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PUBLIC HEARING

before

ASSEMBLY STATE GOVERNMENT, FEDERAL AND INTERSTATE  
RELATIONS AND VETERANS AFFAIRS COMMITTEE

on

ASSEMBLY, NO. 1046  
(Amending and supplementing the "Casino Control Act")

Held:  
March 13, 1978  
Assembly Chamber  
State House  
Trenton, New Jersey

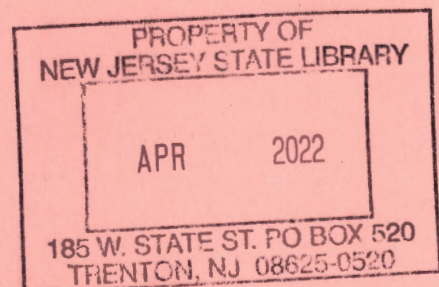
MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard J. Codey (Chairman)  
Assemblyman Francis J. McManimon  
Assemblyman Michael J. Matthews  
Assemblywoman Greta Kiernan  
Assemblywoman Barbara F. Kalik  
Assemblyman William L. Gormley  
Assemblyman Anthony Villane, Jr.

ALSO:

Wayne L. Bockelman, Research Associate  
Legislative Services Agency  
Committee Aide

\* \* \*



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ASSEMBLY, No. 1046

STATE OF NEW JERSEY

INTRODUCED MARCH 6, 1978

By Assemblymen CODEY, MATTHEWS, GORMLEY and JACKMAN

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

AN ACT to amend and supplement the "Casino Control Act"  
approved June 2, 1977 (P. L. 1977, c. 110).

1 BE IT ENACTED by the Senate and General Assembly of the State  
2 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  
25 Atlantic City for the expansion and encouragement of New Jersey's

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

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

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

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

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

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

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

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

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

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

139 (14) *Confidence in casino gaming operations is eroded to the*  
140 *extent the State of New Jersey does not provide a regulatory*  
141 *framework for casino gaming, which framework permits and pro-*  
142 *motes stability and continuity in casino gaming operations.*

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

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

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

1 2. Section 10 of P. L. 1977, c. 110 (C. 5:12-10) is amended to  
 2 read as follows:

3 10. "Casino License"—Any license issued pursuant to this act  
 4 which authorizes the holder thereof to own or operate a casino.  
 5 *The term "casino license" shall not include a "temporary casino*  
 6 *permit".*

1 3. (New section) "Creditor"—The holder of any claim, of  
 2 whatever character, against a corporation, whether secured or  
 3 unsecured, matured or unmatured, liquidated or unliquidated,  
 4 absolute, fixed or contingent.

1 4. (New section) "Debt"—Any legal liability, whether matured  
 2 or unmatured, liquidated or unliquidated, absolute, fixed or  
 3 contingent.

1 5. (New section) "Encumbrance"—A mortgage, security inter-  
 2 est, lien or charge of any nature in or upon property.

1 6. (New section) "Property"—Real property, tangible and  
 2 intangible personal property, and rights, claims and franchises  
 3 of every nature.

1 7. Section 39 of P. L. 1977, c. 110 (C. 5:12-39) is amended to  
 2 read as follows:

3 39. "Publicly Traded Corporation"—Any corporation or other  
 4 legal entity, except a natural person, which

5 a. Has one or more classes of security registered pursuant to  
 6 section 12 of the Securities Exchange Act of 1934, as amended  
 7 (15 U. S. C. section 781), or

8 b. Is an issuer subject to section 15 (d) of the Securities  
 9 Exchange Act of 1934 as amended (15 U. S. C. 780), or

10 c. *Has one or more classes of securities traded in any open*  
 11 *market in any foreign jurisdiction or regulated pursuant to a*  
 12 *statute of any foreign jurisdiction which the commission determines*  
 13 *to be substantially similar to either or both of the aforementioned*  
 14 *statutes.*

1 8. (New section) "Conservator"—A fiduciary appointed pur-  
 2 suant to the Article concerning Casino License Conservatorship  
 3 in the Casino Control Act.

1 9. (New section) "Conservatorship Action"—An action brought  
 2 pursuant to the Article concerning Casino License Conservatorship  
 3 in the Casino Control Act for the appointment of a conservator.

1 10. (New section) "Resident"—Any person who occupies a  
 2 dwelling within the State, has a present intent to remain within  
 3 the State for a period of time, and manifests the genuineness of  
 4 that intent by establishing an ongoing physical presence within  
 5 the State together with indicia that his presence within the State  
 6 is something other than merely transitory in nature.

1 11. (New section) "Temporary Casino Permit"—A permit  
 2 issued pursuant to this amendatory and supplementary act which  
 3 authorizes the holder thereof to operate temporarily a casino  
 4 pending a final determination on a casino license application.

1 12. (New section) "Transfer"—The sale and every other  
 2 method, direct or indirect, of disposing of or parting with property  
 3 or with an interest therein, or with the possession thereof, or of  
 4 fixing a lien upon property or upon an interest therein, absolutely  
 5 or conditionally, voluntarily or involuntarily, by or without judicial  
 6 proceedings, as a conveyance, sale, payment, pledge, mortgage,  
 7 lien, encumbrance, gift, security or otherwise; the retention of a  
 8 security interest in property delivered to a corporation shall be  
 9 deemed a transfer suffered by such corporation.

1 13. Section 59 of P. L. 1977, c. 110 (C. 5:12-59) is amended to  
 2 read as follows:

3 59. Employment Restrictions on Commissioners, Commission  
 4 Employees and Division Employees. a. The "New Jersey Conflicts  
 5 of Interest Law" (P. L. 1971, c. 182; C. 52:13D-12 et seq.) shall  
 6 apply to members of the Commission and to all employees of the  
 7 Commission and the Division, except as herein specifically provided.

8 b. A Code of Ethics governing the specific needs of the Commis-  
 9 sion and the Division shall be promulgated by each and shall  
 10 include, among other provisions, that:

11 (1) No commission member or employee or division employee or  
 12 agent shall be permitted to gamble in any establishment licensed  
 13 by the commission except in the course of his duties.

14 (2) No commission member or employee or division employee or  
 15 agent shall solicit or accept employment from any person licensed  
 16 by or registered with the commission or from any applicant for a  
 17 period of 4 years after termination of service with the commission,  
 18 or division, unless subject to section 60 b. of this act.

19 c. No commission member or employee or division employee or  
20 agent shall have any interest, direct or indirect, in any applicant or  
21 in any person licensed by or registered with the commission during  
22 his term of office or employment.

23 d. No commission member shall be employed in any capacity by  
24 any person licensed by or registered with the commission.

25 e. Each employee of the commission, including legal counsel  
26 [and hearing examiners], and each employee and agent of the  
27 division shall devote his entire time and attention to his duties  
28 and shall not pursue any other business or occupation or other  
29 gainful employment [except]; *provided, however*, that secretarial  
30 and clerical personnel may engage in such other gainful employ-  
31 ment as shall not interfere with their duties to the commission or  
32 division, unless otherwise directed; *and further provided, that the*  
33 *commission may employ hearing examiners on a part-time basis.*

34 f. No member of the commission, employee of the commission,  
35 or employee or agent of the division shall:

36 (1) Use his official authority or influence for the purpose of  
37 interfering with or affecting the result of an election or a nomina-  
38 tion for office;

39 (2) Directly or indirectly coerce, attempt to coerce, command or  
40 advise any person to pay, lend or contribute anything of value to a  
41 party, committee, organization, agency or person for political  
42 purposes; or

43 (3) Take any active part in political campaigns or the manage-  
44 ment thereof; *provided, however, that nothing herein shall pro-*  
45 *hibit a person from voting as he chooses or from expressing his*  
46 *personal opinions on political subjects and candidates.*

47 g. For the purpose of applying the provisions of the "New  
48 Jersey Conflicts of Interest Law," any consultant or other person  
49 under contract for services to the commission shall be deemed to  
50 be a Special State employee. Such person and any corporation,  
51 firm or partnership in which he has an interest or by which he  
52 is employed shall not represent any person or party other than  
53 the commission before the commission.

1 14. Section 81 of P. L. 1977, c. 110 (C. 5:12-81) is amended to  
2 read as follows:

3 81. Statement of Compliance. a. The commission may issue a  
4 statement of compliance to an applicant for any license under this  
5 act at any time the commission is satisfied that one or more par-  
6 ticular eligibility criteria have been satisfied by an applicant.

7 b. Such statement shall specify the eligibility criterion satisfied,  
 8 the date of such satisfaction and a reservation to the commission  
 9 to revoke the statement of compliance at any time based upon a  
 10 change of circumstances affecting such compliance.

11 c. A statement of compliance certifying satisfaction of all of  
 12 the requirements of subsection 84e. of this act with respect to a  
 13 specific casino hotel proposal submitted by an eligible applicant  
 14 may be accompanied by a written commitment from the commission  
 15 that a casino license shall be reserved for a period not to exceed  
 16 **[18]** 30 months or within such additional time period as the com-  
 17 mission may upon a showing of good cause therefore establish and  
 18 shall be issued to such eligible applicant with respect to such pro-  
 19 posal provided that such applicant (1) complies in all respects  
 20 with the provisions of this act, (2) qualifies for a casino license  
 21 within a period not to exceed **[18]** 30 months or within such addi-  
 22 tional time period as the commission may upon a showing of good  
 23 cause therefor establish of the date of such commitment, and (3)  
 24 complies with such other conditions as the commission shall impose.  
 25 The commission may revoke such reservation at any time it finds  
 26 that the applicant is disqualified from receiving or holding a casino  
 27 license or has failed to comply with any conditions imposed by the  
 28 commission. Such reservation shall be automatically revoked if  
 29 the applicant does not qualify for a casino license within the period  
 30 of such commitment.

1 15. Section 82 of P. L. 1977, c. 110 (C. 5:12-82) is amended to  
 2 read as follows:

3 82. Casino License—Applicant Eligibility. a. No casino shall  
 4 operate unless all necessary licenses and approvals therefor have  
 5 been obtained in accordance with law.

6 b. Any person shall be eligible to apply for a casino license if he  
 7 agrees to comply in all respects with this act and the regulations  
 8 promulgated hereunder and if he:

9 (1) Owns 100% of an approved hotel as herein defined; or

10 (2) Leases 100% of an approved hotel in accordance with the  
 11 provisions of section 104 a. of this act; or

12 (3) Owns or has a contract to purchase or construct a hotel,  
 13 or leases or has an agreement to lease in accordance with the  
 14 provisions of section 104 a. of this act 100% of a hotel, which,  
 15 in the judgment of the commission, can become an approved hotel  
 16 within **[18]** 30 months or within such additional time period as the  
 17 commission may upon a showing of good cause therefor establish;

18 or

19 (4) Has a written agreement, with a casino license or with  
20 an eligible applicant for a casino license, for the complete manage-  
21 ment of a casino in accordance with the provisions of section 104a.  
22 of this act, and owns 100% of or controls any approved hotel, in-  
23 cluding the approved hotel which is the subject of the management  
24 agreement. For purposes of this subsection, control of an approved  
25 hotel shall mean the ownership of at least 10% of all outstanding  
26 equity securities of a casino licensee or of an eligible applicant for  
27 a casino license, and the sole and unrestricted power to direct the  
28 operations of such casino licensee or eligible applicant.

29 c. No casino license shall be issued to any person leasing a hotel  
30 pursuant to section 104 a. hereof unless a separate casino license  
31 has first been issued to the owner of the casino hotel facility which  
32 is the subject of such lease.

33 d. No corporation shall be eligible to apply for a casino license  
34 unless the corporation shall:

35 (1) Be incorporated in the State of New Jersey, although such  
36 corporation may be a wholly or partially owned subsidiary of a  
37 corporation which is chartered in another State of the United  
38 States or in a foreign country;

39 (2) Maintain an office of the corporation in the premises licensed  
40 or to be licensed;

41 (3) Comply with all the requirements of the laws of the State  
42 of New Jersey pertaining to corporations;

43 (4) Maintain a ledger in the principal office of the corporation in  
44 New Jersey which shall at all times reflect the current ownership  
45 of every class of security issued by the corporation and shall be  
46 available for inspection by the commission or the division and  
47 authorized agents of the commission and the division at all reason-  
48 able times without notice;

49 (5) Maintain all operating accounts required by the commission  
50 in a bank in New Jersey;

51 (6) Include among the purposes stated in its articles of incorpo-  
52 ration the conduct of casino gaming *and provide further that the*  
53 *certificate is subject to all provisions of the Casino Control Act*  
54 *as it may from time to time be amended;*

55 (7) If it is not a publicly traded corporation, file with the  
56 commission such adopted corporate charter or by-laws provisions  
57 as may be necessary to establish the right of the commission to  
58 approve future transfers of corporate securities, shares, and other  
59 interests in the applicant corporation and in any holding company,  
60 intermediary company, or subsidiary thereof; and, if it is a publicly

61 traded corporation, said corporation shall provide in its corporate  
 62 charter or by-laws that any securities of such corporation are held  
 63 subject to the condition that if a holder thereof is found to be  
 64 disqualified by the commission pursuant to the provisions of this  
 65 act, such holder shall dispose of his security interest in the corpo-  
 66 ration; provided, however, that, *notwithstanding the provisions*  
 67 *of N. J. S. 14A:7-12 and N. J. S. 12A:8-101 et seq.*, nothing herein  
 68 shall be deemed to require that any security of such corporation  
 69 bear any legend to this effect; and

70 (8) If it is not a publicly traded corporation, establish to the  
 71 satisfaction of the commission that appropriate charter or by-laws  
 72 provisions create the absolute right of such corporations and  
 73 companies to repurchase at the market price or the purchase price,  
 74 whichever is the lesser, any security, share or other interest in the  
 75 corporation in the event that the commission disapproves a transfer  
 76 in accordance with the provisions of this act.

77 e. No person shall be issued or be the holder of more than three  
 78 casino licenses. For the purpose of this subsection a person shall be  
 79 considered the holder of a casino license if such license is issued to  
 80 such person or if such license is held by any holding, intermediary  
 81 or subsidiary company thereof, or by any officer, director, casino  
 82 key employee or principal employee of such person, or of any hold-  
 83 ing, intermediary or subsidiary company thereof.

1 16. Section 87 of P. L. 1977, c. 110 (C. 5:12-87) is amended to  
 2 read as follows:

3 87. Investigation of Applicants *For Casino Licenses*; Order  
 4 Approving or Denying License.

5 a. Upon the filing of an application *for a casino license* and such  
 6 supplemental information as the commission may require, the com-  
 7 mission shall request the division to conduct such investigation into  
 8 the qualification of the applicant, and the commission shall conduct  
 9 **[such hearings]** *a hearing thereon* concerning the qualification of  
 10 the applicant in accordance with its regulations **[as may be**  
 11 **necessary to determine qualifications for casino licens e]**.

12 b. After such investigation *and hearing*, the commission may  
 13 either deny the application or grant a casino license to an applicant  
 14 whom it determines to be qualified to hold such license.

15 c. The commission shall have the authority to deny any applica-  
 16 tion pursuant to the provisions of this act. When an application  
 17 is denied, the commission shall prepare and file an order denying  
 18 such application with the general reasons therefor, and if requested  
 19 by the applicant, shall further prepare and file a statement of the  
 20 reasons for the denial, including the specific findings of facts.

21 d. After an application is submitted to the commission, final  
22 action of the commission shall be taken within 90 days after com-  
23 pletion of all hearings and investigations and the receipt of all  
24 information required by the commission.

25 e. If satisfied that an applicant is qualified to receive a casino  
26 license, and upon tender of all license fees and taxes as required  
27 by law and regulations of the commission, and such bonds as the  
28 commission may require for the faithful performance of all require-  
29 ments imposed by law or regulations, the commission shall issue a  
30 casino license for the term of one year.

31 f. The commission shall fix the amount of the bond or bonds to  
32 be required under this section in such amounts as it may deem  
33 appropriate, by rules of uniform application. The bonds so fur-  
34 nished may be applied by the commission to the payment of any  
35 unpaid liability of the licensee under this act. The bond shall be  
36 furnished in cash or negotiable securities, by a surety bond guar-  
37 anteed by a satisfactory guarantor, or by an irrevocable letter of  
38 credit issued by a banking institution of this State acceptable to  
39 the commission. If furnished in cash or negotiable securities, the  
40 principal shall be placed without restriction at the disposal of the  
41 commission, but any income shall inure to the benefit of the licensee.

42 g. No more than one casino license may be issued with respect  
43 to any approved hotel, except that in the case of any lease agree-  
44 ment or management contract approved in accordance with section  
45 104 of this act, each party to such agreement or contract may be  
46 issued a casino license.

1 17. Section 89 of P. L. 1977, c. 110 (C. 5:12-89) is amended to  
2 read as follows:

3 89. Licensing of Casino Key Employees. a. No person may be  
4 employed as a casino employee unless he is the holder of a valid  
5 casino key employee license issued by the commission.

6 b. Each applicant must, prior to the issuance of any casino key  
7 employee license, produce information, documentation and assur-  
8 ances concerning the following qualification criteria:

9 (1) Each applicant for a casino key employee license shall pro-  
10 duce such information, documentation and assurances as may be  
11 required to establish by clear and convincing evidence the financial  
12 stability, integrity and responsibility of the applicant, including  
13 but not limited to bank references, business and personal income  
14 and disbursements schedules, tax returns and other reports filed  
15 with governmental agencies, and business and personal accounting

16 and check records and ledgers. In addition, each applicant shall, in  
17 writing, authorize the examination of all bank accounts and records  
18 as may be deemed necessary by the commission or the division.

19 (2) Each applicant for a casino key employee license shall pro-  
20 duce such information, documentation and assurances as may be  
21 required to establish by clear and convincing evidence the appli-  
22 cant's reputation for good character, honesty and integrity. Such  
23 information shall include, without limitation, data pertaining to  
24 family, habits, character, criminal and arrest record, business  
25 activities, financial affairs, and business, professional and personal  
26 associates, covering at least the 10-year period immediately pre-  
27 ceding the filing of the application. Each applicant shall notify  
28 the commission of any civil judgments obtained against such appli-  
29 cant pertaining to antitrust or security regulation laws of the  
30 Federal government, of this State or of any other State, jurisdic-  
31 tion, province or country. In addition, each applicant shall produce  
32 letters of reference from law enforcement agencies having juris-  
33 diction in the applicant's place of residence and principal place  
34 of business, which letters of reference shall indicate that such law  
35 enforcement agencies do not have any pertinent information con-  
36 cerning the applicant, or if such law enforcement agency does have  
37 information pertaining to the applicant, shall specify what that  
38 information is. If the applicant has been associated with gaming  
39 or casino operations in any capacity, position or employment in a  
40 jurisdiction which permits such activity, the applicant shall pro-  
41 duce letters of reference from the gaming or casino enforcement  
42 or control agency which shall specify the experiences of such agency  
43 with the applicant, his associates and his participation in the gam-  
44 ing operations of that jurisdiction; provided, however, that if no  
45 such letters are received within 60 days of request therefor, the  
46 applicant may submit a statement under oath that he is or was  
47 during the period such activities were conducted in good standing  
48 with such gaming or casino enforcement or control agency.

49 (3) Each applicant shall produce such information, documen-  
50 tation and assurances as may be required to establish by clear and  
51 convincing evidence that the applicant has sufficient business ability  
52 and casino experience as to establish the reasonable likelihood of  
53 success and efficiency in the particular position involved.

54 (4) Each applicant shall be a resident of the State of New Jersey  
55 prior to the issuance of a casino key employee license.

56 *The commission may also, by regulation, require that all appli-*  
57 *cants for casino key employee licenses be residents of this State*  
58 *for a period not to exceed 6 months prior to the issuance of such*

59 *license, but application may be made prior to the expiration of the*  
60 *required period of residency. The commission may, by resolution,*  
61 *waive the required residency period for an applicant upon good*  
62 *cause shown.*

63 c. The commission shall endorse upon any license issued here-  
64 under the particular positions as defined by this act or by regulation  
65 which the licensee is qualified to hold.

66 d. The commission shall deny a casino key employee license to  
67 any applicant who is disqualified on the basis of the criteria con-  
68 tained in section 86 of this act.

1 18. Section 90 of P. L. 1977, c. 110 (C. 5:12-90) is amended to  
2 read as follows:

3 90. Licensing of Casino Employees. a. No person may com-  
4 mence employment as a casino employee unless he is the holder  
5 of a valid casino employee license issued by the commission.

6 b. Any applicant for a casino employee license must, prior to  
7 the issuance of any such license, produce sufficient information,  
8 documentation and assurances to meet the qualification criteria,  
9 including New Jersey residency, contained in subsection b. of sec-  
10 tion 89 of this act *and any additional residency requirement im-*  
11 *posed under subsection c. of this section*; except that the standards  
12 for business ability and casino experience may be satisfied by a  
13 showing of casino, job experience and knowledge of the provisions  
14 of this act and regulations pertaining to the particular position  
15 involved, or by successful completion of a course of study at a  
16 licensed school in an approved curriculum.

17 c. *The commission may, by regulation, require that all appli-*  
18 *cants for casino employee licenses be residents of this State for a*  
19 *period not to exceed 6 months prior to the issuance of such license,*  
20 *but application may be made prior to the expiration of the required*  
21 *period of residency.*

22 [c.] d. The commission shall endorse upon any license issued  
23 hereunder the particular positions as defined by regulation which  
24 the licensee is qualified to hold.

25 [d.] e. The commission shall deny a casino employee license to  
26 any applicant who is disqualified on the basis of the criteria con-  
27 tained in section 86 of this act.

28 [e.] f. For purposes of this section, casino security employees  
29 shall be considered casino employees and must, in addition to any  
30 requirements under other laws, be licensed in accordance with the  
31 provisions of this act.

1 19. Section 91 of P. L. 1977, c. 110 (C. 5:12-91) is amended to  
2 read as follows:

3 91. Casino Hotel Employee Licenses. a. No person may com-  
4 mence employment as a casino hotel employee unless he is the  
5 holder of a valid casino hotel employee license issued by the chair-  
6 man.

7 b. Any applicant for a casino hotel employee license must, prior  
8 to the issuance of any such license, produce sufficient information,  
9 documentation and assurances to meet the qualification criteria,  
10 including New Jersey residency, contained in subsections b.(1),  
11 b.(2) and b.(4) of section 89 of this act *and any additional resi-*  
12 *dency requirement imposed under subsection c. of this section.* No  
13 casino hotel employee license shall be issued to any person dis-  
14 qualified on the basis of the criteria contained in section 86 of this  
15 act.

16 c. *The commission may, by regulation, require that all applicants*  
17 *for casino hotel employee licenses be residents of this State for a*  
18 *period not to exceed 3 months prior to the issuance of such license,*  
19 *but application may be made prior to the expiration of the required*  
20 *period of residency.*

21 [c.] d. Notwithstanding the provisions of subsection b. of this  
22 section, no applicant shall be denied a casino hotel employee license  
23 on the basis of a conviction of any of the offenses enumerated in  
24 this act as disqualification criteria, provided that the applicant  
25 has demonstrated his rehabilitation or can produce a certificate  
26 of rehabilitation, or that the offense for which the applicant has  
27 been convicted is not reasonably related to the duties for which  
28 the applicant will be employed in the casino hotel.

29 [d.] e. The commission may waive any disqualification criterion  
30 for a casino hotel employee consistent with the public policy of  
31 this act and upon a finding that the interests of justice so require.

32 [e.] f. A temporary license of 5 days duration may be issued by  
33 the chairman if in his judgment the issuance of a permanent license  
34 will be restricted by necessary investigations and said temporary  
35 licensing of the applicant is necessary for the continuing opera-  
36 tions of the hotel.

1 20. Section 92 of P. L. 1977, c. 110 (C. 5:12-92) is amended to  
2 read as follows:

3 92. Licensing and Registration of Casino Service Industries.

4 a. All casino service industries offering goods or services on a  
5 regular basis which directly relate to casino or gaming activity,  
6 including gaming equipment manufacturers, suppliers and re-  
7 pairers, schools teaching gaming and either playing or dealing  
8 techniques, and casino security services, shall be licensed in ac-

9 cordance with the provisions of this act prior to conducting any  
 10 business whatsoever with a casino licensee, its employees or agents,  
 11 and in the case of a school, prior to enrollment of any students  
 12 or offering of any courses to the public whether for compensation  
 13 or not.

14 b. Each casino service industry in subsection a. of this section,  
 15 as well as its owners, management and supervisory personnel and  
 16 other principal employees must qualify under the standards, except  
 17 residency, established for qualification of a casino key employee  
 18 under this act. In addition, if the business or enterprise is a school  
 19 teaching gaming and either playing or dealing techniques, each  
 20 [employee of such school must qualify] *resident director, in-*  
 21 *structor, principal type employee and sales representative em-*  
 22 *ployed thereby shall be licensed* under the standards established for  
 23 qualification of a casino employee under this act; provided, how-  
 24 ever, that nothing in this subsection shall be deemed to require, in  
 25 the case of a public school district or a public institution of higher  
 26 education, the licensure or qualification of any individuals except  
 27 those instructors and other principal employees responsible for the  
 28 teaching of playing or dealing techniques.

29 c. All casino service industries not included in subsection a. of  
 30 this section shall be licensed in accordance with rules of the com-  
 31 mission prior to commencement or continuation of any business  
 32 with a casino licensee or its agents. Such casino service industries,  
 33 whether or not directly related to gaming operations, shall include  
 34 suppliers of alcoholic beverages, food and nonalcoholic beverages;  
 35 garbage handlers; vending machine providers; linen suppliers;  
 36 maintenance companies; shopkeepers located within the approved  
 37 hotel; and limousine services contracting with casino licensees.  
 38 The commission may exempt any person or field of commerce from  
 39 the licensing requirements of this subsection if it finds that such  
 40 person or field of commerce is regulated by a public agency and  
 41 that licensure is not necessary to protect the public interest or to  
 42 accomplish the policies established by this act.

43 d. Licensure pursuant to subsection c. of this section of any  
 44 casino service industry may be denied to any applicant disqualified  
 45 in accordance with the criteria contained in section 86 of this act.

(New Article) TEMPORARY CASINO PERMITS

1 21. (New section) Eligibility and Requirements. Notwithstand-  
 2 ing any other provision of the Casino Control Act, the commission  
 3 may grant a temporary casino permit upon the filing by a casino  
 4 license applicant of a formal request for same in accordance with  
 5 such rules and regulations as may be promulgated by the com-

6 mission and when, by the affirmative vote of four members, it finds  
7 by clear and convincing evidence:

8 a. That the applicant is a corporate entity;

9 b. That statements of compliance pursuant to section 81 of P. L.  
10 1977, c. 110 (C. 5:12-81) have been issued to the applicant with  
11 respect to sections 82, 84(e), 85(a) and 85(b) of P. L. 1977, c. 110  
12 (C. 5:12-82, 84(e), 85(a) and (b));

13 c. That the proposed casino hotel facility is an approved hotel in  
14 accordance with the requirements of section 83 of P. L. 1977, c. 110  
15 (C. 5:12-83);

16 d. That a voting trust agreement as provided in this article  
17 has been instituted and a statement of compliance pursuant to  
18 section 81 of P. L. 1977, c. 110 (C. 5:12-81) has been issued with  
19 regard thereto;

20 e. That the applicant has deposited with the commission a fully  
21 executed copy of the voting trust agreement and a copy of each  
22 voting trust certificate and each original stock certificate subject to  
23 the voting trust which stock certificates shall be held in escrow by  
24 the commission;

25 f. That the voting trust agreement has been instituted in  
26 accordance with N. J. S. 14A:5-20 and includes all shares of the  
27 corporate entity held by all persons whose qualifications have not  
28 been determined pursuant to the applicable provisions of the  
29 Casino Control Act;

30 g. That the voting trust agreement may become effective at such  
31 time as any director or officer of the corporation is found to be  
32 unqualified or at such time as any sanction whatsoever is imposed  
33 upon the temporary casino permittee by the commission;

34 h. That the trustee or trustees to whose possession the shares  
35 shall be transferred shall be appointed by the commission, which  
36 may, in its discretion, consider appointing as trustees persons  
37 recommended by the applicant; shall be found by the commission to  
38 be individually qualified for approval as a casino key employee,  
39 but for residence and casino experience and shall be reasonably  
40 compensated for his services, costs and expenses as the commission  
41 shall provide;

42 i. That the voting trust agreement contains such conditions as  
43 the commission may deem necessary including, but not limited to,  
44 the unencumbered ability of the trustee or trustees to vote the  
45 shares held in all votes affecting the control and operation of the  
46 casino and approved hotel, the authority of the trustee or trustees  
47 to exercise voting power so as to insure that the certificate of in-  
48 corporation and the corporate bylaws require shareholder approval

49 of all corporate decisions significantly affecting the control and  
 50 operation of the casino and approved hotel and the perpetuation  
 51 of the voting trust agreement throughout the term of the temporary  
 52 casino permit; and

53 j. That the temporary casino permit will best serve the interests  
 54 of the public with particular reference to the policies and purposes  
 55 enumerated in section 1 of this amendatory and supplementary act.

1 22. (New section) Commission Consideration of a Formal  
 2 Request for a Temporary Casino Permit. The commission's  
 3 consideration of a formal request for a temporary casino permit  
 4 shall be based upon the criteria enumerated in section 21 of this  
 5 amendatory and supplementary act and shall include, but not be  
 6 limited to, consideration of such relevant information as may be  
 7 presented to it by the division. The division shall not be required  
 8 to disclose any information the disclosure of which, in its judg-  
 9 ment, may prejudice or otherwise compromise any continuing  
 10 investigation.

1 23. (New section) Qualification of Persons Connected with a  
 2 Temporary Casino Permit Applicant. A temporary casino permit  
 3 may be issued by the commission without the qualifying of those  
 4 persons whose qualification would otherwise be required by sections  
 5 85 (c) and 85 (d) of P. L. 1977, c. 110 (C. 5:12-85 (c) and 85 (d)).

1 24. (New section) Hearings. Upon the filing of a formal request  
 2 for a temporary casino permit, the commission shall schedule and  
 3 conduct a hearing on the matter.

1 25. (New section) Obligations and Responsibilities of a Tempor-  
 2 ary Casino Permittee. Upon the issuance of a temporary casino  
 3 permit pursuant to this amendatory and supplementary act, the  
 4 temporary casino permittee shall be subject to all provisions of  
 5 the Casino Control Act and the regulations promulgated there-  
 6 under with respect to those obligations and responsibilities in-  
 7 cumbent upon a casino licensee, including, but not limited to,  
 8 the requirement of the issuance of an operation certificate pursuant  
 9 to section 96 of P. L. 1977, c. 110 (C. 5:12-96) prior to the conduct  
 10 of any gaming activity. Any reference in the Casino Control Act  
 11 to the obligations and responsibilities of a casino licensee and  
 12 persons dealing with, affiliated with, having an interest in or  
 13 employed by a casino licensee shall be deemed to apply to a  
 14 temporary casino permittee and those persons dealing with,  
 15 affiliated with, having an interest in or employed by a temporary  
 16 casino permittee except that no casino key employee other than  
 17 pit bosses, shift bosses, supervisors and cashiers, casino managers

18 and assistant managers, managers and supervisors of casino  
 19 security employees, junket representatives and purchasing agents  
 20 shall be required to be licensed as a casino key employee.

1 26. (New section) Expiration of a Temporary Casino Permit.  
 2 Unless otherwise terminated pursuant to this amendatory and  
 3 supplementary act, a temporary casino permit shall expire at the  
 4 conclusion of 6 months from the date of its issuance and be renew-  
 5 able, at the discretion of the commission, for one 3-month period.  
 6 The commission may, within its discretion, deem the cessation or  
 7 discontinuation of the regular casino business of a temporary casino  
 8 permittee to be an expiration of said temporary casino permit.

1 27. (New section) Continuation of Investigation. During the  
 2 period of a temporary casino permit, the commission and the  
 3 division shall continue such procedures as are provided by the  
 4 Casino Control Act and the regulations promulgated thereunder  
 5 as may be necessary for a final determination on the application  
 6 for a casino license. The obligations and responsibilities incumbent  
 7 upon an applicant for a casino license are in no way relieved by  
 8 the issuance of a temporary casino permit.

1 28. (New section) Effect of Casino Licensure. If, upon final  
 2 determination, the temporary casino permittee is granted a casino  
 3 license, the temporary casino permit shall terminate and a casino  
 4 license shall issue upon procedures determined by the commission.

1 29. (New section) Effect of Casino License Denial. If, upon  
 2 final determination, the temporary casino permittee is denied a  
 3 casino license, the appropriate procedures as contained in this  
 4 amendatory and supplementary act shall be applicable.

1 30. (New section) Investigation by the Division of Gaming  
 2 Enforcement. The division shall investigate and report to the com-  
 3 mission with regard to the qualifications of each person who is  
 4 proposed as a candidate to serve as a trustee pursuant to this  
 5 amendatory and supplementary act.

(New Article) CASINO LICENSE CONSERVATORSHIP

1 31. (New section) Institution of Conservatorship and Appoint-  
 2 ment of Conservators.

3 a. Notwithstanding any other provision of the Casino Control  
 4 Act, (1) upon the revocation of a casino license, (2) upon, in the  
 5 discretion of the commission, the suspension of a casino license or  
 6 operation certificate for a period of in excess of 120 days or,  
 7 (3) upon the failure or refusal to renew a casino license and,  
 8 notwithstanding the pendency of any appeal therefrom, the com-  
 9 mission shall appoint and constitute a conservator to, among other

10 things, take over and into his possession and control all the  
11 property and business of the licensee relating to the casino and the  
12 approved hotel; provided, however, that this subsection shall not  
13 apply in any instance in which the casino in the casino hotel facility  
14 for which the casino license had been issued has not been, in fact,  
15 in operation and open to the public and provided further that no  
16 person shall be appointed as conservator unless the commission  
17 is satisfied that he is individually qualified to the standard appli-  
18 cable to casino key employees except that casino experience shall  
19 not be necessary for qualification.

20 b. Notwithstanding any other provision of the Casino Control  
21 Act, (1) upon the expiration of a temporary casino permit except in  
22 those instances where a casino license has been issued, (2) upon the  
23 revocation of a temporary casino permit, (3) upon, in the discretion  
24 of the commission, the suspension of a temporary casino permit  
25 or operation certificate for a period of in excess of 60 days, or (4)  
26 upon the denial of a casino license to a temporary casino permittee,  
27 and notwithstanding the pendency of any appeal therefrom, the  
28 commission shall appoint and constitute a conservator to, among  
29 other things, take over and into his possession and control all the  
30 property and business of the temporary casino permittee relating  
31 to the casino and the approved hotel; provided, however, that this  
32 subsection shall not apply in any instance in which the casino in  
33 the casino hotel facility for which the temporary casino permit has  
34 been issued has not been, in fact, in operation and open to the  
35 public, and provided further that no person shall be appointed as  
36 conservator unless the commission is satisfied that he is individually  
37 qualified to the standard applicable to casino key employees,  
38 except that casino experience shall not be necessary for quali-  
39 fication.

40 c. The commission may proceed in a conservatorship action in a  
41 summary manner or otherwise and shall have the power to appoint  
42 and remove one or more conservators and to enjoin the former  
43 or suspended licensee or permittee from exercising any of its  
44 privileges and franchises, from collecting or receiving any debts  
45 and from paying out, selling, assigning or transferring any of its  
46 property to other than a conservator, except as the commission  
47 may otherwise order. The commission shall have such further  
48 powers as shall be appropriate for the fulfillment of the purposes  
49 of this act.

50 d. Every conservator shall, before assuming his duties, execute  
51 and file a bond for the faithful performance of his duties payable

52 to the commission in the office of the commission with such surety  
53 or sureties and in such form as the commission shall approve and  
54 in such amount as the commission shall prescribe.

55 e. When more than one conservator is appointed pursuant to this  
56 section, the provisions of this article applicable to one conservator  
57 shall be applicable to all; the debts and property of the former or  
58 suspended licensee or permittee may be collected and received by  
59 any of them; and the powers and rights conferred upon them shall  
60 be exercised by a majority of them.

1 32. (New section) Powers, Authorities and Duties of Receivers.

2 a. Upon his appointment, the conservator shall become vested  
3 with the title of all the property of the former or suspended licensee  
4 or permittee relating to the casino and the approved hotel.

5 b. Subject to the general supervision of the commission and  
6 pursuant to any specific order it may deem appropriate, a conserva-  
7 tor shall have power to:

8 (1) Take into his possession all the property of the former or  
9 suspended licensee or permittee relating to the casino and the  
10 approved hotel, including its books, records and papers;

11 (2) Institute and defend actions by or on behalf of the former or  
12 suspended licensee or permittee;

13 (3) Settle or compromise with any debtor or creditor of the  
14 former or suspended licensee or permittee, including any taxing  
15 authority;

16 (4) Continue the business of the former or suspended licensee or  
17 permittee and to that end enter into contracts, borrow money and  
18 pledge, mortgage or otherwise encumber the property of the former  
19 or suspended licensee or permittee as security for the repayment  
20 of the conservator's loans;

21 (5) Hire, fire and discipline employees;

22 (6) Review all outstanding agreements to which the former or  
23 suspended licensee or permittee is a party that fall within the  
24 purview of section 104b of P. L. 1977, c. 110 (C. 5:12-104b) and  
25 advise the commission as to which, if any, of such agreements  
26 should be the subject of scrutiny, examination or investigation by  
27 the commission; and

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

30 c. Except during the pendency of a suspension or during the  
31 pendency of any appeal from any action or event set forth in  
32 section 31 a or b of this amendatory and supplementary act which  
33 precipitated the receivership or in instances which the commission  
34 finds that the interests of justice so require, the conservator, subject

35 to the prior approval of and in accordance with such terms and  
36 conditions as may be prescribed by the commission, shall endeavor  
37 to and be authorized to sell, assign, convey or otherwise dispose of  
38 in bulk all the property of a former licensee or permittee relating  
39 to the casino and the approved hotel only upon prior written notice  
40 to all creditors and other parties in interest and only to such  
41 persons who shall be eligible to apply for and shall qualify as a  
42 casino licensee or temporary casino permittee in accordance with  
43 the provisions of the Casino Control Act.

44 d. The commission may direct that the receiver, for an indefinite  
45 period of time, retain the property and continue the business of the  
46 former or suspended licensee or permittee relating to the casino  
47 and the approved hotel.

1 33. (New section) Compensation of Conservators and Others. In  
2 any proceeding pursuant to section 31 of this amendatory and  
3 supplementary act, the commission shall allow a reasonable com-  
4 pensation for the services, costs and expenses in the conservatorship  
5 action of the conservator, the attorney for the conservator, the  
6 appraiser, the auctioneer, the accountant and such other persons  
7 as the commission may appoint in connection with the conservator-  
8 ship action.

1 34. (New section) Assumption of Outstanding Debts. As an  
2 incident of its prior approval pursuant to section 32c of this amend-  
3 atory and supplementary act of the sale, assignment, conveyance  
4 or other disposition in bulk of all the property of the former  
5 licensee or permittee relating to the casino and the approved hotel,  
6 the commission may, in its discretion, require that the purchaser  
7 thereof assume in a form and substance acceptable to the commis-  
8 sion all of the outstanding debts of the former licensee or permittee  
9 that arose from or were based upon the operation of either or both  
10 the casino or the approved hotel.

1 35. (New section) Payment of Net Earnings During the Period  
2 of the Conservatorship. No payment of net earnings during the  
3 period of the conservatorship may be made by the conservator  
4 without the prior approval of the commission, which may, in its  
5 discretion, direct that all or any part of same be paid either to  
6 the suspended or former licensee or permittee or to the Casino  
7 Revenue Fund in accordance with regulations of the commission;  
8 provided, however, that the former or suspended licensee or per-  
9 mittee shall be entitled to a fair rate of return out of net earnings,  
10 if any, during the period of the conservatorship on the property  
11 retained by the conservator.

1 35A. (New section) Payments Following a Bulk Sale. Following  
2 any sale, assignment, conveyance or other disposition in bulk of  
3 all the property subject to the conservatorship, the net proceeds  
4 therefrom, if any, after payment of all obligations owing to the  
5 State of New Jersey and any political subdivision thereof and of  
6 those allowances set forth in section 33 of this amendatory and  
7 supplementary act, shall be paid by the conservator to the former  
8 or suspended licensee or permittee.

1 36. (New section) Continuing Jurisdiction of Commission. A  
2 conservator appointed pursuant to section 31 of this amendatory  
3 and supplementary act shall at all times be subject to the Casino  
4 Control Act and such regulations, limitations, restrictions, terms  
5 and conditions as the commission may from time to time prescribe.  
6 Except as may be otherwise provided in this amendatory and sup-  
7 plementary act, during the period of any conservatorship imposed  
8 by the provisions of section 31 of this amendatory and supple-  
9 mentary act the casino operation of the form of the conservatorship  
10 shall be deemed to be a licensed casino operation and any reference  
11 in the Casino Control Act to any obligations or responsibilities  
12 incumbent upon a casino licensee or those persons dealing with,  
13 affiliated with, having an interest in, or employed by a casino  
14 licensee shall be deemed to apply to the said casino operation.

1 37. (New section) Discontinuation of a Conservatorship.

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

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

13 c. Upon the discontinuation of the conservatorship action and  
14 with the approval of the commission, the conservator shall take  
15 such steps as may be necessary in order to effect an orderly transfer  
16 of the property of the former or suspended licensee or permittee.

17 d. The sale, assignment, transfer, pledge or other disposition  
18 of the securities issued by a former or suspended licensee or per-  
19 mittee during the pendency of a conservatorship action instituted  
20 pursuant to this article shall neither divest, have the effect of  
21 divesting, nor otherwise affect the powers conferred upon a con-  
22 servator by this amendatory and supplementary act.

1 38. (New section) Required Reports. A conservator appointed  
 2 and constituted pursuant to section 31 of this amendatory and  
 3 supplementary act shall file with the commission such reports with  
 4 regard to the administration of the conservatorship in such form  
 5 and at such intervals as the commission shall prescribe. Such  
 6 reports shall be available for examination and inspection by any  
 7 creditor or party in interest and, in addition, the commission may  
 8 direct that copies of any such reports be mailed to such creditors  
 9 or other parties in interest as it may designate and that summaries  
 10 of any such reports be published in such newspapers of general  
 11 circulation as it may designate.

1 39. (New section) Review of Actions of Conservator. Any  
 2 creditor or party in interest aggrieved by any alleged breach of a  
 3 fiduciary obligation of a conservator in the discharge of his duties  
 4 shall be entitled, upon request, to a review thereof in accordance  
 5 with regulations to be promulgated by the commission.

1 40. (New section) Investigation by the Division of Gaming En-  
 2 forcement. The division shall investigate and report to the com-  
 3-4 mission with regard to the qualifications of each person who is  
 5 proposed as a candidate to serve as a conservator pursuant to this  
 6 amendatory and supplementary act.

1 41. The provisions of this act shall take effect immediately,  
 2 except that sections 10, 17, 18, and 19 shall take effect on October  
 3 1, 1978.

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#### STATEMENT

This bill amends and supplements the Casino Control Act to permit temporary casino operation prior to licensure and to establish a procedure for casino operation and, if necessary, a transfer of the assets of the licensee following the suspension or revocation of a license.

It allows temporary permits to issue for a period of 6 months with one extension of 3 months to an applicant whose casino hotel facility has been approved in accordance with provisions of the Casino Control Act and to whom statements of compliance have been issued by the commission. An applicant for a temporary permit must deposit with the commission a copy of a fully executed voting trust agreement which could become effective in the event a director or officer is found to be unqualified or if any sanction is imposed on the permit holder.

In addition, the bill provides for the appointment of a conservator in the case of the suspension or revocation of a license, whose

purpose would be to act as a fiduciary on behalf of the licensee or permit holder and to manage the casino-related business affairs of the licensee. This would ensure the continued operation of the casino and the uninterrupted employment of casino personnel. In the event of revocation, the conservator would be empowered to transfer, with the approval of the commission, the assets of the licensee to a person who is eligible to apply and who must qualify for casino license or a temporary casino permit.

Other portions of the bill permit foreign corporations to invest in Atlantic City through a New Jersey subsidiary, require the commission to conduct hearings on all license applications, and clarify the residency requirements.

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ASSEMBLYMAN RICHARD JAMES CODEY (Chairman): I would like to start today's public hearing if we could, please. Our first witness this morning on Assembly Bill No. 1046 will be Attorney General John Degnan.

A T T O R N E Y   G E N E R A L   J O H N   D E G N A N: Mr. Chairman, members of the Committee, I appreciate the opportunity to be here today, particularly before a Committee headed by the gentleman who knows as much about the casino legislation in New Jersey than probably anyone in our own Department, and probably more than anyone in the State. I am glad that we have the continued focus of Dick Codey and the members of the Committee on the legislation as we move toward the actual implementation of the mandate given by the people.

In November of 1976, New Jersey's voters, by a large margin, approved by referendum the concept of privately owned and operated gambling casinos as a vehicle to effect the revitalization of a desperate and seemingly otherwise hopeless urban area - Atlantic City. We must not now lose sight of the ultimate objective of that referendum. There are several: The massive capital construction program, amounting to hundreds of millions of dollars and thousands of jobs; the stimulation of the natural tourist attraction in Atlantic City, its incomparable beaches and oceanfront, with all the jobs and ancillary businesses that that connotes; and finally a system of hotel and casino operation which will itself represent thousands of permanent jobs and has potential for a dramatic increase in the standard of living for the people in Atlantic City and for those of the State.

At the same time, you, as members of the Legislature, and I, as the State's chief law enforcement officer, and the early proponents of casino gambling, hold a public trust, for we promised the public the most honest and most strictly controlled casino operation that we were capable of. I think that we have met that obligation by enacting the world's strictest regulatory and investigatory control over casino operations. Together with our existing law enforcement capacity, including our own critically important wire tapping statute, we have the capacity to thwart and frustrate attempts on the part of organized crime to do their dirty and corrupting business in Atlantic City.

Having said all that, it has become all too clear to those of us who are focusing on the problem that casino gambling as a method toward economic development is an idea whose time has come. As you know, Florida has a referendum on the ballot this November. Other jurisdictions, such as Pennsylvania, have the capacity to implement casino gambling without a constitutional authorization and the time which that process consumes.

That being so, in our eagerness to reap the economic benefits that casino gambling holds for Atlantic City and for the State, we began several weeks ago in my Department and with the Casino Control Commission and with the Division of Gaming Enforcement and other law enforcement agencies in this State, to address the question as to whether we could move more quickly to achieve our goal of operating casinos in Atlantic City while not diluting our pledge to run a clean and honest system of casino gambling.

Three alternatives, I think, faced us. One was to hang tough and be rigid in terms of the existing statute. The second was to hasten the investigation of the initial applicant and applicants for a casino license so that a decision could be made by the Commission to proceed or not to proceed. The third was to consider reasonable flexibility in that statute which did no

grievous damage to our own law enforcement capacity. That third option, I think, is reflected in the Assembly Bill, which is before you today for consideration.

In very brief form, that Bill does three things: First, it allows the issuance for a fixed six-month duration with only one possible three month extension allowed of a temporary permit to operate a casino in Atlantic City.

Secondly, it requires the creation, at the time of the grant of that temporary permit, of a voting trust, with trustees to be appointed by the Casino Control Commission, empowered in the event of either a disqualification of a principal share holder or some operating violation during the pendency of the temporary permit, to exercise the full gamut of powers for stock holders in the applicant corporation.

Thirdly, this bill would authorize, upon the denial of a permanent license or upon the revocation of a permanent license or upon the denial of a renewal of a permanent license, the appointment of a bonded conservator who can continue the operation of a casino - indeed, must continue that operation during the pendency of any appeal - and who can also convey title to another qualified applicant.

There are many additional details of a more minor nature in the bill about which I will be available and other members of the group involved in looking at this legislation will be available to answer questions. But, a few general comments are in order, I think. There are several major advantages to the State's interest in the Bill before this Committee today. First of all, it would allow the early opening of a casino, ahead of our competitors in a manner which will act as an incentive to private, legitimate investment in the capital construction that we are looking for in Atlantic City, and it will create jobs.

Secondly, from a law enforcement vantage-point, it will allow the completion, unpressured by economic demands, of an intensive and thorough investigation into any casino applicant.

Thirdly, it will insure an honest operation while that investigation is being completed by a system of a voting trust which will insure that the ultimate control is in the hands of individuals who themselves would qualify for a license.

And, fourth, the Bill would insure the continued operation of a casino, once started, by the appointment of a conservator, as I have already described. The economic pressure against a fair and just application of our regulatory scheme will be lifted and private legitimate investors are insured the continued operation of a casino once their money has been pledged toward its opening.

In sum, I would suggest that we come up with a fairly ingenious scheme to facilitate an earlier opening of casinos while not impeding and in some ways even enhancing our law enforcement capacity. But, in candor, the balance we have struck by this Bill is a delicate one. We earnestly hope that this Bill will facilitate an early opening, but having said that, I hasten to point out that the Bill represents just about as far as we should go to achieve that purpose. If casino applicants can use it without further amendments, which might tip that delicately balanced scale, then fine. But, if not, then so be it

for we cannot and should not allow our eagerness to reap the economic advantages of casino gambling to cause us to default in our law enforcement goals.

I suggest most strongly that this Bill, in the form it is presented to you, will allow an honest applicant, who has nothing to fear from either a thorough investigation or strict regulation, a method to open early and continue operation thereafter. I anticipate that this Committee will hear proposals for amendments to this bill later today. In its original consideration I think members of the administration have been reasonable in its drafting and have attempted, where possible, to be responsive to legitimate interests of both casino operators and private investors. And, I am confident that this Committee will exhibit that same sense of reasonableness. I am likewise hopeful that the Committee will be just as unyielding as necessary to those suggested changes which are not reasonable and which damage the State's interest in and ability to achieve an honestly controlled method of operation.

We stand ready to work with you, both today and in subsequent sessions of this Committee, to achieve that goal. Thank you for the opportunity to address you today. I am available to answer questions at this time, or if it is the Committee's wish - I intend to stay anyway during the testimony of Director Martinez and Superintendent Pagano - I would be glad to answer questions jointly at the end of their testimony. I will do as you wish.

ASSEMBLYMAN CODEY: It is alright with the Committee.

Our next witness then will be Mr. Robert Martinez, Director of the Division of Gaming Enforcement and certainly a product of this Committee.

R O B E R T M A R T I N E Z: Mr. Chairman, I am not sure I can respond to the last statement but I appreciate the introduction. I think that the Attorney General has gone a long way towards summing up the idea that you have before you and I would not repeat it nor, at this point, would I address the other details that eventually this Committee will have to deal with.

I think it would be helpful, however, by way of very brief background, to report to the Committee precisely what we are talking about as a practical matter in terms of the impact on on-going work and future work of the Division of Gaming Enforcement. I understand that Chairman Lordi will be here later and I am sure he can address the same point with respect to the Casino Control Commission.

As the Attorney General has indicated, we have, because of the strictness of this law, one of the more comprehensive pre-qualification procedures for any licensure in any field in the world. I would like to describe to the Committee very briefly what those procedures entail. Our objectives, with respect to a corporate applicant investigation, are really threefold. We seek to determine the involvement of unsuitable persons with the corporation or with any of its principal owners, officers, or directors. We seek to determine the involvement of the corporation itself or any of those principal people in either illegal or grossly unethical activities. And, we seek to determine the general corporate financial stability as well as the potential financial stability of the gaming enterprise itself.

In order to reach these conclusions, it is necessary to trace specific casino investment funds backwards from the point of expenditure through corporate accounts to sources such as loans, revenues and asset conversions.

In addition to those specific tracings of casino investment funds, we

examined the general sources of all corporate funds. It is obvious that the receipt of revenue from one source, when pooled in a general account, could thus support an expenditure in another area thereby hiding an interest.

In order to ascertain whether there is any control by undesirable persons, in addition to source of funds verifications, we do an exhaustive and relatively sophisticated probe covering at least a five year period with respect to the financial activities of the corporation, utilizing both traditional police investigative tactics, such as informant development and surveillance and the like, as well as an in-depth analysis of corporate books and records utilizing review standards that are fairly common with the big eight international accounting firms. For example, our investigators review major asset purchases and sales for names of the parties involved and for reasonableness of price; major stock transfers for determination of true ownership; large disbursements to consultants and vendors and the like for possible payments of hidden interest and numerous other transactions for evidence of participation by unsuitable persons.

Of course, during this entire investigation we are constantly on the lookout for any evidence of criminal or unethical activity on the part of the principals.

Determination of corporate financial stability is another major area in which the State has sought to protect the development of the industry. I would like to just give you a few highlights of some of the stability checks that must be conducted. Comparative year-to-year analysis of corporate earning statements are made for evidence of serious negative earnings trends. If we find some, those trends are investigated for determinations of their cause and the ultimate effect that they will have on corporate stability. Financial ratios for the corporation are obtained, or computed, and are compared to similar industry-wide statistics. The corporate debt structure is reviewed in conjunction with cash flows to determine the likelihood of possible technical insolvency in an otherwise profitable environment.

Significant industry-related development, such as new innovations that could have a possible negative effect on future earnings, are also reviewed and evaluated.

Finally, a month-by-month cash flow projection is obtained with respect to the casino project for a 12 month period and it is analyzed for reasonableness and, ultimately, for potential operating cash flow problems.

Now, these are the procedures that must be engaged in prior to the point of completion of what we would consider to be a complete investigation. At some point I can go into the type of surveillance and other investigative techniques that are used to control a casino that is operating and I will get to that in a moment.

I think the scope of this pre-qualification review, however, indicates the amount of time that is necessary to accomplish what is essentially a fairly heavy task. Having explained that expenditure of time, I would like to point out that the proposal that the Attorney General has described does not represent, in my judgment, a weakening of the casino control act. It has been said that this represents a change in position for some of us who are associated with the process of drafting this casino control act a year ago. I don't believe it does in any major respect and I would like to tell you why. It is true that this

Committee and the Senate Committee at one point discussed the concept of what was called conditional licensure but it is a concept that is far different from what you have on the table before you. For one thing, conditional licensure, as it was conceived of then, was licensing without having a hotel in place. In essence, it was giving somebody a license and letting them run around in search of a facility.

There was no time limit placed in that concept on the length of time that this so-called conditional license could be held. There was no offer or thought given to creating a voting trust to interpose a layer of control by qualified people, should it become necessary, on a casino operating under an interim arrangement.

Likewise - and perhaps the most important point - there was no conservatorship imposed upon a problem developing or an ultimate disqualification when conditional licensure was discussed last year. If we were talking today about conditional licensure, as it was discussed last year, there is no question in my mind that our office would be opposed to it. I regret in many respects that we didn't have these ideas last year because it is something we should have discussed then. But, it is also true that government must be in a position to be creative as it goes along and as it learns and to do so up front.

I would also point out that this proposal does not include any change whatsoever in the statutory approach that was passed last year with respect to the licensing of casino operating personnel or the ancillary industries. The effect of the bill that you have before you will require the full qualification of everybody operating in a casino, from the casino manager on down. It also does not change the obligation of the Commission and the Division to deal with the ancillary industries, both gaming and non-gaming ancillary industries, in a manner currently prescribed by law.

I believe, finally, I should note that a major reason for feelings of comfort with this proposal is a feeling of our ability to handle any problems that might arise in that very short period of time during which we are suggesting a casino should be permitted to operate.

The expertise that is applied in the area of pre-qualification investigations comes into very active play in any operating casino situation. We plan and are able, I believe, to conduct day-to-day undercover surveillances of pit procedures for evidence of criminal or civil violations of our gaming regulations and statute and those surveillances can be rifled and will concentrate on high-risk areas, such as credit play, fills and credits, and chip transfers between tables and certain observable cage procedures. We will conduct periodic surprise observation and reviews of hard and soft count procedures designed to uncover embezzlement and regulatory non-compliance.

We will perform, on a routine basis, intensive compliance audits to ascertain, through document and procedural analysis, compliance with all of the Commission's regulations. And, of course, we will continue with the normal police investigative tactics in terms of dealing with informants and other covert surveillance.

Beyond that, we feel that the statute requires an on-going review of additional loans or equity funds coming into a casino operation once it is functional. Now, I recite these procedures not to suggest in any way that this is something special that would be done for a casino operating under a temporary license. These are procedures which we have been able to devise since

the Division began last August and acquired the expertise to do them, which we expect to apply in any case, under whatever circumstance the legislature permits a casino to operate. However, they are comprehensive procedures and I don't think that I could honestly come before this Committee and say that I feel comfortable with this bill if I did not have confidence in the ability of those procedures to control most of the problems that can be anticipated.

Mr. Chairman, I think I will conclude on that note.

ASSEMBLYMAN CODEY: Thank you, Mr. Martinez. We will now have the Superintendent of the State Police, Clinton Pagano.

SUPERINTENDENT CLINTON PAGANO: I am pleased that you didn't say that I was a product of this Committee too because I didn't have an answer for that one.

ASSEMBLYMAN CODEY: I won't ask you that.

SUPERINTENDENT PAGANO: Okay. I think that most of what has been said about the law enforcement position regarding the change in the Act has already been said by either the Attorney General or Director Martinez, but I do want to add a few thoughts of my own. We have discussed this plan in detail. Each of the Division directors is affected within the Department and we all had our own input into this particular proposal.

Without question, you have before you at this point an individual holding state office that was for years one of the principal detractors from the industry and the establishment of the industry and I admit that without question. I was strongly in opposition to casino gambling before the referendum. However, to those who may feel that this is a change in position for me individually, I can only say that the voters voted for the referendum and as public officers we, thereafter, had to change our position because this was a mandate of the citizens and we have changed our position.

Had I been asked a year or so ago about the possibility of interim licensing or temporary licensing I would probably have had a good deal of concern, especially since at no time - as Mr. Martinez pointed out - was there any conversation about a voting trust or a conservator or a plan for management should we find the applicant in difficulty.

But, nonetheless, despite the initial opposition and despite the involvement that we have today, I feel that I must, in good conscience, support this plan because I believe that it is a prudent approach to solving a problem which is of concern to all of us. The problem in this particular instance goes a little bit beyond the traditional law enforcement concern. It goes into the economy and it goes into the thrust of the referendum itself.

In New Jersey and in the procedures that Mr. Martinez has already described to you, we find that the State Police, as a law enforcement agency, is involved in the full gamut of public safety concerns in the casino gambling area. We have any number of people - approximately 65 of my troopers - presently assigned to the Division of Gaming Enforcement and they will be the people who will be the policemen in that agency and they will be the people who will be deeply involved in these investigations and deeply involved in the final regulation on-sight in the casinos.

One question has been raised since the date the referendum passed and this question is raised consistently: "When are the casinos going to open?" As we begin to examine our activities and and as we begin to hold rigidly to those

practices which we have engaged in for years as far as investigative techniques and following what we consider to be the best way of doing it, so to speak, we find that in fact two things - the concern as to when the casinos are going to open and the need to stretch our investigative time so that we can do the job properly - begin to oppose each other. So, when I was presented with the concept of the interim licensing and the conservator and we examined it - and I did examine this, along with the staff of my own organization - we found that it was a prudent plan.

I am concerned, without question, over rushing investigations because from my own experience I know that when you act in haste you don't have the bottom line work product that you wish you had.

Mr. Martinez made a very valid point and it is a point that is of concern to law enforcement people in general - the law enforcement people who do this sort of investigation - and that is the time with which we will have to work with the ancillary industries because when you speak in terms of organized crime - organized crime intrusion - that is the area of crime concern and nothing in this particular plan will modify greatly our ability to look in-depth at the ancillary industries before giving a final okay. That is probably the one area that was of most concern to me.

I think that you can read most newspapers and see accounts of increased organized crime activity but I haven't yet seen anything in any of the publications that we didn't already know. We have been on top of the activity in these areas.

I share the concern that was voiced last week by Chief TenBrink, although I don't know that I positively subscribe to everything that he said. I know that there has to be a commitment on the part of government - State, county and local - to answer the public safety needs that will develop. But, we were all well aware of the needs and we were well oriented towards that commitment before the referendum was voted and before the people decided that this had to be that way. I think at this point we, in the public safety area, have to really make prudent decisions and get on with the job.

I don't want to comment in-depth on the disability that the State and the industry may suffer should competition in other areas get a leg up on us, but as a public officer and as a citizen I have to address myself to this situation. I believe that this interim licensing plan is a prudent approach to solving a problem, a problem of time that has really plagued us all ever since this referendum was voted upon.

I believe that with reference to the Act itself, our Department - the Department of Law and Public Safety - and the various divisions within the Department have worked as quickly as we can ever since the referendum was voted upon and that we have structured an organization that will work in tandem with the Casino Gaming Commission and effectively regulate this new industry.

I take the position at this point in time that the plan for interim licensing is a prudent plan designed to solve a problem that affects everyone who is in any way concerned with casino gaming. Thank you.

ASSEMBLYMAN CODEY: Are there any questions from the Committee on any of the statements made by the three previous witnesses?

ASSEMBLYMAN MATTHEWS: Colonel, you touched on this with Chief TenBrink and from what I understand you have 65 people assigned to casino gaming now .

In light of Chief TenBrink's remarks, what do you feel is necessary, or what does Atlantic City have to do to be ready to open up if the legislation is passed?

SUPERINTENDENT PAGANO: Without question, Assemblyman Matthews, there has to be a greater commitment in the area of law enforcement and public safety and that includes fire services and that includes police services in Atlantic City in order for any police administrator to say comfortably that we can do the job. So, in that regard I share the concern of Chief TenBrink. I know that somewhere in government, either local or state, there lies a resolution to the problem that he has. I don't want to go into the cap situation or go into the specific budget problems in Atlantic City because they really aren't of my direct concern. But, nonetheless, there was a commitment - and I do recall it clearly - on the part of government before the referendum was voted on - and the voters were aware of that when they pulled the lever - that provisions would be made for adequate public safety services.

I believe that Chief TenBrink has a very valid point when he says that he needs those men in order to safety do the job. But, nonetheless that is a problem that has to be solved the same as all the other problems we are going to face as we go down the road with casino gaming. I have problems to solve and we have discussed them in -depth with the Attorney General and with our own budget people - but that won't, at this time, preclude my judgment that action has to be taken on interim licensing or a similar plan - to see if anyone has a better plan in order to get this thing going and in order that we can clearly see what some of the public safety needs are really going to be.

My judgment is that he needs those men but, nonetheless, notwithstanding that particular judgment, I would still go in this direction because I feel that it is the reasonable way to go.

ASSEMBLYMAN MATTHEWS: You feel from a law enforcement standpoint it would be all right by you?

SUPERINTENDENT PAGANO: Yes. I agree with the concept as it is presently constituted.

ATTORNEY GENERAL DEGNAN: I might add to that if I can. I am meeting this afternoon at 2:00 with the Commissioner and the Chief in Atlantic City to discuss their capacity to deal with the problems presented to them by an early opening. They have had notice of the opening of casinos in Atlantic City for a long time. For the objections which have been raised in the very recent past to come up without a lot of discussion and exhaustion of the possibilities, I think, of dealing with the problem is unfortunate. There are some ways in which the State can be of help to Atlantic City and we are going to discuss that this afternoon.

ASSEMBLYMAN MATTHEWS: We intend to participate in that meeting.

ATTORNEY GENERAL DEGNAN: We would be glad to keep you informed as to the results of that meeting.

ASSEMBLYMAN CODEY: Assemblyman Villane.

ASSEMBLYMAN VILLANE: I have a rather academic question. What reason is there to speed up the whole procedure? If the ancillary people are going to be investigated the same way and if all the allied related industries are

going to have a complete investigation done, it would appear to me that the only thing you are speeding up with this temporary licensure is the principal corporation involved. What really good reason do we have and how much time are we going to save by issuing a temporary license- three months, six months, ninety days?

ATTORNEY GENERAL DEGNAN: I might address that first, Assemblyman. There are several reasons, I think, to speed up - as you characterize it - the opening of a casino. The first is one which I made reference to and that is competition. If the referendum in Florida should pass in November, in our best judgment, based on many discussions with private investors in New Jersey, ~~is that~~ there may be a disincentive to invest here and a "wait and see" attitude will develop to assess the possibilities of investment elsewhere. We don't want to lose the initiative that I think we started in November of 1976.

Secondly, a good number of people in the private investment community told us that they wanted to see the results of an operating statement for a casino over a several month period before they made a final decision whether to go with loans to additional applicants for licenses.

Opening prior to the summer and taking advantage of - which is a third benefit - the massive summer influx of tourists and the general increase in activity that that has in Atlantic City, will, before the Florida referendum and before other states move, give our private investors in New Jersey an opportunity to see what the operating statement of an existing and operating casino is.

Thirdly, the provisions in this bill, which would allow the appointment of a conservator on the denial of a permanent license or on the revocation or subsequent denial of a renewal of a license, I think insures that an operation, once begun, will be a continuing operation and that we won't have a stop-and-go type of situation and will have an operating entity available for analysis and scrutiny, both by private investment and for law enforcement purposes.

I think the advantages to the State are well worth moving more quickly to get a casino operating.

ASSEMBLYMAN VILLANE: Why don't we just put more people on the job to do this, as the law requires?

ATTORNEY GENERAL DEGNAN: I think, Bob, maybe I will let you address that question since your Division technically performs the investigation which is then presented to the Commission for decision.

MR. MARTINEZ: Assemblyman Villane, you reach a point of diminishing return, even in an investigation of that scope and adding more people does not necessarily improve your time frame or accomplish tasks that cannot be done concurrently, but rather in series, any faster. We are moving along. I am satisfied that we are doing it as fast as we rapidly can and the infusion of additional manpower would not change the time frame.

ASSEMBLYMAN VILLANE: The State of New Jersey is going to buy a race track and they are going to do a feasibility study, spending probably about \$40 million of taxpayer's money within 30 days, and it seems like that investigatory type talent is available in some areas and now in an area like this we don't have that kind of investigatory talent.

ATTORNEY GENERAL DEGNAN: If I may address that, Assemblyman, there are vastly different considerations which go into the acquisition of a race

track as opposed to the statutory standards which have been created in this bill for the application of a license to be granted. As you well know - and it is not an item relevant to this consideration - a lot of work has already gone into the feasibility analysis of the success of the race track. The feasibility analysis which will be participated in by the financial institutions which had expressed some doubts about the wisdom of that proposal can fairly be done within that period. It is a financial analysis; it is not a law enforcement investigatory procedure.

ASSEMBLYMAN VILLANE: Is there anybody that you know of that will take advantage of the temporary licensure now? Do we have candidates for that kind of licensure available in the State of New Jersey that we know about?

MR. MARTINEZ: We believe we are going to hear from the industry later in these hearings, Mr. Villane, and we will look forward to hearing their comments in that respect too.

I think it is important to note that this legislation would not only have the effect of moving things along in the current calendar year but would be there for all time. It is quite possible, under all studies that have been done both by government and by private institutions or organizations, that we could easily foresee a situation in which we have five or six applicants, two or three of whom are ready to go in terms of facility and the capacity to cope with them and not compromise our standards.

ASSEMBLYMAN VILLANE: I have one last question. How many applicants do we have for casinos in Atlantic City right now?

MR. MARTINEZ: There are two applications before my Division.

ASSEMBLYMAN VILLANE: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Gormley.

ASSEMBLYMAN GORMLEY: Just to go over the chronology with regard to a voting trust set up - because there has been some confusion with regard to this and I would like to get it clear in my mind also - the voting trust would be executed at the time that the application was made for the temporary permit, is that correct?

MR. MARTINEZ: That's correct -- executed meaning that the legal documents necessary to create it are executed.

ASSEMBLYMAN GORMLEY: Yes, but it would in effect be a contingent document upon action by the Commission?

MR. MARTINEZ: That's correct.

ASSEMBLYMAN GORMLEY: In other words - to give an example - if an officer of the corporation should be found to not have the appropriate qualifications then the voting trust agreement would then take effect, is that correct?

MR. MARTINEZ: That's correct.

ASSEMBLYMAN GORMLEY: Now, it is not clear, as presented. Would the trustees be appointed at the time that the voting trust agreement takes effect or at the time of its initial execution?

MR. MARTINEZ: They would have to be named in the trust indenture at the time of its initial execution and qualify before a temporary permit could be issued at all.

ASSEMBLYMAN GORMLEY: So, the trust agreement would be executed with the names in that agreement?

MR. MARTINEZ: Yes.

ASSEMBLYMAN GORMLEY: Okay. I have no other questions.

ASSEMBLYMAN CODEY: Assemblyman McManimon.

ASSEMBLYMAN MC MANIMON: Has any other state or government moved in as conservator?

MR. MARTINEZ: Not in the casino field at all. I believe that there have been instances, for example, in the Public Utility field where legislation such as this has been implemented in the case of mismanagement of various utilities. Of course, the concept itself draws some of its conceptual roots from the receivership act, which is a fairly common device.

ATTORNEY GENERAL DEGNAN: In addition, under New Jersey law a court can appoint a custodian where there is a deadlocked corporation, for example, to run and conserve the assets of the corporation for the benefit of its creditors. We have drawn upon all of those models, collectively, in this idea.

ASSEMBLYMAN MC MANIMON: One other question. One other area I am concerned with is, it says the conservator is charged with endeavoring to sell, assign, convey, or likewise dispose of all the property of the former licensee. However the Commission is empowered to direct the conservator to retain the property and continue the operation for an indefinite period of time. I assume if one of them defaults and you get into this area, this then tells me that the Commission has the right to continue to operate the casino. Now, is it like a state take-over of the track?

ATTORNEY GENERAL DEGNAN: The conservator would be fully empowered to continue the operation of the casino for however long it takes for him to reasonably be able to sell that casino, pending the exhaustion of any appeals in the interest of the State, the public, and the beneficial title holders. He stands, by the way, in what we call in the law fiduciary obligation or relationship to the creditors and to the people who hold title to the premises as the original licensee and would be restrained in his actions as to reasonableness by the court.

I might finally point out that there is an important provision in the bill which would allow the Commission to pay the applicant corporation a fair rate of return on its investment during the pendency of the operation by any conservator. That is a particularly important provision of this legislation and I would suggest that the Commission should have the discretion to determine what amounts to a fair rate of return under the circumstances prevalent at the time.

ASSEMBLYMAN MC MANIMON: My concern here is why does the State compel them to sell outright?

ATTORNEY GENERAL DEGNAN: Our objective is to insure the continued operation of a casino. If a temporary permit is granted and there is only one functioning casino, unless the conservator were empowered to convey to an applicant who could qualify for a license, the result would be, I think, a termination of the operation and that would probably be unfortunate for the ultimate objectives. It also should be an incentive to private investment to know that continued operation is a result of some default on the part of the operator.

ASSEMBLYMAN CODEY: Assemblywoman Kiernan.

ASSEMBLYWOMAN KIERNAN: Mr. Degnan, would one assume now that all applicants for casino licenses would go this route - temporary - and that that

would be the traditional way of now getting a license?

ATTORNEY GENERAL DEGNAN: I think that any applicant for a permanent license would be authorized to take advantage of the temporary permit process. There are some threshold obligations which have to be met by an applicant for a temporary permit, such as completion of the physical facility and the availability of the premises to operate as a casino. The answer is yes, although they would have to meet those obligations which, as a threshold, are laid down.

ASSEMBLYWOMAN KIERNAN: And, according to what I read here in the Bill, the Commission has the right to not grant the temporary without any prejudice to the applicant.

ATTORNEY GENERAL DEGNAN: That's right.

ASSEMBLYWOMAN KIERNAN: So then the Commission would make a decision, given several applicants at that time for temporary licenses, about which ones they would be able to handle and which ones they would not.

ATTORNEY GENERAL DEGNAN: Conceivably, if there were several applications pending at the same time.

ASSEMBLYWOMAN KIERNAN: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Gormley.

ASSEMBLYMAN GORMLEY: On the shares in the voting trust agreement, there is a provision that reads: "...and includes all shares of the corporate entity held by all persons whose qualifications have not been determined as of that time." The voting trust itself -- would that include all the shares or only the shares of the particular person, whose qualifications have not yet been determined?

MR. MARTINEZ: The way it is written, it would not, technically, require that every single outstanding share go into the trust. It would, as a practical matter require that all controlling shareholders, go into the trust. The reason I say that is that the whole point of this procedure is to permit the Commission to move ahead in situations where the investigation of those controlling parties is not complete. So, by its very terms it would require that control go into the voting trust.

Now, on the other hand, it is theoretically possible that you will have qualified - theoretically possible but highly unlikely, I should say - the controlling shareholders but not the officers or directors of the corporation, in which case you are in the same position that you would be with a trustee - namely, you have qualified people in a position of control.

ASSEMBLYMAN GORMLEY: It is just that in the Act itself we only set forth the one category as to all persons whose qualifications have not yet been determined and it doesn't specifically enumerate those controlling shareholders in the particular temporary provision.

MR. MARTINEZ: That's correct and, once again, so everyone understands it, it is possible under this proposal to have a controlling shareholder qualified by the Commission and therefore only minority interest go into the trust indenture. It is possible to do that. But, again, you are reaching the same result which is, you have qualified the controlling interest-holder, either by virtue of the fact that you have controlled the shareholder himself or you have qualified his trustee.

ASSEMBLYMAN GORMLEY: So, the trust agreement relates only to those shares for which there has not been a qualification as of that time? For example, if 75% have qualified and 25% haven't, the trust agreement relates

to only 25%?

MR. MARTINEZ: That's correct.

ASSEMBLYMAN GORMLEY: Thank you.

ASSEMBLYMAN CODEY: Mr. Martinez, would you say in retrospect, looking back to what we did last year, that you still feel that the Act is as tough as you thought it was last year?

MR. MARTINEZ: It is tougher than I thought it was.

ASSEMBLYMAN CODEY: So, maybe some second-guessers are second guessing themselves.

MR. MARTINEZ: Well, I don't think there is any second guessing.

ASSEMBLYMAN CODEY: There is a man at the desk behind you shaking his head.

MR. MARTINEZ: I don't think there is any second guessing going on here in any respect. We knew then what we would have to do. I think we have much more confidence now in our ability to do it. Therefore, I feel much more comfortable with this kind of a concept.

ASSEMBLYMAN CODEY: Let me ask Mr. Degnan something. Would it be true to say that in addition to the opening of a casino for the summer because of the possibility of competition from other states, that another possible value to this legislation is that we have read a lot about proposed casinos but, yet, we haven't seen anybody turn any shovels and start building? It would seem to me from what I have heard that a lot of investors are waiting to see what happens to the proposed licensee, Resorts International, to see whether or not they are successful. So, it would seem to me that if we were to allow a casino to be opened this summer that it would speed along investors and they would open up the pocketbook, so to speak, and help other potential applicants. Would that be correct?

ATTORNEY GENERAL DEGNAN: That is absolutely correct, so long as you can do it without diluting our law enforcement capacity, which would have a net long-term detrimental effect. This bill reaches the correct accommodation, I think, between those two interests. But, you are right, it would be an incentive.

ASSEMBLYMAN CODEY: So, in addition to opening one casino, it would speed up other casinos that are along down the road?

ATTORNEY GENERAL DEGNAN: Hopefully, yes.

ASSEMBLYMAN CODEY: Okay. There are no other questions and I would like to thank all three of you very much.

J O S E P H     L O R D I: Chairman Codey, Members of the Committee, I thank you for inviting me here to speak to you on Assembly Bill 1046. As you know, this bill was introduced into the Legislature last Monday. At its meeting the following day, the Casino Control Commission publicly considered and by formal resolution unanimously endorsed the concepts of a temporary casino permit in a casino license conservatorship.

The Casino Control Commission has two overriding concerns. The first is to implement the will of the Legislature in utilizing casino gaming as a unique tool of urban redevelopment for Atlantic City by attracting new investment capital, creating new jobs and restoring Atlantic City to its position as the major hospitality center of the eastern United States. The second and equally important concern of the Commission is to maintain public confidence and trust in the credibility and integrity of the casino gaming industry. The Commission's endorsement of the proposed legislation is based upon the fact that it strikes a fair balance between these two potentially competing considerations. Simply stated, this bill shortens the time within which a casino can be opened in Atlantic City, and extends the time within which the Division of Gaming Enforcement must complete its investigation of an applicant for a casino license. This bill will bring closer today when the first casinos are going to open their doors to Atlantic City; thereby ushering in a new era of economic redevelopment.

We are confident that if this bill is adopted, the Commission could with the cooperation of all parties concerned process the first application for a casino license before the summer months. At the same time, this legislation would permit the Commission and the Division of Gaming Enforcement to make the kind of full and in-depth investigation which the Casino Control Act now contemplates. Moreover, this investigation would be freed of the economic pressures which presently exist. Any risk of permitting an applicant who has not yet been qualified by the Commission to operate a casino for a limited period of time is tempered by the fact that such an applicant would be scrupulously attentive to the operating conditions imposed by the law during the period in which his plenary casino license application is pending.

The concept of the casino license conservatorship adds to the law the factor of stability and continuity. No longer would the Commission be forced to choose between closing down an ongoing casino hotel operation thereby adding thousands of people to the ranks of the unemployed, and allowing a marginal casino operation to continue. The conservatorship is the ideal mechanism for keeping casinos open while insuring that they are clean.

As you will recall, the Commission by resolution requested the Legislature to amend the Casino Control Act to provide for durational residency requirements for employees of the casino hotels. The Commission supports these provisions which will help to insure that the people of New Jersey derive the primary economic benefit of this venture in the form of the many jobs which will be created. The provision of the bill relating to publicly held corporations will stimulate additional investments from foreign corporations in Atlantic City casino hotels, extending the eligibility criteria applicable to persons who may seek casino licenses to those who propose casino hotel projects which may take up to thirty months to complete reflects a more realistic appraisal of the time necessary to construct the major hotel complex, and will further stimulate investor interests in the industry.

In conclusion, I would like to reiterate that the Casino Control Commission unanimously supports the concepts of the temporary casino permit and the casino license conservatorship. As Chairman, I will be glad to answer any questions you might have.

ASSEMBLYMAN CODEY: Thank you, Mr. Lordi. Are there any questions?  
Assemblyman Gormley.

ASSEMBLYMAN GORMLEY: With regards to casino hotel personnel and the three-month period that is allotted for them, I am curious about the three month residency requirement that is in the amendment. We have six months for key casino personnel and casino personnel. With regard to the hotel personnel, why wasn't that done? I would assume that six months would be a suitable period also for that.

MR. LORDI: I think there was a legal problem involved, if not a constitutional problem. The duration for residency as recommended by the Casino Control Commission to the Legislature has no specific time period, because we recognized that we would have to - as I say - confront ourselves with major constitutional decisions and legal opinions that have been rendered by the courts. But we recognized one, and it was based on this position, that it would take much longer to investigate an applicant for a casino key employee license than it would for a casino hotel employee license, and the basis of the duration of residency is predicated on the time that it would take to conduct an in-depth investigation. We would love to see the residency for casino hotel employees rise to the level of six months, but we fear that if it did, it might not be able to meet those Constitutional requirements that I made reference to.

ASSEMBLYMAN GORMLEY: So what you are saying is, the rationale that is used is the duration, because you can't make the application without having to have established the residency, so it is based upon what is considered an approximate check-out time for the individuals.

MR. LORDI: That is exactly right.

ASSEMBLYMAN GORMLEY: But, was the fact considered that the casino hotel personnel, the category that is only three months, that that is a job category that, because it requires the least amount of training and whatever, is the most susceptible to people from other areas coming in?

MR. LORDI: It may very well be the most susceptible for people of other areas coming in, but I would think that then we might be able to place more people from Atlantic City, New Jersey, in those jobs. That is the reason why we want to have some kind of a duration of residency. But the fact is that with casino employees, for example, casino key employees, it is most difficult to find in New Jersey the kind of resident that has the experience, for example, to hold that job. That is why it is so important to get gaming schools running as quickly as possible. But I would think, if anything, there are people in New Jersey that can fill those jobs that you make reference to.

ASSEMBLYMAN GORMLEY: Yes, I think that is where we have the major job problem in New Jersey.

MR. LORDI: We would still like to see some of our residents trained to hold those more important jobs. That is why we think training programs and training schools are absolutely essential if we are going to carry out the statutory mandate.

ASSEMBLYMAN GORMLEY: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Matthews.

ASSEMBLYMAN MATTHEWS: The provision for a temporary license is six months with a three month extension. Do you feel in your judgement this is sufficient time to complete your investigations? And if it isn't, what happens after nine months?

MR. LORDI: Well, I really think that a question such as that would better be answered by the Director of the Division of Gaming Enforcement since the Division of Gaming Enforcement has the responsibility for conducting the background check, but I myself personally, addressing myself to the question, would have no objection if the time period was extended until such time as the Division of Gaming Enforcement had completed its investigation. I think they would be able to do it in a period of nine months, but assuming it did take ten months I would think perhaps a change or a revision in the proposed amendment might respond to the question that you have just posed.

ASSEMBLYMAN CODEY: Assemblywoman Kalik.

ASSEMBLYWOMAN KALIK: I just have one question, and I am not sure that you are the proper person to address this to, Mr. Lordi. It has to do with that residency requirement again. When I was discussing this bill at my dinner table last night with my family, the question was raised as to why don't we qualify people as residents if that is their voting address. Does anybody know any reason why that is not used?

MR. LORDI: I don't quite follow that.

ASSEMBLYWOMAN KALIK: Why doesn't where they vote from--- In other words, if they are a registered voter, that would make them a resident, and you would know that they were a resident because of that reason.

MR. LORDI: Well, I would imagine--- I don't know whether or not the legislation addresses itself to that, but I would assume that in determining residency one of the factors that the Division and the Commission would look to is to see whether or not they had, one, a voting address. It would be a factor, but it would not be necessary under the proposed amendment.

I would imagine there are a few people - not many I hope - that are not registered at all and who do not have a voting address.

ASSEMBLYMAN CODEY: Mr. Lordi knows, from being in Essex County, we have had several problems with what constitutes residency in voting.

ASSEMBLYMAN VILLANE: I just don't think that being a voter should be a requirement to be an employee of any corporation. I think that is highly discriminatory. Many people are turned off by elections and everything else, and they don't register to vote. That should not preclude them from working, although I agree wholeheartedly that we generate employment in Atlantic City. But we should require residency in the State of New Jersey.

ASSEMBLYMAN CODEY: Are there any other questions? If not, thank you, Mr. Lordi.

MR. LORDI: Thank you.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Michael Siavage, Executive Director of the State Commission of Investigation.

M I C H A E L S I A V A G E: Mr. Chairman, Members of the Committee, I would first like to thank the Committee for granting the Commission the opportunity to be heard in this proceeding which undertakes to consider the first important

alteration in New Jersey's statutory casino control mechanisms. The Commission has been studying the proposal since the time of its announcement, as it studied the initial legislation, with the primary purpose of that evaluation being whether the statutory framework properly protects the industry from possible incursion by organized crime and other undesirable elements.

At first blush, of course, a provision which grants licensure of any nature without completing background investigations of all involved entities and individuals appears to create a diminution of the safeguards in the initial legislation. Knee jerk reactions, however, should always be avoided and are singularly inappropriate in an area such as casino legislation which presents counter-veiling considerations on almost every imaginable issue. Thus, the Commission has sought to examine the advantages and disadvantages of the proposed amendment in order to arrive at the ultimate conclusion. The disadvantage of temporary licensure ownership interests without a complete investigation is, of course, obvious. The correlative advantages, therefore, of the instant proposal must be substantial and, in the Commission's view, are.

Of primary importance is the fact that the amendment under consideration supplies the framework for the protection of the investment of legitimate interests during the pendency of the application process and thereafter. The lack of such protection and the resultant timidity of established financial institutions will be proportional to the attempted incursion by unsavory financing. Such fiscal undermining of the casino operation at its incipient stages is sometimes difficult to detect and is disastrous in its ramifications. With regard to this issue, the amendment under consideration provides a more healthy atmosphere than did the initial legislation.

Secondly, the amendment provides a substantial lessening of the pressure upon the investigatory arm of New Jersey's casino bureaucracy. The decision to deny or suspend will be aided by the realization that the machinery is in place for an ongoing casino operation and that fact should make the decision easier. Additionally, the spectre of hastily completed investigations with regard to those ownership interests based upon the growing feeling to "get on with it" should be completely alleviated.

In the Commission's judgement, then, these two primary advantages outweigh the aforementioned counter-veiling consideration and have been the two important contributing factors in the Commission's judgement to support the concept which the amendment suggests. That conceptual support - let me quickly add - however could be increased by changes in the present amendment which will further limit any involvement of possible incursion. Specifically, I refer the Committee to page 19 of the bill under consideration and Sections 21G and J. What I will do is summarize the position that the Commission will take in, hopefully, further sessions of this Committee, at which time those amendments can be worked on.

In response to questions, I will become as specific as the Committee would like me to on this occasion. I am sorry, excuse me, I am speaking of page 16, Section 21G and then page 17, Section 21J. For the first comment, if I can put it in general terms, the Commission will be suggesting to this Committee that Section G contain within it the requirement that the voting trust be triggered when individuals other than solely the two named in Section G are found to be unqualified. In other words, it is the Commission's belief that Section G should be

brought into line with the appropriate section of the Casino Control Law which requires licensing of certain named parties within the corporation.

Secondly, Section J of Section 21 presently gives the Casino Commission the opportunity to engage in a decisional process on whether to grant the temporary license in the first place, but does not, in the Commission's view, sufficiently specify exactly what that framework includes, that is, what is the process for the granting of the temporary license. Those, in general, are the two areas that the Commission will be suggesting to the Committee at a later time, and I will respond to any question now.

ASSEMBLYMAN CODEY: Thank you, Mr. Siavage. Are there any questions?

ASSEMBLYMAN MATTHEWS: Could you go over that Section J again a little bit? I am not quite clear on that issue.

MR. SIAVAGE: It presently says that the temporary casino permit will best serve the interest of the public with particular reference to the policies and purposes enumerated in Section One of this amendatory and supplementary act. What that means in our opinion is that the Casino Control Commission will have an opportunity to engage in some kind of decisional process before it grants the temporary permit. What the responsibility will be with regard to the Casino Gaming Enforcement Division as to how far they investigate with regard to an applicant for a temporary permit and exactly what the standard of proof is before the Commission, and the procedures before the Commission, for the granting of the temporary permit, they are not presently in place in the amendment and the Commission will be suggesting that that framework be further specified.

If I might add, I think Commissioner Merck made the same kind of suggestion to the Committee in a copy of his letter to his representative.

ASSEMBLYMAN MATTHEWS: I have one more question. Now, with something like this, what are we talking about in terms of time being involved?

MR. SIAVAGE: I think that is one of the questions that the Committee has to undertake. It may be that the only limitation that you may want to give, or the only suggestion that you want to give, to the Gaming Enforcement Division is that within thirty days or forty-five days they report to the Commission on what is available on a particular applicant.

The underlying idea is to get at an obviously unqualified applicant for a temporary permit; in other words, avoid the situation where we put a temporary permit in the hands of someone who would obviously be unqualified at a later time.

ASSEMBLYMAN MATTHEWS: I understand that. I am thinking of the time element. I mean, you could take this temporary thing, and the permit could be issued before the temporary one was approved.

MR. SIAVAGE: Well, I think, of course, if you made the time period too long, you would totally undermine the purpose of the legislation and that is something you have to take into consideration if we are going to get involved with time periods.

ASSEMBLYMAN CODEY: If I understand, Mr. Siavage, your question on Section J was as to criteria to be used for the granting of a temporary permit, correct?

MR. SIAVAGE: Yes.

ASSEMBLYMAN CODEY: I just want you to know that I have raised those same points. And these same points are still on my mind as to what the criteria should be, but I want you to know, we are thinking along the same lines.

Let me ask you another question: Since you were not the Executive Director at the time we drafted the legislation, do you feel now there are sufficient safeguards? In other words, does the bill as presently written do the kind of a job, in keeping organized crime out, that we had always talked about?

MR. SIAVAGE: What the Commission said on the occasion of the passage is still its opinion, that the legislation that was passed was a moderately firm first step at the casino framework that protects the interest of the public against the kinds of interests that we are talking about.

ASSEMBLYMAN CODEY: So it has worked that way too?

MR. SIAVAGE: Well, that remains to be seen, I guess, in a substantial respect.

ASSEMBLYMAN CODEY: Well, we have had a year go by.

MR. SIAVAGE: Yes, yes, the Commission's area of consideration now is outside the direct application process in the kinds of investigations that Mr. Martinez is doing, and more in the area of what Colonel Pagano talked about this morning in these ancillary businesses that are created by casino legislation.

ASSEMBLYMAN CODEY: Thank you very much, Mr. Siavage. Our next witness will be the Reverend Dudley Sarfaty of the New Jersey State Council of Churches. By the way, let me state now that my intention is not to break for lunch, because we do not have that many witnesses scheduled, so I think we can easily end within an hour.

REVEREND DUDLEY SARFATY: Mr. Chairman, I will try to contribute to that hour being a brief hour instead of a long one, and I will give copies of my statement later to your Committee Aide. I would like to extend my appreciation to Mr. Bockelman for his making the text of the bill available to us. And I will try to be brief even in the presentation of my formal remarks which you can have in writing for the record.

We are concerned that there is a lot of misinformation or lack of information in the public mind, and even the press, because of the speed with which this law has been brought to you with regard to the meaning of the word trusteeship. Initially, we even thought that trustees would operate during the temporary license period, and not be in a fall-back position as they now are. So we have even a couple of paragraphs in our statement that do not hold.

The section that Mr. Siavage pointed to is one that is of concern to us, and that is in the printed bill on page 16, Section G, which I believe is part of line 21 of the first line of Section G, and line 30 on that page reads, "The voting trust agreement may become effect at such time as any director ..." -- and so forth. It is our judgement that the public would be more confident, and perhaps the law would be better enforced, if the trust agreement should become effective by the acts of the Legislature, your Committee and your correlative Committee in the State Senate. It may be that the judgement of the Casino Control Commission might be tougher than you or I might personally be, and yet I think the initial position that we took was that the control of the new industry in the State should be in the hands of the legislation, and not in the private good judgement of you, us, or the persons who were not yet named to the Casino Control Commission. So we feel that the trusteeship ought to be activated automatically.

We have a suggestion that the temporary profits for the period of temporary licensure should be used by the State for housing for all the people who

are being displaced in Atlantic City, for whom there seems to be a little less concern than there is for the quick passage of this bill or for the affirmative action officer of the Casino Control Commission, and the assurance that the affirmative action provisions which are helped by the residency requirement will operate during the temporary licensure period. If we don't live up to providing faithful keeping of the promises to the persons who had voted for this bill, and see they get job opportunities who have lived and worked in Atlantic City in the past, if we don't do this during the temporary period, then their entry into the industry seems to be foreclosed to me, and it is very important that we do this.

It also has a value in terms of persuading the citizens of New Jersey that the pressures to do a valid thing do not create the impression that an invalid thing is being done. The citizens of the State voted for the casino industry to come to New Jersey, but there is a lot of uncertainty in their minds as to how carefully it is being carried out. I must say, there is a lot of confusion. The radio in Philadelphia said, as I drove into town this morning, that if you passed this bill, and the Senate passed the bill, Governor Shapp would sign it and it would become law.

ASSEMBLYMAN CODEY: It is Governor Byrne.

REVEREND SARFATY: Now, if that is the level of understanding of what is going on here--- I know which Governor is the Governor of which state, but I am a little bit concerned that if we are getting into that level of confusion, we are getting a little bit too confused.

If the law enforcement officials think that Atlantic City should have gotten its act together in terms of law enforcement personnel and the means of financing them, and if they only now begin to raise a question about the lifting of CAPS - and I have sat in the balcony and heard discussions on CAPS and your caution about changing CAPS - it does create a worry. I think that holding this legislation is like saying Ceasar's wife is above suspicion. That is one way to assure the citizens of the State of New Jersey that the right thing is being done here.

There was a discussion in the press that some of the applicants for casino licenses would like to have clean bills of health so far from the Casino Control Commission or the Division of Gaming Enforcement. I really hope that you will see to it that no public comments are made about anybody, or half promises, in the press or in the law.

I would like to suggest some details, safeguards. Now, I never knew Ceasar's wife, but I gather she was above suspicion. I don't think that an honest person is going to be impeded in the progress of his business or in any way defamed if the honesty that he intended to carry out in any case, or she intended to carry out, is confirmed in the law. So we would suggest there be no relaxing of the provisions of the Casino Control Act in any way during the temporary period. We would suggest further that short range restrictions be at least as tight as those that exist for long term permanent licensees, key employees, and so forth, and we are suggesting to the Committee that for the period of temporary licensure if there be any such thing as criminal conduct or conduct that scandalizes the Control Commission, that the penalties be even higher than they would be during the period of a permanent licensure. Our goal in doing that is to assure the citizens of New Jersey - not that we are expecting anybody to commit any crimes, or that you are in the temporary license period - that this is not a shortcut,

that it is a speed up that has a rationale behind it and it is not grounds for becoming more and more suspicious about the State of New Jersey and the operation of its government. We would suggest that there ought to be public hearings that are held at accessible times and places for the granting of temporary licensees by the Control Commission.

The standards for the conservators and trustees, I think, are still important even if they don't take over the business immediately upon its beginning and we do not see, although we are told they are going to be equally strong, how that is spelled out in the law. We would like to be sure that they are at least as legitimate as the key employees were going to be under the Casino Control Act, and we are suggesting if any of them be caught in any violation, the penalty upon them would be even higher than the penalty on a key or major stockholder of a casino corporation, and we would suggest that they must make adequate disclosures before they be given these jobs, and if they disclose inaccurately or in bad faith, they be banned from Atlantic City and from this industry. Equally, we would suggest that the conflict of interest of state employees, elected officials, be raised for the period of the temporary license and that the standards for legislators be unambiguously clear. That is to say, we would ask you to ask no legislator to vote upon this bill who has any undisclosed interest, and a disclosed interest, and if such a person should keep secret a disclosed interest, that their role in the State Legislature would terminate. That is obviously a strong suggestion, but we think an important one, because we do think that we have to distinguish between the legislative role and the roles of people who have legitimate business interest in the operation of casinos.

We would also suggest the - so Mr. Martinez and his friends don't have to put on masks and go hide in the pits - one thing that the Assembly discussed last time around, and that is the establishment of electronic recording of the receipt of money and tips at the tables be instituted. We think this will prevent any money being diverted along the way if the moment it is received it is recorded by little push buttons that put it on a computer, and put it on a little read-out dial. So, those are our primary concerns. I will leave you copies of my prepared remarks which spell this out in great detail. (See Appendix, page 1x.)

Certainly, it is impressive to see the law enforcement officials of the State speak out in favor of this procedure. There doesn't seem to be anybody, Democratic, Republican, or in the Administration who is opposed to it, and I imagine before my birthday, which is April 3, this will be passed. But we are concerned that it be passed well, for the sake of the citizens, and even, if it may surprise you - from your say-so - for the sake of industry. We will all be a lot happier and the State will be a lot better off.

In Mr. Degnan's presentation, he suggested that the voting trustees have the ultimate control and needed to be qualified, as qualified as a licensee. I don't know how you are going to be able to do this without slowing down your time frame, but I certainly hope that you don't cease to do it. I hope that you do find a way to provide law enforcement in Atlantic City even if they have been a little slow getting their act together. Thank you, Assemblyman.

ASSEMBLYMAN CODEY: Thank you very much, Reverend. Our next witness will be Mr. John Trez of the Providence Bible Academy.

J O H N        T R E Z: I would like to thank the members of the Committee for allowing me to appear here. It is the first time and only time I will come to a public hearing. My name is John Trez, and I am the principal of a private school in the shore area of the State. This is my interest in coming here.

I bring to this hearing a concern which should be considered very carefully, and very honestly, by both the supporters and the opponents of this proposed legislation. To those who support casino gambling, we know what the result of the 1976 referendum was, approximately 1,500,000 yes, and 1,200,000 no. To those who oppose casino gambling, we know what the result of the 1974 referendum was - approximately 800,000 yes and approximately 1,200,000 no.

May I now submit to all of you, to both sides, the number of votes that were not counted! In 1976 there were an estimated 1,427,000 of these uncounted votes; 1,427,000 voices which were not heard, and these uncounted voices were children of school age attending public schools. Now, when you add to that imposing number all the children of private schools, their number swells, and if you add to that all the children too young to attend school, the number becomes staggering, and you add to that all the children who are yet to be born, and that number becomes a matter of conscience. What we as supposedly responsible adults are saying to ourselves and to this younger generation and to all the future generations is this: That one day we happened to take a vote to decide a question, a question that we had no moral right to consider as a voting matter in the first place. If the best interest and welfare of all these children had been sincerely in the heart of their elders, these two referenda would never have been foisted upon these unsuspecting and trusting children. Unfortunately, all the children of this State cannot come to this meeting to speak in their own defense. Unfortunately, at times, children have no choice but to depend on us for the right reasons, so on behalf of the children of this State I wish to speak, not claiming to be their official spokesman but urging you to consider what is right.

I feel that everyone of us in this Assembly knows what it means to be a child. Whether a person is against casino gambling or in favor of casino gambling, I would think that there is or should be a special place in everyone's heart for a child. Growing up is difficult enough, but it is hard to grow up today. Being a child just isn't the same. Today's teenagers are taught to entertain themselves with R-rated and X-rated movies, while alcohol and drugs are the new playthings of childhood. And now we feel perfectly justified to expose children to the additional burden of gambling. In all the furor, folly and vice, which we mindlessly generate as adults, it is always the children who must suffer. Someone must say what none of us really wants to hear, that we have been shortsighted and selfish and that we have failed miserably in our moral obligation to give any consideration to this sizeable yet neglected minority. We have not seen them because we are being blinded by money. We have not heard them, because they are without influence. We have offended them with the Casino Control Act; we offend them now with this proposed amendment and supplement, and in doing so we bring ourselves to shame and we bring the young to ruin.

In the midst of clamor over inconsequential details, facts and figures, charges and counter-charges, no matter what the issue, there is always a deadly pervasive silence. There is silence against what is wrong; there is silence

for the things that are right, and there is silence about the things that should be. And who is to blame? All of us - the people who did not vote, the people who voted no, but did nothing else, the people who voted yes because they were old and needed the money no matter where it came from, and the people who voted yes, because they were willing to let the elderly get some money as long as it didn't come from their own pockets, the people who voted yes because they needed jobs, or whatever guaranteed them the job was all right, no matter what. Who is to blame? All of us - the people who pump the money into the campaign chest to promote casino gambling, the people in government---

ASSEMBLYMAN CODEY: Excuse me, Mr. Trez. The purpose of the hearing is on the bill.

MR. TREZ: I know that.

ASSEMBLYMAN CODEY: You haven't spoken yet on the bill.

MR. TREZ: I think I can very easily, and I think now I am speaking on the bill.

ASSEMBLYMAN CODEY: If you would, please, rather than past history or anything else, okay.

MR. TREZ: I am sorry, I think that the quickness of the way in which the bill is passing through is hysteria.

ASSEMBLYMAN CODEY: No, no, I am referring to your points on the bill. The hearing is for the purpose of testimony on the bill as it is presently before the Legislature.

MR. TREZ: Yes, sir, and I think that there cannot be an intelligent discussion of the bill out of context of the original casino act which in itself is not necessarily the same thing as the 1976 referendum which the people passed.

My point is, the needs of the State are the needs of the people. I will try to delete as much as I can in the interest of time. Our primary concern should be the needs of children, not economic needs, not gambling needs, but human needs. Unfortunately, the human needs of Atlantic City were used as a pretense for the intrusion of gambling and its silent partner, organized crime. There were genuine and desperate human needs to be met, and there still are, but they are being obscured by the impersonal and anti-human priority of "the economy of Atlantic City." I would suspect that now, and in the future, the real human needs of the hardworking poor, the elderly, the unemployed, in its own ways, the children of the state or of Atlantic City will never be met as long as this economy oriented mentality prevails in our State.

I consider this Assembly Bill A-1046 and the Casino Control Act which it is intended to amend and supplement, just one more indication of the State's concern with economic imperatives to the detriment of the best interests of the people. I wish to present before this Committee two publications which are representative of the interests of two potential owners of gambling casinos in this State. The first is a copy of Playboy, published by Playboy International, or Playboy Enterprises. The cover of this April '78 issue is what children are accustomed to seeing in the stores. You can smile, if you please. The second publication is a copy of Penthouse published each month by Penthouse International Limited in New York City. Children can always look at the cover when they go to the store, and they might even pick up this cover and turn to the center and look at the photograph.

ASSEMBLYMAN CODEY: There is no need for that. If you do not continue in the proper vein, you will have to leave.

MR. TREZ: Sir, it is a technicality, I know, but children open this.

ASSEMBLYMAN CODEY: I didn't ask you to open it. You have not yet spoken on the bill, and now you are starting to show us photographs of nude girls.

MR. TREZ: You are taking it out of context, sir.

ASSEMBLYMAN CODEY: No, you are.

MR. TREZ: It has everything to do with it. If I could tell you that the economic products of Playboy Enterprise and Penthouse International --- These are the economic products we are talking about and both of these concerns are going to be---

ASSEMBLYMAN CODEY: We are here for the purpose of the bill, Mr. Trez. Now, if you want to speak on the bill, speak on the bill. I don't want to see magazines. Okay.

MR. TREZ: I don't want to see them either, sir.

ASSEMBLYMAN CODEY: Well, then don't buy them.

MR. TREZ: I bought them for the benefit of the Committee, sir. The whole point is, every issue that I am bringing up, is this what the people were conditioned to vote for in the referendum of '76, and the intent of the well-financed thought molding campaign and ulterior motives to buy out a State, even at the cost of moral standards and social and spiritual aspirations of the people. These two publications, Playboy and Penthouse are nothing more than vice. Can't we recognize vice for what it is any more? No amount of rationalizing or alibing can make truth come out of a lie, but the attempt always will be made to do so.

It is all a sham. If a pornographic magazine can use an article on spiritual matters, as it does in Penthouse as a front or counter-balance for its immoral content, how very easily purient interests will use casino gambling as a front for their immoral activities.

I would hope, or I was hoping, that I could present to the Committee these two publications requesting that they be passed on to the New Jersey Casino Control Commission. I was hoping that the Commission could review the contents, and they might consider the spiritual or moral implications these publications present, and also what they are indicative of, the enterprises which turn them out. I feel these are extremely valid and vital considerations that must be made in determining if these enterprises are really fit to assume the responsibilities and privileges of handling a New Jersey gambling license. If these are the credentials that Playboy Enterprises and Penthouse International bring with them to New Jersey, the people have every right to demand that their application for any kind of gambling license, temporary as well as permanent, should be irrevocably denied. This should be the only consideration that any business of a like nature should ever receive in the State of New Jersey. Such businesses should not feel that they are doing the people of this state any great service. We ourselves should consider the great disservice we would do to our children if we were to accept such an element into this State just for the money.

So, it is for this very reason, to safeguard the general welfare of our children, we should not be so rash in handing out temporary permits as

Assembly Bill 1046 would have us do. Assembly Bill 1046 can only provide the worse for our children, for it runs contrary to the original intent of the Casino Control Act, contrary to good sense, contrary to several recommendations of the State Commission of Investigation in its report of July, 1977. And I quote from that report, "... only the most stringent of gambling control law can thwart the infiltration of casinos and related services and suppliers by organized crime." I also have another quote, "... as the State starts from scratch to authorize and regulate for casino gambling or gaming industry, the State should impose all of the controls, limitations, and conditions on the practice of casino gambling it deems necessary and appropriate to protect the public interest..."

The SCI report further recommends, "...the licensing procedure is the primary point at which the State can weed out undesirable licenses and undesirable individuals. It is well recognized that it is harder to revoke the license, once issued, than to deny its issuance in the first place. Whether properly or otherwise, what starts out as a privilege has a way of becoming a right, once granted. Thus, it is imperative that the licensing authority be required to thoroughly review those persons who occupy positions or relationships for the casino licensee believed to have the potential to affect the quality or integrity of the casino's operations before casino licenses are issued."

I see in this bill a trend toward loose licensing already. Common sense tells us no amount of controls will ever eliminate the involvement of organized crime. And yet we have set up an invitation by legalizing gambling casinos, and showing that we are willing to risk exposing our children to stepped up criminal activity in this State by relaxing whatever controls there could be. These controls are not for the benefit or convenience of the casino owners; these controls are for the protection of the people. The best argument this proposed amendment was given by Mr. Joseph P. Lordi, Chairman of the Casino Control Commission, according to an account from the March 8th issue of the New York Daily News, "Lordi said the Commission would not announce whether the State's investigation of Resorts International was going well if the firm is issued a temporary permit." The article goes on to quote Mr. Lordi, "I think that's quite ridiculous, Lordi said, we cannot make a decision on a casino application until we get all the facts."

If this is true, a decision cannot and should not be made on the basis of a preliminary check before issuing a temporary permit, because all the facts are not in at that time. To permit a casino to operate without making a decision means that the check is inconclusive and of no value whatsoever as a determining factor in granting even what is called here a temporary permit. Mr. Lordi's words were, and again I quote, "We cannot make a decision on a casino application until we get all the facts."

The State Commission of Investigation report of July, 1977, underscores the necessity for a strong hand at the very outset. To quote, "To start weak may, as a practical matter, result in a legislative inability later to assert those greater state powers belatedly found to be necessary. Once persons have begun to operate casinos, there will be an inevitable tendency to lose sight of the privilege they are enjoying and to talk instead in terms of their rights." We may already be hearing talk of such rights. Resorts International has major reservations about this bill, one of which is that the Commission should not appoint the trustee or

conservator, but that this should be done some other way, such as through the courts. Once again I direct your attention to the wisdom of the State Commission of Investigation recommendations back in July of '77, "Those applicants desiring to obtain the privilege of engaging in casino gambling do not have the right to expect the same limitations on State powers that are applicable to other regulated industries and occupations."

It is my hope that the State of New Jersey will not further capitulate to the special interests of casino owners and will not enter into temporary deals or bargaining agreements that would compromise effective controls. According to the press, State officials are reviewing this bill for possible changes. By changing the wording of this bill, or any other bill, will not change the depravity of the situation in which the people of this State now find themselves because of casino gambling. That which is lawful should not be defined as that which is merely permitted by law, but should be that which is valid and authentic.

We have missed the whole point of the basic values of life, the whole reason. I can't conceive of loving parents having children so that when these children come of age, they will serve as fodder for a gambling economy linked to a network of vice, crime and corruption. Every road in New Jersey will lead to Rome. Every occupation, every vocation, every profession, will now be the ancillary services of Atlantic City's casinos. Every man, woman and child will make its contribution to the gambling machine, whether with their blood, their souls, or their money. The Garden State will become the casino service industry state offering all their goods and services to the great god of mammon.

Clean industries, the invincible fronts of organized crime, will perpetuate the sleaziest Sodom-and-Gomorrahs along the Jersey coast as town after town take advantage of the foot-in-the-door provided by Atlantic City. And every time a new gambling town is christened, we will be told that the people voted for it and that is what they wanted. What is next after Atlantic City? Is it Asbury Park, Atlantic Highlands, a ski resort in northern New Jersey?

For those who cannot see this far ahead, consider what is happening right now. The sponsor of Assembly Bill 2366, which later became the Casino Control Act, stated to the Assembly State Government Committee in December of '76, "It is not our desire to turn Atlantic City into a Las Vegas East, as has so often been misrepresented in the media; it is not our desire to turn Atlantic City into a gambling town. It is our desire, very specifically, to rebuild and revitalize the tourism, the convention trade, and the family resort nature of the commerce that has always thrived in Atlantic City until recent years. . ." This explanation is still expressed today. But how do you maintain a family atmosphere in the midst of gambling casinos? This family atmosphere gimmickry would only subject families to the presence and atmosphere of gambling and to the temptation to gamble.

The National Gambling Commission had general doubts that casino gambling would stimulate convention, family, resort and entertainment industries and would do so by developing a character differing markedly from that of Las Vegas. And I have as a source the Second Interim Report of Staff Policy Group on Casino Gambling in 1977.

ASSEMBLYMAN CODEY: Mr. Trez, since you were good enough to speak for a couple minutes on the bill, would you now wind up your testimony in a minute, please.

MR. TREZ: If that is what you wish.

ASSEMBLYMAN CODEY: Yes, we have given you more than enough time. You have spoken much more than any other witness. Considering the fact that you didn't really speak on the bill, would you wind it up now, please?

MR. TREZ: I just feel that what I had to say was important, because I don't think these issues have ever been brought up before. I do want to point out, however, that in the Casino Control Act, Chapter 110, Laws of 1977, Section 92, Paragraph B, there is a statement that - and this is in conjunction with the bill we are discussing - public school districts and public institutions of higher learning can obtain or be eligible for licenses for casino gambling training. I think there is much the public does not know about all the ramifications of the Casino Control Act and this particular bill.

I want to conclude with this, then, that according to the rights and privileges embodied in the New Jersey State Constitution, Article I, Paragraph 1, "All persons have certain natural and unalienable rights, among which are those of ...obtaining safety and happiness." I maintain that casino gambling is a very real and uncontrollable threat to the safety and future happiness of the children of this State. Casino gambling is the threat to every child of this state, because it threatens every community in this state.

In a newspaper interview of March 8, 1978, Casino Control Commissioner De Bona said, "... I personally would not be at all surprised to see certain interests attempt, by legislative action, to have it approved elsewhere in the State." I added the words "in the state" as my clarification.

Committees in the past have heard the testimony of former head of the New Jersey State Police Colonel Kelly and have disregarded it. Assembly Bill 2366 was blasted by U. S. Attorney Goldstein, but it nevertheless became law, as the Casino Control Act. I urge the State Legislators to listen to the people who are being ignored because of the pressures of out of state promoters and heavily financed lobbying and special interest groups interfering with the legitimate desires of the people of this State.

ASSEMBLYMAN VILLANE: What school do you teach in?

MR. TREK: I teach at Providence Bible Academy.

ASSEMBLYMAN CODEY: Are there any other questions? If not, thank you, sir.

ASSEMBLYMAN CODEY: Our next witness will be a representative of the New Jersey Citizens Casino Surveillance Coalition.

D R. S A M U E L A. J E A N E S: Mr. Chairman, ladies and gentlemen of the Committee: I am Rev. Samuel A. Jeanes from Merchantville, New Jersey, in Camden County, speaking in behalf of the New Jersey Citizens Casino Surveillance Coalition. The other officers are: Mrs. June Tenney from Ramsey, New Jersey; Mr. Edward R. Corrigan, who is a Counsellor-at-Law, living in Boonton, New Jersey; Father Thomas Murphy of Newton, New Jersey; and Reverend Howard Abbott of Camden, New Jersey.

Assembly 1046 repeats as a refrain some high-sounding phrases, such as:

Line 51 - "An integral and essential element of the regulation and control of such casino facilities by the State rests in the public confidence and trust in the credibility and integrity of the regulatory process. . ."

Line 54 - "To further such public confidence and trust, the regulatory provisions of this act are designed to extend strict State regulations to all persons, locations, practices and associations related to the operation of licensed casino enterprises, and all related services as herein provided."

Line 59 - "In addition, licensure of a limited number of casino establishments, with the comprehensive law-enforcement supervision attendant thereto, is further designed to contribute to the public confidence and trust in the efficacy and integrity of the regulatory process."

Line 63 - sounds the same chorus of "public confidence and trust."

Line 93 - echoes the theme, terming casino operations "especially sensitive and in need of public control and supervision."

Line 113 - stresses the need of vital law enforcement and the social interest of the State and that regulatory and investigatory powers and duties are in the public interest.

And Line 132 - calls for provisions that are designed to engender and maintain public confidence and trust in the regulation of the licensed enterprises.

Even before one casino is opened or even one application approved, we seem to have traveled a great distance from the advertised intentions of the casino advocates as they sought to win the support of the electorate. In their pre-election materials circulated widely throughout the State, they said:

"NO OPERATION UNTIL THE LAWS ARE ON THE BOOKS"

"Unlike other casinos which began operating before laws were enacted to control them, New Jersey will begin with a complete system. Once the referendum is approved by the voters, the Legislature will enact enabling legislation to govern every detail of casino gambling in Atlantic City."

Continuing the quote, "Respectability - New Jersey has learned from Nevada's mistakes. This time the controls will be built in right from the start."

Do we have before us now the much advertised, "Tightest controls in the world"? Even the Nevada Gaming Commission Chairman has publicly warned of the pitfalls of liberalizing the Casino Control Act which would be done by the enactment of Assembly No. 1046. The Nevada Commissioner said, and I quote, "New Jersey lawmakers are going to be penny wise and pound foolish if they allow temporary gaming licenses before full investigations are completed."

What is the motivation behind Assembly 1046 that would justify the short

circuiting of a complete investigation of applicants before they begin to operate? Is the State anxious to collect the paltry license fees to ease the taxpayers' additional burden of the cost of casino gambling? How many casinos do we need to pay the cost of the Casino Control Commission, the State Crime Commission, the Gaming Enforcement Commission with a staff of 140 lawyers and accountants, the extension of the Alcoholic Beverage Control into Atlantic City and the increase in the New Jersey State Police force? Even the State Division of Youth and Family Services in its August, 1977 periodical urged their Juvenile Aid Officers to brace themselves for the substantial increase in crime when the casinos open. And, of course, the Federal government is increasing its FBI staff in Atlantic City, as well as the work of the United States Custom Office. The Federal government is also being petitioned for funds to increase the Atlantic City Police Force as well as to construct roads and highways.

This proposed legislation should include substantial taxation of the privately owned and operated casinos. We must not forget that the 8 percent tax is not for the State, but by constitutional amendment is to be allocated to senior and disabled citizens of New Jersey for utility costs, etc.

The Press reported that the Casino Control Commission Chairman acknowledged that only one applicant who has been under investigation since January and whose probe could require another four to six months is in a position to take advantage of this liberalization of the Casino Control Act. Certainly this applicant has a vested interest. The New Jersey Election Law Enforcement Commission's report indicated lobbying expenses amounting to \$23,927.97 paid between July and November of 1976 by this applicant. The applicant also paid the sum of \$105,000 on October 28, 1976, to the Committee to Rebuild Atlantic City, in addition to guaranteeing the Committee's demand note with the Atlantic National Bank in the sum of \$25,000. The Committee to Rebuild Atlantic City was the group that then distributed thousands of dollars of Election Day street money throughout the State in behalf of the Casino Gambling question.

Why has the Legislature required any investigation of applicants at all? Could it be because of warnings from such experts as Ralph Salerno, an acknowledged authority on the underworld who told the State Crime Commission, "I see a series of silken cobwebs being spun by spiders around Atlantic City. If something isn't done, Atlantic City may get caught up in them"? Is it because of the investigatory reporting, such as the February 5, 1978 issue of the New York Times that took a full page to portray pictures of fifteen big players on the boardwalk in an article called, "the Mob Gambles on Atlantic City"?

We cannot afford to provide any shortcut to legitimize casino gambling in New Jersey. Assembly 1046 may be in the interest - yes, the special interest - of those who want to operate gambling casinos, but it is not in the public interest. Any shortcuts will shatter the public trust and confidence that those who drafted the original act seemed to desire. It will confirm the 1,180,799 citizens who voted against casino gambling that they were right and many who did not vote NO may wish that they had. To quote the former Chairman of the State Crime Commission, "The most distasteful preventive medicine so far as the Atlantic City situation is concerned, will be better from the standpoint of the State and its citizens than a surgical operation at an intensive care stage."

Thank you very much.

ASSEMBLYMAN CODEY: Are there any questions? (No questions.)

Our next witness will be Senator Perskie. I would like to say, after that, we will have the representatives of Resorts International, followed by Bally, and that will be it.

SENATOR STEVEN P. PERSKIE: Thank you, Mr. Chairman.

I just wanted to speak briefly on one section of the proposal, dealing with the residency requirements. There was one question raised earlier about that, I think when Chairman Lordi was testifying.

The provisions of the Bill 1046 parallel completely and exactly the provisions of a bill that I introduced in the Senate a couple of weeks ago in response to the request to the Legislature by the Casino Commission to provide legislative authorization for a durational residency scheme. And, accordingly, I fully endorse the portions of this bill in Sections, I think, 10, 17, 18 and 19 that deal in that regard.

I would note two points for the Committee's deliberations on Wednesday. One is, the question was raised as to why the regulations that are allowed by this language to be adopted by the Commission specify a maximum of up to six months for the casino employess and the casino key employees and only three months for the casino hotel employees. That is related to one of the justifications and one of the logical underpinnings for the proposal to begin with; to wit, that a period of durational residency is required in order to give the Commission the authority and the factual wherewithal to conduct the kind of background investigation on the various employees that they would need. There was a decision made in the drafting on those terms that a more substantive and a more extensive kind of documentation should and probably would be required for the casino key employees and the casino employees than would be required for the casino hotel employees, many of whom, as you will remember from the original statute, will have no connection whatever with the casino industry other than that they work in some non-casino related capacity for the hotel.

The second point is that if you will examine - and I have spoken to you, Mr. Chairman, about this - the statement attached to the Senate version of this bill, you will find a detailed analysis of the rationale and justification for the proposal. I would encourage this Committee in its deliberations, I presume on Wednesday, when you get down to the bill, to examine that statement and, hopefully, to adopt all or as much of it as you would think appropriate in the formal committee statement that you will release on Assembly 1046. The reason for that is that I am convinced that this particular proposal - all of the proposals, but this one in particular - should be accompanied by as detailed a legislative record and a legislative statement as is possible in anticipation of some question possibly arising later as to why we did what we did and what our reasoning was.

On the question of the residency, we did prepare on the Senate Bill a very detailed analysis of why we were doing it and I would think that would be helpful if a court later has to inquire into it.

ASSEMBLYMAN CODEY: Are there any questions? (No questions.)

SENATOR PERSKIE: Thank you.

ASSEMBLYMAN CODEY: Will Mr. Jack Davis of Resorts International and Mr. Joel Sterns please come forward.

JOEL H. STERNS: Mr. Chairman and members of the Committee, I am Joel

Sterns, attorney for Resorts International. With me is Mr. Jack Davis, President of Resorts International.

We very much appreciate the opportunity to appear before you. We have prepared some detailed comments which I have given to Mr. Bockelman and which I hope that you will have the opportunity to look through at length. I do not propose that we read them to you today, but I would like to summarize the major viewpoints that we do have on this legislation.

As the members of the Committee know, Resorts did make application and is currently in the midst of what can only be described as an extremely intensive investigation of the company, its officers, directors and employees. And this is exactly as it should be. Let me add and underline the fact that nothing that we say with regard to this legislation is intended to indicate anything other than that we welcome that intensive investigation. We believe it is valuable for the people of New Jersey, for the government of New Jersey, and we believe that it is valuable for ourselves as a company and as an entity that will be doing business in New Jersey to have this most thorough investigation continue. And if there is any thought in anyone's mind on the Committee, in the Legislature or anywhere, that we would want anything less, I wish very strongly to dispel that.

Additionally, Resorts International has invested in Atlantic City and has brought what is now known as the Resorts International Hotel to a point where it is 99 percent complete and could be ready quickly, completely, for the advent of casino gambling. Naturally, therefore, we are extremely interested in this legislation.

Again, you are very familiar and it has been commented on as to what the legislation would do and I don't intend to speak again on that. But very briefly, a person or corporation rather who would want to take the opportunity to receive a temporary permit by applying sets things in motion. The first thing is that a voting trust would be put in place. That voting trust would take control, in our case, of all of the stock of the applicant and that voting trust would be empowered to insure that the lawful orders of the Casino Control Commission are followed to the letter.

Secondly, should there be a point at which the license is granted, of course, the voting trust could or would dissolve and a regular license would issue. If a license were not to issue, then the legislation moves into the second aspect; and, that is, that a conservator or a receiver would be appointed to take control of the corporation's asset and casino and to do with it in the best interests of the State what is necessary. And, as you have heard, one of the principal interests of the State of New Jersey is to see to it in this temporary period that a temporary permit which is ultimately denied does not lead to a dislocation of jobs and of the economic interests that have already been outlined by the administration's spokesman; that is, that in the event that there should be a denial of a license that casino gambling could continue under the aegis of this conservator.

Now, with certain comments that I am about to make, that is the outline and that outline is what a temporary permit seeker would have to submit to. However, the legislation goes a step farther and, in effect, reads that even with regard to a regular license under the terms of the original act adopted June 2, 1977, an applicant must submit to a conservator who may operate and/or ultimately sell the property upon either the revocation of a license or its suspension for a period of more than 120 days. So now, getting away completely from the question of the temporary permit, the law will

now read that if for any reason the license is revoked or suspended for more than 120 day, a conservator may come into being and take over the asset.

Now, as already indicated to you - and I didn't read this part, so I will say it again now - we are not able to find an instance anywhere in government regulation of business, state or federal, where an applicant must submit in advance to such drastic consequences. Yet we believe after a thorough appraisal that we can, subject to some important modifications of this legislation which will clarify and set standards for this extraordinary grant of authority by any business applicant to a government entity -- we believe that we can live with and take advantage of the legislation. We are prepared to take this step because we know full well the controversy that, in many respects totally unjustifiably, surrounds the introduction of legal casino gambling to New Jersey. We are aware of the need to provide a standard of integrity that will demonstrate that the applicant is beyond reproach. We resent the fact, quite frankly, that from time to time we are given the impression that in this area of regulation, unlike any other, a casino applicant is guilty until proven innocent. But this is a first for New Jersey and we as the first applicant are prepared to tolerate this so that the entire experience can gain greater public confidence and awareness that the casino hotel business is just that -- a business.

The suggestions and proposals for change which follow and which I will briefly outline here, with regard to this proposed legislation, are those suggestions which we believe are required of a public company which has the responsibility to its stockholders at large and to the people who finance it to run the company prudently and in the best interests of those stockholders. With this in mind, our principal suggestions for clarification are as follows:

1. We accept the concept of a voting trust to ensure that the applicant promptly carries out the lawful directives of the Commission. We believe that the concept of a voting trust should properly be extended to a second or appeal phase of the legislation. What I mean by that is the following: If for some reason a license is denied, a conservator or receiver under the present legislation would automatically be appointed. It would appear to be inevitable that an applicant would most likely appeal to the courts the question of the denial of a license. If that should occur, we believe that it would be in the interests of the State and in the interests of the corporation as well to allow the voting trust to take actual control of the company, subject to the directions of the Casino Control Commission, and that the conservator or receiver still be appointed, but be appointed as the chief executive officer of the company, working for the voting trust.

I want to hasten to tell you that we are not suggesting here that there not be a conservator or receiver, but that we be allowed if it should happen to us - and I sincerely hope that it will not, but we are talking, of course, in theory -- but if it should happen to us, that the voting trust be empowered to hire the man or woman or people who would ultimately be the receiver or conservator as the chief executive officer. Remember this voting trust, of course, is approved and thoroughly licensed by the Commission as with the chief executive officer.

The advantage of this is that during the pendency of the appeal, the title to the company would be in this voting trust and would be in a situation where should the appeal result in a finding that the licensee was improperly denied a licence, that title could then revert to the licensee with a minimum of legal difficulties and problems. There would also be an advantage to the State in that it could easily through

the concept of the voting trust have title in the hands of people under its control, namely the voting trust, which if the appeal were denied could pass immediately to the conservator or receiver.

In the other situation - and this is about the only difference - if the receiver were to immediately take title --- First of all, I would point out to you that the legislation will have to spell out how he gets title because it does not do that. But if he were to take title and the courts were to ultimately decide the other way, then there would be the question of really unscrambling an omelette; whereas, in this case, the status quo would be preserved with regard to title to the property, although the State and the Casino Control Commission would exercise the full powers over the entity that it would if the receiver were in place. This is outlined in detail here. I would only ask you to remember that under the voting trust arrangement one or more people, independent of the company and thoroughly approved by the Commission, would, in effect, hold all of these shares of stock and exercise all the powers of the company when and if certain events occur.

The voting trust agreement or the legislation can spell out the powers of the voting trustees in terms of being able to replace the board of directors of the permittee, its officers and key employees, thus making the transfer of assets to a conservator a simple one should that need arise. We believe that this will allow the business to be run in the ordinary course of business and, during this phase, the interests of the beneficial owner and the State would be common: to run the business on a basis which will result in the advancement thereof, regardless of whether the beneficial owner reassumes control or the conservator assumes control. And this point is strictly aimed at good business practice during this interim approach. The approach which, as I say, is outlined at length and, therefore, I don't want to take your time, trusting that you will read it as you review the legislation, would eliminate many of the objections which now exist to the provisions of Sections 31, 32 and 34 of the proposed legislation, all of which deal with the powers of the conservator.

Let me just briefly say what those objections are as an alternative to this extension of voting trust. We are gravely concerned about the possibility that the actions of a conservator can make it impossible to continue the business, for example, if he were to enter into long-term contracts for periods of ten years or more during the pendency of an appeal; if, for example, he were to sell the assets of the company; if, for example, he were to compromise legal claims or debts or to order new material. So what we are suggesting to you is that under any circumstance, if somebody is going to take over the business, we should be assured, particularly during the period of any appeal, that that business will be run in the interest both of the State and of the beneficial owner of the property, and that it will not be left in such a situation that even if a later finding of a court upholds the right, that it cannot be properly run. So there should be good business judgment imposed upon the conservator and standards for good business judgment.

2. While we have recognized that in exchange for the unusual permission to open prior to the completion of an investigation we must sacrifice certain rights, prime among them the risk that a valuable business property will be taken over by a conservator, we did not contemplate nor did the original Act contemplate that the revocation or suspension of a regular license could also lead to the loss and forced sale of a valuable asset of the company. Proposed Section 31a would do

just this. We particularly oppose the idea that this extreme sanction could be imposed on the basis of a 120-day suspension. We submit that neither we nor you nor the Commission now knows what could trigger a 120-day suspension and whether this would be a fair or reasonable penalty for such a suspension. We do not like the idea with regard to a revocation either. It appears to us that once a casino is granted a regular license the penalty for revocation should be to close the licensee up. We recognize that in the early days of casino development in Atlantic City, even in the case of a regular license, the State may have such an interest in seeing casino operations continue without interruption that it may feel that it has the obligation to take this drastic step to keep a casino open. If such is the case, there is all the more reason to absolutely insist that the voting trustees and state-appointed chief executive officer in the period of appeal and the conservator thereafter be held to a standard of business which protects not only the public's and the State's interest, but protects the company's obligation to its stockholders and lenders. This would mean, among other things, that at the very least we should be assured that during the pendency of an appeal nothing outside the "ordinary course of business" as defined above should be permitted and that, additionally, the conservator or his predecessors should not sell the business on terms and conditions which are not approved by the owners, but, of course, the owner's approval may not be unreasonably withheld; that is, he has to have a basic reason and prove to somebody that it is reasonable for him to suggest that the business not be sold on the terms. And terms are quite important, whether this business is going to be sold over 10 years, 20 years, or however. These are quite important terms and these are terms which are essential to a public company which must go and raise funds in the market, sell securities, debentures, etc., and as a condition of underwriting have somebody know what may or may not happen to one of its major assets.

Similarly, the conservator or his predecessors should be required to sell the business to a buyer brought in by the owner provided, of course, that the buyer meets the standards of the Casino Commission for issuance of a license.

3. In order to make this entire concept workable, the owner of property whose license may be denied or revoked and whose property may be taken over under the terms and conditions proposed herein must be entitled to a fair rate of return on his assets which have thus been seized. Section 35 of the proposed Act speaks to this but does not spell it out. It is important that there be no misunderstanding on this point. It is easy to suggest that a public company, such as ours, which may be found unqualified for a license, should not thereafter get any profits from casino operations. However, we are not when we speak of a fair rate of return talking of profits from casino operations, per se. We are talking instead about the rate of return that the investors in a public company should reasonably expect from an asset that may be worth from sixty to a hundred million dollars, which has been, at least temporarily, taken from them. Now in the ordinary course of events what would occur if an applicant were denied a license is that he would either sell or lease the property to an entity that would be approved for a license. Since the interest of the State as expressed in this legislation is the continued operation of the premises, the fair rate of return should be based on what the owner, if it were otherwise disqualified, could lease the premises for to an entity which would be qualified. We submit there is a standard in the industry for this and the standard

is detailed for you in our statement. But we are suggesting that we take less than that standard and that we take in compensation, should there be a time when this would ever occur, a return which is based, first of all, on 10 percent of the appraised value of the property, which is far less than what would be the going rate in the arm's length transaction in terms of a lease, and that we take then one-half of the profits and the other half of the profits would go to the State. When I say one-half of the profits, immediately people will think you are not getting the benefits of casino profits. I want to emphasize to you that is not the basis for this. The basis for this is to find a rational way to explain to stockholders and investors why you have given up control of a building that may be worth certainly sixty to one hundred million dollars. And we don't have to get into that detail because none of us knows what it will be worth until such time as the operation of a casino shows what the economic interest and return are.

For whatever that is worth, you are not saying, close up the license - take away the license and go away. You are saying, take away the license and give us your property. I would submit to you, and I think you can understand, that it would be impossible for us or for anyone to go into the market and raise money and to have underwriting when the underwriter must inform public investors that a casino hotel may be taken away for a temporary period of time or may be sold and that we cannot tell those investors what the possible rate of return is.

So please, I respectfully request, don't think of it in terms of profits, but think of it as: What is a reasonable return if we were to close or to be forced to close the business under other circumstances? To emphasize this point, I want to tell you that from our point of view this is an extreme sanction and one which I have already indicated, with proper clarification, we would be willing to live with. But to emphasize the point, I want to indicate to you that it would be far more acceptable for a casino applicant, such as ourselves, to get a temporary permit with the understanding that State Auditors would analyze the profit potential -- not the profit potential, but the actual profits made during the temporary permit, and should for any reason the license be ultimately denied, to pay a severe penalty up to and including all of those profits back to the State. Why do I say this is easier? It is easier because then you still have control of your property. Here you do not have control of your property. I would like to emphasize that this is an extreme sanction, but one which we are willing to submit to, provided that standards are clarified for the benefit of future investment.

Again, I would add this is absolutely essential to allow the company to take advantage of the legislation without reprisal in the form of stockholder suits, direct liability of directors for wasting assets, and a general weakening of the company's ability to stay in business because it will not be able to market securities or raise capital if there is a doubt as to the value of what is probably its most significant asset.

4. Finally, the proposed legislation as presently written provides no standard for the granting of a temporary permit as to the character and qualifications of the applicant. We fully understand that a temporary permit is being granted because a thorough investigation has not yet been completed and that, obviously, no holder of a temporary permit can be assured that ultimately a license will be granted. We can also understand the absolute interest of the State to ensure the integrity of

its investigative processes and not to compromise its sources and investigative leads. Nevertheless, we believe some standard can be found and put in the legislation which will protect the legitimate interests of the investigation and at the same time assure the government, the public and the applicant that as of the time a temporary permit is granted that it would not be granted if there was already reason to conclude that the applicant were unqualified.

5. While this covers the most important points, there follows a detailed analysis of the legislation, and I am only going to refer to two or three points of that.

The first deals with the residency requirements. We don't feel that this amendment properly takes into consideration the acute shortage of skilled and experienced casino employees, particularly at the key supervisory level that there will be on the advent of casinos to New Jersey. Certainly, if such a residency requirement is put in place on October 1st, as new casinos open, they would be unable to get qualified, experienced people and thus will inevitably bid for those few people who may already be in New Jersey and be qualified. While we are sympathetic with the desire to create as much employment in New Jersey as possible, and indeed that is why we are so anxious to open a school to train New Jerseyans for these jobs, and we believe this goal can be reached gradually and we have every intent of utilizing in our own case promotion from within, implementation of these rigid requirements too soon will create a serious manpower problem.

What we suggest is that the Committee consider the possibility of a phased-in reaching of this goal by saying that a certain percentage must be residents at a certain point in time; for example, make it 25 percent immediately, 50 percent a year from now, 75 percent two years from now, up to and including 98 percent. We never think that it can reach 100 percent. Remember what I am talking about here now is not voting residents. Voting residents could and should be expected in the State of New Jersey. What we are talking about is the six-months prequalification, which would mean that somebody would have to have lived here six months already.

Suppose that a very important person in the context of casino management were to die suddenly or retire and there was nobody in the State of New Jersey that could fill at that time, except for hiring away from another casino, that type position - a credit manager or casino manager. There must be some latitude in the Act to allow for one or two people even at the point of full residency. Now I know that this legislation spells out "discretion of the Commission" and we welcome that discretion and have no doubt that it will be used fairly. But it does put an additional pressure of time, constraints on the Commission to consider these things, and of public pressure that may be unnecessary when we are trying to reach the same goal - that is of full employment of New Jerseyans - but with some flexibility for key, crucial employees.

With regard to Section 21g of the legislation, we believe the language should be changed so that it reads that the voting trust agreement may become effective at such time as the permittee fails or refuses to comply with the regulations or any lawful order of the Commission. To give you an example, if the Commission tomorrow were to say, "you must get rid of X," who, let's say, is a pit boss or a credit person or any officer of the company -- and we are not concerned here that the SCI indicated this should apply to all key people. We have no problem with that. But if the Commission says, "get rid of person X," and indeed we do within 24 hours get rid

of person X, it seems to me unnecessary and unwise that that should trigger the voting trust. What should trigger the voting trust is when we don't comply with the Commission. So we should be given a chance to comply with the Commission's orders on whatever terms it is. If they say, "get rid of a person immediately," and we don't do it immediately, then the voting trust should come into play. But if we do do it immediately and we conform exactly with the orders of the Commission, it seems unnecessary to take the step at that point. We think that the voting trust should be triggered by our failure to comply with any order of the Commission in the time frame that the Commission specifies the order must be carried out.

With regard to 21h, the legislation now provides that the trustees be appointed by the Commission and that we may recommend. We believe that the applicant should have the duty of coming forward with trustees and that they should be accepted and approved by the Commission. In other words, these are people that are going to be taking over the voting stock of the company and are going to be operating it. It is obvious that both in our interest and in the State's interest these people be people of proven integrity with no relation to the company. But it will be necessary on the part of any applicant who undertakes this legislation to make sure that at least his major lender or bank is involved as one of the trustees because the bank is going to want to protect its interest. In addition to that, it should be readily apparent that the applicant will want to put forward the people of integrity, such as the Commission expects, and that the Commission has the absolute veto on those trustees if for any reason it chooses not to utilize them.

So we believe for these reasons that the applicant should come forward with the names and the Commission reject them if it doesn't like them.

I am going to skip over the implementation language of some of the ideas that I have given you already and just suggest as you analyze Section 24, which happens to deal with hearings later on, that one of the purposes of this entire legislation is to see that, if approved, casinos can operate quickly. There are certain time constraints which are necessary. For example, in our own case, it will be absolutely essential to have a training school and it will be absolutely necessary to order some of the machines which are "lead time" orders.

Additionally, we would like to see to it that, if we do go ahead on this route, to the extent that the Commission feels it is necessary - and I think this is particularly in the realm of the Commission to decide - that time tables for the consideration of a temporary permit and the hearing thereon be spelled out in the law so as not to have to go to the Administrative Procedure Act, which has the delays of publication, etc.

Now we do not know what is contemplated by the Commission if this should pass and we don't know whether this would be necessary, but we think the Committee should, at least, consider that so we don't lose the advantage of this Act, if it is passed, by virtue of having to wait for monthly publication of the Administrative Procedures Act.

Section 26 - and I think that this is my final point - is a matter of serious concern for us. In Section 26 of the Act, it is specified that a temporary permit will come for six months and it may be reviewed for three additional months. We have a real problem with the possibility that even at the end of that nine-month period that an action on a license will not have been taken. And, as we read the law, if action on a license has not been taken at that point, we could be subjected to this extreme situation of a conservator, even though no negative action had been taken

with regard to our license application. I don't think this is what anybody intends. I don't think that it would be a fair intent to impose a conservator where there hasn't been action and we believe that the legislation should indicate that it is intended to impose a conservator only on those terms of a disqualification and not just simply by the absence of time.

Finally, in that same paragraph, the Commission is authorized to impose a conservatorship if during the temporary operation the temporary permit holder decides to close for some reason. Well, if it were "decides to close" and the reasons were spelled out, we could understand that. But the way it stands now, again this extreme action of receiver or conservator can be imposed on a company because of an act of God beyond its control. Suppose it were a fire that put us out of business. Suppose that there was a strike not involving anything that we could control. Suppose there was any kind of weather or act of God, a list of which you could take at least an hour to enumerate. We don't think that is what the Commission implies. But the way the language is written here, that act of God in and of itself could lead to a conservator.

What I have said here and what we will be happy to answer questions on, in summary, is that we are willing to submit to what we think is rather an extreme step, provided that the standards which we think are implied here are spelled out so as to give assurance to the public investors that have to support a company such as ours or any other applicant that there will not be a taking of property without due process of law, that there will be reasonable compensation for that taking. If there is this, it will enable us to start to demonstrate that the most honest, efficient kind of casino hotel gambling which this State can be proud of or any jurisdiction can be proud of can start in New Jersey. With it, we are prepared to take the risks that are inherent in this legislation and to apply for a temporary permit. Both Mr. Davis and I would be happy to answer any questions you may have. (Written statement submitted by Resorts International, Inc., begins on page 21X.)

ASSEMBLYMAN CODEY: Do you have a statement to make, Mr. Davis?

MR. DAVIS: No, sir.

ASSEMBLYMAN CODEY: Any questions? Dr. Villane.

ASSEMBLYMAN VILLANE: In your opinion, in the selection of conservator under this legislation, who would select a conservator?

MR. STERNS: Well, the conservator would be selected by the Control Commission, I believe, and that is perfectly acceptable to us if we get to that point.

ASSEMBLYMAN VILLANE: I don't see any provisions in the law that call for an investigation or validation of the qualifications of a conservator, do you?

MR. STERNS: I don't, but we assume that since that is uniquely the State's decision, they would investigate and make their own determination. With regard to the trustees, it is clear that the trustees must be investigated and approved before being put in place.

ASSEMBLYMAN VILLANE: In the placement of a conservator in a private business on the decision of the State Commission, would that not then really have the business of gambling and hotels being run by a State employee?

MR. STERNS: Well, it depends. I suppose you could say that it wouldn't be a State employee because I am sure that he would be paid out of the proceeds of the operation and not by the State. And I am sure he would be a temporary person, much as a conservator or receiver appointed by a federal court in a bankruptcy situation. So I guess you would call him really the person who takes over and has title to the assets.

And I am sure that the State intends that he be a private person and that it really not be State-run gambling. I agree that it is not that completely spelled out, but I am sure that is the intention.

ASSEMBLYMAN VILLANE: The people of the State of New Jersey said definitely in the referendum they did not want the State to own or operate a casino and they wanted private investments and regulation by the State. It looks to me as though the State is now saying, "If we don't like the way you are running your casino, we will put somebody in there to run it until we find that it is either run satisfactorily or you comply." To me, that is the State running casinos.

Another thing I would like to find out: Is this kind of legislation in your opinion - and you are an expert in this business - designed to bring more investors into the field or would this kind of legislation exempt people that would be interested in investing in New Jersey from investing?

MR. I. G. DAVIS, JR.: If I may answer that, sir, I think it is designed to bring investors in at an earlier time and to advance the experiencing of what a casino operation will be so that confidence can be instilled in new investors.

ASSEMBLYMAN VILLANE: How far are you away from actually getting into business so that you can make available that kind of experience that we are talking about to people to show them that gambling can be successful in New Jersey? How far away from opening are you?

MR. DAVIS: Our facility, as Mr. Sterns said, is 99 percent complete. I would say it would be totally complete without any question in thirty days. Beyond that, we have only the staffing and the acquisition of certain equipment that remains to be done. I would say, provided the clearance of staffing can take place within that period, that we could be in operation in 60 days.

ASSEMBLYMAN VILLANE: It kind of blows out of all proportion the contention of the State that they need this to show investors that we can operate a successful casino. Personally, I have some serious questions about this piece of legislation, feeling that in the long run, it will discourage investors from coming into the State with the danger of the investors' money, the stockholders' money, being taken over or usurped by a governmental agency. I would think as an investor in a corporation, if I were one, that I would kind of look with a jaundiced eye at this kind of legislation. I think your investors might consider that, Mr. Sterns.

MR. STERNs: Well, this is particularly what has troubled us. But we also, as I tried to indicate at the outset, are aware that our company is the first and this is a first for the State of New Jersey and we will make every reasonable accommodation to go along with this. It could be in the hands of unreasonable people a frightening power. We have not found the Commission or the Division of Investigation to be unreasonable people. Now we are making legislation for all time. So you know you can't talk about individuals.

What we have to suggest though is that just for the reasons, sir, that you have indicated, we have to give some assurance to the people who are going to be asked to contribute the capital that there is a return on investment, that the business, if it is taken away for a short period of time, will be operated on standard business principles. That is why we are so concerned here with the standards. Believe me, we are not concerned with the investigation. It is going on intensively and it should go on intensively. But we are concerned that we be able to raise money in the

public market and that underwriters will say what is appropriate to be said about this investment, because this is not, as you well know, our only investment in Atlantic City. We propose a major new hotel facility which will require capital. And every other investor will have the same problem with regard to a major new hotel unless there can be some assurances on this issue of the possible temporary seizure of a hotel.

ASSEMBLYMAN VILLANE: One last thing, Mr. Chairman, is on the State residency requirement. It is interesting that the State appears, at least in my opinion, to be rather hypocritical in this particular piece of legislation by indicating that they would require residency a certain time prior to hiring when in State government we have no residency requirements for State employees in the State of New Jersey, no less cabinet members or people in high places drawing \$40 or \$50 thousand a year.

I agree completely that that would really tie your hands and I have bills in to require residency, but residency at least after you are hired. We have been fought all along the way by about every government agency, that they be given 60, 90 or 100 days and that it be retroactive and with a grandfather clause. So I think you have made a reasonable request for modifying the residency requirements in this bill. That's all.

ASSEMBLYMAN CODEY: Assemblyman Gormley, do you have any questions?

ASSEMBLYMAN GORMLEY: Yes. You indicated upon the appointment of the trustee or the conservator that it be - and I just glanced over your recommendations -- that it be initially the recommendation of the licensee or the permittee. Is that correct?

MR. STERNS: That's correct.

ASSEMBLYMAN GORMLEY: Do you see the feasibility of a middle ground between the provisions in the Act and your recommendation as to a member of the Judiciary making such appointment?

MR. STERNS: Well, certainly that would be possible. In actual fact, I don't consider this a major point for this reason: In order to take advantage of this Act, the trustees who must be investigated and approved as if they were to be licensed would have to be agreed on well in advance of any application. I mean, you look at it from our point of view now as practical businessmen. If we are going to take advantage of the Act, it is to gain some advantage with regard to starting. Now if it is going to take as long to license the trustees as it is to license us, then there is no advantage to it. So what we would hope - and I would assume - is that wherever the ultimate authority lies that we would as soon as possible, after the passage of the legislation, if it were on our shoulders - well, it will be either way because we can certainly recommend - either way, we will recommend or propose trustees to the Commission as the Act either way will require, and hope that they will start that investigation immediately. So these should be in place before the actual temporary permit is granted.

ASSEMBLYMAN GORMLEY: Or before application is made, before you submit yourself to this process, you would want an idea between you and the Commission of who the trustees are going to be.

MR. STERNS: That is correct, Assemblyman.

ASSEMBLYMAN GORMLEY: No further questions.

ASSEMBLYMAN CODEY: Mr. Matthews.

ASSEMBLYMAN MATTHEWS: No questions.

ASSEMBLYMAN CODEY: Mr. McManimon.

ASSEMBLYMAN MC MANIMON: One area has me very much concerned and that is

with regard to the conservator where it says he "shall endeavor to and be authorized to sell, assign, convey or otherwise dispose of in bulk all the property..." Don't you think you just forfeit the license and not the building premises, itself? The building premises may be used for other purposes.

MR. STERNS: Assemblyman, of course I think this is one of the main points. This is one of the main risks we are taking. Obviously, as I indicated to you, we would prefer a situation where, if we were given a temporary license and that license were denied, we pay the penalty up to and including the return of all of the profits that we may have gotten and that we have the building to sell, lease or whatever we were allowed to do under the law, or operate as a hotel. Now the interests of the State are, as expressed here today, that they don't want to see a casino hotel opened and then closed. They want to make sure it continues to stay open. And we have said and are saying, all right, if that is what you want to do, we will go along with it, but remember what our basic problem is, and that is that we want to be sure, first of all, that we have the right to appeal because we are not going to give up our right to appeal. God forbid that it should ever come to that, and we sincerely don't believe that it will. We aren't going to give up our right to appeal and, if we do appeal and we are successfully upheld, we want to be able to take back our business intact. And if it is not upheld, we want to be sure that we can tell our stockholders and investors and creditors of all kinds that we have gotten a reasonable amount for the hotel the same as we could in the situation had our license been taken away and had we been closed.

So with regard to the things you just mentioned, bulk sale, etc., we are very troubled by that. We don't think that those things should occur except with the approval of the owner - except that that approval may not be unreasonably withheld. Now that is legal terminology which means that, if you want to sell these assets, we have to approve it, but the only reason we can deny it is because we say you are giving away our assets, not because we don't like whomever you are selling it to or not because we want to stall you. But we would have to come forward with proof that said, look, you want to sell this for \$100,000 - we think it is worth \$1,000,000; or, you want to sell this for \$1,000,000 over 20 years and we think you should sell it for \$1,000,000 over one year. "Not unreasonably withheld," that phrase, it seems to us, gives the assurance to the State and to the Commission that we can't say, don't sell it because we are just trying to stall; but don't sell it because this is a reasonable way to sell it or this is a reasonable way to lease it. This is precisely what we are looking for in this legislation, some reasonable standards that will preserve the assets of the business for the stockholders and the creditors.

I do want to say this: If we do get in trouble, it is not the stockholders' and the creditors' fault; it is the trouble of individuals within the company. Those individuals can be dealt with or should be dealt with. They should be gotten rid of or whatever you want to say. But we don't want to penalize creditors or stockholders because, if we do, we won't have them and we won't be able to make the investments and neither will any other applicant.

ASSEMBLYMAN MC MANIMON: Is there anywhere in the present legislation any proviso which would give you that lead time so if you are notified that you are supposed to get rid of x individual, you have that time to get rid of him before

they disqualify you?

MR. STERNS: No, at this point, there is not, Assemblyman. In other words, we are assuming that what will happen in our case -- this is neither an investigative body nor do I expect you to listen to this, except as a self-serving statement -- but I tell you very properly, from our point of view, we wouldn't go into this if we thought the company wasn't going to get a license. Now that is for somebody else to decide, not us or you. However, if there is something wrong, what is likely to be wrong? What is likely to be wrong is that one individual may have to be removed or a group of individuals. There may be some employees who are undertaking something illegal. We don't think there will be. We think we can protect it and we know the State has mechanism to protect it. But if we get rid of those people, it may not inure to the damage of the license holder or the company.

One of the problems we have with this - if there were standards and we knew what were grounds for disqualification on a license, if we knew what were grounds for a 120-day revocation, if we knew all of those things because there were precedents and standards, we would perhaps not be so insistent on these points. We don't know them because we are the first. As the first, both we, as the applicant, and the State are blazing a trail and because we don't know, that's why we have to make the points that we are making today.

ASSEMBLYMAN MC MANIMON: Thank you.

ASSEMBLYMAN CODEY: Assemboywoman Kalik.

ASSEMBLYWOMAN KALIK: I missed the earlier part of the testimony. Maybe my question was answered by the Commissioner, himself. Have you been given any idea as to how much longer a regular license would take?

MR. STERNS: I think the only thing we can say is what we have seen expressed in public papers and that would seem to indicate from the original statement of the Director that it could take six to nine months. Our application was filed in December and accepted in early January. So if you apply six to nine months, the outside nine months would seem to be September. That is not anything other than what we have read in the public papers. We have been given no indication other than that of where the license stands. We do know that a very thorough investigation is ongoing into all aspects of the company and has been for some time.

ASSEMBLYWOMAN KALIK: Under this temporary permit, you would not be submitting the names of anyone other than the people that you applied for for the regular permanent or the regular license to be investigated.

MR. STERNS: That is correct, with the exception of these trustees who would in effect stand in the place of the directors of the company if for any reason the voting trust would be triggered to come into effect. Then the trustees would have to be approved and they would have to have at least the same investigation that the directors and officers of the company have. However, the trustees, hopefully, would be people of great reputation if they would agree to serve, who could hopefully because of their identity one way or the other with New Jersey or what have you be checked out in short order. Now I don't really know - and really that is out of my frame. That would be a question I think Director Martinez or Chairman Lordi would have to answer.

ASSEMBLYWOMAN KALIK: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Matthews.

ASSEMBLYMAN MATTHEWS: On these comments, have these been transmitted to anyone else other than this Committee at this particular time, such as the Governor's

Office, for instance?

MR. STERNS: As of today, we did give copies of them to the people who testified previously - the Attorney General and Director Martinez. I think our comments generally are certainly available and have been known, yes.

ASSEMBLYMAN MATTHEWS: Thank you.

ASSEMBLYMAN CODEY: Mr. Sterns, I would like to clarify something. Under our present law, if one of your directors is found to be undesirable, then the Commission can merely ask that that director be let go and the casino license could be granted to you.

MR. STERNS: That is correct, as I understand it. I don't think, as I said, there are any procedures, but that would be certainly one of the options that the Commission would have, yes.

ASSEMBLYMAN CODEY: In regard to your amendments, Mr. Sterns, I would suggest as we did last year that you sit down with us on Wednesday morning in the Bid Room. These amendments as well as any other amendments will have due deliberation given to them. I can't stress the urgency of your presence at the Wednesday morning meeting if you and any other individuals desire to have some input in the way this bill is finally shaped.

MR. STERNS: Thank you, Mr. Chairman.

ASSEMBLYMAN CODEY: I now will ask the representatives of Bally Manufacturing Company to come forward, please.

C L I V E S. C U M M I S: Mr. Chairman and members of the Committee, my name is Clive Cummis. I am a member of the firm of Sills, Beck, Cummis, Radin and Tischman of Newark, and we are counsel in New Jersey to Bally of New Jersey and to Bally Manufacturing Company, its parent.

ASSEMBLYMAN CODEY: You are also a resident of my district.

MR. CUMMIS: I am a resident of your district.

I have with me William Weinberger, who is the President of Bally of New Jersey and has been in the past the President of Caesar's Palace and is widely recognized as one of the deans of the gaming industry in the United States.

Bally will not apply for a temporary permit. It is Bally's intention, although it does own at the present time several hotel facilities in New Jersey -- it is Bally's intention to raze those structures and to create a new structure with a projected cost of more than \$83 million. And for those reasons, Bally would not be in a position to apply for this temporary permit. Notwithstanding that, Bally as the second casino applicant in New Jersey is interested in supporting any move to move forward the commencement of the casino industry in New Jersey. For that reason, the officers of Bally have asked me to appear here in support of the proposal for temporary licensing.

We are, however, concerned as a prospective licensee in New Jersey and one who would be building a major new facility and perhaps, at least from what we are able to understand publicly at this time, the only major new facility that is ready to go. We are concerned with the impact of proposed Section 31 on the financing of a major facility such as Bally's. It is not telling tales out of school to note that major financial institutions, both banks and insurance companies, who have the kind of capability that it takes to finance major construction of the nature I have just described, have traditionally refused to invest by way of mortgage

money in gaming facilities. Most New Jersey banks, even the largest, because of limitations on their right to loan and on their capital restrictions, would not have the resources to support major new facilities by way of mortgage money. Therefore, it is necessary for the new facilities to reach out to the large insurance companies throughout the nation for the kind of mortgage money that it would take to successfully complete a new facility.

We are concerned with the impact of Section 31 on those institutions. Taking into consideration their general policy of not investing by way of mortgage money in gaming and in casinos, we are fearful that the idea of a conservator may preclude a company such as Bally or others who are attempting to raise large moneys from the institutions -- preclude them from coming forward. We are concerned that the idea of a conservator might be viewed by financial institutions as nothing more than a catchword for a receiver. The idea of receiverships, of course, to banks and financial institutions is an anathema.

We are concerned that in the traditional boilerplate of mortgages and mortgage documents a conservator would be viewed as triggering default provisions, an acceleration of debt. If that were to occur, we are concerned that it would have a terrible impact on the institution and also on the casino operator.

We don't believe that enough consideration has been given to some of the practical impact that proposed Section 31 would have. For example, does the bulk sales act of the State of New Jersey come into play at the time assets would be conveyed over to a conservator? Who would fund the casino and the hotel during the period that the conservator had title? If the casino - and Mr. Weinberger has indicated in his experience that casinos will have financial ups and downs and that from time to time when casinos are suffering downs, they would have to go to bank lines to support themselves ---who during the period of the conservator's jurisdiction would put the money up to fund the facility? Would it be the State of New Jersey? I doubt it. Would it be the owner of the facility who has just lost its right to own the facility? The statute does not indicate. What would the suppliers do? Suppliers ordinarily look to the guarantee of the parent company or to the operator. Would those suppliers be able to continue to look to the guarantee of the parent or the operator once the conservator took over? We really do not have answers to those questions. But we are concerned that the practical impact of those unanswered questions may harm the industry, which is obviously an incipient industry and is struggling to get on its feet and get started.

We believe that if some thought and care is given to the solution of these questions and the questions that Mr. Sterns has posed to you, a successful amendment to this Act can be accomplished, which will be in the interest of the public and the people of New Jersey and in the interest of the proposed applicants.

Mr. Sterns has indicated that Resorts is first and they are very nervous about some of these suggestions. Well, we are second and we are equally nervous. We do believe that we would be in a position to make some more detailed recommendations to you for your meeting on Wednesday. You have been sitting here since just after 10:30 and I note it is almost a quarter to 2:00. I don't want to burden the record or you with any more detail. But we would appreciate the opportunity of submitting to you some more careful consideration in written detail of our concerns about the proposal and, hopefully, the solutions to those concerns.

Thank you. Mr. Weinberger or I are available if you have any questions.

ASSEMBLYMAN CODEY: Any questions? Dr. Villane.

ASSEMBLYMAN VILLANE: How far away are you from actually opening or building or taking advantage of a license?

MR. CUMMIS: Bally's application for license has just been accepted for filing. I am advised that it has been turned over to the Division of Enforcement for the commencement of its investigation. Bally would not be in a position to commence construction for obvious reasons until the investigation has been completed and it has received a reservation of the license. That would mean if the investigation would take between six to nine months, as has been indicated the normal course of investigation would take, Bally would then be prepared to commence its construction immediately thereafter. It has its architectural plans conceptually complete. It has filed its application for CAFRA approval and that is now pending. It has already gone to Atlantic City and the Planning Board for those approvals. And it is now in the stage of gathering its financing.

Bally is in the fortunate position of being a large, publicly owned corporation whose stock is listed on the New York Stock Exchange with a net worth in excess of \$105 million. So as a corporate entity, it feels confident that it will be able to obtain the financing to complete this \$83 million-dollar project.

ASSEMBLYMAN VILLANE: You are not waiting to see if Resorts International is successful?

MR. CUMMIS: Bally is not.

ASSEMBLYMAN VILLANE: In other words, you are committed that your proposal will be a successful one and you really don't need any trial balloons or evidence by temporary companies to see if they are going to be profitable?

MR. CUMMIS: Bally as a corporation has reached that conclusion. However, I cannot tell you that financial institutions have reached that conclusion. And I believe that much of the impetus for this recommended legislation came about because the financial institutions are sitting on the sidelines and it is the financial institutions that have to be persuaded that New Jersey is a good bet before they will put their money up.

ASSEMBLYMAN VILLANE: But, beyond that consideration, you are confident that you can get financial backing to do your \$83 million project. You don't need this additional piece of legislation that modifies the Act.

MR. CUMMIS: We wouldn't be qualified for that legislation because we could not have an approved hotel in our present status. Therefore, we wouldn't qualify for it and, therefore, we wouldn't apply for it. We are looking for permanent licensing for a new facility.

ASSEMBLYMAN VILLANE: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Gormley.

ASSEMBLYMAN GORMLEY: If I could just go over that point you just made, the point is in all probability you would have been approved for licensing while you were still waiting for the completion of the facility. In other words, you would have had a license reserved and a full review of all corporate officers, and whatever, long before the facility was completed. So you are in a different time frame structurally than Resorts International.

MR. CUMMIS: We are. We would not commence the construction of the facility until we were certain that we would be licensed.

ASSEMBLYMAN CODEY: Assemblyman Matthews, do you have any questions?

ASSEMBLYMAN MATTHEWS: No.

ASSEMBLYMAN CODEY: Assemblywoman Kalik.

ASSEMBLYWOMAN KALIK: I would just ask that those recommendations be transmitted to us as quickly as possible, preferably before Wednesday morning.

MR. CUMMIS: By tomorrow.

ASSEMBLYMAN CODEY: I have just a comment on what Assemblyman Villane has said, just to verify it. What you are saying is that if we pass this legislation and Resorts International is open this summer, and if they are successful, as you think they will be, then you feel that the lending institutions would be more ready to open up their pocketbooks.

MR. CUMMIS: Yes, we think so.

ASSEMBLYMAN CODEY: Let me ask Mr. Weinberger something. You have been in Las Vegas for a number of years. It is my understanding you ran Caesar's Palace. Let me ask you a question. Do you feel confident that Atlantic City can be a very successful casino community?

MR. WILLIAM S. WEINBERGER: That question has been asked me so many times since I moved to Atlantic City and put my money where my mouth was, I might add, by buying a residence in Atlantic City, as to why I left the most prestigious job in the entire hotel world to come here. I believe it is the greatest marketplace in the entire world and that is why I am here.

ASSEMBLYMAN CODEY: That speaks for itself.

If there are no other questions, this hearing is ended. Let me state again that Wednesday we will have our work session, at which time the bill will be put in its final form. Thank you very much.

(Hearing Concluded)

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FOR RELEASE: Monday, March 13, 1978

Trenton, Mar. 13 -- Strong amendments to the Casino Control Act are being called for by the New Jersey Council of Churches in the face of an administration proposal to provide for provisional casino licenses for would-be operators who have not yet cleared the investigative phase of the present Control Act. The Council's challenge came at Assembly hearings in Trenton in testimony by its Associate General Secretary, the Rev. Dudley E. Sarfaty, who identified the weakness of the process for instituting the Trusteeship (New Section 21 g); special safeguards required for the temporary licensing period, ( ); conflict of interest by legislators; and the spending of the profits of the casinos during the temporary license periods (New Section 21 K required); as areas of the controls most in need of strengthening.

The Council statement expressed serious concern about the speed with which the bill has been placed before the legislature and claimed that the public had been afforded little chance to learn the details of the bills provisions before today. "Such haste," the statement continues, "hardens the cynicism of the public and leads them to believe that the processes of democratic procedure in formulating public policy are being eroded by quiet agreements between the administration, the legislature, and special business interests. Citizens have had little time to become informed and to weigh the issues."

In particular, the Council of Churches challenged the legislature to invest temporary license profits for the public good in affirmative action and housing under a rewritten form of the provisions of New Section 35 of the new bill A 1046 and to at least ensure the payment of interest to the taxpayers on the money borrowed to begin casino gambling.

(more)

Full compliance with existing equal-opportunity laws, with a Control Commission member to monitor affirmative action, was another of the Council's recommendations, along with an admonition to the Control Commission to refrain from premature commitment to the acceptability of any license applicant until a full investigation has been completed.

Among the detailed suggestions offered by the Council for the plugging of loopholes were proposals for severe penalties for elected or appointed officials in conflict of interest through undisclosed interest in casinos, full trace-back of invested funds to original crime-free sources, and the full maintenance of casino control regulations during any trustee operation.

The granting of temporary licenses was another target for suggestions to strengthen the Control Act. First on the list was a request for announced public hearings for the granting of temporary licenses, followed by a recommendation of strong punishment and banishment from the industry for anyone convicted of a crime during the period of temporary licenses.

According to the Rev. Paul L. Stagg, Council General Secretary, "If we are going to have amendments to the Casino Act let us have amendments that truly benefit the public interest."

SUMMARY OF TESTIMONY ON A 1046

NEW JERSEY COUNCIL OF CHURCHES

INTRODUCTORY COMMENTS

1. COMPULSORY ACTIVATION of Trusteeship
2. Temporary License NET PROFITS for HOUSING, AFFIRMATIVE ACTION, INTEREST PAYMENTS
3. Strong, Initial, AFFIRMATIVE ACTION GUIDELINES before provisional start up
4. NO PRIOR COMMITMENTS of acceptability of temporary licensees by Commission
5. FULL SAFEGUARDS and penalties for temporary licensees
6. QUICK GUIDELINES for exclusion of undesirable persons, groups and money
7. Especially HEAVY PENALITES for violations by TEMPORARY LICENSEES
8. Temporary SUSPENSION OF CONSTITUTIONAL GUARANTEES for interim operation
9. PUBLIC HEARINGS on the issue of each applicant for TEMPORARY LICENSES
10. Stronger STANDARDS FOR TRUSTEES AND CONSERVATORS
11. CONFLICT OF INTEREST safeguards for: STATE EMPLOYEES AND OFFICIALS
12. Conflict of interest safeguards for STATE OFFICIALS WITH HIDDEN INTERESTS
13. Provision for ABSTAINING FROM VOTING BY LEGISLATORS with financial interests
14. More detailed and FOOL PROOF CONTROL OF CASH FLOW

My name is Dudley E. Sarfaty. My address is 116 North Oraton Parkway, East Orange. I am a representative of the New Jersey State Council of Churches, and its Associate General Secretary.

#### THE STYLE OF THE SUNSHINE LAW

Before making specific comments on the bill, I would express serious concern about the speed with which this bill has been put before the legislature without the public having a reasonable time, prior to these hearings, to see it published. A good bill should not require a hasty rushing through the legislative process. To do so, or even to appear to do so, hardens the cynicism of the public and leads them, and even a number of newspapers in the state to believe that the processes of government are being eroded by quiet agreements between the administration, the legislature and special business interests.

If the legislature is to keep its promises to the public respecting high quality casino control regulation, this bill should have:

1. ACTIVATION OF TRUSTEESHIP

(New Section) 21 g. that the voting trust agreement shall become effective at such time as any director or officer of the corporation or any key employee, management or supervisory personnel of the corporation is found to be unqualified or at such time as any sanction whatsoever is imposed upon the temporary casino permittee by the commission;

2. USE OF TEMPORARY PROFITS

The net profits of the period shall be paid to the Department of Community Affairs to assure the providing of housing for elderly, poor, and other citizens who have lost their homes or rental residences during the process of casino development. They shall also be used to enhance the affirmative action program of the Commission.

The net profits of the period of temporary licensure shall be a tax against the final owners and used to pay the State back interest for the funds which the public treasury has advanced for the start-up activities of the control commission.

3. AFFIRMATIVE ACTION

One of the major parties of the temporary licensee shall be designated as the Affirmative Action Officer of the Project for the temporary license period. He shall be responsible to a designated Commissioner.

The temporary licensee shall employ the same percentage of minority people as the Casino Control Act requires, in each employment category. He shall fulfill all the equal opportunity provisions of the original act.

4. NO PRIOR COMMITMENTS TO APPLICANTS

No commitment shall be made by the Commission as to the expected acceptability of any casino operator or person, based on any sort of informal reading of the present opinions of the Control Commission or its staff.

5. DETAILED SAFEGUARDS AND PENALTIES RESPECTING THE TRIAL OPERATION OF THE CASINOS WHICH ARE EVEN STRONGER THAN THE LONG RANGE ONE REQUIRED OF LICENSED CASINO OWNERS

No relaxing of any of the provisions of the casino control act or of the regulations of the Commission itself shall be made during the period of a temporary license without express consent of the State Legislature and the Governor, with a sixty day notice of any proposed such changes being made for a public hearing.

6. SHORT RANGE RESTRICTIONS

No such temporary license shall be issued to any potential operator if any one of his major stockholders, key employees or officers; or any of the potential lenders of funds, or their partners or their sources of funds, shall have been found guilty by any state or federal court during the last twenty years of any embezzlement, Securities and Exchange Violation, grand theft, extortion, prostitution, drug trafficking, record falsification, or any violation of any state or federal gambling law or regulation. The funds for any such operation shall be traced back through whatever series of interchanges may exist to an original source, pristine and above suspicion. Any violator of these amendments or the Casino Control Act itself shall be subject to triple the penalty of the usual punishment for such offense.

7. CRIMINAL PENALTIES

Any one convicted of any crime or malfeasance or nonfeasance during the period of temporary licensee operation shall be subject to double the usual prescribed penalty, and an unlimited prohibition against any employment in the casino or related industry for a period of ten years.

8. KEEPING THE STATE CLEAN IN THE INTERIM

For the temporary period projected in these regulations the usual concept of "innocence until proven guilty" and "guilt by association", shall be voluntarily surrendered until the full provisions of the Casino Control Act investigative process shall have had the chance to run their course. Casino relationships and involvements shall be considered a licensed privilege and not a constitutional right. No person with a history of suspicion of labor racketeering, loan sharking, narcotics sales or distribution, prostitution, or other traditional gang-related undertakings shall be allowed to have any relationship to the Trusteeship, or Conservatorship, legal or informal. Even the presence on the premises of such a person, more than twice, shall subject them to a fine of a thousand dollars for each violation, and a court order barring them from the city of Atlantic City for the duration of any Trusteeship as provided in this statute.

9. PUBLIC HEARINGS

No corporation shall receive such temporary license without the holding of public hearings, thirty days notice having been given for such. Any citizen who believes they can present serious matters respecting the candidate shall be permitted to testify. If the number of witnesses requires, such hearings shall be extended to further days. No hearings shall begin before 10:00 A.M. or extend beyond 5:00 P.M., and the period between sessions shall extend at least one week.

10.                   **STANDARDS FOR TRUSTEES AND CONSERVATORS**

Any Trustee or Conservator, corporate or personal, shall file a full financial disclosure form with the Commission, the Attorney General and the Division of Gaming Enforcement, and that disclosure shall be available to the public. Any omissions in that disclosure, in any way related to the casino industry or any financial business or real property considerations in Atlantic City, shall make the discloser liable to a mandatory fine of ten thousand dollars and a ten year prohibition against any casino related business, including real estate, building, liquor sales, or tourist activity within 25 miles of Atlantic City.

11.                   **CONFLICT OF INTEREST-STATE EMPLOYEES AND ELECTED OFFICIALS**

No state official, employee, may participate in the administration of this statute if any blood relative closer than cousin, or any in-law relation to the second generation shall be profiting from this industry.

12.                   **STANDARDS FOR STATE OFFICIALS**

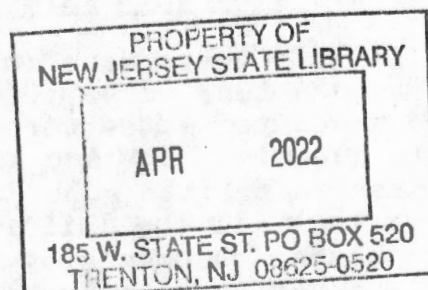
Any state official, elected or appointed, who shall be found to have profited from the transactions allowable under this statute in excess of ten dollars shall be guilty of the highest category of crime for which this statute provides, in addition to which he/she shall forfeit their office and any public office in the State for a period of ten years.

13.                   **LEGISLATIVE CONFLICT OF INTEREST**

Any legislator, who does not declare himself/herself as being possessed of a financial interest, directly or indirectly in the outcome of this legislation, and who does not publicly abstain from voting on this legislation shall be guilty of the highest level violation of public office which is presently provided in the state statutes.

14.                   **CASH FLOW CONTROL**

Detailed money control regulation control devices at the games, which record the play the moment it is received, and do not depend on the security of the black boxes...in line with the proposals of the SCI on the original Casino Control Act.



STATEMENT FOR PUBLIC HEARING

before

THE ASSEMBLY STATE GOVERNMENT COMMITTEE

on

ASSEMBLY BILL 1046

(An Act to amend and supplement the "Casino Control Act"  
approved June 2, 1977 (P.L. 1977, C. 110).

Scheduled Hearing Date: March 13, 1978 in the Assembly Chamber  
State House, Trenton, New Jersey

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: My name is John Trez  
and I am the principal of a private school in the shore area  
of this state.

I bring to this hearing a concern which should be con-  
sidered very carefully and very honestly by both the  
supporters and the opponents of this proposed legislation.

To those who support casino gambling, we know what the  
result of the 1976 referendum was: approximately 1,500,000  
YES and approximately 1,200,000 NO.

To those who oppose casino gambling, we know what the  
result of the 1974 referendum was: approximately 800,000  
YES and approximately 1,200,000 NO.

May I now submit to all of you -- to both sides -- the  
number of votes that were not counted:

In 1976 there were an estimated 1,427,000 of these  
uncounted votes. 1,427,000 voices which were not heard.  
These uncounted votes were children of school age attending  
public schools. Now add to that imposing number all the  
children in private schools, and their number swells. And  
add to that all the children too young to attend school, and  
their number becomes staggering. And add to that all the  
children yet to be born, and their number becomes a matter  
of conscience.

What we, as supposedly responsible adults, are saying to ourselves and to this younger generation and to all the future generations is this: that one day we happened to take a vote to decide a question -- a question that we had no moral right to consider as a voting matter in the first place.

If the best interests and welfare of all these children had been sincerely in the hearts of their elders, these two referenda would never have been foisted upon these unsuspecting and trusting children.

Unfortunately all the children of this state cannot come to this hearing to speak in their own defense. Unfortunately at times, children have no choice but to depend on us for the right answers. On behalf of the children of this state, I wish to speak, not claiming to be their official spokesman, but urging you to consider what is right. I feel that every one of us in this Assembly Chamber knows what it means to be a child. Whether a person is against casino gambling or in favor of casino gambling, I would think that there is -- or should be -- a special place in everyone's heart for a child. Growing up is difficult enough, but it's harder to grow up today. Being a child just isn't the same. Today's teenagers are taught to entertain themselves with R-rated and X-rated movies, while alcohol and drugs are the new playthings of childhood. And now we feel perfectly justified to expose children to the additional burden of gambling. In all the furor, folly, and vice which we mindlessly generate as adults, it is always our children who must suffer.

Someone must say what none of us really wants to hear: that we have been short-sighted and selfish and have failed miserably in our moral obligation to give any consideration to this sizable, yet neglected minority. We have not seen them because we are being blinded by money. We have not heard them because they are without influence. We have offended them with the Casino Control Act. We offend them now with this proposed amendment and supplement. And in doing so, we bring ourselves to shame and we bring the young to ruin.

In the midst of clamor over inconsequential details, facts, and figures, charge and counter-charge -- no matter what the issue -- there is always a deadly pervasive silence. There is silence against what is wrong. There is silence for the things that are right. There is silence about the things that should be.

AND WHO IS TO BLAME ? ALL OF US:

the people who did not vote  
the people who voted no -- but did nothing else  
the people who voted yes because they were old and  
needed the money, no matter where it came from  
the people who voted yes because they were willing to  
let the elderly get some money as long as it didn't  
come from their own pockets  
the people who voted yes because they needed jobs, and  
whatever guaranteed them a job was all right,  
no matter what

WHO IS TO BLAME ? ALL OF US:

the people who pumped the money into the campaign chest  
to promote casino gambling  
the people in government who promised the people things  
that just did not come true  
the people in government who did not listen to the people  
of the state  
the people who are looking for a fast buck  
the people who voted yes because they just have to gamble,  
no matter how it affects others

WHO IS TO BLAME ? ALL OF US:

the people who produced the slick TV commercials selling  
casino gambling to the consumer-voter  
the people who really don't see anything wrong with  
gambling, but then don't see much wrong with anything  
the people who place economic needs above human needs  
the people who think it's somebody else's problem  
the people who don't think they have to be their  
brother's keeper  
the people who just don't care.

The needs of this state are the needs of people. And  
our primary concern should be the needs of children. Not  
economic needs. Not gambling needs. But human needs.

Unfortunately the human needs of Atlantic City were used  
as a pretense for the intrusion of gambling and its silent  
partner, organized crime. There were genuine and desperate  
human needs to be met, and there still are, but they are being  
obscured by the impersonal and anti-human priority of  
"the economy of Atlantic City." I would suspect that now and  
in the future, the real human needs of the hard-working poor,  
the elderly, the unemployed and, as always, the children of

Atlantic City will never be set as long as this economy-oriented mentality prevails in our state.

I consider this assembly bill A 1046 and the Casino Control Act which it is intended to amend and supplement just one more indication of the state's concern with economic imperatives to the detriment of the best interests of the people.

I wish to present before this committee two publications which are representative of the interests of two potential owners of gambling casinos in this state:

The first publication is a copy of Playboy, published monthly by Playboy in Chicago, Illinois, the same address as Playboy Enterprises, Inc. The cover of this April, 1978 issue is what children are accustomed to seeing in the stores.

The second publication is a copy of Penthouse, published each month by Penthouse International, Ltd. in New York City. Children can always look at the cover when they go to the store, and they might even pick up this copy and turn to the center and look at the photograph.

So these are the economic products of Playboy Enterprises, Inc. and Penthouse International, Ltd., both of which would like to own gambling casinos in Atlantic City.

These so-called "magazines" are displayed in open racks in stores throughout the state. We adults may consider ourselves too mature to be offended by this, and we don't seem to care that these so-called "magazines" are an abomination to God and a sin against the minds and the hearts of the children who happen to see them.

Material like this was once kept under the counter, but now it's all out in the open. Now we're putting under the counter such good things as morality and belief in a living God so our children cannot see them. Let's bring the true concerns of life out into the open once more. Let's begin to consider the first place children should have in our hearts in matters of moral and spiritual welfare. Let's bring it all up front where it should be.

These two publications have very sinister implications and should serve as a warning to the people of New Jersey: an organization does not necessarily have to be linked to organized crime to be criminal in its actions. No more than legalizing gambling takes away the criminal aura which surrounds the very nature and intent of gambling.

Vice breeds vice. Pornography and prostitution are inter-related. They both would mix as well together for the people of this state as alcohol and drugs mix well for our children and young people. All of these elements are going to converge on this state through the far-reaching impact of casino gambling and all these vices are going to come crashing down on our children.

Casino gambling is the catalyst for bringing out the worst in our society and will aggravate the already alarming expanse of social and moral ills ranging from crime, alcoholism, and drug addiction to mental and emotional breakdowns, alienation, and suicide among young people today. Casino gambling will intensify those already unbearable social and moral conflicts for children already running rampant in this state.

There will be, in the wake of gambling, an acceleration in the breakdown of family life that we already find appalling, and a breakdown in the authority in the schools that we already find fast deteriorating.

Take a look, for example, at this photograph which appeared in yesterday's Asbury Park Press (March 12, 1978). The caption reads "Vandalism at a Middletown (N.J.) School" and the photograph shows a classroom totally destroyed. This is the new self-expression which is being instilled in the minds and hearts of young people today by our "do-your-own-thing" and "be-yourself" subculture. This shattered room is the self-expression of shattered minds, hardened and troubled hearts, resentful, hateful, and lashing out because they are being programmed to put self before others and to put self before God. Inexcusable, yes. But sad too. And a daily, piercing indictment of a lack of values and a sense of dignity and worth which the elders have cut off from their young.

The Constitution of this State of New Jersey begins with a preamble that pledges what today's elders have not delivered. This is how that Preamble reads:

"We, the people of the state of New Jersey, grateful to Almighty God for the civil and religious liberty which He has so long permitted us to enjoy, and looking to Him for a blessing upon our endeavors to secure and transmit the same unimpaired to succeeding generations, do ordain and establish this Constitution."

Can we fully appreciate what this says? -- We were supposed to secure all that was good for every child and to pass these blessings on to our children unimpaired, intact, unchanged, exactly as we were supposed to have inherited them. But instead of doing that, we have destroyed the legacy for them as well as for ourselves. We have betrayed a sacred trust.

Anything that is entered into the Constitution of the State of New Jersey was intended to respect that sacred trust. But when the referendum of 1976 was passed, allowing the Casino Control Act, the State Constitution was not amended, but cor-

rupted to allow for the "legalization" of one more form of public immorality. This is the new pseudo-salvation of the secular religion. No longer are we dependent on God who created us, for we can legislate our eternal security. The thinking of this nation has become badly eroded. And I am not speaking of political thinking in terms of a drift from conservatism to liberalism to radicalism to anarchy. I am speaking of humane, compassionate, and responsible thinking. And when I say our thinking has become eroded, I mean it has decayed. Today we live in decadence. And so must our children.

If gambling casinos are allowed to begin operating in this state, the whole atmosphere of this state will degenerate rapidly. A gambling state is no place for children.

Is this what the people were conditioned to vote for in the referendum of 1976? Was this the intent of the well-financed thought-molding campaign -- an ulterior motive to buy out a state even at the cost of the moral standards and social and spiritual aspirations of the people?

These two publications, Playboy and Penthouse, are nothing more than vice. Can't we recognize vice for what it is any more? No amount of rationalizing or alibing can make truth come out of a lie. But the attempt will always be made to do so.

For example, on the cover of the April, 1978 issue of Penthouse is a title of one of its articles "Symposium on the New Evangelism". And the article on religion is actually inside, but so are pornographic pictures inside. Is this the "spiritual enlightenment" the people want for their children?

It's all a sham. If a pornographic "magazine" can use an article on spiritual matters as a front or counter-balance for its immoral content, how very easily prurient interests will use casino gambling as a front for their immoral activities.

You simply do not mix religion with sin as if you were putting cream in your coffee. A porn "magazine" cannot preach the Gospel any more than a gambling casino can ever minister to the souls of the people of this state.

I wish to submit these two publications, Playboy and Penthouse, to this Committee and I request that they be passed on to the New Jersey Casino Control Commission so that the Commission can review their contents and consider the spiritual and moral implications these publications present. I feel these are extremely valid and vital considerations that must be made in determining if these enterprises are really fit to assume the responsibilities and the privileges of handling a New Jersey gambling license.

If these are the credentials that Playboy Enterprises and Penthouse International bring with them to New Jersey, the people have every right to demand that their applications for any kind of gambling license, temporary as well as permanent, should be irrevocably denied. This should be the only consideration that any business of a like nature should ever receive in the state of New Jersey.

Such businesses should not feel that they are doing the people of this state any great service. And we ourselves should consider the grave disservice we would do to our children if we were to accept such an element into this state just for the money.

It is for this very reason -- to safeguard the general welfare of our children -- that we should not be so rash in handing out temporary permits as Assembly bill 1046 would have us do.

As for the people involved with Playboy Enterprises and Penthouse International, I want them to know this: it is not you personally I resent. What I resent is what you are doing, what you are publishing, and therefore what you represent. I know that if someone were to ask you to stop what you were doing, you would not stop. If there were ever a legal suit filed against you to stop what you were doing, you would only fight against it. But you must understand that there are many people in this state who do not want to subsidize your immoral enterprises, either with tax money, or their own money -- and that includes the people's money that the banks in this state are using. And if you were to argue from an accounting of your patrons how many really did want to underwrite your immorality, you would be missing the point entirely.

What separates us is more than a difference in opinion or lifestyle or personal philosophy. You believe in money. I believe in Jesus Christ, the Son of God. You strive for the things of this world. If only you could see beyond that.

We must be careful not to offend our children. This is not merely my own personal opinion, nor is it a man-made code of acceptable behavior. It is an absolute command of God with a stern warning attached to it:

"But whoso shall offend one of these little ones which believeth in me, it were better for him that a millstone were hanged about his neck and that he were drowned in the depth of the sea."

-- The Bible: New Testament  
Book of Matthew  
Chapter 18, verse 6

But the same God also promises this:

"And whoso shall receive one such little child in my name receiveth me." (Matthew 18:5)

If you people really want to invest your money in this state, why don't you invest in something worthwhile and lasting? Something as rewarding as the general well-being of our children. If the people with the money and the power just had the insight and inclination to use a part of their wealth in the right ways and for the right ends, there wouldn't be so much misery.

If it's tourism that Atlantic City needs for its hotel and restaurant industry and building trades, why don't you put your money into more attractive amusements for family entertainment and turn Atlantic City into another real playground of the world, instead of plowing money into gambling casinos.

For that matter, we need playgrounds throughout the state, but more importantly, we have to put back into those playgrounds children who can be children once again. Children who grow up without growing old before they reach adolescence. Children who can grow up without emotional scars and psychological maiming, free from bitterness and resentment, cynicism and despair. We need the basic human programs that would insure the children of this state a normal childhood.

If adults can have their playgrounds, I don't see why children can't have theirs. The children have been shut out of the theaters because of R- and X-rated movies. Children aren't able to watch television because of the infusion of sex and violence in programming. Children are virtually living in an X-rated society and there is no way out.

This Assembly bill A1046 can only provide the worst for our children, for it runs contrary to the original intent of the Casino Control Act, contrary to good sense, and contrary to several recommendations of the State Commission of Investigation in its report of July 1977:

"...only the most stringent of gambling control law can thwart the infiltration of casinos and related services and suppliers by Organized Crime" (p. 2)

"...as it (the state) starts from scratch to authorize and regulate the casino gaming industry, the State should impose all of the controls, limitations, and conditions on the practice of casino gambling it deems necessary and appropriate to protect the public interest..."  
(p. 4-A)

The SCI report further recommends:

"... the licensing procedure is the primary point at which the state can weed out undesirable licenses and undesirable individuals.

"It is well recognized that it is harder to revoke a license once issued than to deny its issuance in the first place. Whether properly or otherwise, what starts out as a privilege has a way of becoming a right, once granted. Thus it is imperative that the licensing authority be required to thoroughly review those persons who occupy positions or relationships with the casino licensee believed to have the potential to affect the quality or integrity of the Casino's operations before casino licenses are issued." (p. 22-B)

I see in this proposed bill a trend toward loose licensing already. Common sense tells us no amount of controls will ever eliminate the involvement of organized crime. And yet we have set up an invitation by legalizing gambling casinos -- and now we are willing to risk exposing our children to stepped-up criminal activity in this state by relaxing whatever controls there could be. These controls are not for the benefit or convenience of the casino owners. These controls are for the protection of the people.

The best argument against this proposed amendment was given by Mr. Joseph P. Lordi, Chairman of the New Jersey Casino Control Commission, according to this account from the March 8, 1978 issue of the New York Daily News (p. 28):

"Lordi said the commission would not announce whether the state's investigation of Resorts (International) was going well if the firm is issued a temporary permit.

" "I think that's quite ridiculous," Lordi said. "We cannot make a decision on a casino application until we get all the facts." "

If this is true, a decision cannot and should not be made on the basis of a preliminary check before issuing a temporary permit because all the facts are not in at that time. To permit a casino to operate without making a decision means that the check is inconclusive and of no value whatsoever as a determining factor in granting even what is called here a "temporary permit."

Mr. Lordi's words were: "We cannot make a decision on a casino application until we get all the facts."

The State Commission of Investigation Report (July, 1977) underscores the necessity for a strong hand at the very outset:

"To start weak may, as a practical matter, result in a legislative inability later to assert those greater state powers belatedly found to be necessary. Once persons have begun to operate casinos, there will be an inevitable tendency to lose sight of the "privilege" they are enjoying and to talk instead in terms of their "rights"." (p. 5-A)

We may already be hearing talk of such "rights." Resorts International has major reservations about this bill, one of which is that the commission should not appoint the trustee or conservator, but that this should be done some other way, such as through the courts.

Once again, I direct your attention to the wisdom of the State Commission of Investigation recommendations back in July, 1977:

"...those applicants desiring to obtain the privilege of engaging in casino gambling do not have the right to expect the same limitations on state powers that are applicable to other regulated industries and occupations." (p. 4-A)

It is my hope that the state of New Jersey will not further capitulate to the special interests of casino owners and will not enter into temporary deals or bargaining agreements that would compromise effective controls.

According to the press, state officials are reviewing this bill for possible changes. But changing the wording of this bill or any other bill will not change the depravity of the situation in which the people of this state now find themselves because of casino gambling. That which is lawful should not be defined as that which is merely permitted by law, but should be that which is valid and authentic. Only the law of God is perfect (Psalm 19:7) and man's laws are to be subject to His higher power and in harmony with God's law. Unfortunately, that is not the case here. If we were really conducting our human affairs under proper law, we would have what the law of God provides: a conversion of the soul, wisdom, and enlightenment. We have nothing of that sort -- absolutely nothing -- under the yoke of the Casino Control Act.

We have missed the whole point of the basic values of life -- the whole reason for living. I cannot conceive of any loving parents having children so that when these children

come of age so ~~they~~ will serve as fodder for a gambling economy linked to a network of vice, crime, and corruption. Every road in New Jersey will lead to Rome. Every occupation, every vocation, every profession will now be the "Ancillary Services" of Atlantic City's casinos. Every man, woman, and child will make his contribution to the gambling machine, whether with their blood, their souls, or their money. The Garden State will become the Casino Service Industries State, offering all their goods and services to the great god of mammon.

Clean industries, the invincible fronts of organized crime, will perpetuate the sleaziest Sodom-and-Gommorahs along the Jersey coast as town after town take advantage of the foot-in-the-door provided by Atlantic City. And every time a new gambling town is christened, we will be told that the people voted for it and that's what they wanted. What's next after Atlantic City? Is it Asbury Park? Atlantic Highlands? A ski resort in northern New Jersey?

For those who cannot see this far ahead, consider what is happening right now:

The sponsor of Assembly bill 2366 (which later became the Casino Control Act) stated to the Assembly State Government Committee in December of 1976:

"It is not our desire to turn Atlantic City into a Las Vegas East, as has so often been misrepresented in the media. It is not our desire to turn Atlantic City into a gambling town. It is our desire very specifically to rebuild and revitalize the tourism, the convention trade, and the family resort nature of the commerce that has always thrived in Atlantic City until recent years ..."

This explanation is still expressed today, but how do you maintain a family atmosphere in the midst of gambling casinos? This "family atmosphere" gimmickry would only subject families to the presence and atmosphere of gambling and to the temptation to gamble.

The National Gambling Commission had general doubts that casino gambling would stimulate convention, family resort and entertainment industries, and would do so by developing a character differing markedly from that of Las Vegas. (Source: Second Interim Report of Staff Policy Group on Casino Gambling of February 17, 1977).

I know that several Christian groups will no longer have their conventions or conferences in Atlantic City now that there looms the spectre of casino gambling.

The question is not if Atlantic City can maintain a family atmosphere, but if the entire state of New Jersey will be able to maintain a family atmosphere.

When the people voted for the referendum of 1976 did they know that they were voting not only on the question of casino gambling in Atlantic City but also on the question of establishing a network of gambling schools throughout the state? And did the people know that these gambling schools were not limited to private closely-monitored institutions, but would include, and here I must quote the exact wording of the law:

"a public school district or a public institution of higher education" ?!

You can find this outrageous piece of legislation in the Casino Control Act, Chapter 110, Laws of 1977, Section 92, paragraph b.

What does it all mean? It means that any state college or community college outside of Atlantic City can set up its own little department to teach the very liberal art of gaming. Vocational education has developed in New Jersey to such an extent that a human being's potential can be fully developed by the refined technique of simulation gambling. Remember the good old days when we thought colleges in this state had hit their lowest level when they taught remedial reading?

It is outrageous that the State should include public school districts as eligible for conducting training in teaching the playing and dealing techniques of operating gambling tables.

And more outrageous is that there are public school districts that house regional high schools ranging from grades 7 through 12. The standards which some teachers of regular subjects maintain is low enough without introducing into the public schools specialized gambling instructors.

There is much that the public does not know about all the ramifications of the Casino Control Act. While there is a right and a need to know, the people are told instead about the "family atmosphere" that casino gambling will bring to Atlantic City.

In the Second Interim Report of the Staff Policy Group on Casino Gambling of February 17, 1977, the anti-social nature of the casino industry is shown for what it really is:

"Casinos are a unique industry...Profitability

of the state, nor is it the prerogative of the State, to influence and to encourage the people to partake of a low life style incompatible with decency and human dignity.

Assembly bill 1046, like the Casino Control Law, has taken form in total disregard of any recommendations that have had anything to do with law enforcement and tight controls. Again, the Staff Policy Group's 2nd Interim Report (Feb. 17, 1977) states:

"The staff policy group has examined the notion of 'conditional' licenses and recommends against it..." (p. 11)

"Granting a license subject to the fulfillment of some future condition fractionalizes the state's regulatory leverage, gives an undue appearance of a vested right, and leaves an inference of negotiability which should be avoided... Most significantly, any conditional licensure which permits casino operations while major construction is in progress creates unparalleled criminal opportunities and unacceptable security and law enforcement problems."

You simply do not introduce cancer into a body to see if you can exercise controls that can arrest its growth.

Committees in the past have heard the testimony of former Head of the New Jersey State Police, Colonel Kelly, and have disregarded it. Assembly bill 2366 was blasted by U.S. Attorney General Goldstein, but it nevertheless became law as the Casino Control Act.

There is much talk of the number of rooms a hotel should have, but very little talk of the tremendous administrative burdens of law enforcement agencies, manpower and expenses to monitor activities, as well as an overloading of these agencies.

There is much talk of the systems, techniques, procedures of control, there is no explanation to the public of how difficult it is to control or to monitor something you may not be even able to detect.

There is much talk of the anxiety and impatience of potential casino owners to begin, but very little talk about the fears and concerns and questions that the people of this state have, and very little mention of their second thoughts on the matter.

I urge the state legislators to listen to the people, who are being ignored because of the pressures of out-of-state promoters and heavily-financed lobbying and special interest

is thus not a direct function of the quality of gaming or of the environment in and around the Casino. Corporate corruption, cheating, loansharking, over-extension of credit, insobriety, prostitution, and a honky-tonk atmosphere are not antithetical to a desire for profit, and in the industry are occasionally viewed as legitimate societal overhead so long as they encourage, or at least do not interfere with, the vitality of the gambling market..." (p. 1)

What can we possibly conclude but that casino gambling is very definitely a threat to the quality of life in New Jersey.

Casino gambling has as much socially redeeming value as an X-rated movie.

Casino gambling has as much respectability as massage parlors and houses of prostitution.

Casino gambling has as much to do with the observance of the law as does a street mugger, con artist, or thief.

According to the Rights and Privileges embodied in the New Jersey State Constitution, Article I, Paragraph 1:

"All persons...have certain natural and unalienable rights, among which are those of ... obtaining safety and happiness."

I maintain that casino gambling is a very real and uncontrollable threat to the safety and future happiness of the children of this state. Casino gambling is a threat to every child in this state because it threatens every community in this state. In a newspaper interview of March 8, 1978, Casino Control Commissioner De Bona said:

"... I personally would not<sup>be</sup> at all surprised to see certain interests attempt by legislative action to have it approved elsewhere." (in the state) (from: The Advisor)

I maintain that the unalienable rights of the children of this state, as embodied in the Constitution of this state, are being violated by the immoral legislation of the Casino Control Act, and that their rights would be further and irresponsibly denied by the approval of Assembly Bill A1046.

There is no constitutional right which permits anyone to make a profit at the expense of other people's souls. The people of New Jersey are not a commodity to be used in the slave market of human greed. And it is not the purpose

groups, who are interfering with the legitimate desires of the people of this state. I urge the legislators to listen to the people, and I urge the people to consider the welfare of their children who are their God-given responsibility.

This Assembly bill A1046 is frantic legislation laced with political and economic hysteria. If the Casino Control Act and legalized gambling hinges on the public confidence, then it is the moral responsibility of the State Assembly to smash this bill on Friday.

The vote on Friday by the New Jersey State Assembly is critical to the personal liberties of the people of this state, especially for their children. I hope that every other state in America which is considering legalizing gambling will see a message of hope if we should admit we have made a mistake and move to correct that mistake before it becomes a crime and a sin.

Should we, as a state, suddenly realize where our frail and imperfect human natures and efforts have led us, and should we return to a dependence on Almighty God and seek His guidance and wisdom in all things, surely we will restore to our children the blessings of civil and religious liberty so that they may transmit the same unimpaired to succeeding generations.

"And might not be as their fathers, a stubborn and rebellious generation; a generation that set not their heart aright, and whose spirit was not steadfast with God." (Psalm 78:8)

I wish to thank the Committee for hearing what I felt I have had to say.

STATE GOVERNMENT, FEDERAL & INTERSTATE RELATIONS  
AND VETERANS AFFAIRS COMMITTEE

PUBLIC HEARING, MARCH 13, 1978

COMMENTS ON AN ACT TO AMEND AND SUPPLEMENT  
THE CASINO CONTROL ACT AS INTRODUCED IN  
THE ASSEMBLY ON MARCH 6, 1978

Prepared by: Resorts International, Inc.  
I. G. Davis, Jr., President  
Joel H. Sterns, Esq., Counsel

We appreciate the opportunity to present the views of Resorts International, Inc. on the proposed amendments and supplements to the Casino Control Act.

As the members of the Committee know, Resorts International became the first applicant under the Act in December, 1977 and is now undergoing thorough investigation with regard to its application for a permanent license. Additionally, its physical facility in Atlantic City is now 99% complete and, naturally, we are vitally interested in the proposals before you which would, under certain circumstances, permit an early opening of a casino hotel.

The proposed legislation would accomplish this by allowing those who have already applied for a permanent casino license and who have an approved physical facility to apply for a temporary permit which would cover operations up to a period of nine (9) months while an investigation was being completed. In order to get this right, an applicant for a temporary permit would be

required to impose a voting trust agreement satisfactory to the State on all of its shares of stock. Trustees acceptable to the State and fully investigated would be appointed to exercise all of the powers of that stock and to assure the Casino Control Commission that its orders with regard to the casino operation and the officers and employees of the permit holder were promptly carried out. Under this proposed legislation the temporary permit would cease at the time an applicant was fully investigated and given a regular license. On the other hand, if the application were denied, certain extraordinary powers would come into play. Rather than close the casino, the State would appoint a "conservator" who in effect would have the powers of a receiver over the applicant's business. The business would continue to operate under the complete control of the "conservator", subject to Commission directions, during the period of any appeal by an applicant. If the applicant's right to a license were upheld, he, of course, would be restored to his business. If the denial of the application were ultimately upheld, the "conservator" would then have the right to continue to operate or dispose of the applicant's business as he or she saw fit. Thus, in order to take advantage of a temporary permit, a business entity must take unusual risks with regard to major assets of the corporation which we submit are unique to government regulation of business in any other instance, state or federal, that we were able to find.

The proposed legislation takes another step and now

reads that even with regard to a regular license under the terms of the original Act adopted June 2, 1977, an applicant must submit to a "conservator" who may operate and/or ultimately sell the property upon either the revocation of a license or its suspension for a period of more than 120 days.

This is the basic framework of the legislation before you. As already indicated, we are not able to find an instance anywhere in government regulation of business, state or federal, where an applicant must submit in advance to such drastic consequences.

Yet we believe after a very thorough appraisal that we can -- subject to some important modifications of this legislation which will clarify and set standards for this extraordinary grant of authority by any business applicant to a government entity -- live with the legislation. We are prepared to take this step because we know full well the controversy that, in many respects totally unjustifiably, surrounds the introduction of legal casino gambling to New Jersey. We are aware of the need to provide a standard of integrity that will demonstrate that the applicant is beyond reproach. We resent the fact, quite frankly, that from time to time we are given the impression that in this area of governmental regulation, unlike any other, a casino applicant is guilty until proven innocent. But this is a first for New Jersey and we as the first applicant are prepared to tolerate this so that the entire experience can gain greater public confidence and awareness that the casino hotel business is just that -- a business

The suggestions and proposals for change which follow with regard to this proposed legislation are those which we believe are required of a public company which has the responsibility to its stockholders at large and to the people who finance it to run the company prudently and in the best interests of those stockholders. With this in mind, our principal suggestions are as follows:

1. We accept the concept of a voting trust to ensure that the applicant promptly carries out the lawful directives of the Commission. We believe that the concept of a voting trust should properly be extended to the second or appeal phase of this legislation. In other words, as the proposal now reads upon the denial of a license a "conservator" (receiver) would immediately be appointed to administer the affairs of the business although during the pendency of an appeal he would not have the power to sell the business. We believe that the interests of the State and of any applicant which is a public company would be better served if the voting trust agreement were extended to cover this period of appeal. Remember that under the voting trust arrangement one or more people, independent of the company and thoroughly approved by the Casino Control Commission, would in effect hold all the shares of stock and exercise all the powers of directors of the company when and if certain events occur. They in effect have title to the company. What we propose is that should a license be denied during the pendency of an appeal the voting trustees continue to control and hold title to the company but that the

agreement provide that the trustees will appoint as chief executive and operating officer of the company a person designated by the Casino Control Commission who would have all the rights and powers of a "conservator" to ensure as this Act would require that "control of the applicant's operation under such circumstances is in the possession of a person or persons in whom the public may feel a confidence and trust."

The voting trust agreement or the legislation can spell out the powers of the voting trustees in terms of being able to replace the board of directors of the permittee, its officers and key employees thus making the transfer of assets to a conservator a simple one should the need arise. In the meantime, the person placed in charge of the operation by the Commission through the voting trustees would operate the business in accordance with generally accepted business practices and would not prior to the takeover by a conservator have power to do anything outside the "ordinary course of business" such as sell the assets, make long-term commitments, and the like. If the need arises for action out of the ordinary course of business such action could be accomplished with the approval of the beneficial owners of the casino hotel. During this phase the interest of the beneficial owner and the State would be common, i.e. to run the business on a basis which will result in the advancement thereof regardless of whether the beneficial owner reacquires control or the conservator assumes control.

If following the final determination of such revocation

on appeal the Commission's position is sustained, it would then be in order to appoint a conservator. This approach will eliminate many of the objections which now exist to the provisions of Section 31, 32 and 34 of the proposed legislation, all of which deal with the powers of the conservator.

2. While we have recognized that in exchange for the unusual permission to open prior to the completion of an investigation we must sacrifice certain rights, prime among them the risk that a valuable business property will be taken over by a conservator, we did not contemplate nor did the original Act contemplate that the revocation or suspension of a regular license could also lead to the loss and forced sale of a valuable asset of the company. Proposed Section 31a would do just this. We particularly oppose the idea that this extreme sanction could be imposed on the basis of a 120-day suspension. We submit that neither we nor you nor the Commission now knows what could trigger a 120-day suspension and whether this would be a fair or reasonable penalty for such a suspension. We do not like the idea with regard to a revocation. It appears to us that once a casino is granted a regular license the penalty for revocation should be to close the licensee up. We recognize that in the early days of casino development in Atlantic City even in the case of a regular license the State may have such an interest in seeing casino operations continue without interruption that it may feel that it has the obligation to take this drastic step to keep a casino open. If such is the case, there is all the more reason to absolutely insist

that the voting trustees and state-appointed chief executive officer in the period of appeal and the conservator thereafter be held to a standard of business which protects not only the public's and the State's interest but protects the company's obligation to its stockholders and lenders. This would mean, among other things, that at the very least we should be assured that during the pendency of an appeal nothing outside the "ordinary course of business" as defined above should be permitted and that, additionally, the conservator or his predecessors should not sell the business on terms and conditions which are not approved by the owner but the owner's approval may not be unreasonably withheld. Similarly, the conservator or his predecessors should be required to sell the business to a buyer brought in by the owner provided, of course, that that buyer meets the standards of the Casino Commission for issuance of a license.

3. In order to make this entire concept workable the owner of property whose license may be denied or revoked and whose property may be taken over under the terms and conditions proposed herein must be entitled to a fair rate of return on his assets which have thus been seized. Section 35 of the proposed Act speaks to this but does not spell it out. It is important that there be no misunderstanding on this point. It is easy to suggest that a public company which is found unqualified for a license should not thereafter get any profits from casino operations. However, we are not when we speak of a fair rate of return talking of profits from casino operations. We are instead talking about the rate of return that the investors in a public company should

reasonably expect from an asset worth sixty to a hundred million dollars which has been, at least temporarily, taken from them. Now in the ordinary course of events what would occur if an applicant were denied a license is that he would either sell or lease the property to an entity that would be approved for a license. Since the interest of the State as expressed in this legislation is the continued operation of the premises, the fair rate of return should be based on what the owner, if it were otherwise disqualified, could lease the premises for to an entity which could be qualified. We submit there is a standard in the industry for this and that that standard is in effect that the owner is entitled to a 12% return on the net asset value of his property and one-half of any and all profits thereafter. Thus while a revoked licensee would be subject to the penalty of one-half of its profits it would at least be able to demonstrate to its stockholders that it was getting a return roughly commensurate with the return it would get on its property if revoked without this special legislation. This is absolutely essential to allow the company to take advantage of the legislation without reprisal in the form of stockholders' suits, direct liability of directors for wasting assets, and a general weakening of the company's ability to stay in business because it will not be able to market securities or raise capital if there is a doubt as to the value of what is probably its most significant asset.

4. Finally, the proposed legislation as presently written provides no standard for the granting of a temporary permit as to

the character and qualifications of the applicant.

We fully understand that a temporary permit is being granted because a thorough investigation has not yet been completed and that, obviously, no holder of a temporary permit can be assured that ultimately a license will be granted. We can also understand the absolute interest of the State to ensure the integrity of its investigative processes and not to compromise its sources and investigative leads. Nevertheless, we believe some standard can be found and put in the legislation which will protect the legitimate interests of the investigation and at the same time assure the government, the public and the applicant that as of the time a temporary permit is granted that it would not be granted if there was already reason to conclude that the applicant were unqualified.

5. While this covers the most important points, there follows a detailed analysis of the legislation which points up a number of other areas which we believe require change:

Sections 17, 18 and 19

All deal with residency requirements. They would impose prior residence in the State of New Jersey of six months on casino key employees and casino employees and would impose a preliminary three-month residency requirement on casino hotel employees. All these would become effective on October 1st.

We do not feel that this amendment properly takes into consideration the acute shortage of skilled and experienced casino employees, particularly at the key supervisor level. If such a residency requirement is put in place on October 1st as

new casinos open they would be unable to get qualified, experienced people and thus will inevitably bid for those few people who may already be in New Jersey and qualified. While we are sympathetic with the desire to create as much employment in New Jersey as possible and while we believe this goal can be reached gradually and while we have every intent to utilize promotion from within, implementation of these rigid requirements too soon will create a serious manpower problem.

Section 21g.

We believe the language of Section 21g should be changed so that it reads that the voting trust agreement may become effective at such time as the permittee fails or refuses to comply with the regulations or any lawful order of the Commission. We, therefore, believe that this paragraph should read: "That the voting trust agreement may become effective at such time as (i) any director, officer or key employee of the corporation is found to be unqualified by the Commission and the corporation fails to suspend or discharge such person if so directed by the Commission."

Section 21h.

The trustees of the voting trust should not be appointed by the Commission but by the licensee subject to Commission approval and clearance by the Division of Gaming Enforcement. The compensation of the trustees should be negotiated between the licensee and the approved trustees subject to Commission approval as to reasonableness. Suggested language: "That the

trustee or trustees to whose possession the shares shall be transferred shall be appointed by the corporate applicant subject to the approval of the Commission and shall be bound by the Commission to be but for residency and casino experience individually qualified for approval as a casino key employee; and shall be reasonably compensated for his services, costs and expenses as the Commission may approve."

Section 21i.

"That the voting trust agreement contains such conditions as the parties thereto may with the approval of the Commission determine necessary including but not limited to the absolute and unencumbered right of the trustee to remove and replace officers and directors of the corporation with such person or persons as the Commission may by order designate and to take all action necessary to assure that the control of the corporation's operation of the casino hotel is in the possession of a person or persons in whom the public may feel a confidence and trust. The unencumbered ability of the trustee or trustees to vote the shares held in all votes affecting the control and operation of the casino and approved hotel, the authority of the trustee or trustees to exercise voting power so as to insure that the certificate of incorporation and the corporate by-laws require shareholder approval of all corporate decisions significantly affecting the control and operation of the casino and approved hotel and the perpetuation of the voting trust agreement throughout the term of the temporary casino permit during any period that the trustees are in control of the corporation they

and any directors or officers appointed by them shall have full power to continue the operation of the corporation in accordance with generally accepted business standards with a view to the preservation and enhancement of such operations and the assets which form a part thereof. Provided, however, that until such a conservator shall have assumed control of the assets of the corporation no acts not in the "ordinary course of business" shall be taken with respect to the assets or liabilities of the corporation. Acts not in the "ordinary course of business" would be any act which would bind the corporation to contracts or commitments which could not be terminated without liability should the conservator's appeal of a license revocation be sustained.

Section 21j.

This paragraph should be amended by adding to the beginning thereof words to the following effect: "If the Enforcement Division and the Commission are satisfied as of the date the temporary permit is granted that no reason then exists to believe that the applicant or its directors will not qualify for a license under the Act" and that etc.

Section 24.

With regard to the issuance of regulations concerning a temporary permit and hearings thereto, consideration should be given to legal authority in the Act outlining the procedure so that requirements of the Administrative Procedures Act do not unnecessarily delay the consideration.

*[sub. to pub. ref.]*

Section 26.

It is essential that assurance be given that the conservatorship will not be imposed because of the failure of the Commission to act upon a license application. Additionally, this section could expose a permittee to real difficulties if, for example, a labor dispute beyond the control of the applicant takes place. This paragraph must be rewritten.

Section 29.

Insert after the word "license" in line three:  
"The voting trustee or trustees, as the case may be, shall if he has not already assumed control of the permittee under other provisions of this Act, immediately assume full control of the operations of the permittee and the casino hotel;" and the appropriate procedures as contained in this amendatory and supplementary act shall be applicable.

Section 31. (New section) Institution of Conservatorship and Appointment of Conservators.

a. Notwithstanding any other provision of the Casino Control Act, (1) upon the revocation of a casino license, (2) upon the failure or refusal to renew a casino license and notwithstanding the pendency of any appeal therefrom, the voting trustees shall immediately assume full control of the operations of licensee as provided in article 21 until such time as any appeal has been finally determined sustaining the Commission's action. At such time as any appeal has been finally determined sustaining the Commission's action or if no appeal is taken the

Commission may appoint and constitute a conservator to among other things take over and into his possession and control all the property and business of the licensee relating to the casino and the approved hotel; provided, however that this subsection shall not apply in any instance in which the casino in the casino hotel facility for which the casino license had been issued has not been, in fact, in operation and open to the public and provided further that no person shall be appointed as conservator unless the Commission is satisfied that he is individually qualified to the standard applicable to casino key employees except that casino experience shall not be necessary for qualification.

b. Notwithstanding any other provision of the Casino Control Act, (1) upon the expiration of a temporary casino permit except in those instances where a casino license has been issued, (2) upon the revocation of a temporary casino permit, or (3) upon the denial of a casino license to a temporary casino permittee and notwithstanding the pendency of any appeal therefrom (track balance of 31a above).

Section 32. (New section) Powers, Authorities and Duties of Receivers.

a. Upon his appointment, the conservator shall become vested with the title of all the property of the former licensee or permittee relating to the casino and the approved hotel and shall have the duty to conserve and preserve the assets so acquired to the end that such assets shall continue to be operated on a sound and businesslike basis until such time as they are sold or otherwise disposed of as herein contemplated.

The conservator shall be obligated to sell or otherwise dispose of such assets to a person, firm or corporation which has or does qualify for a casino license and who is submitted by the beneficial owner or licensee. The conservator may sell or otherwise dispose of the assets acquired by him on terms and conditions approved by the beneficial owner thereof which approval will not be unreasonably withheld.

Section 32b.

This section should be modified to provide that the conservator may only dispose of the assets of the licensee on terms and conditions approved by the owner, which approval will not be unreasonably withheld. Furthermore, provision should be made that the conservator must sell or dispose of the assets to a buyer presented by the owner if such buyer can qualify for a license.

Section 34.

This section must be modified as it would permit an unrestricted individual sale of assets by the conservator. Furthermore, any disposition of assets should require that the debt of the licensee be assumed on terms and conditions satisfactory to the owner; e.g., Resorts is a guarantor on a number of contracts and agreements including the loan with the First National State Bank and the Atlantic City Electric Company.

Section 35 should be amended to read as follows:

"The conservator during the conservatorship will pay to the

beneficial owner of licensee a sum equal to ten per cent of the appraised value of the assets under the conservator's control, such payment to be made in 52 installments annually commencing with the week that the conservator assumes control of the assets of licensee. In addition, the conservator shall pay to the beneficial owner of licensee from the net earnings as hereinafter defined of the casino hotel being administered by the conservator, 50 per cent thereof. Such payment shall be made on a monthly basis commencing with the month the conservator assumes control of the assets of the licensee and shall be payable by the 15th of the following month. The balance of the net earnings of the licensee shall be deposited by the conservator in an interest-bearing account. Within 90 days following the close of the fiscal year of licensee, the conservator shall cause the accounts of the licensee to be audited by Price Waterhouse and Co. or a firm of equal standing and based upon such audit, the net earnings of the licensee for such fiscal year shall be determined and the conservator shall within 10 days following the receipt of such audit pay over to the beneficial owner of licensee the difference between 50 per cent of the net earnings as so determined and the aggregate amount paid to the beneficial owner of licensee during such fiscal year. In the event it is determined that the beneficial owner of licensee has as a result of the monthly payment of net earnings received more than 50 per cent of such earnings as determined by an audit of licensee, then such overpayment shall be refunded to the conservator by the beneficial owner of licensee. Net earnings for the purposes hereof shall mean all revenue received by the licensee from

whatever source less all operating expenses including interest and debt service but excluding depreciation and other items not requiring a cash outlay but including provision for taxes on or in respect of such net income, all as determined in accordance with generally accepted accounting principles applied on a consistent basis.

Net earnings not paid to the beneficial owner of licensee shall be maintained by the conservator in an interest-bearing account until such time as all appeals have been finally determined. If for any reason the conservatorship is terminated by the Commission or by reason of appeal so that licensee is restored to control of the casino hotel, the funds so held by the conservator shall be turned over to licensee together with the interest thereon. In the event that any appeal is terminated adversely to licensee and results in a liquidation by the conservator of the assets held by him, the earnings so held by the conservator shall be utilized to assist in liquidation of such assets.

