STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

PUBLIC MEETING NO. 91-19

Wednesday, June 19, 1991
Atlantic City Commission Office
Tennessee & Boardwalk
Atlantic City, NJ 08401
10:45 a.m.

BEFORE:

STEVEN P. PERSKIE, CHAIRMAN
VALERIE H. ARMSTRONG, VICE CHAIR
W. DAVID WATERS, COMMISSIONER
FRANK J. DODD, COMMISSIONER
JAMES R. HURLEY, COMMISSIONER

PRESENT FOR THE CASINO CONTROL COMMISSION:

BARBARA A. GALLO, PRINCIPAL RESEARCH ANALYST
THOMAS FLYNN, PUBLIC INFORMATION OFFICER

ON BEHALF OF THE COMMISSION STAFF:

ANTONIA Z. COWAN, ASSISTANT COUNSEL
E. DENNIS KELL, COUNSEL I
LEONARD J. DIGIACOMO, COUNSEL II
O. LISA DABREU, COUNSEL II
LON E. MAMOLEN, COUNSEL IV
KELLY L. CAMPBELL, ASSISTANT COUNSEL
CAROLE R. JACOBSON, ASSISTANT COUNSEL
BERNADETTE FRIGEN, PARALEGAL TECHNICIAN
LARRY RONDRTREE, PARALEGAL TECHNICIAN
JOSEPH GUIDO, PRINCIPAL APPLICATIONS ANALYST
KATHALEEN HAMER, PRINCIPAL APPLICATIONS ANALYST

SILVER & RENZI REPORTING SERVICE
824 West State Street
Trenton, New Jersey 08618
609-989-9191 (Toll Free NJ) 800-792-8880
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so indicate.

The record will reflect the motion carries unanimously.

(All Commissioners present voted in favor of the motion)

CHAIRMAN PERSKIE: Then moving ahead to No. 12, I would entertain a motion to approve the payment of the one million dollars pursuant to that agreement on the basis of the record presented.

COMMISSIONER HURLEY: So moved.

VICE CHAIR ARMSTRONG: Second.

CHAIRMAN PERSKIE: All in favor will so indicate.

The record will reflect that motion carries unanimously.

(All Commissioners present voted in favor of the motion)

CHAIRMAN PERSKIE: Mr. Bonner, go back and tell all those people it wasn’t really that hard.

MR. BONNER: I intend to do so, Mr. Chairman. It wasn’t that hard. We got it done in less than 30 days. I appreciate it.

MS. GALLO: Item 13, "State v Trump’s Castle Associates."
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Mr. DiGiacomo.

MR. DIGIACOMO: Mr. Joseph Fusco is here on behalf of Trump's Castle Associates and Mr. Thomas Auriemma is here on behalf of the Division of Gaming Enforcement. I would ask Mr. Fusco to present this matter to you at this time.

CHAIRMAN PERSKIE: All right.

MR. FUSCO: Good morning. The matter is the complaint which is before the Commission which was filed on April 3 of this year together with a stipulation of facts and settlement agreement entered into by both the licensee and the Division of Gaming Enforcement.

The stipulation of facts and settlement agreement speaks for itself, but it addresses two issues conceptually. The first is whether the casino cage, any casino cage, but in this instance the casino cage at Trump's Castle may permit the depositor to establish a front money or customer deposit account and withdraw gaming chips through an authorized representative of the depositor as opposed to directly dealing with the depositor. That's the question.

We have agreed in this stipulation that to do so violates, is a violation, it is a
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violation in this regard. The Casino Control Act does not address the question of whether or not an authorized representative may transact business with the casino cage. It’s not addressed. The regulations don’t address it. The internal controls which are approved by the Commission for Trump’s Castle, this particular casino, don’t address it. It is not expressly prohibited.

This transaction was fully recorded appropriately under the regulations that apply to customer deposit accounts which are precise and require much documentation. In addition to what was required it was monitored by a surveillance tape which recorded the entire transaction from the fills of the table to the actual transfer of gaming chips to the representative.

I submit that, and believe that the transaction offended no policy underlying the statute or the regulations. However, discussion with the Division of Gaming Enforcement which led the licensee to agree that this is a violation is that if you will engage in these kinds of transactions your internal controls should provide for this type of phenomena which is dealing through a representative. They do not, we agree, that’s the violation.
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The second violation is whether the purchase of gaming chips require prior notice to the Commission or qualification of the purchaser as a financial source.

Firstly, I point out that there is no question that the depositor was not prior qualified. There is no question about that. That is stipulated. Generally there are no undisclosed terms to this transaction. It is no more than it is. It is a front money customer deposit for which gaming chips were issued and that is the entire transaction. Such a cage transaction as a general proposition does not--does not categorize the purchaser of those chips as a financial source. In this instance in the context of the facts which occurred and are stipulated in the settlement, the licensee has agreed that the purchaser here is a financial source. The Commission did not prior to our agreement require or make that determination. That was a result of discussion with the Division of Gaming Enforcement and the licensee. So there is a violation because if the purchaser is a financial source there has to be prior notice to the Division and Commission of the transaction. It is a new financial source and there has to be qualification of that financial source before the transaction can
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The purchaser, Mr. Fred Trump, is not unknown to the regulatory authorities. When Mr. Donald Trump, his son, was licensed in 1991, Mr. Fred Trump was the subject of significant analysis in the written report which was submitted on that basis which is part of the overall record that the Commission maintains.

CHAIRMAN PERSKIE: What year did you refer to?

MR. FUSCO: 1981 when Mr. Trump was--

CHAIRMAN PERSKIE: I think you inadvertently said 1991, and by the way, on that point while I am at it, paragraph 22 of the stipulation contains a typographical error. It refers to February of 1990 when it apparently means February of 1991.

MR. AURIEMMA: That's correct.

MR. FUSCO: Sorry. Point number one, Mr. Fred Trump was reported on.

Point number two, Mr. Donald Trump has continued to qualify before the Commission in regards to his associations from then until now. As the father of Mr. Trump and as family, Mr. Fred Trump was always within the ambit and proprieties of his part would have had potential to affect Mr. Donald
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Trump's qualifications and they have obviously been reviewed on an annual basis.

Mr. Fred Trump as a result of discussions with the Division of Gaming Enforcement and at the request of the casino licensee promptly filed a personal history disclosure form when the Division requested it and permitted the Division to report and the Commission to rule and the Commission has ruled that Mr. Fred Trump is qualified as a financial source and did so on June 5. I'm not attempting to distort in anyway what the transaction is. It is what it is. It has all the circumstances that surround it and we submit that it is a violation, but it's a violation which it is a unique transaction and it is not so clear as a normal transaction with a new bank unknown to the Commission never before dealt with under normal terms of a loan of some sort. It is a different type transaction and I think that the Commission sees it and understands it for what it is.

I don't think you need to hear more from me, but I certainly will respond to any questions if there are any.

CHAIRMAN PERSKIE: Thank you.

Mr. Auriemma.

MR. AURIEMMA: Good morning, members
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of the Commission. I think Mr. Fusco has outlined the basic violations that occurred here. I think we should also note that this particular complaint and stipulation of facts and settlement agreement stems from events that occurred on December 17 of 1990 when it was clear that the Trump Castle Casino Hotel had a large amount of money to make an interest payment to its bondholders on that date of 18.4 million dollars, but did not quite have enough, and I think it is also clear that the cash that it had on hand plus the funds or some of the funds that were received from Mr. Fred Trump were used to pay that bondholder payment in a timely fashion on December 17.

The Division had been tracking really since last summer the cash position of all the Trump casinos and in particular the Trump's Castle Casino, and when that payment was made the Division made appropriate inquiries as to the source of funds because we knew what the balances were, we knew what the house funds were, we knew what the other available cash on hand was. There was no attempt to conceal the transaction. It was videotaped, it was documented.

We at the Division attempted to analyze it and see how it fit into the regulatory system and whether or not there were any violations of
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the Casino Control Act. After analyzing it, that
prompted a letter dated June 14, 1991 to then counsel,
outside counsel for Trump's Castle, Mr. Ribis, with
copies to the Chairman and to Commission staff
indicating that it was the Division's position that
Mr. Fred Trump by virtue of this transaction although
unique would be a financial source in the Division's
view and reserved the rights of the Division to file
any regulatory action as they saw fit.

There was agreement with the
licensee, there was subsequent cooperation. Since
there are no particular forms for financial sources,
the Division requested a personal history disclosure
form from Mr. Fred Trump. That was received. The
investigation ensued and the investigation resulted in
the Division's letter to the Division which the
Commission considered at its last public meeting on
June 5.

In a similar vein, however, the
Division felt that there was a violation of certain
conditions and statutory provisions and felt the need
to file a complaint. In filing the complaint,
however, we took into account a number of things. We
saw an opportunity here to resolve this matter in
early fashion and resolve it in a way that would
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preclude litigation that would take some period of
time and so what we did was we shared a complaint with
the licensee and we negotiated from that a stipulation
of facts and settlement agreement and the goal being
to file all at one point in time which was done on
April 3 a complaint and stipulation of facts and
settlement agreement. That was done. Our main
purpose in doing that was the fact that there was at
least the indication that Fred Trump might be used at
a subsequent date as a financial source. That was
really the goal in December I believe and, therefore,
our main focus was on the investigation of the
qualifications of Fred Trump. But again there are the
violations that are set forth in this particular
stipulation of facts and settlement agreement.

I can answer more specific questions
if you will, or if you desire. At this point we would
request that this particular stipulation of facts and
settlement agreement be accepted.

CHAIRMAN PERSKIE: Thank you, Mr.

Auriemma.

Anybody on the Commission have any
questions for either counsel?

VICE CHAIR ARMSTRONG: Yes.

CHAIRMAN PERSKIE: Vice Chair.
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VICE CHAIR ARMSTRONG: First I have a couple of observations and then I guess that will ultimately lead to perhaps a question, but I am really mystified by this settlement and I think I had indicated a couple weeks ago at the Castle and Plaza license renewals that I was rather concerned about the situation which we are looking at today, but I didn’t want to prejudge at that time since all of the facts were not before me. I guess to put it quite simply is that I still don’t feel that all the facts are before me. This to me is a really serious situation and it is serious because since last August we have been involved in a series of hearings involving the financial stability of various Trump entities, very--at least proceedings that I take very seriously, and it just seems to me that the clear and unmistakable inference here, even though it’s not set forth in the words, although I think it’s been alluded to by the attorneys is that there was a transaction here to provide monies to a financially distressed casino by an unqualified source and I guess the fact that it’s Fred Trump, that it’s a transaction between father and son and that perhaps Fred Trump is known to some people in the regulatory system, I have never had any prior information about Fred Trump, but that
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really doesn’t provide me with any comfort because I think that by approving the settlement we are sending out a message that it’s okay to do this and all along I have been hearing in the various Trump financial stability hearings that integrity questions are not in issue, everything is on the up and up and it seems to me a financially distressed casino should not be deliberately violating the financial source qualification provisions of the Casino Control Act. It’s just not acceptable to me. I guess what really bothers me here, the violation itself bothers me tremendously, but the settlement itself bothers me because we have not been told who concocted this scheme, who participated in it other than the fact that Fred Trump gave the monies to an attorney named Howard Snyder or why it was perceived to be necessary for the transaction to take the form that it did, and I guess what really concerns me here is the next time something like this happens it may not be between father and son, it may not be between Fred Trump and Donald Trump, and I think unless we send out a clear message that this type of conduct is not acceptable I think we are sending out the wrong message and I guess my basic question to both the counsel here is why do we have a settlement that is so sparse? Why doesn’t
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1 it give this Commission more information as to why
2 this transaction was necessary because it sure isn’t
3 apparent to me, and I don’t know if you can answer
4 that.

5 MR. AURIEMMA: Well, I will attempt
6 to answer some of those questions.
7
8 First, why was the transaction
9 necessary? In the first instance the transaction was
10 necessary from the Castle’s point of view, they wanted
11 to make a timely interest payment on December 17.
12
13 VICE CHAIR ARMSTRONG: That I
14 understand. I understand the need for funds, but I
15 don’t understand I guess the format.
16
17 MR. AURIEMMA: I am going to try and
18 analyze it the way I analyzed it at the time and Mr.
19 Fusco can correct me if I’m wrong.
20
21 Castle had a good amount of money,
22 but not enough to make the 18.4 million dollar
23 interest payment on December 17. They chose this type
24 of transaction, which I will allude to further in a
25 minute, to infuse funds into the facility so that the
26 interest payment could be made in a timely fashion.
27
28 What else could they have done? The
29 Trump’s Castle had no available credit lines at that
30 point to utilize. That was clear. So they couldn’t
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1. go that route. They could have asked, they, The Trump Organization, Mr. Trump himself, could have asked the Credit and Override Agreement banks for an advance on the 65 million dollar new money facility. There was still, you know, funds that had not been used from that facility. I don’t want to put words in Mr. Fusco’s mouth, but I think the reason why that was not done, and this is how I analyzed it, was first if you recall from last August other than the 20 million dollars that was advanced in June of 1990 to Mr. Trump for use at Trump’s Castle, no other advances from that new money facility was to be earmarked for Atlantic City. So there was that particular problem although there was at least in theory nothing to prevent Mr. Trump, Donald Trump, personally from asking the banks, requesting the banks, requisitioning from the banks permission for a loan to him that he could then loan to Trump’s Castle. He could have done that. That would have required time to get their permission in which it could have been obtained. I don’t know if it could have been obtained. I don’t believe it was attempted. But in any event, if it had to be attempted it certainly should have been attempted before December 17 because it obviously would have taken some time.
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I think there was also a question of if it was done that way whether or not that money that was loaned let’s say from Donald Trump personally down to Trump’s Castle what status that would have and I think that was a concern whether it would be secured, unsecured or considered a capital contribution I think were concerns of them.

So this type of transaction was chosen instead. It is not a transaction that the Division approves of. I want to make that crystal clear. We do not approve of this transaction, and you indicated earlier, Commissioner, that you are concerned about sending a message. We are too, and that message should be that any type of transaction like this or in anyway which attempts to circumvent the notification provisions that are contained in the standard Commission resolutions regarding financial sources should not be condoned. That’s the message we think should be sent from this. This type of transaction should not be engaged in by the Trump casinos in the future or any other casino. You don’t use a situation that is intended to be a gambling transaction and turn it into a financial transaction to infuse money into a casino hotel. That’s what we believe was wrong with this and that’s why we filed a
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complaint. That's why I believe there are admissions of liability.

Now, you might ask, well, there is only a $30,000 settlement here, why isn't this a much more serious violation? Why isn't the sum much larger? Why isn't the penalty greater? I respond in this way. As with any negotiated settlement there is a give and a take. The ultimate settlement was reached between Mr. Fusco and myself, and in the Division's view the amount of the settlement was not the key. The principle of the settlement was the key and we were more concerned with sending that type of message that we don't want these types of transactions to occur in the future rather than whether it was $30,000 or some other particular figure. We did settle on an amount of $30,000.

There are other factors that went into that besides that. We considered the source of the funds which was Fred Trump, and I agree with you that Fred Trump was never in our system before although there were reports about him in 1981. We did consider the fact that he was the father of Mr. Trump and there was that familiar relationship. He was not an unknown or a totally unknown third person. I mean if the facts were different there may not be a
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settlement here and the complaint maybe would have been vastly different. We looked at these unique set of facts. If this had been a totally third person I dare say I probably would not be standing here today arguing for acceptance of this settlement, but that was a factor.

The other factors were, of course, that it was fully documented, videotaped, full cooperation from Fred Trump, from the licensee and the licensee's representatives. Also the fact that the real goal ultimately seemed to be to have Mr. Trump available as a financial source in the event that any of the Trump licensees needed his resources, although I guess from the hearings we just had the last couple of days it does not appear at this point that he would be utilized as a financial source on a going forward basis, although there is nothing at the moment to prohibit that.

The other thing that I considered when we negotiated this particular settlement is let us suppose, and I talk to myself in a hypothetical way, let us suppose back in December there was a need for money at Trump's Castle, what could they have done with Fred Trump? Well, let us suppose an interim casino authorization situation had come about and they
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still purchased the chips, they said, okay, this is the way it is going to be done. I don’t believe that’s the way financial sources should operate. I don’t think the statute ever contemplated the infusion of money into a casino hotel by a financial backer to work through a chip situation. I just don’t think that was of the case and this is the first time obviously we had ever seen anything like this and something we want to prevent in the future.

The other thing that we considered was that even if there were an interim casino authorization order and a trust arrangement, et cetera, if you look at it as an interest free type of loan, which is what it is, there is no interest on this at all, even if in the hypothetical situation Mr. Fred Trump being disqualified, which he has not been, at a minimum he received his investment back under the interim casino authorization provisions. So that was just another factor that we utilized to buy into this particular settlement.

The one thing you said, Commissioner Armstrong, earlier was that the Castle received funds from an unqualified source and I don’t want to quibble about the word, but I like to use the phrase a not as yet qualified source because he was never found
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unqualified. Sometimes that has a negative
connotation. I hope I have--

VICE CHAIR ARMSTRONG: Well, there
was a second part to the question and that is why
don't we know who the individuals were involved in
this?

MR. AURIEMMA: Obviously, again, in
any type of settlement situation we had to determine
whom, who was the appropriate party to name. In our
judgment and in the Division's we believed that the
proper liability rested on the licensee, Trump's
Castle. We did not believe it was appropriate and
take them in order to charge Mr. Fred Trump. I'm not
saying that we don't have the authority necessarily to
do that, but there is an open question as to whether
we could have from these circumstances charged Mr.
Fred Trump as a respondent here. In Section 108 of
the statute talks about proceedings against licensees
and registrants and while I'm not going to concede
that the Division doesn't have the authority to file a
complaint against Mr. Fred Trump, there is at least
that open question, and given that and given the fact
that we felt an overall settlement and a quick
settlement and an investigation of his qualifications
was more appropriate, we did not see the need to name
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him.

With respect to individuals and why other individuals were not named, that again was something that the Division felt that should not be done in this particular case given the unique circumstances of this case. We did not believe that there was sufficient fault to rise to the level of naming individuals and we chose not to do so.

VICE CHAIR ARMSTRONG: I hear you. I don’t buy it, but I hear you. Thank you.

COMMISSIONER WATERS: Mr. Chairman.

CHAIRMAN PERSKIE: Commissioner Waters.

COMMISSIONER WATERS: Before you leave, Mr. Auriemma, I have some of the same concerns that Commissioner Armstrong raised and one factor here, two factors I guess come out of your discussion. Part of the reason for reaching this settlement was based on the fact that it was Fred Trump involved as opposed to John Jones out in the street which indicates that maybe what we are doing is suggesting that you have two standards for determining what the penalty is going to be, but over and above that, this last point that you raised that you didn’t choose to file complaints against other individuals,
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and I can understand the Fred Trump arrangement, but were there other individuals involved in this?

MR. AURIEMMA: Well, obviously there are individuals who contacted Mr. Fred Trump and those were the individuals whom you would obviously seek to charge.

COMMISSIONER WATERS: So you know there were other individuals involved?

MR. AURIEMMA: Yes. I mean it didn’t just happen that Fred Trump woke up one day and contacted Howard Snyder. Obviously there were representatives of The Trump Organization.

COMMISSIONER WATERS: From reading the settlement I would come away with that feeling that this was dreamed up by Fred Trump alone.

MR. AURIEMMA: No, I don’t believe that, no, not at all.

COMMISSIONER WATERS: But you chose not to charge anyone presently in The Trump Organization?

MR. AURIEMMA: That’s correct.

COMMISSIONER WATERS: Well, that’s your prerogative I guess as a prosecutor, but I, again, I’m not going to buy into that quite honestly.

MR. AURIEMMA: Okay.
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CHAIRMAN PERSKIE: Thank you.

Anybody else have any other questions of counsel?

All right, the matter is before us on a proposal that would implicate sanctions against the licensee as is contemplated in the proposed stipulation. Accordingly, the Commission can and chooses to exercise its right to deliberate on the matter at a closed session. I'm not sure we will be able to complete that today. I will tentatively schedule it for the closed session perhaps before this afternoon's public session. I'm not sure we can accomplish it today. If we can we will announce it. If we can't we will let you know.

MR. FUSCO: Thank you.


Ms. Cowan.

MS. COWAN: Mr. Chairman and Commissioners, this matter is before you from an ALJ decision filed May 3, 1991 which--

CHAIRMAN PERSKIE: Ms. Cowan, excuse me for a moment. Is there anyone here for L. A. Mitchell Associates or representing them? L. A. Mitchell Associates or any representative of the