



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF GAMING ENFORCEMENT

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April 7, 1987

Members of the Commission
Casino Control Commission
3131 Princeton Pike
Building #5, CN-208
Trenton, New Jersey 08625

Re: IN THE MATTER OF THE APPLICATION OF TRUMP PLAZA
ASSOCIATES, A NEW JERSEY GENERAL PARTNERSHIP, FOR THE
RENEWAL OF ITS CASINO LICENSE PURSUANT TO N.J.S.A.
5:12-88
Petition Reference No. 049703

Honorable Commissioners:

I. INTRODUCTION

By Resolution No. 86-285-b, effective May 16, 1986 and for a period of one year, the Casino Control Commission ("Commission" or "CCC") renewed the casino license of Harrah's Associates, a New Jersey general partnership composed of Harrah's Atlantic City, Inc., Donald J. Trump and Trump Boardwalk Realty Corporation, which partnership traded as the Trump Casino Hotel ("Harrah's-Trump"). Prior thereto, by virtue of the execution of a redemption agreement, Harrah's-Trump agreed to redeem the interest of Harrah's Atlantic City, Inc. in the partnership. See Infra. The closing of the transaction contemplated by that redemption agreement occurred on May 16, 1986, upon the Commission's approval of the redemption agreement during the course of the Harrah's-Trump license renewal proceeding. Thereafter, the reconstituted partnership,

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consisting of Donald J. Trump and Trump Boardwalk Realty Corporation, was renamed Trump Plaza Associates ("TPA"). As the casino licensee, TPA, on February 18, 1987, filed the above-captioned petition. That petition seeks a renewal of TPA's casino license for a one (1) year term commencing on May 16, 1987.

In accordance with N.J.S.A. 5:12-76, the Division of Gaming Enforcement ("Division") has maintained an ongoing investigation of the licensee and its affiliated entities in areas pertinent to their continued suitability and qualification for licensure. N.J.S.A. 5:12-76, 80. This report will apprise the Commission of the results of the Division's investigation and will summarize significant developments as concern TPA.

The within letter report does not address certain matters relating to the separate license renewal hearing concerning Trump Castle Associates t/a Trump's Castle Hotel and Casino ("TCA"). Such matters will be fully addressed in the Division's letter report to be filed with the Commission pursuant to that license renewal hearing, which hearing is presently scheduled to commence on May 28, 1987. That report will thus include any developments which have occurred regarding TCA's obligations with respect to roadway improvements in the Marina area of Atlantic City, New Jersey. However, it should be noted that the Division filed a supplemental report with the Commission on December 30, 1986, regarding certain factual disputes which arose during TCA's 1986 license renewal hearing concerning those obligations. The Division recognizes that its supplemental

report, as concerns those factual disputes, may have relevance to the instant license renewal proceeding. Accordingly, it is the intention of the Division to offer that report, which report is incorporated herein, into evidence at TPA's license renewal proceeding.¹

II. GENERAL INFORMATION

A. Entities

1. Trump Plaza Associates

TPA, a New Jersey general partnership, t/a Trump Plaza Hotel and Casino, is composed of two (2) general partners, Donald J. Trump with 99.99% ownership and Trump Boardwalk Realty Corporation with .01% ownership therein. Trump Boardwalk Realty Corporation's sole shareholder, Donald J. Trump ("Trump"), is one of four members of the Executive Committee of the partnership. The three other members of the Executive Committee of TPA, which is responsible for making all decisions affecting the business and affairs of the partnership, are Ivana Trump, Robert S. Trump and Harvey I. Freeman. The Trump Plaza Hotel

1 A primary focus of the Division's investigation was to determine the identity of individuals whose testimony would aid in a resolution of the factual disputes. In addition, the Division sought the existence of any documents which might corroborate or contradict those disputed facts. The Division's investigation did not develop information which would resolve the extant factual controversy any differently than was determined by the Commission on the basis of the record established at the 1986 casino license renewal hearing of TCA. The Division, in its letter report, therefore concluded that there exists no necessity for the Commission to disturb its decision to renew the casino license of TCA.

and Casino facility is located at Mississippi Avenue and Boardwalk, Atlantic City, New Jersey.

i) The Redemption of the Interest of
Harrah's Atlantic City, Inc. in the Partnership

Prior to May 16, 1986, Harrah's Associates, a casino licensee and a New Jersey general partnership trading as the Trump Casino Hotel ("Harrah's-Trump"), was composed of Trump Boardwalk Realty Corporation ("TBRC"), Trump and Harrah's Atlantic City, Inc. ("HAC"). Harrah's-Trump was deemed by the Commission to be a subsidiary of holding company TBRC with .01% ownership, Trump with 49.99% ownership and holding company HAC with 50% ownership.

HAC is a wholly owned subsidiary of Holiday Inns, Inc. ("HII"), which itself is a wholly owned subsidiary of Holiday Corporation ("Holiday"). HAC, prior to May 16, 1986, was a partner in both Harrah's-Trump and Marina Associates ("Marina"), a partnership between Harrah's New Jersey, Inc. and HAC, which operates the Harrah's Marina Hotel Casino. HAC, through a joint service structure, was utilized to provide support services to both the Marina and Atlantic City Trump Casino Hotel facilities. Due to the organizational structure utilized by Harrah's-Trump and Marina, HAC was required by the Commission to hold a casino license pursuant to N.J.S.A. 5:12-82(b)(4) (See Resolution No. 84-214), and was issued a junket enterprise license pursuant to N.J.S.A. 5:12-102 (See Resolution No. 84-315), in addition to qualifying as a holding company of both Harrah's-Trump and Marina.

By redemption agreement dated March 11, 1986, between and among Harrah's-Trump, HAC, Trump, TBRC and Seashore Four Associates ("SFA"), HAC in consideration for \$73,000,000 agreed among other things to retire from Harrah's-Trump and SFA.² That agreement, effective at the time of closing on the transaction, provided that Harrah's-Trump and SFA would redeem from HAC, HAC's entire interest in Harrah's-Trump, SFA and certain other assets.³ The plan of redemption further contemplated Trump's transfer of .01% of his interest in Harrah's-Trump and SFA to TBRC, and for the admission of TBRC to Harrah's-Trump and SFA. On April 2, 1986 these transfers were approved by the Commission.

By Resolution No. 86-285-b, effective May 16, 1986 and for a period of one year, the Commission renewed the casino license of Harrah's-Trump. Also on that date, upon the Commission's approval of the redemption agreement (during the course of the license renewal proceeding of Harrah's-Trump), the closing on

2 The \$73,000,000, as set forth in the redemption agreement, was to be paid as follows: \$50,000,000 in cash and a note in the amount of \$23,000,000. The amount of the note was subject to reduction by two-thirds of any cash distribution made to HAC from cash-on-hand at closing (the amount of which was to be determined by a complex formula set forth in paragraph 3B of the redemption agreement). The note was to be for a term of seven years, at an interest rate of 10% and to be personally guaranteed by Trump.

3 SFA, as lessor, currently leases a portion of the land underlying the Trump Plaza Hotel and Casino. SFA, a New Jersey general partnership, was formed on October 31, 1983. Trump and HAC, at that time, each held an undivided 50% interest in SFA. On May 9, 1984, SFA was issued a non-gaming related casino service industry license.

the transaction contemplated by that redemption agreement occurred. HAC received \$50,000,000 cash and a note for \$17,184,000, which note amount represented the \$23,000,000 agreed upon less two-thirds of the \$8,724,000 cash-on-hand distribution made to HAC at the time of closing. By virtue of the effectuation of the redemption, the Harrah's-Trump partnership was reconstituted to be composed of Trump with 99.99% ownership and TBRC with .01% ownership. Similarly, SFA was reconstituted to be composed of Trump with 99.99% ownership and TBRC with .01% ownership. Trump, as a result of the redemption of HAC's interest in Harrah's-Trump and SFA, obtained beneficial ownership of 100% of the interests in Harrah's-Trump and SFA through his general partnership interest in Harrah's-Trump and as sole shareholder of TBRC. Also on May 16, 1986, the Harrah's-Trump partnership was renamed Trump Plaza Associates ("TPA").

On January 20, 1987, Trump, TBRC, TPA and HAC entered into an adjustment agreement to the March 11, 1986 redemption agreement. That adjustment agreement was contemplated by the original redemption agreement, which required that certain post-closing adjustments be made based upon the preparation of a closing balance sheet. Pursuant thereto, the adjustment agreement provided that the cash-on-hand distribution (\$8,724,000) made to HAC at closing be increased \$363,000 to \$9,087,000. Accordingly, the principal balance of the original note (\$17,184,000) was adjusted to \$16,942,000. Additionally, as contemplated by the redemption agreement, a computation of

closing accounts receivable and closing accounts payable reflected that TPA was due \$548,980 from HAC. At the time of the execution of the adjustment agreement (January 20, 1987), HAC therefore provided TPA a check in the amount of \$236,980, representing the \$548,980 due TPA as a result of the computation of closing accounts receivable and closing accounts payable, less the \$363,000 increase of the cash-on-hand amount due HAC from TPA, plus \$51,000 determined to be due TPA as an intercompany payment.

2. Trump Boardwalk Realty Corporation

TBRC was incorporated on January 28, 1986 under the laws of the State of New Jersey. The corporation's sole stock shareholder and director is Trump. TBRC was formed for the purpose of acquiring from Trump a .01% general partnership interest in Harrah's-Trump, the transfer of which interest was intended as part of the plan of redemption. Following the April 2, 1986 approval by the Commission of that transfer in interest and the admission of TBRC to the Harrah's-Trump partnership, the transfer was effectuated and the partnership thus consisted of HAC, Trump and TBRC. As of the closing on the redemption agreement (May 16, 1986), the partnership consisted of Trump and TBRC. Aside from its acquiring and holding a .01% general partnership interest in TPA, TBRC does no other business.

3. Trump Plaza Funding, Inc.

Trump Plaza Funding, Inc. ("TPF") was incorporated on March 14, 1986 under the laws of the State of New Jersey. Since Trump and TBRC each hold 50% of the 200 shares of TPF stock issued and outstanding, Trump is the beneficial owner of 100% of that stock. The corporation was formed for the purpose of issuing \$250,000,000 in first mortgage bonds to the public and loaning the net proceeds of the said bonds to TPA, primarily in connection with the financing of the redemption of HAC's interest in Harrah's-Trump and improvements to be made to the casino hotel facility. In connection with this financing, on or about April 1, 1986, Trump filed a petition (PRN 092602) with the Commission for a declaratory ruling that the purchasers of the bonds are waivable qualifiers under the Act. On May 16, 1986, upon a ruling by the Commission (during the course of the license renewal proceeding of Harrah's-Trump) that the purchasers of the bonds would in fact be waivable qualifiers under the applicable sections of the Act, the closing on the mortgage bond transaction took place.

The underwriter of the bond issue was Bear, Stearns and Company Inc. ("Bear Stearns" or "underwriter"). The mortgage bonds, in the principal amount of \$250,000,000 were issued under an indenture (dated May 16, 1986) between TPF as "issuer", TPA as "guarantor" and First Fidelity Bank, National Association, New Jersey ("First Fidelity") as "trustee". Those mortgage bonds carry an interest rate of $12\frac{7}{8}\%$, are due June 15, 1998

and bear interest from May 16, 1986, payable semi-annually on June 15 and December 15. The bonds are subject to redemption in part on June 15, 1991, and on June 15 of each year thereafter, by operation of a sinking fund provision set forth in the indenture. That sinking fund provision authorizes TPF to make sinking fund payments sufficient to retire 10% of the principal amount of the bonds commencing June 15, 1991, which payments are calculated to retire 70% of the mortgage bonds prior to maturity. The mortgage bonds are secured by TPF's May 16, 1986 assignment to First Fidelity of TPA's note to TPF in the principal amount of \$250,000,000 and by a mortgage on the Trump Plaza Hotel and Casino and virtually all of the other assets of TPA.

The manner in which the proceeds from the sale of the mortgage bonds was distributed is set forth in a May 16, 1986 letter from TPA and TPF to Bear Stearns. That letter authorized and directed Bear Stearns to disburse the proceeds as follows:

- i) \$152,583,298.43 to Midlantic National Bank, representing repayment of the amount outstanding under an existing mortgage loan arranged by HAC, and guaranteed by HC, to fund part of the construction and opening costs of the casino hotel;
- ii) \$50,000,000 to HAC, representing the cash portion of the amount paid to HAC under the redemption agreement; and
- iii) the balance, less the underwriters discount of \$6,250,000, to TPA's account at Manufacturer's Hanover Trust Company, New York, New York, representing funds to be utilized by TPA in connection with the completion of a new parking garage at the casino hotel and as working capital for the partnership.

The renewal applicants, that is, TPA, TBRC and TPF, have submitted the necessary Business Entity Disclosure Forms. The Division has reviewed the information set forth therein and, based upon its continuing investigation, has not ascertained any derogatory information except as presented to the the Commission herein and in related reports.

B. Individual Qualifiers

Approximately thirteen (13) individuals are required to qualify to the standards applicable to a casino key employee, as required by N.J.S.A. 5:12-85(c), (d), and (e) with regard to TPA, TBRC and TPF. Those thirteen (13) qualifiers and their respective positions are set forth on the attached "natural person qualifiers" list (Exhibit "A"), incorporated herein, which was compiled by E. Dennis Kell of the Commission staff. The Division has reviewed the information contained in that list and is in agreement therewith. The Division calls the attention of the Commission to the following additions to the licensee's qualifier list, as compared with that applicable at its last renewal: 1) Jonathan A. Benanav (TPA, Vice President, Hotel Operations); 2) Mark G. Etes (TPA, Executive Vice President); 3) Stephen F. Hyde (TPA, President and Chief Operating Officer; TBRC, Vice President); 4) Lee C. Johnson (TPA, Vice President, Finance); 5) Jay Kramer (TPA, Member of Audit Committee), who is pending qualification; 6) Nicholas F. Moles (TPA, General Counsel); 7) John O'Donnell (TPA, Vice President, Marketing);

8) Ivana Trump (TPA, Member of Executive Committee); 9) James Tuthill (TPA, Vice President, Casino Manager); and 10) James R. White (TPA, Member of Audit Committee).

All of the above-listed individual qualifiers, with the exception of Jay Kramer, have been previously qualified by the Commission. It should be noted that the Division has previously filed an initial qualifier report with respect to Jay Kramer and expects to file its final report in the immediate future. Except for Trump, Robert S. Trump and Harvey I. Freeman, all individuals required to qualify with regard to the renewal applications of TPA, TBRC and TPF, have submitted personal history disclosure forms.⁴ The Division has reviewed the information set forth in those available filings, and based upon its continuing investigation, has not ascertained any matters which would impact negatively upon the re-qualification of these individuals.

4 By letter dated January 30, 1987, the Division formally requested personal history disclosure form updates from Harvey I. Freeman and Robert S. Trump. On March 27, 1987, following the March 24, 1987 "first prehearing conference" reference the license renewal proceeding of TPA, the Commission issued an Order which includes a requirement that, by April 7, 1987, completed personal history disclosure form updates for Trump, Robert S. Trump and Harvey I. Freeman be filed with the Commission. As of the date of the within letter report, those personal history disclosure updates have not been received by the Division. Upon receipt, those documents will be reviewed by the Division and, should any information therein impact negatively upon the re-qualification of these individuals, a supplemental letter report will be filed with the Commission.

C. Financial Sources

Pertinent to the renewal investigation of TPA, E. Dennis Kell of the Commission staff has identified ten (10) individuals or entities as financial sources, N.J.S.A. 5:12-84(b). These individuals or entities and a description of their interest are set forth on the attached list designated as "Exhibit B". The Division calls to the attention of the Commission the following additions to the licensee's financial source list, as compared with that applicable at its last renewal: 1) Trump Plaza Funding, Inc. and First Fidelity Bank, N.A., New Jersey, trustee (mortgage loan secured by approved hotel building and partnership assets); 2) Adeline Bordonaro (mortgage secured by portion of bus terminal site); 3) HAC (promissory note); and 4) First Pennsylvania Bank, N.A., Trustee, and Union Planters National Bank of Memphis (letter of credit), collectively hereinafter "FPB/UPB", as holding the note in connection with the sale of certain land by SSG Enterprises to SFA.

All financial sources of TPA, with the exception of Adeline Bordonaro and FPB/UPB, have been approved by the Commission. Based upon its continuing investigation, the Division has not ascertained any derogatory information with regard to these financial sources. As concerns Adeline Bordonaro and FPB/UPB, the Division has commenced an investigation concerning their suitability as financial sources of TPA and will make every

effort to file its report with the Commission in the immediate future.

D. OTHER REPORTS

The Division has been conducting a review of various matters pertinent to the TPA's casino hotel operations, and on March 23, 1987 filed a separate operational review therein with the Commission. Relative to that report, which report is incorporated herein, the Division reviewed twelve (12) areas relating to TPA's casino operations. Each area was reviewed for compliance with the Casino Control Act, the regulations promulgated thereunder, the certificate of operation, and the licensee's internal submissions. The Division, in connection with the filing of that report, also reviewed all operational modifications effected since the previous Division operational report of April 9, 1986 and the effectiveness of TPA in correcting deficiencies noted in that prior report.

The Division's March 23, 1987 operational report concluded that TPA's casino operations are in general compliance with the requirements of the Act and regulations promulgated thereunder. In fact, the Division's report states that "in its first year of operation under the Trump Organization, TPA has demonstrated one of the best compliance records in the industry". The Division noted therein that TPA has affirmatively demonstrated its business ability and casino experience pursuant to N.J.S.A. 5:12-84(d).

In its report, however, the Division requested that the following conditions be adopted by the Commission relative to TPA's certificate of operation or casino license:

- 1) That Plaza submit by no later than May 15, 1987 revised slot machine preventive maintenance procedures to assure that each slot machine on the casino floor is fully inspected at least once a year;
- 2) That the licensee develop a more effective system of identifying slot machines requiring meter adjustments and that consistent procedures be developed for implementing said adjustments;
- 3) That all cash cage payouts be supported by documentation;
- 4) That Plaza implement modifications to its CCTV system as it relates to the count room and Coin Redemption Booths A, B, and C by no later than May 1, 1987; and
- 5) That Plaza institute a regular program for the inspection of its mantrap and maintain a log of all such said inspections including time and date inspected, whether fully operational or specific notation of any deficiencies, and date of repair. Moreover, the Division requested that Plaza designate a security supervisor to be responsible for such inspections and reporting requirements.

In addition, specific areas of operations requiring action by TPA are delineated on the "Outstanding Issues and Recommendations" section of the Division's operational report. Those recommendations, as are the above listed requested conditions, are incorporated herein by reference.

III. DEVELOPMENTS

A. TPA's Expansion Projects

1. TPA's Parking Garage and Transportation Center

On April 25, 1986, TPA, as owner, and Meehan-Weinmann, Inc., as construction manager, entered into an agreement which concerns the development of land situated across Pacific Avenue from the Trump Plaza Hotel and Casino. That agreement called for the construction of a parking garage and transportation center of approximately 1,047,000 square feet of gross building area containing 2,780 parking spaces, offices and an elevated pedestrian bridge (walkway) from the parking garage over and across Pacific Avenue to the Trump Plaza Hotel and Casino. The construction committee for this project presently consists of Robert S. Trump, Harvey I. Freeman and Stephen Hyde. The owner's representative (construction manager) for the project, who reports to the construction committee, is Mr. Thomas P. Pippett.⁵ The projected completion date for the parking garage

5 Thomas P. Pippett, Inc., whose principal is Thomas P. Pippett, is being investigated by the Division as an applicant for a casino service industry license, pursuant to N.J.S.A. 5:12-92c. During the course of the Division's investigation, it was determined that Mr. Pippett did hold himself out as being a vice president of Construction for the Trump Organization. As part of the Division's investigation, Trump was questioned about this. Although aware that Mr. Pippett may do so, Trump stated that Pippett was not told or requested to do so by anyone on his behalf. Trump advised that Pippett is an independent contractor and is not an employee of the Trump Organization. Trump stated that Pippett's holding himself out as a vice president does not bother him and that it probably helps Mr. Pippett to be more effective in getting things accomplished on the job site.

and transportation center is June 1, 1987.

It should be noted that the Division, as part of its continuing investigation, monitored a lease arrangement which TBRC as tenant entered into with Boardwalk Properties, Inc. ("BPI"), a New Jersey corporation and wholly owned subsidiary of Penthouse International Ltd., as landlord. The subject of that lease, entered into and effective on August 15, 1986, was a parking lot located under the existing steel grid work at the proposed Penthouse Casino Hotel site, situated across Columbia Place from the Trump Plaza Hotel and Casino. The purpose for TBRC's entering into the lease was to provide additional temporary parking for patrons of the Trump Plaza Hotel and Casino, pending completion of the described parking garage and transportation center. That lease was initially for a period of 60 days, followed by a month-to-month term. The fee paid by TBRC, under the lease agreement, was \$30,000 per month.

Upon learning of the lease agreement, the Division took the position that BPI would be required to file with the Commission an application for licensure as a casino service industry pursuant to N.J.S.A. 5:12-92c. In letters to BPI dated September 9, 1986 and October 23, 1986, the Commission also took that position. On or about December 11, 1986, without having made such application to the Commission, BPI caused to be served upon TBRC a notice of termination as concerns the lease agreement. That notice of termination, which was allowed for under the terms of the lease agreement, set forth that the termination of the lease would be effective February 10, 1986.

The lease was actually terminated effective February 17, 1987, as the result of BPI's tolling of the notice of termination for a seven-day period.

2. TPA's Acquisition of Land through
Nagoya Holding Corp.

On October 8, 1986, the Nagoya Holding Corp. ("Nagoya") was formed under the laws of the State of New Jersey. Nagoya's sole stockholder is TPA. The corporation was formed for the primary purpose of acquiring, on behalf of TPA, property on Atlantic Avenue and adjacent to the above-described parking garage and transportation center. The Division has determined that TPA chose to purchase that land through Nagoya due to TPA's concern that the property owners might inflate their selling price if cognizant that an Atlantic City casino hotel facility was interested in purchasing same.

Between December 1, 1986 and December 29, 1986, Nagoya entered into four agreements on behalf of TPA. On December 1, 1986, Nagoya entered into an agreement with the R.C. Maxwell Company of Trenton, New Jersey, for a roof lease to be utilized for a display. That lease, which commenced on December 8, 1986, is for a three (3) year term and carries an annual rental fee of \$6,500 or 35% of the gross income, if any, generated by the roof display. More significantly, the additional agreements which Nagoya has entered into, at a total cost of approximately \$1,717,900, concern the purchase or lease of properties located on the 2200 block of Atlantic Avenue, Atlantic City, New Jersey. Those properties are adjacent to TPA's parking garage and transportation center, currently under construction. The

Division has learned that TPA proposes to demolish those acquired properties for possible use as additional surface parking and, since the property serves as an approach to the Trump Plaza hotel and casino facility, landscaping purposes.⁶

3. TPA's Renovation Project

TPA has additionally proposed a \$40,000,000 renovation and beautification project which would include murals, stores and a "central park" theme at street level. The proposed project includes a new bar and lounge on an upper floor of the casino, as well as the creation of new luxury suites therein. TPA obtained approval from the Atlantic City Zoning Board for this project on January 8, 1987.

The Division will continue to monitor events related to the construction of TPA's parking garage and transportation center, the properties acquired through Nagoya, and events related to the described renovation. The Division will report to the Commission on any significant matters concerning same, as well as on any significant matters which may arise upon completion and actual operation of each of those projects.

6 In view of the activities of Nagoya, as set forth herein, it may be appropriate for Nagoya to make application for a casino service industry license, pursuant to N.J.S.A. 5:12-92c.

B. TPA's Audit Committee

At the public meeting held on September 3, 1986, the Commission considered the petition of TCA requesting permission to constitute its audit committee of Harvey I. Freeman, Jay Kramer and James R. White (PRN 197603). That petition was filed pursuant to TCA's license condition (Resolution #84-461) number fifty-nine (59), entitled "Composition of Audit Committee", which required TCA to have an audit committee composed of three (3) members acceptable to the Commission, two of whom were to be independent of management. During the course of the Commission's consideration of that petition Nicholas L. Ribis, Esq., counsel for TCA and TPA, represented that a petition would be filed on behalf of TPA requesting permission to constitute that licensee's audit committee. As opposed to TCA, it should be noted that there was no license condition imposed upon TPA requiring it to constitute an audit committee.

TPA, on or about October 2, 1986, filed with the Commission a petition (PRN 275604) requesting permission to constitute an audit committee of Harvey I. Freeman, Jay Kramer and James R. White. By letter report dated December 1, 1986, the Division replied to the relief sought in TPA's petition. At the public meeting held on December 3, 1986, and by Order dated December 9, 1986, the Commission granted the relief requested in petition PRN 275604. Pursuant to that grant of relief, both Messrs. Kramer and White were permitted to perform the duties and exercise the powers of independent members of TPA's audit

committee for a 90 day period, subject to certain conditions, or until March 3, 1987.

On or about February 9, 1987 the Division filed a letter report with the Commission concerning the qualification of Mr. White to the standards applicable to a casino key employee, other than residency, as a member of the audit committee of TPA. At the public meeting held on February 25, 1987, and by Order dated March 16, 1987, the Commission determined Mr. White to be individually qualified for approval, but for residence, as a casino key employee and, further, that Mr. White was independent of management.⁷

On February 19, 1987, TPA filed a petition (PRN 050701) with the Commission requesting permission that Mr. Kramer be allowed to continue to perform the duties and exercise the powers of an independent member of TPA's audit committee beyond March 3, 1987, to May 16, 1987. By letter report dated February 25, 1987, the Division replied to the relief sought in TPA's petition. The Division noted that it was in the process of conducting an investigation of Mr. Kramer to determine his qualifications to serve as an independent member of the audit committee of TPA. As the Division's investigation failed to

7 It should be noted that the audit committee of TCA, as does that of TPA, consists of Harvey I. Freeman, Jay Kramer and James R. White. At the time the Commission considered the petitions described herein, it also addressed issues concerning TCA's audit committee. The Division's letter report, to be filed with the Commission pursuant to the license renewal hearing of TCA, will specifically address that licensee's audit committee.

discover any information which reflected negatively upon the qualification of Mr. Kramer, the Division did not interpose an objection to the relief sought in petition PRN 050701. As noted above, the Division expects to file its final report as to Mr. Kramer in the immediate future.

C. TPA's Retirement Savings Plan

TCA, on or about July 22, 1986, filed a petition (PRN 203605) with the Commission seeking a declaratory ruling that the adoption of a retirement savings plan entitled Trump's Castle Hotel and Casino Retirement Savings Plan ("Plan") is not subject to the provisions of N.J.S.A. 5:12-104a(1) and (3) or, alternatively, for approval of the Plan pursuant to N.J.S.A. 5:12-104a(3). In support of the petition, TCA submitted a draft copy of the Plan and a copy of the corresponding trust agreement. A review of that draft Plan indicated the Plan was intended to function as a retirement savings plan qualified under Section 401(K) of the Internal Revenue Code of 1954, as amended.

On September 22, 1986, the Division filed its letter report with the Commission. Therein, the Division took the position that, subject to the imposition upon TCA of certain conditions, it would not oppose a Commission ruling that the adoption of the Plan by TCA is not subject to the provisions of N.J.S.A. 5:12-104a(1). For reasons set forth in its letter report, the Division noted that, assuming the Commission determined that the

Plan and trust agreement were within the provisions of N.J.S.A. 5:12-104a(1), the Division would (subject to the imposition upon TCA of certain conditions) not object to the approval of the Plan under the provisions of N.J.S.A. 5:12-104a(3).

By letter (PRN 293601) dated October 17, 1986, TPA requested that it be permitted to join in petition PRN 203605, as filed by TCA. In support of its request, TPA provided the Commission and the Division with draft copies of the Trump Plaza Hotel and Casino Retirement Savings Plan and corresponding Trust Agreement. The Division, having reviewed the plan and trust agreements provided, found them to be identical to those proposed by TCA. Thus, by letter report to the Commission dated October 24, 1986, the Division noted that it would have no objection to a Commission ruling to permit TPA to join in PRN 203605. In its letter report, the Division requested that the Commission consider the Division's letter report, submitted in response to PRN 203605 and dated September 22, 1986, as being equally applicable to the plan and trust proposed by TPA.

The Commission, at its public hearing on February 18, 1987, considered TCA's petition PRN 203605, which petition was joined by TPA (PRN 293601). At that time, the Commission issued a declaratory ruling that the respective and then finalized retirement savings plans of TPA and TCA were not subject to the provisions of N.J.S.A. 5:12-104a(1), subject to certain conditions.

D. TPA's "Me Too" Agreement
With Union Local 54

On August 13, 1986, after the withdrawal of TPA from the

Atlantic City Casino Association, TPA entered into an agreement (the "me too" agreement) with the Hotel Restaurant Employees and Bartenders International Union, Local 54 ("Local 54").⁸ The agreement provided that the collective bargaining agreement then in effect between the parties would remain in effect while Local 54 engaged in negotiations for improvements thereto with other hotel casino employers. At the time that Local 54 was successful in concluding new contracts with those other hotel casino employers, the agreement provided that TPA would agree to and adopt such contracts as improvements and changes to the existing collective bargaining agreement.

The primary purpose of TPA's entering into the "me too" agreement was to avert a perceived work stoppage, as concerned TPA's approximate 1200 employees who were members of Local 54 at that time. A work stoppage was deemed a possibility because Local 54 was negotiating new contracts with the Atlantic City Casino Hotels as certain existing contracts were due to expire on or about September 15, 1986. By entering into the "me too" agreement, TPA in effect relinquished its bargaining power in exchange for the promise of Local 54 that TPA's facility would not be part of any such strike. As a result of TPA's entering into the agreement with Local 54, the subsequent strike by

8 It should be noted that TCA, also on August 13, 1986, entered into an identical "me too" agreement with Local 54. That agreement will be specifically addressed within the Division's letter report to be filed pursuant to the license renewal proceeding regarding TCA.

members of Local 54 had little if any direct disruptive effect on the operations of TPA.

E. The 1983 Harrah's-Trump Variance Request to
The Atlantic City Zoning Board

The Division, as part of its continuing investigation, commenced an inquiry related to certain statements made by John Allan, former Executive Vice President of Harrah's East, during the course of the taking of a sworn statement on October 17, 1986. Those statements relate to an alleged offer made to Allan by Frank Gerace, former president of Local 54.⁹ More specifically, Gerace purportedly told Allan that an individual

9 Pursuant to Section 93(a) of the Act, Local 54 filed an annual registration statement with the Commission. Thereafter, on May 11, 1982, the Division submitted a letter report to the Commission in which it urged that Section 93 sanctions be imposed against several union members, including Frank Gerace. The Division took the position that Gerace was disqualified under Section 86(f) of the Act by reason of his association with certain career offenders or career offender cartel members, including one Nicodemo Scarfo. On September 28, 1982, after conducting hearings regarding that matter, the Commission issued a determination in which it found Gerace disqualified under Section 86(f) of the Act. Frank Gerace, as well as other parties adversely affected by the Commission's ruling, filed an appeal with the Superior Court of New Jersey, Appellate Division. The Appellate Division, in affirming the Commission's decision, held in part that the evidence supported the Commission's finding that Frank Gerace was associated with a "career offender" (Nicodemo Scarfo) and that the continued participation of Gerace in the casino industry created an unacceptable risk of corruption, thus warranting Gerace's disqualification. See: In the Matter of the Hotel and Restaurant Employees and Bartenders International Union Local 54, 203 N.J. Super. 297 (App. Div. 1985), certif. den. 102 N.J. 352 (1985).

named "Mo" was on the Atlantic City Zoning or Planning Board and that, if Mo could ever help on the zoning board, Allan should telephone Gerace. Allan further recalled Gerace identifying "Mo" as working for Local 54 as a bus driver. Division investigation revealed that an individual named Morris Reitzler was formerly a member of the Atlantic City Zoning Board ("zoning board").

Allan additionally stated to the Division that, although he never advised Robert S. Trump of his purported conversation with Gerace, he subsequently received a telephone call from Robert Trump relative to the zoning board. Allan related that Robert Trump's telephone call concerned an application for a variance on the signing of the roof of what was then the "Harrah's Trump Plaza" casino.¹⁰ According to Allan, Robert Trump, after advising Allan that "...we have a listing of who's the pros and the cons of this and we need everybody in attendance", asked Allan to call Gerace "...because apparently there's a problem with whoever works for Gerace coming to the meeting because of a scheduling problem." Allan described that list as an outline of the feeling on how each board member would vote, based upon their respective actions on past matters. Thereafter, according to Allan, Allan called Gerace and said "...I'm calling at the

10 That application, more specifically, and as is relevant here, sought variances concerning the design and size (square foot) of the signs to appear on the casino hotel facilities exterior.

behest of Robert Trump and I understand there's a scheduling problem with Mo," or whatever his name is, "and can he be freed up to go to the meeting." Gerace, according to Allan, responded that he [Gerace] would try to insure that he [Mo] was at the meeting. As his conversation with Gerace merely related to the attendance of that individual at the zoning board meeting, Allan did not feel that there was any impropriety concerning this matter.

Pursuant to its investigation, the Division determined that the zoning board meeting in question occurred on November 10, 1983. That meeting was attended by seven members of the zoning board, including Morris Reitzler. At that meeting, as set forth in the minutes of that meeting, the zoning board considered a request for approval of an exterior signage package, together with all necessary variances (15), for the then Harrah's-Trump casino hotel. At that meeting several persons, including Robert Trump, provided testimony. Additionally, an October 27, 1983 Atlantic City Department of Planning and Development Report ("planning department") was read into the record. That report supported certain of the requested variances regarding the placement and number of the proposed signs, but concluded (in part) that the planning department could not embrace the signage program in that the large size of the signs represented a great deviation from established acceptable parameters. The application for the 15 variances passed 7 to 0, subject to a 10% reduction in size of two of the proposed signs. The zoning board determined that special reasons existed for the grant of

the variance application as follows: 1) "the premises [that is, the casino hotel facility] are in the central business area of the City [Atlantic City, New Jersey] and as such need a substantial signage program in order to attract both pedestrian and vehicular traffic"; and 2) "the proposed structure is completely surrounded by the Playboy Hotel and Casino, Atlantic City Convention Hall, and the proposed Penthouse Casino project, therefore necessitating the signage program as proposed. "See Resolution of Findings and Conclusions, Board of Adjustment of Atlantic City, Resolution #43 of 1983."

In a memorandum dated May 7, 1984, which related to a new variance request concerning signage by Harrah's-Trump, the planning department made reference to its October 27, 1983 report and to the zoning board's decision of November 10, 1983. That planning department memorandum, although noting that it had supported several of the previously requested and approved variances because the proposed signs were generally consistent with existing hotel/casino signage, stated that it was the planning department's "considered opinion that the requested variances to allow an increase in permitted aggregate square footage should not have been granted" at the November 10, 1983 zoning board meeting.

On August 13, 1986, Robert S. Trump telephoned the Division and volunteered that he had been interviewed by an agent with the Federal Bureau of Investigation concerning an investigation it was conducting into Local 54. During that telephone call to the Division, Robert Trump informed the Division of the events

concerning this matter. Robert Trump was subsequently questioned by Division personnel with respect thereto. He said that the signage issue was a serious concern to Harrah's-Trump since the planning board staff report had been very critical of the proposal. Robert Trump stated that he did not know any members of the zoning board at that time. He had no specific recollection of calling Allan relative to Reitzler or Gerace. He stated, however, that such a conversation was "possible" and "sounds likely". Although he did not believe he knew of any relationship between Mo Reitzler and Local 54 at the time, he did not think it would have been improper for Allan to call Gerace if it would insure Reitzler's attendance at the zoning board meeting. Although Robert Trump stated he had no inkling as to how the zoning board would vote, he explained that the odds of obtaining approval were better with full attendance. Robert Trump stated that he has never met Frank Gerace or had any contact with him.

The Division, as part of its investigation, also interviewed Morris E. Reitzler. From January 1974 until December 31, 1981, he served as president of the Teamsters, Chauffeurs and Warehouseman, Local 331 ("Local 331") in Atlantic City. After his retirement from Local 331, Reitzler stated that he took a year off before going to work for Local 54 as a van driver. On November 15, 1982, Reitzler was sworn in as a zoning board member for a period of one year. On December 6, 1983, former Mayor Michael Matthews reappointed Reitzler to another

term. Reitzler left his position on April 18, 1984 after a new zoning board was formed following the election of Mayor Usry.

When asked to detail the events surrounding the described signage matter, Reitzler indicated that the signage application of Harrah's-Trump was no different than any other package submitted by previous casino operators. He stated that he personally favored large signs as they tended to avoid traffic accidents. Reitzler stated that he recalled no one specifically asking him to attend the November 10, 1983 zoning board meeting and that no one told him to vote a certain way on the signage issue. When specifically asked if Frank Gerace asked him to attend that zoning board meeting, or vote on the signage issue, Reitzler again answered no. Reitzler added that he has known Gerace for a long time since they headed separate unions in Atlantic City at one time. Mr. Reitzler stated that, to the best of his knowledge, he has never met or spoken to John Allan.

To date, the Division's investigation into this matter has not disclosed any evidence or facts which would tend to show that improper influence was exerted to obtain a favorable vote, on the signage variance issue, at the November 10, 1983 meeting of the zoning board. Rather, it at this time appears as a possibility and likelihood that, although he had no inkling as to how the zoning board would actually vote, Robert S. Trump did take action toward the goal of securing full attendance at that meeting because he perceived that the odds of obtaining zoning board approval of the requested variances would be better with the full attendance of that body.

IV. LITIGATION

The Division, as part of its continuing investigation, has monitored various litigation involving TPA, Trump and related entities. In connection therewith, the Division has reviewed various documents pertinent to such litigation. The Division's review included events related to litigation which recently concluded between Bally Manufacturing Corporation, Trump and Trump related entities (TPA and TCA). Those events and that litigation are discussed in part VA(2) of this letter report. The Division's review of such litigation, except as reported upon in this letter report, failed to reveal information of any significance.¹¹ The Division shall continue to monitor pending and future litigation involving TPA, Trump and related entities. In the event that any additional significant matters do develop, the Division will report thereon to the Commission.

V. RELATED MATTERS

A. Trump's Acquisition of an Interest in Entities Licensed to Engage in Gaming-Related

11 It should be noted that the Division intends to report to the Commission on any significant litigation, pertinent to TCA, in the Division's letter report to be filed with the Commission pursuant to TCA's license renewal hearing. That letter report will thus include information concerning: 1) pending litigation involving TCA and the State of New Jersey, as concerns TCA's obligations with respect to roadway improvements in the Marina area of Atlantic City, New Jersey; and 2) pending litigation against TCA, initiated by the Hilton Corporation on January 31, 1986, which alleges breach of contract and seeks a \$5,000,000 holdback pertaining to the sale of the Atlantic City Hilton to Trump in March 1985.

Activity in the State of New Jersey

During the course of the license renewal year, Trump acquired an interest or proposed interest in the following entities licensed to engage in gaming-related activity in the State of New Jersey: 1) Holiday Corporation ("Holiday"), a holding company of Marina Associates ("Marina"), a casino licensee; 2) Bally Manufacturing Corporation ("Bally"), a casino service industry licensee and holding company of Bally's Park Park Place, Inc., a casino licensee, and 3) Resorts International, Inc. ("Resorts"), a holding company of Resorts International Hotel, Inc., a casino licensee. The Division, as part of its ongoing investigation of the licensee, affiliated entities and qualifiers, has monitored each of these acquisitions and, as concerns Holiday and Bally, Trump's divestiture or partial divestiture of his stock holdings in each company. A summary of the significant facts concerning each of these matters is set forth below.

Initially, however, it should be noted that the Division recognizes that certain recent actions on the part of Holiday and Bally had an appreciable effect on the structure and, arguably, on the economic stability of each company. Those respective actions, as set forth below, were brought to fruition in or about the time that Trump purchased the common stock of each company and appear directly related thereto. The Division, as part of its investigation, therefore sought to determine the actual intentions of Trump in each of those stock transactions, including whether there was any intention on the part of Trump

to effect either Holiday or Bally, both competitors of Trump in the Atlantic City gaming industry, in a negative manner. In so doing, the Division's investigation included the inspection of various documents related to those stock transactions and a personal interview of Trump.

1) Trump's Acquisition of the
Stock of Holiday

On August 12, 1986 and August 25, 1986, two margin accounts (numbers 049-50544-2-1 and 049-50549-2-6 respectively) were opened and maintained on behalf of Trump at Bear Stearns by Alan C. Greenberg. Mr. Greenberg is Trump's personal stockbroker as well as Chairman of the Board and Chief Executive Officer of Bear Stearns. Trump's name, for confidentiality reasons, was not listed anywhere on those accounts. The purpose for the opening of the accounts was to purchase and acquire the common stock of Holiday.

Account number 049-50544-2-1 was used to purchase Holiday stock to be held in Trump's name. As of September 26, 1986, there were 245,800 shares of Holiday stock in this account. The total purchase price of that stock was \$14,609,796. Between October 3, 1986 and November 14, 1986, that stock was sold for a gross profit to Trump of \$4,166,717. Account number 049-50549-2-6 was used to purchase Holiday stock held by Bear Stearns, which stock Trump had an option to purchase through agreement with Bear Stearns (hereinafter referred to as the "put-and-call" agreement). As of September 19, 1986, there were 854,200 shares of Holiday common stock in this account. The

total purchase price of that stock was \$54,477,203. Between November 14, 1986 and November 18, 1986, that stock was sold for a gross profit to Trump of \$14,594,095. The total purchase price of the 1,100,000 shares, which constituted approximately 4.4% of the total 25,188,056 outstanding shares of Holiday common stock (as of July 4, 1986), was \$69,086,999. Trump's source of funds to pay the 50% margin requirement of \$34,543,499 consisted of Trump's credit lines with Chase Manhattan Bank, National Westminster Bank and Manufacturer's Hanover Trust.

On or about September 12, 1986, Trump formally notified the Nevada State Gaming Control Board ("NSGCB") concerning his direct and beneficial acquisition of the Holiday stock. At that time, Trump applied to the NSGCB for a nonrestrictive gaming license.¹²

On October 10, 1986, in connection with his purchase of the stock of Holiday, Trump filed with the United States Department of Justice a "Notification and Report Form for Certain Mergers and Acquisitions" as required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR" Act) and rules promulgated thereunder. The filing reflected that Trump owned, as of the date of the filing, 201,4000 shares or approximately 1% of the

12 Nevada gaming laws require a person who acquires more than 10% of the voting shares of a gaming company licensed in Nevada, as is Holiday, to make application for a finding of suitability. This application by Trump was in effect surrendered in view of Trump's divestiture of his Holiday stock and his filing of a similar application in connection with his acquisition of Bally common stock. See infra.

25,188,056 of the outstanding Holiday common stock. The filing also gave notice that Trump intended to purchase the 854,200 shares of Holiday common stock that were the subject of the put-and-call agreement and held in Bear Stearns margin account number 049-50549-2-6. The filing further indicated that Trump might additionally acquire shares of Holiday stock which would result in his ownership of in excess of \$15 million but less than 25% of that company's outstanding shares.

As noted, however, the 854,200 shares of Holiday common stock acquired by Bear Stearns and subject to the put-and-call agreement were sold between November 14, 1986 and November 18, 1986. That sale, together with the sale of the Holiday common stock held directly in Trump's name, resulted in a gross profit to Trump of approximately \$18,760,812. After the payment of costs associated with his purchase of the Holiday common stock, including brokerage commissions and interest charges associated with Trump's credit lines used to purchase that stock on margin, Trump's net profit was approximately \$12,600,000.

It should be noted that Holiday has proposed a plan of recapitalization.¹³ That recapitalization plan contemplates the implementation of a number of actions intended to restructure Holiday, including the payment of a special cash dividend of \$65 per share and increased employment and performance incentives through grants to management of new restricted shares of stock. Approximately \$2.4 billion of financing will be required to fund the payment of the dividend, refinancing certain existing indebtedness of Holiday and to pay fees and expenses incurred in connection with the proposed recapitalization. It is important to point out that, as mentioned in certain proxy materials of Holiday and as represented by senior officials of Holiday interviewed by the Division, the actions concerning the restructuring of Holiday are contended by Holiday to be an acceleration of a program that started sometime in 1984. The acceleration of that program appears to have commenced in September 1986, after Trump confirmed to Holiday that he had

13 The details concerning that plan are set forth in the Division's letter report filed with the Commission on March 4, 1987 and captioned "In the Matter of the Petition of Marina Associates, A Casino Licensee, and Holiday Corporation, A Holding Company of Marina Associates, Seeking Declaratory Rulings with Respect to a Proposed Plan of Recapitalization of Holiday Corporation and its Subsidiaries, and Requesting an Expedited Hearing" (PRN 030702). The Commission, after the hearing on that matter, on April 1, 1987 ruled that the consummation of the recapitalization will not deprive Marina or its holding companies or qualifiers of the financial stability, integrity and responsibility required by Section 84 of the Act, subject to certain conditions (with Commissioner Waters dissenting).

made an equity investment in that company and after Holiday ascertained shortly thereafter that Trump had noticed the NSGCB concerning his acquisition of the common stock of Holiday.

Michael D. Rose, Chairman of the Board and Chief Executive Officer of Holiday, testified before the Commission on March 23, 1987, during the course of the Commission's consideration of Petition PRN 030702. As part of that testimony, Rose explained that, on September 3 or 4, 1986, he received a call from Trump. During that conversation, according to Rose's testimony, Trump advised Rose that his purchase of Holiday stock was intended as an investment. Rose further testified that, although Holiday believed that Trump did purchase that stock as an investment, it was feared by Holiday that Trump's purchase would focus the attention of "potential takeover people in the world" on Holiday as being a company that had a spread between the market value of its stock and the market value of Holiday as a company.

Trump, as part of the Division's continuing investigation, was questioned by Division representatives concerning the Holiday stock transactions. When asked why he decided to sell the stock, he explained that, upon being advised that the stock was selling for \$81 per share, he decided it would be a good time to sell since he purchased the stock for approximately \$60 per share. As concerns Holiday's decision to restructure, Trump expressed the opinion that what Holiday executives did was probably a reaction to him but, at the same time, they reacted to save their own jobs. Although Trump expressed personal

dissatisfaction with decisions made by Holiday management related to the restructuring, he emphasized that it was his belief that it would have been good for Holiday had he or someone else been allowed to take over management of that company.

2) Trump's Acquisition of the
Stock of Bally

On November 20, 1986, Trump's personal margin account at Bear Stearns, account number 049-50544-2-1, was used to purchase 764,700 shares of Bally common stock. The total purchase price of that stock was \$14,996,238. From November 13, 1986 to December 1, 1986, Bear Stearns utilized account number 049-50549-2-6 to purchase 2,292,000 shares of Bally common stock on behalf of Trump, which stock Trump had an option to purchase through agreement with Bear Stearns (the "put-and-call" agreement). The total purchase price of that stock was \$47,624,550. Trump's source of funds to pay for the 50% margin requirement of \$31,310,394 consisted of profits on the Holiday stock transaction (\$12,600,000), a credit line from Banker's Trust, a partnership distribution from Trump Equitable Fifth Avenue Company, a 1985 federal income tax refund and miscellaneous credit lines.

In a schedule 13D, filed with the Securities and Exchange Commission ("SEC") on November 24, 1986, Trump disclosed that he had purchased the 764,700 shares of Bally common stock and had entered into the put-and-call agreement with Bear Stearns as concerns an additional 2,195,300 shares. At the time of that filing, Trump had direct and beneficial ownership of

approximately 9.6% of the outstanding shares of Bally common stock. Additionally, Trump stated in his Schedule 13D filing that whether he "will increase or decrease his holdings of [Bally common stock] and the extent to which he does so will depend upon, among other factors, [Bally's] business and prospects, the position of the Board of Directors and management of [Bally], other business opportunities available to Mr. Trump and The Trump Organization, prevailing general economic and stock market conditions and the receipt of appropriate regulatory consents."

On November 26, 1986, Trump made the requisite filings with the Federal Trade Commission ("FTC") and the Antitrust Division of the United State Department of Justice under HSR concerning his acquisition of the Bally common stock. On December 19, 1986, Trump filed an amended Schedule 13D with the SEC, indicating therein that the described put-and-call agreement was superseded to encompass 2,292,300 shares of Bally common stock, thus giving Mr. Trump beneficial ownership of approximately 9.9% of Bally common stock.¹⁴ That filing further indicated that Trump, upon the expiration of the HSR Act waiting period, intended to acquire the said Bally common stock subject of the put-and-call agreement. Trump, on or about December 31, 1986,

14 Trump, in view of this direct and beneficial ownership, was designated a qualifier of Bally with regard to its gaming-related casino service industry license and of Park Place with regard to its casino license. The Commission renewed these licenses effective December 29, 1986.

filed another amended Schedule 13D with the SEC. Therein, Trump indicated that Bear Stearns executed a voting proxy, dated as of December 26, 1986, in favor of United States Trust Company of New York and relating to the shares of Bally common stock held by it. Trump, on or about January 22, 1987 and subsequent to obtaining approval from the FTC and Department of Justice to acquire that additional Bally common stock, in fact exercised his rights under the put-and-call agreement and thereby increased his individual stock holdings in Bally to approximately 9.9%.

The original Schedule 13D, filed with the SEC on November 24, 1986, stated that on November 21, 1986, Trump and Alan C. Greenberg met with Robert E. Mullane, Chairman of the Board of Bally. At that meeting, among other things, the possibility of Trump acquiring Bally on a friendly basis was discussed but no conclusions regarding such a possibility were reached. In Trump's amended Schedule 13D, filed with the SEC on December 19, 1986, Trump stated that Mr. Greenberg was subsequently contacted by Bally and Trump was offered a combination of cash and securities of Bally valued at \$28.50 per share. Although representatives of Bally met with representatives of Trump, no agreement was reached.

In a press release, on December 5, 1986, Bally announced that it had retained Drexel Burnham Lambert Incorporated to explore various possibilities for a restructuring of Bally designed to enhance long-term shareholder values. Bally said it had adopted a shareholder rights plan intended to prevent

accumulations of Bally stock under circumstances which could jeopardize Bally's Nevada and New Jersey gaming licenses, to deter coercive and unfair takeover attempts, and to encourage potential acquirers to negotiate with Bally in advance regarding any acquisition proposal. Bally noted that it had been considering for some time various possibilities for restructuring or repositioning the company, and had also been considering a proposed shareholder rights plan initially presented to Bally's Board of Directors on September 20, 1986. In that same press release, Bally announced that it intended to commence litigation against Trump alleging violations of federal securities and antitrust laws and, in its complaint, would seek to enjoin Trump's further purchase of Bally stock and obtain a judgment declaring Bally's shareholder rights plan to be valid. Robert E. Mullane, Bally's President, Chief Executive Officer, and Chairman of the Board, was quoted in the press release as saying "...Bally is committed to the goal of enhancing shareholder values. The shareholder rights plan is intended to insure that any party seeking control of Bally accords all shareholders fair and equitable treatment and maximum value for their shares and that Bally stock will not be accumulated under circumstances that could jeopardize Bally's gaming licenses."

On December 5, 1986, Bally in fact filed a four count complaint in the United States District Court for the District of New Jersey naming as defendants Trump, Trump's Castle Associates Limited Partnership and TPA. Therein, Bally alleged that Trump's plan to acquire control of Bally was illegal and

Bally sought a preliminary and permanent injunction, as well as the rescission or other divestiture of Trump's then existing interest in Bally common stock. Bally, through the complaint, also sought an order which would require the correction of allegedly false disclosures made in connection with the acquisition of Bally stock and a declaratory ruling that a stockholder's rights plan, adopted by Bally on December 2, 1986, was valid and legal.

On December 16, 1986, Trump and the other defendants filed an answer and countersuit against Bally and its directors which: 1) sought to declare the stockholder rights plan invalid; 2) alleged that Bally's directors breached fiduciary duties to Bally shareholders and violated federal security laws; 3) sought the appointment through the court of a special audit committee for the purpose of reviewing the compensation paid by Bally to its directors; 4) alleged damages in excess of \$1 billion; and, among other things, 5) sought a dismissal of the described Bally complaint. Trump, in his answer and countersuit, also attacked alleged references to him as a "greenmailer" by Paul Bible, a member of the Nevada Gaming Commission, in light of the purported relationship between the Bible family and Bally.

The parties amended their court papers in light of a January 18, 1987 agreement under which Bally would acquire the Atlantic City Golden Nugget facility for a price of approximately \$440,000,000. As concerns this aspect of the litigation, Trump alleged that Bally entered into the Golden Nugget purchase agreement only in an attempt to thwart his

efforts to obtain a significant controlling interest in the corporation. Bally, on the other hand, advanced the position that the Golden Nugget transaction was part of its overall plan to expand in the gaming industry. A preliminary hearing with regard to this litigation was scheduled for February 24, 1987.¹⁵

On or about December 9, 1986, Trump formally notified the NSGCB concerning his direct and beneficial acquisition of the Bally stock. At that time, in accordance with Nevada gaming law, Trump made application to the NSGCB for a nonrestrictive gaming license. As of the date of this letter report, that application is pending review and consideration before the NSGCB.

On February 21, 1987, Trump and Bally entered into an agreement whereby Bally purchased from Trump 2,600,000 shares of Trump's Bally stock, at \$24 per share, for a total of \$62,400,000. Bally's source of funds for this purchase was the issuance of two new series of preferred stock ("Series D" and "Series E"). As concerns the remaining 457,000 shares of Bally

15 Pursuant to that civil litigation, on January 12, 1987, a deposition of Trump was taken by counsel for Bally. Trump, at that time, was asked when in terms of ownership did he determine the amount of shares of Bally common stock he would acquire. In response, Trump stated "I haven't determined that yet." Trump, subject to the put-and-call agreement with Bear Stearns, stated that he did however make a determination to acquire a minimum of \$60,000,000 of Bally common stock. Trump explained that, subject to his filings and regulations, it was possible that his acquisition of Bally common stock would be increased beyond that \$60,000,000 figure.

common stock held by Trump, the agreement provided that, if prior to February 21, 1988, the daily closing prices per share of Bally common stock for any ten consecutive trading day period equaled or exceeded \$33 per share, Bally had no obligation to make any payment to Trump regarding that stock. However, if the price of the stock did not equal or exceed \$33 per share, Trump would then have an irrevocable right to require Bally to purchase the stock at \$33 per share. Additionally, Bally tendered to Trump \$6,215,550 in consideration of certain agreements made by Trump pursuant to the agreement, the resolution of various claims based upon Trump's acquisition and ownership of Bally common stock and for certain expenses incurred by Trump in connection with his acquisition and ownership of that stock. Under the terms of the agreement, Trump has agreed not to acquire any voting securities of Bally or seek to influence and control Bally's management or policies for a period of ten years. The agreement further provides for the dismissal with prejudice of the above-described litigation between Bally, Trump and related parties.

It should be noted that Bally, also on February 21, 1987, entered into an agreement with Bear Stearns.¹⁶ That agreement provides, among other things, that Bear Stearns will not acquire any voting securities of the Company for a period of three years, except that it may engage in certain transactions in voting securities of Bally as part of its normal brokerage and trading operations involving not more than 3% of any class of Bally voting securities. Bear Stearns also agreed not to act, alone or in concert with others, to influence or control Bally's management or policies. The agreement further provides that Bear Stearns and Bally release each other from any and all causes of action relating to Trump's acquisition of the Bally common stock.

In a Form 8-K, filed by Bally with the SEC on or about March 2, 1987, Bally noted that, as a result of its purchase of Trump's shares of Bally common stock, it anticipated a charge to earnings during the first quarter of 1987 of approximately \$17,266,000, none of which will be deductible for federal income

16 The Commission has previously required that certain investment bankers, that is, Drexel Burnham Lambert and Goldman Sachs, file petitions which address their status under the Act. The Commission, in doing so, reasoned that entities acting in such a capacity could be deemed to be casino service industries pursuant to Section 92(c) of the Act, or discretionary qualifiers (as "underwriters" or "agents") under Sections 85(c) and (d) of the Act. In the event that the Commission chooses not to impose such a requirement on Bear Stearns at this time, the Division will continue to monitor the activities of Bear Stearns to, in part, determine if such a filing would be warranted in the future.

tax purposes. The total gross profit to Trump, as a result of the sale of the Bally common stock, was approximately \$8,735,570. That figure does not include the additional \$6,215,550 Bally paid to Trump pursuant to the agreement or the funds which will accrue to Trump should he sell the remaining 456,700 shares of Bally common stock he holds. If Trump should sell these remaining shares, at a price of \$33 per share, he would realize an additional gross profit of approximately \$6,115,213. Thus, not including the described \$6,215,550 payment made to Trump under the agreement, the total gross profit to Trump as a result of his sale of acquired Bally common stock is a potential \$14,850,783.

Trump, as part of the Division's continuing investigation, was questioned by Division representatives concerning the Bally stock transactions. Trump was asked to explain why he decided to sell his Bally stock, instead of purchasing the company. Trump stated that, at the time he originally decided to purchase the Bally stock, he felt it was undervalued and that the company would be a good investment. Subsequent to his purchase of the stock, Trump noted that law suits were filed and Bally decided to buy the Golden Nugget. Trump explained that he came to realize that there were too many obstacles now in the way and he formed an opinion that Bally was not the same company that he originally decided to buy. Trump stated that he did not want to be tied up in litigation for two years and felt Bally paid too much money for the Golden Nugget and incurred too much debt. When asked if he thought he influenced Bally's decision to

purchase the Golden Nugget, Trump stated he felt he probably had some influence on Bally's decision but that it was public knowledge that Steve Wynn, Chairman of the Board, Golden Nugget, Inc., had been seeking to sell that property for some time. Although Trump expressed the opinion that Bally's taking on debt might have been a reaction to his efforts to purchase the company, he emphasized that he did not anticipate such actions by Bally prior to his stock purchase and attributed such actions to Bally management. Trump further expressed that if Bally sold off some of its non-productive assets to reduce that assumed debt, the company will be better off than before.

3) Trump's Agreement to Acquire the
Stock of Resorts International, Inc.

On March 8, 1987, Trump as purchaser entered into an agreement to acquire 585,067 shares, at a cost of \$135 per share, of Resorts Class B common stock ("B stock"). Those shares are owned beneficially and of record by the estate of James M. Crosby, Charles E. Murphy, Jr. and members of Mr. Crosby's family. The agreement provides that, following an as of yet undetermined closing date, Trump shall commence a tender offer to purchase all of the remaining 167,230 outstanding shares of B stock at a price per share not less than \$135. Since Resorts maintains gambling operations in the State of New Jersey and within the Commonwealth of the Bahamas, the agreement expressly provides that it is subject to approval by the Commission and under applicable Bahamian law.

It should be noted that the authorized capital stock of Resorts consists of 752,297 shares of issued and outstanding B

stock and 5,679,411 shares of issued and outstanding Class A common stock ("A stock"). Each share of B stock entitles the holder to one vote, while one share of A stock entitles the holder to $\frac{1}{100}$ th of a vote. The transaction contemplated by the agreement (585,067 shares) would result in Trump acquiring 77.8% of the B stock and a 72.3% voting control interest in Resorts. In the event Trump acquired the additional outstanding 167,230 shares of B stock, he would hold 100% of the outstanding B stock and a 92.9% voting control interest in Resorts.

Resorts, incorporated in Delaware in 1958, is engaged, through subsidiaries, principally in the ownership, development and operation of casino gaming, resort and hotel facilities in Atlantic City, New Jersey and on Paradise Island, the Bahamas. Resorts, among other things, also provides consultative management security services, operates an amphibious airline between South Florida and the Bahamas, operates a helicopter airline between the New York City area and Atlantic City, and owns land in Atlantic City and the Bahamas which is available for development or sale. As of August 20, 1986, the land holdings of Resorts in Atlantic City was approximately 600 acres. When wet land at Great Island and Rum Point are removed from the total, Resorts land holdings equal approximately 260 acres. As concerns its Atlantic City properties, it should be noted that in October 1983, Resorts (as lessor) entered into a 99-year net lease with a subsidiary of Showboat, Inc. for an Atlantic City boardwalk parcel of approximately 10 acres, near the Resorts Taj Mahal hotel casino project. In recognition of

these vast holdings of Resorts, the Division has commenced an investigation into the ramifications should the described agreement be consummated. After receipt and evaluation of any petitions and documents submitted by Trump seeking Commission approval of the agreement and matters related thereto, the Division will file a letter report with the Commission regarding that purchase and sale.

B. Trump's Relationship to the Proposed
Hotel-Casino Complex at Darling
Harbour, Sydney, Australia

On December 19, 1986, The Trump Organization and Kern Corporation Ltd. ("Kern"), under a joint venture agreement known as The Kern-Trump Syndicate ("Kern-Trump"), submitted a tender offer to the New South Wales Government and the Darling Harbour Authority. That tender offer is one of four bids on the government's "short-list" of viable candidates currently under consideration to design, build, finance, manage and operate a hotel-casino complex at Darling Harbour, Sydney, Australia. The Division sought to determine if the Trump Organization conducted any formal investigation into the background of Kern prior to entering into this arrangement. The Division determined that, although general inquiries were made by representatives of the Trump Organization concerning the reputation of Kern, no formal investigation of Kern was initiated.

The total estimated cost for the Darling Harbour hotel-casino complex project is approximately 471 million U.S. dollars. It is expected that a final selection will be chosen from among the candidates by the New South Wales Government

prior to June 1987. In the event that the Kern-Trump Syndicate is selected the parties have agreed that: a) Kern, or a company nominated by Kern, shall be engaged as the sole development manager for the development of, and sole builder of, the casino and hotel complex; and b) The Trump Organization, or a company nominated thereby (but being a company in which Trump holds a controlling interest) shall be engaged as the sole operator and manager of the casino and hotel complex.

i) Kern Corporation Ltd.

The Division's investigation, although continuing in nature, has thus far failed to reveal any information derogatory to Kern. The Division would note that, although it has no reason to believe such information will prove derogatory to Kern, it is awaiting receipt of background information regarding that company from the New South Wales Commission of Police. What follows is a brief description of Kern, derived primarily from documents of a public nature.

Kern is one of Australia's leading property investment, development and construction companies. It was established in 1947 in Townsville, Queensland as Kern Brothers, a company which specialized in family home renovations. Kern Bros. Ltd. was incorporated in 1956 when the contracting business of Kern Brothers was purchased. At that time, the company's shares commenced trading on the Australian Stock Exchange. The company embarked upon large scale civil engineering projects in 1956 and 1957. The company's name was changed to Kern Corporation Ltd.

on October 29, 1979 to reflect corporate diversification in activities and area of operation.

Kern expanded its activities geographically from its traditional base in Queensland during the 1980's. It now carries on business in New South Wales, Victoria, Western Australia and in the Northern Territory. Kern's corporate activities are conducted through a property group, consisting of Kern's construction, property development and property management divisions; a residential group, which comprises the development and sale of residential and industrial sites; a building supply group, which comprises the manufacture and sale of quarry products and the production of pre-mixed concrete and masonry products; and an investment group, which comprises financial planning and property investment. As of June 30, 1985, Kern reflected total assets of approximately 161,144,940 million U.S. dollars.

The Division will continue to monitor the progress of the Darling Harbour Hotel-Casino Complex proposal, as well as Trump's relationship to Kern and related entities. Any significant findings will be brought by the Division to the Commission's attention.

C. Trump's Other Business Activities

Trump, related Trump entities and the Trump Organization, during the span of the Division's latest investigation, have been involved in numerous business transactions in several states amounting to millions of dollars. The Division has

reviewed voluminous documents and conducted appropriate field investigation concerning these transactions. What follows is a brief description of those business activities which, in the Division's view, are among the more significant.

1) Trump's Acquisition of the Stock
of Alexander's, Inc.

Trump-Alexander's Company ("TAC") is a general partnership formed in 1986 and under the laws of the State of New York. It has two general partners, DJT Acquisition Corporation ("DJT") and Monday Realty Corporation ("Monday"), both of which corporations were formed under the laws of the State of New York. Trump is the president and controlling person of both DJT and Monday. The only executive officer or Director of DJT and Monday, other than Trump, is Robert S. Trump.

On November 19, 1986, TAC entered into an agreement with ALX Limited Partnership ("ALX"), a Delaware limited partnership. Pursuant thereto, TAC agreed to purchase from ALX 917,697 shares of common stock of Alexander's, Inc. ("Alexander's"), a Delaware Corporation historically engaged in the retail sales business, and 2,188,000 principal amount of 5½% convertible subordinated debentures of Alexander's. Those debentures are due in 1996 and, at the time of the execution of the purchase agreement, were warranted by ALX as being convertible into 67,846 shares of the common stock of Alexander's. Those debentures were converted by TAC into Alexander's common stock, thus giving Trump total beneficial ownership of 985,543 shares.

The total purchase price for the Alexander's common stock and debentures was \$49,277,150 or \$50 per share on a fully diluted basis. The financing for this acquisition was

accomplished by TAC's entering into a loan agreement with Citibank, N.A. for \$50,000,000. The obligations of TAC under the loan agreement were personally guaranteed by Trump. As a result of the transaction, Trump obtained beneficial control of 21.4% of the issued and outstanding common stock of Alexander's, upon the conversion of the debentures by TAC.

On November 26, 1986, Trump, Robert Trump, Ivana Trump and Harvey Meyerson were elected to the Board of Directors of Alexander's, Inc. The Division has determined that Alexander's intends to have Trump evaluate that company's plans and prospects with respect to both real estate development opportunities and on-going retail operations. It should be noted that, on February 18 and 19, 1987, an additional 5,500 shares of Alexander's common stock were purchased on behalf of Trump. That transaction gave Trump beneficial ownership of 991,043 shares or beneficial control of 21.5% of the issued and outstanding common stock of Alexander's.

2) Trump's Acquisition of Trump
Plazas of Palm Beach

Trump West Palm Beach Realty Corporation ("Trump West") was formed on July 9, 1986 and under the laws of the State of New York. The corporation was formed primarily for the purpose of entering into a purchase agreement, at a cost of approximately \$43,000,000, for a 32-story condominium complex in West Palm Beach, Florida. A second New York corporation, the Trump Palm Beaches Corporation ("Trump Palm"), was formed on August 13, 1986 for the purpose of closing on the purchase. At or about the time of closing, on October 21, 1986, Trump West assigned

its interest in the condominium complex to Trump Palm. The funds used to purchase the complex were obtained by a loan from the Marine Midland Bank, New York, which loan is secured by a first mortgage on that property. Trump has renamed the condominium complex to Trump Plazas of Palm Beach. The complex consists of 220 units which range in price from approximately \$250,000 for a studio unit to approximately \$2,000,000 for a penthouse unit.

On October 24, 1986 and November 7, 1986, newspaper accounts of Trump's purchase of the condominium complex reported as to the purported involvement of William Fugazy, Chairman, Fugazy Continental Corporation, and Lee Iacocca, Chairman, Chrysler Corporation, in the purchase deal. In an effort to ascertain any such involvement of Mr. Fugazy or Mr. Iacocca, Trump was questioned as to their involvement by Division representatives on February 27, 1987. At that time, Trump advised that he agreed to pay Mr. Fugazy \$400,000 or a 1% finder's fee in consideration for Mr. Fugazy having determined that the property was for sale. In addition to that finder's fee, Trump further agreed to pay Fugazy 50% of the profits up to

\$400,000 should the Plazas of the Palm Beach show a profit.¹⁷ As concerns Lee Iacocca, Trump advised that he (within the last few weeks) had admitted Iacocca as a full 50% stockholder in the Plazas of the Palm Beach project. Iacocca paid \$100 for the stock, made a \$200,000 cash loan in connection with the venture and is responsible for half of the \$41,500,000 loan from Marine Midland Bank which Trump secured to purchase the property. In a letter to the Commission dated March 6, 1987, Nicholas L. Ribis, counsel for Trump, explained that Trump recently formed a joint venture with Iacocca relating to the Trump Plaza of Palm Beaches project. That letter states that the relationship between Trump and Iacocca also relates to Trump's continuing interest in attempting to establish convention business in Atlantic City. More particularly, the letter reflects that Trump is continuing

17 Division investigation determined that Trump made a payment of \$250,000 to Fugazy Continental Corporation, a Delaware Corporation and casino service industry licensee (#626-70), on January 10, 1986. Trump, when asked about this payment, stated that it constituted a finder's fee to Fugazy in connection with the purchase by Trump of the New York Foundling Hospital from the Catholic Archdiocese of New York. Trump was also questioned regarding why he was a guarantor on a \$250,000 loan made to Fugazy by Citibank. Mr. Trump stated that Fugazy needed additional monies for his business operations, and that he (Trump) was one of many of Fugazy's friends who were also guarantors for Fugazy's loans. Trump further advised that he subtracted \$250,000 from the Plazas of the Palm Beach finder's fee due Fugazy for repayment of that Citibank loan, which loan Trump is now paying on behalf of Fugazy. Trump, when interviewed by Division representatives, noted that he has not had any business dealings with Fugazy other than the two finder's fees as described.

to attempt to have Iacocca become more involved in Atlantic City, especially as it relates to convention business.

3) Trump's Acquisition of an Interest
in Various Air Transportation

The Division, as part of its continuing investigation, has learned that Trump has recently entered into three separate transactions which concern air transportation. Each of those transactions is described below.

On January 28, 1987, Donvan Enterprises, Inc. ("Donvan"), a Delaware corporation owned 100% by Trump, for \$2,000,000 purchased a Super-Puma Aeorospatiale Helicopter from General Transportation Corporation, an affiliate of Warner Communications. This aircraft seats eighteen (18) passengers. At the present time, Trump contemplates that Donvan will be entering into a helicopter charter agreement with both TPA and TCA. The helicopter will be used to provide transportation for Trump, his employees and preferred casino customers from New York City to Atlantic City.¹⁸

On March 6, 1987, Donvan as purchaser entered into an agreement with the Harbor Land Company, an Ohio corporation and wholly owned subsidiary of the Diamond Shamrock Corporation, to purchase a used Boeing 727-100 aircraft. The purchase price to Donvan is \$8,300,000, which has been paid in full. This

18 In view of the proposed activities of Donvan, as set forth herein, it may be appropriate for Donvan to make application for a casino service industry license, pursuant to N.J.S.A. 5:12-92c.

aircraft seats twenty (20) passengers and the interior was custom designed with conference and work areas.

Additionally, the Division has ascertained that, on February 13, 1987, Trump formed a partnership called DoRo Partners ("DoRo"). The partnership, in which Trump holds a 99.99% interest and Robert S. Trump holds a .01% interest, was formed primarily for the purpose of acquiring stock in United Airlines ("UAL"). As of March 17, 1987, DoRo owned approximately 939,300 shares of UAL, which represents 1.87% of the 50,172,000 outstanding shares. The purchase price was approximately \$30,000,000.

D. Complimentaries to Stanley Friedman

Pursuant to its continuing investigation, the Division determined that Stanley Friedman, former Bronx Democratic leader, received complimentaries at TCA totaling \$1,061.24.¹⁹ Division investigation revealed that from November 2 to 3, 1985, Friedman received \$938.04 in complimentaries in the form of two hotel suites, and various food and beverage charges. The complimentaries were reported as being authorized by Trump

19 It should be noted that Friedman, on or about March 26, 1986, was charged in a federal grand jury indictment with conspiracy to commit racketeering, racketeering and mail fraud. Although there were superseding indictments concerning those charges, after trial by jury, Friedman was found guilty as to each on November 25, 1986. Friedman, as concerns those charges, was sentenced on March 11, 1987 to an aggregate twelve (12) year term of incarceration.

(\$911.64) and Richard Goldstein (\$26.40), then Assistant Director of Casino Marketing. Mr. Friedman, on February 6, 1986, additionally received \$120.00 in complimentaries at TCA in the form of a hotel room. That complimentary was reported as being authorized by Richard Goldstein. It should be noted that Mr. Friedman did not have a credit line established at the time he received those complimentaries. The records available to the Division reflect that Friedman was a one time cash player on November 3, 1985 for a total buy-in of \$600. According to such documents, he played 7 minutes and placed an average bet of \$75.

As part of the Division's continuing investigation, Trump was questioned by Division representatives concerning his knowledge of Mr. Friedman. When asked how he knows Friedman, Trump stated he knows Friedman because he was one of the biggest politicians in New York City and that Mr. Friedman was friends with everybody. When questioned about the provision of complimentaries to Friedman, Trump stated he did so and explained that the complimentaries were provided for no particular purpose.

E. Trump's Political Contributions

The Division, as part of its continuing investigation, reviewed various documents concerning Trump's political contributions for the period from July 1, 1985 to September 30, 1986. Trump's political contributions for this period exceeded \$200,000, with the largest single political contribution to an

individual (\$50,000) going to Andrew Stein, New York City Council President. That payment was made in the form of a check to Manufacturer's Hanover Trust Company. In connection with the manner in which that contribution was made, Trump was questioned by Division personnel. Trump explained that Stein in 1985 borrowed approximately \$1,000,000 from Manufacturer's Hanover Trust Company in connection with his election campaign. Trump explained that many of Stein's friends, as did he, guaranteed part of this loan and that he and each guarantor had an option of having the money paid back, or considering it to be a political contribution to Stein. Trump, noting that he was the second or third largest contributor to Stein's election campaign, explained that he exercised the latter option as concerns the \$50,000 payment.

F. The \$7,800,000 Subcontract Award to
S & A Concrete, Inc. for the
Trump Plaza Construction Project

The Division, as part of its continuing investigation, has monitored the status of a federal racketeering indictment which alleges, among other things, that sixteen defendants, named therein, arranged for S & A Concrete Company, Inc. ("S & A Concrete") and its affiliates to be the main beneficiaries of a bid-rigging scheme. The indictment alleges that S & A Concrete was secretly owned by Nicholas Auletta, an associate of the Genovese crime family, Anthony Salerno, the boss of the Genovese crime family, who are named as defendants in the indictment, and others. As concerns the scheme, the indictment alleges that the defendants conspired to determine which concrete construction

companies would be permitted to bid for concrete superstructure construction subcontracts, valued at more than \$2,000,000, in the Borough of Manhattan. The indictment further alleges that the defendants determined which concrete construction company would be permitted to obtain the subcontract in advance of the opening of bids for sixteen concrete superstructure construction projects. The defendants, according to the indictment, were able to enforce their bid-rigging by threatening stoppage of the concrete supply to the various concrete superstructure job contractors. The indictment specifically identifies one of those projects as being Trump Plaza, Trump's luxury cooperative apartment complex located at 167 E. 61st Street, New York City, New York. The matter, at this time, is pending trial.

The federal indictment, described above, states that the bid-rigging scheme was accomplished without the knowledge of the respective construction managers, general contractors or developers. Further, the Division's investigation has revealed no evidence which would tend to suggest that Trump, or any entities related thereto, had any knowledge of the scheme whatsoever. The Division will continue to monitor the events concerning the federal indictment and will report on any significant findings to the Commission.

VI. CONCLUSION

The Division has reviewed all information provided by TPA in support of its petition seeking renewal of its casino license. Additionally, as noted herein, the Division has conducted an independent and continuing investigation throughout the license renewal year.

The Division's report describes various gaming-related transactions entered into by or on behalf of Trump during the past license renewal year. Trump's purchases of the common stock of Holiday and Bally certainly have inured to his economic benefit. However, Trump's actions seemingly have caused both of those companies to undertake extraordinary corporate actions. More particularly, Holiday has embarked upon a \$2.4 billion refinancing and recapitalization program while Bally purchased the Atlantic City Golden Nugget casino hotel facility for \$440 million. Additionally, Bally issued preferred stock in order to raise the funds necessary to purchase the Bally stock which Trump owned. The Casino Control Act clearly manifests the legislative mandate that casino gaming in Atlantic City be vital, competitive and economically sound. See N.J.S.A. 5:12-1(b); 84. Given Trump's stock transactions and the apparent ramifications thereof, Trump ought to be required to demonstrate at TPA's license renewal hearing that his actions were not in derogation of that legislative mandate.

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Moreover, the Trump Organization's proposed entry into the Australian gaming market was accomplished without any significant due diligence investigation regarding Kern. Thus, the licensee should be required to address this apparent default in internal governance procedures.

Very truly yours,

ANTHONY J. PARRILLO
DIRECTOR

By:



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TRUMP PLAZA HOTEL AND CASINO

LEGEND:

TPA = Trump Plaza Associates
 TBR = Trump Boardwalk Realty Corporation
 TPF = Trump Plaza Funding, Inc.

NATURAL PERSON QUALIFIERS:

NAME	ID	DOB	RS	POSITION (S)
Benanav, Jonathan A.	28A-08 3694-11	03-05-56	NJ	TPA-VP, Hotel Operations
Etes, Mark G.	28A-11 2702-11	12-29-51	NJ	TPA-Executive VP
Freeman, Harvey I.	28A-01	04-19-38	NY	TPA-Member of Audit and Executive Committees TBR-Vice President
Hyde, Stephen F.	28A-09 672-11	01-28-46	NJ	TPA-President and Chief Operating Officer TBR-Vice President
Johnson, Lee C.	28A-12 2281-11	12-03-53	NJ	TPA-VP, Finance
Kramer, Jay*	28A-14	07-25-16	NY	TPA-Member of Audit Committee
Moles, Nicholas	28A-10 3389-11	10-01-53	NJ	TPA-General Counsel
O'Donnell, John	28A-17 3547-11	10-07-54	NJ	TPA-VP, Marketing
Trump, Donald	280-01	06-14-46	NY	TPA-Partner and Member of Executive Committee TBR-Security Holder, Director, President and Treasurer TPF-Security Holder, Director, President and Treasurer
Trump, Ivana	28A-13 3417-11	02-20-49	NY	TPA-Member of Executive Committee

NAME	ID	DOB	RS	POSITION (S)
Trump, Robert S.	280-02	08-26-48	NY	TPA-Member of Executive Committee TBR-VP and Secretary TPF-VP and Secretary
Tuthill, James	28A-16 365-11	02-18-23	NJ	TPA-VP, Casino Manager
White, James P.	28A-15	08-07-30	NJ	TPA-Member of Audit Committee

EXHIBIT A

03/31/87

EDK:jm

TRUMP PLAZA HOTEL AND CASINO

FINANCIAL SOURCES

- (1) Trump Plaza Funding, Inc. and First Fidelity Bank, N.A., New Jersey, trustee -- mortgage loan secured by approved hotel building and partnership assets;
- (2) RCA Service Company -- installment note for purchase of television sets and related equipment;
- (3) Albert and Robert Rothenberg -- mortgage secured by portion of transportation center site;
- (4) Michael Mellnick, Dorothy Mellnick and Anna Hauschild (Bolton Hill Associates, mortgagor) -- mortgage secured by portion of transportation center site;
- (5) Emil F. Aysseh, trustee -- mortgage secured by portion of transportation center site;
- (6) Rose M. Rossi McCarthy -- notes for portion of land underlying approved hotel;
- (7) First Fidelity Bank, N.A., South Jersey -- lease financing of computer equipment;
- (8) Adeline Bordonaro -- mortgage secured by portion of bus terminal site;
- (9) Harrah's Atlantic City, Inc. -- promissory note; and
- (10) First Pennsylvania Bank, N.A., trustee, and Union Planters National Bank of Memphis (letter of credit) -- note for buyout of SSG Enterprises.