



STATE OF NEW JERSEY
 CASINO CONTROL COMMISSION
 June 30, 1987 - 2:00 p.m.
 3131 Princeton Pike
 Lawrenceville, New Jersey



In Regard to the Matter of: :
 :
 Joint Petition of Donald J. Trump, : VOLUME II
 Resorts International, Inc. and :
 certain Class B stockholders of : Pages 156 thru 291
 Resorts International, Inc. for :
 approval of the sale of certain :
 shares of Class B common stock :
 of Resorts International, Inc. :
 to Donald J. Trump :
 :
 - - - - - X

B E F O R E:

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

ALSO PRESENT:

- KAREN BIACHE - Senior Procedures Analyst
- THOMAS FLYNN - Public Information Officer

On Behalf of the Commission Staff:

- STEVEN INGIS - Legal

CERTIFIED COPY



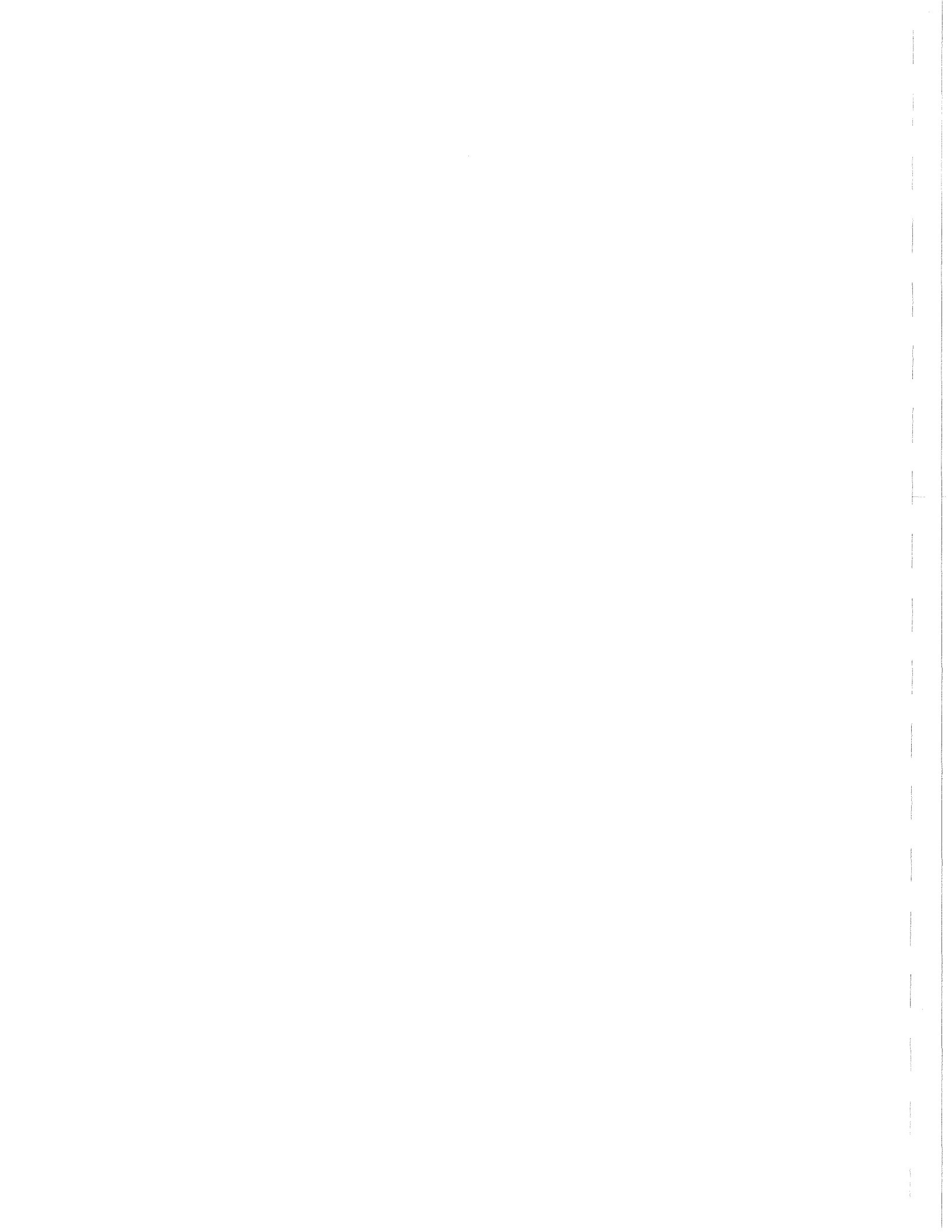
"Your words are our business"

US ★ STENO

A Complete Court Reporting Service

STATION HOUSE
 SUITE 205, 900 HADDON AVENUE
 COLLINGSWOOD, NJ 08108

(609) 858-0939



A P P E A R A N C E S:On Behalf of the Division of Gaming Enforcement:

1
2 MICHAEL VUKCEVICH - Deputy Attorney General
3 EUGENE SCHWARTZ - Deputy Attorney General

On Behalf of Trump's Castle Associates:

4
5
6 NICHOLAS RIBIS, ESQ. RIBIS, McCLUSKEY, GRAHAM &
7 BRIAN SPECTOR, ESQ. DeCOTIIS
8 Short Hills Plaza
636 Morris Turnpike
Short Hills, NJ 07078

On Behalf of Trump Organization:

9
10 HARVEY FREEMAN, ESQ. General Counsel and Vice-
11 President of Trump Organization

On Behalf of Resorts International, Incorporated:

12
13 JOEL H. STERNS, ESQ. STERNS, HERBERT, WEINROTH
14 PAUL M. O'GARA, ESQ. & PETRINO
15 -and- 186 West State Street
Trenton, NJ 08607
16 JOHN DONNELLY, ESQ. RESORTS HOTEL-CASINO
17 N. Carolina Ave. & Boardwalk
Atlantic City, NJ 08404
18
19
20
21
22
23
24
25

T A B L E O F C O N T E N T SWITNESS:PAGE:DANIEL LEE

Direct examination by Mr. Ribis	177
Cross-examination by Mr. Vukceovich	186
Examination by Vice-Chair Zeitz	198, 229
Examination by Commissioner Burdge	209
Examination by Commissioner Armstrong	214
Examination by Chairman Read	221, 231
Examination by Mr. Ingis	232
Redirect examination by Mr. Ribis	233
Cross-examination by Mr. Sterns	234
Recross-examination by Mr. Vukceovich	238
Examination by Commissioner Waters	242

MARVIN ROFFMAN

Direct examination by Mr. Ribis	249
Cross-examination by Mr. Vukceovich	255
Examination by Vice-Chair Zeitz	271
Examination by Commissioner Armstrong	277
Examination by Chairman Read	280

E X H I B I T S

<u>EX. NO.</u>	<u>DESCRIPTION</u>	<u>EVD.</u>
C-1	Report of the License Division dated June 24, 1987 by Assistant Counsel Catherine Walker re: Resorts/Trump petition concerning Taj Mahal Economic Impact Hearing	165
C-2	Analysis of Donald J. Trump's Proposed Concentration of Ownership prepared by the Financial Evaluation Unit	165
J-6	Letter dated June 25, 1987 from Secretary W. J. Patton to Vice-President George Myers, Paradise Enterprises, Ltd. and attached Certificate of Approval	165
J-7	Order confirming sale of stock dated June 15, 1987 re: Estate of James M. Crosby	167
J-8	Order denying motion for rehearing, reconsideration or modification dated June 15, 1987 re: Estate of James M. Crosby	167
D-3	Report of the Division of Gaming Enforcement dated June 26, 1987 by Deputy Attorney General Michael Vukceovich	167

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 P-R-O-C-E-E-D-I-N-G-S

2 (Commencing at 2:35 p.m.)

3 (All five Commissioners present.)

4 MS. BIACHE: I would like to read an
5 opening statement.

6 "This is to advise the general public
7 and to instruct that it be recorded in the
8 Minutes that in compliance with Chapter 231
9 of the Public Laws of 1975, entitled the
10 'Open Public Meetings Act', the New Jersey
11 Casino Control Commission at 9:14 a.m. on
12 June 19, 1987 hand-delivered to the Office
13 of the Secretary of State and caused to be
14 posted on the bulletin board located outside
15 the Secretary of State's Office at the State
16 House, Trenton, New Jersey and at 11:30 a.m.
17 on June 19, 1987 mailed to the Press of
18 Atlantic City and to the Newark Star Ledger
19 and to the Office of the Clerk of Atlantic
20 City a meeting notice setting forth the time,
21 date and location of this meeting.

22 "Members of the press will be
23 permitted to take photographs of today's
24 meeting. We would ask, however, that this
25 be done in a manner which is not disruptive of

1 the meeting or distracting to the Commission
2 and which does not interfere with the public's
3 right to observe the meeting.

4 CHAIRMAN READ: Thank you. Call the
5 meeting to order and note the presence of all
6 five Commissioners.

7 Let's start it off, if you will,
8 today, please, with the entry of the appearance
9 of counsel.

10 MR. VUKCEVICH: On behalf of the
11 Division of Gaming Enforcement, Michael
12 Vukceovich, Deputy Attorney General.

13 MR. RIBIS: On behalf of Donald
14 Trump, Nicholas Ribis, Harvey Freeman.

15 MR. STERNS: On behalf of Resorts
16 International, Joel H. Sterns and Paul
17 O'Gara.

18 CHAIRMAN READ: Thank you very much.
19 The matter before us today, of
20 course, concerns the petition filed on June
21 17th by Donald J. Trump and Resorts
22 International requesting a determination that
23 Mr. Trump's association with the operation
24 of the Taj Mahal by virtue of his acquisition
25 of a controlling interest in Resorts does not

1 result in an economic concentration under the
2 Act.

3 As you will recall, on June 10th, the
4 Commission ruled that the economic concentra-
5 tion concerned engendered in Section 12-1(b)12
6 did not constitute a bar to approving Mr.
7 Trump's purchase of controlling interest in
8 Resorts.

9 The Commission, however, expressly
10 stated at that time that this decision did
11 not include a consideration of the impact of
12 the Taj Mahal on economic concentration and
13 competition of the Atlantic City casino
14 industry, since that facility had not been
15 specifically addressed in the petition and
16 presented issues that would not be at that
17 time ripe for disposition.

18 At that time, I expressed the view
19 that the implication of the Taj Mahal could
20 not be considered because we had not yet
21 received satisfactory assurances or represen-
22 tations concerning the contemplated configura-
23 tion of the facility, nor have we received
24 any reliable projections concerning the
25 Taj Mahal.

1 I further observed that on the receipt
2 of this information, the Commission would be
3 better suited for the proper disposition of
4 the impact of the Taj Mahal on the economic
5 concentration and competition in the industry.

6 An order was issued to that effect
7 dated June 12th, and subsequently this motion
8 for a supplemental declaration was filed.

9 Before we proceed further, let me
10 just emphasize that the proposed operation of
11 the Taj Mahal in conjunction with Mr. Trump's
12 present casino operations triggers questions
13 regarding possible economic concentration in
14 the Atlantic City casino industry that must be
15 addressed during this proceeding. It is
16 imperative that we evaluate the extent of any
17 market combination and its effect on
18 competition in the industry and its effect
19 on its competition in the industry to comply
20 with the mandate of Section 1(b)12, which
21 charges this Commission with the power and
22 the duty to regulate, control and prevent
23 economic concentration and to encourage and
24 preserve competition.

25 Finally, I would remind the

1 petitioners of my earlier admonition regarding
2 the contractual obligations pertaining to the
3 uptown renewal tract and the need for demon-
4 strating Mr. Trump's awareness of this matter
5 and its obligations.

6 Now I would ask counsel whether there
7 are any stipulations or premarked and
8 stipulated exhibits which there are no
9 admissibility objections.

10 MR. RIBIS: I understand that the
11 Commission reports that were submitted on the
12 statistical summary done by your financial
13 staff and by your Facilities Division, we have
14 no objection to having those marked as
15 exhibits in evidence.

16 CHAIRMAN READ: Mr. Vukcevich, any
17 objection to those?

18 MR. VUKCEVICH: No objection.

19 CHAIRMAN READ: They will be received
20 and marked C-1 and C-2.

21 MS. BIACHE: C-1 would be the
22 License Division report dated June 24th, 1987,
23 and C-2 is the Financial Division report
24 analysis of Donald J. Trump's proposal of
25 ownership.

1 CHAIRMAN READ: Thank you.

2 (Exhibits C-1 and C-2 received
3 in evidence.)

4 CHAIRMAN READ: Thank you.

5 Are there any further exhibits to be
6 brought to us?

7 MR. RIBIS: Just to complete the
8 record, we will have to make some extra copies
9 of this, a letter dated June 25th, 1987, from
10 W. J. Patton, Secretary of the Bahamian Gaming
11 Board, enclosing a certificate of approval
12 regarding Mr. Trump's application there.

13 I would like to mark this as J-6
14 in evidence, if possible. I have a copy I
15 will give to the secretary.

16 CHAIRMAN READ: No objection to that,
17 Mr. Vukceovich?

18 MR. VUKCEVICH: No objection, sir.

19 (Exhibit J-6 received in evidence.)

20 MR. STERNS: Mr. Chairman, the list
21 of exhibits, there is J-4, which was available
22 at the time of our last hearing, which was the
23 report of the Administrator Ad Litem to the
24 court in Florida. Since that time, the court
25 has confirmed that order, adopted that

1 opinion, and confirmed the order, and just so
2 the record will be complete, I would like to
3 add that report and the court has also denied
4 a motion for a rehearing and reconsideration
5 brought by one of the parties. Those have
6 been distributed, and I think there probably
7 will be J-7 and J-8.

8 CHAIRMAN READ: Which is which, Mr.
9 Sterns?

10 MR. STERNS: J-7 would be the order
11 confirming sale of stock dated June 15th,
12 and J-8 would be the order denying motion for
13 a rehearing, reconsideration or modification,
14 also dated June 15th.

15 CHAIRMAN READ: Thank you.

16 No objection to any of that?

17 MR. VUKCEVICH: No objection.

18 CHAIRMAN READ: They will all be
19 received.

20 (Exhibits J-7 and J-8 received in
21 evidence.)

22 CHAIRMAN READ: Are there any other
23 comments?

24 MR. VUKCEVICH: Well, Mr. Chairman,
25 in addition to D-1 and D-2, which were
admitted into evidence at the June 10th

1 proceeding, the Division has premarked as D-3
2 its June 26th, 1987 report entitled, "Joint
3 Motion for a Supplemental Declaration to the
4 Division's Answer to that Joint Motion."

5 CHAIRMAN READ: No objection to that?

6 MR. RIBIS: We have no objection.

7 CHAIRMAN READ: Mr. Sterns, there is
8 no objection?

9 MR. STERNS: No objection, sir.

10 CHAIRMAN READ: That will be
11 received as D-3.

12 (Exhibit D-3 received in evidence.)

13 CHAIRMAN READ: Does that complete
14 all of that sort of thing?

15 If so, I would ask, are there any
16 other matters that need to be addressed before
17 we proceed with opening statements for today?

18 If there is nothing else, Mr. Ribis?

19 MR. RIBIS: Since this is a continua-
20 tion of a prior hearing, I will waive opening
21 on behalf of Trump and Resorts and proceed to
22 presenting witnesses, if that's okay with the
23 Commission.

24 CHAIRMAN READ: Mr. Vukceovich?

25 MR. VUKCEVICH: I would like to make

1 an opening statement.

2 The Commission, as was stated earlier,
3 on June 10th, 1987, determined, after conduct-
4 ing a hearing, that the economic concentration
5 concerns of the Casino Control Act would not
6 impact negatively upon Mr. Trump's having a
7 controlling interest in presently operating
8 Resorts International Hotel and Casino, the
9 Trump Castle Hotel and Casino, together with
10 the Trump Plaza Hotel and Casino.

11 The Commission further ruled that
12 prior to the operation of the Taj Mahal, if
13 permitted, Mr. Trump must, in view of the three
14 casino license limitation of Section 82 of the
15 Act, must divest himself of control of one of
16 the existing casino operations that is either
17 Resorts, Trump Plaza or Trump's Castle.

18 The Commission's June 10th, 1987
19 ruling, as we all know, did not encompass a
20 consideration of the impact of the proposed
21 Taj Mahal facility upon the economic concentra-
22 tion of the Atlantic City gaming industry.

23 Given the undeveloped record at that
24 time, the Division suggested that if any ruling
25 on the issue were to be rendered, that it could

1 only be preliminary and conditional in nature,
2 subject to modification or refinement should
3 the then present and existing facts and
4 circumstances change at a later date.

5 Since, however, the issue was not
6 specifically addressed by the joint petitioners
7 in their moving papers, the Commission opted
8 to defer any ruling, preliminary or otherwise,
9 inasmuch as the issue was not sufficiently
10 ripe for disposition.

11 We are here today as the result of a
12 filing of a joint motion to which Mr. Trump,
13 Resorts International Hotel and Casino and
14 various members of the Crosby and Murphy
15 families now seek a specific ruling by the
16 Commission concerning the impact of the Taj
17 Mahal facility upon the economic concentration
18 in the Atlantic City casino industry. That
19 joint motion presents facts and circumstances
20 in addition to those presented by the joint
21 movants, or joint petitioners, at the June
22 10th, 1987 hearing, concerning the actual
23 operation of the Taj Mahal facility.

24 At that time, June 10th, Mr. Trump
25 testified that two viable alternatives exist

1 as relates to his potential operation or
2 control of operation of the Taj Mahal facility,
3 either, one, the sale of the presently operating
4 Resorts International Hotel and Casino, or, two,
5 the merger of that facility with the Taj Mahal,
6 with the presently operating Resorts' facility
7 being a hotel only and the Taj Mahal facility
8 being a casino-hotel facility with a 120,000
9 square foot casino.

10 Through the filing of the joint motion,
11 which is the subject of this proceeding, Mr.
12 Trump has further refined his intentions.
13 Specifically, the joint motion proposes that
14 the Taj Mahal operate as a casino-hotel
15 facility, having a maximum 175 table games and
16 3,084 slot machines.

17 The joint motion further expands upon
18 Mr. Trump's testimony at the June 10th, 1987
19 hearing, by alluding to the possibility of the
20 total sale, or closure, of the casino portion
21 only of the Trump Castle or Trump Plaza
22 facilities, instead of the presently operating
23 Resorts' facility, the means to comply with
24 Section 82(e) of the Act.

25 It is with these factual assumptions

1 that Mr. Trump and the other joint movants
2 asked the Commission to rule upon the question
3 of economic concentration.

4 The policies underlying Section 1(b)12
5 of the Act, among other things, are intended
6 to insure a degree of competition in the casino
7 gaming industry, to prevent economic concentra-
8 tion in the industry and to prevent dissolution
9 of the state regulatory powers, which would
10 likely result in the entire industry was
11 dependent upon a single casino operator.

12 A resolution of the issues raised by
13 the joint motion must, therefore, be made in
14 light and in view of the policy goals to be
15 achieved and evils sought to be avoided under
16 Section 1(b)12 of the Act. This, of course,
17 as the Division has pointed out previously,
18 involves fact sensitive analysis and a careful
19 weighing of all those factors, including,
20 importantly, other governing policies of the
21 Act, and the effect of each of the possible
22 scenarios as raised in the joint motion might
23 have upon the Act's policies.

24 In view of the relief sought through
25 the filing of the joint motion and in view of

1 the new facts and additional circumstances that
2 are set forth in the joint motion, the Division
3 has performed a statistical analysis which
4 assumes the existence of the facts and
5 circumstances as presented both through Mr.
6 Trump's June 10th, 1987 testimony before the
7 Commission and as additionally are set forth
8 within the joint motion itself.

9 The results of the Division's
10 analysis was presented in a report form which
11 was filed with the Commission last week. In
12 addressing the implications of the proposed
13 Taj Mahal facility on the economic concentra-
14 tion issue, the report includes an analysis
15 of the authorized casino floor space, the
16 number of authorized slot machines, the number
17 of authorized hotel rooms, revenue figures,
18 table draw figures, and figures concerning
19 the level of employees for each Atlantic City
20 casino-hotel.

21 Also included are projections for the
22 Taj Mahal facility, where possible. The
23 results of that statistical analysis was
24 viewed in the context of all the facts and
25 circumstances which the Division is presently

1 aware. The Division's investigation, using
2 figures current as of May 31st, 1987, concluded
3 that the Commission's June 10th, 1987 approval
4 on the basis of Section 1(b)12 of Mr. Trump's
5 having a controlling interest in the presently
6 operating Resorts' facility, the Trump Castle
7 facility and the Trump Plaza facility will
8 invest, in Mr. Trump's case, assuming present
9 conditions, approximately 27.85 percent
10 control over the Atlantic casino market upon
11 his acquisition of the Resorts' Class B
12 common stock.

13 The Division has determined that an
14 approximate 1.43 percent increase of that
15 market share would accrue to Mr. Trump should
16 he, instead, control the operation of the Taj
17 Mahal, together with any two of those three
18 casino facilities. This reported increase in
19 market share, predicated on the market place
20 of 13 operating casino-hotels, in the
21 Division's view, would not engender an
22 unwarranted presence in the casino industry,
23 in violation of Section 1(b)12 of the Act.

24 The Division's position with respect
25 to that portion of the joint petition is

1 expressly based upon the assumption that, one,
2 Mr. Trump, prior to the operation of the
3 proposed Taj Mahal facility, will divest
4 himself of one of the three existing casino-
5 hotel facilities; two, that the facility
6 divested by Mr. Trump will be operated by
7 the purchaser as a casino-hotel facility;
8 and, three, that the facts as they presently
9 exist, do not materially change, prior to the
10 time of the opening of their proposed Taj Mahal
11 facility.

12 As noted in the Division's report, the
13 other alternative which is raised by the joint
14 movants, that is involving Mr. Trump's control
15 in the Trump Plaza, Trump Castle and Taj Mahal,
16 together with the presently operating Resorts'
17 facility and the hotel owners caused different
18 and more complex questions.

19 The closing of an existing casino,
20 as well as the resulting increase in the hotel
21 room space controlled by Mr. Trump, would
22 raise his market share percentage to
23 approximately 33 percent of the industry.

24 Further, the intentional and calculated
25 closing of the viable casino facility, be it

1 Resorts, Trump Plaza or Trump Castle, would,
2 on its face, appear to be contrary to the Act's
3 goals of promoting and achieving continuity and
4 stability in the gaming industry.

5 However, the Division recognizes it
6 might be argued that certain policy concerns
7 of the Act, as those favoring the development
8 of convention trade in this state, would
9 seemingly be favored by the operation of the
10 Taj Mahal facility. In view of the ramifica-
11 tions which may arise from the closing of an
12 existing casino facility and the apparent
13 competing policy goals of the Act which govern
14 casinos, a full and complete hearing is
15 necessary to resolve whether such would be
16 consistent with the numerous and varied policy
17 goals of the Act.

18 In other words, the public policy
19 considerations implicated by this proposal
20 would not necessarily -- on a collision course,
21 may well be in competition with each other
22 and remain, through experience, to determine
23 how the balance is to be struck amongst all
24 relevant and statutory goals.

25 In light thereof, the Division has

1 within its report detailed those relevant
2 policies and statutory goals and, additionally,
3 has set forth issues among those which, in its
4 view, needs to be addressed at this hearing.

5 Thank you.

6 CHAIRMAN READ: Thank you, Mr.
7 Vukceovich.

8 I think that brings us to the portion
9 now where we are ready to begin hearing
10 witnesses.

11 Mr. Ribis?

12 MR. RIBIS: Yes, I would like to call
13 Dan Lee, please.

14 THE REPORTER: Would you raise your
15 right hand, please.

16 Do you solemnly swear that the
17 testimony you are about to give in this
18 matter will be the truth, the whole truth
19 and nothing but the truth, so help you God?

20 MR. LEE: I do.

21 THE REPORTER: Will you please state
22 your full name and spell your last name.

23 MR. LEE: Daniel Lee, L-E-E.

24 DANIEL LEE, having been first duly sworn,
25 was examined and testified as follows:

1
2 DIRECT EXAMINATION

3 BY MR. RIBIS:

4 Q. Mr. Lee, would you please tell us your
5 current employment?

6 A. I'm a vice-president with Drexel, Burnham,
7 Lambert, and have been for about seven years.

8 Q. And your educational background?

9 A. I have a bachelor's degree in hotel
10 administration from Cornell, and an MBA in finance
11 and accounting also from Cornell.

12 Q. Can you explain to the Commission
13 Drexel, Burnham's association with the Atlantic City
14 casino industry and your personal association with
15 casino gaming?

16 A. Well, at Drexel, Burnham, I have been the
17 analyst in charge of following Atlantic City for
18 seven years. Drexel, Burnham, for the past five
19 years, as well, has raised \$4.2 billion for the casino
20 industry. 2.8 million of that was just in the past
21 two years. We have provided major financings for
22 seven of the 12 casinos in Atlantic City.

23 Incidentally, we have not in the past repre-
24 sented either Mr. Trump or Resorts International, so
25 two of the five.

1 DBL Realty, which is a division of Drexel, Burn-
2 ham, was the developer of the Ocean Club Condominiums
3 in Atlantic City.

4 Q. Is it fair to say that you are
5 familiar with the casino industry in general in
6 New Jersey?

7 A. We visit often, yes.

8 Q. Have you had discussions with the
9 Trump organization regarding the potential financing
10 for Resorts' Taj Mahal?

11 A. We have had very vague discussions, we have
12 said we would be very willing and happy to help
13 finance the Taj Mahal. There is nothing concrete
14 at this time.

15 Q. Do you believe that Mr. Trump's
16 association with this project is important in your
17 mind with the ability to finance Resorts as Taj Mahal?

18 A. Actually, it's quite key. The Taj Mahal costs
19 over, and it seems to be building, what was originally
20 said to be 400 million, is now 500, and by the time
21 you include preopening costs and capitalized interest,
22 we are really talking closer to 700 million.

23 In any financing, it's very important that
24 you know who is going to be in control, both while
25 it's being constructed and once it opens, and,

1
2 hopefully, the person in control of the project like
3 this would know something both about construction and
4 about how to operate it when it's done, and, of course,
5 Mr. Trump does.

6 Now, you have to kind of recognize
7 the order of magnitude here. 700 million is an
8 enormous amount of money, as it exceeds the GNP of
9 many countries, and twice the size of any casino
10 built, so we have, at one time, this is going back
11 six months ago, had some discussions with Resorts
12 about financing the Taj Mahal before Mr. Trump became
13 involved. We were talking a much higher interest
14 rate for much lower amounts of money. Mr. Trump's
15 involvement allows us to approach the market in a
16 much different way.

17 Q. Would your company having underwritten
18 seven of the 12 casinos in Atlantic City, does it
19 concern the Trump organization, Trump Plaza and Trump
20 Castle and the anticipated control of the Taj Mahal
21 with the projected 120,000 square foot casino, would
22 be in a position to dominate the market in Atlantic
23 City?

24 A. Obviously, it's something that did concern us,
25 it's something we look at pretty carefully. In fact,

1
2 whenever somebody comes in new and wants to finance a
3 new casino, it's something we think about, do we want
4 to finance yet somebody else to compete with all the
5 money we have already arranged. In this case, though,
6 we don't have to think that Mr. Trump will be able to
7 dominate the market with the roughly one-third position
8 he will have. There aren't very many economies of
9 scale of owning more than one casino. If you think
10 about it, it really requires separate management, it
11 requires separate operating staff.

12 Notice, for example, Holiday Inns earned as
13 much in the Marina, in fact, more in the Marina, before
14 they operated Trump Plaza and after they operated Trump
15 Plaza, and in the period of time during which they
16 operated Trump Plaza, there didn't seem to be any
17 real benefit at the other casino. The same thing
18 seems to be true at Bally's. Bally's has now been
19 operating Golden Nugget for several months. They
20 don't seem to have gotten any benefit out of the fact
21 of having two, rather than just one, and, in fact, you
22 can say the same thing about Trump Castle. Trump
23 Castle and Trump Plaza are doing better than a year
24 ago, which was also, Trump Plaza in particular, has
25 added the parking garage they didn't have.

1 Domination, and I looked it up, knowing it's an
2 important word, according to Webster it is a commanding
3 control over, or prevailing over all others, and, yet,
4 even after the Trump organization's purchase of
5 Resorts International, of control of Resorts Interna-
6 tional, there have been eight independent operating
7 entities in Atlantic City, several of whom, and the
8 Pritkers (phonetic), for one, are significantly bigger
9 than the Trump entities, and as wealthy and powerful
10 as Mr. Trump is, he has a way to go before he catches
11 Mr. Pritkers.
12

13 The Trump organization will have 23 percent
14 of the casinos, 31 percent of the casino capacity
15 by my count after the presumed sale of the Haddon Hall
16 and the opening of the Taj Mahal. If Haddon Hall were
17 converted to be a non-gaming annex, the numbers increase
18 a little bit to 25 and 33, so he would have 25 percent
19 of the casinos, instead of 23, or 33 percent of the
20 casino capacity, instead of 31.

21 In my opinion, that is not enough concentra-
22 tion to exercise "demanding control, nor prevailing
23 influence."

24 The numbers -- I will give you a few
25 examples, Atlantic City was already a very competitive

1 market when there were only three, each having a one-
2 third share. There are two other ready examples in
3 the casino business in the U.S. One is South Lake
4 Tahoe, where Harrah's has 35 percent of the casino
5 capacity, yet, is a very competitive market. Another
6 one is the rapidly growing market of Lofland (phonetic)
7 Circus Circus has 40 percent of the capacity in that
8 market, and, yet, it's a very competitive market, and,
9 in fact, it's kind of interesting, pulling together
10 these numbers, I spoke with the vice-president of
11 Holiday and he asked me why I needed them, because
12 it's kind of a non-question, and I told him I was
13 trying to figure out whether they dominated the
14 market and he said what do you mean by dominate, and I
15 said, well, if you wanted to reduce your bus promo-
16 tions to South Lake Tahoe, could you do it arbitrarily,
17 or would your competitors be able to put you in a
18 position where you have to increase it, just using
19 that as an example, and his response was interesting,
20 he said, well, frankly, anything done to hurt market
21 visitation hurts them more than anyone else in that
22 market, because they are such an important part of
23 that market.
24

25 By corollary, allowing the Trump organization

1
2 to increase its concentration, but without becoming
3 dominant, links the interests of the Trump organiza-
4 tion more closely to those of Atlantic City, so, for
5 example, in terms of seeing the city rebuilt, they will
6 have so much money invested in Atlantic City, frankly,
7 that they should work harder than anyone else to see
8 the city rebuilt because they will have more at risk
9 than anyone else.

10 For example, other jurisdictions, if the
11 Poconos looks to legalize casinos, Golden Nugget
12 will probably be a major proponent of that today.
13 A casino company with one casino in Atlantic City
14 might be a proponent of legalization in the Poconos,
15 but I would wager that Mr. Trump would be an opponent
16 of it because he would have so much involved in
17 Atlantic City, and, finally, with three casinos, it
18 would be very important for him to see the marketing
19 of the city as a whole improved as a destination,
20 which I think we all are hoping for, so I guess, in
21 summary, we don't really see his control of the Taj
22 Mahal as being a problem for the other casinos that
23 we funded.

24 I don't think it puts him in a position of
25 domination. In fact, in a way, it puts him in a

1
2 position where he has to work harder to make the city
3 as a whole work.

4 I just have a couple of other points
5 I want to make. A casino's square footage is not
6 that all important. Golden Nugget has been one of the
7 smallest, and, yet, consistently, has been one of the
8 highest net wins. Atlantis is one of the largest, and
9 has the lowest net win, and, of course, the additional
10 square footage is really only key in the peak period,
11 and everybody is pretty busy anyway. Whether you
12 have 20 tables empty or 50 tables empty really doesn't
13 matter, but when you get into a Saturday in July, the
14 additional capacity can be important.

15 More important than the capacity is probably
16 the quality of management. The Taj Mahal could have
17 300,000 square feet and if it's not managed properly,
18 it could do poorly, and I could also point out, too,
19 that where the locations are, a well-managed Taj Mahal
20 is probably critical to the long term success of
21 Show Boat. If the Taj Mahal turned out to be a bomb,
22 Show Boat would be hit behind it.

23 Design is probably almost as important as
24 management because they kind of go hand in hand.
25 Atlantis and the Claridge are perfect examples. It's

1
2 important to notice that the Taj Mahal was originally
3 designed to have 120,000 square feet. I was down there
4 about to weeks ago and toured the Taj Mahal and it was
5 the first time that I had realized that the 30,000
6 square feet that was designed to be closed, or ordained
7 to be -- ruled out of the original plans is a rather
8 key 30,000 square feet. It's right at the main entrance
9 as you come into the casino. Some architect spent a
10 lot of time designing 120,000 square foot casino, and
11 somewhere along the line it got distorted into some-
12 thing that didn't work as efficiently, and, then, of
13 course, I point out the other amenities are very
14 important, parking, restaurants, bus facilities, that
15 sort of thing. Taj Mahal has twice as much as most
16 of those amenities, and in some cases as much as four
17 times, for example, meeting rooms, they have four
18 times as many meeting rooms at the Taj Mahal as any-
19 where else, and, therefore, it's kind of important to
20 have the same balance between the casino capacity and
21 the other amenities that some of the other casinos
22 have. Otherwise, you will have too many restaurants
23 for the number of people in the casino, and vice versa,
24 and, finally, I just make one final point, unless you
25 have more questions, or anyone else does, but in the

1 financing of a casino, even though I personally do not
2 think such is going to make a whole lot of difference
3 whether it's 90,000 square feet or 120,000 square feet,
4 it looks a lot better in the perspectus. This place
5 cost twice as much as Trump Castle, it cost about
6 twice as much as the Tropicana, and to have only 50
7 percent more casino capacity is kind of tough to
8 explain when showing the perspectus, whereas if I
9 can show yes, it costs twice as much, but it's twice as
10 big, it's much easier to get investors to invest in
11 the bonds, even though I don't think the casino
12 capacity is that important operationally, I do think
13 it is important in terms of putting together financing.
14

15 MR. RIBIS: Thank you.

16 I have no further questions.

17 CHAIRMAN READ: Mr. Sterns?

18 MR. STERNS: No questions.

19 CHAIRMAN READ: Mr. Vukceovich?

20 MR. VUKCEVICH: Thank you.

21 CROSS-EXAMINATION

22 BY MR. VUKCEVICH:

23 Q. You testified that one of the things
24 that your company does is arrange for financing in
25 terms of casino projects; is that correct?

1
2 A. That's correct.

3 Q. And that \$400 billion, that was over
4 what period of time?

5 A. It was over five years, I believe it was 4.2,
6 4.2 billion, of course, I should point out much of that
7 is refinancing. In other words, where Golden Nugget
8 might issue a hundred million dollars worth of bonds
9 at 14 percent interest rate, two years later interest
10 rates might be 11, they borrow 200 million more to
11 pay off the old money, and it gets kind of twisted
12 sometimes.

13 Q. Without going into the details, what
14 particular financing projects relating to Atlantic City
15 casino hotels were you personally involved in?

16 A. I have been involved, in one way or another,
17 with virtually all of them, and sometimes it's just a
18 matter of due diligence where our corporate financing
19 department would ask me to go down and look at
20 something under construction, give my opinion; other
21 times, it was doing your own projections internally to
22 figure out whether it makes sense.

23 Q. In all of those situations, is one of
24 the considerations that Drexel, Burnham looks at is the
25 place in the market place of the facility that's going

1 to be the subject of financing?

2 A. By place, do you mean physical location or
3 position it would have vis-a-vis the others?
4

5 Q. The position vis-a-vis the others.

6 A. I mean we are learning, too. For example, we
7 issued the bonds for Atlantis, we were the under-
8 writers for the bonds for Atlantis, an offering we are
9 not proud of, because within one year of the offering,
10 Atlantis went into bankruptcy, and we learned right
11 up front on Atlantis that design is very important.

12 If somebody -- suppose Circus Circus came to
13 Atlantic City, we would be happy to back them because
14 we think Circus Circus appeals to a family trade, which
15 Atlantic City doesn't have, so, in effect, we would be
16 backing Circus Circus and not really stealing money
17 from Golden Nugget. We did take that into
18 consideration.

19 Q. What do you mean by not stealing
20 money from Golden Nugget?

21 A. I am saying Golden Nugget being more at the
22 upper end -- see, we are underwriters, we don't
23 actually loan money, per se, we convince investors to
24 loan money, and, yet, much of our prestige is out there.
25 In other words, we don't like to underwrite an offering

1 and watch it go sour one year later.

2
3 If 15 companies came in, all with enough money
4 to build an Atlantic City casino, and wants mortgage
5 bonds, we would draw the line at that point, because
6 we would be afraid that all the offerings that we have
7 done before would go sour because there was so much
8 new competition coming into the market. You have to --
9 let me put it this way: We have underwritten so many
10 casinos we are very concerned about the market.

11 There was a period of time -- to give you an
12 idea, there was a period of time in approximately 1982,
13 where Drexel, Burnham internally drew the line and
14 said for a while we will not fund any more casino
15 projects because we wanted to make sure that the
16 market could absorb all that there was, I believe
17 there were three open and six under construction,
18 something like that.

19 Q. You mentioned Atlantis. Before your
20 company became involved in the financing of that
21 additional facility, was any analysis done with
22 respect to the design of that casino floor?

23 A. We did a fair amount of analysis. In fact, we
24 have had one person, not me, who went over to England
25 to look at the Playboy Club, which is a multi-level

1 casino, and came back and said, yes, they had multiple
2 levels and were very successful.
3

4 I can remember walking through Atlantis with a
5 hard hat on and looking at it and thinking well, it
6 might not be the most successful place because it's
7 three levels, but with 55,000 square feet, maybe it
8 will overcome that, and we didn't realize how big a
9 problem it would be, and, in fact, the things that we
10 overlooked the most was that there were not enough
11 escalators on the day that it opened, and it was just
12 kind of downhill from there. We do make mistakes.

13 Q. Does your company profit in any way,
14 any other way than aside from arranging for financing
15 for casinos?

16 A. No, only as investment bankers in the normal
17 course of investment banking services. We also, for
18 example, represent one company, they acquire another,
19 or when one company acquires a casino of another.

20 Q. Is a majority of your company's
21 profits associated with financing of the casino
22 hotel facilities?

23 A. No, not even close.

24 Q. What does the bulk arise from, bulk of
25 profits?

1
2 A. The bulk of our profits are from investment
3 banking, but the casino industry is only a small part
4 of the investment banking that we do.

5 Q. You mentioned you had some preliminary
6 discussions with the Trump organization in terms of
7 financing for the Taj Mahal project; is that correct?

8 A. In fact, we approached him and said you now
9 have control of Resorts, we recognize Resorts needs
10 financing, we know Atlantic City, we would like to
11 finance it.

12 Q. So you made the first step towards
13 the Trump organization?

14 A. Yes, we did.

15 Q. Without going into any detail about
16 what was discussed between you and the Trump organiza-
17 tion and your company, can you give us an approximate
18 time when that approach was first made?

19 A. Frankly, it was made several months back. One
20 investment banking client of ours is Southmark Corpora-
21 tion, who, of course, has a position in Pratt, Pratt
22 had an offer on the table for control of Resorts. As
23 long as that offer was out there, we could not approach
24 Trump. When that offer expired -- we can go back and
25 see when that was -- our conflict of interest expired,

1 and at that point it was obvious Mr. Trump was
2 involved, and we called him up, so it would have been
3 last winter some time.
4

5 Q. At this point in time, can you say
6 whether or not you have any concrete deal with the
7 Trump organization in terms of arranging financing
8 in connection with the Taj Mahal casino?

9 A. We have no concrete deal at this time.

10 Q. So that's pending?

11 A. Pending. As soon as he says he wants to do a
12 deal, we will have to sit down and write up the papers,
13 but he hasn't said he wants to do a deal. Historically
14 he has used Bear, Sterns, which is one of our biggest
15 competitors, so has Resorts today.

16 Q. In connection with your testimony here
17 today, approximately when were you first contacted
18 about the possibility of appearing before the
19 Commission?

20 A. Approximately two weeks ago.

21 Q. And who contacted you?

22 A. Harvey Freeman. In fact, it was at a meeting
23 where we were suggesting to them we would be happy to
24 raise the money, but before the meeting even started,
25 Harvey pulled me aside and said we might want you to

1
2 testify, which was fine.

3 Q. He didn't tell you about what?

4 A. I was here at your previous hearing, so I'm
5 essentially right often sitting in the back watching,
6 because I like to see what the Commission decides.

7 Q. And when he asked you, or raised to
8 you the possibility of testifying, what did you say?

9 A. I said I would be happy to do so. We have
10 different executives at Drexel, Burnham who have been
11 testifying on financial matters for other casino
12 companies, including myself.

13 Q. Between that point in time and today,
14 could you give us an idea what kind of research or
15 analysis, in addition to your background in the
16 industry, that you did or didn't do?

17 A. Actually, very little. I came to Atlantic City
18 for an initial interview with the attorneys, and, in
19 fact, en route on the airplane, I wrote down my
20 thoughts in terms of domination, and I handed an out-
21 line of my thoughts to the attorneys and they read it
22 over and they liked what I thought, and that was it.

23 Q. So your opinion was primarily based
24 upon your own experience and reputation in the field?

25 A. My own experience and reputation, that's true.

1
2 Q. Do you see any difference in terms
3 of the question of economic concentration turning upon
4 the question of whether or not the existing Resorts'
5 facility is sold or closed down and operated as a
6 support facility and hotel only for the Taj Mahal?

7 A. Well, of course, I think the issue is more
8 one of economic domination, not concentration, and,
9 obviously, if you close Haddon Hall, it means you
10 have a slightly higher percentage of total capacity
11 in the market. Does that constitute the domination?
12 I don't think so, although I hasten to point out I --
13 as though Mr. Trump very much wants to keep the
14 option open, I believe, to close Haddon Hall for a
15 reason I will go into in a second, but my own guess is
16 the economics will compel him to keep it open, the
17 economics alone. You could sell Haddon Hall, in my
18 opinion, in excess of \$200 million and build new
19 hotel rooms on the Taj Mahal and be much better off.

20 On the other hand, I am not sure who you could
21 get to buy Haddon Hall before the Taj Mahal opens,
22 even for 200 million, because one would want to see how
23 well the Taj Mahal does and how well the city reacts.
24 It might well be that his best course of action is to
25 close the casino in Haddon Hall for six months, until

1 the Taj Mahal opens, the city recovers, and things
2 look like they are going well, then you could probably
3 sell Haddon Hall for a higher price, so I think you
4 have to have that option, but in the long term, with
5 the number of guest rooms that Haddon Hall would
6 provide to the Taj Mahal, you could duplicate those
7 guest rooms for quite a bit less than the resale value
8 of Haddon Hall.
9

10 Q. Aside from the question of what would
11 be better off for Resorts, or, for that matter, Mr.
12 Trump's point of view, do you feel that the sale of
13 Resorts, one, would be better off for Atlantic City
14 and the State of New Jersey?

15 A. Not necessarily -- well, you see, the problem
16 is if you close Haddon Hall and keep the casino closed,
17 in effect, you are pushing some customers into all the
18 other casinos, and it will be a short period of time
19 before somebody else comes in and builds a new casino
20 hotel, so Mr. Trump is not in a position where he
21 dominates the market so much that he can close the
22 casino and not have a new competitor pop up. It will
23 happen.

24 There are lots of other casino sites and there
25 are lots of other companies out there that could build

1 casinos, so if he closes to try to enhance his business
2 at his other facilities, it would be a very short
3 phenomenon. Before you knew it, Holiday would be
4 building on the Chalfonte right next door, so the only
5 way it might make sense to close it from his point of
6 view, this is my opinion, and it's something I haven't
7 discussed with him, the only way it would make sense
8 is if you thought you could get a higher price selling
9 it shortly thereafter, it also makes sense from an
10 employee point of view.
11

12 It will not be easy to find enough employees
13 to staff the Taj Mahal. Perhaps here you have one
14 casino that has a lot of experience, trained employees
15 and management, move them over and hire 2,000 more
16 because the Taj Mahal will take quite a few more than
17 Haddon Hall, and then when you sell Haddon Hall,
18 whoever buys that has to find still more employees,
19 rather than trying to go into the market and -- I
20 don't know quite what the number is, but I would guess
21 the Taj Mahal would employ upward of 5,000 people. It's
22 not going to be easy to find that many people at one
23 time. It's hard enough to staff some of the 50,000
24 square foot casinos.

25 Q. Do you attribute any difference in

1 terms of your understanding of the following phrases,
2 economic concentration, as opposed to economic domina-
3 tion?
4

5 A. I think there is a difference. Concentration
6 simply means somebody has a certain percentage of
7 the market. Domination means they have such a
8 percentage of the market that they have prevailing
9 influence over all others. I think there is a very
10 clear difference.

11 Q. Setting aside the phrase economic
12 domination, based upon your understanding, do you
13 think that Mr. Trump's control of the Taj Mahal,
14 together with the other facilities, would result in
15 economic concentration of any kind?

16 A. He would have, whatever the number is, 30
17 percent of the capacity in the market, that is a
18 concentration of capacity. He can have a concentra-
19 tion of 10 percent, he can have a concentration of 40
20 percent. I think the issue is whether he is dominant
21 enough to impact on the others.

22 Q. And it's your opinion that he would
23 not be? -

24 A. It's my opinion that he would not be. He
25 would not be able to react in ways that would force his

1 competitors to act on it.

2
3 MR. VUKCEVICH: I don't have any
4 other questions. Thank you.

5 CHAIRMAN READ: Thank you.

6 Mr. Zeitz?

7 EXAMINATION BY VICE-CHAIR ZEITZ:

8 Q. I have questions that kind of go all
9 over the last.

10 A. My answers have been all over the lot, so
11 we're even.

12 Q. I think we left off talking about the
13 potential sale of Haddon Hall. Now, as I recall, there
14 were reports of offers for that property when Mr.
15 Crosby was alive ranging to a figure of \$250 million to
16 \$300 million that was under discussion at that time.
17 Do you know if those were real proposals?

18 A. The most real proposal that I'm aware of was
19 U. S. Capital Corp., which is a very small company,
20 and, in fact, at one time they talked with other
21 people at Drexel, Burnham. You see, within Drexel,
22 Burnham, I am the casino expert, so they may come
23 through another door and eventually it gets routed
24 back to me, and in the case of U. S. Capital Corp., our
25 conclusion was that we could probably fund them to

1
2 Now, if the Taj Mahal opened and six months
3 later Show Boat is doing better than ever because of
4 the synergy of the two places put together, then all of
5 a sudden you could look at Haddon Hall and say, well,
6 look at what the Show Boat is doing, now we can fund
7 300 million for Haddon Hall. It's the uncertainty
8 that gets you, more than anything else.

9 Q. So you think the potential price of
10 Haddon Hall, I will call it Haddon Hall, too, Haddon
11 Hall depends on the performance of the Taj Mahal when
12 it is completed?

13 A. The potential price of Haddon Hall will depend
14 on a lot of things. It will depend on how far ahead
15 or behind the opening of the Taj Mahal. In other
16 words, how much would you pay for Haddon Hall a month
17 before the Taj Mahal opened? You probably would
18 rather wait until six months later and see how well
19 Show Boat is doing, vis-a-vis, and get a better idea,
20 so, basically, the price of Haddon Hall will decline
21 until the time that the Taj Mahal opens, and then it
22 should start going back up again. That's my guess.

23 Q. Of course, the purchase and sell of
24 casino hotels in Atlantic City is the availability of
25 the license, possession of the license, or have the

1 ability to get one?

2
3 A. It's not easy to find buyers. We have been
4 in the position a few times where we have tried to
5 find a buyer, but there are some.

6 Q. Do you think anybody would -- these
7 are all vague hypotheticals. Do you think if the Taj
8 Mahl opened and the Resorts Casino, the Haddon Hall had
9 been shut down and Resorts had maintained possession of
10 it, but be interested in selling it under Mr. Trump's
11 control, that it would be easier to find, at that
12 moment, an unlicensed buyer that you could structure a
13 deal with different price levels, depending on the
14 ability to obtain a license?

15 A. Yes. In other words, find somebody new to
16 come into the industry to acquire --

17 Q. Yes.

18 A. I think it would be easier once the Taj Mahal
19 is opened and people will look at how well Show Boat
20 does right next door, on the other side.

21 Q. Now, I think there has been consider-
22 able confusion as to what Mr. Trump's position is in
23 Resorts and in the industry vis-a-vis his interest in,
24 pending interest in Resorts. If he closes on the
25 deal he has with it, the estate and with the Crosbys

1 and Murphys, he would control 72 percent of the voting
2 power approximately of Resorts, is that correct?
3

4 A. I believe that's correct, yes.

5 Q. But only approximately 10 percent of
6 the equity ownership would be vested in those shares,
7 is that correct?

8 A. That sounds approximately correct.

9 Q. So that when people speak of Mr.
10 Trump controlling, he would control the corporation
11 strategies through his votes, but he would have to
12 pay attention to those shareholders having 28 percent
13 of the vote, still having 90 percent of the equity
14 values?

15 A. Correct. He would still have to share
16 responsibilities for the other shareholders, as did
17 the Crosbys.

18 Q. Including their equity interests in
19 the Haddon Hall? . . .

20 A. That's correct.

21 Q. As I said, I am going to be all over
22 the place.

23 Do you happen to know offhand, roughly,
24 what Bally's market share in Nevada for the two
25 properties it has got out there?

1 A. I don't know, but it is under 10 percent, I
2 would say.
3

4 Q. Under 10 percent. Well, by comparison,
5 Hilton, within the Nevada market?

6 A. The Nevada market very large. Hilton, if you
7 look at the Las Vegas strip, Hilton itself might be
8 getting up to 15 or 20 percent, within that specific
9 market.

10 Q. And the total U. S. casino hotel
11 industry at this point, though, Bally's, with its
12 two properties in Nevada and two properties in Atlantic
13 City, would have, I think, probably 20 percent, or do
14 you think that's too high?

15 A. Well, let me see, roughly, 10 to 12 percent
16 profit shares.

17 Q. You are aware of the fact that the
18 Tropicana Casino-Hotel in Atlantic City has a major
19 expansion project underway?

20 A. Absolutely.

21 Q. And do you know that that extension
22 project calls for an already approved casino expansion
23 to 88,000 square feet?

24 A. Yes, I'm aware.

25 Q. Do you know that potentially, the

1
2 Tropicana if it is completed and developed as it is
3 proposed and as it is constructing, could have a
4 hundred thousand square foot casino by statute?

5 A. I don't know that I was specifically aware of
6 that.

7 Q. Bally's, of course, is adding
8 approximately 800 rooms to its facility in Atlantic
9 City?

10 A. Correct.

11 Q. And do you know whether or not that
12 would entitle them, if they should seek it, or to seek
13 a substantial casino extension?

14 A. It's my understanding that it would, yes.
15 In fact, I believe that they have already got the space
16 laid out in their plans.

17 Q. I have been doing this for seven years,
18 which I think is how long you said you were with
19 Drexel?

20 A. Correct.

21 Q. Would this be an accurate statement,
22 that within the past seven years, of all the
23 properties of hotels that have been built within
24 casinos in Atlantic City, about 15,000 rooms have been
25 added, or being added now to the Las Vegas market?

1
2 A. That is approximately correct. Las Vegas has
3 seen a real explosion of guest rooms, but, of course,
4 percentage-wise, the number of guest rooms being
5 added in Atlantic City is much greater because you
6 have a much smaller base.

7 Q. Yes, I understand that.

8 You talked about synergy, but would
9 you attribute some of that expansion, most of the
10 expansion in Las Vegas to competition?

11 A. No, I think you are seeing Atlantic City in
12 kind of a different stage in its evolvement. You will
13 see a lot more guest rooms being built in Atlantic
14 City. Las Vegas, they don't have any other solution,
15 if you want more people in the casino, you must add
16 guest rooms. In Atlantic City, you can add a parking
17 garage.

18 If you want to talk parking capacity, Atlantic
19 City has added much more parking capacity in the past
20 years than Las Vegas.

21 I think right now, we always use the number
22 of 53 million people within 300 miles of Atlantic
23 City, and it's kind of curious why did we use 300
24 miles as the range. The reason is simple, if you went
25 out 250 miles from Las Vegas, all you found were whore

1 houses and missile silos, so they had to go out 300
2 miles to get LA. Atlantic City is not drawing 300
3 miles, it's only drawing about a hundred miles, and
4 the market within a hundred miles, it has strongly
5 tapped, and now you have to start reaching out further
6 and further, and you will see more and more hotel
7 rooms being built because if somebody is going to
8 travel 200 miles, they much prefer to fly and they
9 virtually have to stay overnight, so I think over the
10 next 10 years, you will see the same type of explosion
11 in guest rooms in Atlantic City that we have seen in
12 Las Vegas over the past 20 years.

14 Q. Recently, a couple of casino hotels
15 announced a project involving what they called people
16 involvement. Do you think that in any way reflects
17 competitive pressure from the end of the boardwalk where
18 you now find Resorts, Show Boat and Taj Mahal under
19 construction?

20 A. It's a very competitive market and everybody
21 is trying to find their way around to get some edge.
22 Everybody is afraid somebody has an edge over them.
23 In fact, you know, I think if any of the other casinos
24 were seriously concerned about Mr. Trump having domina-
25 tion, somebody probably would have been here with an

1 objection, and I don't see anybody.

2
3 Q. As to that, I know various estimates
4 and objections and proforma studies, it appears that
5 if Mr. Trump owns, as he does now, the Castle and
6 the Plaza and received a controlling interest in the
7 shareholding of Resorts, he would then control Trump,
8 with Resorts continuing to operate its present
9 facility, perhaps 26 and a half to 28 percent as
10 various measurements. I am generalizing all kinds of
11 statistical tables we have seen, that if, as a
12 controlling shareholder, Resorts was either closed or
13 sold its present operation and opened the Taj Mahal,
14 Mr. Trump, then, his share position there, and Castle
15 and Plaza were variously controlled by various measure-
16 ments, perhaps 29 to 30 percent, to a maximum of 32
17 to 33 percent, but let us say 29 to 30 percent as the
18 more likely number, measured against the 26 and a half
19 to 27 percent, and 7 and a half percent attributable
20 to the first scenario, in terms of economic concentra-
21 tion, do you regard that increase as substantial,
22 meaning less, negligible?

23 A. Negligible.

24 Q. And if it were to go to 29 or 30
25 percent, using all the various indicators, slot

1
2 machines and a number of games, number of tables,
3 type of drop, whatever?

4 A. Still negligible. It's the other markets
5 where people have 40 percent of capacity, and they
6 are still very competitive markets.

7 Q. Is there any economic rule that would
8 translate market shares and concentration at that
9 level, or different levels of the domination of an
10 industry?

11 A. I don't know of any hard and fast rule. I
12 think it's something you watch for. I mean, if you --
13 I suppose one could argue that in the very early days
14 of Atlantic City, Resorts International was dominant.
15 They were the only one, so I don't know a hard and
16 fast rule of percentage. I think it comes when one
17 party is so powerful that they can react in a way that
18 nobody else can react. I mean, if you wanted to
19 eliminate bus programs, everybody else would eliminate
20 bus programs, too.

21 The fact of the matter is if the Trump casinos
22 eliminated bus programs everybody else would love it,
23 and they would all increase theirs and Trump would be
24 the loser.

25 Q. Just a few other questions.

1
2 If you happen to know this, would you
3 know what approximately the gross hotel sales were in
4 the United States, excluding casino hotels in 1986,
5 for example?

6 A. There were 600 million room nights sold, and
7 the average hotel rate is about \$50, so it's a very
8 large number.

9 Q. Is that three million?

10 A. Approximately, yes, that's just room sales.
11 Double that to include the food and beverage.

12 Q. And what would the gross gaming
13 sales be, if we regard the winners?

14 A. Including the total U.S. net win, that's
15 within the \$6 billion range.

16 VICE-CHAIR ZEITZ: Thank you.

17 CHAIRMAN READ: Mr. Burdge?

18 EXAMINATION BY COMMISSIONER BURDGE:

19 Q. Mr. Lee, you testified --

20 THE WITNESS: Excuse me, I am sorry
21 to interrupt. I believe we slipped a decimal,
22 I believe it's 30 billion.

23 VICE-CHAIR ZEITZ: Okay.

24 THE WITNESS: Okay, I am sorry.

25 BY COMMISSIONER BURDGE:

1 D. Lee - Commissioner Burdge 210
2 Q. Mr. Lee, I believe you testified that
3 before Mr. Trump became interested in Resorts, that
4 you had spoken to Resorts people concerning the
5 financing of the Taj Mahal, and that Mr. Trump could
6 obtain probably better interest rates than the Resorts
7 people?

8 A. That's correct.

9 Q. Is that because of his dominance in
10 the industry?

11 A. No, because investors would have greater
12 confidence in a project being completed near budget,
13 near schedule, being operated successfully thereafter.

14 Q. We all know Resorts was the first
15 casino to open, and they certainly established
16 themselves with the players and the repeat business,
17 and identity over the years. If you close this
18 casino for six months, wouldn't the people move to
19 other casinos, not just the Taj? Wouldn't that
20 decrease the value?

21 A. Of the original casino?

22 Q. Of Haddon Hall.

23 A. You will find, at least my experience, that
24 casino players do not have a high degree of loyalty
25 and they move around a great deal any way. I know

1
2 Resorts was first, I don't think that's the reason
3 why they continue to do well as Haddon Hall. I think
4 they could do well because they have a facility that
5 is large and has a lot of amenities.

6 Q. If Mr. Trump is given approval and
7 closes down Haddon Hall, in effect, won't he be
8 reducing the revenue that the State of New Jersey can
9 receive by closing down one casino?

10 A. I suppose it probably would be a little bit,
11 but you can argue that Bally's is reducing the
12 revenue that the State of New Jersey gets by not
13 building a third one.

14 Q. All right, let's go one step further.
15 We talked about employees. We know how many people
16 are working in Resorts today, but if Mr. Trump
17 didn't buy the Taj and Haddon Hall kept operating,
18 it would be X number of employees needed for the Taj,
19 so, indirectly, aren't we immediately reducing the
20 number of people that could be employed in the
21 industry?

22 A. You are assuming that Resorts International,
23 without Mr. Trump, could arrange sufficient financing
24 to complete the Taj Mahal and hire the five or six
25 thousand employees that it needs. I'm not sure that

1 that's the only case.

2 Q. I don't believe it's six thousand.
3 You just jumped a thousand.

4 A. Five or six thousand, I said.

5 Q. When you answered Mr. Zeitz, you said
6 five. I don't believe the figure is six thousand.

7 A. I don't know what the payroll budget is.

8 I am using six because most casinos employ at least
9 three, and I figured multiply that by two, it's about
10 twice as big, and maybe there are some economies of
11 scale.

12 Q. Would Mr. Trump have an advantage on
13 buying products from suppliers, from having control of
14 three casinos? Would he have an unfair advantage over
15 his competition?

16 A. I do not believe so. Holiday and Bally's
17 do not seem to have gotten any similar advantages,
18 or the Trump organization with Trump Castle and Trump
19 Plaza.

20 Q. If you buy in volume, goods are
21 usually cheaper, aren't they?

22 A. In many industries, yes, but not in the types
23 of industries that the casinos -- when you are buying
24 meat, or you are buying blackjack tables, they are not
25

1 usually large volume discounts --

2 Q. Well, let's get on the hotel side.

3 When you buy liquor and when you buy food, when you buy
4 in volume, don't you buy them a little bit cheaper?

5 A. Not much. There is a slight difference, but,
6 frankly, even an individual casino hotel probably
7 buys enough of those that they are already getting the
8 maximum discount. There is a bigger difference

9 between the local Days Inn and a 60,000 square foot
10 casino with 1,000 guests and 500 guest rooms. Put it
11 on a national scope, Holiday Inn operating over 200
12 hotels of their own and franchizing 1,600 throughout
13 the country, does not seem to have any advantage in
14 their cost of supplies over an individual hotel.

15 Q. But, Mr. Lee, they are spread out all
16 over the country. If you got three casinos in Atlantic
17 City, doesn't cost as much to bring, to have goods
18 distributed all over the country.

19 A. Well, of course, the cost of supplies, when
20 you really think of what does a casino have to buy
21 to resell, we are talking about food and restaurants,
22 the sheets on the beds, and things like that, that's
23 very small, very small percentage of the operating
24 costs of the casino. By far, the biggest operating
25

1
2 cost is payroll, and having three casinos is not going
3 to give them any break on the wages they must pay the
4 employees.

5 Q. All right, you mentioned it's difficult
6 to find help, it may be difficult to find help to
7 adequately staff the casino. Would this control of
8 three casinos give Mr. Trump an advantage over hiring
9 employees from other casinos?

10 A. It may give him a small advantage in that an
11 individual employee might look forward to more promo-
12 tional possibilities within the Trump organization
13 from one casino to another, similar to the advantage
14 that Hilton has, or Holiday, the same type.

15 COMMISSIONER BURDGE: Thank you.

16 No further questions.

17 CHAIRMAN READ: Ms. Armstrong?

18 EXAMINATION BY COMMISSIONER ARMSTRONG:

19 Q. Mr. Lee, there has been some
20 discussion regarding the difficulty that may be
21 encountered in finding enough employees to deal with
22 Taj Mahal when it's opened, and if a substantial
23 number of the current Resort employees would defect
24 to the Taj Mahal and if, in fact, for example, the
25 Resorts casino was closed down for six months or

1
2 longer and then pending a sale of that property, to
3 what extent do you think that a real or perceived
4 employee shortage would impact on a new person or
5 entity obtaining financing to purchase Resorts?

6 A. This kind of ties back with the response I
7 gave to Commissioner Zeitz earlier in that if you were
8 buying Haddon Hall two months before the opening of the
9 Taj Mahal, that would be a very real concern that you
10 would lose a large number of your employees right after
11 you bought the place. If the facility were closed
12 temporarily, the employees taken to the Taj Mahal,
13 the Taj Mahal opens, operates, over a time the labor
14 market reacts, more people are attracted to Atlantic
15 City, more people obtain the school and licensing
16 needed, if you are talking six months after the Taj
17 Mahl has opened, I think the labor issue becomes less
18 of a problem because then you are not competing with
19 the Taj Mahal in trying to find competent employees.

20 Granted, you would have to go through the
21 whole process that any new casino goes through in
22 staffing up, although, obviously, there would be
23 some employees still there because you are only
24 closing the casino part of it.

25 Q. You seem to feel that if Mr. Trump

1
2 gained control of the Taj Mahal and retained the
3 current Resorts' facility, but closed down the casino
4 portion of it, but continued to use Resorts as a
5 hotel, that that would not have any significant impact
6 on the question of economic concentration that we are
7 currently addressing?

8 A. That's correct. Maybe I haven't made myself
9 clear. I think long-term, it will be to Mr. Trump's
10 economic advantage, and, in fact, to Resorts Interna-
11 tional's economic advantage to sell the old Haddon
12 Hall, because even if the price you get is only 200
13 million to build a thousand new guest rooms, if that's
14 the primary reason he wanted 700 guest rooms, he could
15 do that for under 100 million and take the other 100
16 million and put it in the bank, and that's why,
17 economically, the argument is very sound.

18 The difficulty in finding the buyer just before
19 the Taj Mahal opens, that may not be an easy thing
20 to do. In terms of the impact on economic concentra-
21 tion, let's suppose no buyer comes out of the woodwork
22 and the decision is made to keep it closed indefinitely,
23 as a result, as the casino demand increases in the
24 town, that would speed the day that somebody builds yet
25 a new casino.

1 In effect -- let's suppose, to make matters
2 simple, Haddon Hall is closed. Because of that, the
3 net win of all the other casinos in town goes up eight
4 percent, that should be one-twelfth, profits would
5 rebound and before you know it, somebody else would
6 be adding casino capacity or building a new casino and
7 Mr. Trump is limited at three, so he can't be building
8 the fourth, so, in effect, closing the Haddon Hall and
9 using it as a hotel that's just allowing somebody else
10 to come in and build a new casino, and once that
11 casino opens, everybody's net win drops eight percent
12 again.

13 That's why, in effect, to close that and use
14 it just as guest rooms is foregoing an economic positive
15 for him. I think at some point it makes sense to sell
16 it, but it may well make more sense to sell it six
17 months after the Taj Mahal opens. That's all I am
18 saying.

19 Q. You have alluded, I think, several
20 times to the fact that there are essentially always
21 other individuals or entities kind of lurking in the
22 wings with an interest of developing a new casino.
23 You are aware of the fact, are you not, that Resorts
24 currently controls substantially more casino sites,
25

1 developed or undeveloped, in the city than any other
2 entity?
3

4 A. Yes.

5 Q. That we have in town.

6 Does that factor enter, that control of
7 the undeveloped casino sites, in any way in your mind
8 on this question that we are dealing with of economic
9 concentration?

10 A. There are actually many casino sites available
11 that Resorts doesn't have. Just off the top of my
12 head, the Dunes site has been available for some time,
13 Golden Nugget would be a very willing seller of what's
14 called the Del Webb site, the Sahara site, Caesars
15 World would be a willing seller of the Traymore site,
16 and the Chalfonte site has been available for some
17 time, Golden Nugget, of course, has a site in the Marina
18 that can be developed on, I believe there is another
19 site in the Marina owned by, not a Resort entity that's
20 available. I mean, there are quite a few other sites.

21 In fact, some of the best sites are not owned
22 by Resorts. The Traymore, for example, is probably
23 the best single undeveloped site in town.

24 Q. So you think the availability of
25 those other sites would offset any possible negative

1 ramifications to Resorts' control of a substantial
2 number of undeveloped casino sites?

3 A. In fact, it might even work the other way.

4 Mr. Crosby, who I knew somewhat, not well, but met him
5 several times, was a strong believer that since there
6 was only limited areas of casino land, he should buy as
7 much he can and hold it as long as he can, and that
8 seemed to be the name of the game in Atlantic City,
9 you either bought it from Resorts or you outdid Resorts
10 in buying it.

11 I can't speak for Mr. Trump, but I know it's
12 not Mr. Trump's style to sit on huge tracts of un-
13 developed land, so he might very well be a more willing
14 seller than Mr. Crosby would be.

15 Q. Just to follow up on something I think
16 you were alluding to earlier, if the numbers we are
17 looking at in terms of market share, casino floor
18 space, et cetera, are evaluated objectively and it's
19 perceived that there is not an unhealthy economic
20 concentration, and if the approvals are granted as a
21 result of this hearing to Mr. Trump, the Taj Mahal,
22 is it likely, or possible that economic concentration
23 could develop after the fact, after the approvals in
24 the form, for example, of predatory marketing practices?
25

1
2 A. See, this is, I guess, a case point I have been
3 trying to make is, it's very difficult, he is not in a
4 position to do predatory marketing any way. It's not --
5 he's not dominant.

6 For example, the Commission at one time was
7 concerned about Bally's having such a huge market share
8 of slot machines, and Bally's, and it was well over
9 half, and Bally's was in a position to be a dominant
10 marketer, and really could enforce people to pay
11 exorbitant prices for their machines because there
12 were very few alternatives. Mr. Trump will not be
13 in that position. There are lots of -- there are nine
14 other casinos, to be exact, and that's a very
15 competitive market. If he tries to outprice his
16 product, let's suppose he went to all \$10 table games,
17 he could not force everybody else in the market to go
18 to a \$10 table game, so bottom line is I don't see
19 that he would be in a position for predatory pricing
20 at this point.

21 COMMISSIONER ARMSTRONG: Okay, thank

22 you.

23 A. (Continuing.) Obviously, there would be a point
24 if somebody had 70 percent of the casino capacity,
25 that becomes dominant, I don't think that there's an

1 exact line to cut out.

2
3 Q. I just was going to ask you that, is
4 there -- in other words, if the Bally's slot machine
5 case, 50 percent, that was the cutoff point. I gather
6 that what you are saying is that you really cannot
7 arbitrarily come up with a precise cutoff point in
8 terms of casino licensees' dominance in the market.

9 A. I don't know what the cutoff point is. I'm
10 not sure we have to worry about it, because you already
11 have the limit of three casinos. Once you are at three
12 you can't build more, that's said in the law, so it
13 seems obvious to me that with roughly 30 percent of
14 the capacity, Mr. Trump will not be in the position to
15 dominate the market as the market stands today, and
16 his dominance will probably not be any higher than it
17 would be on the day that Haddon Hall opens, because
18 other casinos are adding expansions also, which would
19 bring that percentage down.

20 Eventually, there will be a 13th casino, or
21 14th casino, which should bring that number down even
22 further.

23 COMMISSIONER ARMSTRONG: All right,
24 thank you.

25 CHAIRMAN READ: Mr. Waters?

1
2 COMMISSIONER WATERS: I have no
3 questions.

4 EXAMINATION BY CHAIRMAN READ:

5 Q. Mr. Lee, a couple of them.

6 You spoke of the redesign and desire-
7 ability of 120,000 square foot of casino space as
8 contrasted with the 90,000 square feet. Where did you
9 get the numbers 90,000 square feet? The only thing
10 that this Commission has ever considered was 100,000
11 square feet.

12 A. Resorts International, at one time, had scaled
13 back, it was going to warehouse 30,000 square feet.
14 I was under the impression, maybe I'm wrong, but
15 that they had provided you with a set of drawings
16 at one time for 90, and --

17 Q. Well, they might have. We get a lot
18 of drawings that we don't get to.

19 A. Okay. This was designed for 120, and that
20 was shown through --

21 Q. We had actually considered a hundred,
22 I think, and that was the specific request.

23 A. Okay. I was shown through by a project
24 manager, who was showing me the number 30,000 that
25 was going to be warehoused, the 30,000 square feet.

1 I was really quite surprised by it because it was right
2 near where everybody would enter from the boardwalk
3 entrance, and it looked like it would be a very awkward
4 facility without that square footage in there. Maybe
5 I'm mistaken, maybe it was 20.

6
7 Q. I don't think it was the boardwalk
8 entrance either, but I may be wrong.

9 You spoke a great deal in answering
10 Commissioner Zeitz about the question of dominance and
11 dominating the market. Why do you use the term
12 dominance? The statute talks about economic concentra-
13 tion, it doesn't say economic dominance.

14 A. I was under the impression that the reason for
15 the statute being the way that it is was concern that
16 somebody would dominate the market, and I would have
17 to go back and look at the statute itself, which I
18 have read several times. I guess in my mind concentra-
19 tion is not a negative thing. As the Holiday execu-
20 tive said, if you have somebody to whom Atlantic City
21 is very important, then that's probably good for
22 Atlantic City.

23 Domination, on the other hand, has a negative
24 connotation in my mind.

25 Q. Well, that's my understanding, too,

1 and domination would be worse than economic concentra-
2 tion. That's the reason I wondered why you went to
3 the extreme, when the statute doesn't require us to
4 go that far.
5

6 A. I was under the impression that the statute
7 said domination. I could be wrong, or perhaps --

8 Q. It says, and I'm quoting from the
9 appropriate section, "It's the duty inferred by the Act
10 to include the power and duty to regulate, control and
11 prevent economic concentration of the casino opera-
12 tions and the ancillary industry regulated by this
13 Act."

14 Beyond that, you indicated that in
15 1982, Drexel, Burnham had drawn the line for further
16 construction financing. With Show Boat having just
17 come on and the Taj about to, are we close to that
18 same situation today, in your view?

19 A. No. Actually, today if somebody new came
20 in the door, we probably would encourage them, because
21 by the time they opened, it would be three years from
22 now and the market would have had two years to absorb
23 the Taj Mahal, and that would seem to be about the
24 bottom line with the market growth.

25 Q. You indicated also, I think, that with

1 the closing of the casino, Haddon Hall, that would
2 actually speed the time when someone else would build,
3 if I understood you correctly. Would that be correct?

4 A. It might speed the time, yes, sir.

5 Q. But you had earlier said that duplica-
6 tion of guest rooms could be done at substantially less
7 price than the construction of Haddon Hall as going
8 casino. Wouldn't that, therefore, indicate that it
9 would be much easier to sell Haddon Hall as a going
10 casino than to simply wait until another casino would
11 be built?

12 A. Yes, if you could -- the problem is -- yes, it
13 would be, if Haddon Hall could continue to operate
14 as an ongoing casino hotel for six months after the
15 Taj Mahal was opened, but there is a restriction in the
16 law about three casinos, and Mr. Trump would have four
17 in that period of time, so while it would be easier on
18 the one hand, on the other hand, from Resorts Interna-
19 tional's overall point of view, by closing Haddon
20 Hall, it moves the opening of Haddon Hall to some
21 extent, so there is some benefit to be gained by
22 closing it, actually in terms of the actual pre-
23 opening hurdles of finding employees, what have you.
24 Over the long-term, I do think it makes more sense for
25

1
2 it to be sold for precisely that reason, the fact that
3 the guest rooms alone cost much less.

4 Q. With respect to closing of Haddon Hall
5 for a time, I think you have addressed it in several
6 different ways and indicated that the value of Haddon
7 Hall will continue to be decline until after the Taj
8 is open, and then will start to increase again.

9 Could you compare for me the benefit
10 of selling Haddon Hall as a going operation, as
11 contrasted with a closed facility?

12 A. Well, it's a matter of -- first of all, it's
13 not entirely closed, only the casino room would be
14 closed, kind of mothballed. The principle hurdle
15 in buying it in that condition would be finding the
16 employees, so you are talking recruiting costs, train-
17 ing costs of perhaps 1,000 out of 3,000 employees, or
18 1,500 out of 3,000 employees, because the hotel
19 employees would still be there running the hotel part.
20 What that number might be, may be \$5 million or \$10
21 million dollars, not a very large number, to be
22 honest. I mean, figure the preopening costs of most
23 brand new casinos have been in the area of \$15 million
24 to \$20 million, so if you had a facility where you had
25 to go through the preopening of half the facility, it

1 would be maybe half that number.

3 Q. You probably would have equipment
4 problems as well if it closed for any substantial time?

5 A. Not necessarily. The building would still be
6 air conditioned, because you are still using the hotel
7 room part, and things like security cameras don't
8 deteriorate with age, you might have too -- you will
9 remember, since you were here and heard the testimony,
10 I pointed out to Mr. Trump that there might be a
11 licensing problem leaving all that equipment simply
12 sealed in the casino room.

13 Q. You are aware of all that problem?

14 A. Yes.

15 Q. So there would be an equipment problem,
16 probably refinishing complete, or substantially
17 complete?

18 A. Although recognizing the casinos have a lot of
19 wear and tear and the carpeting is replaced quite often
20 anyway, and that sort of thing --

21 Q. I wasn't worried about the carpeting,
22 I was worried about the gaming equipment.

23 A. Sure, the slot machines and what have you.

24 Q. In response to the question Commissioner
25 Burdge asked you about the loss of income to the state,

1
2 your answer was, as I recall, you might say the same
3 thing, that Bally's would be reducing such income by
4 not building a third casino. You want to restate that
5 in a way that I will understand and make sense out of
6 it? Isn't that something like saying Atlantis is
7 making something of less profit than Trump?

8 A. It was not a well stated answer.

9 In a sense, of course, opening the Taj Mahal,
10 if you -- it depends on what you are comparing. If you
11 are comparing closing Haddon Hall at the same time that
12 Taj Mahal opens, the state would be better off. If you
13 are assuming that Resorts International could continue
14 on its own and complete the Taj Mahal and open it, in
15 that situation, the state might have the highest revenues
16 from the casino revenue tax.

17 On the other hand, if Resorts continues with
18 the Taj Mahal and is unable to complete it because it
19 comes in so much over budget, the state could wind up
20 in the worst situation, so it was not a very good
21 answer previously.

22 CHAIRMAN READ: I don't have any more
23 questions.

24 VICE-CHAIR ZEITZ: Mr. Chairman.

25 CHAIRMAN READ: Yes.

1
2 EXAMINATION BY VICE-CHAIR ZEITZ:

3 Q. Mr. Lee, how many casinos does DuBois
4 now control or own, five maybe?

5 A. It is approximately five, yes, sir.

6 Q. Gross capacity, they may be the largest
7 one in the country?

8 A. Circus Circus would be larger in terms of
9 casino capacity because their casinos are quite a bit
10 larger, and they open, I think tomorrow they open the
11 sixth.

12 Q. Finally, just this one, were all this
13 to happen and Mr. Trump goes ahead with that deal and
14 becomes the controlling shareholder in Resorts, will
15 Trump Castle and Plaza, notwithstanding that, remain
16 competitive of Resorts International, no matter who
17 controls it, or whatever that means in the Atlantic
18 City market place? That seems to be where everything
19 is sitting and what it's about.

20 A. Yes, I believe they will, and it's interesting
21 because I deal with the casino management of all the
22 casinos, and I think you will find no other casino
23 management is as competitive with each other as is
24 Trump Plaza and Trump Castle, because they are both
25 trying to look like they are the best Trump casino.

1 The same thing was true when Harrah's had two, the
2 internal lines make them competitive.
3

4 Q. But I'm asking a different question,
5 regardless of who controls Resorts or how, the way
6 that is set up with two different kinds of shares,
7 there are a lot of shareholders out there, and is not
8 Resorts International going to be competing with all
9 others, whether it's Taj Mahal, Resorts, with 12
10 others, including the Castle and the Plaza?

11 A. I recognize that Resorts International is a
12 public company that is run by the Resorts International
13 Board, and while Mr. Trump may be the controlling
14 shareholder of Resorts International, the Board has
15 the future and responsibility to their shareholders,
16 that includes continuing to compete very actively with
17 Trump Castle and Trump Plaza.

18 Q. Will Mr. Trump be his own partner or
19 his own competitor?

20 A. He will be his own competitor. He will be
21 in -- it's not an uncommon situation. The Pritzgers
22 (phonetic) are in it often, for example, they have the
23 Hyatt Hotel competing with Elsinore Corporation, for
24 example, but, yes, he will have -- there will be
25 competing between a facility, two facilities that he

1
2 owns a hundred percent of and a casino that he owns
3 10 percent of, but has a separate board.

4 Q. And it won't do the Plaza and the
5 Castle any good if everybody thinks the Taj Mahal is
6 good and go there and won't go to the other two?

7 A. Correct, but Mr. Trump, in his role as
8 fiduciary, he could not instruct the management of the
9 Taj Mahal Casino to send all the high rollers back to
10 Trump Castle because there are Class A shareholders of
11 Resorts and he has a fiduciary responsibility to them
12 as well.

13 VICE-CHAIR ZEITZ: Thank you.

14 EXAMINATION BY CHAIRMAN READ:

15 Q. For my clarification, Elsinore is
16 publicly held and Hyatt is privately held?

17 A. Hyatt is privately held by the Pritzgers, the
18 Pritzgers own, I believe, now, 15 percent of Elsinore
19 Corp. control.

20 Q. So that they are somewhat comparable
21 to the illustration you just gave here?

22 A. Yes. In fact, it's even a stronger conflict
23 of interest in some cases because the Hyatt Lake Tahoe
24 is managed by Hyatt under management contract and
25 Elsinore owns it.

2 CHAIRMAN READ: Thank you.

3 Mr. Ingis?

4 MR. INGIS: Yes, briefly.

5 CROSS-EXAMINATION

6 BY MR. INGIS:

7 Q. Mr. Lee, other than the total market
8 share percentages, what factors do you consider
9 significant in evaluating whether economic concentra-
10 tion exists?

11 A. The main question in my mind is if Mr. Trump
12 could act arbitrarily in a way to depress competition
13 in the market. In other words, is he in a situation
14 where he could suppress competition, and that becomes
15 kind of a suggestive issue, but, in my opinion, he is
16 not.

17 Q. Do you contemplate any means by which
18 he would be able to, by virtue of his market shares,
19 hinder or suppress, in your words, competition?

20 A. Not with 33 percent, no. Not with the other
21 eight qualifying entities.

22 Q. Did you take into account at all in
23 evaluating the possibility of economic concentration
24 any potential entry barriers into the Atlantic City
25 gaming industry?

2 A. There are entry barriers, but they are not
3 insurmountable.

4 Q. Did you also take into account the
5 strength of competition and positive development in
6 the industry?

7 A. Yes, I did.

8 MR. INGIS: Thank you.

9 CHAIRMAN READ: Redirect, Mr. Ribis?

10 MR. RIBIS: Just a few quick questions.

11 REDIRECT EXAMINATION

12 BY MR. RIBIS:

13 Q. You testified at length about temporary
14 closing of the Haddon Hall and sale. You haven't
15 discussed any of those factors with Mr. Trump, have
16 you?

17 A. No, not at all. Those are my own thoughts.

18 Q. Those are your concepts here on the
19 stand today, some of the things that could happen in
20 the future?

21 A. Right, my thoughts as an analyst.

22 Q. And to your knowledge, none of those
23 matters have been considered by the Board of Directors
24 of Resorts to this point?

25 A. That's correct.

1
2 MR. RIBIS: Okay, I have no further
3 questions.

4 MR. STERNS: Mr. Read, may I?

5 CHAIRMAN READ: Yes.

6 CROSS-EXAMINATION

7 BY MR. STERNS:

8 Q. If I could, Mr. Lee, your testimony,
9 I think, raised a couple of issues I would like to
10 explore with you at least briefly, I guess, from the
11 point of view of Resorts and its shareholders.

12 First, let me ask you, I gather in the
13 nature of your work that you have to be fairly
14 familiar with the Casino Control Act?

15 A. Yes.

16 Q. And that you have read it and know
17 regulatory authority, and, as you say, you have
18 attended here fairly often?

19 A. Yes.

20 Q. I wonder if you could comment on the
21 question of economic concentration. I want to start
22 with what the Chairman quoted to you, which is Section
23 12 of 17, preamble to the Act, which cites a number
24 of goals, but in this particular one, says, "shall
25 include the power that" -- we are talking about the

1 regulatory and investigatory powers included by this
2 Act, include the power to regulate, control and prevent
3 economic concentration in the casino operations and
4 the ancillary industries.
5

6 I would like to turn for a second to
7 the regulate and control aspect. Is this, in your
8 opinion, based upon your experience, less restrictive
9 to casinos, but casinos under regulation in Nevada
10 and New Jersey, and wherever else, is this regulatory
11 environment an environment where an economic concentra-
12 tion such as we have been talking about can take place
13 to the detriment of other competitors, or does the
14 regulatory authority of the Commission kind of rule
15 that out in any way?

16 A. It's a highly regulated, highly competitive
17 industry.

18 Q. That, for example, with regard to rules
19 of the game, with regard to slot machines, with regard
20 to busing, with regard to comps, with regard to all of
21 those things, which would be marketing tools, would you
22 say they were fairly highly regulated?

23 A. Very highly regulated. It would take a
24 monstrous market share to really dominate, and, in fact,
25 I think it would be obvious to the Commission if someone

1 reached that point.
2

3 Q. Now, I would like to turn to the one
4 other perspective Resorts would have, and that is from
5 the point of view of economic concentration from the
6 point of view from a regulated industry we have
7 covered, after the point of view of the shareholders,
8 from the point of view of a public company, I would
9 like to just review with you briefly what the
10 possibilities are that would confront a new majority
11 shareholder, i.e., Mr. Trump and the Trump organiza-
12 tion with regard to Resorts, one, and what it could
13 do.

14 Would you agree that he could take
15 no action, as a majority shareholder, that couldn't
16 be justified as in the best interest of the public
17 company?

18 A. That's correct.

19 Q. Now, is it your testimony that it is
20 possible that it would be in the best interest of the
21 public company to defer a sale of the present Resorts
22 one to Haddon Hall?

23 A. It may very well be, yes. Depends on what the
24 price you might be able to get from selling Haddon
25 Hall beforehand. If the Board of Resorts

1
2 International felt that the price that they could get
3 before the opening of the Taj Mahal was not adequate,
4 then that would be the situation where they would look
5 to close it.

6 Q. But aside from the regulatory
7 constraints which are obviously placed by the Act and
8 by the Commission, are there the constraints or
9 fiduciary duties also required of directors, the
10 management of a public company?

11 A. There are constraints and fiduciary responsi-
12 bilities involved, too.

13 Q. Are you aware that is the case of
14 Resorts International, and with the case also of
15 several other public companies in Atlantic City, that
16 there is a requirement for 50 percent independent
17 board of directors?

18 A. Yes, I am aware.

19 Q. Would that, in your mind, and I am
20 asking this from your point of view, of course, as an
21 analyst, with a major finance house, would that give
22 comfort to shareholders that fiduciary duties would
23 be carried out in a proper way, that is, with regard
24 to the distribution of Resorts One and the Haddon
25 Hall? And it certainly is one measure that you would

1
2 look for the fiduciary responsibilities to be covered.

3 MR. STERNS: Thank you.

4 I have no further questions.

5 CHAIRMAN READ: Thank you.

6 Mr. Ribis?

7 MR. RIBIS: I have nothing further.

8 CHAIRMAN READ: Mr. Vukceвич?

9 MR. VUKCEVICH: I just have a few

10 brief questions.

11 RECROSS-EXAMINATION

12 BY MR. VUKCEVICH:

13 Q. In terms of your evaluation of
14 financial aspects of casino hotel facilities, did you
15 ever look into the proximity of one casino, as opposed
16 to another?

17 A. We have actually found an Atlantic City
18 location isn't all that important. There are
19 successful and unsuccessful casinos scattered around
20 the boardwalk, and we look at some characteristics
21 of site.

22 For example, we looked upon the Show Boat
23 site somewhat negatively because they were not only
24 at the end of the boardwalk, but they were the furthest
25 from any of the three roads coming into town, and kind

1 of hidden behind the Taj Mahal construction site.

2 We looked at the Caesars site positively
3 because they were smack at the foot of the Atlantic
4 City Expressway, we do look at locations, but it's
5 more how the site is in relation to the relationship
6 to the infrastructure around it, not to the boardwalk
7 being better than the Marina or the center of the
8 boardwalk being better than either end.

9 Q. Speaking in terms of the proximity
10 of the Taj Mahal facility to the Haddon Hall, can you
11 give us an opinion, if you can, as to whether or not,
12 in your view, the closing of the casino floor at
13 Haddon Hall would help, harm or have no effect on
14 the table and slot draw at the Taj?
15

16 A. That's an issue two analysts could fight
17 about forever, and I don't know the answer. It may
18 well be that they are synergistic, it may well be that
19 they would be competitive. For example, Trump Castle
20 opened in the Marina and Harrah's Marina seems to do
21 fine. It didn't seem to have a negative impact at
22 all. On the other hand, it doesn't seem to have been
23 synergistic, and maybe that's because they are not
24 linked with the bridge.

25 It may very well be that the opening of the

1
2 Taj Mahal move the center of the boardwalk down
3 towards that end and Show Boat's business improves,
4 and that would be a good reflection on the resell
5 value of the Haddon Hall, so it could work either way.
6 At this point, nobody really knows.

7 Q. One of the things that came up in
8 terms of your testimony is the difference between
9 the term control of Resorts and equity or ownership
10 interest in Resorts. Could you explain what your
11 understanding is of how those two terms are affected
12 hereby?

13 A. Mr. Trump will have absolute control, but he
14 will still not be the only shareholder, and there are
15 federal laws that regulate fiduciary responsibilities
16 of persons in that situation. Just having control
17 does not allow him to walk all over the shareholders.
18 He must act in their best interests and in the
19 best interests of a public company.

20 Q. When you say that Mr. Trump will have
21 absolute control, how will he have the ability to
22 exercise that control, considering his fiduciary
23 duties?

24 A. He has the voting block, he will have the
25 major, majority voting -- excuse me. He will have

1 majority voting control, meaning that even if all
2 other shareholders voted against him, they could not
3 overturn a decision he made. On the other hand, if he
4 were to take some measure that strongly benefitted him
5 at the expense of the corporation, they could sue him
6 in court for neglecting his fiduciary responsibilities,
7 the same as you could sue any director of any public
8 company for neglecting their fiduciary responsibilities.

9
10 Q. In terms of the day-to-day operations
11 and policies of Resorts International, Inc., upon Mr.
12 Trump's acquisition of the B stock, will he have the
13 ability, in consideration of his fiduciary duties,
14 to control the day-to-day policies, et cetera?

15 A. Yes, but only -- yes, he can, but he cannot
16 instruct the day-to-day operating policies to be in
17 some manner that benefits himself to the detriment of
18 the company.

19 Q. Because of his fiduciary responsibili-
20 ties?

21 A. Because of his fiduciary responsibilities.
22 It's similar to many other instances that come up in
23 Atlantic City and many other businesses. Mr. Crosby,
24 for example, if Mr. Crosby wanted to take \$20 million
25 from the company and go and buy a weekend house, he

1
2 couldn't do that because he had other shareholders
3 in the company, and Mr. Trump being the sole share-
4 holder of the Trump Castle, if his bond covenant
5 allows it, which I don't believe they do at the
6 moment, but if they allowed it, he could take \$20
7 million out of Trump Castle and go build a weekend
8 house, but his fiduciary responsibilities at Resorts
9 would prevent him from doing that.

10 MR. VUKCEVICH: Thank you.

11 COMMISSIONER WATERS: Mr. Chairman,
12 I just have one question.

13 CHAIRMAN READ: Yes.

14 EXAMINATION BY COMMISSIONER WATERS:

15 Q. Mr. Sterns raised the issue about
16 fiduciary responsibility, and there has also been
17 discussion of it here. If I understand what you are
18 saying, the implication is people always carry out
19 their fiduciary responsibilities properly. Is that
20 what you are trying to imply?

21 A. No, not that they always do so properly, but
22 if they don't, then the shareholders can go to the
23 court and sue that person.

24 Q. If they are aware of it?

25 A. If they are aware of it, but that's part of my

1
2 job, frankly.

3 Q. Pardon me?

4 A. Part of my job is to watch on behalf of
5 shareholders and write reports for shareholders.

6 This issue came up, actually, with Hilton,
7 with the Hilton Foundation, which also had fiduciary
8 responsibilities in terms of whether to vote their
9 shares in favor of the bylaw changes, and they did
10 vote in favor of the bylaw changes and there were a
11 couple of shareholder lawsuits against them, which I
12 believe were settled out of court.

13 Q. Okay. I just want to -- I need for
14 myself to clear away the impression that this is
15 automatic, somebody has to react to it, and you
16 mentioned the federal government. What mechanism
17 do they have in place that they have utilized to
18 safeguard this responsibility?

19 A. It would be under the -- although I am not a
20 lawyer, but I understand it would be under the purview
21 of the Securities and Exchange Commission. The fact
22 is the federal government is not likely to get
23 involved in this unless it was something very
24 flagrant. But, for example, at Resorts International
25 there is an entity called Industrial Equities, Pacific

1 Limited, which owns five percent of the Class A
2 stock, approximately, controlled by the Brierly
3 (phonetic) Group. The Brierly Group is the largest
4 public corporation in New Zealand, worth about \$5
5 billion, and they control the fourth largest public
6 company in Australia, and if Mr. Trump were to -- and
7 they have investments in tens of millions of dollars,
8 if Mr. Trump were to do something that they felt was
9 unfair or that he had not acted responsibly in his
10 fiduciary responsibility, they would most likely sue,
11 and they are an entity that sued companies before for
12 that same reason.
13

14 Q. But I guess it is true, the SEC has
15 no mechanism in place to insure fairness, otherwise
16 they wouldn't have a situation today where one class
17 of stock is controlling, even though it represents
18 only a small percentage of the total equity owner-
19 ship?

20 A. I believe they have recently come out in
21 favor of a new rule that would make it one share, one
22 vote, although companies like Resorts International
23 would be grandfathered.

24 Q. Yes. So it really wouldn't change
25 the situation?

1 A. That really would not change the situation.

2 Q. So the unfairness that exists today
3 would continue?
4

5 A. On the other hand, the shareholders who
6 bought the Class A shares did so knowing that they
7 had much less voting power than the Class B.

8 Q. But I think they aborted in good
9 faith, didn't they?

10 A. It wasn't until recently --

11 Q. That someone was looking out for
12 their welfare?

13 A. If you look at the trading prices of Class A
14 and Class B, it didn't fluctuate very much at all,
15 the Class B was always only \$2 or \$3 above Class A,
16 until Mr. Crosby died, and then people started to say
17 well, how much is the control premium worth, and then
18 you saw the Class B shoot way up, and it's clear, at
19 least to me as an analyst, that the voting power was
20 really there.

21 CHAIRMAN READ: Isn't it right on
22 Mr. Crosby's death, they both shot way up?

23 THE WITNESS: They both shot way up,
24 B went up farther than A, then A came down,
25 yes.

2 VICE-CHAIR ZEITZ: Mr. Lee, isn't it
3 true that anybody who wanted to could control
4 for \$12 in 1978?

5 THE WITNESS: I think that's correct.

6 VICE-CHAIR ZEITZ: But they didn't,
7 correct?

8 THE WITNESS: Even in the initial
9 public offering of shares of Resorts, which
10 is now, many, many years ago, decades ago,
11 it showed the voting differential. In fact,
12 we recently took a careful look at Four
13 Seasons Hotels, which is a public company,
14 which has a similar voting differential, but
15 one little clause in it that makes it quite
16 a bit different, and that is if the controlling
17 shareholder dies, his shares revote to normal
18 shares, and you live and learn on Wall Street
19 too, and in the future, a differential voting
20 is a very big role in trying to value one
21 stock vis-a-vis another.

22 CHAIRMAN READ: I just have one
23 question beyond that, that is the question of
24 the real dominance as far as voting control is
25 concerned. Is that going to be a problem with

1 tracking really good independent outside
2 directors?
3

4 THE WITNESS: I don't think so. I
5 don't think so. Mr. Trump has a very good
6 name, and I think there are very many people
7 who would like to work closely with Mr. Trump.

8 CHAIRMAN READ: I wasn't speaking of
9 Mr. Trump personally, but just the concept of
10 getting yourself in a position where the
11 dominant shareholder might have a view
12 different from yours, and, yes, your great
13 duty presumably is to the substantial equity
14 balance.

15 THE WITNESS: If you are appointed a
16 director of Resorts International, it doesn't
17 matter that Mr. Trump has whatever voting
18 power he has. A proper, independent director
19 must look and make his decision based on his
20 own business judgment.

21 CHAIRMAN READ: But he still is going
22 to know whether he is between two heavy
23 balances.

24 THE WITNESS: He is, but that's not
25 unusual, and, in fact, that is even the case.

2 in companies where a controlling shareholder
3 has a much smaller interest. Mr. Mullane does
4 not take lightly to directors who would vote
5 against him, even though he owns very little
6 of Bally's stock.

7 CHAIRMAN READ: I understand.

8 Further questions from anybody for
9 Mr. Lee?

10 If not, Mr. Lee, thank you.

11 (Witness excused.)

12 MR. RIBIS: Marvin Roffman, please.

13 THE REPORTER: Would you raise your
14 right hand, please.

15 Do you solemnly swear that the
16 testimony you are about to give in this matter
17 will be the truth, the whole truth and
18 nothing but the truth, so help you God?

19 MR. ROFFMAN: I do.

20 THE REPORTER: Please state your full
21 name and spell your last.

22 MR. ROFFMAN: Marvin Roffman,

23 R-O-F-F-M-A-N.

24 MARVIN ROFFMAN, first having been duly sworn, was
25 examined and testified as follows:

1 DIRECT EXAMINATION

2 BY MR. RIBIS:

3 Q. Mr. Roffman, where are you presently
4 employed?
5

6 A. I'm with Janney, Montgomery and Scott, an
7 investment firm based in Philadelphia.

8 Q. Could you briefly describe for the
9 Commission your experience in the casino industry and
10 your knowledge of the casino industry?

11 A. Yes. I have been following the casino industry
12 as a security analyst for Janney, Montgomery, Scott
13 for the past nine years. I have been associated with
14 the company for 13 years. I am a vice-president of
15 the company. I am very involved in the financial
16 community in Philadelphia, from an educational
17 aspect. I have lectured at various colleges, I am
18 past president of Philadelphia Securities Association.
19 I am a member of the Financial Analysts of Philadel-
20 phia for over 20 years.

21 Q. Have you reviewed the potential
22 acquisition of the Resorts B stock by Mr. Trump and
23 its effect on the market place in Atlantic City?

24 A. I have.

25 Q. And specifically calling your

1
2 attention to that transaction, could you briefly
3 describe for the Commission, without repeating some
4 of the areas, I guess, Mr. Lee has already covered,
5 what your opinions are regarding that matter?

6 A. Well, I do not believe that his ownership
7 of the Taj Mahal, or the large casino, would mean
8 economic concentration, if that's what you are
9 asking me.

10 Q. Yes, and could you state for the
11 Commission your reasons for reaching that conclusion?

12 A. Yes. Simply because by law, no individual
13 operator can operate more than three casinos, which
14 currently represents about 25 percent of the number of
15 casinos operating in Atlantic City, and to me 25
16 percent does not mean economic concentration.

17 Q. And in considering economic concentra-
18 tion and the effect on the market place, have you
19 looked to the Taj Mahal transaction and Mr. Trump's
20 potential ownership of the B stock and its positive
21 effects on the market place? Have you recently
22 reviewed that?

23 A. Yes, I have. I have written numerous papers
24 on Atlantic City, and particularly with that property.

25 Q. And discussing that matter for the

1
2 Commission, specifically addressing yourself to the
3 positive aspect of the development of the Taj Mahal
4 and the operation of it by Mr. Trump, could you
5 explain the basis for your conclusions?

6 A. Yes. I think the Taj Mahal is what Atlantic
7 City really needs. It's unlike any other casino
8 property in town in that it's almost a self-contained
9 convention facility. It's a mini-convention hall.

10 Over the past nine years, over \$3 billion has
11 been invested in Atlantic City. Most of that money
12 has gone into 12 properties, yet, Atlantic City has
13 not really delivered to the voters who approved the
14 Act 10 years ago what -- the purpose of bringing
15 casino gaming into Atlantic City was to revitalize
16 Atlantic City, and to me Atlantic City has not been
17 revitalized, unless you say, well, there are 40,000
18 jobs, a billion \$8 million has been paid in taxes, but
19 the city is still a very shabby place to visit, and I
20 think that Atlantic City has to make a transition
21 from the kind of a market it is today, which is really
22 a summer and a weekend daytripper market into a year-
23 round destination resort that can attract people from
24 vast distances, not just a day's drive of the city,
25 and there has to be a lot of ancillary type of

1
2 businesses that develop, and this particular project,
3 to me, is going to close that gap in that transition
4 phase to move from that daytripper type market into a
5 convention type of a market, a market where you can
6 invite people in from all over the United States, where
7 they can fly in, and not just come in by subsidized
8 buses and automobiles, and be able to enjoy a real
9 fine resort area.

10 I remember as a child, I used to go down to
11 Atlantic City every summer and at night after -- where
12 we would go out on the boardwalk and everyone wore a
13 jacket and a tie, which is not the case today, and I
14 think a lot of things will change over the next couple
15 of years.

16 This is the kind of a project that will help
17 make that change possible. The magnitude of it,
18 and the amenities that it offers isn't like any
19 project in Atlantic City today. More space is being
20 dedicated to the public than any other project.

21 Q. Why do you think Mr. Trump's
22 involvement and participation as a shareholder in
23 Resorts International will aid in the completion of
24 the construction of the Taj Mahal and the expansion
25 of the market place to a convention type market

2 place, with the completion of this facility?

3 A. Well, I have been watching this property for
4 quite some time. If you take out the 1982 annual
5 report of Resorts International, they have talked
6 about this project, and over the past four or so years,
7 the costs of the project just escalated. Originally,
8 this was to be built for about \$200 million, it looks
9 to me now, and I have published this in reports that
10 I have written, that this project will probably cost
11 in excess of three-quarters of a billion dollars, it's
12 about \$750 million.

13 I question whether or not Resorts' current
14 management, as it stands today, could complete that
15 project. It really needs someone with vast financial
16 resources behind him to do that, and I have been a
17 follower of the Trump organization, just looking at
18 the numbers that I see, and he runs a very -- he runs
19 two very efficient casinos and they are very well
20 managed.

21 Q. Specifically addressing yourself to
22 Mr. Trump's potential ownership of the Taj Mahal, or
23 control of the Taj Mahal and the owner of Trump Plaza
24 and Trump Castle, do you believe, from your knowledge
25 of the casino industry and the regulations and the

1
2 statutes of New Jersey, that that would be economic
3 concentration of the industry and the market place
4 of Atlantic City?

5 A. No, I do not.

6 Q. And could you explain to the
7 Commission why not?

8 A. Yes. When I was listening to Mr. Lee's
9 testimony, and I heard a lot of the things that the
10 Commissioners were saying about this economic
11 concentration and I was thinking about that, I was
12 showering this morning and I thought well, that sounds
13 so wrong, economic concentration, all of a sudden you
14 start to think, well, if I controlled the Atlantic
15 City market, I could price, I could set my own prices.

16 Well, the Atlantic City market is not a free
17 market. The casino industry in Atlantic City is
18 highly regulated and controlled and pricing in
19 Atlantic City, from the standpoint of the casino
20 patron, is really the payout, the casino payouts, and
21 because all of the games are highly regulated, all the
22 rules and the caps on the slot machine payouts, nothing
23 can change.

24 No one who controls three casinos in Atlantic
25 City could say, well, instead of paying out 12 or 13

1
2 percent in my slots, I am going to reset them and I'm
3 going to only pay out nine percent. Well, I'll tell
4 you it will only take a couple of days before --
5 bettors are pretty smart guys, they know where to go.
6 There's no way in the world that you could do that,
7 and there is a cap, by law, anyway, so all this talk
8 about economic concentration in a regulated industry
9 just makes absolutely no sense to me at all, and
10 especially with the way the law is written, that one
11 operator can only operate three properties.

12 There are 12 now, and by my projections, I see
13 somewhere around 14 to 16 probably in the early 90's.

14 MR. RIBIS: I have no further
15 questions. Thank you, Mr. Roffman.

16 CHAIRMAN READ: Mr. Sterns?

17 MR. STERNS: No questions.

18 CHAIRMAN READ: Mr. Vukceovich?

19 MR. VUKCEVICH: Thank you.

20 CROSS-EXAMINATION

21 BY MR. VUKCEVICH:

22 Q. It seems clear that you understand
23 there is no individual entity can operate more than
24 three casino-hotel facilities, is that correct,
25 Mr. Roffman?

1
2 A. Yes, that's right.

3 Q. Do you feel that it is at all
4 possible for economic concentration to exist under
5 any scenario, hypothetical or factual, where a
6 person controls three casino-hotels?

7 A. That is correct, it is impossible in
8 Atlantic City under the current rules and regulations,
9 where a casino can only operate right now 25 percent
10 of the casino-hotel projects, to get that kind of
11 economic concentration. It just cannot happen.

12 Q. In view of the three-license
13 limitation inherent in New Jersey law, do you think
14 there was any necessity for a provision in the Casino
15 Act relating to concentration?

16 A. Say that again, please.

17 Q. Yes. In view of the three-license
18 limitation as set forth in the Casino Control Act,
19 do you think there is any necessity for the provision
20 of the Act relating to economic concentration?

21 A. I do not.

22 Q. Could you explain upon that a little
23 bit?

24 A. Yes. As I said, there are 12 casinos right
25 now, one man cannot control more than 25 percent of

1 those, and I can't see how, in any stretch of the
2 imagination, that could possibly mean economic
3 concentration, and even when there were three
4 operators back in 1979 that controlled the entire
5 market place, no one -- how can economic concentration
6 be a bad thing for the people who go into casinos,
7 when the Act tells the operator how much of a payout
8 there is going to be on the slot machines and the
9 rules governing every game are really set forth by
10 the Act, so -- once you set the rules down, that
11 automatically sets payout. We know what the payout
12 is going to be almost every single month, it's going
13 to average somewhere around 16 and a half percent.

14 Q. I think I might be having a little
15 difficulty in terms of understanding your testimony,
16 so let me ask you a hypothetical question.

17 Let's assume that there are only five
18 casinos in the State of New Jersey, and one operator
19 controls three of those five casinos. In a situation
20 as that --

21 a. But there isn't. The other operators aren't
22 going to go out of business. There are six strong
23 operators in New Jersey right now, and, as a matter
24 of fact, if you take six operators in the whole State
25

1 want me to give you my reasons for that?

2 Q. Yes, sir.

3 A. The gaming market in Atlantic City is
4 definitely a maturing market, and in looking back in
5 1986, the market, as measured by gross casino win
6 increased about 6.7 percent over the prior year.
7 That number has been coming down steadily from the
8 past couple of years. It has been drawing about 10
9 percent for these three years prior to that, so that
10 the market is definitely growing down, and, as a
11 matter of fact, we think that the market is growing
12 about 7 percent a year currently, and will probably
13 continue to do that for the next couple of years.

14 Now, the amount of gaming capacity that has
15 been coming on just this year is 10 percent, and
16 during the month of April, when that 10 percent
17 addition came on stream through the opening of the
18 Show Boat, which was the 12th casino in Atlantic City,
19 we looked at the April number, you will see that the
20 April gross casino win was up less than 6 percent.
21 Yet, when you look at the 11 properties where you can
22 make year-to-year comparisons, only four of the
23 casinos have up months and three of the four were
24 really just marginal increases of less than two percent,
25

1 A. It's impossible, as long as the rules are
2 three licenses and the other operators are not going
3 to go out of business.
4

5 Q. In terms of -- aside from your
6 background and experience, did you perform any
7 analysis or study in light of your testifying here
8 today?

9 A. I've done many of them, my last one was
10 dated June 11th.

11 Q. And what specifically did that
12 concern?

13 A. It really addressed the whole issue of casino
14 gaming in Atlantic City, what I think the near term
15 prospects were, and my long view.

16 Q. And did that include an assessment
17 of the effect of the closure of the casino floor of
18 Haddon Hall?

19 A. It is not mentioned in this report specifically
20 but I have commented on that in the past.

21 Q. Could you give us your opinion on
22 that, please?

23 A. Yes, I think if they closed the casino area
24 and the convention hall, it would be a tremendous
25 benefit near term to the entire industry. Now, you

1 want me to give you my reasons for that?

2 Q. Yes, sir.

3 A. The gaming market in Atlantic City is
4 definitely a maturing market, and in looking back in
5 1986, the market, as measured by gross casino win
6 increased about 6.7 percent over the prior year.
7 That number has been coming down steadily from the
8 past couple of years. It has been drawing about 10
9 percent for these three years prior to that, so that
10 the market is definitely growing down, and, as a
11 matter of fact, we think that the market is growing
12 about 7 percent a year currently, and will probably
13 continue to do that for the next couple of years.

14 Now, the amount of gaming capacity that has
15 been coming on just this year is 10 percent, and
16 during the month of April, when that 10 percent
17 addition came on stream through the opening of the
18 Show Boat, which was the 12th casino in Atlantic City,
19 we looked at the April number, you will see that the
20 April gross casino win was up less than 6 percent.
21 Yet, when you look at the 11 properties where you can
22 make year-to-year comparisons, only four of the
23 casinos have up months and three of the four were
24 really just marginal increases of less than two percent,
25

1
2 A. Absolutely. It is -- this market is going
3 to have to change because people are -- industries
4 are investing a tremendous amount of money and they
5 are getting the kinds of returns that they should be
6 getting.

7 Let me just give you an example. Last year,
8 the industry had a net income of about \$55 million.
9 On gross casino revenues, that was about 2.1 percent.
10 That's a rate of less than half of what American
11 industries are earning, so, obviously, all of these
12 expensive projects that are going up, they are not
13 going up for what you are seeing profit-wise today,
14 these investors are looking beyond that, they are
15 looking at a time, a couple of years down the road
16 when you can start to market this city to a lot lower
17 customer base than you have today.

18 Basically, of the 30 million visitors in
19 Atlantic City last year, 13 million came by bus.
20 \$213 million was paid by the casinos in giveaways to
21 bring these people down on a bus ride. This is not
22 what the voters envisioned 10 or 11 years ago, when
23 they approved this measure. They wanted to see this
24 city revitalized. It hasn't happened, but it will
25 happen, in my opinion, when Atlantic City can start to

1 market to a much broader base and bring in people who
2 are going to stay more than eight hours.

3
4 The average visitor in Atlantic City spends
5 eight hours in Atlantic City and the average visitor
6 in Las Vegas spends a little over four days. 50
7 percent of Las Vegas visitors come by air. Virtually
8 nobody comes by air into Atlantic City. The percent
9 is miniscule.

10 Q. Is it your testimony that the
11 operators of the Taj Mahal would advance those --

12 A. Absolutely, because it's almost a chicken and
13 the egg kind of situation. You've got to have a lot
14 more hotel rooms to be able to initiate airline service
15 into the city.

16 Now, at 1,250 hotel rooms is quite a sizeable
17 base. We are now getting up to what I call my magic
18 number of about 10,000 first-class hotel rooms, when
19 the airlines really will start to get interested,
20 because you have to be able to guarantee to these
21 airlines X number of rooms, a block of rooms over, let
22 us say, a seven-day period to entice these people to
23 come down. Nobody is going to fly down there if there
24 is no place to put the people, and what Atlantic City
25 is doing right now, it's like chasing its own tail.

1
2 You've got 30 million visitors, but really it's
3 probably five million visitors coming back six times
4 a year.

5 This industry has got to be able to go out
6 and market in the midwest, it's got to be able to
7 market elsewhere, and when that happens, when people
8 come down and decide that they want to stay and you
9 can have a sizeable convention business, then you can
10 start to develop the ancillary businesses and have
11 supermarkets and other businesses that thrive on that
12 kind of visitor.

13 I see it coming, but you've got to bridge
14 the gap. This is the first project in Atlantic City
15 that really makes sense to me. I mean, it's entirely
16 different than any project down there. If you take a
17 look at what's going up there now, you will find that
18 most of these casinos have offered 500 rooms -- that's
19 how they were built -- with a casino area ranging
20 anywhere from 45,000 to 60,000 square feet, and the
21 biggest convention area down there -- I'm talking
22 about public space dedicated to convention type
23 business -- is probably 40,000 square feet.

24 Now, here is a property that will probably
25 have at least four times that kind of public space, and

1 within a matter of one and a half blocks of either
2 side of Virginia Avenue, you will have 2,500 hotel
3 rooms, tremendous draw to the businessman, and the
4 convention type business, and that's why I am all
5 excited about that project, it really is -- it will
6 mark the transitional phase. I see it over the next
7 couple of years.

9 Q. Before you became aware of Mr. Trump's
10 potential purchase of the Class B of Resorts' stock,
11 did you hold those same views of the importance of
12 the Taj Mahal facility?

13 A. I did, but I think what happened over the
14 period of four years, I think from the conception
15 until it got off the drawing board until it got
16 built, the costs just skyrocketed, and, frankly, I
17 don't think that the project could be completed as
18 it stands, as it stands right now, today, as the kind
19 of a project that Crosby envisioned when he designed
20 this thing.

21 The costs just got out of control, and you
22 can finish a project cheaply and you can do it right
23 away, you can say well, I'm not going to have the
24 suites, or I'm going to cut down on my restaurants, or
25 I'm going to cut down on these amenities. I don't

1
2 think that the Trump organization works that way at
3 all.

4 Now, all you have to do is go in and take a
5 look at the projects that he runs and see what he's
6 doing. I think if you take a look at the Plaza, for
7 example, putting in that parking garage, to me, was
8 absolutely a vital tool in making that project really
9 get off the ground, by bringing parking into the
10 downtown area, a very expensive thing to do, but
11 absolutely vital.

12 He is an example, you look at the elevators
13 in that hotel, I think there are five elevators in
14 that hotel. Now, once you build a hotel, you don't
15 add more elevators, but you have to find ways of
16 making those elevators work more efficiently, and
17 the details given just to make the elevators have
18 more capacity by having less downtime and having
19 proper maintenance, and having state of the art
20 computers run those elevators is important to keeping
21 the patron happy.

22 These are details that only someone who has
23 foresight can really address to make those projects
24 click, and everything that I see, he is the kind of a
25 man that pays attention to all those little details to

1
2 make the project work successfully.

3 Q. In terms of your analysis from the
4 point of forming an opinion concerning the Haddon Hall,
5 did you at any time consider the impact of the City of
6 Philadelphia's desire to become a major convention
7 center and the effect that might have on Atlantic
8 City?

9 A Yes, I did, being a taxpayer of Philadelphia.
10 Actually, I think that -- our city has come up with a
11 plan to put up a convention facility that will cost
12 over \$400 million. Frankly, it's the kind of a thing
13 that I -- it just is ridiculous, because Philadelphia
14 just could not offer what Atlantic City can offer.

15 As an example, if you take a look at
16 Philadelphia, there are probably less than 3,000
17 first class hotel rooms, and very little in the way of
18 entertainment. With Atlantic City, an hour and 10
19 minutes car ride, and probably soon to be less than an
20 hour on the rail lines, which is on the way, I can't
21 see putting up a \$400 million convention center in
22 Philadelphia, because if I were making the decision
23 of where I would want to go for a convention business,
24 I would want to go to an area where there is lots of
25 entertainment and lots of restaurants and lots of hotel

1
2 rooms, and the hotel base in Atlantic City will
3 probably be 13,000 over the next three years or so,
4 and you can't possibly entertain any kind of a conven-
5 tion business with less than 3,000 first class hotel
6 rooms. It's just impossible.

7 Q. In terms of the presently operating
8 Resorts' facility, Haddon Hall, do you see any, or
9 can you give us your opinion as to the effect of the
10 closure of that casino floor, as opposed to its being
11 sold to another person or entity?

12 A. Can you repeat that question, please.

13 Q. Sure. In terms of the presently
14 operating Resorts' facility, can you give us your
15 opinion as to any effect that the selling of that
16 casino would have, the casino-hotel facility, as
17 opposed to its operation by Mr. Trump and Resorts as
18 a hotel facility only? How would that impact upon
19 your analysis?

20 A. Well, we do know one thing, that somewhere
21 down the road Mr. Trump has to make a decision, because
22 he cannot operate four casinos, he can only operate
23 three. Some way or other, one is going to have to go,
24 and all I have been hearing here is Resorts' property,
25 but he has other options, and, frankly, if I were in

1 his position, and I have never discussed this with him,
2 I, if I had the option, I would not close the Resorts'
3 casino, at least maybe in the short term, but if I had
4 my options, I would sell one of the other properties
5 and operate the Resorts' casino as a separate property.
6

7 Q. Why?

8 A. Because I feel that -- now we are going to
9 get into a little longer dissertation, but this is my
10 feeling.

11 Right now, the Marina area has been a very
12 desirable location in Atlantic City. The two
13 properties that operate there are the most profitable
14 casinos in Atlantic City, or among -- they are among
15 the two most profitable in Atlantic City, and the
16 reason is parking. They are really like big parking
17 garages with casinos attached. That is -- that
18 competitive -- in my opinion, is going to change
19 dramatically over the next, even over the next two or
20 three years, because there is tremendous parking coming
21 on in the downtown area, and I feel that the Taj Mahal
22 is such an important project in Atlantic City that it
23 will probably tend to shift the action on the
24 boardwalk towards the east end, and I feel where the
25 Taj is right now will probably be an exciting area of

1 Atlantic City, and the goal line, instead of starting
2 down at the Golden Nugget, will probably start around
3 Trump's Plaza.
4

5 I look at the Trump Plaza, it's like Times
6 Square in New York, and the area around the Resorts'
7 property is probably the business convention type of
8 property.

9 Now, the average visitor comes to Atlantic
10 City and likes to go from casino to the next, and it
11 is a statistical fact that the average visitor will
12 visit over three casinos during his eight-hour stay,
13 and he likes the mobility, he likes that stroll down
14 the boardwalk, and even likes to go from one property
15 to the other, and the disadvantage of the downtown
16 parking is going to disappear, so I think if I were in
17 the driver's seat, if I were sitting in Mr. Trump's
18 position, frankly, I would not. I think the Resorts'
19 property, as it stands now, or as you called Haddon
20 Hall, is going to be a very desirable property in the
21 future, and if I were him, that wouldn't be my option.

22 Q. That's your opinion?

23 A. That's my opinion. I haven't discussed this
24 with anyone. That's just my opinion.

25 Q. Let me rephrase my last question.

1
2 Do you feel that the closing of any
3 casino floor in Atlantic City would benefit, harm, help
4 or have no effect on the casino --

5 A. Over the near term, as I said, I think it's a
6 blessing in disguise for the whole industry. There is
7 too much capacity coming on stream at this present
8 time. Profit margins are disastrously low and right
9 now the investment community has turned a deaf ear on
10 the casino stocks, and Wall Street really isn't very
11 much interested in investing in casinos right now.

12 MR. VUKCEVICH: Thank you. I don't
13 have any other questions.

14 CHAIRMAN READ: Mr. Zeitz?

15 EXAMINATION BY VICE-CHAIR ZEITZ:

16 Q. Mr. Roffman, you mentioned -- again,
17 I'm going to be somewhat all over the lot. But, you
18 mentioned a moment ago, you described the casinos in
19 the casinos as parking lots with casinos attached. In
20 terms of the purpicasity of the casino industry, do
21 you recall the Harrah's temporary permit hearing in
22 1980, when a ranking official of that corporation
23 complained about the fact that the New Jersey
24 Department of Environmental Protection made them
25 build a garage with 2,400 spaces, as opposed to

1
2 allowing their plans for 700 spaces for surface
3 parking?

4 A. No.

5 Q. What does that say about the industry's
6 ability to forecast what's going to be good for it?
7 They complained then about having to spend \$12 million,
8 and being worth a return of who knows what?

9 A. Well, honestly, I don't remember.

10 Q. I was there, that's what happened.
11 My point is we hear so many complaints such as you
12 voiced today, and time and again they don't happen
13 to work out that way.

14 You said those are parking garages
15 with casinos attached. The State of New Jersey, a
16 regulatory agency, the Department of Environmental
17 Protection, because of sensitive land use issues out
18 there, made that company build a parking garage,
19 rather than let them have one-third less parking, that
20 they were required to build, and they asked for
21 surface parking, and that's what you attribute the
22 success of that company to be.

23 A. Well, remember in the early days of Atlantic
24 City, there were going to be three major properties
25 in the Marina area, and the initial concept was that

1
2 all three would feed each other. If you are at the
3 Trump property, it's not even easy to get to the other
4 one. I think the advantages of going to those
5 properties right now is really, I would say, the
6 parking is the big feature.

7 Q. Free parking, too.

8 A. And free. By the way, it's free almost
9 everywhere else, too.

10 Q. It's an example that Harrah's started
11 out. They didn't do too well when they charged for
12 parking, did they?

13 A. Well, yes.

14 Q. You say the profit margin is down
15 about two percent?

16 A. 2.1 percent.

17 Q. That's after various management
18 contracts set down management fees and the companies
19 were paying themselves management fees --

20 A. A few of them are taking out, that's right.

21 Q. Isn't it like any other business in
22 this country, you play your money and you take your
23 chances, and if you are good at your business and you
24 have a good product, you sell it and make a profit, and
25 if you don't, you don't?

1
2 A. That's right. It also doesn't mean that the
3 Taj Mahal is going to make a profit, either. There is
4 a tremendous risk involved in that property. If the
5 property comes in at 750 or 800 million, just to
6 break even they will probably have to do \$31 million a
7 month in the casino. There's a tremendous risk
8 involved there.

9 Q. A risk nobody is forcing on anybody
10 to take?

11 A. That's right, exactly.

12 Q. Now, to the Casino Control statute.
13 There is a statute, is there not?

14 A. Yes.

15 Q. And is that not why we are here today,
16 because it speaks of economic concentration, we do
17 not invent these things, do we?

18 A. Yes, but when I was asked the question whether
19 or not any casino presently could have economic
20 concentration, I just cannot see how that would be
21 possible in the current situations today with the
22 number of operators that are down here, plus the
23 fact that you have a regulated controlled, highly
24 regulated and highly controlled environment where you
25 really can't set prices -- I mean, where prices are

1
2 set --

3 Q. My question was, what your answer was
4 on that. I understand that. My question is, do you
5 understand why the question is being asked in the first
6 place?

7 A. No, I don't.

8 Q. You understand there is a statute?

9 A. Yes.

10 Q. And you understand that this Commis-
11 sion, every member of it, takes an oath of office to
12 uphold that statute?

13 A. Absolutely.

14 Q. And these inquiries into the casinos
15 must be made in public?

16 A. Oh, sure.

17 Q. Because otherwise, we have questions
18 about the integrity of the industry and ourselves, and
19 isn't that what causes people to stay away from the
20 city in the first place?

21 A. Listen, the way the rules are written now, the
22 only ones that can come into Atlantic City are the
23 financially strong.

24 Q. And isn't that to the benefit, given
25 the history of the casino?

1
2 A. It's to the benefit of the patron. The patron
3 certainly has a much more pleasant experience in going
4 into a casino that's financially secure.

5 Q. I mean isn't it to the benefit of the
6 body politic of New Jersey because the operators are
7 susceptible to untoward influence of organized crime,
8 as they were in Nevada?

9 A. I think you fellows are doing an absolutely
10 superb job, and I never doubted --

11 Q. Mr. Roffman, I'm not trying to be
12 facetious, and I would appreciate it if you wouldn't,
13 because that's not the point.

14 My point being that if this law creates
15 so much regulation that, as you say, only the economic-
16 ally strong can come in here, it is part of reading out
17 the problem that plagued this industry that caused it
18 to have problems for so many years, the kind of problems
19 that if it still had, we would not have it, Mr. Trump
20 wouldn't be interested, other major corporations would
21 not be, and you wouldn't be analyzing it for the public,
22 because nobody would be investing in it?

23 A. That's right.

24 VICE-CHAIR ZEITZ: That's all I have,
25 I believe.

2 CHAIRMAN READ: Mr. Burdge?

3 COMMISSIONER BURDGE: No questions.

4 CHAIRMAN READ: Ms. Armstrong?

5 EXAMINATION BY COMMISSIONER ARMSTRONG:

6 Q. Mr. Roffman, you indicated earlier
7 that, in your opinion, promises to the voters as to
8 what was going to result from the casino voting has
9 not been delivered, and but for the casino sites that
10 have been developed, Atlantic City has not been
11 revitalized, it's a shabby place --

12 A. My opinion.

13 Q. Yes, in your opinion, and that
14 certain transitions have to take place.

15 I also recall that several years ago,
16 there was a series of newspaper articles written by
17 George Anastasia of the Philadelphia Inquirer in which
18 you were quoted as indicating if you want to locate
19 there, meaning Atlantic City, you've got to shop at
20 Resorts, and the article also indicated that you said
21 one other thing government has to do is make it easier
22 and less expensive for the developers to put together
23 land parcels, unless you go to Resorts, which controls
24 a great deal, you have to take off one parcel, and
25 that situation, you add one guy can kill a whole deal by

1 holding out for Resorts in a crisis. Do you think
2 that's still the case?

3 A. Well, economically, it doesn't make sense any
4 more to build a casino unless you are going to have
5 probably something like eight to 10 acres. This is
6 my opinion. It just doesn't make economic sense to
7 come in to spend 250 million, and opt to build on a
8 two-acre parcel. You need a larger parcel to spread
9 your costs, and I can't really -- even though there a
10 lot of parcels available for development, I really
11 don't think, with the high cost of coming into
12 Atlantic City today, that there are going to be that
13 many more casinos there operating even 10 years from
14 now. I only see maybe two or three down the road, and
15 that's it. That's my opinion. It's just too expensive
16 to come in, and besides, if you look at the industry
17 today, the industry in the United States, and we are
18 talking about a five and a half billion dollar gross
19 casino win, it's probably 80 percent of that whole
20 market is in the hands of maybe six to eight operators.

21 It takes a tremendous financial backing to
22 open one of these properties. I mean you just can't --
23 I mean the way the Act was written, you don't want
24 anybody to come in unless they can support at least a
25

2 500-room hotel with 500 parking spaces.

3 It just can't make economic sense to put
4 250 or \$300 million into a small site, so there are
5 really very limited number of sites that I think are
6 really developable economically

7 Q. Do you think that it's a fact of life
8 for someone to come in and develop anything, including
9 a non-casino property, whether it be a hotel property
10 or some kind of housing, that it's a fact of life that
11 Resorts really has to be dealt with in terms of
12 attempting to acquire parcels of land?

13 A. I think that the real fun in seeing Atlantic
14 City develop into a really fine destination resort
15 is just about to happen, and, as I said, I really
16 think there are very few more casinos coming to
17 Atlantic City, so the land is going to have to go
18 into -- a lot of the land is going to go into non-
19 casino use, as I see it. Nobody is going to be holding
20 out any more, whatever. If you are not there now, you
21 are probably not going to come.

22 The kinds of financial resources you need to
23 get there, that will have taken you there. The costs
24 of entry now is so high that I just don't see very
25 many more people coming in. I think what you will

1
2 probably see, maybe one or two of the operators down
3 there maybe building another casino, but I really
4 don't see any new entries, any new kids on the block.
5 I really don't see it, too expensive.

6 Now, I think the land is going to start to
7 go into a lot more efficient uses.

8 COMMISSIONER ARMSTRONG: Okay, thank
9 you.

10 CHAIRMAN READ: Mr. Waters?

11 COMMISSIONER WATERS: I have no
12 questions.

13 EXAMINATION BY CHAIRMAN READ:

14 Q. Mr. Roffman, straighten me out. You
15 indicated that three casinos equal 25 percent, and,
16 therefore, that's not economic concentration, is
17 that right?

18 A. Yes, that's my opinion, not when you have --

19 Q. So you are equating a license to a
20 share of the market, as I understand, when you say
21 that, is that correct?

22 A. I'm sorry, please?

23 Q. You are equating a license to a share
24 of the market?

25 A. That's correct, I am not judging it by square

1 footage, because square footage really isn't relevant --

2 Q. I understand. You indicated that
3 Show Boat is opening, you said that would increase
4 capacity by 10 percent. You are not equating a license
5 to a percentage there.
6

7 A. Well, then, let's take it from 11 to 12 is
8 just about 10 percent.

9 Q. But it isn't 10 percent?

10 A. Let's say it's eight and a half.

11 Q. Okay. How do you equate, when we are
12 really talking about economic concentration, what
13 measure do we take? It's not just a license, is it?

14 A. Well, the way the Act is written, I interpreted
15 that it was a license.

16 Q. But you didn't indicate that it was
17 anything other than just it was a sheer number of
18 licenses? Isn't that your understanding of the Act?

19 A. My understanding of the Act was it wasn't by
20 square footage, but simply by the number of actual
21 casinos in operation.

22 Q. And so when the section of the statute
23 that we were discussing with Mr. Lee talks about
24 economic concentration, your interpretation is that
25 that doesn't mean anything more than the number of

1 licenses?

2 A. To me, yes, that is my interpretation.

3 Q. When you went into the question as to
4 whether or not there is economic concentration here,
5 did you take into consideration at all Resorts' land
6 holdings?
7

8 A. No, that did not enter my calculation at all.
9 I am really only interested in the casino angle.

10 Q. But we are talking about economic
11 concentration?

12 A. Yes.

13 Q. You indicated, in your response to a
14 question from Mr. Vukceovich, that there was absolutely
15 no scenario that you could imagine at all that would
16 really raise the question of economic concentration.

17 A. Not per se in the casino industry.

18 Q. I wonder, we are only talking about the
19 number of casinos in the casino industry.

20 A. Exactly.

21 Q. But your indication to him was there
22 was no scenario that you could imagine at all that
23 economic concentration would be offensive under the Act.

24 A. That's right.

25 Q. Let's assume for the moment that Resorts

1
2 and/or Mr. Trump, or a combination of them, went out
3 and bought all of the casino-owned land in Atlantic
4 City, would that be offensive to you?

5 A. As I said before, I really don't feel that
6 there are going to be that many more casinos --

7 Q. I didn't ask that --

8 A. Okay.

9 Q. I said if that happened --

10 A. Okay.

11 Q. If that happened, would that be
12 economic concentration that was offensive under the
13 Act, in your opinion?

14 A. To buy up all the sites?

15 Q. If that economic situation occurred,
16 would it violate the Act, in your opinion?

17 A. I don't know. I have to think about that.

18 Q. I can wait.

19 A. I can't see how anybody would go out and buy
20 up casino sites and not be able to develop casinos on
21 them. I mean it makes no sense at all.

22 Q. Maybe he just likes to keep everybody
23 else out of the business.

24 A. No, no, casino sites. There's a big
25 difference, because casino sites, when you talk about

2 the acreage and the dollars per acreage that you pay
3 for it, they go for extraordinarily high numbers, and
4 nobody in their right mind --

5 Q. I understand that, but you are avoiding
6 the question, whether it's economically feasible and
7 desireable or offensive or what.

8 My fundamental question to you is,
9 whether or not that happened, that would violate the
10 Act, in your opinion?

11 A. No, it wouldn't, because they couldn't build
12 casinos on them.

13 Q. And neither could anybody else.

14 A. But why buy the land if you are not going to
15 develop it?

16 Q. The point is, the fundamental question
17 there as to whether or not it's a good deal. I am
18 trying to get you to accept the fact that here is a
19 premise, and is that economic concentration?

20 A. What you are saying to me is that he is not
21 going to -- by having all this land, he isn't going to
22 sell it to other casinos, so there are going to be
23 X number of casinos.

24 Q. I'm trying to get you to face the fact
25 there may be economic concentration over and above the

1
2 question of how many licenses you hold. You obviously
3 don't think that, it may be ridiculous --

4 A. I guess not, because as a prudent businessman,
5 I just can't see buying and not developing those into
6 casinos. It doesn't make economic sense.

7 Q. And it's your understanding that the
8 economic concentration provision of the statute does
9 not say anything more than three licenses, and that's
10 all we look at?

11 A. That's how I look at it.

12 Q. I will tell you I don't presume to
13 speak for my other Commissioners, but I don't agree
14 with that conclusion.

15 You indicated that the close down of
16 the Haddon Hall property would be a blessing in
17 disguise, at least on a temporary basis. Let's go
18 back to the question that Commissioner Burdge asked
19 Mr. Lee back a while, and put it a little different
20 way, I will put it in your words, will that be a
21 blessing for state revenue in the short term?

22 A. When this project was originally designed,
23 and when I had discussed it with the Resorts' manage-
24 ment, which I have for many, many years, if this
25 property -- if the Haddon Hall wasn't to be sold, and

1 we all know that the project actually -- that the
2 project was on the auction block for some time, it's
3 no secret, it doesn't make economic sense to operate
4 that property and have a 60,000 square foot casino
5 directly to a large casino. It just doesn't make
6 economic sense, and, originally, long before Mr. Trump
7 came into the picture, the Resorts International
8 management was going to scale down that casino floor
9 considerably from where it is today just because it
10 didn't make economic sense to operate two large
11 properties. It just isn't good business sense.
12

13 Q. I guess the problem you and I are
14 having, Mr. Roffman, is you don't seem interested in
15 the question I asked, and I am, and I like the answers
16 you give and the questions you pose, but I would like
17 to have you answer the questions that I pose, if you
18 don't mind.

19 A. Okay.

20 Q. Now, let's assume that Haddon Hall is
21 closed down as a casino totally and the Taj Mahal opens.

22 A. Okay.

23 Q. You said that would be a blessing in
24 disguise?

25 A. To the industry.

1
2 Q. It would be a blessing in disguise to
3 the rest of the industry, I understand. I would like
4 you to explain to me how it would be a blessing in
5 disguise to the State of New Jersey.

6 A. Because I think that the market in Atlantic
7 City is growing at let's say around the seven percent
8 rate, so whether it's divided up among 12 casinos or
9 13 casinos or 10 casinos, it's still going to be the
10 same amount, the same revenues generated through the
11 state. I don't think that's going to change at all.
12 Just more will come from one property or the other.
13 The market is growing just so much. People come in
14 with X number of dollars. Where they go is their
15 decision.

16 Q. Are you saying that it's your observa-
17 tion that every time a new casino opens, there is
18 absolutely no influence on the size of the market in
19 Atlantic City as a whole?

20 A. No, there is ultimately, but presently the
21 industry is marketing to a certain segment. It is
22 presently well marketed out, you've got to go beyond
23 where they are marketing today. To do that, you have
24 to be able to accommodate people and put them up over
25 night.

1 Right now, the only means of transportation
2 into this city that makes economic sense are buses and
3 automobiles. The market is growing at a certain rate.
4 We all know that. It doesn't matter whether there is
5 one casino less, if the market is going to be 2. billion
6 instead of going into 12 casinos, it will go into 11
7 casinos.
8

9 Q. I think you answered the question both
10 ways.

11 A. Every analyst has to be able to do that.

12 Q. Are you saying that there is no
13 difference at all in the amount of the market regardless
14 of how many casinos are open, because it's constantly π
15 going to grow at a roughly seven percent rate no matter
16 how many casinos are open?

17 A. Over the short time, as long as there are
18 constraints where you can market. There is just so
19 much growth in this market place. We've seen what's
20 happened. We have gone from 10, 10, 10, down to below
21 10. It's growing in the single digit right now.

22 I mean, these casinos are spending an awful
23 lot of money marketing and they are just so many
24 people that you can market to.

25 Q. Well, I guess I go back to the one

1
2 statement you made earlier, obviously, with the
3 completion of Taj Mahal, people will start wearing
4 ties on the boardwalk again.

5 A. Well, I will be the first one to do it, and
6 I'd do it today.

7 Q. That's not a change.

8 Mr. Ingis?

9 MR. INGIS: I have nothing.

10 CHAIRMAN READ: Redirect?

11 MR. RIBIS: I have nothing.

12 CHAIRMAN READ: Anything on recross?

13 MR. VUKCEVICH: Nothing, Commissioner.

14 CHAIRMAN READ: Any questions?

15 Thank you, Mr. Roffman.

16 (Witness excused.)

17 MR. RIBIS: Mr. Flexner has come up
18 from Washington, and he's a very short witness.
19 I would like to ask the indulgence of the
20 Commission, so he doesn't have to come up on
21 Thursday, if possible.

22 (Off the record discussion held.)

23 CHAIRMAN READ: I hate to do it, but
24 it is 5:20, I think we ought to start again
25 Thursday.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. STERNS: What time, sir?

CHAIRMAN READ: 10 o'clock.

(Hearing adjourned at 5:20 p.m., to reconvene Thursday, July 2, 1987 at 10:00 a.m.)

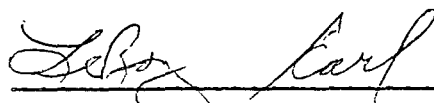
C E R T I F I C A T I O N

I, LeROY EARL, Certified Shorthand Reporter and Notary Public of the State of NEW JERSEY, do hereby certify that the foregoing is a true and accurate transcription of my Stenographic Notes in the matter of: MOTION FOR SUPPLEMENTAL DECLARATION IN THE SALE OF CERTAIN SHARES OF CLASS B COMMON STOCK OF RESORTS INTERNATIONAL, INC. BY THE ESTATE OF JAMES M. CROSBY, CHARLES E. MURPHY, et al. held at the place and on the date hereinbefore set forth.

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

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

Dated: July 1, 1987



LeRoy Earl
Certified Shorthand Reporter
526