

1
2 STATE OF NEW JERSEY
3 CASINO CONTROL COMMISSION

4
5 IN RE: CONSOLIDATED FINANCIAL :
6 STABILITY HEARING OF TRUMP TAJ MAHAL :
7 ASSOCIATES, TRUMP HOTEL MANAGEMENT :
8 CORPORATION, TRUMP'S CASTLE ASSOCIATES :
9 LIMITED PARTNERSHIP AND TRUMP PLAZA :
10 ASSOCIATES :

11 Wednesday, August 21, 1991
12 Atlantic City Commission Office
13 Tennessee & Boardwalk
14 Atlantic City, NJ 08401
15 VOLUME IX

16 B E F O R E:

17 STEVEN P. PERSKIE, CHAIRMAN
18 VALERIE H. ARMSTRONG, VICE CHAIR
19 FRANK J. DODD, COMMISSIONER
20 JAMES R. HURLEY, COMMISSIONER

21 PRESENT FOR THE CASINO CONTROL COMMISSION:

22 BARBARA A. GALLO, PRINCIPAL RESEARCH ANALYST
23 THOMAS FLYNN, PUBLIC INFORMATION OFFICER

24 ON BEHALF OF THE DIVISION STAFF:

25 THOMAS N. AURIEMMA, DEPUTY ATTORNEY GENERAL

A P P E A R A N C E S:

RIBIS, GRAHAM & CURTIN, ESQS.
BY: JOSEPH A. FUSCO, ESQ.

ROBERT PICKUS, IN-HOUSE COUNSEL

SILVER & RENZI REPORTING SERVICE
824 West State Street
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1 MS. GALLO: Item 23, "Continuation of
2 the financial stability hearing of Trump's Castle
3 Associates Limited Partnership."

4 CHAIRMAN PERSKIE: For the record,
5 will counsel enter their appearances.

6 MR. AURIEMMA: Thomas Auriemma for
7 the Division.

8 MR. FUSCO: Joseph Fusco and Robert
9 Pickus for the licensee.

10 CHAIRMAN PERSKIE: Mr. Auriemma, you
11 were in Massachusetts?

12 MR. AURIEMMA: Yes.

13 CHAIRMAN PERSKIE: Until when?

14 MR. AURIEMMA: Last Thursday.

15 CHAIRMAN PERSKIE: Timing is
16 everything in life.

17 MR. AURIEMMA: It certainly is.

18 CHAIRMAN PERSKIE: Gentlemen, you
19 have been apprised before we get to a resolution of
20 the major outstanding issue in the course of the
21 Commission's review in this matter, we were caused to
22 focus on the fact that a part of the generic financial
23 underpinning at the Castle is a three and-a-half
24 million dollar de facto loan, the circumstances of
25 which we already at length discussed from last

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1 December and it was and is the Commission's view that
2 the circumstances of that transaction should continue
3 to be addressed in an appropriate fashion in the
4 context of the hearing that we have before us today.
5 You have been apprised of that?

6 MR. AURIEMMA: Yes.

7 MR. FUSCO: Yes.

8 CHAIRMAN PERSKIE: Do either of you
9 have any comments to make with respect to that?

10 MR. FUSCO: We have no comments.

11 MR. AURIEMMA: None.

12 CHAIRMAN PERSKIE: Mr. Fusco, you are
13 here in the capacity as well as counsel for the
14 qualifier?

15 MR. FUSCO: Yes.

16 CHAIRMAN PERSKIE: All right, thank
17 you very much.

18 Exactly one year ago, on August 21,
19 1990, the Commission reopened the casino license
20 hearings for Donald Trump's three casino properties to
21 examine the financial status of the licensees, as well
22 as that of The Trump Organization. During the
23 succeeding months, it became increasingly evident that
24 comprehensive debt restructurings were critical to
25 relieve the licensees and The Trump Organization from

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1 exorbitant debt burdens that threatened their
2 continued financial viability. Through the diligent
3 and painstaking efforts of the Trump entities and
4 their creditors, considerable progress has been made
5 toward the implementation of restructuring plans which
6 will enhance the financial stability of The Trump
7 Organization, the Taj Mahal, and the Plaza. Although
8 considerable work still needs to be done, and a
9 difficult path lies ahead, it is gratifying to see
10 that the goal of fiscal recovery for these entities is
11 now attainable.

12 The Castle has not fared as well in
13 devising a long-term plan to rectify its perilous
14 financial situation. At the time that the license
15 hearing was reopened, the Castle had already defaulted
16 on a payment to its bondholders. That payment was
17 made during the grace period with a cash infusion
18 provided through a credit agreement with The Trump
19 Organization's lending institutions. The next
20 scheduled interest payment, in December 1990, was made
21 only through the intervention of Mr. Trump's father in
22 a transaction that may be considered unique to its
23 circumstances.

24 With respect to both of these
25 payments, the Castle lacked sufficient operating

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1 income to satisfy the interest obligations. As
2 operating performance levels spiraled downward in the
3 early part of this year, engendered in part by the
4 economic recession, Castle's financial predicament
5 rapidly approached the critical stage.

6 At the license renewal hearing in
7 late April of this year, management acknowledged that,
8 if current levels of operations continued and no
9 restructuring were effected, there would be
10 insufficient funds to cover debt service
11 requirements. At that time Castle's immediate
12 financial concern was its ability to make a 22.7
13 million dollar sinking fund payment on the first
14 mortgage bonds due on June 15, 1991, together with an
15 interest payment of 18.4 million dollars on the same
16 date. However, Castle representatives assured the
17 Commission that a workable plan had been formulated
18 that would enable Castle to make the scheduled
19 bondholder payment. Nicholas Ribis, CEO for the Trump
20 casino properties, testified that a bond exchange
21 offer would enable Castle to make the sinking fund
22 payment, and that the interest payment would be
23 satisfied with cash generated from operations coupled
24 with anticipated proceeds from the sale of two parking
25 facilities. Roger Wagner, president and CEO of the

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1 Castle, testified that a comprehensive operational and
2 marketing program, including a reconfigured casino
3 floor to allow for increased slot play, should
4 significantly increase revenues and reduce expenses,
5 allowing Castle to meet its forecasts and ensuring a
6 financially viable facility.

7 On May 8, 1991, the Commission
8 renewed Castle's casino license subject to several
9 conditions, including a further review of its
10 financial stability at a hearing scheduled for June 17
11 regarding all of the Trump casino licensees. The
12 Commission concluded that Castle had demonstrated
13 short-term operational stability but had not made a
14 sufficient showing to support any final conclusion as
15 to its long-term financial stability. At that
16 juncture, it was premature to assess the viability of
17 Castle's plan to satisfy its debt service
18 requirements. The exchange offer and parking garage
19 sale had not then been consummated. Moreover, there
20 was serious questions regarding Castle's ability to
21 achieve its financial projections, particularly in
22 light of its recent performance levels and historic
23 inability to make required bondholder payments without
24 external financing.

25 Despite the optimism expressed by

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1 Castle officials at the renewal hearing in April, at
2 the June proceedings we were advised that the
3 bondholder payment had not been made. Indeed, the
4 plan presented at the renewal hearing never came to
5 fruition. The parking garage transaction was not
6 consummated and the proposed exchange offer proved
7 unsuccessful. Castle was unable to produce sufficient
8 cash, either from operations or from external sources,
9 to make the payments and, as a result, defaulted on
10 the bonds.

11 In lieu of the plan detailed at the
12 renewal hearing, Castle unveiled a new restructuring
13 proposal. It was readily apparent that this new
14 proposal, involving the issuance of new bonds and a
15 prepackaged bankruptcy filing, was in the embryonic
16 stage and left too many terms unresolved to allow for
17 any meaningful analysis. Accordingly, the Commission
18 was not in a position to render any judgment regarding
19 the merits of the plan or assess Castle's overall
20 financial stability.

21 In light of the uncertainty
22 surrounding this eleventh-hour restructuring proposal,
23 but endeavoring to afford the licensee every
24 opportunity to satisfy its statutory burden, the
25 Commission adjourned the hearing until June 26, 1991.

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1 On that date, the Commission established strict
2 timetables for the submission of all necessary
3 materials for the expeditious implementation of the
4 restructuring proposal. More specifically, Castle was
5 required to provide by July 31, 1991, a binding
6 executed agreement with the Steering Committee
7 comprised of holders of 33 percent of its bond. The
8 agreement was to include provisions for a
9 restructuring of Castle's debts to Midlantic National
10 Bank. Castle was also required to provide a
11 registration statement filed with the Securities and
12 Exchange Commission; forecasted financial statements;
13 and a conditional commitment for a letter of credit,
14 or a sufficient explanation for not seeking or
15 obtaining a credit facility with a description of
16 alternative contingent cash resources.

17 The Commission also required that,
18 within 20 days of the SEC declaring the registration
19 statement effective, Castle must provide evidence that
20 the percentage of bondholders necessary to consummate
21 the plan had approved it. The Commission further
22 required Castle to file the petition with the
23 bankruptcy court within 45 days of the SEC declaring
24 the plan effective. Finally, Castle was ordered to
25 remain current on all existing financial obligations.

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1 When the Commission reconvened the
2 financial stability hearing on July 31, Castle
3 introduced numerous exhibits into evidence, including
4 a registration statement and an agreement with
5 Midlantic, in an attempt to comply with our prior
6 order. However, a cursory examination of exhibit 68D,
7 a letter from the bondholder Steering Committee to the
8 Commission's attention, revealed that significant
9 matters remained unresolved between Midlantic and the
10 Steering Committee. In the judgment of the
11 Commission, these matters had to be rectified for the
12 restructuring plan to be considered a binding
13 agreement among the parties in satisfaction of the
14 June 26 mandate. The Commission permitted Castle
15 additional time, until noon on August 2, 1991, to
16 resolve this problem and provide persuasive evidence
17 of a finalized transaction.

18 On August 2, a memorandum of terms
19 signed by Midlantic, Castle, Donald Trump and the
20 Steering Committee was provided to the Commission.
21 Upon review of that document, it was determined that
22 it appeared to comply with our directive, and the
23 hearing was adjourned until August 14. On that date,
24 Castle presented evidence that the plan will be
25 approved by the bondholders and effectuated through

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1 the prepackaged bankruptcy proceeding, and that the
2 plan will restore the facility to financial health and
3 stability. Castle and the bondholders also provided
4 evidence of an agreement to modify the language of the
5 plan to delete a provision which would have allowed
6 the Steering Committee to revoke its acceptance under
7 certain circumstances. The Commission must now
8 evaluate that evidence and determine if Castle has
9 established financial stability for and during the
10 license term.

11 The proposal before us is intended to
12 alleviate Castle's liquidity problem by reducing and
13 deferring its debt service requirements. This will be
14 accomplished by eliminating principal repayments of
15 22.7 million dollars per year on the existing series
16 A-1 bonds; reducing the interest rate on the bonds
17 from 13.75 percent to 9.5 percent; and allowing the
18 June 1991 interest payment, as well as a portion of
19 future interest payments, to be made in new securities
20 rather than in cash. The reduced cash interest
21 payments will be due semiannually, commencing on
22 August 15, 1992.

23 The plan further provides that cash
24 sweeps are to be made at the time the petition for the
25 prepackaged bankruptcy is filed and again when the

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1 plan is confirmed by the bankruptcy court. These
2 sweeps will be made only to the extent that cash
3 balances exceed casino cage cash of five million
4 dollars, a liquidity reserve of 10 million dollars and
5 certain other reserve requirements. These sweeps are
6 to be applied against interest due from December 16,
7 1990 through December 31, 1991. The balance of
8 interest due will be satisfied by issuing payment in
9 kind bonds. Castle does not anticipate generating
10 sufficient cash to permit these cash sweeps, and
11 therefore the forecasts anticipate non-cash interest
12 payments through the PIK bonds.

13 The proposal also restructures the
14 ownership of the Castle Hotel. The bondholders will
15 receive 50 percent of the equity and elect three of
16 the seven members of the governing board of Trump's
17 Castle Associates. The remaining four members of the
18 board will be appointed by Trump's Castle Hotel and
19 Casino, Inc., a corporation wholly owned by Donald
20 Trump. That entity will be the managing partner of
21 Trump Castle Associates.

22 Similar to the Taj Mahal
23 restructuring, there are also provisions which allow
24 the bondholders to take control of the board if
25 certain "managing partner events" occur. The plan

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1 also calls for special votes in certain instances,
2 such as a proposed sale of the facility. These
3 special votes require not only the affirmative vote of
4 a majority of the board but also the support of at
5 least two of the three bondholder board members.

6 Castle's indebtedness to Midlantic
7 will also be restructured. A 50 million dollar
8 construction loan will be reduced to 38 million
9 dollars; the interest rate on that loan will be
10 reduced to nine percent; and quarterly principal
11 payments of 1.25 million dollars which were scheduled
12 to begin next February will be eliminated. The
13 principal of the restructured loan will be due three
14 years from the effective date of the plan. Castle
15 will have the option to extend the maturity date for
16 an additional five years if it is not in default on
17 any debt to Midlantic. This 38 million dollar loan
18 will be secured by a first mortgage, senior to the
19 lien of the holders of the new bonds.

20 The plan further provides that the
21 principal amount of a 13 million dollar credit line
22 issued by Midlantic will be reduced to seven million
23 dollars. Interest will be reduced to 8.5 percent per
24 year, with the principal payable three years from the
25 effective date of the plan. Interest payable under

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1 the credit line will be subordinate to the mandatory
2 cash interest payable on the new bonds. Repayment of
3 the credit line will be guaranteed by Mr. Trump. As
4 with the construction loan, Castle will have the
5 option to extend the maturity date for an additional
6 five years if it is not in default on debt to
7 Midlantic. With respect to both loans, if the option
8 to extend is exercised, the interest will be converted
9 to a market rate and principal repayments will
10 commence.

11 Castle has agreed to continue to make
12 payments to Midlantic under the terms of the current
13 loans until the effective date of the plan. Castle
14 also has paid Midlantic a one million dollar fee for
15 administrative expenses in the restructuring of the
16 loan agreement, but if the plan is confirmed on or
17 before July 26, 1992, Midlantic is obligated to return
18 that fee to Castle.

19 The plan also provides that 28.3
20 million dollars in notes due to Mr. Trump, plus
21 forecasted accrued interest of three million dollars,
22 will be converted into a 15 million dollar priority
23 partnership interest in the Castle and a 16.3 million
24 dollar capital contribution to Castle.

25 Castle intends to enter into a

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1 management agreement with Trump's Castle management
2 corporation, a wholly owned corporation of Mr. Trump.
3 The agreement provides for an annual fee of up to 1.5
4 million dollars in Castle's earnings before
5 depreciation, interest and taxes exceed certain
6 levels. In addition, there will be an incentive fee,
7 beginning in 1994, of 10 percent of EBDIT in excess of
8 45 million dollars.

9 The Commission has been presented
10 with financial projections designed to demonstrate
11 that this restructuring plan will succeed. In
12 evaluating these projections we must remember that the
13 projections submitted at the relicensure hearing this
14 April showed that the prior restructuring plan would
15 succeed. Moreover, other projections submitted before
16 and since the April renewal hearing have also been
17 remarkably inaccurate.

18 For example, for the years ending
19 December 31, 1989 and 1990, Castle's actual EBDIT was
20 25.6 percent and 66.5 percent below the forecasts
21 submitted in connection with the 1989 renewal
22 proceedings for the appropriate years. For the seven
23 months ending July 31, 1991, Castle's EBDIT was 41.6
24 percent below the forecast submitted at this year's
25 renewal.

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1 At this April's renewal hearing,
2 total 1991 EBDIT was projected to be 44.2 million
3 dollars. By the June hearing, that number was revised
4 to 30.8 million dollars. That figure has been further
5 revised and reduced to 26 million dollars in the
6 current projections. While we may take comfort from
7 the fact that the 26 million dollars forecast for 1991
8 is essentially the same as the actual 1990 EBDIT, we
9 cannot help but question Castle's willingness or
10 ability to formulate a realistic business plan and to
11 make reasonably reliable predictions of its
12 operational performance.

13 In projecting its cash position,
14 Castle has shown an even greater lack of prescience.
15 As the Commission noted at the April renewal hearing,
16 the forecasts then before us indicated that Castle
17 would have 22 million dollars in available cash
18 reserves as of June 15, from which it would make the
19 18.4 million dollar bond interest payment. Castle
20 projected its cash reserves to be back to seven
21 million dollars by the end of June. The evidence at
22 the present hearing shows that, despite failing to
23 make the 18.4 million dollar payment, available cash
24 on June 30 was 6.1 million dollars. In short, the
25 April projections missed the mark by 19.3 million

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1 dollars.

2 While the focus of this hearing is on
3 financial stability, the Casino Control Act also
4 requires licensees to demonstrate continuing financial
5 integrity and responsibility, as well as sufficient
6 business ability to demonstrate and establish the
7 likelihood of the maintenance of a successful,
8 efficient casino operation.

9 Obviously any successful, efficient
10 business must be able to plan and to project important
11 data. The Commission regularly examines business
12 plans and financial projections, and certainly Castle
13 has demonstrated a singular lack of ability in this
14 area. The record does not necessarily establish that
15 the Castle has knowingly made unrealistic forecasts,
16 or that it lacks the ability to plan for its future.
17 These are the kinds of findings which were made in the
18 Atlantis case, and which, if made here, would directly
19 lead us to question the Castle's fitness for licensure
20 regardless of its financial stability. The record
21 does, however, call for continued and careful scrutiny
22 of upcoming performance levels and their relationship
23 to current forecasts.

24 Having said that, I am prepared to
25 find the Castle financially stable at this point.

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1 Essentially, I think that the record sufficiently
2 demonstrates that the present restructuring plan is
3 likely to be consummated, and that it will enable the
4 Castle to service its debt and discharge its other
5 obligations through the expiration of the present
6 license in May 1993. In reaching this conclusion I
7 place substantial reliance on the obligations
8 undertaken by the Steering Committee to accept and
9 recommend the plan to the remaining bondholders.

10 However, I also believe that we must
11 impose the most exacting regulatory oversight. The
12 extent to which actual performance differs from
13 present projections can then be considered, in light
14 of the forecasting record I have described, in
15 determining whether Castle manifests the necessary
16 basic business ability and judgment for continued
17 licensure.

18 Turning to the evidence now before
19 us, documents submitted by counsel to the Steering
20 Committee and the testimony of the financial advisor
21 to the Steering Committee establish that its members
22 are prepared to vote for the plan and to recommend it
23 to the remaining bondholders. The financial advisor,
24 Warren Foss, testified that there has been extensive
25 and frequent contact with most of the other holders

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1 since the registration statement was filed. Based on
2 his discussions with the bondholders, he is confident
3 that the plan enjoys wide support. He opined that the
4 Castle will be able to demonstrate that the required
5 percentages of holders have approved the plan within
6 20 days after the registration statement becomes
7 effective.

8 As to its financial effects, the plan
9 will result in over 200 million dollars in cash
10 savings through the five year period ending December
11 31, 1995, through the elimination of principal
12 payments and reduction in cash interest payments.
13 Mandatory cash debt service requirements will be
14 reduced from 64 million dollars to 6.2 million dollars
15 in 1991, from 65.8 million dollars to 13.8 million
16 dollars in 1992, and from 62.1 million dollars to 25
17 million dollars in 1993. No cash interest payments
18 will be due to the bondholders until August 1992, when
19 9.7 million dollars must be paid.

20 Castle intends to use the breathing
21 space which the plan provides to reposition itself in
22 the casino market. A substantial element of the
23 marketing program, the reconfiguration of the casino
24 to appeal to a targeted segment of the slot machine
25 market, has been largely accomplished.

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1 Mr. Wagner testified that the
2 marketing program is beginning to bear fruit, and
3 indeed Castle's EBDIT figures for July and the first
4 half of August lend some credence to this assessment.

5 Castle's projections, while
6 substantially reduced from those submitted in April
7 and June, remain optimistic. Castle expects net
8 revenues to grow at approximately eight percent a year
9 over the four year period ending December 31, 1995.
10 It projects that EBDIT will more than double during
11 that period, from 26 million dollars in 1991 to 56.5
12 million dollars in 1995. In essence, Castle expects
13 to reverse the negative revenue trends for the past
14 two years and to return to the performance levels
15 achieved in 1988 and 1989. As I have said, we must
16 monitor the licensee's progress with great care and we
17 will certainly continue to do so.

18 For present purposes, we may take
19 comfort from the fact that a mere continuation of 1991
20 operating results through the license period will
21 enable Castle to discharge all of its obligations.
22 The breakeven analysis in the report of our staff
23 shows that Castle can service its debt even if its
24 current forecasts of EBDIT are off by as much as 21
25 percent. While the long-term effects of the plan may

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1 be less clear, the record establishes that this
2 structure will render Castle financially stable
3 through the present license period.

4 I therefore move that the Commission
5 find that Trump's Castle Associates has satisfied the
6 financial stability requirement of Section 84 (a) of
7 the Casino Control Act. I further move that the
8 extensive monitoring conditions previously imposed
9 remain in effect. Under these conditions the
10 regulators will receive weekly reports of cash
11 balances; as well as monthly balance sheets,
12 statements of income and statements of cash flow.
13 Castle is also required to file monthly reports on any
14 deviations of five percent or more from projections as
15 to net revenues, operating costs and expenses; any
16 deviations of two and-a-half percent or more as to net
17 income; and any deviations as to sources and uses of
18 cash. Based on the information received under these
19 conditions, the Director of our Division of Financial
20 Evaluation shall provide the Commission with a monthly
21 report comparing actual performance to the projections
22 submitted at the August 14 hearing.

23 I would also impose the condition
24 suggested by the Division of Gaming Enforcement, which
25 would mandate a new hearing on the necessity of a

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1 credit line in the event that Castle's cash falls 10
2 percent or more below forecasted levels.

3 Of course, the previously imposed
4 condition prohibiting certain payments from the
5 licensee to related entities without Commission
6 approval also remains in effect. Under this
7 condition, no payments may be made pursuant to the
8 proposed management agreement without Commission
9 approval. In this regard, I note that the projections
10 do not indicate that the gaming chips held by Fred
11 Trump will be redeemed, and I would therefore also
12 impose on Fred Trump, as a qualifier of Castle, the
13 requirement that he not redeem or transfer his chips
14 without the approval of the Commission.

15 VICE CHAIR ARMSTRONG: Second.

16 CHAIRMAN PERSKIE: Comment or
17 discussion on the motion?

18 I will take a roll call vote on the
19 motion:

20 Commissioner Hurley?

21 COMMISSIONER HURLEY: Yes.

22 CHAIRMAN PERSKIE: Commissioner
23 Dodd?

24 COMMISSIONER DODD: Yes.

25 CHAIRMAN PERSKIE: Vice Chair

Public Participation

1 Armstrong?

2 VICE CHAIR ARMSTRONG: Yes.

3 CHAIRMAN PERSKIE: And I vote yes.

4 (All Commissioners present voted in
5 favor of the motion)

6 CHAIRMAN PERSKIE: The record should
7 also reflect that Commissioner Waters has reviewed all
8 of the material in the matter and further has reviewed
9 the proposed motion and has authorized me to indicate
10 that were he here today, his vote would be in the
11 affirmative. That will not be cast as an official
12 vote at this point, but I did want the record to
13 reflect the unanimous judgment of the Commission with
14 respect to the matter albeit that the formal vote will
15 just be the four of us.

16 Anything further in this matter
17 before we pass to the last item on our agenda?

18 MR. FUSCO: We have nothing further,
19 Mr. Chairman.

20 CHAIRMAN PERSKIE: Thank you very
21 much.

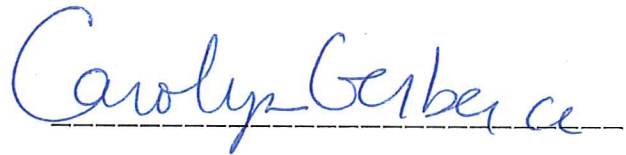
22 (At which time the hearing was
23 concluded at 12:45 p.m.)

24

25

C E R T I F I C A T E

I, CAROLYN GERBER, a Certified Shorthand Reporter and a Notary Public of the State of New Jersey, do hereby certify the foregoing to be a true and accurate transcript of my original stenographic notes taken at the time and place hereinbefore set forth.

A handwritten signature in blue ink that reads "Carolyn Gerber" followed by a horizontal line.

CAROLYN GERBER, CSR

Dated: August 26, 1991.

ORIGINAL

In The Matter Of:

*PETITION OF TRUMP'S CASTLE AND PLAZA ASSOCS.
FOR RENEWAL OF CASINO & ALCOHOLIC BEV. LICS.*

*CASINO CONTROL COMMISSION
APRIL 19, 1993*

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**PETITION OF TRUMP'S CASTLE AND PLAZA ASSOCS.
FOR RENEWAL OF CASINO & ALCOHOLIC BEV. LICs.**

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION
PETITION OF TRUMP'S CASTLE
ASSOCIATES AND TRUMP PLAZA
ASSOCIATES FOR RENEWAL OF
THEIR CASINO LICENSES AND
CASINO HOTEL ALCOHOLIC
BEVERAGE LICENSES
(PRN 019307, 019308)

Monday, April 19, 1993
Atlantic City Commission Office
Tennessee & Boardwalk
Atlantic City, NJ 08401
10:25 a.m. - 11:15 a.m.

BEFORE:

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FRANK J. DODD, COMMISSIONER
JAMES R. HURLEY, COMMISSIONER
JEANNINE F. LARUE, COMMISSIONER
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AND
TRUMP PLAZA ASSOCIATES:
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BY: JOSEPH A. FUSCO, ESQ.,
-and-
PAUL M. O'GARA, ESQ.,
-and-
JOEL H. STERNS, ESQ.
TRUMP CASTLE ASSOCIATES
BY: ROBERT M. PICKUS, ESQ.,
SENIOR VICE PRESIDENT - GENERAL COUNSEL
TRUMP PLAZA ASSOCIATES
PATRICIA M. WILD, ESQ.,
VICE PRESIDENT - GENERAL COUNSEL

EXHIBITS

NUMBER	DESCRIPTION	ID	EV
C-1(a)	Entities and Qualifier report dated 4-5-93 on Trump's Castle Associates and Trump's Castle Management, Corp. by Assistant General Counsel, Catherine A. Walker	—	11
C-1(b)	Casino Hotel Alcoholic Beverage License Report dated 4-1-93 on Trump's Castle Associates by Christopher D. Storcella, Director, Division of Licensing	—	11
C-2(a)	Entities and Qualifier Report dated 4-5-93 on Trump Plaza Associates by Assistant General Counsel, Catherine A. Walker	—	16
C-2(b)	Casino Hotel Alcoholic Beverage License Report dated 4-1-93 on Trump Plaza Associates by Christopher D. Storcella, Director, Division of Licensing	—	16
C-3	AA/EEO Compliance Report dated 3-26-93 on Trump's Castle Associates by Gustave R. Thomas, Chief, AA/EEO Unit, Division of Compliance	—	12
C-4	AA/EEO Compliance Report dated 3-29-93 on Trump Plaza Associates by Gustave R. Thomas, Chief, AA/EEO Unit, Division of Compliance	—	18
C-5	Report dated 4-12-93 on Trump's Castle Associates and Trump Castle Management Corp. application for renewal of their casino licenses by John Trzaka, Director, Division of Financial Evaluation	—	13

C-6 Report dated 4-15-93 on Trump Plaza Associates application for renewal of its casino license by John Trzaka, Director, Division of Financial Evaluation

EXHIBITS (Cont'd.)			
NUMBER	DESCRIPTION	ID	EV
D-1	Report on the Application of Trump's Castle Associates and Trump's Castle Management Corp. for renewal of their casino licenses and other relief dated 4-6-93 by Deputy Attorney General Thomas N. Auriemma	—	10
D-2	Report on the application of Trump Plaza Associates for renewal of its casino license and other related relief dated 4-1-93 by Deputy Attorney General Thomas N. Auriemma	—	15
AC-1	Certification of John R. Verani on behalf of Putnam High Yield Fund dated 4-14-93	—	15
AC-2	Supplemental certification of John R. Verani on behalf of Putnam High Yield Fund	—	15
AP-1	Certification of Lee Augsburger on behalf of Shearson-Lehman dated 4-14-93, two pages	—	20
AP-2	Supplemental certification of Lee Augsburger on behalf of Shearson-Lehman dated 4-12-93	—	20
AP-3	Supplemental certification of Lee Augsburger on behalf of Shearson-Lehman dated 4-9-93, with attachments	—	20
AP-4	Certification of Kenneth Eagan on behalf of Shearson-Lehman Advisors, Inc. dated 4-15-93	—	20
AP-5	Certification from Mitchell Hutchins Company on behalf of PaineWebber Managed Investment Trusts	—	22
AP-6	Certification of Ronald Amblard on behalf of Prudential High Yield Fund dated 4-8-93	—	22
AP-7	Certification from Putnam High Yield Fund dated 3-11-93	—	23

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[1] **MR. NANCE:** I would like to read an [2] opening statement.
[3] "This is to advise the general public [4] that in Compliance with Chapter 231 of the Public Laws [5] of 1975 entitled the 'Open Public Meetings Act', the [6] New Jersey Casino Control Commission

at 2:08 p.m. on [7] April 5, 1992, filed with the Secretary of State at [8] the State House, Trenton, New Jersey, a notice of this [9] hearing. At 3:00 p.m. on April 8, 1992 copies of the [10] notice were mailed to the Press of Atlantic City, the [11] Newark Star Ledger and the Office of the Clerk of [12] Atlantic City.

[13] Members of the press will be [14] permitted to take photographs at today's hearing. We [15] would ask, however, that this be done in a manner [16] which is not disruptive of the hearing or distracting [17] to the Commission and which does not interfere with [18] the public's right to observe the hearing."

[19] (All Commissioners in attendance.)

[20] **CHAIRMAN PERSKIE:** All right. [21] Good morning, everybody. We will [22] call the meeting to order.

[23] I will observe, for the record, the [24] presence this morning of all of the Commissioners, who [25] are here with a narrow agenda this morning, that

[1] relating to the applications of Trump Plaza Associates [2] and its related entities for renewal of the casino and [3] related licenses, and simultaneously, the application [4] by Trump Castle Associates and its related entities [5] for renewal of its casino and related licenses.

[6] The proceedings to a certain extent [7] have been consolidated in that there are, quite [8] obviously, common interests and common perspectives, [9] although, to be sure, there are some individualized [10] features. Among other things in common are counsel, [11] at least to a certain extent.

[12] Mr. Fusco, why don't you just [13] outline, how, from a mechanical point of view, you [14] intend to proceed this morning.

[15] **MR. FUSCO:** We take our cue, [16] Mr. Chairman, as to whether or not Plaza or Castle [17] would proceed first.

[18] **CHAIRMAN PERSKIE:** Which one is [19] alphabetical?

[20] Castle. [21] We will show you the substance and [22] the meat of that decision.

[23] **MR. FUSCO:** Mr. Chairman, I think I [24] could place on the record the presence of counsel: [25] Mr. Pickus, senior vice president of Trump's Castle

[1] Associates here on behalf of Trump's Castle [2] Associates; Patricia Wild, vice president, general [3] counsel of Trump Plaza Associates, Joel Sterns and [4] Paul O'Gara and myself, Joseph Fusco from Hannoeh, [5] Weisman on behalf of both applicants.

[6] **CHAIRMAN PERSKIE:** The secretaries [7] are still back at the firm, I gather?

[8] **MR. FUSCO:** It is a very large firm, [9] Mr. Chairman.

[10] **CHAIRMAN PERSKIE:** Okay.

[11] **MR. STERNS:** It is a new policy. He [12] can't adjust to it yet.

[13] **MR. FUSCO:** Mr. Ribis, CEO of both [14] properties.

[15] **MR. RIBIS:** I only have one [16] question. I want to know what those blue things [17] hanging off of Mr. O'Gara's head are. I didn't know [18] if it was a new type of disease or not. I got scared [19] when I sat down.

[20] **CHAIRMAN PERSKIE:** We didn't see [21] that, Mr. Ribis, that was the back of the head. We [22] only get to see the front.

[23] **MR. RIBIS:** I heard he was a blue [24] blood, but I got concerned.

[25] **MR. FUSCO:** That, of course, for the

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[1] record, Mr. Chairman, was Mr. Ribis.

[2] Mr. Wagner is present and CEO of the [3] Trump's Castle Associates. Mr. DeSanctis is president [4] and CEO of Trump Plaza Associates. Ernie East, John [5] Burke, Tom Venier, and Frank McCarthy are all present [6] for the Applicants.

[7] **CHAIRMAN PERSKIE:** All right. [8] The Division, as usual, is here in [9] force.

[10] **MR. AURIEMMA:** Right. Thomas [11] Auriemma with my limited, but loyal staff.

[12] **CHAIRMAN PERSKIE:** I understand.

[13] **VICE CHAIR IRWIN:** Limited in size.

[14] **CHAIRMAN PERSKIE:** I think you mean, [15] in amount or in number. We are going to get in a lot [16] of trouble here. My suggestion is we take another [17] tact.

[18] All right. [19] Let's start with documents. [20] I have under date of April 6, 1993, a [21] report from Mr. Auriemma regarding the Castle in 41 [22] pages with exhibits.

[23] Mr. Auriemma, do you offer the [24] report?

[25] **MR. AURIEMMA:** Yes, I do.

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[1] **CHAIRMAN PERSKIE:** Mr. Ribis.

[2] **MR. FUSCO:** No objection, [3] Mr. Chairman.

[4] **MR. RIBIS:** I have no objection, [5] either. You said, Mr. Ribis. Don't tell me I look [6] like Fusco now.

[7] **CHAIRMAN PERSKIE:** Is that what I [8] said?

[9] Mr. Fusco, I don't know how to [10] apologize. I can't even think of words.

[11] All right. [12] We will deal with the several sealing [13] issues in a moment, but subject to that, D-1, in this [14] matter, will be received in evidence.

[15] (Whereupon, Exhibit D-1, as described [16] in the preceding colloquy, was received and marked [17] into evidence.)

[18] **CHAIRMAN PERSKIE:** And then we have [19] under date of April 5 from Catherine Walker, a [20] document marked C-1(a), which is captioned, The [21] Entities and Qualifiers Report in 16 page, 17 — 17 [22] pages with recommendations.

[23] Mr. Auriemma, have you seen that?

[24] **MR. AURIEMMA:** Yes, I have. I have [25] no objection.

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[1] **CHAIRMAN PERSKIE:** Mr. Fusco?

[2] **MR. FUSCO:** No objection, [3] Mr. Chairman.

[4] **CHAIRMAN PERSKIE:** All right. [5] C-1(a), will be received in [6] evidence.

[7] (Whereupon, Exhibit No. C-1(a), as [8] described in the preceding colloquy, was received and [9] marked into evidence.)

[10] **CHAIRMAN PERSKIE:** C-1(b) is a report [11] from Mr. Storcella of our Licensing Division regarding [12] the CHAB license. It is in the usual form, which [13] means unnumbered pages.

[14] Has everybody seen that?

[15] (No audible response.)

[16] **CHAIRMAN PERSKIE:** Any objections to [17] that?

[18] **MR. AURIEMMA:** No objection.

[19] **MR. FUSCO:** No objection, [20] Mr. Chairman.

[21] **CHAIRMAN PERSKIE:** It will be [22] received as C-1(b) in evidence.

[23] (Whereupon, Exhibit No. C-1(b), as [24] described in the preceding colloquy, was received and [25] marked into evidence.)

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[1] **CHAIRMAN PERSKIE:** C-2 — no. Wait a [2] minute.

[3] C-3 is a report of Mr. Thomas of our [4] AA/EEO Unit of March 26 regarding the Castle with [5] conclusions and recommendations and findings.

[6] Mr. Auriemma.

[7] **MR. AURIEMMA:** We have seen it. We [8] have no objection.

[9] **CHAIRMAN PERSKIE:** Mr. Fusco.

[10] **MR. FUSCO:** No objection, [11] Mr. Chairman.

[12] **CHAIRMAN PERSKIE:** All right. [13] That will be received and marked as [14] C-3.

[15] (Whereupon, Exhibit No. C-3, as [16] described in the preceding colloquy, was received and [17] marked into evidence.)

[18] **CHAIRMAN PERSKIE:** C-5, I believe, is [19] a report from John Trzaka of our

Financial Evaluation [20] Unit, and that's dated April the 12th and it is 28 [21] pages with a one-page attachment.

[22] Mr. Auriemma, you have had an [23] opportunity to review that?

[24] **MR. AURIEMMA:** Yes, we have. We have [25] no objection.

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[1] **CHAIRMAN PERSKIE:** Mr. Fusco.

[2] **MR. FUSCO:** No objection, [3] Mr. Chairman.

[4] **CHAIRMAN PERSKIE:** All right. [5] There, again, I think there is a [6] partial sealing request with respect to that.

[7] **MR. FUSCO:** Right.

[8] **CHAIRMAN PERSKIE:** C-5 will be [9] received and marked into evidence.

[10] (Whereupon, Exhibit No. C-5, as [11] described in the preceding colloquy, was received and [12] marked into evidence.)

[13] **CHAIRMAN PERSKIE:** Now, as to Castle, [14] are there — oh, we have the documents. I don't know [15] if they are formally before us, but we have the [16] submission by Mr. O'Gara, I believe, yes, of April 14 [17] with attachments in the form of certifications from [18] Mr. Verani and — well, two certifications from Mr. [19] Verani.

[20] Are they otherwise before us in any [21] form?

[22] **MR. FUSCO:** Yes. They are part of [23] the — in support of the petition that was filed, [24] Mr. Chairman, with regard to the institutional [25] investor waiver of that security holder.

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[1] **CHAIRMAN PERSKIE:** Right, but I mean, [2] have those documents, have they been marked or [3] anything?

[4] **MR. WALKER:** No.

[5] **CHAIRMAN PERSKIE:** I think they need [6] to be part of our record here, do they not?

[7] **MR. FUSCO:** Yes.

[8] **CHAIRMAN PERSKIE:** So that they [9] should be — what are you, A?

[10] **MR. FUSCO:** Yes.

[11] **CHAIRMAN PERSKIE:** AC, as opposed to [12] AP?

[13] **MR. WALKER:** Right.

[14] **CHAIRMAN PERSKIE:** AC-1 and 2. [15] Is that satisfactory everybody?

[16] **MR. FUSCO:** Yes.

[17] **CHAIRMAN PERSKIE:** AC-1 and AC-2. [18] Mr. Auriemma, do you have any [19] objection?

[20] **MR. AURIEMMA:** No, no objection.

[21] **CHAIRMAN PERSKIE:** All right. [22] Those two documents will be received [23] and marked.

[24] Who has got the originals?

[25] MR. WALKER: I do.

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[1] (Whereupon, Exhibit Nos. AC-1 and [2] AC-2, as described in the preceding colloquy, were [3] received and marked into evidence.)

[4] CHAIRMAN PERSKIE: Okay. [5] Does anybody know of any documents [6] with respect to the Castle application, other than [7] those that we have just discussed?

[8] MR. FUSCO: No, Mr. Chairman. That's [9] all there is.

[10] MR. AURIEMMA: No, I don't believe [11] there are any others.

[12] CHAIRMAN PERSKIE: Okay. [13] While we are on paper then, let's [14] move to the Plaza.

[15] D-2 is Mr. Auriemma's report of April [16] 1, which is 42 pages with attachments and contains [17] some recommendations and findings.

[18] Mr. Fusco.

[19] MR. FUSCO: No objection, [20] Mr. Chairman, subject to sealing.

[21] CHAIRMAN PERSKIE: Subject to [22] sealing.

[23] It will be received and marked as D-2 [24] in evidence.

[25] (Whereupon, Exhibit No. D-2, as

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[1] described in the preceding colloquy, was received and [2] marked into evidence.)

[3] CHAIRMAN PERSKIE: C-2(a) is [4] Ms. Walker's report of April 5 with findings and [5] conclusions and it consists of 17 pages.

[6] Mr. Auriemma.

[7] MR. AURIEMMA: No objection.

[8] CHAIRMAN PERSKIE: Mr. Fusco.

[9] MR. FUSCO: No objection, Chairman.

[10] CHAIRMAN PERSKIE: It will be [11] received and marked as C-2(a) in evidence.

[12] (Whereupon, Exhibit No. C-2(a), as [13] described in the preceding colloquy, was received and [14] marked into evidence.)

[15] CHAIRMAN PERSKIE: C-2(b) is April [16] 1st, Mr. Storcella's CHAB report.

[17] Any objection on that?

[18] MR. AURIEMMA: No objection.

[19] MR. FUSCO: No objection.

[20] CHAIRMAN PERSKIE: That will be [21] received and marked as C-2(b) in evidence.

[22] (Whereupon, Exhibit No. C-2(b), as [23] described in the preceding colloquy, was received and [24] marked into evidence.)

[25] CHAIRMAN PERSKIE: C-4 is the report

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[1] of March 29, 1993 by Mr. Thomas, supplemented by a [2] corrective memorandum of April 1, as to pages 6, 37, [3] and 40.

[4] Mr. Auriemma, have you seen that?

[5] MR. AURIEMMA: Yes, we have. We have [6] no objection.

[7] CHAIRMAN PERSKIE: Mr. Fusco.

[8] MR. FUSCO: No objection to that, [9] Mr. Chairman.

[10] CHAIRMAN PERSKIE: My understanding [11] is that there is some reservation with respect to a [12] part of that.

[13] Is this the one?

[14] MR. WALKER: Yes.

[15] CHAIRMAN PERSKIE: Ms. Wild.

[16] MS. WILD: Mr. Chairman, we initially [17] interposed an objection to one of the conditions [18] recommended by your staff. However, we want to [19] withdraw that objection and the subject matter of that [20] objection. We will comment with respect to that with [21] respect to the new BEO regs. We think that is the [22] more proper time at this point.

[23] CHAIRMAN PERSKIE: Okay.

[24] MS. WILD: Thank you.

[25] CHAIRMAN PERSKIE: Thank you.

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[1] C-4 then will be received without [2] objection and marked into evidence.

[3] (Whereupon, Exhibit No. C-4, as [4] described in the preceding colloquy, was received and [5] marked into evidence.)

[6] CHAIRMAN PERSKIE: C-6 is [7] Mr. Trzaka's report of April 15 with respect to the [8] Castle, which consists of 24 pages with an attachment, [9] again subject to sealing.

[10] Mr. Auriemma.

[11] MR. AURIEMMA: No objection.

[12] MR. FUSCO: No objection, Chairman.

[13] CHAIRMAN PERSKIE: All right. [14] That document likewise will be [15] received and marked into evidence as C-6.

[16] (Whereupon, Exhibit No. C-6, as [17] described in the preceding colloquy, was received and [18] marked into evidence.)

[19] CHAIRMAN PERSKIE: Is there anything [20] that anybody knows about with respect to any documents [21] regarding the Plaza, other than that which we have [22] talked about?

[23] MR. FUSCO: Similarly, Mr. Chairman, [24] there are security holder waiver certifications.

[25] CHAIRMAN PERSKIE: You know, I was

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[1] thinking there should be, but where are they?

[2] MR. FUSCO: We submitted them from [3] four different —

[4] MR. WALKER: Mr. Chairman, you have [5] the Shearson waivers in a package that I gave you on [6] Friday. The other waivers were the standard ones that [7] could have been granted by the general counsel under [8] delegated authority. I did not distribute them to the [9] Commissioners.

[10] CHAIRMAN PERSKIE: And that would [11] apply to both properties?

[12] MR. WALKER: No. There is only one [13] waiver needed on the Castle. Putnam is the only [14] company that needs a waiver and you have got those [15] papers.

[16] CHAIRMAN PERSKIE: Okay. [17] So that the documents supporting the [18] waiver application for the Plaza are not before us, [19] but you have them?

[20] MR. WALKER: Three of them are not [21] before you. You do have the documents on Shearson, [22] the 24 percent holder. If you don't, I have extra [23] copies.

[24] CHAIRMAN PERSKIE: Yes. Got you. [25] Here they are. Here they are. This is submitted by

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[1] Mr. O'Gara on April 16 and it is in the form of an [2] affidavit by Lee Augsburger, A-U-G-S-B-U-R-G-E-R, [3] which I will mark as Exhibit AP-1. And then there [4] is — that's an affidavit of two pages dated April [5] 15.

[6] There is a supplemental certification [7] of April 12, which I will mark as AP-2, by [8] Mr. Augsburger.

[9] And then there is another affidavit [10] of Mr. Augsburger of April 9, which I will mark as [11] AP-3; that's one page with attachments.

[12] And then there is a two-page [13] certification by Mr. Egan, Kenneth Egan of April 15, [14] which I will mark as AP-4.

[15] These are the so-called Shearson [16] documents; is that correct?

[17] MR. FUSCO: Yes, sir.

[18] CHAIRMAN PERSKIE: Those are [19] offered?

[20] MR. FUSCO: Yes, Mr. Chairman.

[21] MR. AURIEMMA: We have no objection.

[22] CHAIRMAN PERSKIE: Those will be [23] received and marked into evidence as AP-1 through [24] AP-4, respectively.

[25] (Whereupon, Exhibit Nos. AP-1 through

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[1] AP-4, as described in the preceding colloquy, was [2] received and marked into evidence.)

[3] **CHAIRMAN PERSKIE:** Where does that [4] leave us, Ms. Walker, with respect to other documents [5] on waiver applications that we just need to recite for [6] the record, presumably just on the Plaza?

[7] **MR. WALKER:** Yes, just on the Plaza. [8] We have dated April 8th a [9] certification from Mitchell Hutchins Company on behalf [10] of PaineWebber Managed Investment Trusts.

[11] **CHAIRMAN PERSKIE:** AP-5.

[12] **MR. WALKER:** We have on behalf of [13] Prudential High Yield Fund dated April 8th from Ronald [14] Amblard, A-M-B-L-A-R-D.

[15] **CHAIRMAN PERSKIE:** AP-6.

[16] **MR. WALKER:** We have another Putnam [17] certification, two certifications from Putnam, one of [18] March 11th —

[19] **CHAIRMAN PERSKIE:** AP-7.

[20] **MR. WALKER:** — supplemented by a [21] letter from Mr. Fusco of March 5th.

[22] **CHAIRMAN PERSKIE:** Just a letter from [23] Mr. Fusco?

[24] **MR. WALKER:** Yes, March 5th, [25] captioned Trump Plaza Security —

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[1] **CHAIRMAN PERSKIE:** I don't think [2] letters from Mr. Fusco ought to be in the record here [3] as part of the documentary material.

[4] So we have then just the last two, [5] five and six?

[6] **MR. WALKER:** Yes.

[7] **CHAIRMAN PERSKIE:** And those are [8] sufficient in the staff's view to permit the excise of [9] the delegated authority?

[10] **MR. WALKER:** Yes, it is.

[11] **CHAIRMAN PERSKIE:** All right. [12] Any objection to those two [13] documents?

[14] **MR. AURIEMMA:** No objection.

[15] **CHAIRMAN PERSKIE:** Those two [16] documents, AP-5 and AP-6 will be received and marked [17] into the record. [18] (Whereupon, Exhibit Nos. AP-5 and [19] AP-6, as described in the preceding colloquy, were [20] received and marked into evidence.)

[21] **CHAIRMAN PERSKIE:** Does that complete [22] the documentary record?

[23] **MR. FUSCO:** And AP-7.

[24] **MR. NANCE:** AP-7.

[25] **CHAIRMAN PERSKIE:** I am sorry, AP-7.

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[1] (Whereupon, Exhibit No. AP-7, as [2] described in the preceding colloquy,

was received and [3] marked for identification.)

[4] **CHAIRMAN PERSKIE:** All right. [5] Let's deal, if we can, with the [6] sealing requests. They apply, as I understand it, to [7] D-1 and to D-2, which are the two Division reports and [8] also with respect to C-5 and C-6, which are the [9] reports of the our Division of Financial Evaluation.

[10] It is my understanding that the [11] parties have conferred with each other and with our [12] staff with respect to that and the outstanding issues [13] and concerns with regard to that have been resolved; [14] is that correct?

[15] **MR. AURIEMMA:** That's correct.

[16] **MR. FUSCO:** That's correct, sir.

[17] **CHAIRMAN PERSKIE:** In considering the [18] various sealing requests, the Commission must weigh [19] the requesting party's privacy interests against the [20] public's interest in full disclosure.

[21] In the Nigris matter, the Appellate [22] Division agreed with us, with the Commission that the [23] public interest in the evidence on which the [24] Commission bases its decision is paramount in [25] contested case proceedings. This is essential to

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[1] foster public confidence and trust in the regulatory [2] system.

[3] Accordingly, the Commission generally [4] applies the term "contested case" even to those [5] matters where there are no specific factual disputes [6] or specific issues or findings that the Commission [7] must make. In this instance, our staff has been in [8] extensive consultation with counsel for the parties [9] with respect to these sealing requests and has kept us [10] advised of those discussions.

[11] In applying the balancing test, I [12] believe that Castle and Plaza's requests to seal [13] portions of the Division's reports should be granted. [14] The requests for sealing are limited to forecasted [15] financial projections of the two properties over the [16] upcoming license term.

[17] Similarly, the sealing requests with [18] respect to C-5 and C-6 are limited to financial [19] projections that were submitted by Castle and Plaza [20] for the upcoming license term. This information is [21] not necessarily inherent in our finding that these [22] casino licensees have demonstrated that they comply [23] with our financial stability regulation because these [24] licensees have stipulated to the so-called "break [25] even" analysis completed by our Division of Financial

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[1] Evaluation that is included in these reports as a part [2] of the public record.

[3] Accordingly, I would now move that we [4] grant the sealing requests with respect to Exhibits [5] C-5 and C-6 that have been resolved by the parties in [6] consultation with our staff, and that the redacted [7] versions of these documents be released this morning.

[8] **VICE CHAIR IRWIN:** Second.

[9] **CHAIRMAN PERSKIE:** Comment or [10] discussion on that motion?

[11] (No response.)

[12] **CHAIRMAN PERSKIE:** All in favor will [13] so indicate.

[14] (All Commissioners present voted in [15] favor of the motion.)

[16] **CHAIRMAN PERSKIE:** The record will [17] reflect that the motion carries unanimously.

[18] I would make the same motion with [19] respect to the sealing request on the Division's [20] reports, as well, D-1 and D-2.

[21] **VICE CHAIR IRWIN:** Second.

[22] **CHAIRMAN PERSKIE:** Comment or [23] discussion?

[24] (No response.)

[25] **CHAIRMAN PERSKIE:** All in favor?

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[1] (All Commissioners present voted in [2] favor of the motion.)

[3] **CHAIRMAN PERSKIE:** The record will [4] reflect the motion carries unanimously.

[5] Now, with respect to the issues that [6] are raised in the various reports that we have [7] discussed so far, specifically Exhibit C-1(a), the [8] Trump's Castle entity and qualifier issues, let's deal [9] with those first.

[10] The Division has not yet reported on [11] the qualifications of —

[12] **MR. FUSCO:** Mr. Chairman, Mr. Hui.

[13] **CHAIRMAN PERSKIE:** Mr. Hui.

[14] **MR. FUSCO:** Hui.

[15] **CHAIRMAN PERSKIE:** Fine. Thank you. [16] I never would have said that. H-U-I, Chi, C-H-I, [17] dash, Keong, K-E-O-N-G, Hui, Castle's Vice President [18] of Oriental Marketing. He must be removed, therefore, [19] as of today — removed from any position requiring [20] qualification if prior to May 16, 1993, he has not [21] been found qualified before that date.

[22] Any resolutions today will be [23] consistent with that understanding.

[24] Does the Division have any sense this [25] morning as to whether it will be, before May 16, in a

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[1] position to report?

[2] **MR. AURIEMMA:** No, we will not. Not [3] because there is anything necessarily

wrong with [4] Mr. Hui's background. He is a recent qualifier [5] addition to the Castle. We have commenced our [6] investigation, but I just can't contemplate it being [7] finished by May 16.

[8] **CHAIRMAN PERSKIE:** Therefore, of [9] course, Mr. Fusco, if that is the case, by that date, [10] he will have to be removed from a qualifier status.

[11] **MR. FUSCO:** We understand, [12] Mr. Chairman.

[13] **CHAIRMAN PERSKIE:** All right. [14] Castle has requested a waiver of the [15] qualification of all TC/GP, Inc. security holders and [16] a ruling that no holder of Trump's Castle Funding, [17] Inc.'s bonds is a qualifier or financial source. [18] Putnam High Yield Fund-014 has been identified by [19] Castle as holding 10.7 percent of Trump's Castle [20] units. Each Castle unit consists of one share of [21] TC/GP common stock, and one \$1,000 face amount Castle [22] funding bond. Castle has asked the Commission to find [23] that good cause exists to waive Putnam's qualification [24] as an institutional investor pursuant to [25] N.J.S.A. 5:12-85(f). A finding of good cause is

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[1] necessary because Putnam holds over 10 percent of the [2] outstanding equity securities of TC/GP, Inc., a [3] holding company of Castle.

[4] Does Castle desire to be heard [5] further beyond the submission that we already have of [6] the documents?

[7] **MR. FUSCO:** Unless there is a [8] question, Mr. Chairman, no.

[9] **CHAIRMAN PERSKIE:** Does the Division [10] desire to be heard?

[11] **MR. AURIEMMA:** No.

[12] **CHAIRMAN PERSKIE:** I gather the [13] Division does not object?

[14] **MR. AURIEMMA:** We do not object.

[15] **CHAIRMAN PERSKIE:** Does anybody on [16] the Commission have any question of counsel or [17] comment?

[18] (No response.)

[19] **CHAIRMAN PERSKIE:** I would move that [20] we designate Putnam High Yield Fund-014 as an [21] institutional investor, as defined in the statute at [22] Section 5: 12-27.1, and based upon the information [23] provided by Trump's Castle and the certifications [24] submitted by Putnam and with the Division having no [25] objection to the Commission granting the waiver, that

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[1] we find that there is good cause to waive the [2] qualification of this institutional investor pursuant [3] to Section 85(f) of the statute.

[4] **VICE CHAIR IRWIN:** So [5] moved — second.

[6] **CHAIRMAN PERSKIE:** Comment or [7] discussion?

[8] (No response.)

[9] **CHAIRMAN PERSKIE:** On the motion, all [10] in favor will so indicate.

[11] (All Commissioners present voted in [12] favor of the motion.)

[13] **CHAIRMAN PERSKIE:** The record will [14] reflect the motion carries unanimously.

[15] Having disposed of the issues raised [16] by Putnam's holdings, I move, therefore, that we grant [17] the waiver of qualification pursuant to Section 85(d)1 [18] of the Act for all other security holders of TC/GP, [19] Inc. and determine that none of the bondholders of [20] Trump's Castle funding be designated as a financial [21] source pursuant to Section 84(b) of the statute or as [22] a qualifier.

[23] **COMMISSIONER HURLEY:** Second.

[24] **CHAIRMAN PERSKIE:** Comment or [25] discussion on that motion?

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[1] (No response.)

[2] **CHAIRMAN PERSKIE:** All in favor?

[3] (All Commissioners present voted in [4] favor of the motion.)

[5] **CHAIRMAN PERSKIE:** The record will [6] reflect the motion carries unanimously.

[7] **CHAIRMAN PERSKIE:** With respect to [8] Exhibit C-2(a), Trump Plaza, Plaza has requested a [9] waiver of qualification of all security holders of [10] Trump Plaza Funding, Inc. Trump Plaza funding units [11] consist of one share of common and one share of [12] preferred stock. Trump Plaza has also requested a [13] ruling that no bondholder of funding is a qualifier or [14] a financial source.

[15] The following entities hold in excess [16] of 5 percent of the outstanding Plaza funding units:

[17] One, Putnam High Yield Fund-014, 6.8 [18] percent.

[19] Two, Prudential High Yield Fund, 8.22 [20] percent.

[21] Three, PaineWebber Managed [22] Investments Trust, 9.99 percent.

[23] Four, Shearson Lehman High Income [24] Funds and Diversified Strategic Income Fund, 24.3 [25] percent.

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[1] Plaza has asked the Commission to [2] waive the qualification of Putnam, Prudential and [3] PaineWebber as institutional investors pursuant to [4] Section 85(f) of the Act.

[5] Plaza has also asked the Commission [6] to find that good cause exists to waive Shearson's [7] qualification as an institu-

tional investor pursuant to [8] N.J.S.A. 5:12-85(f).

[9] A finding of good cause is necessary [10] because Shearson holds 10 percent of the outstanding [11] equity securities of Trump Plaza Funding, Inc., a [12] holding company of Plaza. All four proposed [13] institutional investors have submitted certifications [14] as required by Section 85(f), as have been identified [15] for the record here this morning.

[16] Does Plaza desire to be further heard [17] at this point?

[18] **MR. FUSCO:** No, Mr. Chairman.

[19] **CHAIRMAN PERSKIE:** Does the [20] Division?

[21] **MR. AURIEMMA:** No. I have no [22] objection, other than just to point out that with [23] regard to the Shearson holdings, that 24 percent would [24] be, I believe, the largest amount of an institutional [25] investor where the Commission would have found good

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[1] cause to exist, but based on the information we have [2] received and, of course, there have been a number of [3] certifications and all those certifications were to [4] determine whether or not there should be a good cause [5] waiver granted, we do not have an objection to it.

[6] **CHAIRMAN PERSKIE:** And further, that [7] you consent?

[8] **MR. AURIEMMA:** Yes.

[9] **CHAIRMAN PERSKIE:** Does anybody on [10] the Commission have any questions of counsel or [11] comment?

[12] (No response.)

[13] **CHAIRMAN PERSKIE:** On that basis, I [14] would move that we designate Putnam High Yield [15] Fund-014, Prudential High Yield Fund, PaineWebber [16] Managed Investments Trust and Shearson Lehman High [17] Income Fund and Diversified Strategic Income Fund as [18] institutional investors, as defined in N.J.S.A. [19] 5:12-27.1, and based upon the information provided by [20] Trump Plaza and the certifications submitted by each [21] institutional investor with the Division having no [22] objection and consenting to the Commission's granting [23] of a waiver that we find that there is good cause to [24] waive the qualifications of Putnam, Prudential, [25] PaineWebber, Shearson and Diversified as institutional

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[1] investors pursuant to the statute at [2] Section 5:12-85(f).

[3] If Plaza proceeds with any proposed [4] recapitalization, we will revisit the question of [5] qualification of its new security holders at that [6] time.

[7] **VICE CHAIR IRWIN:** Second.
[8] **CHAIRMAN PERSKIE:** Comment or
[9] discussion on the motion?
[10] (No response.)
[11] **CHAIRMAN PERSKIE:** All in favor
will [12] so indicate.
[13] (All Commissioners present voted in
[14] favor of the motion.)
[15] **CHAIRMAN PERSKIE:** The record
will [16] reflect that the motion carries
unanimously.
[17] I would, therefore, move that we [18]
waive the qualification of all security
holders of [19] Trump Plaza Funding, Inc.
and find that no bondholder [20] of fund-
ing is a qualifier or a financial source.
[21] **COMMISSIONER HURLEY:** Second.
[22] **CHAIRMAN PERSKIE:** Comment?
[23] (No response.)
[24] **CHAIRMAN PERSKIE:** On the mo-
tion, all [25] in favor?

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[1] (All Commissioners present voted in
[2] favor of the motion.)
[3] **CHAIRMAN PERSKIE:** The record
will [4] reflect that the motion carries
unanimously.
[5] Mr. Fusco.
[6] **MR. FUSCO:** Yes, Mr. Chairman.
[7] **CHAIRMAN PERSKIE:** That takes us,
I [8] believe, to the point where we have
done all the [9] housekeeping, I suspect,
on both matters.
[10] We will, therefore, permit you to be
[11] heard first with respect to Castle, and
then, of [12] course, the Division, as well.
[13] **MR. FUSCO:** At this point, [14] Mr.
Chairman, there are several other rul-
ings with [15] regard to — we will deal
with those later, Mr. [16] Chairman, the
one is the Castle Management agree-
ment [17] payments, and at the Plaza, the
services agreement [18] payments.
[19] **CHAIRMAN PERSKIE:** Yes. We will,
of [20] course, deal with them. I felt that
they should be [21] dealt with as a part of
and perhaps dependent upon the [22]
outcome of the basic motion. It seems
to me you need [23] a license before you
can make the payments.
[24] **MR. FUSCO:** I don't disagree, [25] Mr.
Chairman, with that.

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[1] At this point and with regard to both
[2] applications, we have spent consider-
able time together [3] with the staff to
develop the information, which is [4] the
basis for both Mr. Auriemma's report and
the [5] reports from the Commission in-
cluding the reports [6] submitted by Mr.
Trzaka.
[7] On the basis of all the information, [8]
we feel that the Applicants have estab-
lished their [9] qualifications clearly and

convincingly to the [10] Commission and
would ask that the Commission renew
the [11] licenses for the terms indicated
on the basis of that [12] information that
has been provided.

[13] **MR. AURIEMMA:** The Division has
no [14] objection to the Commission re-
newing these two [15] licenses with re-
gard to the Castle and the Management
[16] Company, as well. We have recom-
mended a condition [17] with regard to a
credit line. As you know, Castle [18] does
not have a credit line. We are not neces-
sarily [19] recommending one at this time
and neither did the [20] Commission staff
in its report, as well. However, we [21]
recognize that there may come a time
where a credit [22] line could be advan-
tageous to the facility. We have [23] both
arrived at the same conclusion, I think,
by [24] different means. We would urge
that our commission be [25] imposed, but
either our —

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[1] **CHAIRMAN PERSKIE:** As a condi-
tion?
[2] **MR. AURIEMMA:** As a condition.
[3] **CHAIRMAN PERSKIE:** I think you
said [4] "commission."
[5] **MR. AURIEMMA:** I am sorry, our [6]
condition.
[7] **CHAIRMAN PERSKIE:** If you get a [8]
commission, we don't know about that.
[9] **MR. AURIEMMA:** Our condition be
[10] imposed. However, if the Commis-
sion chooses to adopt [11] the recom-
mendation of the commission staff, we
would [12] have no opposition to that
either, but we do think [13] there should
be some focus on the need for a [14]
prospective credit line.
[15] **CHAIRMAN PERSKIE:** Mr. Fusco, do
you [16] want to respond at all to that?
[17] **MR. FUSCO:** Other than we under-
stand [18] the recommendation that was
made by the Division in [19] its report and
are prepared to accept that if that be [20]
imposed.
[21] **CHAIRMAN PERSKIE:** Okay.
[22] **MR. WALKER:** Mr. Chairman, the [23]
Commission staff did not recommend
the condition on [24] the credit line per
se. What we recommended was that [25]
they would continue to monitor the sit-
uation, the

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[1] financial situation at the Castle, and at
such point [2] if they felt that a condition
was necessary, they [3] would come back
to you.
[4] **CHAIRMAN PERSKIE:** I understood
that [5] and I understand it now. My im-
plicit question when I [6] looked over to
you was with respect to Mr. Auriemma's
[7] comment to the effect that their rec-
ommendation and [8] ours differed in

some respect. I am not clear on [9] which
one we are proposing to adopt.

[10] **MR. WALKER:** Mr. Chairman, if the
[11] Commission chooses to adopt the
Division's condition, [12] that's fine. The
Applicant has stipulated to the [13] re-
port. However, the Commission staff
didn't feel [14] that that condition was
necessary.

[15] **CHAIRMAN PERSKIE:** Okay. [16] So
the reference that I will make in [17] a
minute to the conditions recommended
by our staff [18] and the Division in this
instance refers to the fact [19] that the
Division made a recommendation that
we did [20] not, so that that would, there-
fore, include the [21] Division's recom-
mendation.

[22] **MR. WALKER:** That's correct.

[23] **CHAIRMAN PERSKIE:** All right. [24]
Does anybody on the Commission have
[25] any questions of counsel or com-
ment?

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[1] Again, we are focusing for the mo-
ment [2] just on the Castle.

[3] (No response.)

[4] **CHAIRMAN PERSKIE:** On May 29,
1992, [5] Castle implemented a restruc-
turing plan designed to [6] alleviate its
cash flow difficulties by reducing its [7]
cash debt service requirements. The re-
structuring [8] provided Castle with en-
hanced financial flexibility, [9] but the
ultimate success of the restructuring is
[10] predicated on Castle continuing to
achieve significant [11] improvement in
gross operating profit in order to fund
[12] its cash needs and to maintain an
adequate cash [13] balance.

[14] In 1992, Castle increased net revenue
[15] by more than 20 percent and im-
proved its gross [16] operating profit by
45 percent. While this [17] improvement
was and is significant, Castle must [18]
continue to increase and then sustain
further [19] improvements in net revenue
and gross operating profit [20] margins
throughout the upcoming license term.
Castle [21] must generate average annual
gross operating profit [22] growth of 10
percent over that achieved in 1992 in [23]
order to maintain sufficient cash to ser-
vice its debt [24] and fund daily opera-
tions.

[25] From the financial analysis per-
formed

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[1] by the Division and our own staff,
there is some [2] flexibility available to
Castle if it falls short of [3] achieving
projected gross operating profits and
we can [4] and I believe should place
some reliance on the [5] positive results
that Castle achieved in 1992 when [6]

considering its financial stability for the upcoming [7] license term.

[8] However, the Commission and the [9] Division must continue to monitor and review Castle's [10] financial situation on a regular basis, and therefore, [11] it is my view that the conditions recommended by our [12] staff and the Division in the several reports should [13] be imposed as the conditions of licensure at this [14] time.

[15] In summary, the record before us, in [16] my view, demonstrates that the casino licenses of [17] Trump's Castle Associates and Trump's Castle [18] Management Corporation should be renewed.

[19] I, therefore, move that we renew the [20] casino license and casino hotel alcoholic beverage [21] license of Trump's Castle Associates for a term of two [22] years with an expiration date to be fixed at May 31, [23] 1995, and the casino license of Trump's Castle [24] Management Corporation for a term of one year with an [25] expiration date of May 31, 1994, based upon the

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[1] findings and rulings made today and subject to the [2] conditions contained in our staff reports, and in the [3] Division's report and the representation of Castle [4] regarding the qualification or removal from qualifier [5] status of Mr. Hui prior to May 16, 1993.

[6] VICE CHAIR IRWIN: Second.

[7] CHAIRMAN PERSKIE: Comment or [8] discussion on that motion?

[9] (No response.)

[10] CHAIRMAN PERSKIE: On the motion, it [11] will require, four votes.

[12] Commissioner Hurley.

[13] COMMISSIONER HURLEY: Aye.

[14] CHAIRMAN PERSKIE: Commissioner LaRue.

[15] COMMISSIONER LA RUE: Aye.

[16] CHAIRMAN PERSKIE: Commissioner Dodd.

[17] COMMISSIONER DODD: Aye.

[18] CHAIRMAN PERSKIE: Vice Chair Irwin.

[19] VICE CHAIR IRWIN: Yes.

[20] CHAIRMAN PERSKIE: I will vote yes.

[21] (All Commissioners present voted in [22] favor of the motion.)

[23] CHAIRMAN PERSKIE: The record will [24] reflect the motion carries unanimously.

[25] We then turn to the subsidiary issue

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[1] regarding the payments, the application for payments [2] by Castle to Trump's Castle Management Corporation [3] under the services agreement.

[4] Mr. Fusco, do you desire to be heard [5] at this point?

[6] MR. FUSCO: No, Mr. Chairman, we do [7] not desire to be heard.

[8] CHAIRMAN PERSKIE: Mr. Auriemma.

[9] MR. AURIEMMA: No.

[10] CHAIRMAN PERSKIE: Does anybody on [11] the Commission have any question or comment?

[12] (No response.)

[13] CHAIRMAN PERSKIE: Based on the [14] information included in the Division of Gaming [15] Enforcement's report and our staff report concerning [16] the service agreement between Castle and Castle [17] Management Corporation, I move that we approve the [18] payment of all base fee payments under the services [19] agreement that have been forecasted by management [20] through May 31, 1995.

[21] In the event shortfalls in results [22] negatively impact on Castle's abilities to comply with [23] the Commission's financial stability standards, Castle [24] will be required to obtain prior Commission approval [25] of all service agreement payments.

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[1] COMMISSIONER HURLEY: Second.

[2] CHAIRMAN PERSKIE: Comment or [3] discussion on that motion?

[4] (No response.)

[5] CHAIRMAN PERSKIE: All in favor will [6] so indicate.

[7] (All Commissioners present voted in [8] favor of the motion.)

[9] CHAIRMAN PERSKIE: The record will [10] reflect the motion carries unanimously.

[11] It is my understanding on that, that [12] we get after-the-fact notice on those payments; is [13] that how that one works?

[14] MR. FUSCO: Once it is approved, you [15] don't.

[16] CHAIRMAN PERSKIE: We are approving [17] it now.

[18] MR. FUSCO: Correct, Mr. Chairman.

[19] CHAIRMAN PERSKIE: So that we can [20] assume that those payments will be made at the [21] schedules indicated.

[22] MR. FUSCO: Yes, Mr. Chairman. [23] That's correct.

[24] CHAIRMAN PERSKIE: So if you at the [25] Division or if our staff has a problem, the initiative

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[1] rests with you; is that right?

[2] MR. AURIEMMA: We understand that.

[3] CHAIRMAN PERSKIE: Okay. [4] Is there anything else that we need [5] to

address or to talk about with respect to Castle?

[6] MR. FUSCO: No, Mr. Chairman. That's [7] it.

[8] MR. AURIEMMA: No.

[9] CHAIRMAN PERSKIE: Okay. [10] Turning to Plaza, Mr. Fusco, I will [11] hear you with respect to Plaza.

[12] MR. FUSCO: I reiterate, [13] Mr. Chairman, that we feel that from the information [14] we have provided to the agencies over the past several [15] months, together with the reports that have been [16] compiled, that the Applicant has established its [17] qualifications, clearly and convincingly. I would [18] just ask that the Commission renew the license through [19] the terms indicated, which I understand to be through [20] June 30, 1995.

[21] MR. AURIEMMA: No objection to the [22] granting of either license.

[23] CHAIRMAN PERSKIE: Does anybody on [24] the Commission have any questions of counsel or any [25] comments?

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[1] (No response.)

[2] CHAIRMAN PERSKIE: As in the [3] situation with Castle, Trump Plaza implemented a [4] restructuring plan on May 29, 1992, which was designed [5] to alleviate its cash flow problems and provide more [6] financial flexibility. The success of the [7] restructuring hinged on Plaza achieving improved [8] operating results over those attained in 1990 and [9] 1991. For 1992, Plaza's casino revenue of \$268 [10] million reflected a 14 percent improvement over 1991. [11] Plaza also improved its gross operating profit for [12] 1992 by 36 percent. These results show significant [13] improvement over those attained during the past [14] license term.

[15] However, since Plaza included an [16] expansion project, for which there are, as yet, no [17] definite plans in its financial forecasts and recently [18] filed a petition for approval of a recapitalization, [19] which would further alter its cash flows and capital [20] structure, we should place little reliance on the [21] forecasts submitted by Plaza for this renewal hearing [22] when evaluating its financial stability. Rather, we [23] should, in my view, rely on the "break even" scenario [24] that has been analyzed by our staff and the Division's [25] financial analysis which show that Plaza can maintain

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[1] compliance with our financial stability standards for [2] the upcoming license term even if its gross operating [3] profits fall 13 percent below that achieved in 1992.

[4] Plaza's cash balance and the [5] \$10 million credit line currently available to it [6] through the license term appear to be sufficient to [7] fund its debt obligations and maintain resources for [8] daily operations.

[9] Under the "break even" analysis, [10] Plaza has the flexibility to absorb shortfalls from [11] the gross operating level reported for 1992. However, [12] I am concerned that its gross operating profit for the [13] first three months of 1993 was 12 percent below the [14] comparable 1992 period. For this reason, I think it [15] is necessary for us to continue to review and monitor [16] Plaza's financial situation during and over the [17] upcoming license term, and I feel that all of the [18] conditions proposed by our staff and the Division in [19] its report should be imposed as conditions of [20] licensure on this Applicant.

[21] In my view, the record before us with [22] those conditions demonstrates that Trump Plaza [23] Associates' casino license should be renewed.

[24] Therefore, I move that we renew the [25] casino license and the casino hotel alcoholic beverage

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[1] license for Trump Plaza Associates for a term of two [2] years with an expiration date fixed at June 30, 1995, [3] based upon on the findings and rulings made today and [4] subject to the conditions contained in our staff [5] reports and in the Division report.

[6] VICE CHAIR IRWIN: Second.

[7] CHAIRMAN PERSKIE: Comment or [8] discussion on that motion?

[9] Commissioner Dodd.

[10] COMMISSIONER DODD: Would this be an [11] appropriate time? I have got a couple of questions, [12] not necessarily the impact of the vote, but perhaps, [13] Mr. Ribis, on the casino expansion and the room hotel [14] tower.

[15] Could someone address that, what [16] happened?

[17] MR. RIBIS: What happened with what?

[18] CHAIRMAN PERSKIE: I have no problem [19] with that, but if we are going to do it, let's do it [20] in the form of a testimony or presentation.

[21] Mr. Fusco, how do you want to [22] proceed?

[23] COMMISSIONER DODD: I don't know if [24] this is the appropriate time, Chairman, but it is [25] something...

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[1] CHAIRMAN PERSKIE: Well, it would [2] have been earlier, but it is not inappropriate now, [3] let's put it that way.

[4] MR. FUSCO: We call Mr. Ribis.

[5] (Whereupon, Nicholas L. Ribis, Esq., [6] was sworn.)

[7] CHAIRMAN PERSKIE: Mr. Fusco.

[8] MR. FUSCO: Mr. Chairman, I think it [9] might be most expeditious if Commissioner Dodd just [10] makes the inquiry of Mr. Ribis.

[11] CHAIRMAN PERSKIE: I will wait until [12] Commissioner Dodd is finished.

[13] Commissioner, the direct examination [14] has been turned over to you.

[15] DIRECT EXAMINATION OF MR. RIBIS BY COMMISSIONER DODD:

[16] Q: Basically, in your own words, you came in [17] for an application of which we granted for the [18] additional casino space that is available to all [19] licensees in town within a two-year period to build x [20] amount of hotel rooms.

[21] And again, Atlantic City, with the [22] new convention center coming on line, which is not [23] directly your responsibility, or anybody else in this [24] industry, but we find ourselves that the day of the [25] first convention, Atlantic City is going to be

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[1] approximately 3,000 to 4,000 rooms short of just the [2] first convention, and that's only a partial use of our [3] halls. So it becomes not just a casual, you getting [4] additional floor space. And in fairness to the [5] industry and, in particular, to your boss, who didn't [6] support the new convention center or the location or [7] whatever, so it is not in that context, but in a [8] broader sense, where are we with the rooms?

[9] A: Well, I can speak to our property. And if [10] you would like me to speak more generally to Atlantic [11] City, I can do that.

[12] As to Trump Plaza, just so there is [13] no question, because I think some questions have [14] arisen as to whether or not we are going to build [15] rooms. We have committed — we came to this [16] Commission and asked for an approval to expand our [17] casino by 10,000 square feet on the basis of the [18] construction of 160, 159 new hotel rooms on a parcel [19] of property which is adjacent to our garage, which we [20] call, "The West Lot." That approval encompassed us [21] having to go out and get other approvals of other [22] agencies, which we have done.

[23] The reason why nothing has been done [24] yet is because we delayed our casino construction, the [25] construction of our casino expansion because of the

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[1] timing of it. It would have encroached on our summer [2] season and we didn't want to have disruption this [3] year.

[4] Then something else, then the [5] corridor started to get discussed and people started [6] to talk about credits from CRDA or other sources for [7] hotel rooms.

[8] We wanted this year to evaluate what [9] we are going to do. I can assure and I can commit [10] under oath to this Commission, we are going to be [11] building 160 new hotel rooms.

[12] CHAIRMAN PERSKIE: Has anybody told [13] Mr. DeSanctis?

[14] THE WITNESS: Well, Mr. DeSanctis was [15] responding to a press question. I think at that time [16] he had been under instructions from both Mr. Trump and [17] myself that with respect to that expansion, we wanted [18] to keep all our options open. How it was reported in [19] the press maybe was not a full airing of what [20] Mr. DeSanctis may have told that reporter. I know [21] that there was some level of concern at the Commission [22] level as to those comments. I could state [23] unequivocally, we intend to build those rooms.

[24] However, in looking —

[25] Q: I am not asking you to divulge any ongoing

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[1] negotiations with the CRDA.

[2] A: But I want to go on, since that was a good [3] question, Commissioner Dodd.

[4] I think, looking at the corridor and [5] looking at the expansion possibilities at the Plaza, [6] we also — Mr. Trump also owns the penthouse site. [7] There was a pending litigation on that site, which was [8] only resolved less than a month ago. So really we [9] couldn't make any final decisions with respect to our [10] expansion, so that the year has brought a completion [11] of that litigation in a favorable manner to Mr. Trump [12] and the property, so that we are looking at the [13] penthouse site as a possible alternative. That [14] doesn't mean we are going to walk away from building [15] hotel rooms.

[16] Q: All right.

[17] A: However, the penthouse site is certainly a [18] preferable site if we are able to get all conditions [19] preceding cleared up with respect to that, because it [20] is 377 rooms. It has — as you know, it is the blight [21] of the city. We would like to get it cleaned up and [22] we are working on that quickly. We hope to start that [23] May 15th. And again, we intend to build these hotel [24] rooms. We would rather, if we had our choice, do it [25] on the penthouse site; that's our preferable site.

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[1] But between now and the end of the year, we will make [2] a final decision as to where we are going to go.

[3] We know that we are going to start [4] construction of our casino expansion at the end of [5] this year. Prior to that time, obviously, we are [6] going to clearly say to the Commission, we intend to [7] go ahead on the penthouse site or we intend to go [8] ahead with the approval that we have already received [9] for "The West Lot."

[10] As to the city, itself, I think that [11] is a different story. I think you are correct that [12] there are not sufficient hotel rooms.

[13] **Q:** No, and I tried to preface that, that that [14] is not your responsibility, and in particular, your [15] company, they did not — you were not the ones beating [16] the drums, and especially the location, but be that as [17] it may, that's — could you just address briefly your [18] experience, or somebody in your entourage who has a [19] better feeling of the experience at the Trump Regency [20] with guests wanting to stay preferably in a casino [21] hotel, as opposed to a non-casino hotel, although that [22] had the name on it and everything and how that [23] experience could or would relate to noncasino hotel [24] rooms in the corridor?

[25] **A:** Well, first of all, I don't have an

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[1] entourage, Mr. Trump does. I have to carry my own [2] briefcase.

[3] **Q:** Well, when I see everybody bowing to you.

[4] **A:** That's only because, you know, the raises [5] come once a year, I guess.

[6] **CHAIRMAN PERSKIE:** This afternoon, I [7] gather.

[8] **THE WITNESS:** Yes.

[9] **A:** So with respect to that, our experience [10] was not good. Trump Regency was operationally, [11] although a part of Trump Plaza for almost two years, [12] our customers, when they called Trump Plaza, and if we [13] put them at Trump Regency, they were not happy. They [14] wanted to stay at Trump Plaza.

[15] Our experience was that noncasino [16] hotel rooms, even though that facility was totally [17] redone —

[18] **Q:** First class.

[19] **A:** — first class, and the rooms are ocean [20] front and really, as a hotel, it is an excellent [21] hotel, we had, and I think they are still experiencing [22] the same difficulty in operating it, it is not a place [23] where people come to, unless they are forced to [24] because there are no other rooms in town.

[25] **Q:** The Casino Association, and again, knowing

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[1] your involvement in that, and I will take this [2] opportunity, you do have representation on the CRDA, [3] and I would urge you strongly to share those [4] experiences with the members and staff of the CRDA [5] before we build rooms that will not be used and will [6] be guaranteed almost a failure.

[7] **A:** Well, I think that —

[8] **Q:** And I am asking you, not as a licensee at [9] this point, but as an experienced hotelier of what it [10] is that Atlantic City needs within three years.

[11] **A:** Well, it is clear that the vision of [12] Atlantic City as to the convention center without the [13] corridor is not good. The corridor, in conjunction [14] with the convention center, with 3,000 to 4,000 new [15] hotel rooms to be opening on or about the time that [16] the convention center opens —

[17] **Q:** Right.

[18] **A:** — is excellent for the city. I could say [19] that I have had many discussions with respect to —

[20] **Q:** Let me put it another way. If we don't [21] have 3,000 to 4,000 new rooms for the first [22] convention, we will, A, either be bringing people home [23] to our respective houses to stay with us as guests, or [24] you will see people walking down the boardwalk with [25] their suitcases. We can't say, Oops, we forgot the

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[1] rooms. Now, that's not your responsibility, but it is [2] a collective responsibility of all the other [3] governmental agencies that handle investment within [4] this city and it is critical.

[5] **A:** I think this. I think that it is [6] twofold. I think that the corridor has to be built [7] and I think that hotel rooms have to be built. I can [8] tell you that the Association — I have been the head [9] of the Association for three months. We have focused [10] on this. We are working with our legislators and the [11] CRDA in an attempt to find a way to do this, because [12] this industry financially can't be given the burden of [13] building a corridor and convention hotel rooms under [14] the current circumstances of their net profitability.

[15] **Q:** No, and that's why I did try and preface [16] my remarks that it is not directly your [17] responsibility, but for me, at least as one commission [18] member, to let you know how vitally important it is, [19] and understanding the market, and that's why I asked [20] you about your Regency experience.

[21] **A:** We appreciate that.

[22] **CHAIRMAN PERSKIE:** Okay. [23] Does anybody else on the Commission [24] have any questions for Mr. Ribis? [25] (No response.)

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[1] **CHAIRMAN PERSKIE:** Mr. Auriemma.

[2] **MR. AURIEMMA:** No, sir.

[3] **CHAIRMAN PERSKIE:** Mr. Fusco.

[4] **MR. FUSCO:** No questions.

[5] **CHAIRMAN PERSKIE:** Mr. O'Gara.

[6] **MR. O'GARA:** No.

[7] **CHAIRMAN PERSKIE:** Mr. Sterns.

[8] (No response.)

[9] **CHAIRMAN PERSKIE:** Ms. Walker.

[10] (No response.)

[11] **CHAIRMAN PERSKIE:** Mr. Heneghan.

[12] (No response.)

[13] **CHAIRMAN PERSKIE:** You may step down.

[14] (Witness excused.)

[15] **CHAIRMAN PERSKIE:** Does anybody on [16] the Commission have any other comments or questions?

[17] (No response.)

[18] **CHAIRMAN PERSKIE:** Before us, again, [19] so that the record is clear, is the pending motion, [20] which has been seconded, so that, because it is, the [21] motion that it is, I will renew it, I move that [22] we — restate it rather — renew the casino license [23] and casino hotel alcoholic beverage license of Trump [24] Plaza Associates for a term of two years with an [25] expiration date fixed at June 30, 1995 based upon the

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[1] findings and rulings made today and subject to the [2] conditions contained in our staff reports and in the [3] Division's report; that's the motion.

[4] Any other comment or question?

[5] (No response.)

[6] **CHAIRMAN PERSKIE:** The motion will [7] require four votes.

[8] Commissioner Hurley.

[9] **COMMISSIONER HURLEY:** Aye.

[10] **CHAIRMAN PERSKIE:**

Commissioner [11] LaRue.

[12] **COMMISSIONER LA RUE:** Aye.

[13] **CHAIRMAN PERSKIE:**

Commissioner [14] Dodd.

[15] **COMMISSIONER DODD:** Aye.

[16] **CHAIRMAN PERSKIE:** Vice Chair Irwin.

[17] **VICE CHAIR IRWIN:** Yes.

[18] **CHAIRMAN PERSKIE:** And I vote yes.

[19] (All Commissioners present voted in [20] favor of the motion.)

[21] **CHAIRMAN PERSKIE:** The record will [22] reflect the motion carries un-
[23] an-animously.

[24] We now have an application by Plaza
[25] with respect to payments to the
Trump Plaza Management [26] Corpora-
[27] tion.

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[1] Mr. Fusco, anything further on that?

[2] **MR. FUSCO:** Our request is in our [3]
petition, Mr. Chairman.

[4] **MR. AURIEMMA:** I have answered in
my [5] report.

[6] **CHAIRMAN PERSKIE:** Does anybody
on [7] the Commission have any com-
ment or question?

[8] (No response.)

[9] **CHAIRMAN PERSKIE:** Based upon
the [10] information included in the Divi-
sion of Gaming [11] Enforcement's report
and in our own staff report [12] concern-
ing the service agreements between
Plaza and [13] Trump Plaza Management
Corporation, I move that we [14] approve
all payments under the services agree-
ment that [15] have been forecasted by
management through June 30, [16] 1995.
Of course, the impact of these service
[17] agreement payments on Plaza's fi-
nancial stability will [18] be reevaluated
if and when we review Plaza's proposed
[19] expansion project or any application
for [20] recapitalization.

[21] **COMMISSIONER HURLEY:** Second.

[22] **CHAIRMAN PERSKIE:** Comment or
[23] discussion on that motion?

[24] (No response.)

[25] **CHAIRMAN PERSKIE:** All in favor
will

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[1] so indicate.

[2] (All Commissioners present voted in
[3] favor of the motion.)

[4] **CHAIRMAN PERSKIE:** The record
will [5] reflect the motion carries unani-
mously.

[6] Mr. Fusco, you have a couple of other
[7] pending matters directly or indirectly
relating to the [8] properties. You have
got the application for approval [9] on
certain payments, which is scheduled, I
believe, [10] for this Wednesday.

[11] **MR. FUSCO:** Yes, Mr. Chairman, [12]
correct.

[13] **CHAIRMAN PERSKIE:** There are,
also, I [14] believe, some license matters
or some regulatory [15] matters that have
been stipulated or agreement has [16]
been reached with the Division for both
these [17] properties, as well as the Taj,
which are also [18] scheduled for
Wednesday.

[19] **MR. FUSCO:** On complaint matters
or [20] hearings.

[21] **CHAIRMAN PERSKIE:** Yes.

[22] **MR. FUSCO:** Yes, Mr. Chairman,
that's [23] correct.

[24] **CHAIRMAN PERSKIE:** All right. [25]
Is there anything further that we

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[1] should address this morning?

[2] **MR. FUSCO:** No.

[3] **MR. AURIEMMA:** No.

[4] **COMMISSIONER IRWIN:** Move we
adjourn.

[5] **CHAIRMAN PERSKIE:** Move we ad-
journ. [6] Thank you very much. [7] Have
a nice day.

[8] (Hearing concluded at 11:15 a.m.)

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CERTIFICATE

I, ELLEN MARIE NEARY, a Certified Shorthand
Reporter, License No. X101357, and a Notary Public of
the State of New Jersey, do hereby certify the
foregoing to be a true and accurate transcript of my
original stenographic notes taken at the time and
place hereinbefore set forth.

ELLEN MARIE NEARY, CSR

Dated: April 20, 1993.