STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

IN RE: CONSOLIDATED FINANCIAL
STABILITY HEARING OF TRUMP TAJ MAHAL
ASSOCIATES, TRUMP HOTEL MANAGEMENT
CORPORATION, TRUMP’S CASTLE ASSOCIATES
LIMITED PARTNERSHIP AND TRUMP PLAZA
ASSOCIATES

Wednesday, August 21, 1991
Atlantic City Commission Office
Tennessee & Boardwalk
Atlantic City, NJ 08401
VOLUME IX

BEFORE:

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

PRESENT FOR THE CASINO CONTROL COMMISSION:

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

ON BEHALF OF THE DIVISION STAFF:

THOMAS N. AURIEMMA, DEPUTY ATTORNEY GENERAL

APPEARANCES:

RIBIS, GRAHAM & CURTIN, ESQS.
BY: JOSEPH A. FUSCO, ESQ.

ROBERT PICKUS, IN-HOUSE COUNSEL

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Item No. 23

MS. GALLO: Item 23, "Continuation of the financial stability hearing of Trump's Castle Associates Limited Partnership."

CHAIRMAN PERSKIE: For the record, will counsel enter their appearances.

MR. AURIEMMA: Thomas Auriemma for the Division.

MR. FUSCO: Joseph Fusco and Robert Pickus for the licensee.

CHAIRMAN PERSKIE: Mr. Auriemma, you were in Massachusetts?

MR. AURIEMMA: Yes.

CHAIRMAN PERSKIE: Until when?

MR. AURIEMMA: Last Thursday.

CHAIRMAN PERSKIE: Timing is everything in life.

MR. AURIEMMA: It certainly is.

CHAIRMAN PERSKIE: Gentlemen, you have been apprised before we get to a resolution of the major outstanding issue in the course of the Commission's review in this matter, we were caused to focus on the fact that a part of the generic financial underpinning at the Castle is a three and-a-half million dollar de facto loan, the circumstances of which we already at length discussed from last
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December and it was and is the Commission’s view that the circumstances of that transaction should continue to be addressed in an appropriate fashion in the context of the hearing that we have before us today. You have been apprised of that?

MR. AURIEMMA: Yes.

MR. FUSCO: Yes.

CHAIRMAN PERSKIE: Do either of you have any comments to make with respect to that?

MR. FUSCO: We have no comments.

MR. AURIEMMA: None.

CHAIRMAN PERSKIE: Mr. Fusco, you are here in the capacity as well as counsel for the qualifier?

MR. FUSCO: Yes.

CHAIRMAN PERSKIE: All right, thank you very much.

Exactly one year ago, on August 21, 1990, the Commission reopened the casino license hearings for Donald Trump’s three casino properties to examine the financial status of the licensees, as well as that of The Trump Organization. During the succeeding months, it became increasingly evident that comprehensive debt restructurings were critical to relieve the licensees and The Trump Organization from
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exorbitant debt burdens that threatened their continued financial viability. Through the diligent and painstaking efforts of the Trump entities and their creditors, considerable progress has been made toward the implementation of restructuring plans which will enhance the financial stability of The Trump Organization, the Taj Mahal, and the Plaza. Although considerable work still needs to be done, and a difficult path lies ahead, it is gratifying to see that the goal of fiscal recovery for these entities is now attainable.

The Castle has not fared as well in devising a long-term plan to rectify its perilous financial situation. At the time that the license hearing was reopened, the Castle had already defaulted on a payment to its bondholders. That payment was made during the grace period with a cash infusion provided through a credit agreement with The Trump Organization's lending institutions. The next scheduled interest payment, in December 1990, was made only through the intervention of Mr. Trump's father in a transaction that may be considered unique to its circumstances.

With respect to both of these payments, the Castle lacked sufficient operating
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income to satisfy the interest obligations. As operating performance levels spiraled downward in the early part of this year, engendered in part by the economic recession, Castle's financial predicament rapidly approached the critical stage.

At the license renewal hearing in late April of this year, management acknowledged that, if current levels of operations continued and no restructuring were effected, there would be insufficient funds to cover debt service requirements. At that time Castle's immediate financial concern was it ability to make a 22.7 million dollar sinking fund payment on the first mortgage bonds due on June 15, 1991, together with an interest payment of 18.4 million dollars on the same date. However, Castle representatives assured the Commission that a workable plan had been formulated that would enable Castle to make the scheduled bondholder payment. Nicholas Ribis, CEO for the Trump casino properties, testified that a bond exchange offer would enable Castle to make the sinking fund payment, and that the interest payment would be satisfied with cash generated from operations coupled with anticipated proceeds from the sale of two parking facilities. Roger Wagner, president and CEO of the
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Castle, testified that a comprehensive operational and marketing program, including a reconfigured casino floor to allow for increased slot play, should significantly increase revenues and reduce expenses, allowing Castle to meet its forecasts and ensuring a financially viable facility.

On May 8, 1991, the Commission renewed Castle's casino license subject to several conditions, including a further review of its financial stability at a hearing scheduled for June 17 regarding all of the Trump casino licensees. The Commission concluded that Castle had demonstrated short-term operational stability but had not made a sufficient showing to support any final conclusion as to its long-term financial stability. At that juncture, it was premature to assess the viability of Castle's plan to satisfy its debt service requirements. The exchange offer and parking garage sale had not then been consummated. Moreover, there was serious questions regarding Castle's ability to achieve its financial projections, particularly in light of its recent performance levels and historic inability to make required bondholder payments without external financing.

Despite the optimism expressed by
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Castle officials at the renewal hearing in April, at the June proceedings we were advised that the bondholder payment had not been made. Indeed, the plan presented at the renewal hearing never came to fruition. The parking garage transaction was not consummated and the proposed exchange offer proved unsuccessful. Castle was unable to produce sufficient cash, either from operations or from external sources, to make the payments and, as a result, defaulted on the bonds.

In lieu of the plan detailed at the renewal hearing, Castle unveiled a new restructuring proposal. It was readily apparent that this new proposal, involving the issuance of new bonds and a prepackaged bankruptcy filing, was in the embryonic stage and left too many terms unresolved to allow for any meaningful analysis. Accordingly, the Commission was not in a position to render any judgment regarding the merits of the plan or assess Castle’s overall financial stability.

In light of the uncertainty surrounding this eleventh-hour restructuring proposal, but endeavoring to afford the licensee every opportunity to satisfy its statutory burden, the Commission adjourned the hearing until June 26, 1991.
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1 On that date, the Commission established strict
timetables for the submission of all necessary
materials for the expeditious implementation of the
restructuring proposal. More specifically, Castle was
required to provide by July 31, 1991, a binding
executed agreement with the Steering Committee
comprised of holders of 33 percent of its bond. The
agreement was to include provisions for a
restructuring of Castle's debts to Midlantic National
Bank. Castle was also required to provide a
registration statement filed with the Securities and
Exchange Commission; forecasted financial statements;
and a conditional commitment for a letter of credit,
or a sufficient explanation for not seeking or
obtaining a credit facility with a description of
alternative contingent cash resources.

The Commission also required that,
within 20 days of the SEC declaring the registration
statement effective, Castle must provide evidence that
the percentage of bondholders necessary to consummate
the plan had approved it. The Commission further
required Castle to file the petition with the
bankruptcy court within 45 days of the SEC declaring
the plan effective. Finally, Castle was ordered to
remain current on all existing financial obligations.
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When the Commission reconvened the financial stability hearing on July 31, Castle introduced numerous exhibits into evidence, including a registration statement and an agreement with Midlantic, in an attempt to comply with our prior order. However, a cursory examination of exhibit 68D, a letter from the bondholder Steering Committee to the Commission's attention, revealed that significant matters remained unresolved between Midlantic and the Steering Committee. In the judgment of the Commission, these matters had to be rectified for the restructuring plan to be considered a binding agreement among the parties in satisfaction of the June 26 mandate. The Commission permitted Castle additional time, until noon on August 2, 1991, to resolve this problem and provide persuasive evidence of a finalized transaction.

On August 2, a memorandum of terms signed by Midlantic, Castle, Donald Trump and the Steering Committee was provided to the Commission. Upon review of that document, it was determined that it appeared to comply with our directive, and the hearing was adjourned until August 14. On that date, Castle presented evidence that the plan will be approved by the bondholders and effectuated through
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the prepackaged bankruptcy proceeding, and that the plan will restore the facility to financial health and stability. Castle and the bondholders also provided evidence of an agreement to modify the language of the plan to delete a provision which would have allowed the Steering Committee to revoke its acceptance under certain circumstances. The Commission must now evaluate that evidence and determine if Castle has established financial stability for and during the license term.

The proposal before us is intended to alleviate Castle's liquidity problem by reducing and deferring its debt service requirements. This will be accomplished by eliminating principal repayments of 22.7 million dollars per year on the existing series A-1 bonds; reducing the interest rate on the bonds from 13.75 percent to 9.5 percent; and allowing the June 1991 interest payment, as well as a portion of future interest payments, to be made in new securities rather than in cash. The reduced cash interest payments will be due semiannually, commencing on August 15, 1992.

The plan further provides that cash sweeps are to be made at the time the petition for the prepackaged bankruptcy is filed and again when the
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plan is confirmed by the bankruptcy court. These
sweeps will be made only to the extent that cash
balances exceed casino cage cash of five million
dollars, a liquidity reserve of 10 million dollars and
certain other reserve requirements. These sweeps are
to be applied against interest due from December 16,
1990 through December 31, 1991. The balance of
interest due will be satisfied by issuing payment in
kind bonds. Castle does not anticipate generating
sufficient cash to permit these cash sweeps, and
therefore the forecasts anticipate non-cash interest
payments through the PIK bonds.

The proposal also restructures the
ownership of the Castle Hotel. The bondholders will
receive 50 percent of the equity and elect three of
the seven members of the governing board of Trump’s
Castle Associates. The remaining four members of the
board will be appointed by Trump’s Castle Hotel and
Casino, Inc., a corporation wholly owned by Donald
Trump. That entity will be the managing partner of
Trump Castle Associates.

Similar to the Taj Mahal
restructuring, there are also provisions which allow
the bondholders to take control of the board if
certain "managing partner events" occur. The plan
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also calls for special votes in certain instances, such as a proposed sale of the facility. These special votes require not only the affirmative vote of a majority of the board but also the support of at least two of the three bondholder board members.

Castle's indebtedness to Midlantic will also be restructured. A 50 million dollar construction loan will be reduced to 38 million dollars; the interest rate on that loan will be reduced to nine percent; and quarterly principal payments of 1.25 million dollars which were scheduled to begin next February will be eliminated. The principal of the restructured loan will be due three years from the effective date of the plan. Castle will have the option to extend the maturity date for an additional five years if it is not in default on any debt to Midlantic. This 38 million dollar loan will be secured by a first mortgage, senior to the lien of the holders of the new bonds.

The plan further provides that the principal amount of a 13 million dollar credit line issued by Midlantic will be reduced to seven million dollars. Interest will be reduced to 8.5 percent per year, with the principal payable three years from the effective date of the plan. Interest payable under
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the credit line will be subordinate to the mandatory cash interest payable on the new bonds. Repayment of the credit line will be guaranteed by Mr. Trump. As with the construction loan, Castle will have the option to extend the maturity date for an additional five years if it is not in default on debt to Midlantic. With respect to both loans, if the option to extend is exercised, the interest will be converted to a market rate and principal repayments will commence.

Castle has agreed to continue to make payments to Midlantic under the terms of the current loans until the effective date of the plan. Castle also has paid Midlantic a one million dollar fee for administrative expenses in the restructuring of the loan agreement, but if the plan is confirmed on or before July 26, 1992, Midlantic is obligated to return that fee to Castle.

The plan also provides that 28.3 million dollars in notes due to Mr. Trump, plus forecasted accrued interest of three million dollars, will be converted into a 15 million dollar priority partnership interest in the Castle and a 16.3 million dollar capital contribution to Castle.

Castle intends to enter into a
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management agreement with Trump's Castle management corporation, a wholly owned corporation of Mr. Trump. The agreement provides for an annual fee of up to 1.5 million dollars in Castle's earnings before depreciation, interest and taxes exceed certain levels. In addition, there will be an incentive fee, beginning in 1994, of 10 percent of EBDIT in excess of 45 million dollars.

The Commission has been presented with financial projections designed to demonstrate that this restructuring plan will succeed. In evaluating these projections we must remember that the projections submitted at the relicensure hearing this April showed that the prior restructuring plan would succeed. Moreover, other projections submitted before and since the April renewal hearing have also been remarkably inaccurate.

For example, for the years ending December 31, 1989 and 1990, Castle's actual EBDIT was 25.6 percent and 66.5 percent below the forecasts submitted in connection with the 1989 renewal proceedings for the appropriate years. For the seven months ending July 31, 1991, Castle's EBDIT was 41.6 percent below the forecast submitted at this year's renewal.

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At this April's renewal hearing, total 1991 EBDIT was projected to be 44.2 million dollars. By the June hearing, that number was revised to 30.8 million dollars. That figure has been further revised and reduced to 26 million dollars in the current projections. While we may take comfort from the fact that the 26 million dollars forecast for 1991 is essentially the same as the actual 1990 EBDIT, we cannot help but question Castle's willingness or ability to formulate a realistic business plan and to make reasonably reliable predictions of its operational performance.

In projecting its cash position, Castle has shown an even greater lack of prescience. As the Commission noted at the April renewal hearing, the forecasts then before us indicated that Castle would have 22 million dollars in available cash reserves as of June 15, from which it would make the 18.4 million dollar bond interest payment. Castle projected its cash reserves to be back to seven million dollars by the end of June. The evidence at the present hearing shows that, despite failing to make the 18.4 million dollar payment, available cash on June 30 was 6.1 million dollars. In short, the April projections missed the mark by 19.3 million
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dollars.

While the focus of this hearing is on financial stability, the Casino Control Act also requires licensees to demonstrate continuing financial integrity and responsibility, as well as sufficient business ability to demonstrate and establish the likelihood of the maintenance of a successful, efficient casino operation.

Obviously any successful, efficient business must be able to plan and to project important data. The Commission regularly examines business plans and financial projections, and certainly Castle has demonstrated a singular lack of ability in this area. The record does not necessarily establish that the Castle has knowingly made unrealistic forecasts, or that it lacks the ability to plan for its future. These are the kinds of findings which were made in the Atlantis case, and which, if made here, would directly lead us to question the Castle’s fitness for licensure regardless of its financial stability. The record does, however, call for continued and careful scrutiny of upcoming performance levels and their relationship to current forecasts.

Having said that, I am prepared to find the Castle financially stable at this point.
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Essentially, I think that the record sufficiently demonstrates that the present restructuring plan is likely to be consummated, and that it will enable the Castle to service its debt and discharge its other obligations through the expiration of the present license in May 1993. In reaching this conclusion I place substantial reliance on the obligations undertaken by the Steering Committee to accept and recommend the plan to the remaining bondholders.

However, I also believe that we must impose the most exacting regulatory oversight. The extent to which actual performance differs from present projections can then be considered, in light of the forecasting record I have described, in determining whether Castle manifests the necessary basic business ability and judgment for continued licensure.

Turning to the evidence now before us, documents submitted by counsel to the Steering Committee and the testimony of the financial advisor to the Steering Committee establish that its members are prepared to vote for the plan and to recommend it to the remaining bondholders. The financial advisor, Warren Foss, testified that there has been extensive and frequent contact with most of the other holders
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since the registration statement was filed. Based on his discussions with the bondholders, he is confident that the plan enjoys wide support. He opined that the Castle will be able to demonstrate that the required percentages of holders have approved the plan within 20 days after the registration statement becomes effective.

As to its financial effects, the plan will result in over 200 million dollars in cash savings through the five year period ending December 31, 1995, through the elimination of principal payments and reduction in cash interest payments. Mandatory cash debt service requirements will be reduced from 64 million dollars to 6.2 million dollars in 1991, from 65.8 million dollars to 13.8 million dollars in 1992, and from 62.1 million dollars to 25 million dollars in 1993. No cash interest payments will be due to the bondholders until August 1992, when 9.7 million dollars must be paid.

Castle intends to use the breathing space which the plan provides to reposition itself in the casino market. A substantial element of the marketing program, the reconfiguration of the casino to appeal to a targeted segment of the slot machine market, has been largely accomplished.
Mr. Wagner testified that the marketing program is beginning to bear fruit, and indeed Castle's EBDIT figures for July and the first half of August lend some credence to this assessment. Castle's projections, while substantially reduced from those submitted in April and June, remain optimistic. Castle expects net revenues to grow at approximately eight percent a year over the four year period ending December 31, 1995. It projects that EBDIT will more than double during that period, from 26 million dollars in 1991 to 56.5 million dollars in 1995. In essence, Castle expects to reverse the negative revenue trends for the past two years and to return to the performance levels achieved in 1988 and 1989. As I have said, we must monitor the licensee's progress with great care and we will certainly continue to do so.

For present purposes, we may take comfort from the fact that a mere continuation of 1991 operating results through the license period will enable Castle to discharge all of its obligations. The breakeven analysis in the report of our staff shows that Castle can service its debt even if its current forecasts of EBDIT are off by as much as 21 percent. While the long-term effects of the plan may
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be less clear, the record establishes that this
structure will render Castle financially stable
through the present license period.

I therefore move that the Commission
find that Trump's Castle Associates has satisfied the
financial stability requirement of Section 84 (a) of
the Casino Control Act. I further move that the
extensive monitoring conditions previously imposed
remain in effect. Under these conditions the
regulators will receive weekly reports of cash
balances; as well as monthly balance sheets,
statements of income and statements of cash flow.

Castle is also required to file monthly reports on any
deviations of five percent or more from projections as
to net revenues, operating costs and expenses; any
deviations of two and-a-half percent or more as to net
income; and any deviations as to sources and uses of
cash. Based on the information received under these
conditions, the Director of our Division of Financial
Evaluation shall provide the Commission with a monthly
report comparing actual performance to the projections
submitted at the August 14 hearing.

I would also impose the condition
suggested by the Division of Gaming Enforcement, which
would mandate a new hearing on the necessity of a
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credit line in the event that Castle's cash falls 10
percent or more below forecasted levels.

Of course, the previously imposed
condition prohibiting certain payments from the
licensee to related entities without Commission
approval also remains in effect. Under this
condition, no payments may be made pursuant to the
proposed management agreement without Commission
approval. In this regard, I note that the projections
do not indicate that the gaming chips held by Fred
Trump will be redeemed, and I would therefore also
impose on Fred Trump, as a qualifier of Castle, the
requirement that he not redeem or transfer his chips
without the approval of the Commission.

VICE CHAIR ARMSTRONG: Second.

CHAIRMAN PERSKIE: Comment or
discussion on the motion?

I will take a roll call vote on the
motion:

Commissioner Hurley?

COMMISSIONER HURLEY: Yes.

CHAIRMAN PERSKIE: Commissioner
Dodd?

COMMISSIONER DODD: Yes.

CHAIRMAN PERSKIE: Vice Chair
Public Participation

Armstrong?

VICE CHAIR ARMSTRONG: Yes.

CHAIRMAN PERSKIE: And I vote yes.

(All Commissioners present voted in favor of the motion)

CHAIRMAN PERSKIE: The record should also reflect that Commissioner Waters has reviewed all of the material in the matter and further has reviewed the proposed motion and has authorized me to indicate that were he here today, his vote would be in the affirmative. That will not be cast as an official vote at this point, but I did want the record to reflect the unanimous judgment of the Commission with respect to the matter albeit that the formal vote will just be the four of us.

Anything further in this matter before we pass to the last item on our agenda?

MR. FUSCO: We have nothing further, Mr. Chairman.

CHAIRMAN PERSKIE: Thank you very much.

(At which time the hearing was concluded at 12:45 p.m.)
CERTIFICATE

I, CAROLYN GERBER, a Certified Shorthand Reporter and a 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.

[Signature]

CAROLYN GERBER, CSR

In The Matter Of:

PETITION OF TRUMP'S CASTLE AND PLAZA ASSOCs.
FOR RENEWAL OF CASINO & ALCOHOLIC BEV. LICS.

CASINO CONTROL COMMISSION
APRIL 19, 1993

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Original File CCC4.19.V1, 60 Pages

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PETITION OF TRUMP'S CASTLE AND PLAZA ASSOCIOS.
FOR RENEWAL OF CASINO & ALCOHOLIC BEV. LICENS.

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

PETITION OF TRUMP'S CASTLE ASSOCIATES AND TRUMP PLAZA ASSOCIATES FOR RENEWAL OF THEIR CASINO LICENSES AND CASINO HOTEL ALCOHOLIC BEVERAGE LICENSES

(PIN 011007, 010863)

Monday, April 19, 1993
Atlantic City Commission Office
Tennessee & Boardwalk
Atlantic City, NJ 08401
10:25 a.m. - 11:35 a.m.

BEFORE:
STEVEN P. PERSKIE, CHAIRMAN
CHARLES J. IRWIN, VICE CHAIR
FRANK J. DODD, COMMISSIONER
JAMES R. HURLEY, COMMISSIONER
JEANNINE F. LARUE, COMMISSIONER

PRESENT FOR THE CASINO CONTROL COMMISSION:
DARYL W. NANCE, DIVISION OF ADMINISTRATION ON BEHALF OF THE COMMISSION STAFF:
CATHERINE A. WALKER, ASSISTANT GENERAL COUNSEL
ROBERT LATIMER, SENIOR AGENT FOR THE PETITIONER, TRUMP'S CASTLE ASSOCIATES AND TRUMP PLAZA ASSOCIATES:
HANNOCH, WEISMAN, ESQ.
BY: JOSEPH A. FUSCO, ESQ.,
- AND -
PAUL M. O'GARA, ESQ.,
- AND -
JOEL H. STERN, ESQ.
TRUMP CASTLE ASSOCIATES
BY: ROBERT M. PICKUS, ESQ.
SENTER VICE PRESIDENT - GENERAL COUNSEL
TRUMP PLAZA ASSOCIATES
PATRICIA M. WILD, ESQ.
VICE PRESIDENT - GENERAL COUNSEL

EXHIBITS
NUMBER DESCRIPTION ID EV
C-1(a) Entities and Qualifier report dated 4-5-93 on Donald Trump Castle Associates and Trump's Castle Management, Corp. by Assistant General Counsel, Catherine A. Walker

C-1(b) License Report dated 4-1-93 on Trump Castle Associates by Christopher D. Storcella, Director, Division of Licensing

C-2(a) Entities and Qualifier Report dated 4-5-93 on Trump Plaza Associates by Assistant General Counsel, Catherine A. Walker

C-2(b) License Report dated 4-1-93 on Trump Plaza Associates by Christopher D. Storcella, Director, Division of Licensing

C-3 AVEEO Compliance Report dated 3-29-93 on Trump's Castle Associates by Gustave R. Thomas, Chief, AVEEO Unit, Division of Compliance

C-4 AVEEO Compliance Report dated 3-29-93 on Trump Plaza Associates by Gustave R. Thomas, Chief, AVEEO Unit, Division of Compliance

C-5 Report dated 4-12-93 on Trump's Castle Associates and Trump Castle Management Corp. application for renewal of their casino licenses by John Tzaka, Director, Division of Financial Evaluation

C-6 Report dated 4-15-93 on Trump Plaza Associates application for renewal of its casino license by John Tzaka, Director, Division of Financial Evaluation

EXHIBIT (Cont'd)
NUMBER DESCRIPTION ID EV
D-1 Report on the Application of Trump's Castle Associates and Trump's Castle Management Corp. for renewal of their casino license and other related relief dated 4-6-93 by Deputy Attorney General Thomas N. Aurilia

D-2 Report on the Application of Trump Plaza Associates for renewal of its casino license and other related relief dated 4-1-93 by Deputy Attorney General Thomas N. Aurilia

AC-1 Certification of John R. Verani on behalf of Putnam High Yield Fund dated 4-14-93

AC-2 Supplemental certification of John R. Verani on behalf of Putnam High Yield Fund

AP-1 Certification of Lee Augsburger on behalf of Shearson-Lehman dated 4-14-93, two pages

AP-2 Supplemental certification of Lee Augsburger on behalf of Shearson-Lehman dated 4-14-93

AP-3 Supplemental certification of Lee Augsburger on behalf of Shearson-Lehman dated 4-12-93

AP-4 Certification of Kenneth Egan on behalf of Shearson-Lehman Advisors, Inc. dated 4-15-93

AP-5 Certification from Mitchell Huliches Company on behalf of Prudential Fixed Income Management of Putnam High Yield Fund dated 4-8-93

AP-6 Certification of Ronald Amberl on behalf of Prudential High Yield Fund dated 4-8-93

AP-7 Certification of Prudential High Yield Fund dated 3-11-93

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[1] MR. NANCE: I would like to read an (2) opening statement.

[3] "This is to advise the general public (4) that in Compliance with Chapter 231 of the Public Laws (5) of 1975 entitled the 'Open Public Meetings Act', the (6) New Jersey Casino Control Commission at 2:08 p.m. on [7] April 5, 1992, filed with the Secretary of State at [8] the State House, Trenton, New Jersey, a notice of this [9] hearing. At 3:00 p.m. on April 8, 1992, copies of the [10] notice were mailed to the Press of Atlantic City, the [11] Newark Star Ledger and the Office of the Clerk of [12] Atlantic City.

[13] Members of the press will be [14] permitted to take photographs at today's hearing. We [15] would ask, however, that this be done in a manner [16] which is not disruptive of the hearing or distracting [17] to the Commission and which does not interfere with [18] the public's right to observe the hearing."

[19] (All Commissioners in attendance.)

[20] CHAIRMAN PERSKIE: All right. [21] Good morning, everybody. We will [22] call the meeting to order.

[23] I will observe, for the record, the [24] presence this morning of all of the Commission, who [25] are here with a narrow agenda this morning, that


[15] MR. FUSCO: We take our cue, [16] Mr. Chairman, as to whether or not Plaza or Castle [17] would proceed first.

[18] CHAIRMAN PERSKIE: Which one is [19] alphabetical?

[20] Castle. [21] We will show you the substance and [22] the meat of that decision.

[23] MR. FUSCO: Mr. Chairman, I think I [24] could place on the record the presence of counsel: [25] Mr. Pickus, senior vice president of Trump's Castle


CASSINO CONTROL COMMISSION
APRIL 19, 1993

PETITION OF TRUMP'S CASTLE AND PLAZA ASSOC.
FOR RENEWAL OF CASINO & ALCOHOLIC BEV. LICS.

[20] CHAIRMAN PERSKIE: We didn't see [21] that, Mr. Ribis, that was the back of the head. We [22] only get to see the front.
[23] MR. RIBIS: I heard he was a blue [24] blood, but I got concerned.
[25] MR. FUSCO: That, of course, for the

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record, Mr. Chairman, was Mr. Ribis.

[14] CHAIRMAN PERSKIE: I think you mean, [15] in amount or in number. We are going to get in a lot [16] of trouble here. My suggestion is we take another [17] tact.
[23] Mr. Auriemma, do you offer the [24] report?

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[1] CHAIRMAN PERSKIE: Mr. Ribis.
[9] Mr. Fusco, I don't know how to [10] apologize. I can't even think of words.

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[1] CHAIRMAN PERSKIE: Mr. Fusco?
[7] (Whereupon, Exhibit No. C-1(a), as [8] described in the preceding colloquy, was received and [9] marked into evidence.)

[8] CHAIRMAN PERSKIE: C-1(b) is a report [9] from Mr. Storcela of our Licensing Division regarding the CHAB license. It is in the usual form, which [10] means unnumbered pages.
[11] Has everybody seen that?
[12] (No audible response.)
[18] CHAIRMAN PERSKIE: It will be [19] received as C-1(b) in evidence.

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[7] MR. AURIEMA: We have seen it. We [8] have no objection.
[9] CHAIRMAN PERSKIE: Mr. Fusco.

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[5] CHAIRMAN PERSKIE: I think they need [6] to be part of our record here, do they not?
[8] CHAIRMAN PERSKIE: So that they [9] should be — what are you, A?

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[15] Is that satisfactory everybody?
[16] MR. FUSCO: Yes.
[21] CHAIRMAN PERSKIE: All right. [22] Those two documents will be received [23] and marked.
[24] Who has got the originals?
MR. WALKER: I do.

[25] CHAIRMAN PERSKIE: C-4 is the report

[17] of March 29, 1993 by Mr. Thomas,
supplemented by a [2] corrective memo-

[10] randum of April 1, as to pages 6, 37, [3] and


[5] Mr. Auriemma, have you seen that?

[2] MR. FUSCO: No objection to that, [9]


[10] CHAIRMAN PERSKIE: My understand-

[13] ing is that there is some reserva-


[13] Is this the one?


[16] MS. WILD: Mr. Chairman, we initially

[17] interposed an objection to one of the

[18] conditions [18] recommended by your

[20] staff. However, we want to [19] with-

[21] draw that objection and the subject matter of

[22] that [20] objection. We will comment with

[23] respect to that with [21] respect to the

[24] new EEO regs. We think that is the

[25] [22] more proper time at this point.

[23] CHAIRMAN PERSKIE: Okay.


[25] CHAIRMAN PERSKIE: C-4 is the re-

[17] port

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supplemented by a [2] corrective memo-

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[22] that [20] objection. We will comment with

[23] respect to that with [21] respect to the

[24] new EEO regs. We think that is the

[25] [22] more proper time at this point.

[23] CHAIRMAN PERSKIE: Okay.


[1] described in the preceding colloquy,

[5] was received and [2] marked into evi-


[6] Walker's report of April 5 with find-

[1] ings and [5] conclusions and it consists of 17


[8] CHAIRMAN PERSKIE: Mr. Fusco.


[10] Chairman.


[12] received and marked as C-2(a) in evi-


[12] (Whereupon, Exhibit No. C-2(a), as

[14] described in the preceding colloquy,

[15] was received and [14] marked into evi-

[16] dence.)

[15] CHAIRMAN PERSKIE: C-2(b) is

[17] April 16 3st, Mr. Storcella's CHAB report.

[17] Any objection on that?

[18] MR. AURIEMMA: No objection.


[20] CHAIRMAN PERSKIE: That will be

[21] received and marked as C-2(b) in evi-

[22] dence.

[22] (Whereupon, Exhibit No. C-2(b), as

[23] described in the preceding colloquy,

[24] was received and [24] marked into evi-

[24] 1es.)

MR. WALKER: Yes, just on the Plaza. (12)

We have dated April 8th a [9] certification from Mitchell Hutchins Company on behalf [10] of PaineWebber Managed Investment Trusts. (13)

CHAIRMAN PERSKIE: AP-5. (14)


CHAIRMAN PERSKIE: AP-6. (18)

MR. WALKER: We have another Putnam [19] certification, two certifications from Putnam, one of [20] March 11th — (21)

CHAIRMAN PERSKIE: AP-7. (22)

MR. WALKER: — supplemented by a [23] letter from Mr. Fusco of March 5th. (24)

CHAIRMAN PERSKIE: Just a letter from [25] Mr. Fusco? (26)

MR. WALKER: Yes, March 5th, captioned Trump Plaza Security — (27)

CHAIRMAN PERSKIE: I don’t think [28] letters from Mr. Fusco ought to be in the record here [29] as part of the documentary material. (30)

So we have then just the last two, [31] five and six? (32)

MR. WALKER: Yes. (33)

CHAIRMAN PERSKIE: And those are [34] sufficient in the staff’s view to permit the excise of [35] the delegated authority? (36)

MR. WALKER: Yes, it is. (37)

CHAIRMAN PERSKIE: All right. (38)

Any objection to those two [39] documents? (40)

MR. AURIEMMA: No objection. (41)

CHAIRMAN PERSKIE: Those two [42] documents, AP-5 and AP-6 will be received and marked [17] into the record. (43)

(Whereupon, Exhibit Nos. AP-5 and AP-6, as described in the preceding colloquy, were received and marked into evidence.) (44)

CHAIRMAN PERSKIE: Does that complete [22] the documentary record? (45)

MR. FUSCO: And AP-7. (46)

MR. NANCE: AP-7. (47)

CHAIRMAN PERSKIE: I am sorry, AP-7. (48)

Accordingly, I would now move that we [49] grant the sealing requests with respect to Exhibits [50] C-5 and C-6 that have been resolved by the parties in [51] consultation with our staff, and that the redacted [52] versions of these documents be released this morning. (53)

VICE CHAIR IRWIN: Second. (54)

CHAIRMAN PERSKIE: Comment or discussion on that motion? (55)

(No response.) (56)

CHAIRMAN PERSKIE: All in favor will [57] so indicate. (58)

(All Commissioners present voted in [59] favor of the motion.) (60)

CHAIRMAN PERSKIE: The record will [61] reflect that the motion carries unanimously. (62)

I would make the same motion with [63] respect to the sealing request on the Division’s [64] reports, as well, D-1 and D-2. (65)

VICE CHAIR IRWIN: Second. (66)

CHAIRMAN PERSKIE: Comment or [67] discussion? (68)

(No response.) (69)

CHAIRMAN PERSKIE: All in favor? (70)
PETITION OF TRUMP'S CASTLE AND PLAZA ASSOC.
FOR RENEWAL OF CASINO & ALCOHOLIC BEV. LIC.

CASINO CONTROL COMMISSION
APRIL 19, 1993


[8] CHAIRMAN PERSKIE: Therefore, of [9] course, Mr. Fusco, if that is the case, by that date, [10] he will have to be removed from a qualifier status.


[4] Does Castle desire to be heard [5] further beyond the submission that we already have of [6] the documents?


[9] CHAIRMAN PERSKIE: Does the Division [10] desire to be heard?


[18] (No response.)


[1] we find that there is good cause to waive the [2] qualification of this institutional investor pursuant to [3] to Section 85(0) of the statute.


[8] (No response.)


[15] Having disposed of the issues raised [16] by Putnam's holdings, I move, therefore, that we grant [17] the waiver of qualification pursuant to Section 85(0) [18] of the Act for all other security holders of TC/GP, Inc. and determine that none of the bondholders of Trump's Castle funding be designated as a financial [21] source pursuant to Section 84(b) of the statute or as [22] a qualifier.


[24] CHAIRMAN PERSKIE: Comment or [25] discussion on that motion?

[1] (No response.)

[2] CHAIRMAN PERSKIE: All in favor?


[15] The following entities hold in excess [16] of 5 percent of the outstanding Plaza funding units:


(No response.)

[28] CHAIRMAN PERSKIE: On that basis, I [29] would move that we designate Putnam High Yield Fund-014, Prudential High Yield Fund, PaineWebber's Managed Investments Trust and Shearson Lehman High Income Fund and Diversified Strategic Income Fund as institutional investors, as defined in N.J.S.A. 5:12-27.1, and based upon the information provided by Trump Plaza and the certifications submitted by each institutional investor with the Division having no objection and consenting to the Commission's granting of a waiver that we find that there is good cause to waive the qualifications of Putnam, Prudential, PaineWebber, Shearson and Diversified as institutional

investor pursuant to N.J.S.A. 5:12-85(0).

A finding of good cause is necessary because Shearson holds 10 percent of the outstanding equity securities of Trump Plaza Funding, Inc., a holding company of Plaza. All four proposed institutional investors have submitted certifications as required by Section 85(0), as have been identified for the record here this morning.

(Does Plaza desire to be further heard at this point?)

[19] MR. FUSCO: No, Mr. Chairman.

[19] CHAIRMAN PERSKIE: Does the Division?

[22] MR. AURIEMMA: No. I have no objection, other than to just point out that with regard to the Shearson holdings, that 24 percent would be, I believe, the largest amount of an institutional investor where the Commission would have found good

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[8] CHAIRMAN PERSKE: Comment or discussion on the motion?

[10] (No response.)


[13] (All Commissioners present voted in favor of the motion.)


[17] I would, therefore, move that we [18] waive the qualification of all security holders of [19] Trump Plaza Funding, Inc. and find that no bondholder [20] of the company is a qualified or a financial source.


[22] CHAIRMAN PERSKE: Comment?

[23] (No response.)


[1] (All Commissioners present voted in favor of the motion.)


[10] We will, therefore, permit you to be [11] heard first with respect to Castle, and then, of [12] course, the Division, as well.

[13] MR. FUSCO: At this point, [14] Mr. Chairman, there are several other rulings with [15] regard to — we will deal with those later, Mr. [16] Chairman, the one is the Castle Management agreement [17] payments, and at the Plaza, the services agreement [18] payments.

[19] CHAIRMAN PERSKE: Yes. We will, of [20] course, deal with them. I felt that they should be [21] dealt with as a part of and perhaps dependent upon the [22] outcome of the basic motion. It seems to me you need [23] a license before you can make the payments.


[1] At this point and with regard to both [2] applications, we have spent considerable time together [3] with the staff to develop the information, which is [4] the basis for both Mr. Auriemma’s report and the [5] reports from the Commission including the reports [6] submitted by Mr. Trzaka.

[7] On the basis of all the information, [8] we feel that the Applicants have established their [9] qualifications clearly and convincingly to the [10] Commission and would ask that the on the terms indicated [11] on the basis of that [12] information that has been provided.

[13] MR. AURIEMMA: The Division has [14] no objection to the Commission’s renewal of these two [15] licenses with regard to the Castle and the Management [16] Company, as well. We have recommended a condition [17] with regard to a credit line. As you know, Castle [18] does not have a credit line. We are not necessarily [19] recommending one at this time and neither did the [20] Commission staff in its report, as well. However, we [21] recognize that there may come a time where a credit [22] line could be advantageous to the facility. We have [23] both arrived at the same conclusion, I think, by [24] different means. We would urge that our commission be [25] imposed, but either our —

[1] Again, we are focusing for the moment [2] just on the Castle.

[3] (No response.)


[15] In 1992, Castle increased net revenue [16] by more than 20 percent and improved its gross [17] operating profit by 15 percent. While this [18] improvement was and is significant, Castle must [19] continue to increase and then sustain further improvements in net revenue and gross operating profit in order to maintain sufficient cash to service its debt and fund daily operations.

[23] From the financial analysis performed by the Division and our own staff, there is some flexibility available to Castle if it falls short of achieving projected gross operating profits and we can believe that such reliance on the positive results that Castle achieved in 1992 when [6]...

[8] However, the Commission and the [9] Division must continue to monitor and review Castle’s [10] financial situation on a regular basis, and therefore, [11] it is my view that the conditions recommended by our [12] staff and the Division in the several reports should [13] be imposed as the conditions of licensure at this [14] time.


[4] Mrs. Fusco, do you desire to be heard [5] at this point?
[8] CHAIRMAN PERSKIE: Mr. Auriemma.
[10] CHAIRMAN PERSKIE: Does anybody on [11] the Commission have any question or comment?
[12] (No response.)
[21] In the event shortfalls in results [22] negatively impact on Castle’s abilities to comply with [23] the Commission’s financial stability standards, Castle [24] will be required to obtain prior Commission approval [25] of all service agreements payments.


[7] CHAIRMAN PERSKIE: Comment or [8] discussion on that motion?
[9] (No response.)
[14] CHAIRMAN PERSKIE: Commissioner LaRue.
[16] CHAIRMAN PERSKIE: Commissioner Dodd.
[18] CHAIRMAN PERSKIE: Vice Chair Irwin.
[21] (All Commissioners present voted in [22] favor of the motion.)
[25] We then turn to the subsidiary issue

[1] regarding the payments, the application for payments by Castle to Trump’s Castle Management Corporation under the services agreement.

[8] MR. FUSCO: Correct, Mr. Chairman.
[24] CHAIRMAN PERSKIE: So if we have a [25] problem, the initiative

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[21] In my view, the record before us with [22] those conditions demonstrates that Trump Plaza [23] Associates’ casino license should be renewed.

[24] Therefore, I move that we renew the [25] casino license and the casino hotel alcoholic beverage

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[7] CHAIRMAN PERSKIE: Comment or [8] discussion on that motion?


[18] CHAIRMAN PERSKIE: I have no problem [19] with that, but if we are going to do it, let’s do it [20] in the form of a testimony or presentation.

[21] Mr. Fusco, how do you want to [22] proceed?

[23] COMMISSIONER DODD: I don’t know if [24] this is the appropriate time, Chairman, but it is [25] something...

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[1] Timing of it. It would have encroached on our summer [2] season and we didn’t want to have disruption this [3] year.


[8] We wanted this year to evaluate what [9] we are going to do. I can assure and I can commit [10] under oath to this Commission, we are going to be [11] building 100 new hotel rooms.


[14] THE WITNESS: Well, Mr. DeSanctis was [15] responding to a press question. I think at that time [16] he had been under instructions from both Mr. Trump and [17] myself that with respect to that expansion, we wanted [18] to keep all our options open. How it was reported in [19] the press maybe was not a full airing of what [20] Mr. DeSanctis may have told that reporter. I know [21] that there was some level of concern at the Commission [22] level as to those comments. I could state [23] unequivocally, we intend to build those rooms.

[24] However, in looking —

[25] Q: I am not asking you to divulge any ongoing

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[1] negotiations with the CRDA.


[4] I think, looking at the corridor and [5] looking at the expansion possibilities at the Plaza, [6] we also — Mr. Trump also owns the penthouse site. [7] There was a pending litigation on that site, which [8] was only resolved less than a month ago. So really we [9] couldn’t make any final decisions with respect to our [10] expansion, so that the year has brought a completion [11] of that litigation in a favorable manner to Mr. Trump [12] and the property, so that we are looking at the [13] penthouse site as a possible alternative. That [14] doesn’t mean we are going to walk away from building [15] hotel rooms.

[16] Q: All right.

[17] A: However, the penthouse site is certainly a [18] preferable site if we are able to get all conditions [19] preceding cleared up with respect to that, because it [20] is 577 rooms, it has — as you know, it is the blight [21] of the city. We would like to get it cleaned up and [22] we are working on that quickly. We hope to start that [23] May 15th. And again, we intend to build these hotel [24] rooms.

[25] We would rather, if we had our choice, do it [25] on the penthouse site; that’s our preferable site.
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[1] But between now and the end of the year, we will make [2] a final decision as to where we are going to go.

[2] We know that we are going to start [4] construction of our casino expansion at the end of [5] this year. Prior to that time, obviously, we are [6] going to clearly say to the Commission, we intend to [7] go ahead on the penthouse site or we intend to go [8] ahead with the approval that we have already received [9] for "The West Lot."

[10] As to the city, itself, I think that [11] is a different story. I think you are correct that [12] there are not sufficient hotel rooms.

[13] Q: No, and I tried to preface that, that that [14] is not your responsibility, and in particular, your [15] company, they did not — you were not the ones beating [16] the drums, and especially the location, but be that as [17] it may, that's — could you just address briefly your [18] experience, or somebody in your entourage who has a [19] better feeling of the experience at the Trump Regency [20] with guests wanting to stay preferably in a casino [21] hotel, as opposed to a non-casino hotel, although that [22] had the name on it and everything and how that [23] experience could or would relate to non-casino hotel [24] rooms in the corridor?

[25] A: Well, first of all, I don’t have an entourage, Mr. Trump does. I have to carry my own [2] briefcase.

[26] Q: Well, when I see everybody bowing to you.

[27] A: That's only because, you know, the raises [5] come once a year, I guess.


[30] CHAIRMAN PERSKIE: So with respect to that, our experience [16] was not good. Trump Regency was operationally, [11] although a part of Trump Plaza for almost two years, [12] our customers, when they called Trump Plaza, and if we [13] put them at Trump Regency, they were not happy. They [14] wanted to stay at Trump Plaza.

[31] Our experience was that non-casino [16] hotel rooms, even though that facility was totally [17] redone —


[33] THE WITNESS: Yes.

[34] CHAIRMAN PERSKIE: So with respect to that, our experience [16] was not good. Trump Regency was operationally, [11] although a part of Trump Plaza for almost two years, [12] our customers, when they called Trump Plaza, and if we [13] put them at Trump Regency, they were not happy. They [14] wanted to stay at Trump Plaza.

[35] Our experience was that non-casino [16] hotel rooms, even though that facility was totally [17] redone —

[36] Q: First class.

[37] A: — first class, and the rooms are ocean [20] front and really, as a hotel, it is an excellent [21] hotel, we had, and I think they are still experiencing [22] the same difficulty in operating it, it is not a place [23] where people come to, unless they are forced to [24] because there are no other rooms in town.

[38] CHAIRMAN PERSKIE: Okay. [23] Does anybody else on the Commission [24] have any questions for Mr. Bibis?

[39] A: No, and that's why I did try and [40] preface [16] my remarks that it is not directly your [17] responsibility, but for me, at least as one commission [18] member, to let you know how vitally important it is, [19] and understanding the market, and that's why I asked [20] you about your Regency experience.

[41] A: We appreciate that.

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[1] your involvement in that, and I will take this [2] opportunity, you do have representation on the CRDA, [3] and I would urge you strongly to share those [4] experiences with the members and staff of the CRDA [5] before we build rooms that will not be used and will [6] be guaranteed almost a failure.


[8] Q: And I am asking you, not as a licen- see at [9] this point, but as an experienced hotelier of what [10] is that Atlantic City needs within three years.

[11] A: Well, it is clear that the vision of [12] Atlantic City as to the convention center without the [13] corridor is not good. The corridor, in conjunc- [14] tion with the convention center, with 3,000 to [15] 4,000 new hotel rooms to be opening on or about the time that [16] the convention center opens —


[18] A: — is excellent for the city. I could [19] say [20] that I have had many discussions with respect to —

[20] Q: Let me put it another way. If we don't [21] have 3,000 to 4,000 new rooms for the first [22] convention, we will, A, either bring people home [23] to our respective houses to stay with us as guests, or [24] you will see people walking down the boardwalk with [25] their suitcases. We can't say,Oops, we forgot the rooms. Now, that's not your responsibility, but it is [2] a collective responsibility of all the other governmental agencies that handle investment within [4] this city and it is critical.

[5] A: I think this. I think that it is [6] twofold. I think that the corridor has to be built [7] and I think that hotel rooms have to be built. I can [8] tell you that the Association — I have been the head [9] of the Association for three months. We have focused [10] on this. We are working with our legislators and the [11] CRDA in an attempt to find a way to do this, because [12] this industry financially can't be given the burden of [13] building a corridor and convention hotel rooms under [14] the current circumstances of their net profitability.

[15] Q: No, and that's why I did try and [40] preface [16] my remarks that it is not directly your [17] responsibility, but for me, at least as one commission [18] member, to let you know how vitally important it is, [19] and understanding the market, and that's why I asked [20] you about your Regency experience.

[21] A: We appreciate that.

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[1] CHAIRMAN PERSKIE: Mr. Auriemma.


[7] CHAIRMAN PERSKIE: Mr. Sterns.

[8] (No response.)


[10] (No response.)


[12] (No response.)


[14] (Witness excused.)

[15] CHAIRMAN PERSKIE: Does anybody on [16] the Commission have any other comments or questions?

[17] (No response.)

[18] CHAIRMAN PERSKIE: Before us, again, [19] so that the record is clear, is the pending motion, [20] which has been seconded, so that, because it is, the [21] motion that it is, I will renew it, I move that [22] we — restate it rather — renew the casino license [23] and casino hotel alcoholic beverage license of Trump [24] Plaza Associates for a term of two years with an [25] expiration date fixed at June 30, 1995 based upon the findings and rulings made today and subject to the (a) conditions contained in our staff reports and in the (b) Division's report; that's the motion.

[24] (No response.)


[26] Commissioner Hurley.

[27] COMMISSIONER HURLEY: Aye.


[32] CHAIRMAN PERSKIE: Vice Chair Irwin.

[33] VICE CHAIR IRWIN: Yes.

[34] CHAIRMAN PERSKIE: And I vote yes.

[35] (All Commissioners present voted in favor of the motion.)
MR. FUSCO: Yes, Mr. Chairman, that's correct.

CHAIRMAN PERSKIE: All right, is there anything further that we should address this morning?

MR. FUSCO: No.

MR. AURIEMMA: No.

COMMISSIONER IRWIN: Move we adjourn.

CHAIRMAN PERSKIE: Move we adjourn. Thank you very much. Have a nice day.

(Hearing concluded at 11:15 a.m.)

CERTIFICATE
I, ELLEN MARIE NEARY, a Certified Shorthand Reporter, License No. X101557, and a 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 hereinafter set forth.

ELLEN MARIE NEARY, CSR