STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

IN RE:
1) REHEARING OF PETITION NO. 281707
   OF RESORTS INTERNATIONAL, INC., RESORTS
   INTERNATIONAL HOTEL, INC., RESORTS
   INTERNATIONAL HOTEL FINANCING, INC., THE
   TRUMP HOTEL CORPORATION AND DONALD J.
   TRUMP FOR DECLARATORY RULINGS;
2) APPLICATION OF THE TRUMP HOTEL
   CORPORATION FOR THE ISSUANCE OF A CASINO
   LICENSE;
3) APPLICATION OF RESORTS INTERNATIONAL
   HOTEL, INC. FOR RENEWAL OF ITS PLenary
   CASINO LICENSE AND ITS CASINO HOTEL
   ALCOHOLIC BEVERAGE LICENSE (PRN 282701)
4) APPLICATIONS OF LECTROLARM CUSTOM
   SERVICES, INC. AND INTERNATIONAL
   INTELLIGENCE, INC. FOR RENEWAL OF THEIR
   CASINO SERVICE INDUSTRY LICENSES; AND
5) PETITION OF RESORTS INTERNATIONAL
   HOTEL, INC. AND RESORTS INTERNATIONAL,
   INC. FOR WAIVER OF QUALIFICATION OF
   SECURITY HOLDERS AND OF DEBENTURE HOLDERS
   OF RESORTS INTERNATIONAL, INC. AND RESORTS:
   INTERNATIONAL FINANCING, INC. (PRN 303701):

Thursday, February 18, 1988
12:00 p.m.
3131 Princeton Pike
Public Meeting Room
Building No. 5
Lawrenceville, NJ 08648

BEFORE:

WALTER N. READ, CHAIRMAN
W. DAVID WATERS, VICE CHAIRMAN
CARL ZEITZ, COMMISSIONER
E. KENNETH BURGDE, COMMISSIONER
VALERIE H. ARMSTRONG, COMMISSIONER

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DARYL NANCE, PROCEDURES ANALYST

ON BEHALF OF THE COMMISSION STAFF:

JOHN R. ZIMMERMAN, DEPUTY DIRECTOR, LEGAL

ON BEHALF OF THE DIVISION STAFF:

MICHAEL VUKCEVICH, DEPUTY ATTORNEY GENERAL
MICHAEL ROMANO, SENIOR AGENT

ON BEHALF OF PETITIONER RESORTS INTERNATIONAL, INC.

STERNs, HERBERT, WEINROTH & PETRINO, ESQS.,
BY: JOEL H. STERNs, ESQ. and PAUL M. O'GARA, ESQ.,
and
JOHN M. DONNELLY, ESQ.

ON BEHALF OF TRUMP HOTEL CORPORATION

RIBIS, GRAHAM, VERDON & CURTIN, ESQS.,
BY: NICHOLAS L. RIBIS, ESQ.

ON BEHALF OF TRUMP ORGANIZATION

HARVEY I. FREEMAN, ESQ. (NY Bar)

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CHAIRMAN READ: We will call the session to order and the presence of all five commissioners. The record having been completed and closed the other day, we are now in the position where I think we can bring the matter to a close and consider the final vote.

Before proceeding to the final vote, I have some observations regarding Resorts' obligations remaining to the Uptown Urban Renewal Tract. The Division indicated in its report on licensure that it hasn't yet completed its investigation of recent developments concerning the housing issue, and that this matter is therefore not ripe for consideration by the Commission. As a result, a thorough review of the matter will necessarily be deferred for future proceedings. Although Resorts is an applicant for a two-year renewal of its casino license, the Commission will examine this issue as soon as it is appropriate to do so.

On numerous occasions, the Commission has expressed its concerns relative to Resorts' housing commitments. In the initial year of casino gaming, this Commission, under Chairman Lordi, received a promise from Resorts to invest five million
Remarks - By Chairman Read

dollars in housing in the Atlantic City region.
Several years later, a hearing was held at which
Resorts claimed to have spent a portion of these
funds. And in the context of that hearing, the
Commission received a commitment from Resorts to spend
one million dollars of the five million dollar
obligation on low or moderate income housing in the
City of Atlantic City.

Thereafter, the Commission conducted
frequent and often lengthy hearings in an effort to
monitor Resorts' progress and to prompt swifter
compliance with the housing obligations the company
had undertaken. To this day, the Commission receives
bi-weekly reports from Resorts on the still
uncompleted infill housing development plan which
arose out of the one million dollar obligation.

Moreover, at the end of 1984, the Commission again
examined Resorts' housing efforts in connection with
the company's effort to obtain reinvestment tax
credit.

In summary, to the best of my
recollection, Resorts' housing obligations have been
an issue at every Resorts' casino license renewal
hearing, and at other hearings specifically designed
Remarks - By Chairman Read

to inquire into housing issues. Moreover, the New
Jersey Public Advocate has on several occasions
intervened in hearings before the Commission to
express his dissatisfaction with the pace and scope of
Resorts' efforts to fulfill its housing obligations.

Our concerns in this area have by no
means diminished. On the contrary, recent
developments have intensified our resolve to
scrutinize all of the relevant circumstances
surrounding Resorts' housing commitments as they may
impact upon continued licensure.

Last summer, when the Commission voted
to approve Donald Trump's purchase of a controlling
interest in Resorts International, I noted that this
Commission would insist upon Resorts fulfilling its
housing obligations. At that time, we were assured
that the Trump Organization had been made fully aware
of Resorts' obligations pertaining to the Uptown Urban
Renewal Tract, and that Resorts, under the leadership
of the Trump Organization, was prepared to take all
appropriate measures to fulfill these obligations.

At this hearing, we were again assured that Resorts,
which will apparently soon come under the complete
ownership of Mr. Trump, will fulfill its obligations
Remarks - By Chairman Read

with respect to housing.

When this entire housing related matter is presented to the Commission at a future hearing, we will examine the developments that have occurred since Mr. Trump first assumed control of Resorts. We will measure these developments against the representations that were made last summer, as well as those that were made at this hearing. We will then reach a judgment within the context of the strict licensing criteria of the Casino Control Act, including the requirement that the licensee and its officials establish their good character, honesty and integrity.

Turning to the issues which are before us for resolution today, I should once again note that on January 27 of this year, the Commission reopened the hearing in which we approved the Comprehensive Services Agreement between Resorts International, Inc. and Trump Hotel Corporation and consolidated that matter with the Resorts International Hotel, Inc. casino license renewal application. Subsequent to that decision and immediately prior to the commencement of this hearing, Resorts announced that a Special Committee of its Board of Directors had agreed to recommend acceptance of a merger proposal from
Remarks - By Chairman Read

Donald Trump, pursuant to which the holders of all
shares of Class A and Class B common stock would
receive $22 per share. Assuming the merger is
consummated, Resorts International, Inc. will be a
private company, with Donald Trump the sole
shareholder.

The parties have introduced into
evidence a Stipulation concerning the Comprehensive
Services Agreement, which provides that no management
fees shall be paid to or accrued on behalf of Trump
Hotel Corporation until the Taj Mahal Casino Hotel has
been opened for legalized casino gaming, and that
Trump Hotel Corporation and Donald Trump forego and
waive any management fees and interest thereon which
otherwise would have been due to Trump Hotel
Corporation from Resorts until the Taj Mahal is opened
for legalized casino gaming. Resorts, Trump Hotel
Corporation and Donald Trump have agreed to amend the
Comprehensive Services Agreement in accordance with
the terms of this Stipulation.

The record also indicates that, if the
merger is effected, any consideration of management
fees will be moot. Nevertheless, whether or not the
merger is consummated, this Stipulation will remain in
Remarks - By Chairman Read

full force and effect.

I believe this Stipulation adequately addresses the regulatory concerns which precipitated the reopening of this matter. Accordingly, based upon the entire record of this proceeding, I will now move: (1) to grant the petition for a declaratory ruling approving the Comprehensive Services Agreement, subject to the conditions set forth in the Commission's decision of December 16, 1987, and as amended by the Stipulation; (2) to issue a casino license to the Trump Hotel Corporation, for one year effective February 26, 1988, subject to all fees being paid on or about such date; (3) to renew the casino license and casino hotel alcoholic beverage license of Resorts International Hotel, Inc. for two years; (4) to renew the casino service industry license of International Intelligence, Inc. for two years; (5) to renew the casino service industry license of Lectrolarm Custom Services, Inc. for two years; and (6) to approve all of the terms, recommendations and conditions set forth in the Commission staff reports other than matters which have been addressed by previous Commission votes at this hearing.

Is there a second for that motion?
Remarks - By Commissioner Armstrong

COMMISSIONER BURDGE: Second.

CHAIRMAN READ: Discussion or comment?

COMMISSIONER ARMSTRONG: Mr. Chairman,

I have a few comments I would like to make.

The record created in this matter, in my opinion, is less than satisfactory and leaves doubt concerning several critical issues facing Resorts.

Since June 1987, this Commission has been told through the testimony of numerous witnesses during several Trump/Resorts hearings, that the future of Resorts and indeed, the future of Atlantic City, is dependent upon Resorts' ability and now specifically, Mr. Trump's ability, to finance and complete construction of the Taj Mahal.

While few people would disagree with the assertion that the successful, expeditious completion of the Taj Mahal will likely benefit both Resorts and Atlantic City, regulatory approvals to aid that process, as well as renewal of a casino license should result only after applicant has produced a statutorily satisfactory record.

Both Mr. Trump and Resorts are veterans of this process and should have minimal difficulty in creating an adequate record. Unfortunately, the
Remarks - By Commissioner Armstrong

record before us is laced with hyperbole,
contradictions and generalities which make it
difficult to evaluate adequately the licensee's
fitness for licensure.

As Mr. Sterns properly noted in, I
believe it was his closing argument, in this case we
are not only examining "...the past, what happened and
what was the record, but we are also examining
Resorts' future." I agree with Mr. Sterns'
observation and note that in order to determine
whether the record before us is sufficient to grant
relicensure, we cannot ignore the cumulative records
entered at prior Resorts/Trump hearings held before
this Commission since June 1987 regarding such
important issues as Mr. Trump's purchase of the B
shares, economic concentration, closure of Resorts I,
approval of the Comprehensive Services Agreement, and
currently, examination of Mr. Trump's proposal to take
the company private.

At each of those hearings this
Commission was advised that certain approvals were
needed to ensure the completion of the Taj Mahal. At
the conclusion of each of those hearings, this
Commission, in good faith, granted the approvals
Remarks - By Commissioner Armstrong requested.

At the conclusion of each of those hearings, Mr. Trump gained more control over the company, an event which had the potential to be positive. A tracking and analysis of the proceedings since June is a complex task, but very revealing, as much for what each record says as what it does not say.

The prior records tell us that, notwithstanding the difficult challenge involved, Mr. Trump has the ability to help finance and complete the Taj Mahal but, each time we are told, Mr. Trump needs more control of the company to accomplish those goals.

At the conclusion of the June/July hearings, there was nary a hint that Resorts was in such deplorable condition that a highly controversial and lucrative Comprehensive Services Agreement was its only hope to ensure that Mr. Trump could devote the necessary time and talent of his organization to complete the Taj Mahal.

At the conclusion of the November/December hearings, after substantial negative testimony volunteered by Mr. Davis and Mr. Trump regarding Resorts' dire circumstances, there was no
Remarks - By Commissioner Armstrong

mention of the fact that Mr. Trump might to take the company private in order to expedite financing on the most favorable terms. Now, eight months since this series of proceedings began, we are told that financing may be imminent but only if the company is now taken private.

Of grave concern to me is Mr. Trump's response to questions concerning the status of Resorts if the merger is not consummated. At page 353 of the transcript, Mr. Trump testified that he does not know what will happen in the event that the Merger Agreement is not consummated; however, he claims he would not renegotiate the stipulation to modify the Comprehensive Services Agreement. At page 385 of the transcript, Mr. Trump indicated that in the event of a failure to complete the Merger Agreement, he would work under the Management Contract. At page 386 of the transcript, Mr. Trump stated "It's very possible that if the merger didn't go through, I would get out of Resorts."

During the November/December hearings, this Commission was told quite emphatically that conditioning Mr. Trump's receipt of a management fee upon completion of the Taj Mahal was totally
Remarks - By Commissioner Armstrong

unacceptable. In light of the testimony during this proceeding that Chapter 11 proceedings have been discussed, that slowdowns in payment to vendors will continue until financing is obtained, and the fact that this Commission has been led to believe that financing was difficult but imminent at various points during the last eight months, can we in good conscience grant relicensure to a company that cannot adequately suggest what its status will be three months from now if the merger cannot be consummated?

Just as Mr. Trump testified that the conditions precedent to completing the Merger Agreement were necessary in order for him to know now what problems he would face regarding completion of the Taj Mahal, we, as a regulatory body, need to know now what problems this company is going to face three months from now if the merger is not completed.

We also cannot ignore the representations made over the past several years at Resorts renewal hearings, and during the Showboat lease hearings concerning Resorts' obligations regarding the development of the Urban Renewal Tract. What for years Resorts has called a commitment is now termed an option. Admittedly, the history and future
Remarks - By Commissioner Armstrong

development of the tract is complex, but the company
as a practical matter is no further along than it was
when it signed the original agreement with the housing
authority with regard to its plans to develop housing
or abandon development of the balance of the tract.

With each passing year, the Urban Renewal Tract
continues to be held hostage while lying a fallow
wasteland.

We have been told during this
proceeding that certain housing authority approvals
are conditions precedent to completion of the merger.
While some of those approvals appear to be necessary,
I do not feel confident that the record in this matter
adequately explains exactly what is needed to satisfy
the housing authority conditions set forth in the
merger agreement, or what Resorts' intentions are with
regard to future development of the tract.

It is less than comforting to hear Mr.
Trump testify eight months after his purchase of the B
shares, that "No one really understands what the
housing authority agreement in the current sense
means." If that be the case, then Resorts, as one of
the largest landholders in the city, has an obligation
to find out once and for all what the agreement means,
Remarks - By Commissioner Armstrong

and whether or not they will develop some or all of
the remaining renewal tract acreage.

We have also been told that massive
CRDA subsidies have been sought to be applied toward
Resorts, Castle's and Plaza's CRDA obligations in
order to build 1200 oceanfront housing units on the
Urban Renewal Tract, yet we also heard Mr. Trump
testify that there is currently no market for housing
in Atlantic City, although this proposed project
stands to be moderately successful as to location.

However, five pages later in the transcript, when
questioned about a possible grant commitment to a
priority CRDA project, Mr. Trump stated, "The housing
itself is a contribution. There is no money to be
made from this housing, there is money to be lost from
housing." Contradiction abounds.

Of even greater concern was Mr. Trump's
response to questions concerning alleged
representations made on behalf of Mr. Trump or his
organization regarding a cash infusion of $20-40
million into the CRDA's Northeast Inlet Development
Project.

One thing is certain, it appears that
Resorts and Mr. Trump feel that other agency approvals
Remarks - By Commissioner Armstrong

are essential to successful completion of the Taj Mahal. While it is not our role to invade other agency's processes, it is our role to ensure that our licensees obtain agency approvals with honesty and integrity and that representations made to one agency are consistent with representations made to other agencies when dealing with similar subject matter. We also need to be certain that our licensees are dealing fairly, squarely, openly and honestly with this Commission when requesting approvals.

The gaping holes in this record, particularly when combined with the record created over the last eight months, could lead to several conclusions regarding Resorts' business and development strategies. While it might be possible to conclude that the events of the past eight months resulted from happenstance, impulse, fate and/or events beyond Trump's and Resorts' control, it is also just as easy, perhaps easier, to conclude that many of the events leading to Mr. Trump's current merger proposal have been carefully staged, manipulated and orchestrated to drive down the value of the stock in order to create or force the Merger Agreement.

I am reluctant to draw either
Remarks - By Commissioner Armstrong

conclusion based on the current record. There is much at stake here. The combined Atlantic City interest of Mr. Trump and Resorts are of monumental significance: Castle, Plaza, control of the Marina site, Resorts I, Taj Mahal, Showboat lease, potential control of the Urban Renewal Tract, and ownership of additional substantial Atlantic City real estate. The licensee and its control shareholder, Mr. Trump, should immediately confront and reconcile, if at all possible, in proceedings before this Commission, the numerous contradictions in the combined records. They should offer specific evidence to ensure this Commission that they are dealing consistently, honestly and with integrity when obtaining approvals from other agencies. They should provide greater assurances that the Merger Agreement was properly motivated and they should be required too more thoroughly define its business plans for the ensuing period of licensure.

If a vote is to be taken on the current record, then my vote is negative.

However, it would seem to me that because of the stakes involved, due process could and should permit this hearing to continue, to determine
Remarks - Vice-Chair Waters/Commissioner Zeitz

whether these doubts can be eliminated. Quite
frankly, I am surprised that the licensee and Mr.
Trump would rest on the current record, but that is a
decision they have to live with.

CHAIRMAN READ: Thank you, Ms. Armstrong.

Any further comments?

VICE-CHAIRMAN WATERS: Yes, Mr. Chairman.

Without burdening the record, and
without duplicating the comments of Commissioner
Armstrong, let me just indicate that I fully support
the comments she has made and also the conclusions she
has reached. If we have to vote at this point in
time, I likewise would be voting in the negative.

CHAIRMAN READ: Further comment or
discussion?

COMMISSIONER ZEITZ: Mr. Chairman, very
briefly, I am just struck by your reference to the
reassignment of the final one million of the five
million commitment in Atlantic City and bi-weekly
report that the commission receives. Just those
reports which we have seen that come across our desk
for years always seem to me to say more about the
Remarks - Vice-Chair Waters/Commissioner Zeitz

efficacy of the Government process than they do, at
least in that specific instance, in what Resorts has
or hasn't done.

I recommend them as almost required
reading to anyone who would want to see them in
drumstick fashion as to what has and hasn't worked in
Atlantic City.

Beyond that, I would just say that
having heard so much now, Commissioner Armstrong
alluded to several hearings and issues, I am struck by
this conclusion or observation, and I would make it
very general, but it seems to me that public agencies
don't make deals, at least public agencies shouldn't
make deals. Deals are for private business and
businessmen. Public agencies make these decisions by
weighing and not bartering the public interest.

CHAIRMAN READ: Further comment or
discussion?

Let me just interject that I agree, Mr.
Zeitz, with respect to the length of time it has taken
for a million dollars to be spent. I do not mean to
infer that all of that delay was incurred because of
Resorts. Quite the contrary.

The money has been there for years,
available. My recollection is that there are several
other millions of dollars there, not for Resorts, but
from other organizations in the same kitty. And I
think you are quite right, that's a matter that speaks
very clearly. I simply put it out there to indicate
that the whole matter, the delay in getting the
million dollars up from the time it was originally
required or agreed upon until that happened, that is
the million dollars is posted mechanically, as we all
remember, through the charitable foundation, and
ultimately good bonds of the Housing Authority and so
forth, and that indicates a problem that I have with
the entire way the housing situation and the housing
obligations of Resorts have been handled over the
years; not all of which I say burdens on Resorts.

COMMISSIONER ZEITZ: I understood
that. I made my observations simply because I wanted
to point out to any educated observers of Atlantic
City what has and has not happened in the last decade
to those reports. They are mightily instructive to
where I think some of the problems lie. And in this
instance, I don't happen to think those particular
problems dealing with that million dollars and the
ability to spend it for what it was directed to spend
it for lies with Resorts, but they are instructive.

CHAIRMAN READ: Further comments or discussion?

If not, on the motion?

MR. STERNS: I don't know if it's appropriate, I wonder if we might -- obviously, there is concern on the part of the Commissioners with matters that we anticipate would be heard in the housing section of this, as you made plain.

I wonder if we might have a recess to see if the Commissioners are suggesting it might be appropriate to speed up that housing section? I am talking about a five-minute recess.

CHAIRMAN READ: I have no problem with that. As a matter of fact, you may want to talk with the Division to find out what the schedule might be for their availability.

(Recess.)

CHAIRMAN READ: Mr. Sterns, you had asked for a recess?

MR. STERNS: Yes. Mr. Chairman, if I may address the Commission briefly, I think on behalf of Resorts and its chairman, obviously we must give serious weight to the comments made by yourself and by
Commissioner Armstrong and Commissioner Waters and the feelings of the other commissioners. I don't think no matter what the outcome, a solid basis exists without an opportunity to answer the questions that were raised. There were new questions raised, there were other questions which had not been put to rest. There is, in my mind, an absolute need respectfully on the part of the applicant to reopen this so that the commissioners will be further assured. And so I would respectfully request, at this moment, or move by way of application that the hearings be reopened so that we can present, as soon as possible, further witnesses and recall Mr. Trump so that any lingering doubts such as I have heard this morning can be put to rest and then an opportunity to clarify the older issues and to address newer issues will be afforded.

So I respectfully request that we reopen or have the opportunity to reopen the hearing and present this information as soon as possible. I realize that the time is short and we have had, in prior years, and I know the Commission has dealt with it, although I don't know if it has ever had to rule on it, the question of a status of a licensee, should the hearings run beyond the license date, and I guess
it's too serious to say. I can dust off and put back in the record the brief and motion with regard to the status of the license. Should we run upon the 26th, it is my hope that if there are two days of hearing time available to the commission, maybe even one day, but let's say two based on the process, that we can make the record which Commissioner Armstrong suggests is needed. I would respectfully make that motion at this time.

CHAIRMAN READ: All right. I don't know if a motion is in order. The Commission currently has a motion before us, however, recognizing the request that is made and the reasons behind it, I suppose having made the current motion that the commission is considering and understanding the request that is made of us, I suppose it's a little unorthodox that I should make a motion, but I would move to table the motion that I had earlier put.

Is there a second?

COMMISSIONER ZEITZ: Second, Mr. Chairman.

CHAIRMAN READ: All those in favor?

(All Commissioners present voted in favor of the motion.)
CHAIRMAN READ: That carries unanimously.

If that's the case, may I indicate that I think you are absolutely right, Mr. Sterns, that time is a very important move. I am quite aware of the question you raised, the specific question that you did raise with respect to the possibility of the fact that the hearings might extend beyond the expiration date, and I would suggest, therefore, that we adopt a schedule that would look something like this: I think that for one thing, it would be most appropriate to have a further hearing conference, and I guess at this stage, we will call it an interim hearing conference, unless anybody has any objection to that, to do it as promptly as possible. I have a commitment, unfortunately, tomorrow at 10 o'clock in Trenton, but if counsel could be available, I would make myself available 2:30 tomorrow afternoon for a hearing conference.

Is there any problem as far as counsel is concerned with that sort of a time frame?

MR. STERNS: No, sir.

MR. VUKCEVICH: No problem.

MR. RIBIS: No problem.
CHAIRMAN READ: Why don't we do that?

I would suggest we can flush out more at that time on what the schedule might be, but I would suggest to you also that looking quickly at the calendar that we have, Monday and Tuesday are available and I think have already been advertised for dates in which this hearing might be continued anyway, so that we will go forward and have those days available.

I would indicate to you in fairness, however, that you be forewarned that on Tuesday, there may be only four commissioners available from roughly noon to 3 o'clock. Obviously, we have had the commissioners reading the transcripts, I don't know that that should necessarily -- unless counsel has some objection it, that it should necessarily be apart to going forward and moving things forward as much as possible.

Particularly, Mr. Sterns, in light of your comments about the fact that you do have an old brief that you might find and update and since we haven't ruled on it, I am sure whatever you wrote originally is valid today. I would suggest that we have briefs on that subject by 5 o'clock tomorrow on that question of the continuity of licensure beyond
the expiration date if the hearing goes forward.

Is there anything else to be brought to us at this time?

MR. STERNS: No, sir.

CHAIRMAN READ: Anything else from the commission?

If not we will stand adjourned and go forward on the basis that I outlined.

(Adjourned at 2:30 p.m.)
CERTIFICATE

I, ELIZABETH M. ELDER, (License No. 1172), a Certified Shorthand Reporter and Notary Public of the State of New Jersey, do hereby certify the foregoing to be a true and accurate transcript of my original stenographic notes taken at the time and place hereinbefore set forth.

ELIZABETH M. ELDER, CSR

Dated: February 18, 1988