
21 the sub-promoters, the next level down?

22 MR. SCHALL: To the extent we get a  
23 major collaborator and they're registered with  
24 us and there's a background investigation, the

1 junket committee will go through that and say  
2 that we are okay with them to be at our property  
3 because we have actual knowledge that they're  
4 there operating under X-junket and so we want to  
5 take the same steps.

6 MR. WYNN: Commissioner, in our  
7 company both in America and in China, in direct  
8 response to your question, there are two major  
9 personalities at work. There is the revenue  
10 side looking to increase the topline, market,  
11 sell. Then there's the administrative and  
12 control side looking to control, regulate,  
13 control costs, control regulatory exposure,  
14 protect our reputation.

15 These two competing forces hopefully  
16 come into equilibrium. The junket committee is  
17 composed of the marketing and the regulatory  
18 part of the personality. And it's after the  
19 background checks that the junket committee  
20 starts to try and balance that issue.

21 So, the junket committee's primary  
22 function is to try and reach equilibrium between  
23 the marketing and the revenue side of the  
24 company and the control side.

1                   COMMISSIONER MCHUGH: Thank you.  
2           You described, Mr. Schall, what I think would be  
3           fairly characterized as a robust anti-money  
4           laundering regime on the side where you're  
5           dealing with your own customers.

6                   The validation of third-party wire  
7           transfers for example. Not allowing people to  
8           cash out in a different currency than they  
9           cashed in on and other matters like that. Is  
10          that also in operation in the VIP rooms that the  
11          junket operators use?

12                   MR. SCHALL: To the best of my  
13          knowledge, they largely mirror our policies.  
14          The reason is one, they are interested in  
15          compliance. They're big businesses. They're  
16          not interested in risking their businesses over  
17          silly transactions, notwithstanding what some  
18          members of the media in US and other countries  
19          would like to say.

20                   And number two is they're under the  
21          same audit procedure from DICJ as we are. And  
22          that audit procedure does things like takes a  
23          rating card, takes surveillance of a player and  
24          makes sure that the rating card matches the

1 player and then matches the cash out.

2 And believe it or not, they can  
3 forensically do this and they do it all of the  
4 time. And if there's issues there, whether it's  
5 in our own program, if there's been an issue,  
6 which there hasn't been, or with the junket,  
7 DICJ will call them on it and ask them how did  
8 you let this person get rated over here under  
9 this name and then do this cash out. It's  
10 wrong.

11 So, DICJ's been squeezing down on  
12 this over the last few years. And they largely  
13 have it in hand. So, the junkets have their own  
14 compliance standards that they want their  
15 business to keep going. They want to keep going  
16 at Wynn, certainly.

17 And so, they are very strict and  
18 they have the regulators sitting on top of them  
19 digging down into individual transaction  
20 employers to make sure all of these things line  
21 up correctly.

22 COMMISSIONER MCHUGH: In each of the  
23 rooms that the junket operators is conducting  
24 business in, you supply and train the dealers,

1 the people who are on the operational side in  
2 those rooms?

3 MR. SCHALL: Correct. The rooms are  
4 staffed entirely, just about entirely by our  
5 staff, our dealers, our supervisors, our staff.  
6 They will have some marketing representatives  
7 who help them move chips back and forth between  
8 the cage. As you said, they do have their own  
9 cages, but those cages are surveilled by us and  
10 DICJ. And all of their cage transactions are  
11 audited by DICJ as well.

12 MR. WYNN: Their employees are  
13 basically involved with what's called the chip  
14 roll. And it's important for me to make that  
15 distinction again and again so you can visualize  
16 this activity.

17 The nonredeemable chip is wagered,  
18 It's a 50-50 game. If they lose the bet, the  
19 nonredeemable chip is taken away and they bet  
20 another one.

21 If they win, the nonredeemable chip  
22 is returned to the player and the winning, the  
23 equal amount is given in a redeemable chip,  
24 which the customers 99.9 percent of time, put on

1 the side and then bet the nonredeemable until  
2 all of the nonredeemables are gone. Then they  
3 take the redeemables, they give it to the girl,  
4 the chip runner.

5 She goes over and buys more  
6 nonredeemables. And for every dollar gets \$1.01  
7 or \$1.02 in extra chips. They get a bonus.  
8 There's a premium.

9 So, they make money by rolling the  
10 chips. They get more nonredeemable chips,  
11 dollar for dollar than their redeemables that  
12 they buy them with. So, that's what the  
13 customers do.

14 And the employees of the junket  
15 operators, they provide transportation and those  
16 girls that run back and forth that do the chip  
17 roll. All of the gaming supervision, all of the  
18 surveillance, all of the touching of the cards  
19 is just us.

20 COMMISSIONER MCHUGH: And the  
21 surveillance in those rooms, if it detects  
22 improper activity is reported to the DICJ?

23 MR. WYNN: That's correct.

24 COMMISSIONER MCHUGH: The DICJ does

1 the enforcement. You do the operation and  
2 reporting; is that it?

3 MR. WYNN: That's correct.

4 MR. SCHALL: Correct.

5 COMMISSIONER MCHUGH: At the end of  
6 the day when the successful bettor has won a  
7 substantial amount and has nonredeemable chips  
8 to show for it, that bettor cashes those chips  
9 out at the cage, right?

10 MR. WYNN: Yes, Sir.

11 COMMISSIONER MCHUGH: And gets  
12 redeemable chips or currency, right?

13 MR. WYNN: Gets currency.

14 COMMISSIONER MCHUGH: Gets currency.

15 MR. WYNN: He can't cash the  
16 nonredeemables, Judge. He can only cash the  
17 redeemables. And he gets cash in Hong Kong  
18 dollars.

19 COMMISSIONER MCHUGH: Let's assume  
20 -- That's the part, a piece of the part that I  
21 don't understand. Let's assume that a bettor is  
22 there, has been successful, has started out with  
23 \$100,000 in nonredeemable chips. Has won  
24 \$50,000, has bet \$50,000 and won another

1 \$50,000. So, he has now got \$50,000 or a pile  
2 of redeemable chips, but he's still got \$50,000  
3 in nonredeemable chips. He has had enough. He  
4 wants to go home or she. What do they do with  
5 the nonredeemable chips?

6 MR. WYNN: That would depend on the  
7 junket operator and his relationship with the  
8 junket operator. If it's our program, we don't  
9 cash him out. He bought them, he owns them.  
10 He's got to bet them.

11 I think the junk operators almost  
12 entirely are exactly the same. There's no  
13 incentive for them to refund the money. The  
14 customers buy the nonredeemables in chunks that  
15 they're willing to risk.

16 COMMISSIONER MCHUGH: I understand  
17 that. But at some point, they get tired, hard  
18 to believe, but they get tired of betting. And  
19 they may have some nonredeemables left. And  
20 what you're telling me --

21 MR. WYNN: They put them in their  
22 pocket and go home.

23 We have a large amount of  
24 outstanding nonredeemed chips, an

1       extraordinarily large amount. They keep them.

2                   COMMISSIONER MCHUGH: All right. I  
3       hear you.

4                   CHAIRMAN CROSBY: They could use  
5       them again if they wanted to.

6                   MR. WYNN: They could always play  
7       them. The amount of unredeemed chips is a  
8       staggering amount.

9                   COMMISSIONER MCHUGH: All right. I  
10      understand. Thank you very much.

11                  CHAIRMAN CROSBY: Commissioner  
12      Zuniga?

13                  COMMISSIONER ZUNIGA: Yes, a couple  
14      questions. Ms. Sinatra, you spoke a little bit  
15      about or quite a bit about the compliance  
16      committees in both Nevada and Macau. And you  
17      also mentioned briefly that you attend some of  
18      those monthly meetings or calls.

19                  If you could just expound on how  
20      those two committees and other related  
21      compliance committees roll up to the corporate  
22      compliance chaired by Mr. Miller that you were  
23      describing. Help me understand more of those  
24      communications.

1 MS. SINATRA: Of course. So, let's  
2 start at the bottom. So, in the operating  
3 properties we talked about, both Wynn Las Vegas  
4 and Wynn Macau have gaming compliance  
5 committees. Those committees are the ones that  
6 meet monthly.

7 They are attended by the corporate  
8 compliance officer and a whole host of other  
9 people from different functional areas. They  
10 consider on a transaction by transaction basis  
11 things that are happening in the casino. So, in  
12 Las Vegas, as Jay alluded to with respect to  
13 suspicious activity reporting, is that they  
14 actually discuss the filing of certain  
15 suspicious activity reports.

16 If one hasn't been filed, but there  
17 has been an incident in the casino that they  
18 think about filing, they actually take a vote as  
19 to whether or not this rises to the level of a  
20 suspicious transaction. So, there is the  
21 granular business of the everyday conduct of the  
22 casino that is monitored and considered by the  
23 gaming compliance committee in each place.

24 And to the extent that issues arise

1 out of either those committees, it is reported  
2 up to the corporate compliance committee either  
3 by the compliance director, whose sole job is to  
4 make sure that all of the compliance committees  
5 are doing what they're supposed to be doing.

6 So, that's Shannon Nadeau who your inspectors  
7 and the IEB has had extensive experience with in  
8 our organization.

9 So, it's either reported to Governor  
10 Miller directly by either Kevin Tourek or  
11 Shannon Nadeau or in a written report. Things  
12 will happen in between committee meetings that  
13 are referred on a daily, weekly, whenever they  
14 arise basis to the appropriate committee.

15 The way that communication is  
16 assured is by there's a certain constancy in  
17 participation throughout all levels, with the  
18 idea that everyone in that chain has access to  
19 and authority to contact directly Governor  
20 Miller or any member of the compliance or audit  
21 committee.

22 COMMISSIONER ZUNIGA: Does that  
23 happen with some frequency, some kind of  
24 exception communication?

1 MS. SINATRA: We are a really  
2 communication heavy organization. It's the only  
3 way that you can keep track of the amount of  
4 financial activity that is happening in our  
5 organization. So, there is daily, weekly,  
6 monthly communication as among different  
7 functional areas in our company.

8 We have scheduled calls. For  
9 example, I have an every other week call with  
10 all of my lawyers in Macau. We sort of cover  
11 the waterfront with respect to issues. The  
12 finance people have that same sort of rubric.  
13 Internal audit has it. So, it all rolls up in  
14 not a pyramid but a tree to ultimately having  
15 good communication all of the way to independent  
16 overseers.

17 COMMISSIONER ZUNIGA: You also  
18 described -- Your team described also the PEP,  
19 the politically exposed people. I think it was  
20 in the context of Macau. Does that also happen  
21 in Nevada, in Las Vegas?

22 MS. SINATRA: There's not a US  
23 requirement to run the database through the PEP  
24 software which we call World-Check. We actually

1 as a proactive matter in light of sort of FinCEN  
2 screwing down on its scrutiny of our  
3 participation of the Bank Secrecy Act, we are  
4 actually having World-Check installed in our  
5 operations in Wynn Las Vegas. And in the first  
6 quarter of '14 that will be live. And we will  
7 begin using it.

8 MR. WYNN: Commissioner, in the  
9 People's Republic of China, a politically  
10 exposed person, a real public official, a mayor,  
11 a city councilman, a government official,  
12 gambling with the people's money is the death  
13 penalty. And I don't mean that term in  
14 exaggeration. It literally carries the death  
15 penalty.

16 The time between conviction and  
17 execution in the PRC is 60 days. Pretty serious  
18 business. And the State Security Police of the  
19 People's Republic of China have a presence.  
20 They don't have an office but they are  
21 constantly around in Macau. It's almost as if  
22 the CIA and the FBI were hanging around every  
23 casino in Las Vegas.

24 They are there and they are looking

1 for the people's representatives gambling with  
2 the people's money. It is a legal offense in  
3 China. There is no second chance, no appeal.  
4 It's the death penalty. And they do it.

5 COMMISSIONER ZUNIGA: Also, back to  
6 the junkets for a little bit. You mentioned  
7 there's about 200 plus licensed junket  
8 operators.

9 MS. SINATRA: In Macau, yes.

10 COMMISSIONER ZUNIGA: But you do  
11 business with 12 or 13.

12 MS. SINATRA: That's correct.

13 COMMISSIONER ZUNIGA: Last week we  
14 also heard from MGM. They do business with  
15 about eight.

16 MS. SINATRA: Yes.

17 COMMISSIONER ZUNIGA: Where are all  
18 the others? Just help me understand it.

19 MS. SINATRA: There are different  
20 levels of participation in junkets. Some of the  
21 Chinese operators almost their whole casino is  
22 run by junkets. They are not actively in the  
23 business running their own program. And I think  
24 that the monopoly that existed prior to

1 liberalization in 2001 and 2002 -- Oh, I got a  
2 helper.

3 MR. WYNN: SJM, which is the company  
4 that is commonly associated with Stanley Ho,  
5 although he is for all intents and purposes no  
6 longer functional. He is very ill. His firm  
7 has although they're one of six licensed  
8 concessionaires, he has prior to 2002 engaged in  
9 what's known as service agreements. He has 20  
10 odd casinos that are operated under SJM with  
11 these service agreements.

12 And these service agreements have  
13 subcontracted the casino's operation almost  
14 entirely to other people. These service  
15 agreements are no longer permitted. For  
16 example, none of the concessionaires, the  
17 American concessionaires have them. We don't  
18 have service agreements. We operate our own  
19 business. We don't have anybody else operating  
20 our business except us.

21 But SJM had all of these little  
22 casinos. And they're in office buildings that  
23 are converted into casinos and small hotels.  
24 There are two dozen of them. Out of the -- Jay

1 what do we have 33 casinos, 34?

2 MR. SCHALL: Thirty-five.

3 MR. WYNN: -- 35 operating gaming  
4 casinos that you and I would call a gaming  
5 casino in a building, Stanley Ho has what, 24 of  
6 them?

7 MR. SCHALL: Twenty-three, 24.

8 MR. WYNN: Twenty-three or 24 of  
9 them and they're in these service agreements.  
10 That is where all of those myriad junket guys  
11 are.

12 COMMISSIONER ZUNIGA: Thank you.

13 CHAIRMAN CROSBY: Commissioner  
14 Stebbins?

15 COMMISSIONER STEBBINS: Mr. Stern or  
16 Mr. Schall you talked about -- picking up on  
17 some of the junket operator questions -- the  
18 DICJ licenses the junket operators first before  
19 they even can approach you; is that correct?

20 MR. SCHALL: Yes.

21 COMMISSIONER STEBBINS: Are you  
22 satisfied with the process that the DICJ uses?

23 MR. SCHALL: Yes.

24 COMMISSIONER STEBBINS: So, the

1 junket operator gets licensed there. They come  
2 to you. They submit an application. There is  
3 no face-to-face interview. And the junket  
4 committee looks at whatever application -- No?  
5 That's all right. You can shake your head no if  
6 I'm wrong.

7           They apply to get to be a junket  
8 operator within your facility and then there's  
9 kind of a background investigation that's  
10 undertaken internally of the junket committee.  
11 There is also, I think Ms. Chen looks at the  
12 reputation of the person applying. You don't  
13 have a lot of turnover from what you testified  
14 earlier. But am I following the right process?

15           MR. SCHALL; You are. So, they go  
16 through their application process with DICJ.  
17 The concession companies play a very small part  
18 in that in that a junket when it goes to apply  
19 needs to tell DICJ here are the casinos I plan  
20 to operate at.

21           And the DICJ will ask us, if this  
22 guy passes all of the different levels of  
23 scrutiny both with DICJ and with yourselves, can  
24 they operate with you? And we'll say yes, of

1 course, subject to the caveat that they pass the  
2 background checks and we have room, etc.

3 Then as you said and as we've said,  
4 they come through the DICJ process. They  
5 actually get a physical license. And on the  
6 license, it says which hotels they can work at.

7 Then we put them through all of our  
8 backgrounding checks. When that report comes  
9 out, the junket committee will review it. It  
10 obviously gets discussed with the compliance  
11 committee, but not at a high level of detail  
12 with the whole compliance committee.

13 Governor Miller is appraised of  
14 here's the new junket that wants to come in.  
15 Here's the report. Here's all of their staff.  
16 Here's all of the background checks on all of  
17 their staff, and I mean all of their staff.  
18 Sometimes their staff list is 80 or 90 people.  
19 We have to redact the names because of data  
20 privacy.

21 But we can let him know three of the  
22 employees we found unsuitable because they had a  
23 drunk driving issue or something when they were  
24 younger. We want everybody just to have

1 perfectly clean records. It's much easier.  
2 Then they proceed forward, space provided in our  
3 property. Like I said, I don't think we've had  
4 a new junket, Mr. Wynn or Matt may know better,  
5 in quite a long time because we're just full.

6 COMMISSIONER STEBBINS: It sounds  
7 like you do have a new opening recently.

8 MR. WYNN: Not in the last 12  
9 months, about a year ago.

10 MR. SCHALL: What Mr. Wynn alluded  
11 to, we took those tables for our own program in  
12 the space that that junket was removed from. We  
13 took them for ourselves.

14 COMMISSIONER STEBBINS: In the  
15 report it talks about you do go beyond DICJ  
16 regulations in that you do do an investigation  
17 of the junket operator, the promoter's  
18 employees.

19 How willing if something turns up,  
20 as you mentioned the DUI conviction or anything  
21 else in their record, does the promoter  
22 cooperate with you and say fine that person  
23 won't be allowed on the property?

24 MR. SCHALL: Quite frankly, they

1 have no choice but yes they do cooperate. We  
2 have to issue them staff cards. They have  
3 special staff cards for them to be on our  
4 property. If any of them ever don't have that  
5 staff card, they are removed. Even if they  
6 forgot it at home, they have to leave.

7           So, you're not going to get a staff  
8 card if we don't want you there get. So, what  
9 happens is if we find let's say an issue with  
10 one junket employee a DUI or something like  
11 that, some minor assault, it's usually very  
12 minor things. Don't get me wrong, we don't want  
13 them in our property, we just tell the junket  
14 you can't have this person on our property.  
15 Find someone else or do without. And there's  
16 never been an issue.

17           COMMISSIONER STEBBINS: You talk  
18 about the relationship that the state of Nevada  
19 has with the DICJ, and that there's certainly  
20 some proprietary information that can't be  
21 shared. What is really the value to our  
22 counterparts in Nevada about the relationship  
23 with the DICJ in terms of how you operate?

24           MR. WYNN: May I answer that

1 question, Commissioner?

2 COMMISSIONER STEBBINS: Sure.

3 MR. WYNN: I, understanding that  
4 probably in my company I had the most experience  
5 and tutelage in how to behave in China.

6 When the process started in 2001, I  
7 was fortunate enough to have a personal  
8 relationship with President Bush 41. And as I  
9 started the process for the concession, we were  
10 together socially. We were staying at my home.  
11 We were playing golf, and he asked me if I was  
12 serious about going forward. And I said I am  
13 going to try.

14 He said, well, when we finish, we're  
15 going to sit down for an hour and I'm going to  
16 give you a lecture about how things work in a  
17 culturally driven society as opposed to the one  
18 we have out West in the Western part of the  
19 world.

20 And as a result of that  
21 conversation, President Bush is -- Thank  
22 goodness, he's still alive. -- one of the most  
23 knowledgeable cinephiles alive. He started as  
24 our emissary before we had an Embassy in the

1 70s. He continued those relationships after  
2 being in Beijing in the 70s through his period  
3 as head of the CIA, the UN ambassadorship, his  
4 vice presidency.

5 He was a houseguest and vice versa  
6 with Jiang Zemin before when Jiang Zemin was  
7 mayor of Shanghai. So, you can imagine the  
8 intensity of the relationship between China and  
9 President Bush 41. He told me how to behave and  
10 what would happen and the differences.

11 Well, I shared that conversation  
12 with chairman of the gaming control board much  
13 later. And suggested, as I am today here that  
14 the gulf could be bridged easily between what  
15 may seem at the moment to be murky issues of  
16 Macau and the more crisp version you have of  
17 American regulation by simply getting to know  
18 these people.

19 And I explained to AG Burnett that  
20 the greatest thing we could do is to take the  
21 gaming control board over to Macau. Never mind  
22 getting fussy. Just show up as people. And go  
23 to dinner and spend some time talk, create a  
24 relationship and all of the walls will come

1 down. All of the windows will open. The doors  
2 will open. There'll be no more resistance.  
3 It'll be a whole different world.

4           It's not a thing you could do in one  
5 single visit, but the development of a  
6 relationship in Macau makes all of this mystery  
7 and these complex differences that we've been  
8 referring to go away.

9           And that process has begun in Nevada  
10 and in Macau. And it's getting better all of  
11 the time. And to the extent that we're involved  
12 in Massachusetts, if we are lucky enough to have  
13 that happen, you want Chinese business here.  
14 You want us to license some junket operator guy  
15 and bring all of those people here. You want  
16 that money in Boston, in Massachusetts. You  
17 really do.

18           And the way to get the job done is  
19 to do what AG Burnett is doing is to develop the  
20 exchange between the two countries.

21           They do things differently than us,  
22 but they are intelligent. It's a meritocracy.  
23 They just have a different cultural approach to  
24 things, but there is a meeting ground. And

1 that's the most important thing, I think, is to  
2 bridge that gap. And then a lot of that  
3 discomfort or uncertainty will vanish.

4 COMMISSIONER STEBBINS: Thank you,  
5 Mr. Wynn. I had one more question and it was  
6 actually for you. And maybe I'm afraid to open  
7 this window but I'll try it.

8 The IEB report talked about 1986 you  
9 pulled out of New Jersey, you had lost faith in  
10 New Jersey political environment. Can you tell  
11 us how that faith was lost?

12 MR. WYNN: It had to do with local  
13 government in Atlantic City. It was and I fear  
14 may even today, I'm not sure about the moment,  
15 but every year that I was there, one or two of  
16 the politicians went to prison, year after year.  
17 These flaky people that had no conception of the  
18 opportunity being presented to the community.

19 The state of New Jersey turned its  
20 back on Atlantic City with the exception of a  
21 couple of senators who tried very hard. But  
22 gaming became legal in New Jersey by accident.  
23 The first time they tried to license it, it  
24 failed. And the people up north who didn't like

1 South Jersey in that respect thought it was  
2 over. And the second time that the referendum  
3 went on the ballot, nobody paid any attention  
4 and the proponents got it passed.

5 Well, Brendan Byrne was the  
6 governor. And it was almost resentful, the  
7 establishment almost resented what happened in  
8 South Jersey. So, a process began where  
9 everything was left to the local politicians in  
10 Atlantic City.

11 A group of unsophisticated venal  
12 people in many respects, year after year, prison  
13 term after prison term off they trotted for  
14 misconduct in public office. And you could just  
15 see that there was no plan of development.  
16 There was no intelligent exchange.

17 I myself appealed to several  
18 governors to change that. And sort of got  
19 patted on the back, yeah, thanks, Steve. We had  
20 the best place there. We had the smallest  
21 casino. We had the most revenue by far than  
22 even the bigger places. But you could see that  
23 Atlantic City was going nowhere. That was going  
24 to end up where it is now, unfortunately.

1                   And it had a chance to be a great  
2 beginning. It had the ocean. It had monopoly  
3 on the eastern seaboard of the United States to  
4 be a great destination resort. But the  
5 political naïveté, the political venality, the  
6 lack of sophistication of the government of New  
7 Jersey until Governor Christie came along -  
8 Chris, the lady governor.

9                   COMMISSIONER CAMERON: Governor  
10 Whitman.

11                   MR. WYNN: -- Whitman came along,  
12 nobody cared about Atlantic City. Christine  
13 Whitman tried to light the fire again. And  
14 that's how the marina and the tunnel got built.  
15 There's been books written about that. But  
16 unfortunately it was too little too late.

17                   And we all know what position that  
18 community is in. Now gaming is spread  
19 everywhere in the eastern seaboard and I fear  
20 that maybe Atlantic City lost its moment.

21                   Here in Boston, we've got a whole  
22 different opportunity. But that's why I left.  
23 I could see where it was going. And a guy came  
24 and made an offer to pay a lot of money for the

1 company and I was thrilled to leave.

2 CHAIRMAN CROSBY: I would point out,  
3 Mr. Wynn that it was our Commissioner Cameron  
4 who put a lot of those local politicians in the  
5 slammer.

6 MR. WYNN: Commissioner Cameron  
7 knows what happened there. I didn't exaggerate,  
8 did I Commissioner?

9 COMMISSIONER CAMERON: A lot of what  
10 you said has merit, Sir.

11 MR. WYNN: They kept going to  
12 prison. It was the damnest thing you ever saw.

13 COMMISSIONER STEBBINS: Imagine if  
14 we had the Chinese rules. That's it. Thanks.

15 CHAIRMAN CROSBY: If we had the  
16 Chinese rules, Commissioner Cameron would be  
17 executing people. Is that what you mean? Were  
18 you finished, Commissioner Stebbins?

19 COMMISSIONER STEBBINS: Yes, I am.

20 CHAIRMAN CROSBY: I had a few  
21 questions. And thank you all for your time and  
22 patience. The PEP processes that you described,  
23 do the gaming promoters have the same regs. and  
24 practices or does that apply only to yours?

1 MR. SCHALL: It's the same  
2 instruction applies to both us and the junkets.

3 CHAIRMAN CROSBY: Okay. Good.  
4 There is a reference on page 94, some of which  
5 is blacked out in the redacted version, but it's  
6 a reference to what seemed to be a great many  
7 Bank Secrecy Act violations. And you've got the  
8 unredacted, you've seen it somewhere.

9 MS. WELLS: Is that regulatory  
10 infractions.

11 CHAIRMAN CROSBY: I only have the  
12 redacted. Yes, it's in that section.

13 MS. WELLS: It starts on page 93.

14 CHAIRMAN CROSBY: They just appeared  
15 to be -- I couldn't understand what to make of  
16 it. It seemed like it was significant but had  
17 not been mentioned.

18 MS. SINATRA: This refers to the  
19 audit.

20 CHAIRMAN CROSBY: Yes.

21 MS. SINATRA: One half of one  
22 percent of all filings in that year, no fine  
23 imposed. So, you know what a violation is if  
24 someone took a picture of someone's passport and

1 they forgot to fill in their middle initial, if  
2 someone forgot to write the exact date.

3           So, the way that people in this  
4 industry look at this is the percentage of all  
5 transactions, which is what was right and what  
6 was wrong, so one half of one percent were found  
7 to have some kind of -- and they're vast  
8 majority is stenographic type errors. They  
9 would have imposed a fine if they found  
10 anything.

11           CHAIRMAN CROSBY: Which they did  
12 not.

13           MS. SINATRA: It's excruciating.

14           CHAIRMAN CROSBY: This was just out  
15 of curiosity. On my page 31 of the redacted  
16 version, in the middle there is a -- this talks  
17 about one of the steps that Wynn takes that's  
18 beyond those required by the DICJ performs  
19 background checks of the gaming employers -- of  
20 the employees of the gaming promoters. Does MGM  
21 do that as well, do you remember?

22           MS. WELLS: I think the answer is  
23 no, but I'd rather hold off. I can report back  
24 to the Commission, but I want to be sure.

1                   MR. WYNN: I can't answer the  
2 question, Sir.

3                   MS. WELLS: I think they do the key  
4 employees, but I'll refer back to the  
5 Commission. I just don't want say anything  
6 unless I am absolutely 100 percent sure.

7                   CHAIRMAN CROSBY: Okay. It's  
8 meaningful if it is something which is  
9 distinctive.

10                   This would be maybe Mr. Schall, I'm  
11 not sure. Can you characterize -- I think,  
12 Commissioner Stebbins or somebody was getting at  
13 this. But when you tell us that the DICJ does  
14 background checks of the gaming promoters and  
15 that pretty much stands as the sine qua non of  
16 whether these folks are right to do business  
17 with, can you characterize those background  
18 checks compared for example to the kind of  
19 background checks that you folks are having to  
20 go through now? Where on the continuum of  
21 "background checks" does the DICJ background  
22 checks fit?

23                   MR. SCHALL: I can't speak to them.  
24 Given they have access to law enforcement and

1 actually have an enforcement division similar to  
2 yours that has police powers, I expect they can  
3 do a fairly extensive both Macau and regional  
4 check on the gaming promoter license applicants  
5 and the other people who fall within their  
6 purview like the five percent shareholders. But  
7 I can't speak for them. That probably would be  
8 something you could discuss with them.

9 MS. SINATRA: I don't know if Jim,  
10 do you have anything?

11 MR. STERN: Yes. I agree with what  
12 Jay just said. They have all of the resources  
13 that an agency like that would have.

14 CHAIRMAN CROSBY: Do some promoters  
15 fail the background checks?

16 MR. STERN: You would have to ask.  
17 I don't know what the ratio is on that. But I  
18 can also tell you that the background that we  
19 then do encompasses not only a lot of the  
20 investigative resources that they have, but we  
21 also have the ability to check both  
22 internationally and in the US.

23 A good example of that was we had --  
24 it wasn't a bad issue, but we had an applicant

1 or somebody that wanted to be licensed, we  
2 couldn't corroborate where this individual had  
3 gotten married. It was in another Asian  
4 country. We had to dig down pretty deep to  
5 confirm and corroborate what this person was  
6 alleging on the application.

7 So, it wasn't anything that was  
8 egregious or salacious. It was just something  
9 that we make sure that we confirm all of the  
10 information thoroughly. And of course the DICJ,  
11 to answer your question, does a very, very nice  
12 job also but they do it with a lot more  
13 resources officially than we do.

14 CHAIRMAN CROSBY: Okay, thank you.  
15 This one is just a little bit theoretical. And  
16 maybe it's for Mr. Wynn. By all accounts as  
17 best we can tell and a lot of time and money has  
18 been spent, your compliance procedures seem by  
19 the upshot of this investigation to be quite  
20 buttoned up. I don't think there is going to be  
21 any question about that. But I'm a little bit  
22 puzzled by the makeup of the compliance  
23 committee.

24 You have Governor Miller who, again,

1 by all accounts, is a very strong personality  
2 and a very capable personality for this role.  
3 But the other two members, so a majority are  
4 executives of the company. They're staff  
5 essentially. And I think as I have begun to  
6 learn a little bit more about this, it's a  
7 little more standard operating procedure to have  
8 your compliance committee be made up at least of  
9 a majority of outside people and certainly not  
10 of staff for reasons which you can well  
11 understand.

12           And I'm curious why you do it that  
13 way since it is kind of obvious that another  
14 practice might make more sense, at least  
15 optically?

16           MR. WYNN: An interesting point you  
17 just made. Very much the same kind of reasoning  
18 one would say for example that a board of  
19 directors of a public company should be made of  
20 outside directors not just in management.

21           The trouble with that is this.  
22 Compliance in a casino is a technical full-time  
23 job. I have to say, Sir, that I believe that  
24 the only way it can actually be done well is

1 with full-time, trained people totally familiar  
2 with the nuance of the operation of the casino.

3 No matter how reputable someone may  
4 be as an outsider, they could never have the  
5 kind of continuity, the kind of intimate  
6 relationship with the regulatory process that's  
7 necessary to run a casino in a tight way.

8 So, the obvious counterpoint is yes,  
9 but aren't the people on the inside those that  
10 very well may be the most -- earliest those that  
11 may be compromised, that would drop the ball, so  
12 to speak, or be careless in compliance. That's  
13 the job of management. That's the job of people  
14 elect the board of directors.

15 If our technically trained,  
16 intimately acquainted employees who really know  
17 how all of the jazz happens in a casino, if you  
18 really know how to watch it 24/7, you need full-  
19 time people to watch it 24/7. Because the  
20 shenanigans and the jazz that goes on in the  
21 casino is unrelenting. There's too much money  
22 around. So, you've got to have very, very tight  
23 24/7 surveillance and control of the process in  
24 compliance issues.



1                   CHAIRMAN CROSBY:  She's busy.

2                   MR. WYNN:  She'd be an insider.  So,  
3 inevitably we'd get to specialization.  And I  
4 guess, Chairman, that's my answer.

5                   THE HON. WILLIAM WELD:  Another  
6 thing that occurred to me, Mr. Chairman, while I  
7 was wondering about this is that if there's a  
8 serious issue, it's going to get kicked upstairs  
9 by Bob Miller over just Bob Miller's head to a  
10 committee of the board as we heard in a story  
11 that Mr. Wynn told us earlier.

12                  CHAIRMAN CROSBY:  Which is  
13 substantially made up of outsiders.

14                  THE HON. WILLIAM WELD:  Right.

15                  MR. WYNN:  But how else could we do  
16 it really?  Has it occurred to you what our  
17 better approach would be?

18                  CHAIRMAN CROSBY:  We've talked about  
19 this with other applicants.  And there's many  
20 ways to skin a cat.  And I'm sure there's no  
21 obviously right or wrong here.

22                  What you were describing to me was  
23 the staff role.  There's a critical need for  
24 full-time very experienced staff people.

1           A committee role, like any board  
2 committee maybe could be made up of people whose  
3 perspectives are independent. And your  
4 committee chair oversees the staff. And you  
5 don't lose any of the authority and the power  
6 and the expertise that all of those staff people  
7 have. But there is a committee of independent  
8 folks sitting there, at least two of the three.

9           As I say, everything we can tell is  
10 that your compliance operation works well.

11           MR. WYNN: It's not broken.

12           CHAIRMAN CROSBY: So, one way to  
13 look at it is don't fix it if it ain't broken. But  
14 these things surprise us as we all have learned  
15 in our lives. And your anticipatory approach in  
16 terms anticipating what structure will best  
17 protect you and the public interest might be  
18 worth thinking about. I leave it at that.

19           MS. SINATRA: Chairman Crosby, I  
20 just have one observation to make is we've  
21 thought about that.

22           And we've talked about a lot about  
23 it a lot internally. And as a lawyer who talks  
24 to lots of other lawyers and watches corporate

1 governance developments all of the time, that's  
2 what I do, the composition of our compliance  
3 committee as dominated by management is  
4 something that we've thought about.

5 But I will tell you if you look at  
6 us and you look at our peers in the industry is  
7 we have had fewer issues of really busted up  
8 compliance than most anyone. And I think it's  
9 because from top to bottom we have experts like  
10 Jay and Jim who are dedicated every single day  
11 and every single minute. We also have a lot of  
12 them.

13 And they're pretty independent-  
14 minded people. So, we feel like providing a  
15 culture that says you have access to independent  
16 people. You have access to experts, but you  
17 must be experts has served our company well so  
18 far.

19 MR. WYNN: When Stern came to work,  
20 when Larry introduced me to Jim, I said, Jim  
21 here's how it works here. You get to look at  
22 this stuff. If you don't like what you see, act  
23 on it. If you're not satisfied, go to Governor  
24 Miller. You do not have to come to me.

1                   Those are the terms of your  
2           employment. Let's get it straight. We're alone  
3           in the room. He is sitting here. He can  
4           confirm this. It's real simple. If you think  
5           that something is out of line here in terms of  
6           compliance, change it. You don't need my  
7           permission. I'd appreciate knowing if you  
8           thought something was so bent that it needed  
9           straightening. I'd like to be informed about it  
10          after the fact, but you don't need my assent.

11                   And if you're not satisfied, go to  
12          Bob Miller. You don't have to come to me. You  
13          won't be going over my head. I want to sleep at  
14          night because sure as hell if anything goes  
15          wrong, I'm the one that's going to get blamed.  
16          My name is on the signs. So, I'm going to take  
17          the rap. Don't let it happen. You're not doing  
18          me a favor.

19                   We do things a certain way here.  
20          Your job is to make sure we stay on the straight  
21          and narrow as best you can. That's the  
22          philosophy that's guided this company as it has  
23          grown over the years. It was a philosophy of  
24          Mirage Resorts, which we built from a little

1 thing, the Golden Nugget on Fremont Street with  
2 no rooms to the thing that we sold to MGM.

3 And there's only one way to run the  
4 business. If the right people are there and  
5 they understand the ground rules, they will do  
6 the right thing, inside, outside, independent or  
7 not. It's a question of what kind of message  
8 they get from the top. The board of directors,  
9 the chairman and the rest. And the way to judge  
10 that is the history of the company.

11 And I guess there's more than one  
12 way to skin that cat, Chairman, but it's a  
13 tentacled business and stuff happens late at  
14 night, on Sunday morning at 5:00 AM, and the  
15 people have to be on it tight. It's an inside  
16 kind of challenge if you're going to be  
17 victorious.

18 CHAIRMAN CROSBY: Thank you. I had  
19 one last question. Would you, Mr. Wynn, explain  
20 the context and the recipient and the request  
21 and the strategy of the \$125 million  
22 contribution to the whatever it was, the Macau  
23 Foundation or something or other? That's one  
24 that on its face looks a little funny. Our

1 investigation didn't suggest that but I'd be  
2 interested in hearing your description of how  
3 that came about, what that was about.

4 MR. WYNN: From the very beginning  
5 when we received the concession, I recognized  
6 that in order to be successful, we just couldn't  
7 be an American company in Macau. We had to be  
8 part of the community. And the ability to  
9 assimilate or to be considered a really good  
10 neighbor, for people in Macau to say, boy, we're  
11 glad they came, this round-eye is okay. We're  
12 glad they came. I had to get our company  
13 integrated in the community. And that was all  
14 about our employees.

15 So, the first thing that happened  
16 was that we had a chance to buy a wonderful Ming  
17 Dynasty vase, which I bought at auction and I  
18 donated to the museum. But I was really looking  
19 for a way -- Our history in Las Vegas is we've  
20 been one of the main supporters of education for  
21 40 odd years, almost 46 years in the state of  
22 Nevada.

23 We started Communities in Schools,  
24 we started Afterschool All-Stars. One of my

1 board members, Elaine Wynn is the national  
2 chairman of Communities in Schools, which is  
3 14,000 volunteers in 28 states 1,500,000 kids,  
4 the nation's largest dropout prevention program.  
5 It's here in Boston. And Elaine and I are the  
6 largest endowers of that program privately.  
7 We've always been an education company.

8           So, I would say to Edmund Ho, the  
9 Chief Executive Officer, Edmund, I really am  
10 looking for the right way to really play a role  
11 in the community. And he would say to me at our  
12 monthly or semimonthly meetings, Steve, you have  
13 to wait for the right moment. He speaks perfect  
14 English. At the time, he was the chairman.  
15 It's Fernando now, the man I described earlier  
16 that has that PhD in public health.

17           Fernando would say you have to find  
18 the right moment. It will occur. So, we'll  
19 see. Well, time went by and then a few years  
20 ago Hu Jintao then President of China and the  
21 Chairman of the Standing Committee of the  
22 Central Committee of the Communist Party, which  
23 means he is the boss in China.

24           Hu Jintao, his picture was in all of

1 the newspapers in Macau. And they had annexed  
2 in Kwantung Province 400 odd acres of Kwantung  
3 Province and were in the process of adding it to  
4 Macau, which is a small place.

5 That was a big deal. Hu Jintao,  
6 there he was taking his picture with Fernando  
7 Chui and Edmund Ho and the woman who is the  
8 minister of education for the People's Republic  
9 of China. The picture was in all of the papers.  
10 And I get the clippings every day electronically  
11 of what's going on in Macau when I'm in America.

12 There they were and they were  
13 announcing a new university that was going to be  
14 the pride of South China. And there was the  
15 president of China with a shovel standing next  
16 to the two leading politicians in Macau.

17 A week later I was in Macau and I  
18 saw Edmund. And I said this is a big deal with  
19 the University. He said it's a very big deal,  
20 Steve. They're going to spend \$1 billion. It's  
21 going to be the pride of this part of China.

22 I said this would be a great place  
23 for us to be involved. He said it would be an  
24 excellent place since you're so interested in

1 education.

2 I said, well, maybe we can get  
3 involved.

4 He said, I'll introduce you to the  
5 Rector. That's the name of the president over  
6 there. He says, he's a Chinese guy from around  
7 here, but he's been at Texas A and M for the  
8 past 10 years and I brought him back. Why don't  
9 you meet with him and discuss some of the plans.

10 It's very ambitious. They've going  
11 to have 80 buildings. They're going to have  
12 10,000 students right away. Really? He said  
13 we're going to build a tunnel from Macau under  
14 the water because it's by the corner of Hennison  
15 (PHONETIC) Island separated by several hundred  
16 meters of water. We're going to build a tunnel  
17 so there won't have to be a border control. One  
18 tunnel for pedestrians and bicycles, one tunnel  
19 for cars. Really?

20 So, I met the director. Very  
21 interesting man, spoke perfect English, of  
22 course, like most Chinese. And we got friendly.  
23 And it occurred to me that this was really our  
24 moment. This would be a chance for us to really

1 make a statement in the community.

2 At this point, I have to put in  
3 perspective I said that I'm thinking that I'll  
4 give them \$10 million a year for the next 10 or  
5 12 years. We're making \$110 million a month  
6 there. So, \$125 million is a month of the  
7 business, one month to play a major role in the  
8 development of that community, to send a strong  
9 message about our commitment.

10 Last July -- That was two and a half  
11 years ago. This past July, I was there for my  
12 monthly visit. And the Rector called up and  
13 said, Steve, I'm going to come get you and  
14 whoever you want to bring with you, I had my  
15 stepson with me, I want to show you.

16 I went on a bus in July. I went  
17 through a tunnel that looked like Callahan or  
18 Ted Williams. I came out of the tunnel 30  
19 months later, in case you want to know about  
20 China, Commissioners, and there in front of me  
21 where there was dirt was 80 buildings all  
22 connected with corridors so the kids don't have  
23 to carry an umbrella. Even the fire station was  
24 an architectural beauty designed by the guy who

1 did the opening ceremonies of the Olympics.

2           Eighty buildings in 30 months, and  
3 they're matriculating students this month, the  
4 first 2000 and the rest, the other 8000 in the  
5 spring. And they had a lecture hall that had  
6 1500 seats. And the whole back of the lecture  
7 hall was a clerestory with glass. There's a fly  
8 loft above the stage and a trap room below for a  
9 lift. It's a full-on Broadway theater with 1500  
10 seats. And the Rector invited me to make a  
11 business lecture to be the first one in  
12 February.

13           I'm thrilled to be supporting that  
14 university. I found a spot for our company to  
15 make that gesture. My directors in America were  
16 enthused about it. My directors in China were  
17 enthused about it even, what's his name, Okada  
18 was enthused about it.

19           But he only wanted to give it to  
20 them for five years and I wanted to give it to  
21 them for 10 and make the first one \$25 million.  
22 Okada voted against it. All of the other board  
23 members in both companies voted for it. And  
24 then Okada insisted on being there for the

1 groundbreaking and taking his picture with  
2 Fernando Chui. That's how we got involved with  
3 the University, a great opportunity.

4 I'm very proud. And I'm hoping to  
5 get involved with the company in a number of  
6 ancillary support initiatives in the community.

7 It's very important whether you're  
8 in Boston or in Macau that you have to become a  
9 good neighbor. You have to take a real interest  
10 in the community. First of all, because it's  
11 the key message you send to this staff. If the  
12 people that work for you think it's a high-class  
13 thing to work for the company that you care  
14 about the community then they feel good about  
15 working there.

16 And the minute the employees feel  
17 that it's an increase in their self-esteem to be  
18 working for you, you've harnessed the energy of  
19 the universe. You've cracked the atom. That's  
20 more important than money.

21 So, our role in the community is  
22 very important to the people that work for us.  
23 I've noticed that in Atlantic City where we're  
24 the employer of choice. The newspaper in Las

1 Vegas said where's the best place to work in Las  
2 Vegas? They hired a big outside consulting  
3 firm. We won go and away.

4 And I do that not because I'm  
5 altruist or that I'm particularly liberal. I do  
6 it because it's good business.

7 So, that university donation was  
8 something I had been looking for. I was hungry  
9 to get into that. I had the money that's for  
10 sure. We're going to make a \$1.3 billion this  
11 year, more depending on how we end up in the  
12 next few weeks. Think of that. The investment  
13 was \$1.5 billion. We've brought \$5 or \$6  
14 billion home. We've reinvested it in Macau,  
15 reinvested it in Las Vegas. Maybe we'll invest  
16 it in Boston. China has been fabulous for us.

17 CHAIRMAN CROSBY: Al right. Thank  
18 you, Mr. Wynn. I don't have any other  
19 questions. Any other Commissioners?

20 COMMISSIONER ZUNIGA: No.

21 COMMISSIONER MCHUGH: No, I don't.

22 CHAIRMAN CROSBY: Do you have any  
23 redirect, Governor or cross?

24 THE HON. WILLIAM WELD: No, Sir.

1                   CHAIRMAN CROSBY:  Would the  
2                   applicant like to make a closing statement or  
3                   did you just do that?

4                   THE HON. WILLIAM WELD:  He did.

5                   CHAIRMAN CROSBY:  Thank you all  
6                   Counsel.  With that we will conclude this  
7                   portion of the suitability proceeding.  The  
8                   Commission will deliberate about the matter in  
9                   private and issue a written decision.

10                  The proceeding at this point however  
11                  remains open.  If at any point during  
12                  deliberations, the Commission determines that  
13                  further testimonial or documentary evidence is  
14                  desirable, it may send notice of such to the  
15                  applicant and provide instructions as to how to  
16                  proceed.  Question?

17                  MR. WYNN:  How long does the  
18                  deliberation last on unsuitability.

19                  CHAIRMAN CROSBY:  Well, as long as  
20                  it takes.  But we will start possibly this  
21                  afternoon.  And we're scheduled to do it  
22                  tomorrow.  We expect a written decision  
23                  generally, it's like in a week to 10 days.  That  
24                  is sort of generally how it's been.  We will

1       come to a decision and then submit it in writing  
2       rather than announcing it orally.

3                 Further, all applicants of course  
4       have a continuing duty to provide any updated  
5       information to the Commission and to the Bureau.  
6       It is now December 16, 2013 at 2:45. And we  
7       will temporarily adjourn. Thank you all very  
8       much.

9                 (Hearing suspended at 2:45 p.m.)

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2013.

LAURIE J. JORDAN                      My Commission expires:  
Notary Public                              May 11, 2018