

How Wynn's Boston Casino Is Rising on Land Tied to a Mobster

Written by Administrator

Wednesday, 11 April 2018 14:30 -

[Wynn Resorts Ltd.'s](#) Boston area casino, heralded as a growth engine for locals and the company alike, was nearing completion when trouble arrived earlier this year in the form of sexual-assault allegations against founder Steve Wynn. Massachusetts's gaming regulator is threatening to pull the casino's license if it determines that the Wynn executives knew about and failed to disclose their boss's behavior.

But there's another cloud hanging over the \$2.5 billion Wynn Boston Harbor. The complex is rising on land whose previous owners include two convicted felons, one with alleged mob ties.

Casinos and their regulators take pains to keep criminals at a distance and avoid the appearance of benefiting them, so as not to undercut the public's trust in gambling operations. Though the state's gaming regulator determined the land sale wasn't problematic when it greenlighted it five years ago, information later emerged that cast the deal in a different light. In court testimony, two witnesses said the Wynn camp was told about one of the sellers' tainted past before the land deal was signed. Wynn has denied its executives knew about any such ties and has said the witnesses' testimony wasn't credible.

But the question about that seller—who knew what and when—hasn't been laid to rest, at least in two pending civil cases. The land deal figures into lawsuits against the gaming commission alleging that the casino license bidding process was rigged in Wynn's favor.

Wynn Resorts Casino Revenue

*Wynn Resorts has a 72% economic interest | **BI forecast after 2019 opening

Barry Langberg, a lawyer for Wynn Resorts, wrote in two letters to Bloomberg that the witness statements and allegations made in the two lawsuits aren't "supported by any credible evidence." Wynn executives deny they were informed of any such criminal ties prior to the sale of the land, he wrote. A spokesman for Wynn Resorts, which isn't a party to either lawsuit, declined to provide further comment.

The casino operator can hardly afford missteps in Massachusetts. The Wynn Boston Harbor, [one of the biggest private developments in Massachusetts history](#)

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, is expected to contribute roughly 10 percent to the company's enterprise value, according to Bloomberg Intelligence. After Wynn, 76, resigned from the company in February, the casino operator has increasingly been seen as a potential

[acquisition target](#)

. Its now-chief executive officer, Matthew Maddox, has had

[informal talks](#)

about selling the unfinished Massachusetts casino, Bloomberg reported April 6.

Regulators in Macau—where the company generates more than three-quarters of its pretax profits—and Nevada are investigating sexual misconduct [allegations](#) . Wynn's Macau license is up for renewal in 2022.

Kurt Eggert, a law professor at Chapman University specializing in gaming regulation, said the ongoing inquiries could open the door to revisiting questions about the land sale. If Massachusetts' findings end up being unfavorable toward Wynn, "the same questions would move to the front burner elsewhere, as people ask other gaming commissions what they're going to do about Wynn," he said.

There's an added complication to the state review of the licensing process. In the lawsuits alleging that Wynn Resorts received favorable treatment, the accusations are leveled at the Massachusetts Gaming Commission—the same body now conducting the review spurred by the harassment revelations. The body is scheduled to meet in a public session Thursday.

The commission, which has denied any wrongdoing, said it won't be looking into the land deal as part of its current review. It has moved to dismiss one of the lawsuits and vowed to fight the other.

The commission's chairman, Stephen Crosby, said the focus will be on Wynn executives' knowledge about a settlement that the company reached with a female employee before applying for the Massachusetts license. The panel wants to know what "did the board of directors and staff know and when did they know it, about the settlement and the associated allegations," Crosby said.

Massachusetts Attorney General Maura Healy, who oversees a state gaming law-enforcement

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division, hasn't publicly addressed the land sale issue. But she has said the commission's review should be broad. "Nothing should be off the table right now—there are a ton of questions that need to be answered, and this is very serious business," Healy said in a radio interview Feb. 14. She declined to comment for this article.

Wynn's Boston strategy started back in 2011, when Massachusetts approved casino gambling as a way to pump money into the local economy. Competing against Caesars Entertainment Corp. and Mohegan Sun Massachusetts LLC, Wynn pitched a massive casino and hotel that it would build in nearby Everett, across the Mystic River from Boston and accessible by ferry.

Wynn's pitch included its plan to buy the Mystic River location—a 33-acre brownfield site where a Monsanto Co. factory once stood. It was owned by a partnership controlled by FBT Everett Realty LLC, which had paid \$8 million for it in 2009 and considered turning it into a waste-transfer station.

In late 2012, the Boston Business Journal identified an early FBT owner as a convicted felon. But that partner had already left the group. Five days later, Wynn signed a deal with FBT to buy the site for \$75 million if the casino license was granted.

But there was a second felon still in the mix. Around the same time, a Massachusetts prison official overheard an ex-convict, Charles Lightbody, bragging on a recorded telephone line. He told an inmate with mob ties that he was hoping to make a killing on the Wynn land sale, according to court filings. Lightbody, who had a minority stake in the Everett site, had convictions going back decades for assault, grand larceny and identify theft, and was said by federal law enforcement to be an associate of the New England family of La Cosa Nostra.



Charles Lightbody

Photographer: Chitose Suzuki/The Boston Herald

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Lightbody declined to comment through his attorney.

Corrections officials alerted the Federal Bureau of Investigation, which flagged the state gaming commission in July 2013. The regulator, which is chartered to ensure “public confidence in the integrity of the gaming licensing process,” started an inquiry. Commissioners asked if Wynn Resorts had known about Lightbody’s record—a fact that could have forced the regulator to deny the license.

Among those the commission’s investigators interviewed was Kimmarie Sinatra, Wynn Resorts’ longtime general counsel. She told them she had no reason to believe at the time of the sale that any of FBT’s owners had criminal ties. Sinatra later testified that she first heard of Lightbody when the gaming commission brought him up in July 2013. Sinatra said she was told by one of FBT’s partners that there were only two other owners and that both had clean records, and has said the company performed due diligence on them. The commission concluded Wynn Resorts had “no knowledge” of attempts to hide ownership of the site.

The company and the commission also forged a solution: To prevent criminal elements from reaping a “gambling premium” on the land sale, Wynn Resorts would negotiate a discount. Instead of paying \$75 million to the FBT owners, it would pay what a consultant estimated a box store-chain might pay: \$35 million.

The commission approved the Wynn Resorts casino license in September 2014. A few weeks later, federal prosecutors indicted Lightbody and two other FBT investors for allegedly concealing his involvement from Wynn Resorts and the gaming commission.

During their three-week trial in Boston federal court in 2016, an alternate account emerged of what Wynn executives may have known. The FBT investors claimed casino executives knew who they were dealing with at the time of the sale. A government cooperator, Michael Flood, testified that he and his boss, one of the investors, escorted some Wynn executives, including Sinatra and now-CEO Maddox, around the Everett site a month before they signed the option agreement. The executives were told about the partners’ backgrounds, according to Flood, including that one felon had recently left the ownership and that another one with a “checkered past” was in the process of exiting.



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Wynn Boston Harbor Resort Casino under construction on Feb. 7.

Photographer: Scott Eisen/Bloomberg

Maddox, who was then Wynn's chief financial officer, and Sinatra expressed no concern, Flood testified. Separately, a lawyer for the sellers had testified that he told an outside attorney for the Wynn camp about a tainted partner before the sale.

Maddox and Sinatra didn't recall the conversation Flood described, according to the trial transcript. Langberg, the Wynn Resorts lawyer, wrote that Flood couldn't prove he was at the purported meeting and had "assumed" that his boss was referring to Lightbody.

"Mr. Maddox and Ms. Sinatra have stated on numerous occasions, publicly and under oath, that there never was any conversation where they were informed that Mr. Lightbody was an owner, prior owner, or had any interest in the property," Langberg wrote.

The Wynn lawyer also said the defense argued that Lightbody was "not an owner at the time of the deal with Wynn Resorts so there could be no fraud in not disclosing him." The nature and timing of Lightbody's involvement in FBT were central to the criminal trial.

In court papers, the defendants had argued that the compromise price with the gaming commission had driven the prosecution. "There is at least a reasonable suggestion that Wynn [Resorts]—the alleged victim in this case—was willing to feign being defrauded in order to reap a \$40 million financial windfall." Langberg rejected the allegation, saying it was a "suggestion" from a pre-trial brief with no evidence to support it.

Ultimately, federal prosecutors failed to make their case that the three sellers committed fraud and conspiracy to hide criminal ties from Wynn and the gaming commission. The three were found not guilty on all charges. Gaming commission spokeswoman Elaine Driscoll said "the U.S. attorney's office investigated this matter and also found no evidence that Wynn Resorts had prior knowledge" of FBT's alleged efforts to conceal ownership.

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The sellers are now suing the gaming commission, alleging they were wrongly pushed into lowering the sale price. Mohegan Sun Massachusetts, which lost out to Wynn Resorts for the greater Boston casino license, is also suing. Mohegan Sun said the commission showed “favoritism” toward Wynn and willfully ignored evidence that Wynn knew of Lightbody’s involvement in FBT. The gaming commission has moved to dismiss the lawsuit by the FBT investors. It pledged to fight the Mohegan Sun suit. Langberg rejected Mohegan Sun’s allegation, writing that “Mohegan Sun is a competitor of Wynn and very adverse to Wynn in this litigation.”



Aerial view of the construction of the Wynn Casino in Everett on Nov. 9, 2017.

Photographer: David L. Ryan/The Boston Globe via Getty Images

As those legal battles play out, the casino has already risen [23 floors](#) . The company has said the 27-story, 671-room project will be an [anchor for revitalization](#) , that it will generate 4,500 jobs and as much as \$260 million in annual taxes and fees for Massachusetts. While the commission has said its probe won’t touch on the land sale, it will likely touch on whether Sinatra was aware of harassment allegations about her boss.

Elaine Wynn, Steve Wynn’s ex-wife, said at a court hearing in Las Vegas last month that, back in 2009, Sinatra had called an employee’s rape allegation against Steve Wynn [a “personal” matter](#). In a statement issued after the March hearing, Sinatra said that Elaine Wynn never told her there was an allegation of rape against Steve Wynn, but made only an “oblique reference” to a settlement, [Sinatra said](#)

The state gaming commission, in a March 29 status report of its review, emphasized that the Wynn project should proceed because thousands of local jobs hang in the balance. But it put Wynn on notice that it proceeds on an “at risk” basis, pending the outcome of its investigation.

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A Wynn executive said the company is open to “rebranding” the project—keeping it under company control, but removing the Wynn name entirely.

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