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 PLEINARY:
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
2:25 p.m.
3131 Princeton Pike
Public Meeting Room
Building No. 5
Lawrenceville, NJ 08648

BEFORE:

WALTER N. READ, CHAIR
W. DAVID WATERS, VICE CHAIR
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.

STERN, HERBERT, WEINROTH & PETRINO, ESQS.,
BY: JOEL H. STERN, 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: Let's come back to order again. Mr. Vukcevich, you had a question I guess you were about to pose.

MR. VUKCEVICH: Mr. Chairman, in response to that question, there was a letter dated February 1, 1988 to Mr. Karl Braun, Supervisor of the Shore Mainland Region of the Division of Coastal Resources from Richard K. Weinroth. That's a 14-page document which I have reviewed and that substantially answers the questions that I did have and fully explains each of the areas and I don't think that anything further could be gained through the questioning of this witness. And I have premarked that as D-96 and would offer that into evidence at this time.

CHAIRMAN READ: D-96. Again if you would, please, the date of it is?


CHAIRMAN READ: Thank you.

Any objection to that, Mr. Ribis?

MR. RIBIS: I have no objection.

CHAIRMAN READ: Mr. Sterns?

MR. STERNs: I would attempt to object to anything Mr. Weinroth does.
CHAIRMAN READ: Too late. We will receive that as D-96.

(At which time Exhibit D-96, February 1, 1988 letter to Karl Braun from Richard K. Weinroth was received and entered into Evidence.)

CONTINUED CROSS-EXAMINATION

BY MR. VUKCEVICH:

Q Mr. Trump, I would like to show you exhibit D-7 which is entitled Taj Mahal Projected Budget.

I ask you to look that over, if you would.

A Yes, sir.

Q Have you seen that projected budget before?

A I don't remember seeing it, no. This specifically I don't remember seeing.

Q Basically, the overall question, to the best of your ability, if you could answer it is, we spoke about possibly $470 million in financing. The general question, I will give you both the general and specific one, is can you give us some idea of exactly what that money will be spent for? And in particular what I wanted to ask you in regard to D-7, if you know, the proposed budget includes amount owed to RII, if you follow that down, you can see $38 million for
Trump - By Commissioner Zeitz

land cost and on the last page, page four, you can see various other amounts which total $141,471,000.

So the specific question is, does that $475 million include any money that RINJ owes to RII?

A I am just not sure. I wasn't familiar with that and I am not sure of those details.

Q Can you give us a general idea of what the money will be spent for?

A Well, construction and interest. Primarily construction and interest, I guess, and management supervision, et cetera.

Q Thank you.

MR. VUKCEVICH: No further questions.

CHAIRMAN READ: If I had known that, we might not have quit before lunch.

Mr. Zeitz.

EXAMINATION BY COMMISSIONER ZEITZ:

Q Mr. Trump, I just have a few questions.

On that exhibit that Mr. Vukcevich just showed you, there is a $38 million land cost, do you know where that comes from?

A I believe that is the cost of the land that Resorts purchased including the Housing Authority land and including a lot of the other land that they
Trump - By Commissioner Zeitz

purchased. I think they paid Golden Nugget about $10
million years ago and they paid various other people
because again the Taj is only built on a portion of
the Housing Authority land and the rest of it was land
that was purchased over the course of a long period of
time and they have approximately close to $40 million
in the land.

Q In the land.

One thing I have difficulty
understanding is, if you take the company Trump and
you own everything that the company is and the
company's obligations going forward become yours, and
the 38 million or 40 million that has been spent for
the land then becomes an expenditure in effect that
you have already made?

A That's correct.

Q Do you have to raise the cash to pay
yourself back for that; in other words, do you have to
raise the $38 million in cash?

A Well, the land has already been paid for.
Essentially, it's a debit to the company, it's money
that had been spent, and it's probably a pretty fair
amount of money.

I was surprised to see, you know,
Trump - By Commissioner Zeitz

originally speaking because I saw it awhile ago, but I was surprised to see the amount of the money that they had, considering some of the land is built on the Housing Authority piece also. It seems that they paid a fairly substantial amount for the land which was purchased a long time.

Q In the money you have to raise, you don't actually have to raise the money, the land cost?

A It's money that has been paid, so I guess you could say it's money that would be reimbursed back to the company, I think, from an accounting standpoint, but basically it's money that has been paid, the 38. That's not a fictitious number or anything, that's money that's actually been paid out.

Q Pardon me?

A In other words, it's a cost of the building itself.

Q Already reflected in what has already been spent?

A I believe that's correct, yes.

Q You indicated, without getting too terribly specific because I understand you are still in negotiations with at least one substantial banking institution, that the loan you are talking about would
Trump - By Commissioner Zeitz

be at the prime rate?

A  Well, it would be a rate around there, depending on what I was willing to give. It might not be at the prime rate, but it will be right around that, depending on what I am willing to do in terms of security for the loan.

Q  Would it then move with the prime rate?

A  Yeah. Generally, you know, the more that I give, it becomes prime because if I borrow, I borrow at prime or I can borrow below prime, so, you know, if I went out and borrowed the money, it would be at a very prime rate. It could be -- depending on what security there is, it could be a little above prime but it's in that general vicinity.

Q  It's not necessarily decided because you were in negotiations, but you may have to support this with private assets outside of those of the company?

A  It could very well be and that makes it more of a prime loan.

Q  Is it, to any degree, contingent on the completion of the tender offer?

A  Oh, yes, yes. Without the tender, there would -- you know, this loan wouldn't be possible. Nor would it be possible for me to borrow the money
Trump - By Commissioner Zeitz

because again I guess it's nine or eleven percent of
the company and I wouldn't be borrowing the money.

Q So that if you complete your negotiations
with the bank between now and the end of the 75-day
period that has been allowed for the tender offer to
be completed and you sign those documents, they would
have a conditional clause, that the bank loans, in
other words, would be made even if it wasn't
finalized?

A Yes, sir.

Q Subject to the tender offer being finalized
and completed?

A Yes, sir.

Q I just have one more concerning this whole
question of housing and the tract.

Councilman Whalen of Atlantic City has
made a proposal, I want to know if you have heard
about it first, but I think it runs roughly this way:
Let's assume a 1200 housing obligation, because I
think that's what he is working with.

A Fine.

Q Effectively, I think what he has proposed is
a deal by which Resorts would transfer the housing
obligation from the tract to the CRDA target area in
the north inlet, the company would also undertake to
assist the development of housing on Block 108. In
return the company would agree -- would keep its
option on the 30 or so acres remaining on the tract
with an agreement to develop that as non-casino hotels
from Pacific to the Boardwalk and provide commercial
development from the area of the tract between Pacific
and Atlantic.

Have you seen anything specifically on
that proposal?

A  Not in exactly that form. The last part is
the part that I wasn't that aware of. The development
is non-casino hotels, the remaining portion of the
tract so I haven't heard it in that form. I have
heard where they would like to have the housing
credits go more inland into the inlet as opposed to it
being along the boardwalk, I had heard that. I hadn't
heard they were wanting the rest to be developed as
non-casino hotels specifically.

Q  I happened to have a conversation with him
and that is what he told me so I can represent to you
that that's my understanding of exactly what he is
proposing at this moment.

A  Right.
Trump - By Commissioner Zeitz

Q    Do you think that can provide the basis for an agreement, and, of course, the Housing Authority would have to agree and other people would have to agree?

A    Well, I think we have been having a very meaningful dialogue with the Housing Authority and their lawyers on the future as to -- you know, we need speed in order to get this thing done in terms of what is there but I think we have -- you know, I think we are very openminded to the whole concept of moving into the inlet, doing certain areas in the inlet. I had not heard the concept of what you are saying with the non-casino aspect on the boardwalk.

I think we are very flexible on the whole issue. The big question is going to come, at some point somebody is going to have to make a determination as to the marketability of all of these units and that will be a big question. But we are flexible as to where to put it and how to put it and all of those other items I think, yes.

COMMISSIONER ZEITZ: That's all I have.

THE WITNESS: Thank you.

CHAIRMAN READ: Mr. Burdge.
Trump - By Commissioner Burdge

EXAMINATION BY COMMISSIONER BURDGE:

Q When was the first time you thought about taking Resorts private?

A Well, I think, as we discussed, Commissioner, Mr. Schulte brought it up during our original discussion and I guess it was, you know, it was no great -- you know, it was probably something that a lot of people thought could happen. I just really never thought in terms of it because it was impractical based on the price of the stock, but I think really in terms of the offer itself, it was some time after the hearings had ended and really probably even after the approval of the management contract, in terms of any meaningful thought process. You always can think about taking something, but in terms of any meaningful thought process, I think it was after that and I just did it, I just went out and did it.

Q But you didn't have anything in your mind prior to the last hearing about taking Resorts private?

A Well, you know, again to answer the question fairly, you always think in terms of -- I mean all you have to do is pick up the Wall Street Journal and you read so many different LBOs and leverage buyouts,
Trump - By Commissioner Burdge

that's always an option. It was an option even brought up to me by the independent directors through Mr. Schulte but I would say that I had not thought of it -- in terms of my own conscious, I had not thought of it at all and even remotely seriously until some time after the hearings, and I would even say after -- you know, right around the time of the approval of the management contract and that had to do with the factors that I discussed before, basically, the reasons why.

Q You are saying after bloody Monday when you know the stock dropped, that didn't have any play on your mind to say Well, this would be a good opportunity for Donald Trump to take the stock, to take the company private because you know the stock was dropping? You also knew from the negative testimony that was given in the last hearing, that didn't help the stock price either?

A No, it didn't. I didn't want that testimony given either, Mr. Commissioner, as you probably have, you know, noticed at the time.

In fact, we asked that it be given privately or it be given in some different forum, but I wasn't happy with having all of the various people
Trump - By Commissioner Burdge

testifying at the last hearing. That probably did
have an effect on the stock, it possibly had an effect
on the stock. It was certainly a very open process,
but the company was analyzed very strongly at the last
hearing and, you know, it wasn't in a very positive
vain unfortunately.

It didn't help in any event, it didn't
help with financing, it didn't help with the other.
But again I think the financing might have been on the
bigger picture and that's what is happening generally
with this kind of financing.

Q Why wouldn't the lenders finance the Taj for
Resorts after you had bought in and you testified here
today Paradise Island is a very profitable, valuable
asset of the company and why couldn't you have used
Paradise Island as a guarantee for additional monies?

A Well, because it's outside of the United
States and the banks are at this point -- I mean there
are a number of reasons beyond this question, but it's
outside of the United States. And the banks, as you
have been reading, have been having lots of problems
with foreign loan and foreign loan collections is one
reason.

And, you know, there are just a lot of
reasons why the banks wouldn't have done it and won't
do it. There are also additional things, as I said
before, that I can do for Resorts in terms of making
those banks very happy with what they are doing and
what they are lending that you can't do when you own
nine percent of the stock.

Q You have estimated that it would take
approximately $930 million to complete the Taj today,
do you still stick to that figure?

A Well, you see part of the number that will
be bringing it down will be the interest rate because
interest factors are a very big factor in terms of
construction. It's a huge factor but the interest
rates should be very substantially lower. The amount
of interest paid will be substantially lower by the
fact that, as I explained before, I am doing the
construction loan as opposed to borrowing the money
and paying all of that interest.

So I don't know what the final number
is based on that, but it gets to be, you know, a
number which should be -- you know, hopefully, it's
going to be less than that to a large extent because
of the interest factors. As far as the construction
is concerned -- you see there was a misconception for
Trump - By Commissioner Burdge

years. For a long I was reading about 517 to $525
million for the Taj Mahal.

Now, everybody thought the Taj Mahal
was going to cost $525 million. But that didn't
include interest, that didn't include land, that
didn't include a lot of soft costs, that didn't
include a lot of other costs. That was construction
costs. Construction is one element in the total cost
of a building or anything.

So you know everybody is thinking the
Taj Mahal was going to cost $525 million, that was
purely on a construction basis, it was going to cost
$525 million.

Of course, that raised, if you read the
earlier reports, if you pick up newspapers from four
years ago, I don't know how they came up with this
number, but they had it down to $187 million or
something. $187 million, I think that's just a wrong
number. I have a feeling that that was probably going
to be for a non-casino hotel. I don't usually use
that as an sample because I suspect maybe it was $180
million and that was going to be for 1200 rooms of
non-casino hotel without all of the costs of a casino
and the associated things.
Trump - By Commissioner Burdge

You know, 525 million, before that it was 400 and 350 and 400, but I heard for a long time 525 million, 517 to 525 million, but that is the hard cost of construction, that didn't include interest, land and a lot of other costs associated with it.

I have never understood why people didn't say what the real cost of the Taj Mahal was. How can you say it's going to cost $525 million when that doesn't include the land and it doesn't include all of the costs of construction and interest and other things.

Q Didn't you add to the original estimate by putting extras into the project?

A Well, you know, depending on what your definition is of extras.

When you are opening a building with not nearly enough restaurants, I think they were going to have two or three restaurants in this building. I mean in Trump's Castle we have seven or eight; in the Plaza, it's similar numbers. Here is a building that is twice the size and they were having very few restaurants. They weren't going to build their food court, they cut down the casino size from 120 to 100,000 feet, they weren't going to build the suites.
Trump - By Commissioner Burdge

To me I don't look at that as being my adding extras, to me that's completing the building.

In New York City they were building a convention center, and in order to cut the cost, I think they cut about 70,000 feet off the convention center. Then they tried to say Well, we saved money, we came in on budget. They actually didn't, they came in hundreds of millions of dollars over budget. That was a tactic that was used where they built a smaller building and tried to say it's coming in at the same kind of costs.

You have to build a restaurant, you have to build a suite, you have to build the casino, you have to build the building. And so I would consider that would be the cost of building this building.

And by the way, to build it later will cost three times and four times as much because when you are building a job where, you know, people are going up in beautiful brand new elevators with cinderblock and sheet rock and with all of the problems, and they ruin the elevators and you can't use them and you can't schedule them, it ends up costing you two or three or four times more.
Trump - By Commissioner Burdge

I just went through that at Trump's Plaza and there is nothing more difficult than to build in a building that is already occupied. So if we are going to build it, it has to be built now, otherwise later on -- sure, it can be built later on, but it's going to cost you three times as much and it's going to ruin your existing building.

Q Mr. Trump, hasn't every major casino in Atlantic City had building additions?

A Oh, sure, absolutely.

Q Don't they continue to have --

A Oh, absolutely.

Q -- the problems that you have just testified to?

A Absolutely. That's also one of the problems.

Q Don't people have to live within their means? It's just like when a family that starts out, they don't have any kids, maybe at the end of 20 years, they have added on two or three bedrooms?

A I agree with you, but we are not talking about the kind of money that would have made that meaningful a difference even if we were assuming $50 million extra and then you have the right building.
Trump – By Commissioner Burdge

The additional $50 million, which would have been 150 or more or thereabouts, the additional $50 million is going to give you -- I mean to me the worse thing to happen with the Taj Mahal is for the building to open and for people to have been disappointed with it because the word of mouth on something like this, it's like a broadway show, I mean the word of mouth would have been devastating.

If you had lines going around the block for people standing at restaurants because they can't get food and can't be served, and we are building a big food court, you have to build it, it's not because I want to build it. The last thing in the world I want to do is build it but, you know, when you have the kind of anticipation for this building as I see, because everybody is asking about the Taj Mahal, the Taj Mahal, and then they go into the building and they can't get food or they can't get sweets or they can't get the kind of basic elements that weren't built, let alone a casino that would have been designed incorrectly because it was not designed as it was built, the steel was up for 120,000 feet, and they lopped off a side of the casino.

When you have that kind of anticipation
Trump - By Commissioner Burdge

and the people go in and are disappointed, I mean we
have seen a somewhat recent example of that where the
people go in, it opens up big and then they get
disappointed or whatever and they don't come back a
second time.

This building has to get the people to
come back many, many times and, you know, to me I
think it would have been a disaster if it opened up
incorrectly.

We are not talking about hundreds of
millions, we are probably talking about a difference
of $50 million or so for what we are talking about or
mentioning.

Q Are you telling me that you feel that your
final cost will come in, let's say, around 850 million
today instead of the 930? Could it come in as low as
700 million?

A I don't know. I don't think so. I don't
know what the costs are going to come in at, sir.

I will tell you what, I think the hard
costs will come in somewhere between 600 and 650.
Those are the only costs I really have control over.
I don't have control over what the interest rates are
going to be beyond making an original deal, when you
Trump - By Commissioner Armstrong

get them as low. It would be a floating deal in any event in this particular case.

The cost that I can somewhat control is the construction cost and those costs, I believe, will be between 575 and 650, which are pretty much the same as what we are anticipating now. If I can save a lot of money on interest, that’s something that I would like to try to do.

COMMISSIONER BURDGE: No further questions, Mr. Chairman.

THE WITNESS: Thank you, sir.

CHAIRMAN READ: Ms. Armstrong.

EXAMINATION BY COMMISSIONER ARMSTRONG:

Q Mr. Trump, you indicated in your testimony that the papers, that is the media, judges by what is said at these hearings and you indicated that the value of the Resorts stock dropped tremendously after the last hearing and I think you just indicated to Commissioner Burdge that you feel that some of that is substantially due to the negative testimony which was given at the last hearing.

Do you think that the Management Contract itself had an impact on the valued stock?

A I think it may have had, it’s a very
Trump - By Commissioner Armstrong

complicated question because when there was an article
written that I may not be approved for the Management
Contract in the New York Times, as I remember it, the
stock dropped very precipitously.

At the same time when it was approved,
it continued to drop but the thing that really got it
started dropping was an article that I wasn't going to
do the deal because it looked like the Management
Contract may very well not be approved or something to
that effect. That seemed to be the tenor of the
article. It was in the New York Times. It had a very
negative effect, that aspect of it had a very negative
effect. Even after it was approved, the stock also
went down so I don't know. It's a tough question to
answer.

Q I understand that Resorts cut back
substantially on construction on the Taj site just
before Christmas and I wonder if you could tell me
what the basis for that was?

A No money.

Q You indicated that you are going to have
heavy construction starting again on March 1?

A That's the date we are shooting at if we can
have things cleared up where I am convinced -- I will
Trump - By Commissioner Armstrong

put my own money in at a certain point when I am convinced that it's only a statutory process we are going through for the rest of it. In other words, at some point maybe over the next two weeks or so it becomes more of a statutory thing. It's just like a closing that you know is going to happen.

When that happens, I will put my own money into the company to get it going faster, to get the Taj going faster.

Q You commenced the tender offer I think as of last Friday?

A I don't know the exact date, Friday.

Q The expiration date was March 4?

A I believe that's correct, yes.

Q You are not anticipating getting all of those approvals and conditions met in Annex I by March 4, are you?

A I would like to. We have -- I mean it's not overly complex. I think they could be approved in a week; I think they could be approved in a day, in a true sense if people wanted to approve them. We are not talking about a very complex situation, I don't believe, with the Housing Authority and we have been dealing, both parties have been dealing in good faith
Trump - By Commissioner Armstrong

with CAFRA and, you know, it’s not very complicated to do.

The problem with Resorts, I came into somewhat of a hornet’s nest because they had so many different things out between housing commitments and this and that, they were lasting out there, they were out for it seems like years and they were never clarified, they were never straightened out and never put into order.

I would like to consider myself a good manager, I am a good manager and I manage, I think, efficiently. I want to get everything cleaned up so we don’t have to have the kind of turmoil that they have had. The time to clean it up is before you do it and essentially that’s what I am trying to do. It’s not very complicated. I think everybody understands the issues and there is no reason why it can’t be done by that date.

Q       If the merger is not consummated, if you have don’t get the conditions met in Annex I or some other factor comes into play and in light of the stipulation that was introduced in this proceeding in which the Management Contract has been substantially modified in which you would waive any management fees
Trump - By Commissioner Armstrong

until the Taj was completed and opened for legalized
gaming and in light of your comments that you have
made leading up to your attempts to take the company
private that you just can't do the Taj Mahal unless
you own 100 percent of the company, if this merger
does not go through, where is that going to leave
Resorts and where is that going to leave your status
with the company?

A I don't know. I really don't know.

Q Is that because you are that confident the
merger will go through?

A No. It's just -- I think I am confident
that the merger will go through. I think the price
that is being paid is a fair price, that's not the
reason. I just don't know. I mean in a sense it's
back to square one, if that should take place, it's
back to square one. I don't know what would happen.

Q When you say "back to square one," does that
include the possibility of attempting to renegotiate
the stipulation that was introduced which has modified
the Management Contract?

A I don't think so. I don't think that would
be something I would renegotiate. I think that would
be the least of the problems. To be perfectly honest,
Trump - By Commissioner Armstrong

the Management Agreement, that would be the least of
the problems.

Q Mr. Trump, you indicated, I think it was on
cross-examination, Mr. Vukcevich was asking you some
questions about the Housing Authority and the housing
obligation that you feel that currently there is no
market in the city for housing units. Where does that
leave your plan that is before the CRDA in terms of
preliminary approval for the 1200 units?

A Well, I think, and I say this and I say it
against myself in a way, I think that I am a very big
believer in location and in quality and I think that
we have a better location than anybody else. And I
think that the fact that the market isn't appropriate
to build doesn't mean that you can't make money.

I have seen people make a lot of money
in bad housing markets because they had something that
was better than anybody else.

At the same time, I will tell you
that's not necessarily a positive thing for the city
or the inlet. You are talking about building a
building on the water as opposed to building a
building in the inlet and it may not be positive.

As I say, everybody says, Well, what
Trump - By Commissioner Armstrong

difference does it make its pretty obvious. I think
the building -- if we build those buildings, they will
be modestly successful because we have a building on
the Atlantic Ocean facing the water and I think it
would be okay, I don't think it would be great, I
think it will be okay.

There is not -- there seems to be not
much of a market. That building may, in fact, and
this is my feeling and some of my own people disagree
with me, Tony Glideman, head of housing in New York
disagrees, this building may or may not be good for
what else is happening in Atlantic City. The
buildings we are proposing, I think on an individual
basis, they would be successful buildings. The market
though is not good.

Q You indicated that if the Housing Authority
said that you had to build 1200 units that are related
to the urban renewal tract that you might go along
with it, you said if you get a subsidy and I wonder if
you could clarify for me what subsidy you would be
referring to?

A The subsidy, the one and a quarter percent
to bring down the costs because we all know you can
look at some of the jobs that were built, that doesn't
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mean all of them are negative. You can look at some
of the jobs, the Ocean Club and some of the other jobs
on a free market basis, you know they don't sell,
there is no reason to think ours are going to be so
much better, they are going to become a hot property.
The fact is we would need the subsidy, the one and a
quarter percent.

Q You are referring to the CRDA credit, the
direct investment credit?

A Yes, Ma'am.

Q That would be applicable to Resorts Castle
and Plaza?

A I would put them all together because of the
fact that it would be a big enough subsidy to get this
job developed.

Q Are there any CRDA approvals that, in you
mind, would be a condition to the merger agreement
being consummated in terms of the language contend in
Annex I, the various conditions and regulatory
approvals, et cetera?

A I don't believe we have it in there but
basically that would be a determination as to whether
or not we built the housing. In other words, if we
didn't get CRDA, we would give back the land or
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whatever we do with the land, we just wouldn't build on, because you just have to have it. You have to have CRDA.

Q With regard to the question of the CRDA credit as it would possibly apply to Resorts, Resorts gained a CRDA credit for building housing on the urban renewal tract, are you aware or was that something that Resorts had contemplated before you acquired the stock in July?

A I don't think so. I think that was me.

Q That's what I thought.

A It was. I wish they had that imagination, maybe they wouldn't be in this situation. They were talking about housing like that and it was not -- it was just inappropriate, it wouldn't have worked, but I don't think they had anybody that knew housing in New York, they didn't know markets and housing and what was going to sell and what wasn't going to sell, you had to have the CRDA, I think.

Q When you were discussing the possible requirement of 1200 units for the urban renewal tract, you made a reference to I think you said Resorts built 576 units toward the housing obligation. Are you referring to units that are already on the urban
Trump - By Commissioner Armstrong

renewal tract site?

A I am referring -- I don't think Resorts built them.

Q I thought you used the word built?

A I might have used it. I am sorry. They are on the site like the right to life.

Q Best of Life?

A Best of Life. We all have a right to life. There are a couple of jobs, on the total 576 units and they were on the site, they were on the site.

Q Mr. Trump, are there any approvals, clarifications or settlement of issues in dispute or controversy which would require you, in your mind, as a condition to the merger being consummated to be obtained from the City of Atlantic City itself other than any Housing Authority obligations?

A I don't think so. I think the housing is the primary one. The housing and the CAFRA and the city is not too involved in the CAFRA, so those are the two conditions.

Q Mr. Trump, I wanted to ask you another question which relates somewhat to the CRDA which could conceivably relate to this question of your
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financing and what you are able to do in terms of completing the Taj Mahal. This relates back to November of 1987, preliminary approval was given by the CRDA after presentation at a public meeting by Mr. Glideman regarding the 1200 units you wanted to build in the three high rises on the boardwalk on the urban renewal tract.

As I recall, that meeting was attended by Mr. Glideman and I think Mr. Cooper was there, Ms. Hartkin, John Donnelly was there and George Miller from Mr. McGahn’s law firm.

Based on questions and discussions at the open public meeting portion of that meeting, I think there was the impression that may have been created, I don’t know whether I have misunderstood this or what, but that if the CRDA credit was received for the three entities, Castle, Plaza and Trump, that there might be an infusion of around 20 or $40 million into the Northeast Inlet Development, which is a priority development project in the inlet, and I think there might have been an impression created that that was tantamount really to a donation or a gift?

I am asking because I wouldn’t necessarily want that misimpression out there and if
it has any bearing on what you are able to do if I could get that clarified that that was an impression or misunderstanding.

A I didn’t know of this at all. I mean it’s possible that somebody that works for me made that statement, but, you know, this company has to finish one of the most expensive buildings if not the ever built, I don’t know how somebody could have said we will make a contribution of $40 million on top of everything else. The housing itself is a contribution. There is no money to be made from this housing, there is money to be lost from the housing. The housing itself is a contribution.

I can’t -- you know, it’s a little interesting, the land that everybody talks about, the great deal that Resorts made with the city or the Housing Authority years ago, what kind of a great deal is that? They are building the Taj Mahal, they are saying here, you have a piece of land for very little money, but on that piece of land in order to take it, you have to build 1200 units of housing, you have to build a hotel, you have to build this and you have to build that, it was that piece of land that caused the Taj Mahal to be built.
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It's fine to say you have a piece of land for $5 million, it's another thing to say you have a piece of land for $5 million but you have to build thousands of units of housing and hotel rooms and all of this stuff in order to get the deal that everybody used to say was a good deal which really wasn't such a good deal.

The reason I guess the Taj Mahal was started in the first place was in order to save that land, when in actuality, they might have been better off doing something else.

Q Mr. Trump, when we were here during the proceedings in June and July concerning your purchase of the B shares and I think the question of economic concentration and some other issues were aired before this commission. There was some discussion on the record at that point in time concerning what the status would be if you acquired the B shares and what Resorts housing obligations are.

Can you tell me at the conclusion of those hearings, what was your understanding as to what Resorts' specific obligations would be with regard to the Housing Authority in the urban renewal tract?

A I am not sure that I knew. I am really not
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sure that I knew. I am not sure that anybody in
Resorts knew and they have been working with this
thing for years. I am not sure anybody in Resorts
knows now.

Q That was going to be my next question. Can
you tell me right now in this state what Resorts'
obligations are in that regard?

A Well, it's very difficult, it's very
confused. I mean you are talking about the subsidy,
do we get the subsidy, do we not get the subsidy. If
we don't get the subsidy, then it's a lot easier
because you have to just drop the land, you have to
drop the land. You don't take it down and, therefore,
you don't have an obligation to build the housing, you
don't have the land but the housing is going to go on
the land. If you are going to lose the money with the
housing, what good is the land?

With the subsidy, there is no money in
building with the subsidy, I mean essentially there is
no money. I don't see any money especially with the
new tax laws, with the depreciation being cut down to
nothing. There is no real money in building the units
from that standpoint.

My basic attitude has always been that
Trump - By Commissioner Armstrong

I want to do what is good for Atlantic City. The fact is though that if Atlantic City doesn't need the housing, maybe that whole situation should be reexamined. I mean maybe something else, if you have other jobs that are sitting there vacant and yet, you know, we are going in order to do what some people would like is build some housing, so what are you going to do, you are going to have more housing.

I think that's what the Housing Authority wants to look at, I think they want to study the whole picture. I really believe they want to study the whole picture, to find out is it housing that should be built there, should the housing be built somewhere, should it be an amusement park, should a Disney Land be built there. They are going to study the whole picture and it makes sense to study it.

This was set up years ago, many years ago, the Housing Authority and this whole concept of what was done, but in life there has to be flexibility and if the times change and if that's not needed but something else is needed, maybe there should be flexibility and maybe there should be a change.

Q In light of all of this confusion and
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questions up in the air as to what these obligations
are, how do you anticipate that within the 75-day
period the merger -- that you will be able to get the
approvals that you have think you need from the
Housing Authority or maybe I don't really understand
specifically what it is that you feel you have to
have?

A It's okay. It's a good question.

All we are asking for is the agreement
we already signed, and agreement to which I told you
before I don't think is a particularly great agreement
from our standpoint, that the agreement we already
signed which is a definitive agreement, be ratified
and approved so that at least we know where we stand.
If the city and the Housing Authority and the
commission or anybody wants to negotiate that
agreement differently so that they don't want these
units built or whatever it is, they want something
else instead or want the units in a different location
or they don't need as many units because of the market
conditions or whatever, if that be the case, then we
are very open and, in fact, encourage that dialogue
because, you know, the agreement we have right now,
while it allows me to do what I have to do which is
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basically finance the Taj Mahal and get it going, I
don't think it makes sense to do it.

Q Which agreement are you referring to when
you say the agreement we already have sign?

A The one signed with the Housing Authority or
agreed to with the Housing Authority.

Q Is that the one that resulted in a
resolution passed in November which is the potential
subject of rescission?

A I think that's correct.

Q Is that the agreement?

A I think that's correct.

Q Can you tell me what your understanding is
as to what that agreement means?

A Sure.

Number one, it means that the
rescission right gets moved up a year and a half or so
to August of '89. Number two, it means that if we
decide not to go with the housing which I hope is
clear anyway, if we decide not to go with the housing,
we give back the land. Number three, it means that we
may, if we don't give back the land, build 1200 units
of housing. Those are the three basic points. I
don't know of anything else.
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Essentially, the housing was going to be built along the boardwalk. Along the boardwalk I think it would be successful. I am not sure it would be good for the inlet area. I am saying that, and people don't necessarily agree with me, but I think it would be successful. The reason it would be successful is because of its location, it's a great location.

Q  Now, the question I have about that resolution, what you have referred to as agreement is this, with regard to whether or not you take down the remaining parcels in your housing obligation, do you understand that agreement which resulted in the resolution to mean that you could take down substantially all of the land say with the exception of the last parcel and have no housing obligation at all or is the housing obligation accruing at X number of units per parcel?

A  The land that has already taken down has been taken down. The land under the Taj, the Showboat land, the land that has already been taken down. This pertains to the remaining portion of the land.

Q  That 33 acres?

A  I don't know. I think it's 33 acres, 30
Trump - By Commissioner Armstrong

acres or something. It pertains to that remaining portion of the land. If we build the units we can have the land. If we don't build the units, we can't have the land. The obligation runs with the land. If we took down the land -- I agree that if we took down the land, we would have to build the units.

Q I am going to make sure we are exactly on the same wavelength here.

Of the 33 acres remaining, if you took down a 10 acre parcel, are you saying that there is a housing obligation that runs with that parcel even if you don't put them on that parcel?

A Okay. I wasn't at that meeting but my impression of the agreement is that that wasn't discussed.

Q That was not discussed?

A That that wasn't covered. That essentially you either take all of the land with the number of units or you don't take any of the land. And that that wasn't discussed. In other words, I might be wrong, I really wish you could ask somebody that was there and made the agreement. I didn't really make the agreement, I knew the concept of the agreement and I approved the concept. I don't think that was
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discussed.

I think it's all or nothing essentially and it's something that is worthy of discussion.

As an example supposing you don't need 1200 units, you don't need 600 units, you want to have 300 units or something else, you know it could be discussed and it should be discussed, but I don't believe that pertained to this. This is 1200 units and the 33 acres or 30 acres or whatever it was.

COMMISSIONER ARMSTRONG: Mr. Chairman, I just want to say, I would like to know before this proceeding is over, if that issue was discussed and what the understanding is. My concern being could Resorts take down 23 of the 33 acres, have the remaining 10 acres remaining, decide not to take that down and not have any housing obligation? I would like to know at some point, not right now, but what the understanding is with regard to that.

A And I just don't know the answer to that.

Q I appreciate that. I am sure somebody can probably enlighten me on that.

Mr. Trump, if I understand you correctly that the only approvals from the Housing Authority necessary to meet the condition in Annex I

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to the merger agreement is ratification of the
resolution which was passed in November which you say
is the subject of agreement which is still apparently
up in the air and going to be addressed on February
11?

A I think essentially that's right because
that covers the other points we discussed with the
understanding we are willing to renegotiate that if
they want to come up with a new plan or a different
plan or something and we are willing to negotiate it.
But at least that gets us through the Taj Mahal
uncertainty in terms of the land.

Q Mr. Trump, other than the CAFRA approvals,
approvals from the commission, and approvals from the
Housing Authority, are there any other regulatory or
governmental approvals that you contemplate are
necessary in order to meet the conditions set forth in
Annex I to the merger agreement?

A I don't believe so.

COMMISSIONER ARMSTRONG: I have no
further questions at this moment, Mr. Chairman.

THE WITNESS: Thank you.

CHAIRMAN READ: Mr. Waters.

EXAMINATION BY VICE-CHAIRMAN WATERS:
Trump - By Vice-Chairman Waters

Q Mr. Trump, I would like to go back to March of '87, which I understand is the period of time in which you purchased the stock that Resorts had from the Crosby family, I think you referred to that earlier in response to a question by Mr. Vukcevich that you didn't know whether it was an obligation to secure financing for the Taj built into that agreement?

A An obligation?

Q Yes.

A I don't think I had an obligation, certainly. I will, as I have, you know, we will try, but I don't even know if that was mentioned. That might have been mentioned but certainly I had no obligation.

Q Let's put it another way, there was an understanding at least between yourself and the Crosbys that you would do everything possible to assist in obtaining financing?

A Well, that's an obligation that I have to myself.

Q No. I think you have two parties here, you had an obligation or at least an understanding if that's a better term with the family that as a part of
Trump - By Vice-Chairman Waters

this package of buying Class B stock you would attempt
to obtain financing --

A I would attempt --

Q -- which is the same thing you are doing
on --

A I would attempt to obtain financing, that's
correct. I think they looked at me as being the most
likely person able to complete the Taj Mahal. I
believe that.

Q Let me see if I could find what I want to
get to.

A Sure.

Q I guess Section 8 of that letter agreement,
In consideration of purchaser's efforts to assist,
consult in seeking to obtain financing for the company
in connection with the project in Atlantic City, New
Jersey known as the Taj Mahal and in advising the
company in connection with construction costs of the
project and various other considerations, the company
is bound by 3.0, 4.2 and 4.7, which really tells that
they are not going to do anything to encumber the
property and things of that sort?

A Sure.

Q You don't consider that to be an
Trump - By Vice-Chairman Waters

understanding between you and them as to what you are going to do?

A   Well, it says assist. Of course, I am going to assist and I am going to try to do it, I have been assisting in trying to do it. When that was signed also, you didn't have October 19 and you didn't have the problems of the world really falling on this company and a lot of other companies over the course of, you know, one day. That was signed before. In fact, I will tell you as I told you before, we had an eight percent bond issue put in there, convertible bond issue and that was going along swimmingly. We were practically done with the paperwork and as I remember it, it was in there and then all of a sudden we got hit with this October disaster and all bond issues were off and so there were a lot of differences, a lot of changes took place after October 19, sir.

Q   Leading up to October 19 and leading up to the November/December hearings that we had, had you been successful in any way of lining up financing?

A   Oh, I think so, we were. Prior to October 19?

Q   No. Prior to the day you came into the
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hearings, which would have been November the 30, 29, something of that sort. Let me put it another way.

What I am trying to get to, with this understanding in March, what had you done between that time and the time you came with the Management Agreement?

A Yes, sir, I understand. The primary thing is that I was with Bear Stearns and was very confident at that point that financing would be no problem because the so-called junk bond financing was very prevalent and was being used all over, everybody was doing it and there was no problem. In fact, financing wasn't even a big issue at that time because again this was before October 19. Everybody was getting financing and they were getting it at reasonably decent rates. We were going to do a rate of eight percent with a purchase of stock, with an option to purchase stock in the company, so in the true sense, there wasn't much to be done because it wasn't very hard.

What happened, though, is that we had to wait for the commission to approve the deal, we had to wait for, I guess, a couple of other things. What happened ultimately -- we were doing our papers and
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then what happened ultimately anyway is October 19 came and it happened to a lot of companies not just us, you register with the SEC and what happened ultimately is that October 19 came and all bets were off with this, but we were very sure of financing before October 19, and then after October 19 it was a whole new ballgame.

Q So in other words, when you and Mr. Greenberg came into the hearing which was at the end of November, started at the end of November?

A Yes.

Q You were no longer certain of financing?

A I felt unhappy about financing because of the kind of rates that would have had to be paid, but I felt that perhaps it could have been gotten but it would have been very onerous financing. Again, it's not a Resorts issue, all I have to do is look at the deals being made, there were very few of them, but looking at the deals that were made, I think it was Southmark, but it was the first one after October 19 that cracked and again this was a 19 percent rate of interest and it was a piece of the company, I mean there were so many other different kickers that I had never seen anything like that. So it was just a very
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onerous situation.

Q Let me tell you what has me stunned. I understand on October 19 what happened when you folks came in before for the approval of the Management Agreement, October 9 had long passed and if I remember Mr. Greenberg's testimony, it wasn't yourself, he was very optimistic?

A That's right.

Q The only requirement he had was that we approve this Management Agreement because everybody wanted Trump to be involved and that type of involvement would have satisfied apparently the people with whom he was dealing. At least he left me with the impression, maybe he didn't intend to but he left me with the impression if we didn't approve the agreement there was no way on earth he could arrange the financing; if we did approve the agreement, he thought he could.

And somewhere in the testimony I am sure he made mention of a rate of 14 percent as a possibility. But again, Mr. Trump, when the hearings started, you had no tenative understanding from Greenberg as to what the terms were going to be?

A He wouldn't be able to tell me, sir. I mean
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14 percent, you look at prime companies that are financing bonds today, there is no such thing as 14 percent for these bonds, that I know of.

Q Of course I am not the expert.

A Yes.

Q I assume he wasn't the expert in financing and he threw the 14 percent figure around but the percentage is not the important thing here. I am trying to get at what understanding you had as to what he was going to do, assuming we approved the agreement?

A He thought if I didn't get the agreement, I wouldn't be in the company, that's number one. It's not a question of not having the agreement and staying in the company. He thought if I didn't have the agreement, I wouldn't be in the company, that's what he was essentially referring to, I believe.

As far as having the agreement, the thing that came up was that the agreement in one sense, while necessary from a management standpoint, was getting very complicated in terms of financing because all of the bond holders were saying, Well, will this come before, Will it come after, will it subordinate it, will you do this and do that, what is
Trump - By Vice-Chairman Waters

going to happen.

The other thing I can tell you is that, you know, if you go to any of the firms on Wall Street, they would always be optimistic. The fact is I also understand optimism when a prime company is borrowing at a certain rate of interest, we are going to be paying the same rate of interest. Whether Mr. Greenberg says that or not is irrelevant.

The times haven't changed very much. They might be a slight bit better now than they were then. They could be -- tomorrow we could wake up and the market could drop another 500 points and we are going to be in a lot worse shape.

So, you know, it's not that relevant because the time that you get your financing is the day you are approved by the SEC and you go out to market and make your deals with the people buying all of these bonds. I don't know if he said 14 percent, I would find it -- he might have, I would find it hard to believe because the rates are much, much higher than that. The rates are not 14 percent, the rates are much higher than that.

Another thing that happened is during the hearings the equity of the company went down
Trump - By Vice-Chairman Waters

precipitously. You had an equity value of this
company of hundreds of millions of dollars more prior
to the start of these hearings than you did after the
hearings, so you know, you didn't have -- a lot of
things happened during the course of this period of
time, a lot of things happened.

Q I can understand that, Mr. Trump. I guess
the thing I am getting at, Mr. Greenberg was
represented at least as being an expert in the art of
financing and maybe he did not leave the other
commissioners with the impression that everything was
going to go smoothly, he left me with that impression
and then to find within 9, 10 days after the
completion of the hearing that that would have been
held out as a possibility if no longer a probability
was a shocker.

A As I mentioned before, sir, the fact is we
were sued by a lot of people on the Management
Agreement and the Management Agreement could have well
been terminated after all of this was done and I don't
think that the financing -- and I think Mr. Greenberg
was optimistic, but I don't think he was optimistic to
anyone saying we were going to get the financing.
Also what is the difference if you get financing at 18
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or 19 percent, if you can get it at that, I am not
even sure if you could have gotten it at that.

Q I don't know what rate he was dealing with.

He said 14 percent, he mentioned in passing that was
not a commitment. I did think he had an understanding
with you as to what arrangement he could possibly work
out?

A I will tell you that from my prospective, I
like the Management Agreement with financing, just as
much or more than the deal I am currently making to
buy the company.

Q Let me see if we could get at it this way --

A I would rather have gotten financing than

the Management Agreement, than the deal I am making
now. Everybody thinks I am making such a good deal.

Q The thing that caused you to abandon a prior
effort and go with a tender and a merger is that
because he could not arrange the financing or because
you couldn't accept whatever terms he could come up?

A I would say it's a combination of both.

Q Also you were disenchanted?

A Well, there are a lot of problems. I don't

think you know you are going to get financing until

the last day anyway. Because a lot of people -- there
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is no way to tell if you are going to get financing.

I spoke to I think it was Dan Lee

(phonic) or somebody once and he said he thinks he
can get the financing, and then I read an article in
the newspaper a day later that said very specifically
financing for such a job would be impossible at this
point in time by Dan Lee. They are brokers and they
are optimistic and good people, but to be perfectly
honest, whether you have to get the financing or get
the financing at 19 percent or whatever or whether you
don't get the financing, I am not sure it matters if
you have to pay that kind of an interest, that's what
the market is.

Q I am only going back to the statement that
you made apparently in your releases that you could
not get the financing. Of course, you are not going
to use your money unless you owned the business?

A That's right. I think I said that on an
economically viable basis.

Q It wouldn't make sense to do it?

A Yes.

Q I have no problem with that. It's your
choice, it's your money.

A I understand.
Trump - By Vice-Chairman Waters

Q. What I am trying to get at is what really caused that to come about that you could not get the financing, was it the fact that you couldn't get the financing or the fact that you didn't want to pay the price?

A. I think it was both. I think that I am not sure that I could have gotten the financing. I don't think I could have gotten the financing. I don't think it could have been gotten. I know it could not have been gotten on a viable basis because you would have been paying so much interest but you wouldn't have known unless you did a tremendous amount more of legal work, registered your papers, filed your papers, went to market and that's when the financing rate is determined, the day you go to market is really the day not three months or six months or four months before.

I was faced with great uncertainty, I was faced with the uncertainty of filing these papers, it would have taken 60 days, 30 days, 90 days or whatever it is to get the papers out, while I was sitting back waiting, doing nothing, hoping that by the time you get cleared by the SEC, the papers come out and then the world opens up and the financing is available.
Trump - By Vice-Chairman Waters

Now, the problem is if it wasn't available, which I don't think it would have been and I think in retrospect, it was a good decision because that financing isn't available today and right now I would be sort of coming out or maybe a little bit before now but I would be coming out. Then what happens you put all of your eggs in this basket and you are stuck with it.

In addition to which, the Management Contract, as I said before was both a positive and a negative, it was a postive in the sense they wanted Trump; negative in the sense where does this money come from to pay Trump.

The third element was that I didn't know after doing all of this work whether or not I would have been compensated at all in two years or three years in a Delaware court. It could have been that my contract would have been voided and rather than going through all of the uncertainty and rather than going through all of the problems and all of the difficulties, I decided just to take -- to make an offer for the company and buy the company and finance the company.

Q I don't want you to misunderstand where I am
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coming from and I don't mean to indicate that you
shouldn't have a right to do those things that make
sense to you. It's unfortunate Mr. Greenberg isn't
here today, because maybe I am alone on this
commission, but it was pretty evident to me from the
position he was taking that he was in support of your
effort to get a management agreement and with that he
thought he could arrange the financial.

Now, what arrangements the two of you
had that we didn't know about really doesn't matter.
All I can go on is what he represented here and it's
pretty clear to me that one of two things happened
either I misunderstood or he misrepresented what he
thought he could do.

Of course, I realize what you think you
can do and what you finally do are sometimes two
different things, but quite frankly, I feel I have
been used at least by the testimony Mr. Greenberg came
in with, what he was holding out was that he had to
have you and your involvement in this whole package in
order to go forward.

I think at least I took him at his
word. While I didn't vote for the Management
Agreement, others did. I assumed he would follow
Trump - By Vice-Chairman Waters

trough with this. This was a surprise to find out nine days later that that is no longer possible.

October 19 had come and gone, as I said before here, and it's being raised again as a critical factor in not getting the financing. So it does leave some question as to how much faith of dependence we can put on what is said here.

In that regard, let me go onto the question that Commissioner Armstrong raised that I guess I don't have a clear understanding of and maybe you can help me with it.

The other day when a stipulation was presented, I raised a question I guess with Mr. Schulte as to what the understanding was on the part of the independent board of directors if the merger was not completed in 75 days or maybe it's 90 days because I understand they have a right to extend it another 15 days. I was left with the impression again that if the merger did not go through, the Management Agreement would then kick in as revised to delete any reference to earning the management fee until the Taj was completed.

If I understood your response to Commissioner Armstrong, it seemed to come out that you
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really didn't know where you would be if a merger
didn't go through, which leads me to feel that with
the Management Agreement, then you might kick that
aside or would you proceed under that Management
Agreement and do the things that you are committed to
do?

A It's something that I haven't been focusing
on, Commissioner, for the last little while. I don't
know what would happen if this deal didn't go through
with respect to the company, I just don't know. I
just don't know, with regard to the company or the
Management Agreement per se.

Q Don't you consider the Management Agreement
to be a binding --

A Absolutely. I would work under the
Management Agreement.

Q Pardon me?

A I would work under the Management Agreement
and I would do whatever I am supposed to do under the
Management Agreement, including trying to get
financing for Resorts, absolutely. I just don't know
if you can do it. That's all. I don't know if it can
be done.

Q That's somewhat different. I guess that is
somewhat different to the answer you gave Commissioner Armstrong, it isn’t that you don’t know what you would do, you would continue to live up to the Management Agreement?

A Oh yes, sir. Absolutely.

Q You don’t know how successful you would be?

A Yes, sir.

Q I can see that as a reasonable approach.

If that’s the case and heaven forbid, and the merger doesn’t go through and we now have a Management Contract, do you feel that the terms of that contract will stand in the way of getting financing as it apparently did before?

A As I told you before, it was the positive and the negative. The negative aspects were negative and the positive aspects were the positive.

It’s very possible that if the merger didn’t go through, I would just get out of Resorts.

Q Now you are flipping again.

If the merger didn’t go through, you might get out of Resorts, what happens to the Management Agreement?

A If I felt that I couldn’t -- that it wasn’t appropriate or that I couldn’t do the job with regard
Trump - By Vice-Chairman Waters

to Resorts, if I felt that financing was unavailable, unavailable with regard to Resorts or from a practical standpoint unavailable in any event with regard to Resorts and that the Taj Mahal would get built, I may very -- I am not saying I would do it because I haven't considered it because I think this whole -- I think this deal will go through. If it doesn't go through, then it doesn't go through, I will have to reconsider what I would do. I may very well get out of Resorts.

Q So you wouldn't live up to the Management Agreement?

A No. I may terminate the Management Agreement or give them the option to terminate. Now, if they want me to stay in, I may stay in. If they wanted me to terminate, I may terminate. I think I would give them that right, I believe, if I couldn't live up to the Management Agreement from the standpoint of getting done what I would like to see done for this company and what I think has to be done for this company for the company itself to survive.

Q So there are still a lot of questions?

A Commissioner, the Management Agreement is only going to be viable or good if the company makes
money.

Q I grant you that.

A I don't get any money from this Management Agreement, I don't get any management fees if the company is not making money. I only get the money from the Management Contract if the company is a viable company making money. So from that standpoint, you know, there is much talk about the Management Agreement doesn't mean anything unless the company becomes successful.

Q But you would still -- assuming the Taj Mahal you would still be deferring fees, would you not, under the contract?

A Yes, I would be, yes, sir.

Q So the money might be there, not as of a particular day, but down the road?

A Down the road maybe, if the company is viable, the answer would hopefully be, yes.

Q Or if it were ever sold?

A If it were ever sold.

Q Your obligation would come out of that?

A Perhaps, I mean perhaps if it were sold for enough money after all of the obligations that it has previous to mine such as the cost of building the
Trump - By Vice-Chairman Waters

building and other things.

VICE-CHAIRMAN WATERS: Just one question, Mr. Sterns, during Commissioner Armstrong's questioning, you had a lot of discussion back and forth as to whether there was an obligation to construct housing. And I remember we were getting -- last summer at least I was left the impression, whether it's true or not, that there was an obligation to construct something like 1200, 500, 700, I don't know what.

Is there someone available who can give us the definitive answer as to whether there is or is not an obligation and what that might be without regard to the city housing authority, I don't know what is going on there and I don't really care, I would like to get back to what the original obligation was, if there was one.

MR. STERNS: Sir, I will answer in two ways. First of all, we will respond to Commissioner Armstrong's question as requested with regard to the issue. With regard to the issue you raised, I will gladly put testimony on.

All along the position Mr. Trump stated is the position that the company had prior to Mr.
Trump - By Vice-Chairman Waters

Trump's purchase of controlling stock in the company, that was that. If all of the land were taken --

VICE-CHAIRMAN WATERS: You are going to put someone on to testify to that?

MR. STERNS: Yes.

VICE-CHAIRMAN WATERS: There is no need for me to deal with Mr. Trump on that.

MR. STERNS: I want to say, I don't think the view of the company has changed with regard to the obligation. It was the same view there prior to the purchase.

VICE-CHAIRMAN WATERS: That's what I would like to get from the witness.

(Recess.)

EXAMINATION BY CHAIRMAN READ:

Q Mr. Trump, you've described in considerable detail the problems that Southmark had in attaining its financing and that those rates would be unacceptable to you. But then you also said I think that actually the market has eased since the Southmark transaction went through, so that it ought to be a little better on that basis, and I guess I got a question beyond that because if you're saying that your rates would be somewhere in that bracket, are you
Trump - By Chairman Read

equating Southmark or are you -- I should say are you
equating Resorts under Trump leadership with
Southmark, or are you not selling Donald Trump too
cheap?

A    That's interesting. I think I'm really
equating Resorts to a lot of companies that have been
unable to get financing or have been paying very high
rates of interest. It's the type of financing that
we're talking about which is secured by the assets of
a company more so than the -- almost more so in a
sense than the individual behind the company. Now, if
I have it private it becomes a different kind of
financing. It may some day be worth something.

Q    We're not dealing with the question of
private, I'm going to the question of Resorts under
Trump leadership.

A    Well, I think it's a similar thing to
Southmark because it really is the kind of financing
that's available regardless of the leadership per se.

Q    That's not what Mr. Greenberg said.

A    Well, I know what Mr. Greenberg said, I
heard what Mr. Greenberg said and I was just asking
somebody to look because he said that I think we'd
have a very good chance, as I remember it, we'd have a
Trump - By Chairman Read

very good chance of getting it, and with also
tremendous caution. I believe that with me they'd get
the financing maybe relatively better today because
it's a little bit better over the last week or so, but
with me they'd get the financing similar to
Southmark. Without me, I don' think -- I really don't
think they'd get the financing at all.

Q   You indicated that the equity of the company
went down pretty precipitously in the course earlier
here. To what do you attribute that?

A   Well, I really attribute it to a large
extent to -- it had two drops. It had the October
19th drop, so we know where that went, and then after
the hearings, during the hearings it went down and I
had attributed it to a lot of the news that was coming
out of the hearings, the negative statements that were
being made about the company.

Q   But who made those statements?

A   Well, the questions were asked and we have
to tell the truth as to, you know, what was happening
in terms of cost, in terms of the company. You know,
it's not something we particularly wanted to do, I
don't believe.

Q   It's your choice of words that did it.
Trump - By Chairman Read

A: I mean, when you ask a question as to what do you think of this or what about the costs or what about the Taj Mahal or what about the financing, you know, and day after day the newspapers are reporting what's stated, whether it be through us or through a consultant or through anybody else, it's not a positive factor for the company.

Q: But I think the consultant indicated that it could fly with this agreement and probably the agreement made it possible to fly.

A: Well, I think they indicated that without tremendous surety, and they did indicate that. The equity value of the company went down during the hearings again, which is, you know, a bank looks at the equity value of a company. You're putting up your assets against a bank loan or, you know, an issue, a bond issue in this case, and the equity value of the company drops so much during this period of time that all of a sudden banks that had a company that was worth $X dollars, now it's worth $X minus hundreds of millions. It's a very big difference in terms of the attitude of the institutions and the attitude of bond buyers.

Q: In the course of your testimony today I
think you indicated that if you'd only waited a few
weeks the price might have gone down to five, and yet
you indicated that that might make it much more
difficult to do. Could you explain that?

A  Well, I meant by the fact that if I waited
it very well might. I don't know for certain that it
would have gone down, but I indicated that it might
have gone down to five, but that at the same time
somebody has to get ahold of this company, get the
construction built, get the financing done.

The additional number of points that
you would have saved in terms of the equity you might
have ended up paying in terms of the construction
costs substantially more by waiting. This was not a
company that had the luxury of waiting, and that's why
I did this.

Q  What's the greatest cause of the increase in
the construction costs by the wait?

A  Well, you have your real estate taxes, you
have -- I'll tell you the biggest cost is probably the
stopping of a building, which we haven't, but we
slowed it down.

The stopping of a building and
restarting of a building is a huge cost because the
Trump - By Chairman Read

contractors come in, they take their cranes off the site, they take all their equipment off the site, they take their men off the site, they put their foremen and all of the people that know the building so well onto other jobs, and they start to do jobs, and then you get them back, and it's not easily definable, sir, what that is in terms of dollars, but it's a huge amount of money. That's probably the biggest. The biggest cost is stopping the job and restarting it again at a later date. It's a huge number.

Q Short of stopping it, I think if you're familiar with Mr. Schulte's testimony here the other day, he indicated that one of the major problems, of course, was the running interest that goes with the obligation currently outstanding and continuing to grow.

A Yes, sir.

Q Is that a substantial factor, that plus taxes, plus insurance charges, and inspections?

A Yes, sir.

Q Do you have any sort of handle on what that runs a month?

A Well, it's always changing because as we get more money to build the building it changes pretty
rapidly, but I think it's $78,000,000 a year just about at this moment, and that will be increasing with the cost of the Taj Mahal.

Q You indicated I think in explaining the situation to Mr. Waters that compared the financing with the Management Agreement with the present plans it was your idea that if you had your brother's probably financing the Management Agreement was better from your point of view than the present deal. Could you compare and explain why one is better than the other?

A Well, if I were -- if there was no such thing as trouble with financing companies with junk bonds and I was able to get an appropriate rate of interest, a reasonable rate, even a high rate, but an appropriate rate of interest, and not have any of the risks of buying the company and the risks inherent to ownership, I would -- I mean, again, I can't tell you -- in five years I'll be able to tell you this much better than I can now, but I would be very much -- I would be equally as happy and maybe more happy with a Management Agreement.

It's like a lot of hotel changes. They go and take a management contract to run a hotel
Trump - By Chairman Read

someplace and they don't own any of the hotel and they
get their four percent or whatever it might be in
terms of the revenues and they get it year after year
after year without having no investment.

What I'm doing, it may be better if
things work out the way I hope they're going to work
out, but it could also be worse because I'm buying the
company and when you buy something there are risks
involved.

Q As the indication was, of course, in another
hearing, when you've got the equity you've got an
unlimited upside opportunity virtually, however, for
improving your position.

A And a downside effort, too. That's the only
problem.

Q But limited by what you've got there. At
the hearing on the Management Agreement we heard a
great deal about the positive effects, not only about
the positive effects but the absolute necessity of
obtaining that agreement. Today you spoke in greater
length about the negative effects of that agreement
and I don't remember hearing anything about the
negative effects at the time of the earlier hearing.

When did you first become aware of
Trump - By Chairman Read

those negative influences?

A  Well, I started seeing it with regard to the
financing. Was I going to, in terms of the
bondholders, and even Bear, Stearns as they're
starting to get more involved, was I going to
subordinate my fee. And, in fact, some people even
said we don't want the Management Agreement to kick in
and, you know, I'm saying to myself I'm running the
company, they're putting up the money because I'm in
the company. They wouldn't have put up the money if I
wasn't in the company, but now what they want is the
best of all worlds, they want me to be in the company
and they want me to use whatever it is I have to make
this company successful, and yet they don't want to
pay me the management fee.

So they really started wanting the best
of both worlds and, again, that played a major role in
my own thought process ultimately to say let's just
buy the company and that way there is no management
fee, there is no deduction, they love the fact that I
own a hundred percent of the company as opposed to
nine percent of the company because the psychology is
that he's going to fight very hard for nine but
perhaps he'll fight even harder for a hundred, and

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Trump - By Chairman Read

They like that. And I can talk about a different kind
of financing, I can talk about putting up my own money
as opposed to, you know, as opposed to obviously not
being able to put up your own money, just having to
rely on a market which is close to nonexistent at this
moment in time.

Q So by the time you made your $15 a share
offer you pretty well abandoned the idea of the
Management Agreement being the way to go?

A It was becoming a very difficult situation
in terms of financing, in terms of lawsuits, in terms
of litigation. You saw the same lawsuits that I saw
because I guess copies were sent down and there were
so many different problems. And when even the lawyers
for the shareholders would say why don't you just buy
the company, and they would say that. And ultimately
they settled the lawsuits and they were satisfied.
These same vicious lawsuits they were willing to
settle, the same people that were ranting and raving
to you and to everybody else, they were willing to
settle the lawsuits. They wanted me to buy -- they
wanted me to buy the company.

I think one other thing came up that I
hadn't thought of as much as some of my people
Trump - By Chairman Read

initially, and that would be down the road there would always be more of this, and I started to see it, because it was really -- it was really during the end of the hearings that we were bombarded with lawsuits. I never realized how many lawyers there were. I never had a thing like this before. I'd like to ask, there was 19 lawsuits?

MR. STERNs: 14.

A 14? 14 lawsuits. You know, every day, boom, boom, boom, and this was towards the end of the hearing and beyond the hearing during this three-week period before the approval. And I started to realize that this is just one aspect. This is a management--

Q I'm sorry, I missed that. Between the end of the hearing and the three-week period--

A Well, there was close to a three-week period. We waited I think two weeks, two and a half weeks prior to the approval and then--

Q But the hearing finished on the 10th of December and you got your opinion on the 16th.

A I'm not sure exactly. There was a period of -- I thought it was a couple of weeks. How long was it?

MR. RIBIS: The 10th to the 16th.
Trump - By Chairman Read

A 10th to the 16th?

Q 10th to the 16th.

A Oh, okay. Sorry. Anyway, it seemed like longer.

The fact is that I was being bombarded with lawsuits and I started to realize that under these circumstances and having two other properties down there where I own a hundred percent of the properties, everything I ever do at the other properties, and I started to see it, I even started to hear it from lawyers on the other side where they're saying conflict and this and that, even though there would be no conflict.

Anything I did, if I had a fight, if I signed Mike Tyson to fight Spinks Resorts' shareholders will sue me why didn't I have it at the Taj Mahal, why did I have it at the Convention Hall, even though the Convention Hall holds more people. Everything I did would have been subject to lawsuits and conflicts and everything else. It was just a whole lot of reasons. It just seemed like a lot simpler solution.

Q So that you really pretty much abandoned the idea of going forward with the Management Agreement
once you made your offer to purchase the stock. If that's the case, why did you as of the 27th of January when we had the hearing on the reopening as to the Management Agreement resist the question of giving up any right to commissions or fees at the end of the ten-year period whether or not the Taj was completed or not?

A Well, I'll tell you, that was something that I didn't resist. I wasn't really involved in that initially, Mr. Freeman resisted, and that was because he didn't really speak to me. I had no problem with that.

Q That's come up now more than once in this hearing. All I can say is you are responsible for the representations of your representatives.

A I agree with that. I agree with that, but Mr. Freeman felt strongly about it, more strongly than I, and ultimately we did give that up.

Q With respect to the question I just raised I'd like to go back over something Commissioner Armstrong asked about, and that was with respect to the November hearing at the CRDA, there was a question about whether or not you had ever at any time authorized any sort of or an absolute payment toward
Trump - By Chairman Read

the inlet area provided the conceptual approval was
given for the work as outlined on the urban renewal
tract.

My understanding now is that you are
saying you had never authorized any such payment. I
think the figures she used were 20 to $40,000,000.
Let's take the lowest figure. Were you ever aware of
or authorize any such payment?

A  Not that I remember at all.

Q  Not that you remember at all?

A  I don't remember it at all. I'll go
stronger. I'll say I never authorized it.

Q  Are you aware that Mr. Glideman, Executive
Vice President, made that representation on your
behalf?

A  I am not.

Q  Mr. Miller I think was also there. He was
in the McGahn office. Was Mr. McGahn representing you
in that matter?

A  I believe he was.

Q  But you were not aware of those
representations?

A  I was not aware of it, sir.

Q  You did say, I think, in connection with Mr.
Trump - By Chairman Read

Vukcevich's cross-examination that you were, in fact, making the Taj a smaller building with the incorporation of Resorts by cutting casino space, by cutting the entire operation back. Can you explain that a little more fully? I didn't quite understand.

A Smaller in the sense of less casino space. The Taj would end up having 2,000 as opposed to the 1250, but it's smaller in the sense of the casino space, which is what I was referring to. It was going to have 40 or 60, I don't know, because they were talking about -- Resorts was originally talking about cutting back on the Taj casino, on the old Resort casino, plus a hundred. And what we did is made it 120 and closed the other casinos, so it's smaller in terms of the casino space.

Q But if I understand it correctly, your concept was really to make Resorts one part of the Taj so that they could pick up that additional room space and convention space and that sort of thing?

A Well, separate but a part of the Taj. Separate in the sense that it would be called Resorts International Hotel, it wouldn't be called the Taj Mahal. It's connected by a bridge. We'd like to use the restaurants and the other amenities that are
Trump - By Chairman Read

existing currently in the old Resorts for the Taj 
Mahal, but I wouldn't want to have the old Resorts be 
a part of the Taj Mahal in the sense of naming or 
identification. I'd like to have one be called 
Resorts International Hotel.

We want to fix it up, we want to make 
it really a beautiful hotel, and then I want to have 
the Taj Mahal be separate with the understanding that 
we're going to be using the rooms and the restaurants 
and the other amenities in the existing Resorts 
International Hotel.

Q With respect to the Housing Authority 
requirements under the agreement now entered into, 
you've indicated you wanted an Estoppel Agreement, yet 
I think I understood that your primary concern there 
was to know in advance that the expiration date of the 
wedding completion would have to be met on the Taj to 
avoid the problem of having the land forfeited back to 
the Housing Authority.

Is that the primary concern that you 
have with respect to that?

A Well, I would say it would have been my 
primary concern. Yes, the rescission aspect of it is 
my primary concern.
Trump - By Chairman Read

Q    Again, on Mr. Vukcevich's cross-examination
as to the Housing Authority agreement, initial
agreement, your indication was I can't tell you with
certainty since I haven't reviewed it myself.

Mr. Trump, I will remind you that on
June 10th we adjourned the hearing in connection with
your original acquisition of the Resorts stock from
the Crosby/Murphy combination until you had had an
opportunity to have that thoroughly reviewed by
yourself or by anybody on your behalf who could
explain it to you so you could be thoroughly satisfied
that you understood what that requirement was.

It's my understanding that in
connection with that hearing the representation was
made to this Commission that you had had an
opportunity to review it, and I think Mr. Freeman came
back and made that representation to us, that he had
reviewed it and had an opportunity to explain it to
you.

In view of that how can you tell us at
this time that you can't answer questions with
certainty because you're not familiar with that
agreement?

A    Well, I'd like to be as precise as I can
Trump - By Chairman Read

with you, sir, and if you're talking about the agreement, are you talking about the resolution?

Q I'm talking about the agreement that existed between Resorts and the Housing Authority that was in effect at the time of the June hearings.

A Mr. Freeman did explain it to me and I spoke with Mr. Donnelly and I have an understanding of it, but I'm not sure that anybody really understands it, including the people that drew it, because I'm not sure that anybody really understands what that agreement in the truest sense means.

Q If that's the case, Mr. Trump, I want Mr. Freeman on the stand at this time to explain his direct testimony at the time of that hearing.

A Okay.

CHAIRMAN READ: I have no further questions.

COMMISSIONER ARMSTRONG: Mr. Chairman, if I could ask one more question of Mr. Trump.

EXAMINATION BY COMMISSIONER ARMSTRONG:

Q Mr. Trump, being the Commissioner for Atlantic County you tend to hear things, rumors, et cetera. And I heard a rumor that I hope isn't true but I wanted to ask you about it, something to the
Trump - By Commissioner Armstrong

effect that Resorts has substantially stopped paying
its vendors, say within -- well, since approximately
Christmastime that there's been a substantial
withholding of payment to construction vendors and/or
goods or services vendors. Is there any truth to
that?

A There has been at Resorts a slowdown in the
payments to the vendors, yes, because of the fact that
the company is just not in a position to pay the
vendors in full until such time as this is resolved
and the financing is gotten. That's correct.

COMMISSIONER ARMSTRONG: Thank you.

CHAIRMAN READ: Mr. Zimmerman?

MR. ZIMMERMAN: No questions.

CHAIRMAN READ: Mr. Ribis?

MR. RIBIS: I having nothing else.

CHAIRMAN READ: Mr. Vukcevich?

MR. VUKCEVICH: I just have a few.

RECROSS-EXAMINATION BY MR. VUKCEVICH:

Q My understanding from the last hearing was
that as far as Resorts was concerned in terms of the
Management Agreement, that that was a ten-year
obligation and even if you were to be absent from the
Trump Organization that the Management Agreement would
Trump - Recross by Mr. Vukcevich

continue during the life of the continuing term.

A Correct.

Q Do you feel that you have any absolute right to termination of the agreement at any time or for any reason?

A Can I terminate the agreement?

Q Yes.

A I don't believe so without the appropriate asking of the independent directors or discussion with the independent directors or asking them, you know, to terminate it. I don't believe I would have a right to terminate them.

Q In view of the merger proposal has the Services Agreement been put -- in other words, has your performance under the Services Agreement been put in abeyance or are you still performing under the Services Agreement?

A Well, I am performing under the Services Agreement and I think I'm performing well under the Services Agreement. The Taj Mahal is I think for the first time the Taj Mahal we know exactly what we're building, when we're building it, and we're getting the costs to a point where I think at the end of a period of a year from now, let's say by March, the Taj
Trump - Recross by Mr. Vukcevich

Mahal will be opened and it will be very successful.

I mean, a lot of work is being done by us on this company to make this a great company. And I believe I'm working much harder than I even thought I had to, whether you call it under the Services Agreement or just because I'm doing it, but under the Services Agreement I'm working very hard.

I told you about working with the contractors, getting everything straightened out, hiring designers. We have new designers on the job, we have a lot of new people on the job, and the key, again, to Resorts is getting this building built and getting it built from a practical standpoint, getting it built aesthetically beautifully and in getting it open and getting it financed, and that's what this company is all about for the next year.

And I've been working very hard on that and I think that it's become -- I think it's becoming more and more clear to me that this is going to be successful.

MR. VUKCEVICH: I have no further questions.

CHAIRMAN READ: Any further questions from the Commission?
Freeman - Direct by Mr. Sterns

(No response.)

CHAIRMAN READ: Thank you, Mr. Trump.

THE WITNESS: Thank you, sir.

MR. STERNS: Mr. Chairman, we'll call Mr. Freeman.

(At which time Mr. Freeman took the stand.)

HARVEY FREEMAN, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. STERNS:

Q Mr. Freeman, what is your current position with regard to Resorts International?

A I am a director of the company.

Q And at the time that you appeared here in June of 1987, what was your position then in June of 1987?

A I'm not sure we had closed prior to then. I was an Executive Vice President of the Trump Organization and involved with Mr. Trump in his purchase of the Resorts shares.

Q And do you remember in June being asked to review and study the obligation of Resorts International under the Urban Renewal Agreement?

A I do.