

PUBLIC HEARING

before

ASSEMBLY STATE GOVERNMENT, FEDERAL AND INTERSTATE

RELATIONS AND VETERANS AFFAIRS COMMITTEE

on

Assembly Bill No. 1201

[An Act to amend the "Casino Control Act,"
approved June 2, 1977 (P.L. 1977, c. 110)
and P.L. 1978, c. 7, supplementary thereto,
and repealing Sections 21 to 30 of P.L. 1978,
c.7]

Held:

April 9, 1980

Assembly Chamber

State House

Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard J. Codey, Chairman
Assemblywoman Barbara Kalik, Vice-Chairman
Assemblyman Ernest Schuck
Assemblyman Dennis L. Riley
Assemblyman Gerald Cardinale
Assemblywoman Barbara Curran
Assemblyman Anthony M. Villane

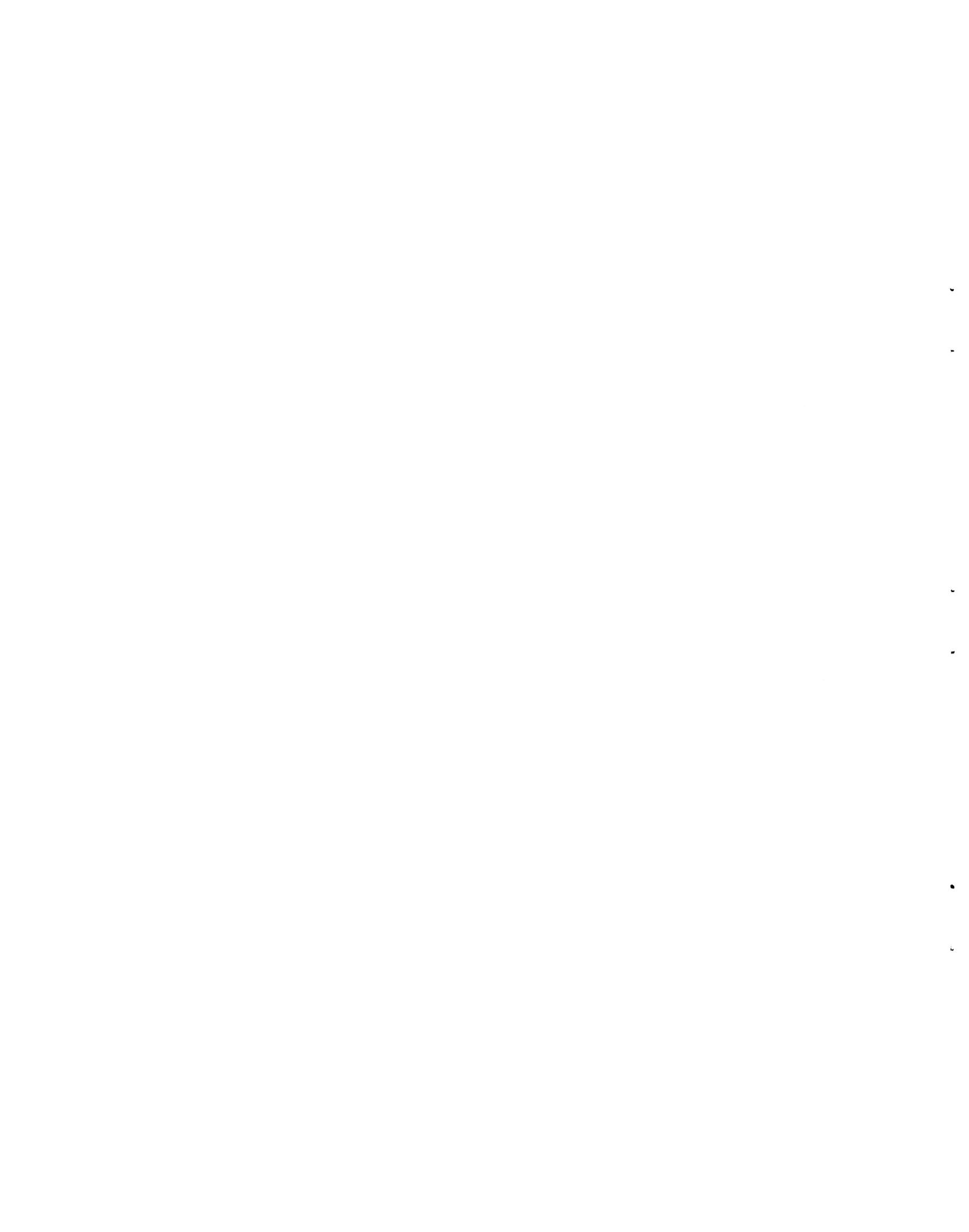
ALSO:

Wayne L. Bockelman, Research Associate
Office of Legislative Services
Aide, Assembly State Government, Federal and Interstate
Relations and Veterans Affairs Committee

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I N D E X

	<u>Page</u>
Daniel J. O'Hern Counsel to the Governor	1
Robert E. Ferguson, Jr. Chairman of the Board First National State Bank of New Jersey	9
Michael J. Matthews Assemblyman, District 2	13
William J. Downey Executive Director Atlantic City Hotel Association	14
Eugene Gatti President and Chairman of the Board Greate Bay Hotel and Casino Corporation	19
D. Austin Stubblefield Senior Vice President of Development Holiday Inns Gaming Group	23
Thomas Kissick Local 491 Restaurant Employees and Bartenders Union	25
David M. Satz, Jr. Counsel Playboy-Elsinor Associates	26
Hugh McCloskey Attorney Del Webb/Claridge Associates	27
Lawrence Mittick Atlantic Homebuilders Association	29
John Rich South Jersey Building Trades Council	30
Carol Leet New Jersey Council of Churches	31
Paul Schorr Practicing Professional Engineer Trenton, New Jersey	32
- - - - -	
Also: Letter from Robert Van Buren, enclosing statement of Midlantic National Bank	1X



ASSEMBLY, No. 1201

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 21, 1980

By Assemblymen JACKMAN, KARCHER and DOYLE

Referred to Committee on State Government, Federal and
Interstate Relations and Veterans Affairs

AN ACT to amend the "Casino Control Act," approved June 2,
1977 (P. L. 1977, c. 110) and P. L. 1978, c. 7, supplementary
thereto, and repealing sections 21 to 30 of P. L. 1978, c. 7.

1 BE IT ENACTED *by the Senate and General Assembly of the*
2 *State of New Jersey:*

1 1. Section 1 of P. L. 1977, c. 110 (C. 5:12-1) is amended to read
2 as follows:

3 1. Short Title; Declaration of Policy and Legislative Findings.

4 a. This act shall be known and may be cited as the "Casino
5 Control Act."

6 b. The Legislature hereby finds, and declares to be the public
7 policy of this State, the following:

8 (1) The tourist, resort and convention industry of this State con-
9 stitutes a critical component of its economic structure and, if prop-
10 erly developed, controlled and fostered, is capable of providing a
11 substantial contribution to the general welfare, health and pros-
12 perity of the State and its inhabitants.

13 (2) By reason of its location, natural resources and worldwide
14 prominence and reputation, the city of Atlantic City and its resort,
15 tourist and convention industry represent a critically important
16 and valuable asset in the continued viability and economic strength
17 of the tourist, convention and resort, industry of the State of New
18 Jersey.

19 (3) The rehabilitation and redevelopment of existing tourist and
20 convention facilities in Atlantic City, and the fostering and en-
21 couragement of new construction and the replacement of lost con-
22 vention, tourist, entertainment and cultural centers in Atlantic City
23 will offer a unique opportunity for the inhabitants of the entire
24 State to make maximum use of the natural resources available in

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.**

25 Atlantic City for the expansion and encouragement of New Jersey's
26 hospitality industry, and to that end, the restoration of Atlantic
27 City as the Playground of the World and the major hospitality
28 center of the Eastern United States is found to be a program of
29 critical concern and importance to the inhabitants of the State of
30 New Jersey.

31 (4) Legalized casino gaming has been approved by the citizens
32 of New Jersey as a unique tool of urban redevelopment for Atlantic
33 City. In this regard, the introduction of a limited number of casino
34 rooms in major hotel convention complexes, permitted as an addi-
35 tional element in the hospitality industry of Atlantic City, will
36 facilitate the redevelopment of existing blighted areas and the re-
37 furbishing and expansion of existing hotel, convention, tourist, and
38 entertainment facilities; encourage the replacement of lost hospi-
39 tality-oriented facilities; provide for judicious use of open space
40 for leisure time and recreational activities; and attract new invest-
41 ment capital to New Jersey in general and to Atlantic City in
42 particular.

43 (5) Restricting the issuance of casino licenses to major hotel and
44 convention facilities is designed to assure that the existing nature
45 and tone of the hospitality industry in New Jersey and in Atlantic
46 City is preserved, and that the casino rooms licensed pursuant to
47 the provisions of this act are always offered and maintained as an
48 integral element of such hospitality facilities, rather than as the
49 industry unto themselves that they have become in other juris-
50 dictions.

51 (6) An integral and essential element of the regulation and con-
52A trol of such casino facilities by the State rests in the public confi-
52 dence and trust in the credibility and integrity of the regulatory
53 process and of casino operations. To further such public confidence
54 and trust, the regulatory provisions of this act are designed to
55 extend strict State regulation to all persons, locations, practices
56 and associations related to the operation of licensed casino enter-
57 prises and all related service industries as herein provided. In
58 addition, licensure of a limited number of casino establishments,
59 with the comprehensive law-enforcement supervision attendant
60 thereto, is further designed to contribute to the public confidence
61 and trust in the efficacy and integrity of the regulatory process.

62 (7) Legalized casino gaming in New Jersey can attain, maintain
63 and retain integrity, public confidence and trust, and remain com-
64 patible with the general public interest only under such a system
65 of control and regulation as insures, so far as practicable, the ex-
66 clusion from participation therein of persons with known criminal

67 records, habits or associations, and the exclusion or removal from
68 any positions of authority or responsibility within casino gaming
69 operations and establishments of any persons known to be so defi-
70 cient in business probity, ability or experience, either generally or
71 with specific reference to gaming, as to create or enhance the
72 dangers of unsound, unfair or illegal practices, methods and
73 activities in the conduct of gaming or the carrying on of the
74 business and financial arrangements incident thereto.

75 (8) Since the public has a vital interest in casino operations in
76 Atlantic City and has established an exception to the general policy
77 of the State concerning gaming for private gain, participation in
78 casino operations as a licensee under this act shall be deemed a
79 revocable privilege conditioned upon the proper and continued
80 qualification of the individual licensee and upon the discharge of
81 the affirmative responsibility of each such licensee to provide to the
82 regulatory and investigatory authorities established by this act any
83 assistance and information necessary to assure that the policies
84 declared by this act are achieved. Consistent with this policy,
85 it is the intent of this act to preclude the creation of any property
86 right in any license, certificate or reservation permitted by this
87 act, the accrual of any value to the privilege of participation in
88 gaming operations, or the transfer of any license, certificate, or
89 reservation, and to require that participation in gaming be solely
90 conditioned upon the individual qualifications of the person seeking
91 such privilege.

92 (9) Since casino operations are especially sensitive and in need
93 of public control and supervision, and since it is vital to the inter-
94 ests of the State to prevent entry, directly or indirectly, into
95 such operations or the ancillary industries regulated by this act of
96 persons who have pursued economic gains in an occupational
97 manner or context which are in violation of the criminal or civil
98 public policies of this State, the regulatory and investigatory
99 powers and duties shall be exercised to the fullest extent consistent
100 with law to avoid entry of such persons into the casino operations
101 or the ancillary industries regulated by this act.

102 (10) Since the development of casino gaming operations in
103 Atlantic City will substantially alter the environment of New
104 Jersey's coastal areas, and since it is necessary to insure that this
105 substantial alteration be beneficial to the overall ecology of the
106 coastal areas, the regulatory and investigatory powers and duties
107 conferred by this act shall include, in cooperation with other public
108 agencies, the power and the duty to monitor and regulate casinos
109 and the growth of casino operations to respond to the needs of the
110 coastal areas.

111 (11) The facilities in which licensed casinos are to be located
112 are of vital law enforcement and social interest to the State, and
113 it is in the public interest that the regulatory and investigatory
114 powers and duties conferred by this act include the power and duty
115 to review architectural and site plans to assure that the proposal
116 is suitable by law enforcement, aesthetic and architectural
117 standards.

118 (12) Since the economic stability of casino operations is in the
119 public interest and competition in the casino operations in Atlantic
120 City is desirable and necessary to assure the residents of Atlantic
121 City and of this State and other visitors to Atlantic City varied
122 attractions and exceptional facilities, the regulatory and investiga-
123 tory powers and duties conferred by this act shall include the power
124 and duty to regulate, control and prevent economic concentration in
125 the casino operations and the ancillary industries regulated by this
126 act, and to encourage and preserve competition.

127 (13) It is in the public interest that the institution of licensed
128 casino establishments in New Jersey be strictly regulated and con-
129 trolled pursuant to the above findings and pursuant to the pro-
130 visions of this act, which provisions are designed to engender and
131 maintain public confidence and trust in the regulation of the licensed
132 enterprises, to provide an effective method of rebuilding and re-
133 developing existing facilities and of encouraging new capital invest-
134 ment in Atlantic City, and to provide a meaningful and permanent
135 contribution to the economic viability of the resort, convention,
136 and tourist industry of New Jersey.

137 (14) Confidence in casino gaming operations is eroded to the
138 extent the State of New Jersey does not provide a regulatory
139 framework for casino gaming that permits and promotes stability
140 and continuity in casino gaming operations.

141 (15) Continuity and stability in casino gaming operations cannot
142 be achieved at the risk of permitting persons with unacceptable
143 backgrounds and records of behavior to control casino gaming
144 operations contrary to the vital law enforcement interest of the
145 State.

146 (16) The aims of continuity and stability and of law enforcement
147 will best be served by a system in which applicant entities and
148 investors in those applicant entities can be assured of prompt and
149 continuous casino operation under certain circumstances wherein
150 the applicant has **[not yet been fully licensed, or has]** had a license
151 *denied*, suspended or revoked, as long as control of the applicant's
152 operation under such circumstances may be placed in the possession
153 of a person or persons in whom the public may feel a confidence and
154 **a trust.**

155 (17) **【**A system whereby the satisfaction of certain appropriate
 156 criteria, including the execution of a voting trust agreement, per-
 157 mits temporary casino operation prior to licensure and whereby the
 158 suspension or revocation of casino operations under certain
 159 appropriate circumstances causes the imposition of a conservator-
 160 ship upon the suspended or revoked casino operation serves both
 161 the economic and law enforcement interests involved in casino
 162 gaming operations.**】**

163 *Under certain appropriate circumstances, the imposition of a*
 164 *conservatorship, as hereinafter defined, upon the suspension,*
 165 *revocation, or denial of a casino license is warranted to serve both*
 166 *the economic and law enforcement interests involved in casino gam-*
 167 *ing operations.*

1 2. Section 31 of P. L. 1978, c. 7 (C. 5:12-130.1) is amended to
 2 read as follows:

3 31. Institution of Conservatorship and Appointment of Con-
 4 servators.

5 a. Notwithstanding any other provision of the Casino Control
 6 Act, (1) upon the revocation of a casino license, (2) upon, in the
 7 discretion of the commission, the suspension of a casino license or
 8 operation certificate for a period of in excess of 120 days, or
 9 (3) upon the failure or refusal to renew a casino license, and
 10 notwithstanding the pendency of any appeal therefrom, the com-
 11 mission shall appoint and constitute a conservator to, among other
 12 things, take over and into his possession and control all the
 13 property and business of the licensee relating to the casino and the
 14 approved hotel; provided, however, that this subsection shall not
 15 apply in any instance in which the casino in the casino hotel facility
 16 for which the casino license had been issued has not been, in fact,
 17 in operation and open to the public, and provided further that no
 18 person shall be appointed as conservator unless the commission
 19 is satisfied that he is individually qualified according to the stan-
 20 dard applicable to casino key employees, except that casino
 21 experience shall not be necessary for qualification.

22 b. Notwithstanding any other provision of the Casino Control
 23 Act, (1) upon, in the discretion of the commission, the expiration
 24 of a temporary casino permit, except in those instances where
 25 (a) a casino license has been issued, or (b) a casino license has
 26 not been issued because of the inaction of the commission, (2)
 27 upon the revocation of a temporary casino permit, (3) upon, in the
 28 discretion of the commission, the suspension of a temporary casino
 29 permit or operation certificate for a period of in excess of 60 days,
 30 **【or】** (4) upon the denial of a casino license to a temporary casino

31 permittee, or denial of a casino license application pursuant to
 32 sections 84 to 86 of P. L. 1977, c. 110 (C. 5:12-84 to C. 5:12-86) to
 33 an applicant with an approved hotel, and notwithstanding the
 34 pendency of any appeal therefrom, the commission shall appoint
 35 and constitute a conservator to, among other things, take over and
 36 into his possession and control all the property and business of the
 37 temporary casino permittee or casino license applicant relating to
 38 the casino and the approved hotel; [provided, however, that this
 39 subsection shall not apply in any instance in which the casino in
 40 the casino hotel facility for which the temporary casino permit has
 41 been issued has not been, in fact, in operation and open to the
 42 public, and] provided [further], however, that no person shall be
 43 appointed as conservator unless the commission is satisfied that he
 44 is individually qualified according to the standards applicable to
 45 casino key employees, except that casino experience shall not be
 46 necessary for qualification.

47 e. The commission may proceed in a conservatorship action in a
 48 summary manner or otherwise and shall have the power to appoint
 49 and remove one or more conservators and to enjoin the former
 50 or suspended licensee or permittee, or denied applicant from exer-
 51 cising any of its privileges and franchises, from collecting or
 52 receiving any debts and from paying out, selling, assigning or
 53 transferring any of its property to other than a conservator, except
 54 as the commission may otherwise order. The commission shall
 55 have such further powers as shall be appropriate for the fulfillment
 56 of the purposes of this act.

57 d. Every conservator shall, before assuming his duties, execute
 58 and file a bond for the faithful performance of his duties payable
 59 to the commission in the office of the commission with such surety
 60 or sureties and in such form as the commission shall approve and
 61 in such amount as the commission shall prescribe.

62 e. When more than one conservator is appointed pursuant to this
 63 section, the provisions of this article applicable to one conservator
 64 shall be applicable to all; the debts and property of the former or
 65 suspended licensee or permittee, or denied applicant may be
 66 collected and received by any of them; and the powers and rights
 67 conferred upon them shall be exercised by a majority of them.

1 3. Section 32 of P. L. 1978, c. 7 (C. 5:12-130.2) is amended to read
 2 as follows:

3 32. Powers, Authorities and Duties of Conservators.

4 a. Upon his appointment, the conservator shall become vested
 5 with the title of all the property of the former or suspended licensee
 6 or permittee, or denied applicant relating to the casino and the

7 approved hotel, subject to any and all valid liens, claims, and en-
8 cumbrances. The conservator shall have the duty to conserve and
9 preserve the assets so acquired to the end that such assets shall
10 continue to be operated on a sound and businesslike basis.

11 b. Subject to the general supervision of the commission and
12 pursuant to any specific order it may deem appropriate, a con-
13 servator shall have power to:

14 (1) Take into his possession all the property of the former or
15 suspended licensee **[or]**, permittee or *denied applicant* relating to
16 the casino and the approved hotel, including its books, records and
17 papers;

18 (2) Institute and defend actions by or on behalf of the former or
19 suspended licensee **[or]**, permittee or *denied applicant*;

20 (3) Settle or compromise with any debtor or creditor of the
21 former or suspended licensee **[or]**, permittee or *denied applicant*,
22 including any taxing authority;

23 (4) Continue the business of the former or suspended licensee
24 **[or]**, permittee or *denied applicant* and to that end enter into
25 contracts, borrow money and pledge, mortgage or otherwise en-
26 cumber the property of the former or suspended licensee **[or]**,
27 permittee or *denied applicant* as security for the repayment of the
28 conservator's loans; provided, however, that such power shall be
29 subject to any provisions and restrictions in any existing credit
30 documents;

31 (5) Hire, fire and discipline employees;

32 (6) Review all outstanding agreements to which the former or
33 suspended licensee **[or]**, permittee or *denied applicant* is a party
34 that fall within the purview of section 104b. of P. L. 1977, c. 110
35 (C. 5:12-104b.) and advise the commission as to which, if any, of
36 such agreements should be the subject of scrutiny, examination or
37 investigation by the commission; and

38 (7) Do all further acts as shall best fulfill the purposes of the
39 Casino Control Act.

40 c. Except during the pendency of a suspension or during the
41 pendency of any appeal from any action or event set forth in
42 section 31 a. or b. of this amendatory and supplementary act which
43 precipitated the conservatorship or in instances in which the com-
44 mission finds that the interests of justice so require, the conserva-
45 tor, subject to the prior approval of and in accordance with such
46 terms and conditions as may be prescribed by the commission, and
47 after appropriate prior consultation with the former licensee **[or]**,
48 permittee or *denied applicant* as to the reasonableness of such
49 terms and conditions, shall endeavor to and be authorized to sell,

50 assign, convey or otherwise dispose of in bulk, subject to any and
 51 all valid liens, claims, and encumbrances, all the property of a
 52 former licensee **[or]**, permittee *or denied applicant* relating to the
 53 casino and the approved hotel only upon prior written notice to all
 54 creditors and other parties in interest and only to such persons
 55 who shall be eligible to apply for and shall qualify as a casino
 56 licensee or temporary casino permittee in accordance with the
 57 provisions of the Casino Control Act. Prior to any such sale, the
 58 former licensee **[or]**, permittee *or denied applicant* shall be
 59 granted, upon request, a summary review by the commission of
 60 such proposed sale.

61 d. The commission may direct that the conservator, for an indefi-
 62 nite period of time, retain the property and continue the business
 63 of the former or suspended licensee **[or]**, permittee *or denied*
 64 *applicant* relating to the casino and the approved hotel. During
 65 such period of time or any period of operation by the conservator,
 66 he shall pay when due, without in any way being personally liable,
 67 all secured obligations and shall not be immune from foreclosure or
 68 other legal proceedings to collect the secured debt, nor with respect
 69 thereto shall such conservator have any legal rights, claims, or
 70 defenses other than those which would have been available to the
 71 former or suspended licensee **[or]**, permittee *or denied applicant*.

1 4. Section 34 of P. L. 1978, c. 7 (C. 5:12-130.4) is amended to
 2 read as follows:

3 34. Assumption of Outstanding Debts. As an incident of its
 4 prior approval pursuant to section 32c. of this amendatory and
 5 supplementary act of the sale, assignment, conveyance or other
 6 disposition in bulk of all property of the former licensee **[or]**,
 7 permittee *or denied applicant* relating to the casino and the
 8 approved hotel, the commission may, in its discretion, require that
 9 the purchaser thereof assume in a form and substance acceptable
 10 to the commission all of the outstanding debts of the former licensee
 11 **[or]**, permittee *or denied applicant* that arose from or were based
 12 upon the operation of either or both the casino or the approved
 13 hotel.

1 5. Section 35 of P. L. 1978, c. 7 (C. 5:12-130.5) is amended to
 2 read as follows:

3 35. Payment of Net Earnings During the Period of the Con-
 4 servatorship. No payment of net earnings during the period of the
 5 conservatorship may be made by the conservator without the
 6 prior approval of the commission, which may, in its discretion,
 7 direct that all or any part of same be paid either to the suspended
 8 or former licensee **[or]**, permittee *or denied applicant* or to the

9 Casino Revenue Fund in accordance with regulations of the com-
 10 mission; provided, however, that the former or suspended licensee
 11 **[or]**, permittee *or denied applicant* shall be entitled to a fair rate
 12 of return out of net earnings, if any, during the period of the con-
 13 servatorship on the property retained by the conservator, taking
 14 into consideration that which amounts to a fair rate of return in the
 15 casino industry or the hotel industry, as the case may be.

1 6. Section 35A of P. L. 1978, c. 7 (C. 5:12-130.6) is amended to
 2 read as follows:

3 35A. Payments Following a Bulk Sale. Following any sale,
 4 assignment, conveyance or other disposition in bulk of all the prop-
 5 erty subject to the conservatorship, the net proceeds therefrom, if
 6 any, after payment of all obligations owing to the State of New
 7 Jersey and any political subdivision thereof and of those allow-
 8 ances set forth in section 33 of this amendatory and supplementary
 9 act, shall be paid by the conservator to the former or suspended
 10 licensee **[or]**, permittee *or denied applicant*.

1 7. Section 37 of P. L. 1978, c. 7 (C. 5:12-130.8) is amended to
 2 read as follows:

3 37. Discontinuation of a Conservatorship.

4 a. The commission shall direct the discontinuation of any con-
 5 servatorship action instituted pursuant to section 31 of this amend-
 6 atory and supplementary act when the conservator has, pursuant
 7 to subsection 32 of this amendatory and supplementary act and
 8 with the prior approval of the commission, consummated the sale,
 9 assignment, conveyance or other disposition in bulk of all the
 10 property of the former licensee **[or]**, permittee *or denied applicant*
 11 relating to the casino and the approved hotel.

12 b. The commission may direct the discontinuation of any such
 13 conservatorship action when it determines that for any reason the
 14 cause for which the action was instituted no longer exists.

15 c. Upon the discontinuation of the conservatorship action and
 16 with the approval of the commission, the conservator shall take
 17 such steps as may be necessary in order to effect an orderly transfer
 18 of the property of the former or suspended licensee **[or]**, permittee
 19 *or denied applicant*.

20 d. The sale, assignment, transfer, pledge or other disposition
 21 of the securities issued by a former or suspended licensee **[or]**, per-
 22 mittee *or denied applicant* during the pendency of a conservator-
 23 ship action instituted pursuant to this article shall neither divest,
 24 have the effect of divesting, nor otherwise affect the powers con-
 25 ferred upon a conservator by this amendatory and supplementary
 26 act.

1 8. Sections 21 to 30, inclusive of P. L. 1978, c. 7 (C. 5:12-95.1
2 to C. 5:12-95.11) are repealed; but this repeal shall not affect the
3 validity of temporary permits granted prior to the effective date
4 of this act.

1 9. This act shall take effect immediately.

STATEMENT

This bill repeals the sections concerning temporary casino permits which were added to the Casino Control Act by P. L. 1978, c. 7. The repeal does not affect temporary permits granted prior to the repeal.

The bill also applies the sections on conservatorship to those casino license applicants with an approved hotel whose application is denied.

ASSEMBLYMAN RICHARD J. CODEY (Chairman): The hearing today is on Assembly Bill 1201, amending the Casino Control Act to do away with temporary casino permits.

Our first witness this morning will be Mr. Daniel O'Hern, Counsel to the Governor.

DANIEL J. O'HERN: Chairman Cody and members of the Committee, thank you for the opportunity to appear and testify before you.

We know this bill is one of a series of bills which have been introduced as part of what we would call casino control regulatory reform. I would just like to recall briefly the statements made by the administration at the time of the original discussion of the legislation.

Speaking at a conference with members of the Legislature on February 11, 1980, the Governor described the most dramatic change to be the change of the Casino Commission from a part-time commission to a full-time commission. And your Committee has reported out a bill which substantially achieves that goal.

The Governor said then: "One of the things we are going to be able to do, I think, with a full-time commission is to eliminate the need for the issuance of temporary licenses to casinos in the future. I have defended the concept of temporary licenses in the past. I think temporary licenses were appropriate at the beginning of the development of Atlantic City. I think there is general feeling today that the need for temporary licenses is gone and that we can pass appropriate legislation repealing that aspect of casino procedures."

In response to a reporter's question, "Governor, why no more temporary licenses," he said, "I think the temporary licenses have served the purpose and the purpose was, as you recall, to establish the economic feasibility of casinos in Atlantic City and then to create some traffic on the boardwalk. I think we have got enough casinos in Atlantic City now so that any urgent State interest is gone."

Finally, in response to a reporter's question about the problem inherent in immediate phasing out of the permits, the Governor said, "I did not say it is not a problem. I think the Attorney General may address himself to some administrative action on it, but I never said it is not a problem."

So, basically, what I wish to stress to you is that we understand that there have been and there probably will be problems with respect to the elimination of the statutory authorization for temporary licenses. I think it was the perception of the administration on February 11, 1980, that if we could have gotten the full-time commission in place within a very brief period of time, a new full-time commission could have conducted the necessary hearings; and that, if the Division could have concluded its investigations in accordance with the schedule of the commission, there would have been no need for continuation of the temporary licensing statutes.

Conversely, I think the delay with respect to the creation of the full-time commission and the potential expiration date of one of the temporary licenses may create a need for a brief extension of the period of time for that licensee until the commission can act on the plenary or permanent license.

So, basically, Mr. Chairman, you know we got in a little trouble the last time we talked about amending a legislator's bill without the legislator's approval, the Speaker. We would be prepared to respond to the testimony which is developed

today, confer with the sponsor of the legislation, with the Chairman and the committee staff, and also respond to attacks which demonstrate that there would be a serious problem with immediate cessation of the temporary permit statutes.

ASSEMBLYMAN CODEY: Any questions? Mr. Riley.

ASSEMBLYMAN RILEY: Mr. O'Hern, this is generally an administration bill, is it not?

MR. O'HERN: I would say so.

ASSEMBLYMAN RILEY: During the testimony we had on 1081, the commission generally said that they really weren't that overworked then. Now, of course, presuming 1081 passes, they would become full time. Wouldn't that allow them a greater leeway if we leave the temporary permits there to really examine the people while they are in operation? I think it would be easier once they are in operation to see someone than it would be after that casino has been granted a permit.

MR. O'HERN: That would be like saying you should grant a temporary license to operate a nuclear plant on the theory that you would have a better way of judging whether they knew how to operate. I think the theory of the elimination of temporary licenses is that we want to make sure that the licensee is fully qualified at the time the license is granted because I think the emotional, the social, the economic pressure not to grant a permanent license after the grant of temporary licenses, is much greater than at the inception.

ASSEMBLYMAN RILEY: By analogy, don't we grant temporary licenses for a lot of things, for instance, your driver's license? That doesn't mean just because you are given a temporary driver's license that ---

MR. O'HERN: It is a matter of significant difference in degree in my opinion.

ASSEMBLYMAN RILEY: A doctor has a residency. A lawyer has a clerkship. A journeyman has an apprenticeship. You study their actions before you allow them to do it on a permanent basis. Quite frankly, from a legal standpoint, once you give somebody a "permanent" license, don't you think you are going to be in a little worse shape to try to remove someone once the license is permanent?

MR. O'HERN: That hasn't been true in our profession. The attitude is that the license can be taken away. But I think the judgment of the administration and the judgment, we believe, of the public is that the purpose of temporary licenses has been served. We have been able to demonstrate that the casino industry can operate in Atlantic City, there is substantial activity, there is substantial interest obviously, and that we are now in a position with a full-time commission and what we would call an experienced Division, investigating the applications, to proceed on a permanent licensing basis.

ASSEMBLYMAN RILEY: Along that line, obviously we are in operation. The three casinos are bulging at the doors. Over the weekend, you couldn't even get in any of the casinos. In fact, if you were one of the three that are in operation today, you would be in favor of this bill, wouldn't you?

MR. O'HERN: That is immaterial.

ASSEMBLYMAN RILEY: The paper today reports last month they took in \$47.9 million at the casinos. So, if you were one of those three, wouldn't you be in favor of no more temporary permits, wait until they can be permanently licensed, and stall it as much as possible?

MR. O'HERN: I can understand why they might take that position, but that should have no influence on the Legislature or the administration.

ASSEMBLYMAN RILEY: Don't you think the passing of this bill would impede

development and investment, particularly investment?

MR. O'HERN: I don't think so. I think that we are in a position with a full-time commission and with, as I say, an experienced staff, to be able to process these in an orderly way. To be able to digest the numbers of permanent casino license applications which are on file there is going to be a tremendous undertaking for the commission and for the staff, by itself.

ASSEMBLYMAN RILEY: Don't you think that would actually be a reason for just the reverse, to leave the temporary permit and permit them to really see them in operation?

MR. O'HERN: No, I don't agree with that. I think the principle is that the temporary license should be terminated.

ASSEMBLYMAN RILEY: Thank you, Mr. Chairman.

ASSEMBLYMAN CODEY: Mr. Schuck.

ASSEMBLYMAN SCHUCK: Mr. O'Hern, you have indicated an extension of the temporary license is in order. How long after the passage of the full-time commission legislation should the extension be?

MR. O'HERN: I don't remember the exact date. But I think the license which we are talking about expires in October. I think that this commission should be in a position certainly by the end of the year to be able to act on that.

ASSEMBLYMAN SCHUCK: Would that affect those that are about to open, for instance, Greate Bay?

MR. O'HERN: That is a different issue.

ASSEMBLYMAN SCHUCK: Will the Greate Bay opening be hindered by this particular bill?

MR. O'HERN: I can't speak for the Division. The administration is not involved in the licensing process. Eventually, you may want to speak with them. The problem is the extent of the investigation, the extent of the hearings, how long it would take to actually determine whether they are entitled to a plenary license. If the legislation providing for a full-time commission, let us say, were passed next week and we got the full-time commission in place by the end of April and if the entire investigation was completed, then anything is possible. But the realities of these investigations --- we have a full-time plenary license pending now which has to be decided, I think, first.

ASSEMBLYMAN SCHUCK: With respect to the two or three that are about to open up this year, you don't believe that they would come under the temporary licenses.

MR. O'HERN: What I am saying there, Assemblyman, is that we want to hear the record which is developed before this commission, how close any particular project is to opening, the extent of the investment and reliance upon the legislative process, what the anticipated delay would be, how long it would take a full-time commission to get itself oriented to acting on their case.

ASSEMBLYMAN SCHUCK: I notice there is no one from the commission to testify here today. But I have a question: If someone is now ready to begin operations or will be ready shortly to begin operations and a decision was made that we would not grant any temporary licenses, would that put back in your opinion - I would rather ask one of the commission members this - someone who has completed construction and is ready to open? Would it delay their opening under a bill that says we now don't allow temporary licenses anymore?

MR. O'HERN: I try not to play lawyer, but I would say that if the temporary permit were not granted at the time this legislation was enacted in law, they would

not have the right to a temporary permit.

ASSEMBLYMAN CODEY: Assemblywoman Kalik.

ASSEMBLYWOMAN KALIK: I have no questions at this time.

ASSEMBLYMAN CODEY: Mr. Cardinale.

ASSEMBLYMAN CARDINALE: No questions.

ASSEMBLYMAN CODEY: Dr. Villane.

ASSEMBLYMAN VILLANE: In the bill, it states, under certain appropriate circumstances, the imposition of conservatorship is hereby defined. Conservatorship was allowed under temporary licensure in the event of the occurrence of five or six conditions and we could institute a conservatorship with the three people who were directors if the State took over control of the casino. Under the present bill, under what circumstances - it says appropriate circumstances - would a conservator run a casino?

MR. O'HERN: Are you talking about 1201, Doctor?

ASSEMBLYMAN VILLANE: Page 5, line 163.

MR. O'HERN: I understand the purpose of that is to cover sort of a gap in the regulatory process. This would cover the denial of a license by the commission.

ASSEMBLYMAN VILLANE: We have a company that has built a casino. They have made application. The casino is built and the equipment is all in place and they are denied the license. Then the State would appoint a conservator to run the casino?

MR. O'HERN: Well, the conservators would take over. I would assume that they would look for licensable parties. Their primary responsibility would be to marshal the assets of their trust and try to find licensees who could be licensed, presumably. I think this is to cover sort of a gap in the system.

ASSEMBLYMAN VILLANE: I know how difficult it is to write pieces of legislation like this to cover all eventualities. But just as in the original bill and just as with the temporary license as originally outlined by the administration, this, in essence, at one point along the line could put the State in the casino business. There would be the question as to the price that you would sell a completed facility after the conservatorship were put in place. Suppose the State ran it for six months. The State would be in the gambling business. What would be the price of the business with a license when it was sold? Who would be the benefactor of the masonry, the bricks, the equipment, the clientele, and the license?

MR. O'HERN: I don't think the State would be in the business. It would be like any other trusteeship. There would be trustees for the investors, the bondholders, the banks, the stockholders, and so forth - those who had extended credit.

ASSEMBLYMAN VILLANE: Then, in essence, somebody that we denied a license to would benefit from the management of the State in the form of a conservatorship. But then the stockholders of the company that was denied a license would derive the profits?

MR. O'HERN: I would assume that if it did not open for an extended period of time after the denial until they got some licensable individuals in there, that it would not show much of a profit.

ASSEMBLYMAN VILLANE: I am not criticizing the bill. It was my amendment to eliminate that particular temporary license two years ago. I didn't agree with it in the very beginning. I was afraid we might be temporarily licensing people that we would later deny a license and, in essence, the State would get into a

conservatorship.

I think what we have to be careful about here in this bill is that we have to provide for any eventuality. That is hard to do in legislation - granted. I know the administration has tried hard to put it together here. But we ought to look at all the possible things that can happen as, for instance, who appoints the conservator? Who pays the conservator? How much is he paid? What are some of the guidelines that we will apply to that person who will receive that position? I don't know that we have done all that in the bill. Perhaps a little more work could be done on it.

MR. O'HERN: I think one of the things that we are saying is that as each of these issues becomes more and more apparent to regulators, we can be paying closer attention to them. I feel that with a full-time commission devoting essentially all of the active hours of their lives to this, they can deal with these issues in a better way.

ASSEMBLYMAN VILLANE: It seems that we get criticism, sometime unwarranted, that we don't look at some of the possible things that can happen. I see we are often criticized in the paper because we didn't do these things two years ago. And I agree with you that you can't cover all the eventualities. But there are many things in here that I think can be clarified to make it a better piece of legislation. I am sure the staff and the Committee - all of us - have the same idea in mind.

ASSEMBLYMAN CODEY: Assemblywoman Kalik.

ASSEMBLYWOMAN KALIK: Mr. O'Hern, when a casino applicant files for a casino license and they go through the investigative process, they don't know really until the day before that license is going to be issued that it is going to be issued or not, up to 12:00 P.M. of the last day, of the last day, of the last day. What you are saying in this bill is that if that license is not granted by 12:00 P.M. of that specific day, they cannot open?

MR. O'HERN: Correct.

ASSEMBLYWOMAN KALIK: Then what happens the next day? Does a conservator automatically take over?

MR. O'HERN: That is correct.

ASSEMBLYWOMAN KALIK: Maybe my thinking is ---

MR. O'HERN: Well, I wouldn't say it happens automatically. I would assume that the principal parties in interest would then perhaps --- if it is a matter of a particular association, some particular individual in the organization might then attempt to resolve the problem, himself.

ASSEMBLYWOMAN KALIK: There is no time frame within which this license must be granted then?

MR. O'HERN: No. It is not a 90-day rule.

ASSEMBLYWOMAN KALIK: That is my problem right now. Here this casino is sitting there with all its employees on line, everybody ready to go, and they are waiting day by day, by day, by day; it is very difficult to do business like that. I would hate to have a business ready to open and have to wait for people to say it is okay.

MR. O'HERN: To go back to the Attorney General's original testimony, what we are dealing here with though is a very unusual business. This is not a bank. This is not a grocery store. This is one of the most important charters or franchises which the State can grant. What we are saying is that we should

do it right the first time and to the best of our ability determine whether the party is licensable.

ASSEMBLYWOMAN KALIK: I have no problem with that concept. My problem right now is that this casino hotel has people on line and is paying them. They ordered food, have everything ready to go, and they are sitting on a day-by-day basis waiting to get their license. In all fairness to any kind of a business, shouldn't there be some kind of a date by which they would have to know?

MR. O'HERN: Let me put the shoe on the other foot. You are a principal investor in a proposed casino. You sit down with the board of directors and you say to yourselves, "Look we are going to put up x number of dollars, \$100 million or \$200 million. We anticipate we will finish this thing by such and such a date." I think these very sophisticated investors have to make their own judgments about whether their organization is licensable. They are in a better position than anybody to know what factors there are which will reflect either favorably or unfavorably upon their ability to be licensed. These are very large economic judgments which they make.

I think what is suggested by your line of questioning is that the State should tailor its decision-making to the economic decisions of the investors. We don't think that we can do that. We don't think it is in the public interest to decide who shall get a license on the basis of how much money they have invested.

ASSEMBLYWOMAN KALIK: I don't think that is what I said at all. I think what I said was that this great big investment is dealing with State bureaucracy and, as good as it is - it is good and I will defend it - nonetheless it is State bureaucracy. And I think we are dealing a very difficult blow to a business establishment.

MR. O'HERN: What do you say about the Salem II Nuclear Plant?

ASSEMBLYWOMAN KALIK: What do I say personally? I don't think you would like to hear it.

MR. O'HERN: Well, just take it as an illustration though. There is a large investment and the decision-makers in this case are not State decision-makers, but they have deferred a decision, first, to await the report of the Kemeny Commission and to await the development of other standards. The point is that in some cases the public interest is more important than the economic situation.

ASSEMBLYWOMAN KALIK: The public interest in my opinion is always more important. I just think that this is a business, although a unique business, and certainly we should give business an ability to function in this State with a good business climate. I have great difficulty in having these people hanging until the zero hour. Maybe there is something we could write into the bill which would give them ---

MR. O'HERN: I think these hearings are useful because we are going to hear from the parties who are involved in this how hard it is for them to submit the data which is required for licensing, the variety of investigations which follow upon the disclosure of fact A and fact B.

ASSEMBLYWOMAN KALIK: I would like to follow up on Assemblyman Schuck's question and, that is, of the three that are going to come on line, is it three in 1981 or three that are attempting to come on line in 1980?

MR. O'HERN: In 1980.

ASSEMBLYWOMAN KALIK: Does the Casino Control Commission feel that they are going to be held up in any way by the lack of a temporary permit?

MR. O'HERN: We should hear that from them.

ASSEMBLYWOMAN KALIK: Yes, but they are not here. I would hope when we discuss that at our committee meeting, we could have somebody there.

Thank you.

ASSEMBLYMAN CODEY: Assemblyman Cardinale.

ASSEMBLYMAN CARDINALE: In line with some of the questions that have already been asked, but perhaps a little more specifically, on page 10, Section 9, it says, "This Act shall take effect immediately." How would the administration view a time lag of three months, or six months, or any specific period of time, to accommodate the problems that have been mentioned here so far?

MR. O'HERN: That is what I said. I think we would be prepared to look at that. After you conclude your hearings, you make your legislative findings with respect to the particular conditions that you find. I think the administration would be prepared to respond to that.

ASSEMBLYMAN CARDINALE: I am a little bit puzzled about the conservator situation. It seems that what you are trying to cover now is a situation where the bricks and mortar and everything physically is in place, as Assemblywoman Kalik mentioned, with the food even having been ordered, and the temporary license which will no longer exist if the bill passes then be denied. Why would you want the State to be involved in taking over that facility in any form; since, at that point, it is strictly a private investment which could be sold to any other licensable individuals by the entity which is itself not licensable?

MR. O'HERN: I don't think that it is the State's desire to get into the business of managing properties ready for submission as licensable facilities to the Casino Control Commission. I think all we were saying was that there would be created a statutory procedure for conservation of those assets in the interest of fairness and equity.

ASSEMBLYMAN CARDINALE: I am missing something. Perhaps you can enlighten me. What is the fairness and equity that you are talking about? Are you trying to protect the stockholders or the bondholders?

MR. O'HERN: We are not trying to protect them. We are simply suggesting that the statutory procedure did not --- They might have established this themselves. This will enable them in getting their investors to have a statutory procedure to fall into place if their license application is denied.

As you know, some of these are publicly held corporations. They must file disclosure statements with the SEC, and so forth. They may choose to plan for this consequence.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN CODEY: Mr. Riley.

ASSEMBLYMAN RILEY: Just one further question. Assemblyman Villane pointed out one gap. Earlier I spoke to Mr. Bockelman about this. The situation would be, say, for instance, a temporary permittee is allowed to build a building and has a 500-room hotel ready and then is denied the application. I can't find anyplace in here where the conservator would be able to even apply for the application. The wording is not clear. Would the conservator then sit there with a 500-room hotel? I don't think anybody really wants that. I don't think that is anyone's desire. If you can find specific language, I would like to see it.

ASSEMBLYMAN VILLANE: It states it in the bill.

ASSEMBLYMAN RILEY: It doesn't really. Where there is no application and the casino has not been opened, can the conservator apply for a license?

A conservator, definitionally, in my mind anyway, is a receiver to preserve what is there.

MR. O'HERN: He is to continue the business of the denied applicant.

ASSEMBLYMAN RILEY: The business is a hotel.

MR. O'HERN: The business is to seek a casino license presumably.

ASSEMBLYMAN VILLANE: If I can clear this up, what this does, Assemblyman, is that the State Casino Control Commission appoints a conservator to act on behalf of the State, not an individual businessman. This conservator acts on behalf of the State and can run the business. It doesn't say for what period of time he can run the business because it may take a long time to investigate the third party that comes in to buy the casino. It addresses net earnings too.

ASSEMBLYMAN RILEY: But does it say anyplace - I can't find it - that the conservator could take an affirmative action, i.e., going after the permit? A conservator preserves.

MR. O'HERN: A conservator would not be applying for the permit.

ASSEMBLYMAN RILEY: That was my question. Then he would just sit there with a 500-room hotel and it would not go forward.

MR. O'HERN: Except, as the Doctor has pointed out, what they would do is try to bring in the proper parties and to continue with the licensing procedure or just sell it outright to the Smith and Jones Corporation.

ASSEMBLYMAN RILEY: Except that is going to take a while. In the meantime, you are going to put a lot of people out of work, aren't you?

MR. O'HERN: They wouldn't have started work theoretically unless you opened the hotel in advance. If you open the hotel in advance, then you have this problem. You might want to keep the hotel in operation.

ASSEMBLYMAN RILEY: But obviously a lot more people would be employed looking forward to the casino than looking forward to the hotel. I don't think the ultimate idea of this was to end up with all sorts of 500-room hotels down in Atlantic City, was it?

MR. O'HERN: Well, the development of the resort-hotel business was probably the principal reason for the approval of the constitutional referendum, not to license gambling as such. The long term goal is the redevelopment of Atlantic City and the Jersey Coast as a premiere resort area.

ASSEMBLYMAN RILEY: But on the ballot it didn't say to build 500-room hotels; it said to allow casinos. There is no way under this bill for a conservator to move forward on that. It would make it a more salable item.

MR. O'HERN: The trustees would not be the licensees presumably.

ASSEMBLYWOMAN KALIK: Any further questions? Thank you.

ASSEMBLYMAN VILLANE: I think we ought to make it more clear in the bill. I think your concerns are valid. You are talking about when the casino is all set to open and the people are hired and everything is ready. Can the Casino Control Commission at that point appoint a conservator to make that business go forward? We have some specific areas where the Casino Control Commission can appoint conservators. I think we can probably make that more clear that if this is at such a stage of operation, a conservator can be appointed. I believe that the administration agrees with us that one of the things we don't want to do is put 3,000 people out of work who were going to work for a casino because of some technicality or because of some problem with the license application. I think we both have the same end in mind. I believe it should be made more clear.

ASSEMBLYWOMAN KALIK: Thank you.

Mr. Ferguson.

ROBERT R. FERGUSON, JR.: Vice Chairman Kalik and members of the State Government Committee, I am Robert R. Ferguson, Jr. I serve as Chairman of the Board of First National State Bank of New Jersey and as president of its parent holding company. I serve also as chief executive officer of both.

I thank you for this opportunity to provide you with my views and concerns on a proposal which, if it is made part of the law covering casino control in New Jersey, would have a highly detrimental impact on our State's casino industry. I refer to Assembly Bill 1201, which would eliminate the granting of temporary casino operating permits as part of the casino development process. The proposal, if allowed to stand, would require a casino developer to build his facility, probably at a cost of \$150 million or more, and then present himself to the State as an applicant for a license. If there were no temporary license, the applicant, having made his huge investment, would then be called upon to wait for the permanent license investigation and procedure to be accomplished. That, based on past experience, could require many, many months during which his facility, in which he has made this immense investment, stands idle.

At today's interest rates, such a dormant period for an investment could easily be fatal to its chances for success.

I am in full accord with those who urge that we must have strong, strictly enforced rules governing casinos in this State. But those rules should have a clear purpose, and should not work any unnecessary injustices. While I oppose the abolition of temporary casino permits on practical financial grounds, I wish to register my even more vehement opposition to this bill in so far as it applies to casino development projects which have already been launched.

For those operations which are off the ground - and that would include those which have purchased land for a casino hotel or which have made the \$100,000 payment in application for a license - there are more than simple financial considerations involved. There also is a very strong matter of principle at stake. All of these developers whose projects are underway have reached that point by virtue of having gone through arduous planning and negotiating, and major expense, while relying confidently and completely on New Jersey's rules covering these projects. These rules call for temporary permits for those who qualify. In good faith, these investors and developers have made their calculations and investment decisions on the assumption that they would be able to qualify for temporary licensing. They understood the risk that they might possibly not qualify for a temporary permit if they failed to meet the standards set by New Jersey for the issuance of the permit. Given that risk, and the overall business risks association with any venture which entails large-scale investment, it is beyond justification to expose these companies to the added risk that New Jersey might change the licensing rules once the large initial investments have been made.

By virtue of the provisions of A 1201, that is exactly the threat which now faces such organizations as MGM, Holiday-Harrah's, Hilton Hotels, Inc., the Del Webb-Claridge and Sahara projects, Playboy-Elsinor, the Ritz, Greate Bay, Golden Nugget, Ramada Inns, Shelburne Associations, and perhaps even Bally and Boardwalk Regency who are still operating under temporary permits.

Ironically, the provisions in our law which make temporary permits possible

were enacted pursuant to proposals originally drawn up by our present State administration. These proposals, which I strongly supported at that time, were presented to our Legislature in March, 1978. Their purpose was to benefit the State, not the casino companies. New Jersey felt at that time the need to encourage investment in casino development, not inhibit it. I believe that same need exists today.

Because of that, I am against the elimination of temporary permits, as I supported the administration two years ago in its proposal to create such permits. However, notwithstanding my views on the financial unsoundness of temporary permit abolition, it can at least be argued that future developers will simply have to make their plans and arrange their enormous financing packages in light of the changed rules. They will be forced to withstand a long delay while they wait for a permanent license.

No such justification can be made for switching the rules as they pertain to those who have already started. When we do that, we threaten the very credibility of our State.

We demand a very high standard of integrity and performance from those who would operate casinos in New Jersey. We have every obligation as a State to live up to an equally high standard when it comes to the fairness with which we treat those who had enough confidence in Atlantic City and New Jersey to invest heavily in it.

The people of New Jersey voted in 1976 in favor of casino gaming for Atlantic City. Accordingly, rules were enacted by our Legislature setting forth the terms under which we wanted to invite casinos here. We certainly did not invite them here to punish them for being casinos. We invited them here to help our State and her people prosper, and we created a climate in which casino operators would have an excellent chance to prosper as well. Now that these operators have responded to that invitation, we cannot, in good conscience, reduce their chances of success, at least not without notice in advance, before any investments have been made.

Perhaps there is an alternative approach to the licensing question which would essentially accomplish the State's objective, and protect the State's interest, without threatening New Jersey's credibility. I would like to suggest that we could accomplish that objective by licensing people and corporations instead of projects. Today, it is the casino which must have the primary license, and it is that fact that forces a developer to make his full investment and to then present it to the Casino Control Commission for the lengthy licensing process. I would suggest that there is a clear alternative. We could require that the principals and corporations associated with any proposed new casino be licensed first. The licensing of the facility could then be accomplished more quickly, at the time that it is completed and ready for use.

Under such a system, the proposed casino developers can know in advance of major expenditures that they will, or will not, qualify on a personal basis to own and operate a casino.

My suggestion, of course, would be limited to those who come forth with future casino proposals. Those who are already under way, as I said, are entitled to continue under the rules which confronted them at the outset, and on which they proceeded in good faith.

I appreciate this opportunity to present my views to you.

ASSEMBLYMAN CODEY: Thank you, Mr. Ferguson.

Are there any questions?

ASSEMBLYMAN RILEY: Just one question, the same question I asked the Counsel to the Governor: Do you believe that changing the rules in the middle of the stream this drastically will impede development and impede the progress of Atlantic City?

MR. FERGUSON: I don't think there is any question about that.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CARDINALE: I have just one question also. In terms of this conservator relationship, would you feel that it is better for the investor to have that option on the part of the State in place or to have the present situation, which, as I understand it, is that they can sell it to someone else?

MR. FERGUSON: I am not a lawyer and we haven't gotten any background on this. So I am a little bit shooting from the top of my head. But my own experience has been that I have never seen a receivership or a trusteeship in which the best interests of anyone was served. And it would be my belief that the conservator would never operate because I think the investors, the banks, whoever the creditors were, would be in the courts that day.

I realize that those potential conservators who are in place for the present casino operators are beyond reproach as individuals. I don't think any bank would permit them to operate if they could help it.

That is not directly responsive, I realize; but I kind of think we are muddling with something here that is unlikely to happen. I feel that if a conservator did, in fact, begin to operate a casino hotel, you would have law suits from every direction, from every interested party, from every creditor, from most stockholders. I see no useful purpose served by a conservatorship, very frankly. I am not sure that is where the casino industry is. I don't know where they are with respect to this issue. But I just don't think it is meaningful and I think it is impractical. I, again, say that I really think the way it ought to be done is, for the time being you ought to pick some period, say, a year and a half or two years from now, maintain temporary licensing until then, after which you can change the rules if you choose. I think that is perfectly all right. There is nothing wrong with that, assuming that the Attorney General feels that he would have a staff sufficient to process these in the proper time frame.

Another possibility, it seems to me, is to say that in the event - let us take a number out of the air - twelve months has run since the timethe initial \$100,000 application was made, if the Commission is not prepared to grant or deny a permanent license, then there should be some temporary licensing procedure in place until such time as the Commission is in a position to make a decision. I don't think the investor should have to bear that risk. In fact, the casinos are paying the whole price anyway. So, if the Attorney General is having problems, I don't know why he doesn't triple his staff and do it.

Sorry - it is a long answer to a short question.

ASSEMBLYMAN CARDINALE: If I can just ask another short one to form a conclusion from what you said, would it be a valid conclusion then that, at least, the financial community or you would believe that the financial community would find the conservator provision to be not beneficial to attracting initial investment?

MR. FERGUSON: I think that is accurate.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYWOMAN KALIK: You have said that it would be detrimental to the casino community to eliminate the temporary permits. I wonder if you could give us a specific instance, not naming the name of a hotel or anything, but just exactly what it would create.

MR. FERGUSON: I think that what has happened is that we have had a very, very difficult time finding the financing for these casino hotels. There are a limited number of lenders who have been willing to participate. If I recall the comments of the Governor and the Attorney General at the time that the temporary permit legislation was put into place, they were: first, it would be beneficial to the State because we would start to get income. But more than that, it seems to me, what they said was --- I'm sorry. Let me think for just a second. I am trying not to misinterpret what was said by the Governor and the Attorney General at that time. I don't have it here before me.

I think the second issue was that the New Jersey casino industry needed a track record in order to attract additional investors. I believe almost everybody agreed with that because we were hoping that if Resorts - and we were dealing with Resorts pure and simple at that time --- we were hoping if Resorts got into existence, into operation, and demonstrated to the public at large and to the investors, in particular, that Atlantic City could attract the kind of money that would permit a casino to pay out its debt, that would encourage other people to loan money and that, in turn, would make it possible for more casino hotels to be built and to operate.

That, it seems, to me, was the key issue at that minute. That is why I believe the legislation was passed. That is my opinion anyway.

We presently have, to my knowledge, at least a dozen commitments that are well beyond an expressed intention to bootstrap something. I am talking about people who have made very, very substantial commitments in terms of purchase of land, architect's work, even way, way beyond opening period, of putting on board staff and, particularly, management. They have made a major, major investment. They then go to a lender - and, as I indicated, there are very few who have been active in this business - and project their cash flows. Those flows are based upon the presumption that the interest rate will be so-and-so, that it will take x number of months to build, and that they will be in operation once they have complied.

If you look at today's 20 percent interest rate - and the larger corporations who are involved can borrow at that rate; many of the others who are actively building are borrowing at something above 20 percent - and you let \$100 million at 20 percent sit for a few months, you see what it does to cash flow.

ASSEMBLYWOMAN KALIK: When is the application for this project put in?

MR. FERGUSON: Do you mean, when was the commitment made by the lender?

ASSEMBLYWOMAN KALIK: When is the application for the casino license put in during this period?

MR. FERGUSON: I think the normal procedure is that once the building is in place and the plans have been approved ----

ASSEMBLYWOMAN KALIK: Once the building is in place?

MR. FERGUSON: No, no. Once the land is in place and the plans for the building have been approved, it would seem to me that ---

ASSEMBLYWOMAN KALIK: By both the Planning Board and the Casino Control Commission?

MR. FERGUSON: And the Casino Control Commission. That would be the normal point at which they would put this money up. Although, I wish you would ask that of the casino people because they know better than I. But it is up-front money. It is early money. Nobody is going to build a \$150 or \$250 million facility and not early on get this thing in the works.

ASSEMBLYWOMAN KALIK: Would you say the time of that application is approximately 12 months?

MR. FERGUSON: I don't think they have done it in 12 months in any case yet.

ASSEMBLYWOMAN KALIK: I am not asking you how long it took. I mean, is there at least a 12-month lag between the time the application is put in and the building is completed?

MR. FERGUSON: I think it would be more than that; yes, I do.

ASSEMBLYWOMAN KALIK: One further question: Why would you have so much trouble getting lenders when they take in this \$47.9 million? It seems to me I would lend them money if I had it.

MR. FERGUSON: I can't say that I disagree with you because we have. But I think there are several issues here. One is the moral issue. There are lenders who believe that there is something immoral about gambling, or, to put it more realistically perhaps, who believe that it would be perceived that they were in an industry they shouldn't be financing. So they are reluctant for that reason.

The second reason is that you still do have a limited amount of track record. I am clearly in no position to even guess how many casinos this market can support. I realize there is something going on within the State and they are trying to say the right number is 10 or 12 or whatever it may be. The casino people, themselves, I suspect are very cautiously watching because at some point the propensity to spend for the gaming in Atlantic City is going to be reached. I think the lenders are also extremely cognizant of this problem. So, we are trying to say to ourselves, we have to lend fairly short time, we have to lend cautiously and the top credits is where it has to be allocated, because we don't know when that number is going to be hit.

ASSEMBLYWOMAN KALIK: There are still expanding Las Vegas at one heck of a rate.

MR. FERGUSON: That's right. It may never be reached. I hope you are right.

ASSEMBLYMAN CODEY: Thank you very much.

Our next witness will be Assemblyman Michael Matthews.

A S S E M B L Y M A N M I C H A E L J. M A T T H E W S: Good afternoon.

I feel that all the legislation introduced regarding the Casino Control Act since "Abscam" is an overreaction and misplaced reaction. It is a poor attempt at a desire to demonstrate to the world that the gaming industry in New Jersey is going to be rigorously regulated. The most serious objection is that this "panic reaction" has a devastating impact on investor confidence. Nothing frightens investors away faster than fear that a government is given to sudden starts and turns, that today's regulations may be changed tomorrow, that the ground rules are constantly

in a state of flux. An impression is created that this particular market is highly unpredictable, that the State of New Jersey really does not have a settled public policy.

The provision of A 1201 that would do away with temporary licensing of casinos will have a negative impact on the climate for investment. It is difficult enough to attract risk capital to a new and unproven industry, without the added burden of an unpredictable set of ground rules. There is already widespread uncertainty and concern in the investment community about such knee-jerk reactions to problems - who wants to risk money when he doesn't know whether the industry is suddenly going to get a bunch of new regulations which might reduce the profit potential of the enterprise - especially when he can get 15 percent or more in safe investments elsewhere? We are dealing with a \$2.5 to \$3 billion industry, for which risk capital is essential. An investor needs to know that he has a reasonable chance of a prompt return on his investment. The investment community needs to know that regulations will not be radically altered simply on a whim or an emotional response.

To do away with temporary licenses will be an expensive decision. History shows that after the granting of a temporary license, it takes the Division of Gaming Enforcement eight to nine months to prepare themselves for the permanent licensing hearing, and the duration could be longer with multi-licenses pending. A most significant point is that there is really no such thing as a permanent license, because each license is reviewed every year. Casinos cannot afford to have a fully staffed and completed casino just waiting for the Division to finish an investigation with no time constraints. Projects will be delayed. People will not be working. Ancillary businesses will be delayed. Housing starts will be delayed. Monies to senior citizens and the permanently disabled will be less than projected. There are so many reasons why to maintain temporary licensing. What are the valid reasons to do away with it? Certainly, no casino could reap enough revenue to pay back investors with a profit in a year's time. They won't be going anyplace. Let us use common sense - why are there casinos in the first place?

The real problem in the whole scheme of things and the one that has not been touched with new legislation is the Division of Gaming Enforcement. Why should we devote our time and attention to what is merely window-dressing when we ought to be looking at the restructuring and revamping of the Division of Gaming Enforcement? There is an area where reorganizing an arm of government would really be a response to organizational deficiencies. This is the area that generated the need for temporary licensing in the first place.

Don't be pressured into pseudo reform. This legislation reforms nothing. It only hurts needy people.

Now, I heard Mr. O'Hern talking about the full-time commission and how it could solve this problem. As I said, it is not a full-time commission that is going to solve the problem. It can only go as fast as the investigators can give it the information. If it says it can provide permanent licenses in a timely manner, then what is hurt by leaving temporary licenses in place?

ASSEMBLYMAN CODEY: Any questions? (No questions.) Thank you very much.

The next witness will be Mr. William Downey, Executive Director, Atlantic City Casino Hotel Association.

W I L L I A M J. D O W N E Y: Thank you very much, Mr. Chairman and members of the Committee.

I would like, first of all, to introduce to you Mr. Matthew Boylan, who is counsel for the Association, and would be happy to answer some of the questions you had relative to the position on the conservatorship.

We welcome the opportunity to speak to you today on Assembly Bill 1201.

We believe that there is a very real potential for financial disaster to Atlantic City developers, without any major benefit to the public, if the provision of A 1201 which repeals temporary casino permits is adopted into law. This potential exists because of the substantial time lags between the completion of a new casino facility and the completion of all of the necessary steps to plenary licensing.

The capital investment required to develop the kind of facility New Jersey wants in Atlantic City is so enormous that no one, not even the most solvent of financiers, can afford to allow a new casino hotel to sit idle for any length of time. Yet it is taking approximately eighteen months, on the average, to build a casino-hotel, while the time span for plenary licensing is two years or more. To eliminate temporary licensing, then, would force developers to carry major financing charges for six months to a year, while their facility remains empty.

To give you some examples of the time lags - and this is responsive to Assemblywoman Kalik's question - we have seen thus far, Resorts International began construction in July of 1977. It was prepared to and did begin operations on May 26, 1978. But it was not until nine months after the facility was ready that its plenary license was approved on February 26, 1979. The Boardwalk Regency applied for its license in August of 1978, opened its doors in July of 1979, and still does not have a final determination of its license application. Bally's Park Place began operations in December of last year and also has not had a ruling on its application, even though it filed its paper work more than two years ago in March of 1978.

This experience demonstrates the wisdom of the Legislature when it adopted the concept of temporary casino permits. At that time, developers and sources of financing, such as New Jersey banks, were assured that upon completion of the facility itself, business operations could begin to start paying off the investments which have been made in Atlantic City's future. The existing system avoids financial chaos without compromising the control system that is properly the concern of the State. It encouraged developers and investors to invest capital, begin projects, and enter into contracts that establish construction timetables and create enormous financial obligations. Outright elimination of temporary operating authority without an assurance that plenary licensing is completed at the same time as construction would effect an extreme hardship, and one that results directly from good faith reliance on the legislative policy declared just two years ago when temporary permits were first authorized.

At this moment, among the 17 members of the Association, projects are already in various stages of construction which involve investments of \$100 to \$300 million each. We anticipate that five new facilities will be ready to begin operations by the end of this year or the first quarter of next year. But, going by past experience, not one will be ready for plenary licensing before the summer or fall of next year.

The only alternative we see, under these circumstances, to continuing the temporary permit system would be to drastically speed up the plenary licensing

structure so that a decision on licensing would be reached at or before the completion of a facility construction. If the investigation of a casino license applicant's background could be completed and all necessary hearings held in the time frame necessary for construction of a facility, and the financing and developer components of the projects could be assured of that fact, there would be no need for temporary licensing. But we do not seek a limitation in time on background investigations. It is clearly in the public interest to allow the fullest and most intensive background checks possible, without any pressure of economic demands or the possibility of missing important facts due to undue haste. We do ask that if the process is not completed by the time the "approved hotel" is finished, some mechanism will be available to prevent financial disaster or even bankruptcy.

The Association's position, then, is easily summarized:

It would be unconscionable to change the ground rules now after significant investments were made relying on assurances contained in previous legislation. We believe the temporary casino permits are still necessary and ask that you retain the temporary licensing provision as long as necessary to protect legitimate financial interests. Utilization of the existing temporary license provision is, after all, under the control of the Attorney General and the Casino Control Commission to be used in their discretion based upon necessity and fairness. The Association sees no reason to change that equitable balance. Thank you very much.

ASSEMBLYMAN CODEY: Any questions?

ASSEMBLYMAN SCHUCK: Mr. Boylan, what is your title?

MR. BOYLAN: I am Counsel to the Casino Hotel Association, the attorney for them. I did want, if I may, to answer the question raised.

ASSEMBLYMAN SCHUCK: Why don't you wait for that.

ASSEMBLYWOMAN KALIK: It seems to me, according to your figures here, that the time span for granting a license has increased from 19 months to 20 months to 25 months. This investigative work is done by the Division of Gaming Enforcement rather than the Casino Control Commission. So the full-time commission will not in any way have any effect on these time lags.

MR. DOWNEY: That's correct. I didn't see the nexus there between Mr. O'Hern's position on that question as to the full-time or part-time commission when the problem, as we view it, resides right now in the investigative process on the part of the Division.

ASSEMBLYWOMAN KALIK: Could you tell us who has an application in at the moment and how long those applications have been in?

MR. DOWNEY: I can give you the rundown of those I enunciated in my testimony as to when they filed. Greate Bay filed November 26, 1978. That is the next one we anticipate opening this summer. Playboy filed September 14, 1979. Marina Associates filed July 23, 1979. Golden Nugget filed August 17, 1979. The Claridge filed November 22, 1978.

ASSEMBLYWOMAN KALIK: Thank you.

ASSEMBLYMAN CODEY: Any other questions?

ASSEMBLYMAN CARDINALE: I would like to pose my same question again. Would you see this provision for conservators as a benefit to attracting investment into the industry from a legal point of view or as a deterrent to attracting investors?

MR. BOYLAN: I see it as a plus for attracting. Our firm represents

the First National Bank Corporation. I would disagree with Mr. Ferguson if he came to us for advice, at least in this sense: I think the legislation is aimed at what is peculiar to a licensing situation. To answer the other half of the question Assemblywoman Kalik raised, the reason money isn't lent to casinos, or readily lent, is it involves a license which can be taken away due to any number of reasons, so that the security for the production of the income lies in the hands of a third party, a regulatory agency. So, initially, investors do not put money up in the liquor industry traditionally because it can be revoked. Consequently, the casinos start off with that problem. Not only do they not have a track record, they don't have an experience record in terms of the revocability of the licenses. Consequently, when Mr. Ferguson or any other banker goes to his attorneys, they say that.

Now, a conservatorship is a unique thing. If a temporary license is taken away, at that point you have an operation, as Assemblyman Schuck pointed out, with 500 employees and any number of commitments contracted. If the entity is only in that business, at that point its creditors, the bank that Mr. Ferguson represents, puts it into Chapter 10 or Chapter 11, either puts it into straight bankruptcy or attempts to work it out. Because it involves a license that a trustee or a receiver in normal court proceeding doesn't automatically step into the shoes of because he has to be qualified, the most valuable asset may disappear, namely, the right to run this casino. So the original legislation was an attempt to put in place a conservator, not put the State in the business of running gambling - and Mr. O'Hern is right - but to put someone there who could take over this operation and bridge the gap that isn't normally present so that these employees could be paid off; and, secondly, so that the investors wouldn't be at the mercy --- There they are with a facility, a single-purpose facility - we are not talking about a large conglomerate like a public utility that may be able to draw off other funds -- they are there with a single-purpose facility, no income, or at least a substantially diminished income, and the investors then are at the mercy of another licensee who can come in and say, "Hey, sell it to us at x price." As the months go by, the trustee may be in for the bank. But he will be selling off assets or selling off furniture, in this case.

So this is a difficult legal issue and we would like, if we might, because I think it is of significance, to submit some law if you would request that, in terms of its relationship. But I think the original intention was to protect the investor and to attempt to bridge this gap that would normally not exist in a normal business situation.

ASSEMBLYMAN VILLANE: It is interesting to note that after two years, the sides have reversed completely. Casinos and the industry were opposed to temporary licensure. I am talking about the people who are presently on line. The administration wanted it because they wanted to get casinos open. They wanted to get them functioning and wanted them to get a track record. But any corporation that would like to have their stock voted in the form of conservators appointed by the Governor or appointed by the Casino Control Commission is crazy. No corporation wanted that then. But, now, you see it has turned around a little. Businesses want to get on line.

Suppose a casino with a temporary permit had a conservator appointed under the present law. How long do you think it would take before that conservator could sell it to another corporation?

MR. BOYLAN: I don't know.

ASSEMBLYMAN VILLANE: It would take just as long as it would take to investigate a corporation in the first place, which means that the State would have a conservator running a casino for maybe a year and a half or two years before they are allowed to sell it. Then there is the question about the proceeds and the profits.

MR. BOYLAN: You are talking about what Mr. Ferguson said that everyone would be in court.

ASSEMBLYMAN VILLANE: It puzzles me why any big corporation or industry which wants to go into the casino business would want a conservatorship in the first place with the voting stock being entrusted to someone else.

MR. BOYLAN: No one is saying that it is an ideal situation. But, to answer the question, I think it is an attempt to meet a perceived problem. Whether it meets it or not --- Mr. Ferguson is quite right that everyone would be in court fighting over who had the right to do what.

ASSEMBLYMAN VILLANE: You are projecting this on the basis that we are going to be okay, everything is going to work out fine; and that is how corporations proceed at this time.

MR. BOYLAN: That's right.

ASSEMBLYMAN VILLANE: Let me ask both of you a question. Would you agree to some modification of the law where a license would be granted to a corporation or individuals prior to construction on the strength of a site plan and architectural drawings - a provisional license to the people involved in the corporation - a two-step licensure; then the second step would be licensure when the facility is completed?

MR. DOWNEY: Doctor, I think any process that would speed up and facilitate that opening would be of help.

ASSEMBLYMAN VILLANE: It may be that there is some validity to what Mr. Ferguson says about a two-stage licensure, with the provision you wouldn't make it marketable later. That could be a dangerous provision in the law, if you are allowed to get a license on the strength of a corporation and then put it up as a marketable security to another corporation. But perhaps a two-phase licensure - a provisional licensure on plans, on ground and architectural drawings - and then final licensure upon completion of the building would be a good idea.

MR. BOYLAN: In effect, you have that now, only you have it the other way around. The temporary license is the first stage and then the plenary license is the second stage.

ASSEMBLYMAN VILLANE: The conservatorship and the trustee situation is one that bothers a lot of people.

MR. BOYLAN: I would like to do some work on that and see if legally what I gave you as I think the correct legal support for it, is correct. It is not, Doctor, an ideal situation, and one, as you say, no one thinks will ever come about. Because if it came about, as Mr. Ferguson quite properly pointed out, everyone would be in court trying to protect his interest in the investment and that law would then be tested.

I think Mr. Luciani, who helped in the drafting of this legislation, could give you the background of it in Nevada. It is a most difficult situation. I would rather give you something by way of how it works out legally, first. Then, practically, you are quite right. It is one situation that no one envisions ever coming about; so they never really think it through. I have heard more comments

on it today, which trigger in my mind what it really meant, than I have ever heard.

ASSEMBLYMAN VILLANE: If the problems weren't so big, no one would go into this business. We put a lot of roadblocks in their way and they are still willing to go into it. It is part of the American way, I am sure.

ASSEMBLYMAN CODEY: Thank you very much.

Our next witness is Mr. Eugene Gatti, President and Chairman of the Board, Greate Bay Hotel and Casino Corporation.

E U G E N E G A T T I: I am Eugene Gatti of Greate Bay Hotel and Casino Corporation.

I am here to make a statement on behalf of Greate Bay Hotel and Casino Corporation.

The Greate Bay facility is the first all-new casino in Atlantic City. The development was pioneered by Arthur J. Kania and myself, neither of us having had any prior experience in or association with the casino industry. To consider such a development was certainly a venturesome idea. However, we believed and still believe that the application of our backgrounds in development and organization of emerging businesses provided the necessary human resources to do the job, and that our prior associations and financial relationships would assist in the difficult task of funding the enterprise. We also believed that the framers of the New Jersey legislation intended a firm but fair and stable policy in the implementation, application and administration of the newly adopted law. In fact, this is what encouraged us.

From inception, the task was difficult; but we expected this. We recognized that the challenge of financing a casino development proved impossible for many experienced operators with greater resources. Nonetheless, we continued on the basis that our program would depend on the acquisition of higher than usual ratios of equity funding and lower than traditional debt leverage. Based on the significance of the equity position, which then represented more than 50 percent of project costs, we convinced a bank lending group to provide \$25 million of construction and term-loan financing. The terms of this debt financing were stringent and burdensome, but it represented the only available source of bank credit for an undertaking in this industry.

Since that date, construction has proceeded on a business-like basis with strict adherence to time schedules and budgetary requirements. A highly professional group of managers and supervisors has been assembled to administer our operations. Over 15,000 employee applications have been processed. All environmental, planning and building permits have been obtained. Pending before the Commission are applications for Statement of Compliance, Reservation of License and, most recently, for a Temporary Casino Permit. The development is proceeding rapidly toward a June opening. Because of our anticipated June opening, we have made substantial employee, entertainment and patron booking commitments. These commitments have been made in good faith reliance on available licensing procedures, including the availability of temporary licensing if warranted under the circumstances. Present uncertainties of the legislation, the delays that may result therefrom, and status of the Commission itself make this latter procedure even more important. Any unprogrammed delay occasioned by new legislation will place a special and particular burden on Greate Bay because of its status as the next hotel-casino scheduled for opening. This uncertainty impacts Atlantic City as well as Greate Bay. Hotel rooms and tourist, recreational and convention facilities provided

by our project are needed this summer to satisfy patron demand.

The concerns we express above are not those of a disappointed and frustrated developer. They are concerns now widespread throughout the lending community with regard to Atlantic City developments. In our own project, we are involved with \$10.5 million of lease-financing of furniture, fixtures and equipment. A commitment for this financing has been in place for several months. Recent activity regarding the legislation has caused a restructuring of this debt funding. Several lenders withdrew their interest because of the uncertainty of the licensing process. In revising this funding, we were required to replace lenders and increase our debt service cost by approximately \$500,000 per annum. Basic terms and costs are now tied to the licensing process and approval. While Greate Bay sincerely believes it can qualify initially and directly for permanent licensure, lenders, employees, suppliers and others dealing with the project are concerned about the impact of license delays which may require use of the temporary licensing procedure.

While there may be other advocates for retention of temporary licensing, we feel that Greate Bay is specially and uniquely impacted by proposed amendment of existing licensing procedures. We are the only project expected to open within the next 90 days. Stability and reliability of these procedures are critical not only to this development but to the continued revitalization of Atlantic City. It is ironic, but true, that the very kind of responsible parties sought to be attracted are the first to be impacted by sincere, well intended legislative discussions and proposals designed to foster and insure reliability and integrity.

As already indicated, we have already incurred substantial additional costs because of the impending atmosphere. We are searching for some declared certainty of our status so as to protect the interests of our more than 1500 shareholders, our lenders, suppliers and employees. We believe we have made a solid, credible contribution to Atlantic City, and we merely ask that our efforts and good faith reliance be confirmed by positive action. Thank you very much.

ASSEMBLYMAN CODEY: Any questions?

ASSEMBLYWOMAN KALIK: When did you apply for your temporary license?

MR. GATTI: My judgment would be that it was in the last six weeks.

ASSEMBLYWOMAN KALIK: Within the last six weeks. Thank you.

ASSEMBLYMAN CARDINALE: When the background investigations began on the individuals involved, at what point in time was it?

MR. GATTI: The Division of Gaming Enforcement has been most cooperative in that respect. They began their investigation prior to submission of disclosure forms by the principals. And they are very active in pursuing that at the moment. My judgment is that they started some six months ago or longer.

ASSEMBLYMAN CARDINALE: As I understand your company, the principals have not previously been involved in gambling in another state, or something like that?

MR. GATTI: That is correct.

ASSEMBLYMAN CARDINALE: In terms of how you have been treated, just from your point of view, what do you think of the process? Has it been a thorough process by which you have been investigated?

MR. GATTI: Yes. We have been treated very well. I think the tool of temporary licensing is as important to that process as it is to the industry. But I would say that it has been expeditious and there is nothing that we could find at fault with the process. We do know it is time consuming. I think the tool of the temporary license permits that to happen without delaying the opening of the project.

ASSEMBLYMAN CARDINALE: Can you enlighten me on what makes it as time-consuming as it is?

MR. GATTI: Well, I think any investigation is detailed if you read the disclosure form. It consumes a great deal of time. The background, which is essential for anybody going into this industry to be checked, is done on a very thorough basis. When you consider investigators must travel, depending on how many people are involved in a corporation and check the items on the disclosure forms, it is a very time-consuming process in my opinion.

ASSEMBLYMAN CARDINALE: Do you think if they were more adequately funded, it would decrease the time?

MR. GATTI: I think it takes a certain number of man hours. I think funding and the number of people have a lot to do with the time it takes, yes.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYWOMAN CURRAN: I'm sorry. When we were going through the list of when everybody filed, I didn't write down all of them. When did you file?

MR. GATTI: For the temporary license, I said approximately six weeks ago.

ASSEMBLYWOMAN CURRAN: No - originally.

MR. GATTI: Originally, I think it was in 1978, February of '78.

ASSEMBLYWOMAN CURRAN: Do you know why there was a delay doing background checks or whatever between ---

MR. GATTI: I don't think there have been any delays. I think they are actively doing it.

ASSEMBLYWOMAN CURRAN: But they didn't start until six months ago. We are trying to get a handle on what realistically the process is. In 1978, you told the State of New Jersey that you intended to file and that you were getting your financing together

MR. GATTI: Yes.

ASSEMBLYWOMAN CURRAN: But to your knowledge, until roughly six months ago, September or October, 1979, there was no background check done on any of the employees or principals?

MR. GATTI: Not to my knowledge. But you must remember that in any project of this type, there is a long stage of construction before you have enough employees. You are just beginning to bring on board some of the people. So it would be unfair to say that they have not done their job because they are doing it now that we have a number of people that we didn't have early on, while the application was in early. I think they require time. I feel that the tool of temporary licensing allows for that.

ASSEMBLYWOMAN CURRAN: We are not trying to be unfair to anybody. We are trying to see where the system may be bogged down. I can see that with regard to large numbers of employees. But you indicated that they started investigating the employees approximately last September or October and that they started that before they started investigating the principals.

MR. GATTI: No. I think they started the principals on some preliminary information submitted to them.

ASSEMBLYWOMAN CURRAN: In October of '79?

MR. GATTI: In my judgment, it would have been about then, yes.

ASSEMBLYWOMAN CURRAN: What would have been the problem with having that material submitted sooner and those investigations started sooner?

MR. GATTI: We considered it adequate time in our case to submit it

starting at that point. And the tool of temporary licensing was available in the event that they didn't complete it.

ASSEMBLYWOMAN CURRAN: That is exactly what we are trying to get to. What other businesses are you involved in, Mr. Gatti?

MR. GATTI: At the present time, we have a country club and real estate development in Atlantic County at Somers Point.

ASSEMBLYWOMAN CURRAN: Would you find if you were starting something like that, which, of course, doesn't require a license --- would you find, say, from October, '79, until June, '80, would be a long period of time to do the main work, as far as getting ready to open and then being able to open?

MR. GATTI: Would I find that that would be a long time?

ASSEMBLYWOMAN CURRAN: I am sure it would vary whether you were just buying a club and turning it over or if you were starting something new. Obviously, you are talking about starting something new here.

MR. GATTI: It is the nature of development that lead time is there and we have to deal with the bureaucratic process. All these things take time today. As businessmen, we allow lots of time for those things. I believe that because of the thoroughness of the investigation in this industry that it does take a lot of time and will continue to do so.

ASSEMBLYWOMAN CURRAN: One last question: Would you have been prepared to submit your application, obviously sooner, with different procedures, had the temporary licensing not been available to you?

MR. GATTI: I think if temporary licensing wasn't available and you knew for certain what the considerations were, we might have made a lot of different decisions. I don't know what they might have been. If we had anticipated the possibility of not being licensed or a long delay, I don't even think the lenders would have talked to us at that point. It is a process that involves financing - development - and there are time frames in each of the processes. If you feel that you can complete that process and not open, I don't think a lender would listen or make a commitment for funds. As a matter of fact, that is one of the problems that we face today, that lenders are skiddish with regard to what happens if we are delayed.

ASSEMBLYWOMAN CURRAN: We have heard a great deal about that. But, obviously, lenders are not interested in investing their money in a venture that technically will open because there is the temporary provision available, but is not a sound business venture anyway. Even if the temporary provision stayed the way it is forever, investors would still look carefully to see whether 20 or 30 years from now it might still be a solid investment.

MR. GATTI: Obviously, a lender conducts his own investigation of the people. And based upon experience in dealing with lenders, it is one of the reasons that you are able to achieve financing. The question of licensing was never an issue until the recent proposed changes in legislation, as far as lenders are concerned. But you can see where that would raise many questions that weren't there before.

ASSEMBLYWOMAN CURRAN: Thank you.

ASSEMBLYMAN SCHUCK: Just one question, Mr. Gatti: Have you been notified by the Commission as to when your hearing on your temporary license will be?

MR. GATTI: Not as yet.

ASSEMBLYMAN SCHUCK: You have not been notified. You have no indication as to when they may meet? In your statement, I think you indicated you would be

opening in June.

MR. GATTI: Yes. To the best of my knowledge, they are actively pursuing the application to allow that to happen.

ASSEMBLYMAN SCHUCK: What is the procedure? Perhaps, you know. We have no one from the Commission here today. Do they normally give you two weeks' notice that you will be called in to consider your application?

MR. GATTI: Well, I think they prioritize the investigation of the personnel - of ourselves - being the next casino on schedule. They are very active in that investigation at the present time. As that is completed, I think they are then in a position to notify us as to a date for the hearing process.

ASSEMBLYMAN SCHUCK: That is after they have done this. So, obviously, their investigation is not completed.

MR. GATTI: No, it is not yet.

ASSEMBLYMAN SCHUCK: But you must have some sort of an idea as to when you will open if you have completed construction?

MR. GATTI: Well, when I talk about opening, I am talking about completed construction and I am assuming the licensing. In other words, the project will be ready for opening in the time frames I have discussed.

ASSEMBLYMAN SCHUCK: When do you anticipate that you will be ready for opening?

MR. GATTI: In June.

ASSEMBLYMAN SCHUCK: The 1st of June?

MR. GATTI: No, during the month of June.

ASSEMBLYMAN CODEY: If there are no further questions, I thank you very much.

Our next witness will be Mr. Austin Stubblefield, Senior Vice-President, Harrah's/Holiday Inn.

D. A U S T I N S T U B B L E F I E L D: Chairman Cody and members of the Committee, my name is D. Austin Stubblefield. I am the Senior Vice President of Development for Holiday Inns Gaming Group. Holiday Inns, through a wholly-owned subsidiary, is a partner in Marina Associates. Marina Associates is a New Jersey partnership which is developing a five hundred and four room hotel/casino complex in the "Marina area" of Atlantic City. Our project has a projected and attainable opening date of October 15, 1980. My comments are made on behalf of Marina Associates and our partner, L & M Walter Enterprises, Inc. With me is William M. Dougall, the General Manager of our project, as well as an equity participant in our partner. I would like to express my appreciation for your permitting me to comment on behalf of Marina Associates on the topic of temporary casino permits. May I review our thoughts on this with you?

The public and private sectors together form a unique partnership in the development of the hotel/casino industry in Atlantic City. Casino developers, financial institutions, construction firms, labor unions, and other businesses too numerous to mention have made a massive and an affirmative commitment to the revitalization of Atlantic City, utilizing the unique tool of casino gaming. Our partners in this venture are the various public agencies who are charged with the responsibility of assuring that this redevelopment operates to the long-term enhancement of the Atlantic City area, and produces an industry noted for its integrity and responsibility.

This partnership has as its cornerstone and basis The Casino Control Act which establishes the rights and obligations of the parties, and clearly

sets forth their relationships and their legitimate expectations. We recognize that the Casino Control Act must be flexible and responsive to changes in the industry and the times. Amendments inevitably will occur as this "experiment" in redevelopment matures and evolves. Nevertheless, this process must be orderly for this unique partnership to survive and to prosper.

In becoming a part of this unique partnership Marina Associates understood and accepted the predictable business risks of starting a new business venture. These business risks were both quantified and assumed after a thorough and careful planning and analysis. A business risk we did not foresee, and a risk which conceivably we would not have accepted, is a material abrupt and wholly unforeseen change in the Act which affects our ability to open and operate, such as the proposed repeal of the temporary licensing procedure. Just as the enactment of the temporary license provisions were responsive to the orderly development of the industry, so should any proposed repeal of these provisions be. To sustain the private sector commitment to Atlantic City, the public sector must recognize the need for stability and continuity in industry regulation. Thus, prior to the proposed repeal of this provision, the Legislature, we submit, must consider a project like ours which has identified a realistic opening date.

Rather than review in detail the implications to our project of the abrupt withdrawal of the ability to obtain a temporary license, let me give you a flavor of its negative impact on Marina Associates, and the Atlantic City community. Monthly preopening costs for our project will run from three to six million dollars per month, with the six million dollars being realized as we approach our October 15, 1980, opening date. These expenses are being constantly inflated by the inflation which all of us live with, as well as the record level of the prime interest rate being charged to companies like Holiday Inns. The implications of any delay operate as a significant cash burden, even in the context of a company having the financial resources of Holiday Inns. Upon opening, we have a projected staff of between twenty-six hundred and three thousand employees. Any delay in opening also operates to hold these jobs in abeyance, with an obvious negative resulting impact upon the economy of Atlantic City and its environs. Some of these numbers may be of interest to you. On opening, we anticipate a monthly payroll of approximately six million dollars. The purchasing power of this payroll should result in approximately fifty thousand dollars per month in sales tax alone. Should our operating income approximate that of the hotel/casinos which are presently open, each month of delayed opening would result in an estimated loss of eight hundred thousand dollars in monthly gaming tax revenues. In short, everyone involved in this unique public/private sector partnership will be hurt by a delay resulting from the unavailability of the temporary licensing procedure.

Marina Associates commenced the planning for its project in 1978. Prior to the last several months, at no time, did we anticipate the need to obtain a temporary license. In fact, our planning and submissions to the various regulatory agencies clearly anticipated opening with a permanent license. We now see a very probable need to obtain a temporary license if we are to meet our opening date of October 15, 1980. Candidly, our need to obtain a temporary license stems from the workload placed on Commission and Division personnel. This statement is not a criticism of the Commission or the Division, rather an honest appraisal of the time required for them to meet their statutorily imposed obligations in the investigative and licensing process.

Additionally, we would request that the operative legislation you propose

would acknowledge and rectify a technical oversight in the present Section 95 of the Act. Specifically, the existing temporary licensing provisions are drafted in the context of an applicant being a corporation. This is reflected in subsection A, which states that, one of the requirements for temporary licensure, is that the applicant be a "corporate entity." As I indicated earlier, Marina Associates is a general partnership. It is our understanding there are no policy reasons for the limitation of the existing provisions for a temporary license to corporations, and we would greatly appreciate a technical amendment incorporating partnerships.

In closing, let me again stress our belief in the need for orderly development and transition as being the key, from all perspectives, to the renaissance of Atlantic City through the development of a sound hotel/casino industry. In the context of temporary licensure, we urge you to recommend a format which will in no way injure either Marina Associates' project or any other projects whose openings are scheduled to occur in the near term.

Thank you for permitting me this opportunity to comment on behalf of Marina Associates.

ASSEMBLYMAN CODEY: Thank you very much. Are there any questions?
(No questions.)

Our next witness will be Mr. Thomas Kissick, Local 491, Restaurant Employees and Bartenders Union.

T H O M A S K I S S I C K: Mr. Chairman and members of the Committee, first I would like to apologize. On your agenda you have the name of Ernest Potts, who is supposed to be the speaker today. He is in negotiations today with the non-casino hotels in Atlantic City. Since today is the opening day of the baseball season, he named me as his designated hitter.

I am here today to give you my views and my union's views regarding Assembly Bill 1201. I appreciate this opportunity to comment on a section of that Bill that is very important to us.

That section concerns the repeal of the temporary casino permit. We believe that to take away the ability to open a casino/hotel in a timely fashion after a company has spent millions of dollars based upon an understanding that that ability would exist, is wrong.

We think that you could set back the Atlantic City economy, jeopardize orderly development and result in a tremendous loss of employment opportunity.

Those casino/hotels who have started construction and anticipate opening in 1980 or '81 represent probably 30 thousand to 40 thousand jobs in those casino/hotels alone. The service industries, restaurants and other businesses attempting to keep pace with the casino/hotels and dependent on their attraction can hardly be expected to hire, if that attraction doesn't exist.

We have finally begun to see the light at the end of the tunnel in Atlantic City and I would appeal to you to allow those jobs to come on stream in an orderly and rational way.

We think the temporary permits are still necessary since the investigation for a permanent license still takes so long to accomplish. When the investigative process can be accomplished within a specific period of time that coincides with a planned opening, then perhaps temporary permits will be unnecessary.

I would like to thank you for letting me speak here today.

ASSEMBLYMAN CODEY: Thank you very much.

Mr. David Satz will be our next witness.

D A V I D M. S A T Z, J R.: My name is David J. Satz, Jr. I am here as counsel for Playboy-Elsinor Associates, which is a joint venture made up of Playboy, with whom you are familiar - testimony has been given to your Committee before - which operates in England and the Bahamas, and Elsinor Associates, which is a subsidiary of the Hyatt Corporation, which operates two casino/hotels in Las Vegas and Lake Tahoe.

I have to say "ditto" and do not want to repeat what has already been said, especially that which was said by Mr. Ferguson, Mr. Downey and Mr. Stubblefield, along with others.

I do want to emphasize though, in view of what Mr. O'Hern said --- and I think it is surprisingly fortunate that, at least, he is not taking a hard stand on the bill which is before you in an unamended form, namely, that he is willing to listen or the administration is willing to listen to the temporary permit problem. I think he feels - and this concept has been questioned by Assemblyman Matthews and others here - that now that there may be a full-time commission, whether there will be or not, there will be time enough to take care of this. I have to say - and I think everybody has stated - that that just isn't so, but that the real problem, albeit they are trying hard, is in the Division of Gaming Enforcement which simply doesn't have the manpower. You people in the Legislature are the ones who appropriate the money for this, even though it may be paid back eventually by the casinos. They have to prioritize - or whatever that word is - where they are going and with what companies.

What I emphasize here with respect to A 1201 is that, hopefully, it will be amended --- well, it won't be amended. We want the law to go on as it is. I got a little mixed up there. You have in the next nine or ten months five big casino/hotel applicants that are going to be going through or are presently going through the process of being investigated by DGE before the Commission will even see what those applications will be: Now, Mr. Gatti with Greate Bay, Playboy-Elsinor, Golden Nuggett, and Marina Associates will all be up, hopefully by the end of this year. Then comes Claridge Associate. No matter how hard Mr. Martinez and his staff try, they won't be able to do a competent and qualitative job on the applications by the time those hotel/casinos open. Again - and you have heard this - the banks do not lend money to these applicants on the basis of a 500-room hotel, or whatever; it is on what will be realized from the casino, in addition to the hotel.

That problem is one which the Legislature has to face so as to enable this industry to grow. I daresay, despite some of the editorials about temporary licensing, that there really hasn't been anything reflected in recent investigations that has demonstrated that there is something wrong with the temporary process, so long as the safeguards are there.

I just want to stress and hope that you will seriously consider not going along with that provision in A 1201 that abolishes the temporary process. I hope that suitable standards, if you want to improve on those in Section 95, can be written into the Act. I might say along that line, if I may, the standards are presently there. There is a lot of monitoring that the Division and the Commission do in an application, starting with your personal history, disclosure forms and your business entity disclosure forms on holding companies, as well as the applicant, which enable them to tell an applicant, as they are going along - and they have to answer these questions under oath - whether or not they are going to have trouble

in getting a license. It isn't something where they are just going to open a book and say, "Hey, this is a bad corporation or a bad partnership or bad people." But the monitoring that is done to get approval for your facility is done early on in the licensing process. The approval of who you are and what your staffing will be and the type of people you will be getting as key employees and other employees is an ongoing process.

So, the time to learn whether or not you are going to have your building finished and whether or not you will need a temporary license does not happen at the last minute. I suggest to you, whether you need the legislation for it or whether it can be done by way of regulation, that provision be made, once the Division and the Commission see what is on paper and what is apparent, that an application for a temporary permit, if it has to be made or, if necessary, can be made earlier on and not at the last minute when they see that they won't be able to finish, so that the Division can do a qualitative job of presenting evidence to the Commission and so that the hearing can take place as near as possible to the time your building is finished. Then, the temporary licensing process, hopefully, will not last long.

The other thing I wanted to state to you - and I have submitted it to Mr. Bockelman and the staff - is what Mr. Stubblefield brought up - and that is, there is a real problem with respect to Marina Associates, Playboy-Elsinor, and Claridge Associates, which are partnerships, joint ventures that are applying for casino licensing. I think in the haste to adopt Chapter 7 of the Laws of 1978, it was confined to a corporation because Resorts was on the scene. I have suggested change in the legislation and that partnerships be included because the Act, itself, - forget about the temporary process - applies to all persons, corporations and business ventures. It just doesn't apply to partnerships.

I thank you for your time and if I can be of any assistance, I would be happy to do so.

ASSEMBLYMAN CODEY: Thank you very much, Mr. Satz.

We will now break for lunch and come back at 2:00 o'clock.

(Recess for Lunch)

Afternoon Session

ASSEMBLYMAN CODEY: I would like to begin this afternoon with Mr. Hugh McCluskey, Del Webb/Claridge Associates.

H U G H M c C L U S K E Y: Thank you, Mr. Chairman.

My name is Hugh McCluskey. I am an attorney and I represent Del Webb Corporation in New Jersey and Claridge Associates and an organization known as Claridge, Limited. Claridge, Limited, owns and operates the Claridge Hotel facility located in Atlantic City and they have asked me to come and say a few words in opposition to the adoption of that portion of Assembly 1201 that would eliminate the issuance of temporary licenses.

This morning, we heard from Mr. O'Hern. I would like to comment that Mr. O'Hern's arguments to you stem from a premise that I believe is invalid, in part. He characterized the way these projects are financed, describing them as a group of corporations getting together and putting up their one or two hundred million dollars, deciding they are licensable, building the project and getting a license -- and that is the way they should do it. That simply is not what is going on in the real word. None of these corporations are putting up one hundred

or two-hundred million dollars of their own money and building the projects. They don't have it. They are going to banks.

We heard from a banker this morning. Claridge, Limited, is actively negotiating with bankers for substantial loans, has been in negotiations since late last summer, and loan packages are now about that thick. One of the things that concerns us is that this legislation will truly prevent us, without the ability to get a temporary license, from effectively getting our financing.

Although Mr. Ferguson indicated a few reasons why banks are unwilling to participate in these projects, I, from a different point of view, can tell you that I think the reason they are not willing to participate - and we have had some difficulty getting the interest of bankers - is they don't want to take any risks. To the extent that this Legislature and this government are new at handling this type of an industry and may act in an impractical fashion or cause a loss, the banks don't want to take a risk. When they put up \$100 million, it is not with the idea that they may or may not get it back or that it may be subject to some risk of bankruptcy. Their only concern is that it gets paid back over a specific period of time. To the extent that this legislation places that money at risk, it is going to preclude the ability to get loans.

The result of that will be - and I think it is clear - that it will make what is now a difficult job an almost impossible job securing financing. That results in a monopoly for the few existing operating casinos. That is not in the public interest. It prevents competition. It is also singularly unfair and unwarranted to those investors, businessmen and corporations who have come forward and undertaken to proceed with a business project such as Claridge, Limited, where the facilities were acquired a few years ago, architects' plans were engaged, a considerable amount of legal effort went on, there is now building in progress, it is going up, and we are attempting to find additional funding. Unless this amendment is either eliminated or contains a grandfather clause that will protect those investors and businessmen who have come forward, you will certainly not only with respect to casino legislation, but any type of legislation seeking to introduce a venturesome development, eliminate the interest in doing that sort of thing.

One of the things that Mr. O'Hern said that shocked me was some reference to a comparison between this type of regulatory activity and a nuclear power facility. I don't know if that was done to add impact. But, clearly, the opening of a nuclear power facility can result in irreparable injury. People can die. The issuance of a temporary license to a casino cannot conceivably involve irreparable injury. If some one person or organization is found to be unlicensable for some reason, they withdraw. If there is some change that is necessary, the change is made. It is for that reason in the funding of the type of facility that we are engaged in trying to create that we need the opportunity to say to those institutions, a consortium of banks from within and without this State, that once the facility is up, somebody is going to operate that facility and it is going to start operating immediately to service the loan.

For those reasons, we respectfully request that you prevent that amendment from occurring or, if an amendment of that type does occur, protect those interests, such as the Claridge, Limited, that are in a construction phase but may not be completed until sometime in 1981.

ASSEMBLYMAN CODEY: Any questions? (No questions.) Thank you very much, Mr. Mc Cluskey.

MR. MC CLUSKEY: Thank you.

ASSEMBLYMAN CODEY: Mr. Lawrence Mitnick, Atlantic County Homebuilders

Association.

L A W R E N C E M I T N I C K: Ladies and gentlemen, Mr. Swartzberg and I are here today representing the Atlantic Homebuilders Association, which is the voice of the homebuilders in this area, and their material suppliers and manufacturers and the thousands of workers employed in the homebuilding industry.

We have come to strenuously oppose the proposal in Assembly 1201 that a casino be required to have a permanent license before commencing operations. There are many shortcomings with this proposition which we feel will, and should, be addressed by others.

Our particular interest and thrust will be directed generally to the utterly disastrous economic consequences that may ensue in Atlantic City and surrounding areas if the Governor's permanent licensing requirement becomes a reality, but with special emphasis upon the deleterious economic effect on the housing industry of which we are a part.

Let us consider the overall economic picture, first. By mid 1981 or the first half of 1982 at the latest, it is estimated that there will be ten new casinos operating or about ready to begin operations. These are: Greate Bay, Marina Associates and Holiday Inn, Golden Nuggett, Penthouse, Playboy, Dunes, Claridge, Sahara, Ramada, and Benihanna. It has also been forecast that there will be in excess of 23,000 jobs resulting from their operations. Assuming even a very conservative \$15,000 average salary, this should result in a mammoth \$345 million payroll, over one-third of a billion dollars per year. This payroll will deliver very beneficial economic effects through the entire local economy. It will provide thousands of additional jobs in the housing industry as casino employees and officials buy homes. Related businesses dealing in building materials, furniture, carpeting and home improvements will also be greatly benefited and provide a further increase in employment.

However, imposition of the suggested permanent licensing scheme would negate a great part, if not most, of this prosperity. Not only would this ill-conceived idea with its inevitable lengthy delays set back the local overall economy for months or even years, but it might do it irreparable damage. It is difficult for us, speaking as businessmen, to imagine a casino project being attractive to a lender if there was no sure way of knowing when that casino would be allowed to open, if ever. Also, greatly increased expenses due to long waits with no income coming in would be discouraging to both prospective applicants and lenders. Against such an exceedingly uncertain and discouraging background, many prudent lending institutions and casino operations might decide not to enter into casino projects in Atlantic City. In this way, many thousands of jobs and the great spin-off of other benefits would be lost. And another specter raises its ugly head, if Governor Byrne's plan is enacted and lengthy opening delays ensue, Atlantic City may lose a good bit of the lead it has in being first in the East with a viable and successful environment. It would be most unfortunate to find ourselves eclipsed and outrun by an eastern community in another state which opened casinos in a more efficient, proper and business-like manner, unimpeded by the foolish plan of permanent licensing that we oppose today.

Permit me now to zero in more closely in the housing field and businesses that relate to it. The imposition of the permanent licensing scheme will strike a body blow against the housing industry. Mortgage lenders will not, should not,

and cannot approve mortgages for casino workers who don't know when their jobs will start or even if there will be a job. Construction lenders will not, should not and cannot put out vast sums to builders in the vague hope that a certain casino or casinos will finally be licensed. Builders will not, should not and cannot amass sufficient stocks of inventory to meet the surge of demand when and if, under the Governor's plan, it suddenly comes. It would be impossible financially in normal times to carry such inventories. It is even more inconceivable in these days of soaring prices and record construction loan rates.

When and if such a rise in housing demand occurs, we will have builders unable to meet the demand, customers unable to find proper shelter, and thousands upon thousands of workers unemployed.

It has been estimated by county and state agencies that an estimated 5,000 to 7,500 dwelling units will be needed each year for the next decade. With such an awesome responsibility, the housing industry must not fall behind if this requirement is to be met.

In closing, there is no better way to threaten our new thriving local economy than to have the permanent licensing concept become law. Specifically, the housing industry will be threatened by numerous bankruptcies and the loss of many thousands of jobs. Additional losses in jobs will be strongly felt in the building supply, home improvement, furniture and carpenter businesses as well as other housing related fields. So, we, the members of the Atlantic Homebuilders Association ask you to hear our voices and to consider what an economic Armageddon could be caused if permanent licensing becomes a fact. Thank you.

ASSEMBLYMAN CODEY: Any questions? (No questions.) Thank you very much.

MR. MITNICK: Thank you very much.

ASSEMBLYMAN CODEY: Mr. John Rich, South Jersey Building Trades Council.

J O H N R I C H: Good afternoon, ladies and gentlemen. As you said, I am John Rich from the South Jersey Building Trades Council and we cover Atlantic City. I also represent quite a few other unions as I am the president of the organization which is an umbrella organization which covers all unions in Atlantic City.

We feel that there possibly could be a place for permanent licensing, but we don't feel that the State is ready for it now. We feel that if the Enforcement Division and all the various agencies did their work properly and had at the time of the hearing for the license the proper information to be fed back to the Casino Control Commission that there could be a possibility of going to permanent licensing.

The temporary licensing got gambling started in Atlantic City originally. It has continued with the next two casinos that opened. And I am sure, when it comes to the investigative procedures for the fourth casino, which we hope will be Greate Bay, that at the time the Greate Bay project is ready for business and ready to open if they are not ready with the information as far as whether or not they should get their license, they are able to function on a temporary license. Otherwise, they wouldn't be able to function if they are demanded to have a permanent license. I think we are going to see this in most cases all the way down the line simply because we feel that the State cannot prepare the massive documentation that is necessary prior to the opening, especially if you have four, five or six, as the previous speaker said, ready to come on board in the next year or two.

We in the building trades and in the labor organizations in Atlantic City strongly urge that you maintain the temporary licenses, at least for a time,

until such time as the State regulatory agencies are capable of presenting the proper information at the proper time so there will be no delay in opening. If we had to wait for the proper information on the three casinos that we have on board now, each one of them would have been delayed by very many months and would not be open at this time.

I would be willing to answer any questions. I told you I would be brief.

ASSEMBLYMAN CODEY: Thank you very much, Mr. Rich.

Carol Leet of the New Jersey Council of Churches.

C A R O L L E E T: I am here from the New Jersey Council of Churches and my testimony will be even briefer. I am actually here on behalf of Rev. Dudley Sarfaty. So, if you have any questions, I will be glad to forward them to him and get back to you.

A large portion of our constituency is unhappy with the temporary licensing provision of the "Casino Control Act."

We are aware that in theory the granting of a temporary license does not imply any commitment to the granting of a permanent license. It only requires that there be an appropriate building. However, in practice, the granting of a temporary license does seem to create an expectation of a permanent license. In the mind of the Casino Control Commission as well as in the mind of the public, it seems to put the affirmative obligation on the Attorney General in the eventual licensing hearing and not upon the applicant where the original legislation intended it to be.

Casino control needs to be strong in practice as well as in theory.

ASSEMBLYMAN RILEY: The Council of Churches is still opposed to casinos, in general, correct?

MS. LEET: Yes.

ASSEMBLYMAN RILEY: So, the Council's position is, "We don't care what it is, just close them down." They would like to see them closed, is that right?

MS. LEET: They didn't want to see casinos in New Jersey originally. I don't know if that is their position right now.

ASSEMBLYMAN RILEY: Your one line, I think, is interesting: "However, in practice the granting of a temporary license does seem to create an expectation of a permanent license." Do you normally consider grammatically "in practice" to mean after one license? There has only been one permanent license granted, correct?

MS. LEET: Yes.

ASSEMBLYMAN RILEY: Grammatically, is "in practice" only one? Doesn't "in practice" require more than one?

MS. LEET: I am not sure what you are trying to tell me.

ASSEMBLYMAN RILEY: Well, if you are doing something routinely, in practice, it means more than once.

MS. LEET: Like I said, I will mention that to Rev. Sarfaty and then get back to you with his response.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CODEY: Any other questions?

ASSEMBLYWOMAN CURRAN: No, but I would just like to say that people have sat here all day long and said, keep the temporary licenses because otherwise we can't get the money, etc., etc. I think that is a fair statement. I think it is grammatically correct. And one is in practice - come on.

ASSEMBLYMAN VILLANE: I think you ought to tell the Reverend that you can take his place anytime.

ASSEMBLYMAN CODEY: Thank you.

MS. LEET: Thank you.

ASSEMBLYMAN CODEY: Mr. Paul Schorr.

P A U L S C H O R R: Good afternoon. My name is Paul Schorr. I am a practicing professional engineer and reside in Trenton, New Jersey. I am here to express my opinion of the proposed bill as an investor.

I am not a representative of any large council like many of the other people here. I purchased a small amount of stock in Greate Bay and I have a small vacant lot in Atlantic City. I made those investments recognizing the risks involved. Now, I find that the same government that encouraged me to invest is going to penalize me.

I am opposed to the adoption of this bill. I believe it is counter-productive and does not address the basic problems. It will not speed up the Division's investigations and will not improve the results of the Division's investigations. It doesn't improve the integrity of the applicants or the Legislature. It will not provide employment and will not help people find housing.

It will discourage me from investing in Atlantic City. It will enable the few franchises to enjoy an additional monopoly of the market. Thank you very much.

ASSEMBLYMAN CODEY: Any questions?

Thank you very much, Mr. Schorr.

The meeting stands adjourned.

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(Hearing Concluded)

Midlantic National Bank
744 Broad Street
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(201) 266-6764

MIDLANTIC

Robert Van Buren
Chairman of the Board

April 10, 1980

Mr. Wayne Bockleman
Staff Aide to the Commission on State
Government, Federal and Interstate
Relations and Veterans' Affairs
The State House
Trenton, New Jersey 08625

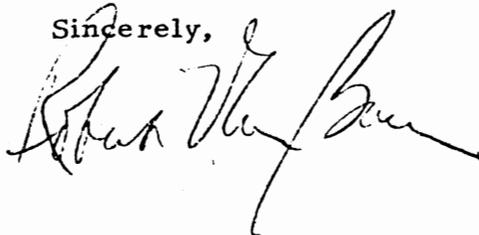
Dear Mr. Bockleman:

It is a pleasure for me to have an opportunity to enter into the record of testimony a statement of position by Midlantic National Bank on State of New Jersey Assembly Bill 1201 regarding the repeal of temporary casino licensing provided for in the Casino Control Act of June 2, 1977, and its subsequent supplement.

We request that this statement be entered into the record of testimony concerning this legislation.

Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert Van Buren". The signature is written in dark ink and is positioned below the word "Sincerely,".

MIDLANTIC NATIONAL BANK STATEMENT OF POSITION
ON STATE OF NEW JERSEY ASSEMBLY BILL 1201

Thank you for the opportunity to present the position of Midlantic National Bank on Assembly Bill 1201.

This statement relates only to that provision of this Bill which would repeal Temporary Casino Permits.

Midlantic has a substantial interest in the development of the casino/hotel industry in Atlantic City. We are presently involved in the financing of four casino/hotel projects, and Midlantic acts as the lead bank in two of these developments. These particular projects involve a number of banks outside New Jersey which, like Midlantic, believe that the development of casino/hotels provides major financial commitments and strongly encourages economic growth throughout Atlantic County.

We realize that the intent of this legislation is to protect the interests of the citizens of New Jersey who strongly endorsed the legalization of casino gaming in Atlantic City. However, repeal of the temporary licensing provision will severely limit growth within this industry and serve to discourage financial support.

The temporary licensing provision has been helpful to developers of casino/hotels in obtaining financial support. Undeniably, the current economic climate has made it increasingly difficult to gain financing even

under the provisions of current legislation.

By allowing casino/hotel developers to begin operation under a temporary license, the State of New Jersey has made it possible to generate needed cash flow as quickly as possible. Prior to the opening of a casino/hotel, substantial financial commitments, including operating overhead, training and payroll, have already been made. To delay the opening by refusing to allow the temporary licensing of these concerns would cause a developer to incur extreme financial hardship. The repeal of the temporary licensing provision would also cause the banking community to view with reservation the continued financing of an operation which will not be permitted to operate for an undetermined period of time.

Midlantic National Bank appreciates the thorough investigatory work conducted before an operating license is granted. Unfortunately, the accumulation of such background material is a task which demands a prolonged time commitment. For this reason, temporary licenses have properly served the interests of casino/hotel developers without compromising the stringent standards of the Attorney General and the Casino Control Commission.

Midlantic National Bank supports any attempt on the part of this legislative body to guarantee the integrity and viability of the casino/hotel industry in New Jersey. Equally important, however, is the guarantee that this industry will be allowed to grow and contribute to New Jersey's economy as it was intended to do. To that end, Midlantic National Bank opposes legislation which will repeal the temporary licensing provision. We respect-

fully request that the Assembly of the State of New Jersey re-evaluate the effects of this repeal on one of our State's most promising and economically viable industries.

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