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):

Monday, February 8, 1988
10:40 a.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 BURDGE, COMMISSIONER
VALERIE H. ARMSTRONG, COMMISSIONER

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ON BEHALF OF THE COMMISSION STAFF:

JOHN R. ZIMMERMAN, DEPUTY DIRECTOR, LEGAL
JOYOTI M. FLEMING, ASSISTANT COUNSEL

ON BEHALF OF THE DIVISION STAFF:

MICHAEL VUKCEVICH, DEPUTY ATTORNEY GENERAL
MICHAEL ROMANO, SENIOR AGENT
JEAN ESCARPETA, 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: Good morning. If we could come to order. Note the presence of all five commissioners.

I guess we are due for another witness, Mr. Sterns, unless there is any housekeeping you should take care of first.

MR. STERN: No, I don't know of any first.

Mr. Ribis will present the next witness.

CHAIRMAN READ: Fine.

MR. RIBIS: Donald Trump.

DONALD J. TRUMP, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. RIBIS:

Q Mr. Trump, you have testified before this Commission before. As you know, this the renewal hearing for Resorts International.

Could you bring the Commission up to date as to where the company is regarding the recent events in your tender offer and proposed merger
Trump - Direct by Ribis

agreement?

A Well, I think subject to a number of things, we probably have a deal. It's complicated on Wall Street and it's complicated in terms of the market, but it looks to me like we have a deal at $22.00 a share for the A shares.

Q And, in general, when would you anticipate that the tender offer would be completed?

A Well, I would say maybe in excess of 20 days, it could be 45 days, it could be longer, I don't know, but somewhere, hopefully, prior to 75 days.

Q There was a--speaking of 75 days, in the tender offer document, the merger agreement, there is reference to certain conditions, specifically as to the Atlantic City Housing Authority and this Commission and CAFRA.

Could you just generally outline for the Commission what your understanding and the purpose of those conditions are?

A Well, I think in terms of the Commission, that's pretty obvious. In terms of what we need, obviously, the approval of the Commission. In terms of the Housing Authority, we have--we need an estoppel certificate, obviously, in order to get financing for
Trump - Direct by Ribis

the Taj Mahal.

We need a--some form of letter from the Housing Authority relative to the possible expiration date or expiration date of the land deal, and that I think people are generally satisfied with, and we will have to know that the agreement that was signed in one form or another is basically acceptable.

Q Now, dealing with the events prior to the formal $22.00 tender offer, back in December, as you know, the Commission approved a Comprehensive Services Agreement on December 16th. Thereafter, on December 21st, you announced your initial attempt to tender at $15.00 a share.

Could you just discuss for a minute the attempts during the period of time of the hearings as to the Comprehensive Services Agreement, what you found out regarding Resorts and the ability to obtain financing for the Taj Mahal?

A What period was this?

Q Starting in November, December of last year.

A Well, I think we all know it was a very difficult period after October 19th. We knew that when we came to the last hearings, in all fairness, but it certainly hadn't gotten any easier, and I was
finding that obtaining financing for the company, as
the company and as a relatively small shareholder of
the company, was a--was not only difficult, but even
if it could have been obtained, it would have been at
an interest rate which would have been prohibitive, in
my opinion.

Q And what would that interest rate have been?

A I don't know. It would have been probably
in excess of 16, and possibly 19 or 20 percent, and
for any company--and, by the way, that's not a
reflection of Resorts; that's a reflection of the bond
market.

If you look at Southmark, which was a
company that is a well-known company and a well-
established company, I think they paid 19 percent
interest and they gave away a big chunk of the
company, I'm not even sure of that number now that I
think of it, and another company gave up going
public.

There were many, many companies, I
think it was something like 21 different listings that
were going public, and of the 21, 20 decided not to go
forward, and there was a big turmoil after the October
19th date, and I think it's maybe curing itself now,
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but it's still there, there's no question about it.

Q  Aside from Bear, Stearns, you also had
talked to Merrill Lynch and Drexel, Burnham regarding
potential financing, didn't you?

A  Yes.

Q  And Drexel, Burnham, Mr. Lee participated
initially and then they chose not to participate with
you?

Q  Well, it's more complicated than that. You
also have personalities involved, you have Drexel, you
have Bear, Stearns, do they want to do it together, do
they not want to do it together. It's really a lot
more complicated than the way you're portraying it.

But Merrill Lynch has a--because I know
Harvey Freeman spoke with them directly, and so did I,
but in a more indirect sense, I think, but Merrill
Lynch was unable to do it, or unwilling to do it, and
essentially what we started finding out during the
course of events was that they wanted to have Trump
behind it, they wanted Trump, they were relying on
Trump, and I think they wanted Trump in two ways: they
wanted Trump in terms of what I've done, but they
wanted to see that I had a real equity stake in the
company, and I didn't have very much of the company, I
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guess I had nine percent, and ultimately 11 percent, and they wanted to have Trump behind the company.

A lot of things happened. The Management Agreement was both a positive and a negative. The Management Agreement, after it was approved, was negative from the standpoint of selling bonds, because it took money out of the company, and it was positive because it kept Trump in the company. So I don't know which way it really worked in one sense. But I know that Mr. Jansen, Don Jansen, who is here today from the New York Times, wrote an article that was sort of inclined—I felt it was inclined to say that Trump may get out, it was during the hearings, that Trump may get out because the Management Agreement may not be approved by the Commission, and the stock went down very precipitously the next day after that article appeared.

You know, it really worked both ways, it was a very complicated thing, and I don't know how to describe it and I don't know how it worked, but I will tell you that the Management Agreement, from the standpoint of bonds and public perception and everything else, it had an effect, both perhaps positive and perhaps negative.
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Q Did you also during this period of time speak to banks regarding financing for Resorts and the Taj Mahal?

A Yes.

Q With any success, other than First Fidelity?

Q Well, First Fidelity has been fabulous, I have to tell you, I don't know if anybody is ever going to write about it or care about it, but they have been absolutely a great bank as far as this state is concerned. They came forward and they tried to raise $250 million for the company without Trump, essentially. And when I say without Trump, I mean without Trump in the form of a major equity ownership, and they put up themselves $125 million for this company, and they did it, according to the head man or one of the top people at the bank, they did it because of my involvement only, and they put up $125 million, they made a commitment for $125 million, $75 million of which has already been lent and $50 million of which is coming very shortly, and I think they are very happy with what's happened with respect to the stock purchase and I think they feel very secure now, you know, on the subject of going through, but they feel very, very secure now, and I just have to tell
Trump - Direct by Ribis
you that they have been a stalwart, they have been a
very, very good and diligent bank and they have been
very good to the company and I think very good to
Atlantic City and to the State of New Jersey.
I know I'm putting in a plug for them,
but they have been really great.
They went to Security Pacific, which is
a big bank on the West Coast, and Security Pacific was
not willing to go into the deal without the ownership
position of Trump, and, you know, getting--I started
to see that getting the financing without the
ownership of the stock was very, very difficult and
prohibitive in terms of cost.
For instance, I'm negotiating a loan
right now for the Taj Mahal. Now, I don't have a
deal, but I have very tremendous reception to the deal
for the first time, and that's because I'm doing it
and I'm negotiating a loan essentially at prime rate.
So instead of paying--and it's from a major bank, it's
essentially from one bank, a very big bank, and it's
at prime rate, and I have banks coming at me on the
basis that I own the stock from, you know--literally
just coming at me asking me about doing this deal, and
that's some far cry from what it was when Resorts was
Trump - Direct by Ribis

really the so-called owner of the company.

So, I'm talking about a difference in interest rate of maybe 10 points, and, you know, if you're talking about 18 or 19 percent as Resorts and maybe eight and a half percent or nine percent as Trump, that's the difference between an extremely successful company and a company that's just working to pay interest.

So, you know, it's been a very interesting period, I will tell you that, and it's been a very difficult period as far as the whole transaction is concerned.

Q  Is it fair to say that the very financing, the bank financing you're talking about now as being available was not available with Resorts ownership?

A  Banks would have never loaned the money to Resorts as Resorts. They're loaning the money—-I mean, they're loaning the money to me. They couldn't care less about Resorts, in my opinion. Maybe that's an over statement, but the banks are essentially doing it because I own the company.

Q  Going back to December 21st, when you initially announced your tender offer, that was shortly after the Commission ruling.
Trump - Direct by Ribis

Did the financing information that you obtained over the course of the period before the ruling by the Commission on December 16th and other factors lead you to conclude that your privatization of the company was needed at that time?

A  Well, I would say that it became more and more evident that obviously something was needed to get this company going, and, you know, again we were going for a management contract, and yet even if the contract were approved during the course of the hearings, and really toward the end of the hearings we were being sued by everybody on the management contract.

You know, this is stuff that I haven't really had to go through too much in terms of owning it privately. All of a sudden stockholders, some of whom owned three shares, were suing me on management contracts, they were suing for this, for that, you know, anything in which to sue for they were suing, and I must tell you, if you have your chance of having a private company or public company, a private company is a hell of a lot easier.

So things were happening that were rather I guess not surprising, because those people
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that deal in the world of the public, they are saying, See, I told you, Donald, I told you, you know, it's--
it is a different world. But, you know, you do
anything, virtually, and you end up getting sued.

Some lawyer comes from somewhere in order to make--
whether it be in order to make a fee or whether for
some other reason and you end up getting sued.

So, during the course of the latter
part of the hearing especially, we had I think one
suit filed, and I'm not sure of this exactly, we had
one suit filed then, but we had a total of close to 19
lawsuits, or something, filed during the course of
these hearings, mostly toward the end.

So here I am, I'm in the position where
I have a management contract and yet I could have
worked for two years under this management contract, I
could have done, you know, a great job and at the end
of two years it's possible that some court someplace
is going to say you're not entitled to any money for
the services that you have rendered, and I was
concerned about that, to be perfectly honest, because,
again, who knows how the courts are going to rule.

You know, it just became evident that
it was a very complex situation, and the stock had
Trump - Direct by Ribis

gone down very precipitously, and, you know, things
came out in the hearings, frankly, that the stock—I
mean, Wall Street watches these hearings very
closely. Today you have the Times and the Wall Street
Journal in the room and they watch these hearings and
they see what goes on and they read about them and
they judge by what's said at the hearings, to a large
extent, as perhaps they should. But the stock went
down precipitously. And while I wouldn't have been
interested in the stock at 60, I was interested in the
stock at the $15.00 price, because, you know, frankly,
it would have solved a lot of problems. But I was
only interested in the stock if we got rid of all the
lawsuits, because I didn't want to again buy the stock
at 15 or 20 or 22 and still have lawsuits out there.

So my deal was contingent upon getting
rid of all the lawsuits, and what we did is we got all
the stockholders' lawyers in, we got this one in, we
got the independents, and ultimately we worked out a
deal at 22, and the nice part about the deal is that
it cleans everything up, it just cleans out
everything, I hope, I think, I don't know, but it
cleans--it's really like a cleansing action, I think
19 lawsuits, or something thereabout, disappear, there
Trump - Direct by Ribis

is no or virtually no litigation left.

We can now focus on the company instead
of—I had lawyers running around every day that
received three or four lawsuits for something or
another, and they were focusing so much on the
lawsuits that they didn't have time to even focus on
the company, and, frankly, it got ridiculous and I
just thought it would be appropriate.

Now, I wouldn't have been interested at
30 or 40 or 50 or 60. But when the stock got to a
certain point, I think it was natural that I would
think about it, to be perfectly honest.

Q Now, speaking of what we are going to be
doing with your business plan for Resorts as a
privately owned company in the future, could you just
speak to the Taj Mahal construction--

A The key to Resorts--do you want to finish
your question?

Q No. Go ahead, Donald.

A The key to Resorts is finishing and
completing the Taj Mahal. Paradise Island is a very
successful operation, it's a very popular place, it's,
you know, it's doing well, it's doing consistently
well, and I think it can do better, but it's a place
Trump - Direct by Ribis

which, I might add, has very little regulation, by
comparison, but it's a place that is doing very well.

The key to Resorts, I have said it
before and I'll say it again, this is not a gaming
company for the next year, this is a building
company. The key to Resorts is getting the Taj
Mahal—and it's a building and finance company, but
it's getting the Taj Mahal built and financed. And
I've said it before, when it's done and when it's
opened, and if it's as good as I think it's going to
be, because we have really made a lot of changes in
terms of even upgradings of design, we went through
that the last time, with the marbles, and I think it's
going to be an incredible building. I think it will
really, in fact, be a Taj Mahal and I think will be a
very, very successful building. The key is getting it
done in a very high quality way. I think when it's
completed, it's going to be very successful.

Q So is it fair to say that your immediate
business plan for Resorts, which obviously the
Commission and the Division are interested in, is the
focus on the completion of the Taj Mahal--financing
and completion of the Taj Mahal?

A That's correct, that's the whole key to the
Trump - Direct by Ribis

company in a true sense. I guess the company can do
without the Taj Mahal, but I think they have 300 some
odd million dollars invested in it and it's there and
it's beyond the 50 percent mark in terms of
completion, and I think we are--you know, I've been
working for the last number of months on getting
things completed, getting plans, getting specs, which
we never really had, getting things under control, and
I think it's much more difficult than if I had to
start this building from the beginning.

If we started from the beginning, I
mean, you would have had a much--it would have been a
much easier job. Coming in in the middle of
construction is like doing a renovation, it's not like
doing a new job, and I believe that it's really come a
long way in the last number of months.

We have developed really tight and we
are in the process of getting really tight plans and
specs. We slowed down construction in the last number
of months for two reasons, because of the financing
question in terms of the company and also because it
was crazy building and nobody even had complete plans
and specs. I mean, you have contractors working on
time and material, and you can imagine what they were
billing the company, and they didn't have complete plans and specifications. In my opinion, it was out of control. People can say it was wonderful. I thought it was out of control. I've never seen a job built like this before, and I think now it is under control.

I have had a number of meetings, large meeting with 40 and 50 people and with the management and with the contractors and with the subcontractors, and, in fact, we just had one last Wednesday. We have them every other week now, at two o'clock at Resorts International, and we have had some very good productive meetings, and the people that were laying down on the job and not doing the job, the designers, the structural—the mechanical designers, the electrical designers, those people are working very hard right now. Even though the work has been slowed down, they're working very hard to get the plans so that I can bid things out, so that I don't have to have to build on time and material. I don't want to build on time and material, because you cannot build on time and material, and that's essentially what this job was being built with, and I was just opposed to it from the beginning, and that's just ridiculous, so
Trump - Direct by Ribis

that's one of the problems they have had.

So I think I've got it in good shape now. I think within another month it will be in great shape, and I think the Taj—we're looking to really start very heavy construction on March 1st of the Taj, because I think by March 1st we're going to have very good plans and specs, we're going to have the restaurants designed.

I mean, as an example, we didn't have restaurants, for the most part. We didn't have suites on the top of the building. The big area for the suites, they weren't going to be built. You know, how can you open a building and not have the suites at the top? How can you open a building without the restaurants? How can you open a building that's designed for a 120,000-foot casino and yet they cut it down to 100,000 feet to save money?

Because it's now 120,000 feet, we had to add 56 different rooms, so we're building what we call now the Lanie Rooms, the Lanie Suites, they're going to be beautiful, but we had to add about 56 rooms because they had 1200 rooms, or 1190 rooms, and you need 1250 in order to have 120,000 feet of space.

The problem was the casino was designed
beautifully at 120,000 feet and it was designed lousy
at 100,000 feet, and it wasn't a good layout at
100,000 because they just chopped off one side of it
in order to save money, or whatever.

I mean, obviously, they planned on
building 120,000, because it was designed for 120,000,
and somewhere along the line they decided to build
100,000, but it wasn't a good layout. It's a great
layout at 120,000; it's a lousy layout at 100,000.

So all these things came into play, and
now we have them all straightened out, I think, and I
think we have really made a lot of progress over the
last number of months in terms of plans,
specifications, getting them complete, and it's just,
you know, it's a tough—-it's tougher than investing in
Federated Department Stores, I will tell you that much
right now.

Q Two final things, Mr. Trump.

Going back to the bank financing that
you're now negotiating, there would be some
guarantees, personal guarantees on your part to this
financing; isn't that right?

A There would be something. It may be—-I
don't know exactly yet, but there would be something
that I would do that would be beyond what Resorts could do. I don't know what. I would keep it down to a minimum, obviously, but there would be something that I would do that would be beyond what Resorts could have done as the company.

Q Secondly, the last item, in a tender offer there is no condition as to financing; isn't that correct, Mr. Trump?

A Yes, that's correct.

Q And after assuming a successful tender offer with the acquisition of the A and B stock, you will have invested over $220 million in the stock of Resorts International at that time; is that correct?

A About 220, right.

MR. RIBIS: I have no further questions. Thank you very much.

CHAIRMAN READ: Mr. Sterns.

MR. STERNS: No questions at this time.

CHAIRMAN READ: Mr. Vukcevich.

MR. VUKCEVICH: Thank you.

CROSS-EXAMINATION

BY MR. VUKCEVICH:

Q One of the things I noticed in reviewing the Comprehensive Services Agreement was that it reads in
Trump - Cross by Vukcevich

terms of the execution date as of October 16th.

Was it actually signed on October 16th
or was it signed at some other time?

A I really don't know.

Q Do you recall if it was signed after the
19th?

A I'm sorry, I don't know, I really don't know
when it was signed. I could find out, if you would
like, if it's important, but I don't know.

Q Yes, I would appreciate if you could find
out.

A All right, we will find out.

Q I'm going to show you what's been marked as
D-9 and ask you some questions with regard to Exhibit
A, which is the December 21st press release.

In terms of the second full paragraph
of Exhibit A-2, Division Exhibit No. 9, the second
full paragraph reads, "The combination of significant
cost overruns incurred by prior management, together
with the conditions of the financial markets since
October 19th, have made it impossible to obtain
financing for the Taj Mahal in the public markets on
any basis that would be economic for the company."

The question I have in regard to that
Trump - Cross by Vukcevich

and, in particular, I'm referring to the phrase
concerning the condition of the financial markets
since October 19th, could you tell us exactly what
happened since October 19th that relate to the
inability to get financing, the specific consequences
or ramifications?

A   What happened on October 19th?

Q   Since--between October 19th and the date of
    this press release.

A   No, just continued to be bad, just continued
to be very bad.

Q   The financial marketplace?

A   Absolutely. They continue to be bad today.

By the way, they happen to be slightly better today,
if you want to know the truth, but they continue to be
bad today for the various financing that we are
talking about.

Just to show you the difference, we had
I believe filed, filed or very close to being filed
with Bear, Stearns, an eight percent subordinated
debenture, eight percent interest before October
19th. We are going to be paying eight percent
interest and giving the public the option to buy stock
at a certain price, which I think also had been
determined at something.

I mean, the public got very lucky when that didn't happen, because, frankly, I think the stock price, they had an option of about 70 or something, 60 or 70, and so they would have gotten eight percent interest and would have had the option to buy the stock at 70 prior to the crash, so the public got very lucky.

But, to be perfectly honest, you know, there's one deal and now you're talking about a totally different world out there.

Q When did you first come to the realization which is indicated in this press release that economic financing could not be obtained for the Taj Mahal?

A Well, I don't--I was getting more and more convinced the further I got into it, both as to how much money was necessary to complete the Taj Mahal and also--which was starting to get a little surprising to me, which I'm sure you're going to get into and which we'll discuss that in a little while, but also the rates, you know, people were talking about rates at 18 percent, at 19 percent. You know, if they weren't very legitimate Wall Street terms, you would say it's shylock rates, and that's all it is.
Trump - Cross by Vukcevich

Who can pay 19 percent? I mean, General Motors can't pay 19 percent. Who can pay 19 percent interest? And so it wasn't only a question of getting the money; it was a question of what's the purpose of getting money if you're going to break even or lose money for the next 20 years while you're paying this interest. You know, it didn't make a lot of sense to me, anyway.

The markets got very bad after October 19th and they stayed bad, obviously, during this period of time for a long period of time, and they are very bad today.

Q What was the breakoff point in terms of percentage rate? I don't know if you did any analysis or anything at which point it would be uneconomical to obtain financing.

A I don't think there was. It's hard to do an analysis, because, you know, the Taj Mahal has a chance to be extremely successful. If it's really, really successful, you know, it can pay a high rate of interest. But again, what does that mean?

If it's normally successful, I believe it will be at least--I believe the Taj Mahal, if it's properly built, which it will be, I think, it better
be, will be a very successful place.

I also know that if you have to pay 19 percent interest, whether it's the Taj Mahal or anything else, it's just unacceptable. It's even psychologically unacceptable, if you want to know the truth. And so the rates were starting to come in.

I was looking at deals which were being made on Wall Street which were onerous, which I also knew about at the time of the hearings, in all fairness, and I know we discussed some of them, but it just--it wasn't getting any better. In fact, it was probably getting worse at that time. The interest rates seemed to be going up and the bond market was virtually dead and a lot of takeovers were being cancelled and everything was happening.

You know, I'm able to put up my own money at the prime rate, and I realized during the course, you know, toward the end of this period that the way this is going to happen and the way this company becomes a very good company is for me to buy the stock.

Now, I wasn't--again, I wasn't interested in the stock when it was 60 or 50 or 40 or 30, but, you know, the stock got to a point where it
started making more sense where I said to myself, Look, if I'm going to go through all of this work, and I know everybody thinks, oh, the management contract--well, first of all, I didn't even know if I was going to have a management contract because there were so many lawsuits out there, and second of all, if I'm going to go through all of this work, I might as well buy the company and do it myself, because anything I did--I started to realize in the public market that anything I did, no matter how great a job I did, about 30 people out there, or more, were going to sue me, because I should have come in for less, I only saved $100 million, I think you should have saved $103 million.

No matter what I did, it was a no win situation, and I started saying as the stock started really drifting down, and that was toward the end of the process, that I'm better off buying the company, and that's when I made an offer of 15.

Q When you initially bought your B stock from members of the Crosby and Murphy families, considering the fact that you were interning into or becoming part of a public company, didn't you at that time envision that there would be a greater likelihood of lawsuits
Trump - Cross by Vukcevich

than--

A Yes, I guess so, but--and it's not the
lawsuits, I'm not afraid of lawsuits. What I didn't
like is the inconvenience of the whole process. It
was a very messy company with all of the litigation
and all of the problems, and what I've done by doing
this is cleaned it up, I've cleaned it up.

One of the lawyers representing the
stockholders even said to me, as he dropped his third
lawsuit on us, or something, he said why don't you
just--why do you go through this, why don't you just
buy the company, and at the time I told him because
the stock was too high, and it was, you know.

I mean, as an example, I bought a lot
of Federated Department Stores a few weeks ago, and I
liked it at 30, or whatever I paid, 29 or 30 or 31, or
something. And then all of a sudden a guy comes out
and he makes an offer of 61 for the stock, and
somebody said why don't you buy it. I said because I
don't like it at 61, I liked it at 30.

It's the same thing with this company.
I didn't like it at 60; I liked it at 15. I mean,
maybe I'm wrong for saying that, but I have to say it,
right?
Q  The sellers of the B stock, the Murphys and
the Crosbys, they had other alternatives other than
selling that stock to you.

Am I correct that one of the key
reasons that they determined to sell the stock to you
is because they thought you could get the Taj Mahal
built?

A  I really don't know. You would have to ask
them. I have no idea. They sold the stock to me
because I was able to pay the price, I guess. I don't
think—I didn't have any relationship with them, it
was okay, it was civil. Maybe they thought that Pratt
was a loser and they didn't want to sell it to him, I
don't know. It's likely they did think that. But
they had Pratt, and they probably had a couple of
other people, and that's it, you know, so they chose
me; ask them why.

Q  In your book—

A  I wish they didn't, it would have been a lot
easier.

Q  In your book, the Art of Deal, do you make
any allusion to the fact that maybe the Crosbys and
the Murphys sold you the stock because they thought
that you were best qualified person?
Trump - Cross by Vukcevich

A I don't think I discussed it in the book. The book was written before this deal. That will be in the next book, if there is one.

Q At the time—in connection with the Commission's decision approving the Services Agreement, that took place on or about December 16th, and I believe you testified before the Commission on December 3rd, on or about that date.

At the time you testified, considering the significant amount of time between "Black Monday" and that date, October 19th and December 3rd, did you come to any conclusions concerning the—

A "Black Monday" or "Bloody Monday"?

Q I'm sorry, "Bloody Monday."

A Because "Black Monday" is—I've always referred it to as "Bloody Monday."

Q We'll call it "Bloody Monday."

Did you come to any—between that date and the time you testified, did you come to any conclusion concerning the ability or inability to obtain financing for the Taj on economic grounds?

A No. What happened is during that period of time—first of all, the hearings ended about three weeks, almost three weeks before I made the decision
Trump - Cross by Vukcevich

to tender. The contract was approved in three days. But during that period of time again, a lot of lawsuits came in on the contract, I believe, you know, during that period of time or the end of hearings, number one, which was important, but a lot of lawsuits came in, and they came in, you know, pretty hot and heavy, and I sort of referred to the period of time really probably more toward the end of the hearings more than the actual approval.

But the stock was going down, the stock of the company was going down, certain elements of the company were being revealed, and I made the decision to—I made the decision to do it. I mean, I make decisions. I don't have to go to board of directors, and I don't have to do things that some people have to do, and I was able to make a fast decision, and that decision was made very quickly. In fact, it surprised my own people because I did it, and a couple of them I forgot to tell them about it, and it caused me a lot of problems.

Q Would I be correct in saying that when you testified here before the Commission on December 3rd that at that point in time you still believed that you could obtain financing for the Taj Mahal through the
Trump - Cross by Vukcevich

Services Agreement?

A I thought I could. I was starting to see, I think even at the end of the hearings, that the financing was going to be very costly, and it was really turning out to be more costly than I had thought for Resorts as Resorts without Trump in the ownership position.

One of the things that was sort of bothering me is that—and I say this perhaps speaking against myself, but the Management Agreement was hurting me in getting financing, because the Management Agreement, I was paid fees and the fees were taken out of the company and the institutions that were loaning money to the company didn't want to see fees being paid to Trump prior to their getting the money, and then I was starting to say, Hey, wait a minute, you know, I don't know, to get the financing I'm going to really have to totally subordinate my Management Agreement, which I was willing to do, by the way, but that was something that was also getting in the way.

That's the negative of what I was telling you before, the negative about the Management Agreement. The positive is that they wanted Trump to
Trump - Cross by Vukcevich

do it and the Management Agreement had us involved.

But the negative is that a couple of—one institution,
I think it was Prudential, my brother Robert went to
visit them, and they were very concerned that we be
paid nothing, that everything come out to pay the bond
holders. So, we had that problem, we had that
difficulty, and it was a real difficulty.

The beauty of what we are doing now is
that there doesn't have to be a management contract
and all of the money that would be paid under the
management contract is now not paid, it's not a cost,
so the company becomes different from that standpoint.

Q Well, as I recall, and I could be wrong, it
was a while ago, at the last hearing there was
testimony concerning the effect of the cost of the
agreement, and I believe that the indication through
the testimony was that the financial community would
be inclined to provide financing for the Taj Mahal
even though the cost of the Management Agreement were
as they were or were intended to be because of your
involvement. Do you--

A Yes, but they are more inclined to provide
financing for the company if I have a hundred percent
involvement instead of nine percent, or whatever it
Trump - Cross by Vukcevich

was, and if I don't get a fee for running the company, but I own the company, because that fee was a substantial detractor from the standpoint of financing.

At the same time, if you didn't have Trump, I don't think they would have gotten it, anyway. You know, it's a very double-edged sword.

One company in particular mentioned that the management fee was a problem. This is another thing that was happening during this period, you know, during and after even the Commission, you know, the hearings was we were finding out the difficulties of the company relative to the management contract and financing.

At the same time, if we weren't there, they wouldn't have gotten financing, either. And with us--you know, I mean the difference is so incredible. Since we made the deal at $22.00, institutions that haven't been even involved in Atlantic City, I'm talking about banking institutions, not these junk bonds, which are ridiculous, okay, have come to us virtually and have been willing to--I mean, I got a call from one bank wanting very much to see me, wanting to invest $100 million in the deal, and we are...
Trump - Cross by Vukcevich

talking about a rate of interest at the prime rate.

And, you know, that's some difference between that and talking to bond holders, and by the time you pay the Wall Street commissions and the fees and the this and the that and the legal, I mean, here we're talking about one bank potentially doing the whole deal, without even participants.

Now, they'll get participants probably later on, because it's a big loan even for this bank. And again, I'm not making any commitments, I don't know, I think they want to do it really badly. There are a number of banks that want to do it, I think badly, but that doesn't mean that it absolutely gets done.

I saw where Joel Sterns was quoted that this guarantees the completion, and I said, Hey, wait a minute, you know, because I've had these problems before with the Commission, somebody guarantees something. I don't want to guarantee anything anymore. And so I'll temper Joel's enthusiasm a little bit, but I think that I can be a little enthusiastic myself.

But the difference is, you know, it's a difference of 10 or 11 points, when you think of it,
Trump - Cross by Vukcevich

and it's more than that, because there's no brokers in
the deal, it's a direct loan, there's no brokers
where, I mean, you have to pay two or three points to
the brokerage firm, so if you raise $500 million,
you're paying a $15 million commission to the
brokerage firm, and then you're paying tremendous
legal fees, because you have documents that are two
feet thick instead of a banking document, which is
made with one bank, which is, you know, it's a fairly
complex document, but it's a lot--it's a simple
document, relatively speaking.

You don't have the bond holders, you
don't have this, you don't have the SEC involved, you
know, you don't have the tremendous legal costs and
problems and documents and fees and everything else.

So, you know, it's a tremendous
difference. But the big difference is the difference
between--I don't know what the prime rate is, eight
and a half percent I think today--but between a prime
rate of approximately--a number of approximately eight
and a half or nine percent and a rate of 19 percent,
or 16 or 17 or 18 percent. You know, you could be
talking more than 10 points.

Q Here is what I'm getting at.
Trump - Cross by Vukcevich

Before you testified here, the last
time, in December, did you have any discussions with
any investment bankers where you learned of the
ramifications on financing concerning the Services
Agreement vis-a-vis privatization?

A No, not in terms of the Services Agreement,
but I knew the financing was going to be expensive,
you know, but I don't think the Services Agreement
came up until much later. It wasn't the investment
bankers that brought that to my attention, it was the
investment bankers' buyers, because what we do is you
put on, you know, sort of a display or a show for the
buyers.

I mean, you're essentially your own
investment banker, you go out and sell it yourself,
then they go out and get a three percent commission,
and we noticed that some of the buyers were saying
that, you know, the fee and all, where does it come
in, do we get our money first. You know, things that
were not thought of by the investment bankers were
thought of by the buyers of the bonds and they
started--you know, that started getting a little more
evident. It was another obstacle, it was another
problem. It wasn't an insurmountable problem, by the
Trump - Cross by Vukcevich

way, but it was a problem.

Q But you knew that financing would be expensive back then?

A I said that to you at the time of the hearing, too. I mean, everybody knew financing was going to be expensive, that's the one thing we knew for sure.

Q Would it be more expensive now than it would have been then?

A Now today?

Q Yes, in view of the Services Agreement.

A Would it more expensive today than it would have been when?

Q Than at the time you testified the last time, considering the applicability of the Services Agreement.

A I don't know, I can't tell you. I think it would be similar, I think it would be similar today.

Q And the next question would be: If the financing were to be similar today as it was the last time you testified, why is privatization better? I mean, what's changed other than--

A I thought I explained that for the last hour. I don't know, do you want me to go through it
Trump - Cross by Vukcevich

again?

Q In other words, I want to know what's new from the last time you testified.

A Well, a lot of things are new. The stock went down, for one thing, that's new.

You know, the company, I think we found certain things of cost, we made a lot of changes we had to make, I told you about the casino, I told you about the units, I told you about the additions, I told you about the suites.

You know, I think there are a lot of things that are new, a lot of things changed. The market changed, the market for this particular stock changed. And again, as I said four times, I wasn't willing to buy it--I don't know what the price was exactly at the time, but I made a quick decision, and I make quick decisions, I do that.

I mean, you know, it wasn't something where I said well, you know, I will wait, I will do this, I will do that. I don't think I spoke to anybody. I don't think I even spoke to Harvey about whether or not I was going to buy the company, because it wasn't in my thought process, and when I did it, it happened very quickly.
Trump - Cross by Vukcevich

Now, a number of people—I think even Schulte said why don't you buy the company, I think he said that, I don't know, I'm not a hundred percent sure, but I think Schulte even said why don't you buy the company. A lawyer for the stockholders said why don't you buy the company. You know, this is during a period of time, but it didn't enter my thought process too much because—in fact, I don't think at all, because the stock was just too high.

At the end of the hearings, the stock was low, and I cleaned up a lot of problems by buying it, including all of these 19 or so lawsuits, including the financing problem, because it's very easy for me to get financing, but it's not easy for Resorts to get financing, and it cleaned up all of the problems. It cleaned up, it seemed like, almost all of the problems, that's why I did it.

Q Would it be correct to say that—well, which would be more correct to say? Would it be more correct to say that privatization is the only alternative available to complete the Taj Mahal or would it be correct to say that it's the better of the two alternatives?

A Well, it's certainly the better, but I think
Trump - Cross by Vukcevich

I could almost say it's the only viable alternative, because junk bond financing is--hey, I can't tell you what's going to happen in six months, and bond rates may very well be dropping now, interest rates are dropping and bond rates start to drop and there seems to be a lot of liquidity out there and I think interest rates are going to be down over the next period of time.

You know, maybe somebody will accuse me later of saying that Trump knew that interest rates were going down, you know, that I know that in six months from now interest rates are going to go down. I wish I could predict it. But the fact is that I have a feeling that interest rates are going to be going down.

If that happens, I might be able to put a bond issue on in about, you know, a period of time, in six months, less, more, I don't know, that eventually will be fine, I don't know. But I can tell you as of today, and more so than probably today, as of a month ago those bonds were very expensive. So I would really say it's the only alternative, but I can definitely say it's the only viable alternative.

Q This is where I'm having my trouble
Trump - Cross by Vukcevich

understanding you.

If the financing availability today, if we assumed the Services Agreement is in place, is similar to the point in time where you testified here the last time, how can you now say that privatization would be the only viable alternative?

A I don't say that, I didn't say that. I think what I am saying is that I believe I could get financing for the company, okay. I believe that after you put the financing on, I don't believe that the company either loses money—that the company will either lose money or whatever. I believe you can get—maybe get through the period of building.

What I felt at the time is that it wouldn't have made sense to buy the stock, the stock was too high. I ended up buying the stock in the end because it served a lot of purposes, including cleaning up lots of litigation. I was not willing to go through a deal—even with Commission approval, I was not willing to go through years of work on this company on the basis that maybe, just maybe this document would have been ruled, you know, not acceptable by the courts of wherever they—I think it was Delaware we were being sued primarily. I was
unwilling to go through that work. That was an important part of my judgment. My judgment was made very quickly.

It was more difficult to get the financing for the company than I thought, even at the hearings. When we had the hearings, I think I felt pretty optimistic. By the end of the hearings and during that three-week period after we felt the Management Agreement was going to be approved, but, you know, I—we just were getting a very negative feeling as to the financing, or at least viable financing.

And whether or not the company could have paid for it, I mean, you're saddling yourself with debt at rates of interest that for 20 years or 15 years you're going to be paying for, and that coupled with the fact that the stock was at a lower point, and coupled with the fact that we could have cleaned up the whole mess, and coupled with the fact that I can get financing individually, you know, that I can get financing, you know, I decided to make a tender or make an offer for the company.

Q Referring to what you just indicated that initially at least during the last hearings there was
the sense of optimism on your part concerning the financing, could you tell us why at that point in time you were optimistic? What did you learn and from whom?

A Well, you have to understand, if anybody knew that October 19th was going to happen, maybe you just wouldn't have done it.

I felt optimistic based on my meetings with Bear, Stearns, I felt optimistic based on a meeting that I had first with First Fidelity Bank where they were going to put up $250 million. What ultimately happened is that their participant cancelled out on them, they cancelled out. They thought they had a participant, maybe they did, maybe they didn't, I don't know, but--and the other thing is that when we were talking with Bear, Stearns, my impression was that we were talking about interest rates--and again, you never know what the interest rate is going to be. They don't tell you that until the day they do the issue, they tell you in the range of, and I thought we might be talking about interest rates of 14 and 15 percent.

As I started getting more and more into it, I wasn't seeing those rates on other deals. I
mean, every broker is an optimist, and when you get them in here they will tell you all sorts of things. When you get them into your office, they'll tell you absolutely we can raise the money, we can do this, we can do that. But when you get them out and say go and raise the money, then they tell you you have to pay 18 percent, you know, the 15 percent or the 14 percent isn't acceptable, and I started to feel very negative.

And then I started to say, you know, when you start talking of the interest rates like that, I think it's disgraceful, I think it's ridiculous, and I think it's--I just don't think it's appropriate to pay 16, 17, 18, 19 percent interest, and like that, and I was optimistic.

But then the other thing that came up was I started saying that my Management Agreement is certainly in question. And I will tell you right now, I don't want to go through all this work and not get paid for it. My Management Agreement was in question, not because of the Commission, but it was in question because of the courts, because I had lawsuits out there and they were challenging the Management Agreement. And if that Management Agreement was
voided in two and a half or three years from now, what have I got? And all of this happened, and it just made sense to buy the company.

Q During those early discussions with Bear, Stearns, as you testified at the prior hearing, did Bear, Stearns ever give you their views on how the Services Agreement might affect financing?

A I don't remember that. They might have, but I don't remember that. We discussed it during the negotiations I remember a little bit, but I don't remember specifically whether or not they did. But I do remember they were optimistic for the financing, and they were optimistic we could get a good rate. And then when we started really getting down to the nitty-gritty, the rate wasn't so great and the amount of money wasn't so great and other things weren't quite what maybe we thought they would be and things started changing around.

Q At what point in time did you begin to get those negative feelings?

A The more I dealt on the legal documents with the lawyers for the bonds.

Q Would that have been in December, after you testified--
Trump - Cross by Vukcevich

A Yes, it was toward the end, it was toward the end. It was probably toward the end or during that three-week interval, or whatever. But the more we dealt—you know, the more we dealt with Bear, Stearns, it just seemed that they didn't know what interest rates we were going to have to pay, there was a real question as to what interest rate we were going to have to pay. And I started to realize—and, you know, the problem is you will do $150,000.00 worth of legal documents and you don't even know what interest rate you're paying, you have no idea, because they'll tell you one day before they go to the market, well, we are never going to be able to raise the money at 15 percent, we're going to need 19 percent, and you're sitting there, after spending all the money on the legal documents, you're sitting there saying, Hey, you know, for four months we have negotiated this document and now the day before they go out to market they're telling us they want four points more than they thought.

The whole process, frankly, is ridiculous and it's not one that I'm particularly familiar with, although I did it twice, I did it with Trump Plaza, but those rates were a lot different
then. When I did it at Trump Plaza and Trump's Castle, you know, the rates, you're talking about a different ballgame. It was before October 19th, it was easy to raise money, you had absolutely no obligations or guarantees, you know, it was a different ballgame, and we knew pretty much the rate. In fact, we ended up getting it for less than what we thought we were going to get it at instead of more, but there was just no certainty, we didn't know what we were going to get it at.

Q When did you first have discussions with one of your lawyers concerning the possibility of a merger?

A It's very hard to precisely say, but it was sometime I believe after the hearings, and I think it was really after the Management Agreement was approved.

Q So sometime between December 16th and December 21st?

A Right, if that's the date, if that's the date.

Q And with which person did you have those initial discussions?

A I think it was Jack Nusbaum. I think it was
Trump - Cross by Vukcevich

Harvey Freeman initially and then Jack Nusbaum ultimately.

Q Would your discussion with Mr. Freeman be within that same time period?

A Yes, because it was a very quick decision.

Hey, if I would have waited, I probably could have bought it for less. You know, I should have waited another couple of weeks, it would have gone down to five, maybe, but it was a very quick decision.

Q Well, according to the press release, which once again is Exhibit A-2 to Division Exhibit No. 9, in that press release at the bottom of the page, it indicates that, "Mr. Trump indicated that only with the financial backing of the Trump organization would it be possible to build the Taj."

What exactly does that mean? How did you come to that conclusion?

A It means, as I said before, that I can do things that Resorts can't do.

For instance, I can get Trump's Castle, which is a very successful place, perhaps I can do this, I don't know that I will, but I can get Trump's Castle involved with Resorts in the sense of a guarantee, so I can get a Trump's Castle guarantee
Trump - Cross by Vukcevich

potentially, if I wanted to, on this financing so that
the financing would be obviously much more prime, and,
you know, it would be very prime if that happened. I
can do things outside of what Resorts had to do.

I also, as I said before, don't have to
use junk bonds, I can use my own funds or I can use
regular bank borrowings, so I can build at the prime
rate, whereas Resorts has to pay 18 or 19 percent
interest, and that's basically what that means.

Q At that point in time did you have any
indication from any investment banker that in order to
complete the Taj there would need to be a personal
guarantee on your part or the putting up of some of
the Trump organization properties as collateral?

A Well, not so much an investment banker. Dan
Lee I think is quoted in the New York Daily News as
saying, you know, at this point in time, something to
the effect that people--nobody can raise junk bond
financing, and yet the funny thing is in this world
there is tremendous liquidity right now in the
markets.

I mean, the banks call me all the time,
can we loan you money, can we this, can we that.
There is tremendous liquidity if you have a good
Trump - Cross by Vukcevich

statement and if you're solid. The banks, they want to throw money at you. And yet, if you want to go out and borrow so-called junk bond financing, it's very difficult to get and the rate you would have to pay is very prohibitive. I don't know, I really don't know.

Q Prior to the time of the issuance of this press release, did you have any personal discussions with Mr. Lee about what it would take to build the Taj? In other words, I'm referring to this--

A I had a general discussion with him, but I was really going with Bear, Stearns, and I did have a general discussion and he was not particularly optimistic about the financing of the junk bonds, and again I have to say junk bond financing.

I think he even asked me, and I might be wrong, but I think he was one of the people who said you ought to just take the company private and just build it, and, you know, it's really a junk bond versus--there seems to be a lot of money around on a regular basis.

Q But you dealt primarily with Bear, Stearns?
A Yes, primarily with Bear, Stearns.

Q Did they give you any indication of the type of financial backing that you would have to offer to
Trump - Cross by Vukcevich

what exactly was your understanding as to what you
would have to do for Resorts in addition to
privatization? In other words, what would you have to
do to get that financing?

A I didn't discuss it because I wasn't going
to do it. I mean, I could discuss it for the sake of
sociological argument, but it didn't play any role
because I'm not going to, obviously, put my own money
into a company that I own nine percent of.

Q On the next page, page 2 of the press
release here, going four lines down on page 2, and it
talks about that you would not be--that you were
making a tender offer because you would only commit
all of such resources of the Trump organization to the
project if you were 100 percent owner thereof.

What does that word "resources" mean as
used in this press release?

A Well, it means--I gave you the example of
Trump's Castle or something. In other words, it means
the strength of the Trump organization. It means I
could invest my own cash in the company or I could
invest my own borrowings in the company or I could use
a guarantee from one of my other properties so that,
you know, it's even stronger.
Trump - Cross by Vukcevich

put forth prior to financing?

A No, because I wouldn't do it. Why would I——
if I own nine percent of a company, why would I put up
financial banking? I mean, that's the point of what
we're discussing here today. I own nine percent of a
company, and if you own nine percent of a company, you
can't put your own money into that company. If you
own 100 percent, you can put it in. But if you own
nine percent, who is going to put their money into a
company that owns nine percent? And even if I loaned
money to the company, then some stockholder is going
to sue me and say I'm getting too much interest, I
should do this, and what does he have in mind by
loaning the money, he's got this sinister plot
involved, you know, it's ridiculous.

So, if I loan money to the company at a
rate that would be four points less than junk bond
rates, if I loaned money at prime plus two, I'd be
sued because I'm making too much money, I'm getting
rich, you know. It's a never ending situation.

Q Well, what I'm getting at, and maybe I
wasn't clear and maybe you just answered it in terms
of your discussion about a possible loan to the
company, at the time this press release was issued,
Trump - Cross by Vukcevich

Again, you know, Resorts is a strong company, a very strong company at eight and a half or nine percent, but General Motors isn't a strong company if it has to pay junk bond prime rates, and that's not depreciating Resorts, by the way.

I'm not-- you know, I'm telling you that whether it's General Motors or Proctor & Gamble, or any other company, if they have to go out and get junk bonds to do their borrowings, they are not a strong company, and Resorts is going to be a very strong company, I believe. But it's not going to be a strong company if it has to commit for years and years to pay rates of 17, 18, 19 percent interest, but neither is General Motors. So I don't want to deprecate Resorts by saying--you know, no company can pay those kinds of rates.

The funny thing with junk bonds is that the junk bonds is what really made the companies junk. That's why they're called junk bonds, the rates are so high on the junk bonds that they make the company that could have been a very good company, they make them junk, so it's like a self-fulfilling prophecy, almost.

Q I'd like to refer you now to Exhibit 10, and
Trump - Cross by Vukcevich

you have the exhibit book before you.

A Exhibit which?

Q Exhibit 10. Exhibit 2 is the December 23rd letter.

A Okay.

Q In the middle of the page, the second full paragraph, it indicates in this letter, which is December 23rd, from yourself to the board of directors of Resorts, the middle of that second paragraph indicates that there exists general uncertainty relating to operating a casino hotel of this size in Atlantic City, referring to the Taj.

What basically is that uncertainty?

A Well, you're asking me all these questions so that I can tell the New York Times what that uncertainty is so that it gets printed. It's just so negative, it's just so negative, this whole process.

Hey, what is the uncertainty? The uncertainty is it's a very big building. I think it's going to be very successful, but maybe there's going to be uncertainty, okay.

Q Well, the reason I ask the question is because it was a big building to begin with and that Resorts and yourself asked the Commission to make it a
Trump - Cross by Vukcevich

bigger building by closing Resorts I and making it a
part of the--

A No, making it a smaller building by closing
Resorts I, because you're building it down to a
size--you're putting all of your casino into one
modern new casino and you're closing the other
competing casino directly across the street. You're
going from 160,000 to 120,000. So, it's not bigger,
it's smaller, it's more efficient, and it's going to
be better run, and it's going to be a better design,
and some day maybe that casino can be reopened again,
when the market justifies, but for right now it's a
much more efficient operation.

Q How did you arrive at the initial tender
offer price of $15.00 per share?

A I flipped a coin. I mean, the stock was at
12 and I bid 15. It wasn't any great magic.

Q What was your initial reaction when that was
rejected by the board of directors, the independent
board?

A Hey, they have their duty to do, they did
it, and that was it. I mean, you know, what do you
want to hear? I mean, my reaction was that they
rejected it.
Trump – Cross by Vukcevich

Q    I would like to refer you now to Exhibit D-11, which is the January 11, 1988 letter of the Special Committee of Resorts' board of directors to yourself. At the top of page 2, there is reference to the advisors of the independent board at one point in time earlier to this suggesting a merger to you. Could you give us the details as to when that happened and under what conditions?

A    I don't understand, where is this?

Q    Top of page 2 of that exhibit, it continues, the sentence, it says, "Our advisors suggested a merger to you at the outset"--

A    I think they did, and it was very smart of them to do, because the stock was much higher at that point. I think Schulte, and I think I alluded to it before, that Schulte said why don't you--instead of doing this, why don't you buy the company, and I wasn't interested, I believe he said that, I don't know, you know, in one sentence, in passing, I thought it was in passing, we were negotiating the agreement. He said why don't you just go and buy the company, and I just wasn't interested in doing that at the time.

Q    Was that the subject of any great discussion or was it more or less--
Trump - Cross by Vukcevich

A I think it was very much in passing.

Q From the point in time that the $15.00 merger offer or tender offer was rejected, how involved were you in the negotiations with the independent board?

A Not very involved. I mean, I had set certain guides. Harvey Freeman was really involved and he would see me, but I really—I wasn't that—I wasn't very involved.

Q Was Mr. Freeman your principal representative who was involved in those negotiations?

A Mr. Nusbaum, Mr. Freeman, Mr. Sterns was involved.

Q There has been testimony to the effect that a bankruptcy lawyer who specialized in bankruptcy appeared before the independent committee. Would you indicate for us what the circumstances are concerning that? How did that come to be?

A Indicated where I said the New York Times could write all about it tomorrow?

Q I think it's a legitimate question, that's why I asked it.

A It's a great question.
Trump - Cross by Vukcevich

The company was having cash flow problems because of the cost of the Taj Mahal, and at the rate the company was spending money it wouldn't have had the necessary funds to keep going, and, therefore, it was appropriate to look into various alternatives.

One of the alternatives was bringing this counsel in to look at it. The other alternative was the possible buying of the company so that the company could be financed, because again, as I said, I think this can be a good company, a very good company. I believe it will be a very good company after the Taj gets built and opened, I believe it will be an outstanding company. But, in the meantime, it had difficulty.

I didn't cause the difficulty. I didn't cause the stupid decisions that were made in this company for a period of four or five years, but I just--and I got there and I saw it. I mean, my first act was to sell Pan Am stock. Everyone said no, wait until it gets up to seven. I was asking Charlie Murphy to sell the stock when it was at seven, and he said no, we paid eight, we want it to go up to eight, and by the time it ended up--when I became chairman,
Trump - Cross by Vukcevich

my first act as chairman was to sell the Pan Am stock, we sold it at five or five and a quarter, or something, and now I see it's down to two and a half.

I mean, the things that this company invested in, the way they spent their money was, in my opinion, ridiculous, and that's one of the problems, that's been a big problem for us psychologically. That's why it's a lot—even though you have new management now, there is a lot of stigma left from a lot of the decisions that were made with old Resorts. Shrimp futures, silver futures, buying up amphibious aircraft all over the place. I mean, the money that was spent, Pan Am stock, all of these different things, that, you know, it's easier to finance if Donald Trump owns it.

It was not easy or practical to finance, as I was finding out more and more, if it was run as the company, if you tried to finance it as Resorts. However, I think it will be a very strong company, or I wouldn't be doing this, believe me.

Q Were there any other alternatives considered? I know that one, the bankruptcy lawyer appeared before the independent board, and two, there was the alternative of buying of the company. Was a
Trump - Cross by Vukcevich

third alternative the continuation of the Services Agreement? Was that also explored?

A I don't know. It was looking like it was more and more difficult to get a practical financing unless I got the financing myself, and I wasn't going to get the financing myself unless I owned 100 percent of the company, it's as simple as that.

Q Do you know if there were were there any other proposals considered? For example, the possible selling of any Resorts assets in order to help obtain financing, was that considered at all?

A Absolutely.

Q And what was the decision concerning that?

A We had "For Sale" signs on every piece of property they own in Atlantic City, all you have to do is look, and we are going to be selling the land in Atlantic City, which is a positive thing for Atlantic City because it will allow development to go through.

Resorts owns a lot of land in Atlantic City and, as you probably already know, we have signs up on the land for sale for the first time.

Resorts didn't want to sell any of their land. They thought they were sitting on a golden egg and they didn't want to sell their land. I
Trump - Cross by Vukcevich

look at selling the land as a positive. Not only does the company get money, but it also creates economic development in the area, jobs that would be held up because Resorts owns a little piece of land in the middle of a block and they wouldn't sell it to some guy who wanted to build something is now, believe me, that land is for sale, and I look at it as being a positive thing, not a negative thing.

You can't hoard all the land in Atlantic City because it's just going to stay the way it is, so we put the land up for sale in Atlantic City.

Q None of that land has been sold yet; am I correct?

A It hasn't.

Q In terms of--let me be more direct with my question.

In terms of looking at it--I think the land went for sale sometime ago, but in terms of the recent negotiations that the Special Committee engaged in, was there any practical consideration as to whether or not financing could be obtained by sectioning off major assets of the company? For example, hypothetically, the sale of Paradise Island,
Trump - Cross by Vukcevich

was that at all considered or evaluated?

A  It was considered, but it was very
difficult, and it would be more time-consuming. You
would need governmental approvals, you would need
other things, and Paradise Island is very profitable.

There were those such as Marvin Davis
that wanted Resorts because he wanted to get Paradise
Island. He didn't want to get Atlantic City, he
wanted to get Paradise Island, and Marvin Davis wanted
it, Tiny Roland I think wanted it, and a lot of other
people wanted it. But to do that is not so simple.
You're talking about a very complex transaction that
takes a long time with government approvals, et
cetera, et cetera, it's not easy, plus, Paradise
Island is a very valuable asset.

Q  As I believe you indicated earlier, Mr.
Schulte did testify before the Commission, and as part
of his testimony he indicated what the fee structure
arrangement he had with the Independent Committee
consisted of.

Did you or any of your representatives
participate in any negotiations with Mr. Schulte
concerning fee?

A  I thought his fee was ridiculous. I also
Trump - Cross by Vukcevich

thought that it's a big deal and I didn't think that I should be influencing the independent directors, but I thought his fee was ridiculous. I didn't know what his fee was basically until—you know, I gave them the right to negotiate. I mean, I wish they did as well with him as they did with me, because I thought his fee was very high, frankly. But I also think he is a professional, he did a good job, he represented them very strong and tough, and I didn't think—I mean, you know my relationship with Schulte, it's okay, but certainly not great, but I didn't think it was my prerogative to essentially tell the independent directors who they should be using as their consultant.

I think I could have knocked Schulte right out of the box when I heard what his fee was, but I didn't, because I thought—and I think Harvey will tell you, when I heard his fee, I said, This is ridiculous, and I feel it is, I still feel it's ridiculous, to write a report and get that much money for writing a report and to negotiate, and this and that, but to spend a couple of weeks doing something, it's preposterous.

But, nevertheless, I didn't feel in the
Trump - Cross by Vukcevich

size of the deal, the overall size of the deal it's not an important factor. I didn't feel that it was appropriate or even legally good later on down the line, with the lawsuits and everything else, for me to have been rejecting consultants and maybe steering other consultants in there who would have had a much more favorable fee structure. So I said, you know, let it go, but I thought it was a very high fee.

Q So I guess I would be correct in saying that you had absolutely nothing—you or your representatives had absolutely nothing to do with the manner of the fee structure between the independent board and Schulte, that they did that entirely, the independent board?

A That was entirely the independent board, and, you know, it was a big fee, and I let them know that. I let Harvey know it, anyway.

Q I know that you have touched on it, both in my cross-examination and in Mr. Ribis' direct, but I would like to go over in a little more detail the actual and specific efforts that were made and with which—particularly with which institutions to obtain financing for the Taj under the Services Agreement, and could you indicate it once again? I don't recall...
Trump - Cross by Vukcevich

the banks. I haven't written them down.

A Merrill Lynch rejected us on the basis that junk bond financing is virtually impossible to raise, not because of Resorts, but because it was very tough to raise for any company.

Bear, Stearns was working on it. We were relying on Bear, Stearns, they are excellent, they are highly respected. Alan Greenberg is one of the great legends of Wall Street, he was involved in this personally. Because of that, we really couldn't get too much involved with Drexel because they are on very competitive terms, so we had a hard--I'm talking now from a practical standpoint. You know, you just, you don't do that, and Bear, Stearns has been very loyal both to Resorts and to me, so we chose Bear, Stearns to look at that, but I didn't like it anyway, even during the hearings I didn't love it, because I knew the financing was going to be very expensive, and I started seeing regular banks, without Trump, in other words, regular banks for Resorts without Trump.

And what happened is because of Trump, even though I don't have any guarantee involved whatsoever, First Fidelity put up $125 million because they had confidence in me.
Trump - Cross by Vukcevich

Now, they made the statement that because of you and because of the confidence we have in you, we are going to loan $125 million. They thought they had a participant for 250, a total of 250, 125 and 125, but that participant blew out of the woodwork. Now, it's very possible that that participant comes back, but I don't think we even need that participant anymore because we have now, with this new situation, everybody wants to loan money. Well, everybody. I have to be very careful what I say before this Commission. Not everybody; a lot of people.

CHAIRMAN READ: Thank you, Mr. Trump.

That's been a problem.

A (Continuing) We have gone through this before, so I will temper my statement to say that a lot of people now that would not have been inclined to loan money are inclined to loan money, and that's because of the fact that I would own the company and I have a lot of banking relationships and they have been very good relationships.

So I went to--I'd rather not mention at this public hearing the name of the banks. I have a hard time mentioning the names of banks at this moment
Trump - Cross by Vukcevich

because I don't have a commitment and I really don't think it's appropriate to them, but I have a number of major banks that are very interested in Resorts International, with me owning it, and at a very prime rate.

Q The ultimate question I'm getting to with all this questioning is: You say that you have these banks that are interested in loaning the money for the Taj around prime rate with you as the owner.

Aside from the fact of your being the owner of the stock, what is the difference between the ability to obtain financing here as opposed to under the Comprehensive Services Agreement? In other words, what brings the interest rate down?

A Well, I'd rather negotiate with the banks than negotiate with you now, because I don't want them reading this and then saying, Hey, that's a good idea, let's talk about Trump's Castle. You know, I really have a hard time negotiating with you right now as to what I am going to give the banks for putting up the money for Resorts, but I can do things that Resorts can't do.

I have big balances, as an example, I can put balances into banks, and banks look very
Trump - Cross by Vukcevich

favorably upon that. I can put my cash into a bank and keep it into a bank and a bank would look very favorably of that. If I owned a hundred percent of the company, I would do that. If I owned nine percent of the company, you don't do that.

You know, I can give them security on part of their loan that would give them--you know, it would give them 100 percent certainty. With me they know that there is a certainty that they would get their interest. With somebody else they don't know that, and that's why I can do what I can do, and the beauty is that I don't have to go through a board of directors, I don't have to go their public stockholders, I don't have to go through all of the ramifications of what a lot of other companies and I guess every other company in this casino industry has to go through. You know, it takes a lot of people.

That's why when, you know, sometimes you act surprised that I made an offer all of a sudden to buy the company. It was a very quick decision, it was a very quick decision. Most people in my own company didn't even know I made it and it just happened all of a sudden.

If I were a public company, you know, I
Trump - Cross by Vukcevich

would have had to go through a board of directors,
they would have had meetings, they would have had
this, fly all over the country, we've got to meet in a
secret place, two weeks later they have the meeting,
then they decide, then they argue, then they fight.

You know, I just made a very quick
decision to do this. This won't be the greatest deal
I ever made. You know, I mean, I think you're looking
at this as a great deal. This won't be the greatest
deal, but I think it will be a good deal, I hope it's
going to be a good deal, and I think Resorts will be a
very strong company.

I think Resorts at this kind of
financing rate, and when the Taj Mahal opens, and I
think the Taj Mahal is going to be a tremendous--I
hope it's going to be a tremendous investment for me.
And if it's not, then it's not, but I think it will be
tremendous for me, and I think it's going to be
tremendous for Atlantic City. And if it's not, I
shouldn't be doing the deal, and if it's not, Atlantic
City shouldn't want to complete it.

Q Based upon your answer, would I be correct
in that the negotiations that are currently taking
place with these banks concerning the pricing,
financing of Taj that you don't know exactly at this
point what personal commitment, if any, or what it's
going to take to secure that financing once the
company goes private?

A As little as possible, I don't know what
it's going to be, I don't know what it's going to be.
I can tell you that it will be a great thing for
Atlantic City and for New Jersey, if it happens. I
don't know what it's going to be yet. I can only tell
you that I have good response, and I have a response
now where we're talking about these ridiculous figures
of interest that we talked about the last time
essentially.

But, you know, my big problem again is
that tomorrow, when they pick up the newspapers, you
know, it depends. You know, you could have blown me
out of the water today with your questions. Tomorrow
I pick up the New York Times, oh, look at that,
counsel this, that, I don't know.

I can tell you that I have a very
strong group that's very friendly to me, that's done
business with me, they love the deal, they are happy
with the deal. But, you know, these hearings are
very—perhaps they are a necessary process, but it's a
Trump - Cross by Vukcevich

very difficult process, I can tell you that.

Q In terms of the offer which has been made, the tender offer for the remaining Resorts shares, where what is the intended method of payment, do you intend to finance it or--

A Use my own money or finance it, or both combinations.

Q You have not determined that as of yet?

A I just said I will use my own money or finance it, or both.

Q The negotiations that you are presently involved in concerning the construction of the Taj Mahal, would that be for short-term finance or long-term, or would that achieve both?

A Moderate term. I think it's three years, with an option for two, and it would be in the form of construction loan. It would be construction loan against the Taj Mahal from a major bank primarily.

Q And can I assume that that would be, as was put forth in previous petitions before the Commission, for approximately $550 million?

A The one big--the one big change will be the rate of interest. Under the last scenario, the cost of interest was tremendously higher than what I will
Trump - Cross by Vukcevich

be paying, so I think we are talking about $475 million construction loan, or thereabouts, and I don't know how that even figures into it.

And again, anything I need in addition to that or anything I save beyond that, you know, it's to my advantage, or disadvantage, and I will just put up the difference. But there is a big difference when you're paying 17, 18, 19 percent interest and borrowing all the money at one time, which is important, because, you know, under a bond--see, the bond issue--the other problem with a bond issue is that essentially there is no mechanism, and this is something we did find out after the hearings, to the extent that we found it out, there is no mechanism to borrow the money in little pieces.

When you go out and float a $400 million bond issue, you have to take the money then, so now you're sitting with $400 million that's not going to be invested for a year in a building, so you will take 200, 250, but there is no way you can take three million one month and five million the next and seven million the next and only pay interest on that.

When you get a construction loan, which historically hasn't been able to be gotten in Atlantic
Trump - Cross by Vukcevich

City, you know, banks haven't been really lenders here, but when you get a construction loan, you take down whatever you need. So if we have a $10 million cost for March, we take down $10 million, that means we pay interest on $10 million.

The other way we are paying interest at 19 percent on $400 million all at once, even though we are not even using the money, and then we are investing it in CDs at six percent or five percent, so we are losing 15 percent a month, or 15 percent a year, but we are losing all of that interest; there is no mechanism.

Whereas, this way you get a commitment to borrow $475 million and you take it down as you need it and you're only paying interest on a small amount of money. At the completion of the job you will take down the whole amount. But, in the meantime you're only paying--so there is a huge difference in interest cost for the Taj Mahal. I mean, the Taj Mahal goes from this interest mammoth to having a very logical interest cost because I'm able to get a construction loan myself, and there is a big difference. So there is a big difference in the interest factor for Resorts versus for Trump.
Trump - Cross by Vukcevich

Q If you're successful in obtaining that financing, do you think it will be enough money to complete the Taj Mahal, I mean under the present agreement plan?

A If I didn't, I wouldn't be doing this deal, if I didn't. I think it will be plenty, and I think it will become completed and I think the Taj Mahal is really--is going to be very shortly in very good shape and I think we have made a lot of inroads.

Again, as I told you before, I think now we are really for the first time getting very good plans. I know how to build. If I know anything in life, it's how to build. I know how to get something completed and built and financed properly, and I think I have really--over the last--this last number of months hasn't been wasted. It's been I think very--I think it's been the most productive period.

In fact, I asked the people the other day do you want to start immediately, do you want to start--and they said no, this is great. These are the construction people who are telling me that this is great what's been happening the last two months, that they're catching with their plans and specs, for the first time they're able to get plans and specs,
Trump - Cross by Vukcevich

because they were building and they didn’t know what
the hell they were building.

Q  Do you feel that the Management Agreement
was given enough time to see whether or not it would
work or should it have been postponed?

A  Look, when I know that it’s not going to
work or not, it would be great. I don’t have to wait
around for two months or four months just to look
better. I knew that if I bid three days after, and
actually we could say three weeks after, because the
hearings were like close to three weeks, but I knew
that that wouldn’t psychologically maybe be as nice as
waiting two or three months and doing the same thing.

But why should I wait? I mean, all
that’s going to happen is it’s going to end up costing
more, the stock is just going to go lower, because
that stock would have gone lower, and in the end even
though the stock would have gone lower, it would have
been a negative to me, because while I would have
bought the stock for less, if I waited, knowing the
negatives, the building would have cost much more than
the value of the stock depreciation.

So why should I wait? I mean, I knew.
Hey, I know psychology, and I knew that by bidding a
Trump - Cross by Vukcevich

couple of weeks after the hearings, or, as you say, three days after the Commission approves my management contract, hey, you know, I knew exactly that you would be asking me the same question. In fact, I said it to somebody. I said the only thing is if we do this now, it doesn't maybe look that good, and Commissioner Armstrong, I guarantee you, will say, Mr. Trump, why did you bid three days after. You know, I fully expect her to ask me that question. She's a big fan of mine. But, you know, I just felt that—I felt I had an obligation to do it.

Q One of the things I'm going to be asking you about next is the agreement plan of merger and some of the conditions that are within it. But before I do that, I want to ask you a general question.

Assuming that the merger agreement is approved by all necessary parties and does become effective and the company does, in fact, go private, is there anything that—is there anything that can go wrong, that you're aware of, in terms of building the Taj, assuming you get the financing?

A Can go wrong? Yes. We can have a depression, the world could collapse, we could have World War Three. I mean, a lot things can go wrong.
Trump – Cross by Vukcevich

I don't think they will.

I think that— I think this is a very strong— I hope this gets written in the newspapers, I don't think it will, that's not what people write about, but I think this will be a very strong company, and I look forward to it, and I think that things won't go wrong.

I believe that— you know, I think that it will go, but there are always things that can go wrong, a lot of things can go wrong.

Q Are you aware of anything that is likely to go wrong at this point in time?

A If I were, I would tell you. You could have another October 19th. Hey, I could make this deal hopefully get approved here, buy the stock, and then two days after buying the stock, I could have— you could have another October 19th, call it March 4th, and no financing. The banks that are dying to loan money, or anxious to loan money and willing to loan money at this point, they could say, Oh, my God, we can't finance anybody at anytime, you have to pull up your horns. I mean, you know, that stuff happens.

That's what happened here with the company, and that's a real possibility. I think
Trump - Cross by Vukcevich

that's probably perhaps the biggest, you know, you have another catastrophe and all of a sudden banks wanting to put up money for something, and not only for this deal, I'm not only talking specifically about this deal, because this is a good deal with good assets; I'm talking about for all deals.

The banks that are willing to put up money are no longer willing to put money into the market. You could have bank collapses, you could have a lot of things go wrong. This is a risky deal. This is like every other deal, there is risk in every deal, but, obviously, you can't predict the future.

Q  I'd like to show you now A-2, which is the Agreement and Plan of Merger.

I assume that you have reviewed this annex before; is that correct?

A  Yes.

Q  Am I correct that basically you negotiated for the conditions that are set forth in this annex? Is that an accurate statement?

A  Pretty much, I, you know, along with a lot of people, and this was negotiated with the independent directors and their consultants and their lawyers.
Trump - Cross by Vukcevich

Q Referring you to the first paragraph of Annex I, and looking at the sentence marked capital (B), and that relates to that one of the conditions is "that the Atlantic City Housing Authority has delivered to the Company an estoppel certificate or clarifications, amendments, reaffirmations or other documentation, in form and substance reasonably satisfactory to Mr. Trump, indicating that the Company is not in default under its agreement with the Housing Authority and providing for an extension of the completion date for the construction of the Taj Mahal to August 3, 1989," and then it reads "(subject to the further extension thereof by reason of applicable grace periods and force majeure, as provided for in the relative agreement)," and one of the things I notice in there is that that condition is subject to your being reasonably satisfied.

What exactly is it going to take for you to be reasonably satisfied? In other words, what is the point of that being in here? What are you looking for?

A Well, number one, you couldn't get financing if you can't get these things. Obviously, nobody is going to loan you money based on a termination date of
Trump - Cross by Vukcevich

this coming August of the land agreement, you couldn't get financing, and there is a question as to the applicability of that particular thing.

As you know, Resorts has much of this building built on its own land, but there is a piece of land from the Housing Authority and, you know, what do you? Do you take the annex, the piece that's built on the Housing Authority?

You know, there's a whole question as to whether or not it's even practical, there is a question as to how much money do we get back, there's a whole lot of questions on that.

But, essentially, no bank, nor would I let any of my banks invest in a company unless we were given an estoppel certificate having to do with that.

In addition, the banks and I--you know, I'm not going to put myself, you know, totally isolated from this, I want to know what the problems are with respect to the housing, if any.

We have an agreement signed which is satisfactory to me, but there are rumblings that they are trying to have it terminated. Well, that's okay if they want to have it terminated, but I want to know it about it before I make the deal. If they want to
Trump - Cross by Vukcevich

terminate the agreement, that's fine. I have heard that they would like to make positive changes in the agreement, where they would like to have the housing be built in another location instead of that location, and we are amenable to talk about all of that stuff. But, in the meantime, for the sake of expediency, and we would love to talk to them about it, the housing doesn't have to be built on the boardwalk, it doesn't have to be.

I had heard that some of the folks in Atlantic City wanted to recommend that it be built more in the inlet, and, you know, I mean, there is a real question, there's 1200 units of housing. But, as you know, Resorts has essentially built or had built 576 units toward that obligation. I thought psychologically it would look better if we just enhanced 1200 units, and we did. You know, it's not something that particularly bothers me.

There's a lot of--there's probably going to be negotiation on this item for a long time, and I'm willing to negotiate, but I have to know before I put the money into the company that, at a minimum or at a maximum, I would have what was agreed to previously. If I don't, obviously, I don't want to
Trump - Cross by Vukcevich

put the money into the company.

If the environmental—you know, the New Jersey Division of Coastal Resources, if they don't approve the CAFRA conditions and if we don't get—I mean, for instance, somebody came to us the other day and they said, We don't like the color of the wall and we want the wall to be changed and we want this, I want to know about it now, I want to know about it now. I don't want to know about it—I get criticized because I put the stuff up front, but, you know, I think it's—I think I owe myself the obligation to put some of it; I know I owe the institutions.

One of the reasons the banks like me is that when I build, I don't have problems, I get it built, I get it done and everybody is happy and it turns out successfully.

I want to know about it now. I don't want to have a hearing in six months that there is—you know, that I said something, that there was an article in the Atlantic City Press saying that I said something. I want to know about it now.

If there are difficulties, I'd rather know about them today than I would in six months from now, and I have that obligation to my banks, because I
Trump - Cross by Vukcevich

don't want my banks to get hurt. My banks have never
gotten hurt, and that's why they deal with me, that's
why they will put up money for me, whereas they won't
put up money for anybody else in Atlantic City. I
just want to know about it now.

You know, I read an editorial where the
Atlantic City Press said read his book, this and that,
and this, figure him out.

Well, what's to figure out? I just
want to know in advance what I'm supposed to do, and
then when I make the deal I can build, I can focus on
contractors and subcontractors, because they're the
toughest people in the world to do business with,
anyway, and I don't have to have all of these
extraneous issues around.

We made a deal with the Housing
Authority, which I don't even think is a good deal, if
you want to know the truth, I think it's a lousy deal,
but we made a deal with the Housing Authority, and I
want to know--if that deal is there, I want to know
it's there, and if it's not there, I want to know it's
not there.

I want to know what CAFRA is going to
want. If CAFRA is going to come back and say we want
Trump - Cross by Vukcevich

you to build, to clean up the entire city of Atlantic
City and we want you to spend five million dollars
more on this and four million dollars on that, then I
want to have the option of getting out of the deal. I
want to know what CAFRA wants, because they have some
very good people at CAFRA, and I can tell you that,
but they are also very difficult.

CHAIRMAN READ: Mr. Trump, the question
went to the Housing Authority. It never mentioned
CAFRA. Can we stay with the question.

THE WITNESS: Sorry.

Q I understand your references to the
agreement with the Housing Authority.

What exactly in terms of this merger do
you view as the key components of the agreement? What
do you want from that agreement?

A With the housing authority?

Q Yes.

A I need an estoppel certificate in order to
get financing that the land won't be taken away in a
period of six months.

And, by the way, I think, you know, if
I start this, I could have it completed enough of
the--I could have the building, you know, that sits on
Trump - Cross by Vukcevich

that piece of land substantially completed so that that clause wouldn't come into effect, anyway. But I don't want that. I want an estoppel certificate, and the banks are going to want that. They are not going to rely on the fact that I'm going to be able to complete the building three and a half days prior to the deadline because I'm a good builder. So, the banks want that, I want that.

The other element is that we have to know that if we don't build the units, and it's really--the real number of units is 600 and some odd units, because a lot of units have already been built, because if we don't build the units, whether it's 1200 or 600, we have to know that. You know, we will give back the land. I have an absolute obligation to give back that piece of land if we don't build those units, but I don't have an obligation to build the units, and I have to know that, because that's another cost of financing.

If somebody is going to tell me from the Housing Authority that you have to build these units and that we're not going to get the subsidy from my other hotels, including Resorts, which is one of the advantages again of having it together, because
Trump - Cross by Vukcevich

now I have another massive housing subsidy between the
three hotels, I have a massive housing subsidy which I
can use on that land or some other land, but I can
use.

But if somebody is going to say that I
have to do it, then I'm going to have to say, Well,
that's going to increase the cost of the Taj Mahal
even further, and I want to know about now. I don't
want to fight about it in three months or four
months. I want to know about it now, that's all it
says.

CHAIRMAN READ: Mr. Vukcevich, I hate
to break in here, but it's 12:30, we have been going
for quite a while, and for the reporter I wonder if we
might take a short break.

MR. VUKCEVICH: Yes.

(A short recess was taken.)

CHAIRMAN READ: Come back to order.

Mr. Vukcevich.

MR. VUKCEVICH: Thank you.

BY MR. VUKCEVICH:

Q Mr. Trump, to get back to that paragraph
(B), is your understanding--in the event that Resorts
does take down that 30 or so acres, is it your
Trump - Cross by Vukcevich

understanding that Resorts would be obligated to build
1200 units or 1200 units less the approximate 550 or
576 units that are there now?

A Well, again I have to rely on the people.
My understanding is that they would have an absolute
obligation—if they take down the land, that they have
an absolute obligation to build the units.

I believe, I cannot tell you with
certainty, because I haven't reviewed it myself, there
are a number of units, I think 576 units already on
the land, and I believe the agreement says that the
land will have 1200 units.

If there are 576 units on the land, I
have been told the difference is the number of units
they have to build. I would really have to ask for a
legal interpretation of that. I don't know, I just
don't know. I mean, I have been told that it's the
difference between 576 and 1200, and I would be, you
know—I'd have to ask for an interpretation, because
there are that many units on the land.

Q Who told you that it might be 1200 less 576?
A I think it was Joel Sterns.

Q In the discussions with the Housing
Authority, did you become aware of what their position
Trump - Cross by Vukcevich

is? In other words--

A I wasn't involved with the Housing
Authority. I really have not been involved, I don't
believe at all, with the Housing Authority.

Q In the event the Housing Authority were to
come back and say that our interpretation is that if
you take down the land, you have to build 1200 units
and not 500--you know, 1200 less 576, in view of the
fact that your project under TURA called for 1200
units, can I assume that if the Housing Authority does
say it requires 1200 units, you would go along with
that? In other words, it wouldn't be a deal breaker?

A I might go along with the 1200 units. I
think it's important to get the subsidy, because I
don't think there's any market for the other units. I
think it's important to get the subsidy. But we came
out--we knew this. Obviously, you don't have to be a
rocket scientist to read the document. The document,
I believe, and maybe I'm wrong, but the document I
believe would say--would indicate that there's 600
some odd units left, we knew that. We proposed 1200
units because we thought it would be appropriate. We
thought it fit the site and we thought it fit other
things. If that condition--and we were willing to
Trump - Cross by Vukcevich

live with it, as long as we understand and everybody
understands that, number one, we have to have an
estoppel to finance and we have to know what our
obligations are, and if those obligations are too
much, we are going to drop the land and not build the
houses. We will invest in the bonds, obviously, and
everything, but we are going to drop the land and not
build the houses, we have to know that, and,

obviously, we can't add more on to the cost of the Taj
Mahal. We want to know it up front.

Q At this point in time do you have any
conclusion or any idea as to whether or not 1200 units
would be too much?

A Well, I mean, you know, you look at Atlantic
City and there is--look, I haven't done a market
study, but it looks to me like there is tremendous
difficulty that the other places are having.

I heard Bally has a problem with
renting or selling, or whatever they're doing with
their units, and there's a lot of units coming on, and
I would say that there seems to be a lot of units
being built. There doesn't seem to be a market at
this moment. Now, maybe that changes. There doesn't
seem to be a market.
Trump - Cross by Vukcevich

There are people that have said that maybe other things should be built, and if the housing shouldn't be built on the island--I mean, I've seen so many different scenarios.

If you went down to Disney World and told the people at Disney that you're going to build low housing income right alongside the casinos, they would laugh at you. Now, I'm using a very successful place as an example, but they would laugh at you, they would say you have to be kidding if you told them that you were going to build low income housing away from the amusements and away from the rides where, frankly, the people can live a lot better because they don't have the cars, they don't have the traffic, they don't have the casino people, you know, they would perhaps find that different.

I mean, there is not--it seems that there is not much of a market right now for the housing, and, I don't know, you have a real question as to do you build 1200 units of housing, or whatever, in a market when other companies that have built it are not able to sell it because the people don't want to live there, they want to live off the island, because it's a better environment to live off the
Trump - Cross by Vukcevich

island, perhaps, or whatever.

So, there is a whole big question, and I think that question is going to be studied over the coming months. But, in the meantime, I have to at least know where I stand.

We had an agreement. I told you before I think it's a lousy agreement from our standpoint, I really do, I think it's not a good agreement, but we have an agreement and at least I have to know if that agreement is in effect or not.

Now, we are willing to then negotiate that agreement and see what we can come up with in terms of moving the housing maybe into the inlet or moving the housing someplace where the city would like it moreso than on the boardwalk itself, and maybe that makes a lot of sense, and we are totally amenable to it, but I at least have to know now on a minimum what we have.

Do you understand?

Q Yes.

Does the agreement that you speak of indicate the total number of units that would be required to be built or is that rendered moot as a result of TURA's petition, which indicates 1200 units?
Trump - Cross by Vukcevich

A No, I think we agreed to 1200 units, and in that I think it says 200 units. I don't know if it says 1200 or less the 576, because I wasn't involved in that. But if there is a market and if there is a site, you know, I mean, we are willing to do what we have to do.

It seems that at this moment you asked me a question of building. It seems at this moment there certainly isn't a market there, based on the experiences of other developments that have been built.

Q I understand what you're saying concerning a market. The question that I would really like an answer to, if you know it at this time, is: Let's assume hypothetically that the Housing Authority says if you take down that land that you, Resorts, must build 1200 units on that property, would that--if Resorts were to do that, assuming that hypothetical, would that adversely affect the building and financing of the Taj?

A No, because if it was impractical to do, I wouldn't take down the land, but I have to know that now. I mean, you could say build 5,000 units on it, it wouldn't have any effect because I wouldn't take
Trump - Cross by Vukcevich

down the land if it was impractical.

In other words, if I'm made to build 1200 units, if I take down the land, and if I know that those 1200 units won't be able to be sold or rented, then I'm just not going to take down the land. But I just have to—you know, I want it to be known up front. I don't want this to come back and hit me and, you know, I just want it to be known. If there is a market, I don't mind doing the building, but I think to build units if there is no market doesn't make sense for anybody, including the city, and I wouldn't take—based on what you're saying, and assuming there was no market, I wouldn't be taking down the land.

Q From that answer, can I draw the conclusion that as to the taking down of the land that you consider that to be an option as opposed to a commitment or an obligation?

A I think it's absolutely an option. If it's not an option, then—I mean, I think it's understood to be an option, it better be understood to be an option, because otherwise we're not interested, believe me. I mean, if I have a build an addition to the Taj, if I have to build 1200 or 600, or whatever
number it is, units in addition to the Taj Mahal, no, it's an obligation. It's an obligation if we take down the land.

Q Referring to paragraph (C) of that same exhibit, Annex I, what exactly do you need from CAFRA, what would satisfy you?
A Well, we need the approval of what we are building, essentially.

Q Would that be approvals concerning the Taj?
A Yes, sure, and the piers and everything, we need approvals on what is being done. I mean, I don't want CAFRA to come and say--I don't want CAFRA to say we want $10 million worth of trees here, we want $10 million worth of this or that. I think it's fine if if they want to do that. I am not going to do it, because this company is building what might be considered the most expensive building in the world, it's enough already, it's enough, and it's going to be incredible. I don't want somebody saying add this or add that. It's never happened before, and I don't know why it should be happening here.

Q Well, to be a little more succinct, is what you're seeking from CAFRA through this condition, is that directly related to the construction of the Taj
Trump - Cross by Vukcevich

Mahal or are you also seeking something from CAFRA which is unrelated to that specific project?

A Well, you know, when I look at the Taj Mahal, I'm also looking at the Million Dollar Pier, the Steel Pier, I'm looking at the surrounding environs of--we are looking at the parking, we want the approvals for the parking, we want the approvals for the job.

I mean, everything is related, everything within that radius is related to the Taj Mahal, including the piers, including the parking, even if it's not on the same block, it's related. I want to get the approvals from CAFRA. I don't want to be told a week before I open that unless I give CAFRA $10 million and do this and do that, they're not going to give me my approvals. I want to know now.

Q Part (D) of that first paragraph, one of the conditions that the Casino Control Commission has issued to the company a Statement of Compliance with respect to the Taj Mahal.

If that's not completed within the 75 days which has been allotted, would you consider that to be a deal buster?

A That particular one, maybe not. In
actuality, from a legal standpoint, yes. But we have been working with the staff of the Casino Control Commission on a lot of things, and we have found them to be professional, we have found them to be fair. I can't say that in all instances with regard to Atlantic City, but we have found them to be professional and fair, and that would be--I mean, I think they see what we're building. I think what we are building far exceeds anything built in Atlantic City before, and I believe that they are going to be very happy with what they see.

Plus, I think they have--look, I'm speaking against myself now, but I think that they have a little more complex job in a true sense with respect to this because they have so many different areas to go through, the building, the individual elements of the building, and I'm sure my lawyers would be very upset with the answer I'm giving you, but (D) is the least important, because that's sort of an ongoing process that we work with the Commission on getting the elements of the casino and everything else finished and done.

I'd like to have it within the 75 days if I can, but I think that is something that we have
Trump - Cross by Vukcevich

worked on with them before and we understand the
issues and I think it will work out.

Q The pages aren't numbered, so what I am
referring to is the third page of Annex I, the last
paragraph, basically the first sentence which says,
"The foregoing conditions are for the sole benefit of
Mr. Trump and maybe asserted by Mr. Trump or may be
waived by Mr. Trump in whole or in part at any time
and from time to time in his sole and absolute
discretion."

Rather than go through each of the
these conditions, there's numerous conditions, with
you, I would just ask you at this point in time, are
you aware of any factors which would affect any of
these conditions negatively which could get in the way
of the merger agreement going through at this point in
time?

A Well, I mean, I could tell you CAFRA wants
us, as an example, to take down the pier, the old
pier, and, you know, I'm not going to do it. It's up
there, it's an asset of the company. I'm going to
make it--it looks like Beirut in the middle of bombing
right now, but by the time I finish it, it will be a
beautiful pier. It's where the helicopter lands. We
Trump - Cross by Vukcevich

want to create beautiful shopping.

In addition to which we have a tenant on there with about a 20-year lease, and the ripping of it down would be tremendously expensive and it would be negative to the company. What we have proposed is something that is going to be very beautiful, it's going to be shopping, it's going to be a heliport, which is important for the entire city, not just for Resorts. It's going to be a real fixing up the building, essentially a heliport terminal at the end of it.

Essentially, it's going to be a very beautiful pier when it's finished, and we are negotiating that with CAFRA right now, and I think it will work out, you know. But the ripping down of that asset would be prohibitive, it would be very expensive, and it would be non-income performing. The other way it's actually less expensive for us to build beautiful shopping and a heliport than it is for us to rip it down, and I think it's a good asset in the future and I think it could be very nice for Atlantic City.

So when you asked me if there are any ongoing things, I mean, that's one of the things that
Trump - Cross by Vukcevich

we are negotiating right now with CAFRA. For some reason, they want me to rip down the pier, and, you know, it's just something we don't want to do.

Q Are there any other factors other than the CAFRA pier problem?

Q Well, there are other CAFRA problems. If you want me to tell you, I will tell you. I don't know, there are other CAFRA problems.

Q Are there any other non-CAFRA problems that you're aware of now?

A Not that I know of.

Q Which are the other CAFRA problems? I would like to hear what the other CAFRA problems are.

A Well, I don't know. I told you, I don't know if this is the place to talk about CAFRA. I will do it if you think it's appropriate, but I'm trying to work out a resolution of years of problems that Resorts has had with CAFRA, and I think for me to air out every one of these problems now is a very negative thing in terms of negotiation.

MR. RIBIS: Mr. Chairman, just for the record, I'd like to interpose an objection only because there are sensitive discussions and negotiations with CAFRA. Maybe as we meet, tomorrow
Mr. Sterns' partner will be meeting with them again, and there are ongoing matters which are being discussed, and I don't know that Mr. Trump—he certainly knows generally about them, and I think at this time I don't think it's appropriate to get into that discussion, I don't think.

CHAIRMAN READ: I understand your problem. I think it's a proper question.

Mr. Vukcevich, under the present situation, do you want to press it?

MR. VUKCEVICH: I think it's very important that we realize that the Commission and the Division realize exactly what are the potential problems that could arise between now and the time of the approval of the merger, so I would like to ask that Mr. Trump answer that question.

CHAIRMAN READ: Maybe, Mr. Trump, you could start in general terms, and if that doesn't satisfy and you have to get more specific, we will try it that way.

THE WITNESS: Okay, sir.

A There are a number of items with CAFRA, there are a number of problems. Again, these problems are problems that Resorts had long prior to my getting
Trump - Cross by Vukcevich

involved, that were just unresolved problems. There were so many balloons up in this company, I have never seen anything like it. I'm trying to get--

MR. RIBIS: Just for the record, and we have one copy now, it is a letter which Mr. Weinroth hand-delivered to CAPRA on February 1st, it's a 14-page letter which lists the various areas that were then being discussed. Only in fairness to Mr. Trump, I think there were a number of items that he probably, other than in passing, is not aware of, and Mr. Weinroth obviously would like Mr. Trump to at least have this to refresh his recollection.

CHAIRMAN READ: Why don't we do this: It's five minutes after one. We will take a luncheon recess, and I would suggest, Mr. Ribis, that perhaps the answer is you might review the materials with Mr. Vukcevich and see whether that will satisfy his interest at this stage, or, if it doesn't, maybe then review it with your client and see how we handle it right after lunch. We will be back at two o'clock.

(A luncheon recess was taken.)
CERTIFICATE

I, EDWIN SILVER (Certificate No. 379), 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.

EDWIN SILVER, CSR

Dated: February 9, 1988