

Armstrong

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION
WEDNESDAY, APRIL 22, 1987 - 10:30 a.m.

3131 PRINCETON PIKE - BUILDING NO. 5
LAWRENCEVILLE, NEW JERSEY

In Regard to the Matter of: x

APPLICATIONS OF TRUMP PLAZA : VOLUME II
ASSOCIATES FOR RENEWAL OF ITS : DECISION
PLENARY CASINO LICENSE AND :
SEASHORE FOUR ASSOCIATES FOR : PAGES 220 thru. 245
RENEWAL OF ITS CASINO SERVICE :
INDUSTRY LICENSE :

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B E F O R E:

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

ALSO PRESENT:

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

ON BEHALF OF THE COMMISSION STAFF:

- JOHN ZIMMERMAN - Legal
- JOYOTI FLEMING - Legal

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A P P E A R A N C E S:ON BEHALF OF THE DIVISION OF GAMING ENFORCEMENT:

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

ON BEHALF OF THE APPLICANTS:

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

-and-

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

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

MOTIONS:PAGE:

by Chairman Read:

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1 (All Five Commissioners present)

2 MS. BIACHE: next item is No. 26:

3 "Application of Trump Plaza

4 Associates for renewal of its casino license
5 and its casino hotel alcoholic beverage
6 license and application of Seashore Four
7 Associates for renewal of its casino service
8 industry license."

9 Mr. Zimmerman.

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

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

19 MR. RIBIS: I have no comments.

20 CHAIRMAN READ: Then it will be
21 received. I don't know whether that's
22 received a marking or not before, but I
23 certainly know I've seen it and reviewed it
24 and I'm sure all of the other Commissioners
25 have as well.

1 If that's the case, I think having
2 completed the matter the other day entirely,
3 as far as the presentation by the licensee
4 and the Division, the matter was concluded
5 at that time, I think we have all of the
6 materials available to us. I indicated that
7 I would take the occasion to review some of
8 the materials that I just received from that
9 day briefly before the hearing because I had
10 not had a chance to review them all at that
11 stage.

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

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

21 2. The obligation of counsel to
22 cooperate with the Division and the
23 Commission staffs to arrive at appropriate
24 procedures under which Donald Trump and any
25 of the entities which he controls will

1 investigate persons and entities with whom
2 they enter into continuing business
3 relations; that is, conduct an appropriate
4 due diligence search; and

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

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

12 Is there a second for that motion?

13 COMMISSIONER WATERS: Second.

14 CHAIRMAN READ: Discussion?

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

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

24 At the hearing last June, we were
25 presented with testimony concerning the

1 Trump organization's purchase of the Castle
2 facility from Hilton Hotels and,
3 specifically, the Trump organization's
4 acceptance of Hilton's obligations with
5 respect to road improvements in the Marina
6 district.

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

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

23 At last June's hearing, key
24 personnel of the Trump organization, namely,
25 Donald Trump, Robert Trump, and Harvey

1 Freeman, generally espoused the position
2 that, prior to the purchase of the hotel,
3 Hilton deprived them of information
4 necessary to judge the reasonableness of or
5 the probable cost of the road improvements.

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

15 The Commission was able to resolve
16 the road improvement issue last June by
17 ordering the licensee to seek permission
18 from CAFRA and the Department of
19 Transportation to make any modifications it
20 deemed appropriate to the proposed road
21 improvements. However, during the course of
22 the hearing, direct and sharp conflicts
23 arose between the testimony of Trump
24 officials, on the one hand, and three Hilton
25 attorneys, on the other.

1 More specifically, the conflicts
2 involved whether the road improvement plans
3 prepared by Wilbur Smith and Associates had
4 been delivered to Hilton attorneys by Trump
5 attorneys; and whether Hilton attorney Kevin
6 Coakley and Donald Trump had a conversation
7 in which Mr. Trump criticized the road
8 improvement plans; and whether, as a result
9 of the drafting process of the agreement of
10 sale of the hotel, the Trump organization
11 was aware of certain cost projections for
12 the road improvements.

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

20 In his testimony Mr. Trump denied
21 that such a conversation had occurred. Mr.
22 Trump's testimony was corroborated by the
23 testimony of Jonathan Bernstein and Gerald
24 Schragar, both of the law firm of Dreyer and
25 Traub.

1 Two other attorneys for Hilton,
2 Elizabeth Corey and Patrick McAuley,
3 supported Mr. Coakley's recollection of the
4 conversation.

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

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

17 When questioned about the plans,
18 Mr. Trump denied having ever seen them.
19 Again, Jonathan Bernstein and Gerald
20 Schragger corroborated Mr. Trump's testimony.

21 Another area of disputed testimony
22 involved the procedures used in drafting the
23 purchase and sale agreement. Specifically,
24 the dispute related to whether the Trump
25 attorneys knew of the potential costs of the

1 road improvement project and whether such
2 knowledge was conveyed to Mr. Trump. A
3 draft of the purchase and sale agreement
4 containing a cost estimate of \$11,700,000
5 was introduced into evidence last year as
6 Exhibit PA-29.

7 Mr. Trump denied having seen the
8 purchase and sale agreement. Again, his
9 testimony was corroborated by Mr. Bernstein
10 and Mr. Schrage.

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

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

21 I realize that the negotiations
22 between Trump and Hilton were hectic and
23 that the road improvements were not the
24 major focus of those negotiations. However,
25 the matter was negotiated and it clearly

1 represented a potentially major obligation
2 which the Trump organization was undertaking
3 in addition to the purchase of the hotel.
4 The Hilton attorneys had a clear
5 recollection of discussions with Donald
6 Trump concerning his objections to the
7 proposed improvements.

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

21 At the conclusion of the hearing, I
22 said that I was unable to vote to renew the
23 Castle license until the discrepancies in
24 the testimony were resolved. I also
25 recommended that the Division undertake a

1 complete investigation of the matter; and,
2 in fact, the Division undertook such an
3 investigation and filed a supplemental
4 report with the Commission.

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

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

23 In the supplemental report, the
24 Division revealed that it interviewed Hilton
25 attorney Kathleen Vyborny. Ms. Vyborny

1 informed the Division that a month or a
2 month and a half after the contract of sale
3 was signed, Kevin Coakley told her of his
4 conversation with Donald Trump concerning
5 the road improvement plans.

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

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

23 Trump attorney Jonathan Bernstein
24 acknowledged to the Division during this
25 investigation that he had made that

1 notation. Thus, the Division's
2 investigation clearly indicates that cost
3 information was available to the Trump
4 attorneys prior to the closing of the sale
5 of the hotel, and just as clearly indicates
6 that Mr. Bernstein's denial of last June
7 that he had such information is not
8 credible.

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

16 In fact, the Division concludes
17 that it did not discover any further
18 evidence to prove or disprove that a
19 conversation took place between Mr. Coakley
20 and Mr. Trump or prove or disprove that the
21 road improvement plans were delivered to the
22 Trump attorneys. Ultimately, the Division
23 concludes that there is no reason to
24 reconsider the finding by the Commission
25 that the Trump personnel who testified last

1 June are qualified.

2 I am, frankly, unable to understand
3 the Division's dismissal of evidence such as
4 Ms. Vyborny's statements and the annotated
5 copy of the agreement for the sale of the
6 hotel which clearly corroborates the
7 testimony of the Hilton attorneys. I am,
8 also, unable to understand the decision of
9 the licensee now before us to ignore the
10 Division's supplemental report and its
11 presentation of testimony and in its closing
12 arguement. The licensee has made no effort
13 to explain or refute any of the matters
14 raised in the Division's supplemental
15 report, and it has made no effort to
16 rehabilitate Mr. Bernstein or to even advise
17 us that the Trump organization will not use
18 his services in the future.

19 As I stated at last year's hearing,
20 the truth of the assertions made by the
21 Trump officials bore directly upon the
22 purpose and the intent of the Trump group
23 with respect to the road improvements at the
24 time of the purchase of the hotel and
25 through the ensuing year.

1 In addition, I noted that the
2 discrepancies called into question the
3 honesty and candor with which the Trump
4 group approached the hearing. The
5 Division's supplemental report and the
6 licensee's failure to meaningfully address
7 these issues at the hearing just completed,
8 only serve to deepen the concerns I
9 expressed last June.

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

15 In the absence of a straight-
16 forward, candid and credible presentation of
17 the Trump organization's position on the
18 issues I've been discussing, I cannot find
19 that Trump Plaza Associates has met its
20 burden in this regard.

21 As I stated last year, every week
22 this Commission denies licenses to people
23 who seek to work at every level in the
24 casino industry because they have withheld
25 information on disclosure forms or in

1 Division interviews. We routinely find such
2 individuals unfit for licensure because of
3 their refusal to treat the Commission with
4 candor and openness, even in cases where the
5 matter itself might not be cause for denial
6 of licensure. I do not see how we can apply
7 any less stringent a standard to key
8 personnel of the Trump organization.

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

12 I, therefore, cannot support the
13 motion.

14 CHAIRMAN READ: Further comment or
15 discussion?

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

23 Beyond that, I would like to just
24 note that in response to questions by his
25 counsel, by the Division and by members of

1 the Commission, Mr. Trump has made here a
2 serious and significant pledge to develop
3 housing in Atlantic City, which vigorated
4 similar comments he had made, at least as
5 reported in the press

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

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

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

24 When and how and by what government
25 agency or agencies of New Jersey that pledge

1 can and should be given specific definition,
2 is a matter for another time; and it awaits
3 the outcome of those other events. But, for
4 the moment, I think it reflects an
5 understanding that has either been made very
6 grudgingly, at best, by the casino industry
7 as a whole, or simply ignored by it; that it
8 is not enough for Atlantic City to be a
9 place to work, the city also has to be a
10 place to live. If that can't be achieved,
11 then this whole thing will be ultimately
12 fall of its own weight.

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

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

24 CHAIRMAN READ: I followed it.

25 Other comment or discussion?

1 Having moved to renew the casino
2 license, I nevertheless have certain
3 comments to offer concerning Donald Trump's
4 dealings in the stock of two of his
5 competitors in the Atlantic City casino
6 industry.

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

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

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

23 At this hearing, we have received
24 evidence that Trump Plaza Associates has
25 been doing these very things, and it has

1 been reaping concomitant financial rewards.
2 For this, I congratulate the licensee.

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

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

23 I am well aware that this
24 Commission approved the recapitalization,
25 finding that its affects on Holiday were not

1 so severe as to deprive the company of
2 financial stability or responsibility.
3 However, the fact remains that the
4 recapitalization fundamentally altered the
5 structure and asset base of Holiday, saddled
6 the company with an enormous debt burden,
7 and, at least in my view, was not
8 necessarily in the best interest of the
9 company or its shareholders.

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

24 In sum, Mr. Trump's activities
25 resulted in Holiday and Bally entering into

1 major transactions greatly increasing their
2 debt burdens and fundamentally altering
3 their business and financial structures.
4 The ultimate consequences for both companies
5 have yet to be seen.

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

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

21 I, of course have no desire to
22 stifle legitimate sales, such as the sale of
23 the Golden Nugget to Bally or the sale of
24 Resorts to Mr. Trump. I also realize that
25 casino licensees have the right to purchase

1 and sell securities of other companies.
2 However, there are certainly adequate
3 investment opportunities outside of the
4 Atlantic City casino industry. Investments
5 by licensees in other companies within that
6 industry are fraught with the potential to
7 take unfair advantage of the status which
8 licensure confers. Such investments also
9 carry with them the potential for disruptive
10 and possibly disabling changes within the
11 subject company, and the consequent
12 thwarting of the legislative goals of an
13 open, vibrant and competitive industry.

14 Finally, I must note that this
15 Commission has proposed an amendment to the
16 Casino Control Act which would create
17 interim casino authorizations as a mechanism
18 for unlicensed companies to enter the casino
19 industry. If enacted, that legislation
20 would greatly lessen the problems faced by
21 the casino enterprises, such as Resorts and
22 Elsinore, which are seeking buyers, and
23 would also create a more level playing field
24 as between licensed and unlicensed
25 competitors. However, under the Act as now

1 written, or as amended to include interim
2 authorizations, I believe that licensees
3 must show the utmost sensitivity in the
4 legislative policy of fostering vigorous
5 competition and must therefore avoid
6 investments in each other's stock for
7 purposes other than legitimate acquisitions.

8 Further comment?

9 If not, on the motion made and
10 seconded, those in favor?

11
12 (Chairman Read, Commissioners
13 Zeitz, Waters and Burdge voted in favor
14 of the motion.)

15 CHAIRMAN READ: Those opposed?

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17 (Chairman Armstrong voted
18 in opposition to the motion.)

19 CHAIRMAN READ: Motion carries four
20 to one.

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C E R T I F I C A T I O N

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


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

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

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

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

Dated: 4/22/83


GREGORY T. DIDONATO
 Certified Shorthand Reporter

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