STATE OF NEW JERSEY
CASINO CONTROL COMMISSION
WEDNESDAY, APRIL 22, 1987 - 10:30 a.m.
3131 PRINCETON PIKE - BUILDING NO. 5
LAWRENCEVILLE, NEW JERSEY

In Regard to the Matter of:  x

APPLICATIONS OF TRUMP PLAZA ASSOCIATES FOR RENEWAL OF ITS PLENA RY CASINO LICENSE AND SEASHORE FOUR ASSOCIATES FOR RENEWAL OF ITS CASINO SERVICE INDUSTRY LICENSE

BEFORE:

WALTER N. READ - Chairman
CARL ZEITZ - Vice-Chair
W. DAVID WATERS - Commissioner
E. KENNETH BURDGE - Commissioner
VALERIE H. ARMSTRONG - Commissioner

ALSO PRESENT:

KAREN BIACHE - Sr. Procedures Analyst
BARBARA GALLO - Procedures Analyst
JOHN KOVAC - Pr. Procedures Analyst
THOMAS FLYNN - Public Information Officer

ON BEHALF OF THE COMMISSION STAFF:

JOHN ZIMMERMAN - Legal
JOYOTI FLEMING - Legal
APPEARANCES:

ON BEHALF OF THE DIVISION OF GAMING ENFORCEMENT:

MICHAEL VUKCEVICH - Deputy Attorney General
JOHN ADAMS - Deputy Attorney General

ON BEHALF OF THE APPLICANTS:

NICHOLAS L. RIBIS, ESQ. - RIBIS, McCLUSKEY & GRAHAM
- Short Hills Plaza
- 636 Morris Turnpike
- Short Hills, NJ 07078

-and-

NICHOLAS F. MOLES, ESQ. - TRUMP PLAZA ASSOCIATES
- Atlantic City, New Jersey

HARVEY I. FREEMAN - THE TRUMP ORGANIZATION
- Exec. Vice-President
- 725 Fifth Ave.
- New York, NY 10022

MOTIONS:

by Chairman Read: 244
(All Five Commissioners present)

MS. BIACHE: next item is No. 26:
"Application of Trump Plaza
Associates for renewal of its casino license
and its casino hotel alcoholic beverage
license and application of Seashore Four
Associates for renewal of its casino service
industry license."

Mr. Zimmerman.

MR. ZIMMERMAN: Mr. Chairman, we've
received a letter from the Division which I
think resolves the outstanding issues
concerning the two banks and Harrah's
Atlantic City as financial sources. If
that's agreed, I believe all that's left is
the Commission's decision.

CHAIRMAN READ: No questions, Mr.
Ribis, about that letter?

MR. RIBIS: I have no comments.

CHAIRMAN READ: Then it will be
received. I don't know whether that's
received a marking or not before, but I
certainly know I've seen it and reviewed it
and I'm sure all of the other Commissioners
have as well.
If that's the case, I think having completed the matter the other day entirely, as far as the presentation by the licensee and the Division, the matter was concluded at that time, I think we have all of the materials available to us. I indicated that I would take the occasion to review some of the materials that I just received from that day briefly before the hearing because I had not had a chance to review them all at that stage.

Having done all that, and I'm sure my fellow Commissioners have gone forward on the same sort of a basis, I would now move to renew the casino license and the casino-hotel alcoholic beverage license of Trump Plaza Associates, subject to:

1. All of the conditions and recommendations set forth in the staff reports.

2. The obligation of counsel to cooperate with the Division and the Commission staffs to arrive at appropriate procedures under which Donald Trump and any of the entities which he controls will
investigate persons and entities with whom they enter into continuing business relations; that is, conduct an appropriate due diligence search; and

3. Consideration of the continuing qualification of financial source Harrah's Atlantic City at a hearing scheduled to begin on May 4th of this year.

In addition, I would move to renew the casino service industry license of Seashore Four Associates.

Is there a second for that motion?

COMMISSIONER WATERS: Second.

CHAIRMAN READ: Discussion?

COMMISSIONER ARMSTRONG: Mr. Chairman, I cannot support the motion to renew Trump Plaza Associates' casino license.

My reasons relate to testimonial discrepancies which arose during the Trump Castle Associates' casino license hearing last June and which, in my view, continue to be unresolved.

At the hearing last June, we were presented with testimony concerning the
Trump organization's purchase of the Castle facility from Hilton Hotels and, specifically, the Trump organization's acceptance of Hilton's obligations with respect to road improvements in the Marina district.

We considered the road improvement matter in the context of Castle's obligation under Section 84(e) of the Act and under certain conditions of its license to satisfy us that it is in compliance with all provisions of the CAPRA permit issued with respect to its facility.

We were also concerned with the Castle's prior representation to this Commission that it would assume Hilton's obligations under a contract with Golden Nugget, Harrah's, and the State of New Jersey, to construct the road improvements and, also, that it would assume Hilton's obligation under a joint venture agreement with Golden Nugget and Harrah's.

At last June's hearing, key personnel of the Trump organization, namely, Donald Trump, Robert Trump, and Harvey
Freeman, generally espoused the position that, prior to the purchase of the hotel, Hilton deprived them of information necessary to judge the reasonableness of or the probable cost of the road improvements.

On the other hand, the New Jersey Public Advocate, who was permitted to intervene in the hearing, argued that the Trump organization knew full well the nature and potential cost of the road improvements when it purchased the hotel, and subsequently refused to live up to the obligations it had expressly and voluntarily assumed.

The Commission was able to resolve the road improvement issue last June by ordering the licensee to seek permission from CAFRA and the Department of Transportation to make any modifications it deemed appropriate to the proposed road improvements. However, during the course of the hearing, direct and sharp conflicts arose between the testimony of Trump officials, on the one hand, and three Hilton attorneys, on the other.
More specifically, the conflicts involved whether the road improvement plans prepared by Wilbur Smith and Associates had been delivered to Hilton attorneys by Trump attorneys; and whether Hilton attorney Kevin Coakley and Donald Trump had a conversation in which Mr. Trump criticized the road improvement plans; and whether, as a result of the drafting process of the agreement of sale of the hotel, the Trump organization was aware of certain cost projections for the road improvements.

Kevin Coakley, an attorney for Hilton, testified that on April 27th, 1985, the date of the signing of the purchase and sale agreement, he had a conversation with Donald Trump in the conference room of the Trump law firm of Dreyer and Traub regarding the road improvement plans.

In his testimony Mr. Trump denied that such a conversation had occurred. Mr. Trump's testimony was corroborated by the testimony of Jonathan Bernstein and Gerald Schrager, both of the law firm of Dreyer and Traub.
Two other attorneys for Hilton, Elizabeth Corey and Patrick McAuley, supported Mr. Coakley's recollection of the conversation.

Mr. Coakley testified that Mr. Trump had possession of and expressly referred to the road improvement plans during the course of the conversation. Ms. Corey and Mr. McAuley testified that the plans were open upon the conference room table, and that during Mr. Trump's conversation with Mr. Coakley, frequent references were made to the plans.

Ms. Corey also testified that she had delivered the plans to the law firm of Dreyer and Traub.

When questioned about the plans, Mr. Trump denied having ever seen them. Again, Jonathan Bernstein and Gerald Schrager corroborated Mr. Trump's testimony.

Another area of disputed testimony involved the procedures used in drafting the purchase and sale agreement. Specifically, the dispute related to whether the Trump attorneys knew of the potential costs of the
road improvement project and whether such knowledge was conveyed to Mr. Trump. A draft of the purchase and sale agreement containing a cost estimate of $11,700,000 was introduced into evidence last year as Exhibit PA-29.

Mr. Trump denied having seen the purchase and sale agreement. Again, his testimony was corroborated by Mr. Bernstein and Mr. Schrager.

Mr. Coakley recognized PA-29 as a draft of the agreement which was made available to the Trump organization by the Hilton attorneys prior to the signing of the contract.

We, also, had in evidence a document which Elizabeth Corey recognized as a cover letter transmitting PA-29 from Dreyer and Traub to one of the law firms representing Hilton.

I realize that the negotiations between Trump and Hilton were hectic and that the road improvements were not the major focus of those negotiations. However, the matter was negotiated and it clearly
represented a potentially major obligation which the Trump organization was undertaking in addition to the purchase of the hotel. The Hilton attorneys had a clear recollection of discussions with Donald Trump concerning his objections to the proposed improvements.

Had the Trump group told us last June they were concerned during the negotiations with the aesthetics, cost and design of the proposed improvements, I would have found those concerns understandable, and would have also understood their desire to seek approval from the appropriate governmental authorities to make changes. However, at last year's hearing they chose instead to deny they understood the nature and the cost of the improvements and to claim that Hilton successfully prevented them from obtaining such an understanding.

At the conclusion of the hearing, I said that I was unable to vote to renew the Castle license until the discrepancies in the testimony were resolved. I also recommended that the Division undertake a
complete investigation of the matter; and, in fact, the Division undertook such an investigation and filed a supplemental report with the Commission.

The issues raised at last June's Trump Castle hearing and further discussed in the Division's supplemental report relate, of course, to the Marina district road improvements.

However, the discrepancies in the testimony and the doubt they cast on the honesty and forthrightness of key Trump officials relate, ultimately to the qualifications of those officials. Of course, the qualifications of those officials must be established with respect to both the Castle license and the Plaza license. The Commission, therefore, determined to accept the Division's supplemental report into evidence and consider the issues raised therein at the present hearing.

In the supplemental report, the Division revealed that it interviewed Hilton attorney Kathleen Vyborny. Ms. Vyborny
informed the Division that a month or a month and a half after the contract of sale was signed, Kevin Coakley told her of his conversation with Donald Trump concerning the road improvement plans.

I cannot conceive of any reason for Mr. Coakley to have fabricated such a story at that time. Ms. Vyborny also told the Division that the plans were open on a table in the conference room at the offices of Dreyer and Traub. Again, Ms. Vyborny's statements support the clear and consistent testimony given by the Hilton attorneys last year.

The Division also uncovered, in the files of the Trump attorneys, a draft of the contract for the sale of the hotel, which contains an estimate of the cost of the road improvements. The draft contains a notation reading, quote, "DJT, read agreement," end quote, next to the paragraph which includes the cost estimate.

Trump attorney Jonathan Bernstein acknowledged to the Division during this investigation that he had made that
notation. Thus, the Division's investigation clearly indicates that cost information was available to the Trump attorneys prior to the closing of the sale of the hotel, and just as clearly indicates that Mr. Bernstein's denial of last June that he had such information is not credible.

In its supplemental report, the Division concludes that Mr. Bernstein was not a credible witness last year. However, the Division does not reach any other negative conclusions with respect to any of the other witnesses who testified for the licensee.

In fact, the Division concludes that it did not discover any further evidence to prove or disprove that a conversation took place between Mr. Coakley and Mr. Trump or prove or disprove that the road improvement plans were delivered to the Trump attorneys. Ultimately, the Division concludes that there is no reason to reconsider the finding by the Commission that the Trump personnel who testified last
June are qualified.

I am, frankly, unable to understand the Division's dismissal of evidence such as Ms. Vyborny's statements and the annotated copy of the agreement for the sale of the hotel which clearly corroborates the testimony of the Hilton attorneys. I am, also, unable to understand the decision of the licensee now before us to ignore the Division's supplemental report and its presentation of testimony and in its closing argument. The licensee has made no effort to explain or refute any of the matters raised in the Division's supplemental report, and it has made no effort to rehabilitate Mr. Bernstein or to even advise us that the Trump organization will not use his services in the future.

As I stated at last year's hearing, the truth of the assertions made by the Trump officials bore directly upon the purpose and the intent of the Trump group with respect to the road improvements at the time of the purchase of the hotel and through the ensuing year.
In addition, I noted that the discrepancies called into question the honesty and candor with which the Trump group approached the hearing. The Division's supplemental report and the licensee's failure to meaningfully address these issues at the hearing just completed, only serve to deepen the concerns I expressed last June.

The basic question at any casino license hearing is whether the licensee and its qualifiers have established by clear and convincing evidence their good character, honesty and integrity.

In the absence of a straightforward, candid and credible presentation of the Trump organization's position on the issues I've been discussing, I cannot find that Trump Plaza Associates has met its burden in this regard.

As I stated last year, every week this Commission denies licenses to people who seek to work at every level in the casino industry because they have withheld information on disclosure forms or in
Division interviews. We routinely find such individuals unfit for licensure because of their refusal to treat the Commission with candor and openness, even in cases where the matter itself might not be cause for denial of licensure. I do not see how we can apply any less stringent a standard to key personnel of the Trump organization.

I, therefore, do not see how we can grant licensure to Trump Plaza Associates based on the record before us.

I, therefore, cannot support the motion.

CHAIRMAN READ: Further comment or discussion?

COMMISSIONER ZEITZ: Mr. Chairman, I would just like to say that I'll support the motion, finding that the Trump Plaza Associates, Donald Trump and the Trump organization have satisfied the requirements of the Casino Control Act for the relicensure of Trump Plaza Associates.

Beyond that, I would like to just note that in response to questions by his counsel, by the Division and by members of
the Commission, Mr. Trump has made here a serious and significant pledge to develop housing in Atlantic City, which vigorated similar comments he had made, at least as reported in the press.

That pledge is contingent of course on approval of and closing on his proposed purchase of controlling interest in Resorts International, which is not a matter before us today, but to be considered at a later date.

So anything I might say here is obviously hypothetical as contingent on what transpires in connection with that transaction.

Nevertheless, I think it represents, with that very considerable caveat, Mr. Trump's comments about housing represent the assumption of a special burden and, at the same time, the special opportunity for both himself, Resorts International, if he does gaining controlling interest in it and it is approved, and Atlantic City.

When and how and by what government agency or agencies of New Jersey that pledge
can and should be given specific definition, is a matter for another time; and it awaits the outcome of those other events. But, for the moment, I think it reflects an understanding that has either been made very grudgingly, at best, by the casino industry as a whole, or simply ignored by it; that it is not enough for Atlantic City to be a place to work, the city also has to be a place to live. If that can't be achieved, then this whole thing will be ultimately fall of its own weight.

Albeit, Mr. Trump's pledge is contingent on those as yet unresolved events, it represents a promise that, a farsighted promise, should it ever come to pass, that should be kept, if and when Mr. Trump does achieve control of Resorts International and its substantial land assets in Atlantic City.

Thank you. I apologize for that being somewhat hard to follow but I just scribbled it down.

CHAIRMAN READ: I followed it.

Other comment or discussion?
Having moved to renew the casino license, I nevertheless have certain comments to offer concerning Donald Trump's dealings in the stock of two of his competitors in the Atlantic City casino industry.

A gaming license is not a hunting license, nor is it a fishing license. It's a license which confers the extraordinary privilege of operating a legal casino and which carries with it extraordinary responsibilities.

Those responsibilities are spelled out in the Casino Control Act and the Act embodies, as one of its expressed policies the maintenance of a competitive casino industry.

The Act envisions an industry in which the licensees compete by attempting to build and maintain superior facilities and to offer superior accommodations and services to the public.

At this hearing, we have received evidence that Trump Plaza Associates has been doing these very things, and it has
been reaping concomitant financial rewards. For this, I congratulate the licensee.

However, the competition envisioned by the Act does not encompass the use of a casino license as a weapon to weaken or undercut the financial integrity of its competitors. At this hearing we've received evidence which indicates to me that this may have been the effect, if not the intent, of Mr. Trump's dealings with the stock of Holiday Corporation and Bally Manufacturing Corporation.

With respect to Holiday, it is clear that Mr. Trump was not the architect of that company's recapitalization. Essentially, all Mr. Trump did was buy low and sell high. However, it also seems clear it was his accumulation of Holiday stock which caused the company to search for a plan to protect itself from an unfriendly takeover and that this search led to the recapitalization.

I am well aware that this Commission approved the recapitalization, finding that its affects on Holiday were not
so severe as to deprive the company of financial stability or responsibility. However, the fact remains that the recapitalization fundamentally altered the structure and asset base of Holiday, saddled the company with an enormous debt burden, and, at least in my view, was not necessarily in the best interest of the company or its shareholders.

In the Bally situation, Mr. Trump did not merely buy and sell stock on the public market. Whether he likes being referred to as a greenmailer or not, the fact remains that he sold his stock back to Bally at substantial premium over its market value. It was the threat of a takeover by Mr. Trump which caused Bally to pay the premium, and it was Mr. Trump's licensure by this Commission which made that threat credible. It appears that it was the same threat of a takeover by Mr. Trump which caused Bally to purchase the Golden Nugget facility.

In sum, Mr. Trump's activities resulted in Holiday and Bally entering into
major transactions greatly increasing their
debt burdens and fundamentally altering
their business and financial structures.
The ultimate consequences for both companies
have yet to be seen.

I do not believe that the evidence
before us regarding Mr. Trump's stock
trading requires a denial of the present
casino license application, especially in
view of the fact that the Commission has
never before addressed itself to activities
of this type.

However, I believe it is time that
I, as one Commissioner, made my views clear.
To put the matter bluntly, in the future I
will not vote to renew the license of any
casino licensee which purchases an interest
in a competitor, unless I am convinced that
the motivation was a sincere desire to
acquire and operate the competing facility.

I, of course have no desire to
stifle legitimate sales, such as the sale of
the Golden Nugget to Bally or the sale of
Resorts to Mr. Trump. I also realize that
casino licensees have the right to purchase
and sell securities of other companies. However, there are certainly adequate investment opportunities outside of the Atlantic City casino industry. Investments by licensees in other companies within that industry are fraught with the potential to take unfair advantage of the status which licensure confers. Such investments also carry with them the potential for disruptive and possibly disabling changes within the subject company, and the consequent thwarting of the legislative goals of an open, vibrant and competitive industry.

Finally, I must note that this Commission has proposed an amendment to the Casino Control Act which would create interim casino authorizations as a mechanism for unlicensed companies to enter the casino industry. If enacted, that legislation would greatly lessen the problems faced by the casino enterprises, such as Resorts and Elsinore, which are seeking buyers, and would also create a more level playing field as between licensed and unlicensed competitors. However, under the Act as now
written, or as amended to include interim
authorizations, I believe that licensees
must show the utmost sensitivity in the
legislative policy of fostering vigorous
competition and must therefore avoid
investments in each other's stock for
purposes other than legitimate acquisitions.

Further comment?
If not, on the motion made and
seconded, those in favor?

(Chairman Read, Commissioners
Zeitz, Waters and Burdge voted in favor
of the motion.)

CHAIRMAN READ: Those opposed?

(Chairman Armstrong voted
in opposition to the motion.)

CHAIRMAN READ: Motion carries four
to one.
CERTIFICATION

I, Gregory T. DiDonato, Certified Shorthand Reporter and Notary Public of the State of NEW JERSEY, do hereby certify that the foregoing is a true and accurate transcription of my Stenographic Notes in the matter of:

TRUMP PLAZA ASSOCIATES AND SEASHORE FOUR ASSOCIATES
RENEWAL OF CASINO LICENSES - VOLUME II

held at the place and on the date hereinbefore set forth.

I FURTHER CERTIFY that I am neither attorney nor counsel for, nor related to or employed by, any of the parties to the action in which this hearing was taken.

AND FURTHER that I am not a relative or employee of any of the parties or attorney or counsel employed in this case, nor am I financially interested in the case.

Dated: 4/22/88

GREGORY T. DIDONATO
Certified Shorthand Reporter
# 541