

Committee Meeting

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of

ASSEMBLY APPROPRIATIONS COMMITTEE

"Meeting directed by Assembly Resolution No. 150,
to investigate issuance of debt by the State, State
agencies, and independent authorities"

LOCATION: Room 319
State House
Trenton, New Jersey

DATE: December 1, 1993
2:00 p.m.

MEMBERS OF THE COMMITTEE PRESENT:

Assemblyman C. Richard Kamin, Vice-Chairman
Assemblywoman Clare M. Farragher
Assemblyman Richard H. Bagger
Assemblyman John C. Gibson
Assemblyman Leonard Lance
Assemblyman Louis A. Romano
Assemblyman John S. Watson
Assemblyman Robert G. Smith
Assemblyman David C. Russo



ALSO PRESENT:

Michael J. Basarab
Office of Legislative Services
Aide, Assembly Appropriations Committee

Hearing Recorded and Transcribed by

The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, CN 068, Trenton, New Jersey 08625

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ALFRED W. BAKER
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2.

RODNEY P. FRELINGHUYSEN
Chairman
C. RICHARD KAMIN
Vice-Chairman & Sub-Committee Chair
JOANN H. SMITH
Sub-Committee Chair
CLARE M. FARRAGHER
Sub-Committee Chair



New Jersey State Legislature

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COMMITTEE NOTICE

TO: MEMBERS OF THE ASSEMBLY APPROPRIATIONS COMMITTEE

FROM: ASSEMBLYMAN RODNEY P. FRELINGHUYSEN, CHAIRMAN

SUBJECT: COMMITTEE MEETING - December 1, 1993

The public may address comments and questions to Michael J. Basarab, Committee Aide, or make bill status and scheduling inquiries to Patricia Scott, secretary, at (609) 984-6798.

The Assembly Appropriations Committee will meet on **Wednesday, December 1, 1993 at 2:00 PM in Room 319, State House, Trenton, NJ.**

This is the third meeting of the committee in accordance with Assembly Resolution No. 150 of 1993 which directs the committee to investigate the issuance of debt by the State, State agencies and authorities. The topic of discussion is continued with the New Jersey Sports and Exposition Authority.

The following witnesses have been invited to testify:

- 1) Jerome Goodman - Chairman:
N.J. Sports and Exposition Authority
- 2) Robert Mulcahy - Pres. & CEO:
N.J. Sports and Exposition Authority

**THE CHAIRMAN REQUESTS THAT ALL LEGISLATIVE AGENTS
PLEASE DISPLAY IDENTIFICATION BADGES
WHILE IN ATTENDANCE AT COMMITTEE MEETINGS.**

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ASSEMBLYMAN C. RICHARD KAMIN (Vice-Chairman): I apologize for the meeting not starting quite on time. I would like to say good afternoon, and thanks to all of you for coming. Some of you may know by now that Assemblyman Frelinghuysen is recuperating from back surgery and will not be attending today's meeting. I spoke to him on Monday night, and indirectly today. He asked me to extend his best wishes to the Committee and to our guests who are testifying today. He should be back in action early next year. In the meantime, I will be chairing today's meeting as we continue to take a closer look at the bonding practices of the New Jersey Sports and Exposition Authority, and State government in general.

During our last meeting on October 15, former Sports Authority Chairman Peter Levine provided this Committee with some compelling and eye-opening testimony about the involvement of the Governor's Office in the day-to-day affairs of the Sports Authority. In his sworn testimony, Mr. Levine said there was, "Daily and consistent" -- pardon me, "daily and constant interference," from the Governor's Office, specifically from Governor Florio's former Chief of Staff and the former Chief Counsel.

Mr. Levine also testified that this constant interference negatively impacted on the independent Authority's decision-making process. Mr. Levine's testimony was particularly troubling because it directly contradicted claims by Governor Florio and members of his administration that the Governor's Office had no direct involvement in the awarding of contracts to bond underwriters. While Mr. Levine's testimony was informative and enlightening in many respects, it also left many unanswered questions. In fact, it also-- Mr. Levine suggested numerous times during the last hearing that some of our questions could best be answered by the Chief Executive Officer and the Chairman of the Sports Authority.

Some members of the media in the State House, observers who thought these hearings were politically -- were purely political, probably expected these hearings to cease as soon as the gubernatorial election was over. But now that a new administration is prepared to take the reins of State government, it is even more essential for this Committee to continue its investigations into State bonding practices.

New Jersey did not become a target of State and Federal investigations because it was handling its bond work properly. It is obvious that something may have been seriously wrong with the way State government was conducting its bonding. Our goal, therefore, as it has been since day one of these hearings, is to find out what went wrong and how it can be corrected.

These Committee hearings were never intended to be a political witch-hunt, and they will not degenerate into a witch-hunt in the coming months. Let's work together to clean up the New Jersey bonding practices and restore our State's reputation as a good and fair place to do business. All of us sitting here today want to do what is best for the State of New Jersey, now and in the future. We can seize this opportunity to learn from the mistakes of the past and begin moving forward in a more positive direction.

In our quest to obtain more detailed information about the Sports Authority's bonding practices and the roles of the executive branch in its decision-making process, we have asked the Chief Executive Officer of the Sports Authority, Robert Mulcahy, and the Chairman of the Authority, Mr. Jerome Goodman, to appear before this Committee today. Gentlemen, on behalf of this Committee and Chairman Frelinghuysen, I welcome you, and thank you for being here today.

Before we go to your opening remarks or your comments, I do have to do some housekeeping and go through a series of questions for the witnesses to take to appear under oath.

First of all, for you, Mr. Mulcahy, did you receive a subpoena from this Committee compelling your attendance at this hearing today?

ROBERT E. MULCAHY III: No.

ASSEMBLYMAN KAMIN: Do you understand that the Chairman of the Committee has the authority to administer an oath or an affirmative to a witness in any matter now pending before this Committee?

MR. MULCAHY: Yes.

ASSEMBLYMAN KAMIN: Have you received a copy of the Code of Fair Procedure here today before testifying before this Committee?

MR. MULCAHY: Yes.

ASSEMBLYMAN KAMIN: The Code of Fair Procedure gives you certain rights as a witness testifying under oath here today before this Committee. For example, you have the right to be accompanied by counsel who may wish to advise you of your rights during the proceedings. Do you have counsel present here today?

MR. MULCAHY: No, I do not.

ASSEMBLYMAN KAMIN: Do you agree to testify here today without having counsel present with you?

MR. MULCAHY: Yes, I do.

ASSEMBLYMAN KAMIN: Under the Code of Fair Procedure you also have the right at the conclusion of your examination by this Committee to file a brief sworn statement relevant to your testimony for incorporation in the record of this investigatory proceeding. You are advised that we are making a tape recording of this proceeding. You are entitled to receive a copy of your testimony at your own expense. You also have the right to request a copy of the resolution authorizing this investigation.

Do you have any questions concerning the Code of Fair Procedure or your rights under the law?

MR. MULCAHY: No, sir.

ASSEMBLYMAN KAMIN: Do you have any questions about the proceedings today?

MR. MULCAHY: No, sir.

ASSEMBLYMAN KAMIN: Okay. May I ask you to raise your right hand while I administer the oath? Do you solemnly swear that the testimony you shall give in the matters now pending before this Committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

MR. MULCAHY: I do.

ASSEMBLYMAN KAMIN: Thank you.

Mr. Goodman, to you welcome as well. I must ask you the same series of questions. Did you receive a subpoena from this Committee compelling your attendance at this hearing today?

J E R O M E S. G O O D M A N: No, I did not.

ASSEMBLYMAN KAMIN: The Code of Fair Procedure gives you-- I'm sorry. Do you understand that the Chairman of this Committee has the authority to administer an oath or an affirmative to a witness in any matter now pending before this Committee?

MR. GOODMAN: Yes, I do.

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ASSEMBLYMAN KAMIN: Do you have any questions about the proceedings today?

MR. GOODMAN: No.

ASSEMBLYMAN KAMIN: May I ask you, Mr. Goodman, to raise your right hand? Do you solemnly swear that the testimony you shall give in matters now pending before this Committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

MR. GOODMAN: I do.

ASSEMBLYMAN KAMIN: Okay. I'm reading something for both of you that I forgot my first go-round: Do you understand that if the statements you make today are willfully false you may be subject to penalties under the law, including monetary penalties and incarceration if you fail to answer a pertinent question or commit perjury, which is the making of a false statement under oath in an official proceeding such as this?

MR. MULCAHY: Yes.

MR. GOODMAN: Yes.

ASSEMBLYMAN KAMIN: Do you understand this?

MR. MULCAHY: Yes.

ASSEMBLYMAN KAMIN: Thank you. We may now proceed.

Gentlemen, again, welcome. Mr. Mulcahy, if you would like to read your statement--

MR. MULCAHY: Mr. Chairman, yes, if you would permit me a short opening statement.

I appreciate the opportunity to come before you again and, of course, I again appreciate the courtesy of you allowing me these opening remarks. Over the past few years, this Committee has taken a rightful interest in the bonding practices of this State and of the Sports Authority. You and we have truly become partners in public policy and today, for the third time since you assumed the Chair, I stand ready to answer the Committee's questions.

Much was raised at the October hearing of the Committee, and I am sure that you have questions pertaining to that. But little was said about the bonding of the Sports Authority. Today I am presenting important independent research to you that was compiled on our 1992 and 1993 bond issues.

I would like to get right to the numbers. I have provided the Committee with a thoroughly researched analysis of the cost efficiency of the three major Sports Authority bond issues of 1992. Securities Data Company tracks all issues nationally. Here is the positive result we achieved; in fact, the extraordinary positive result we have achieved.

By careful cost oversight, the Sports and Exposition Authority saved \$2.25 million in fees compared to the national average of similar bond issues. We have a chart attached to our testimony labeled the "1992 Sports Authority Gross Spreads." That is attached to my testimony. I want to state, again, that this information was compiled by the Independent Securities Data Company.

First, for the 1992 Series A Sports Complex refinancing, when compared to Stadium/Theater/Convention Center issues nationally, the Authority's spread -- or issuance costs

-- were \$725,760 less than the national average. Fully 33 national issues had higher spreads and 12 had lower.

For the Atlantic City Luxury Tax bonds, the savings below the national average were \$725,868. An incredible 29 out of 33 such issues had higher spreads. Finally, the Convention Center Series C bonds saved \$802,162 off the national average, as 125 out of 144 such issues had higher spreads.

I would like to relate that to the history of the Authority and bond issues we had in 1978 and 1985. In 1978, we had about \$377 million worth of bond issues: One was a \$76 million senior lien issue, the other was almost \$300 million. Those spreads were \$15.75 and \$11.09.

In 1985, when we had a \$107 million subordinated issue and a \$175 million State guarantee refunding, those spreads were \$19.82 and \$12.79. That compares against the \$10.05, \$7.35, and \$8.99 that you see on the issues that we talked about here.

These costs are not politics. This financing is good public policy; it is prudent financial stewardship; and it is a solid fiscal winner that is providing lasting benefits around the State for a generation to come.

The bond issues of the Sports and Exposition Authority, beginning with the Series A debt refinancing which we discussed before you in March of 1992, achieved four clear objectives:

- 1) Cost effectiveness.
- 2) Savings of millions of public dollars.
- 3) Fulfilling the legislative mandate to the Authority.
- 4) Having a continuing positive impact on the psyche and economy of New Jersey for a generation to come.

Outstanding work by the Sports Authority's Legal Committee and financial advisers kept our issuance costs down. This Committee has the full details of those numbers from our

prior appearances, in addition to the nationwide numbers I have provided for you today. For the public and the Authority, present value savings from the refinancing of \$37 million and long-term savings of \$140 million are being achieved. I was deeply gratified by the strong public words of support from members of this Committee, from both sides of the aisle, over the results of that issue.

The Legislature presented us with a mandate in January of 1992, and I believe we are fulfilling it in laudable fashion. Finally, in the face of a lingering dull national economy, New Jersey is investing in its future through the Sports Authority in a coordinated effort to protect the Authority's finances, prepare Atlantic City for the future, and allow our State University to not only improve the quality of campus life, but to maximize its potential to create revenue.

Ladies and gentlemen of this Committee, I have stated to you before, and I feel even more strongly today, that the bond issue refinancing and statewide project development by the Authority in the past two years is nothing short of a grand-slam home run for the people of New Jersey.

We are again adding excitement, economic impact, entertainment, and even a little ego to the State. The tool to accomplish and nourish these ends was the successful series of Sports Authority bond issues known as Series A, B, and C, which provided for the refinancing of high-interest debt, and provided the funds for the Atlantic City and Rutgers projects.

This debt refinancing received broad bipartisan legislative sponsorship and support. The financial community, as witnessed by the well-documented cost benefits and excellent interest rate terms it supplied, heartily endorsed our handling of the issues. Finally, this public policy garnered widespread editorial support. The Star-Ledger, for example, called it a "good deal" for the Authority, and "an even better deal for New

Jersey." It did for a very good reason. It made sound financial sense for the Authority, for the State, and the taxpayer.

In May of this year at your Committee budget hearings, we reviewed the successful outcomes and tremendous benefits that have resulted from the series of bond issues that allowed the initial major refinancing. In a stagnant national economy, thousands of construction jobs are being created in New Brunswick and Atlantic City. From these construction projects New Jersey receives economic and quality of life benefits for a generation to come. Jobs, economic impact, excitement, and statewide opportunities for growth are the result of the new era of interlinked cooperation among the Sports Authority, the Legislature, and the executive branch.

By working together toward a common goal through the Sports Authority, the Legislature and the executive branch are delivering savings, stability, jobs, and opportunity to people, places, and institutions around the State of New Jersey.

As an independent State Authority with the State Treasurer and Attorney General serving on the Board and the Governor having veto power of our minutes, there has been direct executive branch involvement in Sports Authority financing since day one with Governor Cahill.

Over the years, the Legislature has gotten more deeply involved in the Authority's mission, from the authorization of the Monmouth Park purchase through the State Aquarium project, and culminating in the 1992 legislation. We now present a business plan to the Joint Budget Oversight Committee annually and are called to budget hearings. The cooperation and oversight which now exist among the Authority, the Legislature, and the executive branch is certainly not new, but it does continue to mature. Clearly, the record shows the enormous good that has come through the Authority to the people of the State in the past three years because of it.

As a former elected official, Cabinet officer, and gubernatorial Chief of Staff, I have testified and appeared before legislative committees over three different decades. In fact, I guess I have become something of a regular before you.

Yesterday, the Commissioners of the Sports Authority approved the competitive bidding of the refinancing of the senior lien bonds of the Authority. This simple transaction will net the Authority and the public substantial savings, as interest rates have remained low.

Finally, Mr. Chairman, my public service has taught me that the process of cooperation, oversight, and debate of public policy between and among the various branches of government is an essential dynamic to delivering the best possible services to the taxpayer. I look forward to again answering your questions in the respectful manner which has always marked our relationship.

Thank you for allowing me the time to make this statement.

ASSEMBLYMAN KAMIN: Okay, thank you very much for being here and for your remarks.

Mr. Goodman -- Mr. Chairman?

MR. GOODMAN: I have no remarks.

ASSEMBLYMAN KAMIN: Well, welcome. I would like to start our questioning perhaps with you, and ask you, Mr. Chairman, if you could discuss your role and responsibilities as Chairman at the Sports Authority.

MR. GOODMAN: My role at the Sports Authority was a very, very simple one. That was to conduct the public meetings at the Sports Authority. That was the only job that was mandated to me, and that is the job that I did.

ASSEMBLYMAN KAMIN: Mr. Levine indicated in his testimony before us that his role was to establish policy and provide leadership for both the daily operations and the long-term direction of the Sports Authority. Is your role, in

contrast to that, different, and also, would you describe how your role is different from that of Mr. Mulcahy's as the CEO?

MR. GOODMAN: I don't look at myself, nor have I ever been directed to be, the Sonny Werblin -- okay? -- of the Sports Authority. I don't know. I can't speak for Peter Levine, or Peter Levin, with regard to what he assumed his responsibilities to be, but my responsibilities were very clear, as I mentioned to you in my first -- in answer to the first question, which was, quite simply, to go conduct the meetings on a regular basis and from time to time report to the Chief of Staff with regard to how things were at the Sports Authority.

We have a CEO. I believe the CEO has been here for many, many years. He has had much more experience with regard to the Sports Authority than I have, much more knowledge. Bob Mulcahy was the gentleman who ran the Sports Authority on a day-to-day basis.

ASSEMBLYMAN KAMIN: How much of your time, on a weekly basis, would be spent, say, in planning or in policy?

MR. GOODMAN: On a weekly basis? I would say that my efforts, or my endeavors, were on a monthly basis. I devoted about a half a day a month to the Sports Authority.

ASSEMBLYMAN KAMIN: So in contrast to the role that the previous Chairman had, where he considered himself to be more of a hands-on Chairman, you would not categorize your role as Chairman in that way?

MR. GOODMAN: I have categorized my role as I feel it was. Once again, I can't speak for the previous Chairman.

ASSEMBLYMAN KAMIN: The Governor's Office has been quoted as saying, "They don't do bonds."

MR. GOODMAN: I didn't hear your--

ASSEMBLYMAN KAMIN: That they, meaning the Governor's Office -- "They don't do bonds." In fact, they referred questions back in the initial inquiries by the media to other

authorities; that it was not the Governor's Office. Yet the testimony we heard last month in October was, in fact, that there was, "Daily interference on bond operations and management from the Governor's Chief of Staff, as well as the Governor's Counsel."

Mr. Goodman, may I ask you your relationship with Mr. Salema, who, at that time, was Chief of Staff for the administration? What has been your relationship with him over the years?

MR. GOODMAN: My relationship with Joe Salema has been a very, very fine relationship. I have great respect for Mr. Salema's ability, his integrity. I trust Joe Salema implicitly.

ASSEMBLYMAN KAMIN: He, at one point, worked with you at a First People's Financial Corporation in Camden County. Is that correct?

MR. GOODMAN: That is correct.

ASSEMBLYMAN KAMIN: While you were the President there?

MR. GOODMAN: While I was the Chairman, CEO, President.

ASSEMBLYMAN KAMIN: In what capacity was he employed there with you?

MR. GOODMAN: He was employed there as-- I believe he was the Assistant to the President. His specific duties were marketing and PR.

ASSEMBLYMAN KAMIN: Mr. Goodman, may I ask you: How did you become-- How were you asked to serve on the Board of the Sports Authority? How did that come about?

MR. GOODMAN: I think that right after Mr. Florio was elected Governor, I think I was approached -- and I do not recall by whom -- and asked whether or not I would care to participate and/or be a member of the Sports Authority. I think my answer at that time was, "Yes, it is interesting to me." They sent me down the forms, and once I received the packet of forms, I sent them back and said, "I respectfully decline; the forms made it uninteresting to me." That

was the end of my efforts, or my response with regard to the Sports Authority.

I guess sometime after Joe Salema became the Chief of Staff, I was contacted by Joe and I spoke to him directly. I was informed that he was speaking on behalf of the Governor, and that the Governor would like me to reconsider and take a position on the Sports Authority. I then completed the forms, which it took me quite some time to do, and I believe in June of 1991, I became a member of the Sports Authority. I believe that in either January or February of 1992, I became the Chairman.

ASSEMBLYMAN KAMIN: You are working well with my script. That was my next series of questions, and you have covered all of those points.

Did the former Chief of Staff, Mr. Salema, advise you that you were becoming Chairman prior to your even becoming a member of the Commission?

MR. GOODMAN: Well, I wouldn't put it that way. I would say that the former Chief of -- that when I had my original discussion with the Chief of Staff about accepting the position, I sort of told him that it was a long trip for me to come from Cherry Hill or Longport, and that if it were possible, that I had the desire to be the Chairman. While he did not make a commitment, he told me that it was something he thought was possible in the future.

ASSEMBLYMAN KAMIN: And that conversation took place prior to your becoming a Commissioner?

MR. GOODMAN: Yes.

ASSEMBLYMAN KAMIN: When Mr. Levine was removed as Chairman, there were some Sports Authority officials -- although nameless -- who were quoted in the press as saying that the administration wanted to call the shots. Mr. Levine said essentially the same thing to us in his testimony before

this Committee, and presumed that that was why he was no longer Chairman.

Mr. Mulcahy, may I ask you: Did the level of involvement of the Governor's Office in the Authority's business constitute interference, in your view, and jeopardize your integrity, as stated by Mr. Levine?

MR. MULCAHY: First of all, I would say that from the time I have been there, there was never a major policy decision that we made that did not -- or was not discussed with the Governor's Office as a matter of course. I just think that is good policy. The Governor has the power to veto the minutes.

The role of -- or the level of contact, I think, varied depending on who was the Chief of Staff or who was the Governor's Counsel and what role they played. I go back to the days beginning when I first went up there, when Harold Hodes was Chief of Staff. Then we went to Greg Stevens, Cary Edwards, and Steve Perskie, Joe Salema, and Bob DeCotiis.

Generally, I would discuss any major issues that were on an agenda with the Governor's Counsel before a meeting. Other than calls that may be sporadic, I didn't have daily calls that related to the policy of the Sports Authority.

ASSEMBLYMAN KAMIN: Would you regard them as interference?

MR. MULCAHY: Whenever you have two people who may think that somehow there may be a better way to get things done-- There, on occasion, were times when I would suggest that perhaps it would be better to do something another way, and frequently it was listened to. It was not-- I would characterize it more of that kind of a relationship, than I would anything else.

ASSEMBLYMAN KAMIN: Well, as you know, the testimony before us by Mr. Levine was much more emphatic.

Mr. Goodman, in your opinion, why do you feel you were chosen and did, in fact, replace Mr. Levine at that time?

MR. GOODMAN: I don't have any idea.

ASSEMBLYMAN KAMIN: Mr. Goodman, when you were appointed as Chairman, Mr. Salema said you were going to be a "roll up your sleeves and analyze the Authority's structure" kind of Chairman. He meant, "We are going to wait for him" -- referring to you -- "to tell us what needs to be done."

Could you share with us some of those -- perhaps what type of an analysis and restructuring was done, and what you, in fact, recommended to Mr. Salema, to the Board, and to the Executive Committee?

MR. GOODMAN: I did not make very many, if any, recommendations to the Board of the Executive Committee because I wasn't asked -- okay? -- to make any recommendations to the Board or the Executive Committee. While Joe Salema may have made that statement, and maybe that was his intention at the time of my appointment, it appeared to me that those feelings sort of dissipated as time went on. In other words, I was not asked -- okay? -- to do the things that you mentioned in your question.

ASSEMBLYMAN KAMIN: Well, the contrast here is that the public statements by Mr. Salema were leading to, I guess, justification for the change and he laid out an agenda on behalf of the administration, but yet that was not the course of action that--

MR. GOODMAN: The course of action that was taken was that on a monthly basis I either reported directly to Joe Salema or to Counsel, to the Governor, on what I believed the status of the Sports Authority was with regard to its financial condition, or any other question they may have asked me.

ASSEMBLYMAN KAMIN: Would you comment on, perhaps at the time of the transition between Chairman Levine's tenure and yours, the discussions that took place publicly, especially about the role of the Sports and Expedition Authority in the solicitation of vendors and the public comments by the previous

Chairman? What were your thoughts as a member of the Commission before becoming Chairman, and then perhaps contrast that with your role as Chairman?

MR. GOODMAN: You'll have to clarify for me a little bit, because I don't know what the comments of the previous Chairman were with regard to vendors.

ASSEMBLYMAN KAMIN: Were you aware of any of the printed public accounts and the remarks made by Chairman Levine at the time?

MR. GOODMAN: Unfortunately, the news as it is written in the North about the Meadowlands is not written in the South. There are very few articles that appear in The Courier Post and/or The Philadelphia Inquirer, including the New Jersey section.

I don't know. If you want to be specific I would be happy to comment, but I do not have a great deal of knowledge, other than the fact that Peter Levine may have said it was inappropriate to solicit vendors. I don't know.

ASSEMBLYMAN KAMIN: So you had no knowledge -- no direct knowledge -- of his concerns either from reading press accounts at home or from actually serving as a member of the Commission -- any comments he may have made in public or private meetings?

MR. GOODMAN: I do not recall any of Peter Levine's statements in public -- okay? -- at which I was present with regard to statements on vendors.

ASSEMBLYMAN KAMIN: Well, as a Board member, Mr. Chairman, that answer surprises me.

Mr. Mulcahy, did the administration and its involvement in the Authority's management change after Mr. Levine was removed as Chairman, in your opinion?

MR. MULCAHY: No, I don't think so. As Chief Executive Officer, you have a different relationship with each Chairman depending on their personality and their interests.

My effort was always to have telephone contact with the Chairman, if not physical meetings, to review the major things that were going on so that they were informed. Some Chairmen would like to attend more events than others; some had more interest in coming around than others. Frankly, my recollection is that the contact I had during the time that Mr. Levine was Chairman and the contact I had after he was Chairman was basically the same.

ASSEMBLYMAN KAMIN: You don't feel there was any-- Let me ask you this in a different way: Would you characterize any of the communications from the administration to you as interference or did they in any way jeopardize the integrity of your role as the CEO?

MR. MULCAHY: If I thought something would jeopardize my role, then I would speak up. The best example I can give you is the one that was talked about at great length here last time, when Mr. Levine came to me and talked about a conversation he had relating to a vendor. I called the Attorney General and I told Mr. Levine that I was going to do that, as I have done at other times in other roles that I have had in this government whenever I thought there was something that involved the potential for wrongdoing. I called the Attorney General. The Attorney General asked me to talk to Peter and ask him if he would talk to him. I did. I related to the Attorney General -- gave him everything I had relating to it, and I had no further involvement in it.

ASSEMBLYMAN KAMIN: There was never any, again, communication back from the Attorney General to you after that initial inquiry?

MR. MULCAHY: Not other than what you heard here last time that he -- they had found no cause to go forward. There may have been some ancillary things relating to that, but that was the essence of it.

ASSEMBLYMAN KAMIN: Were there any other members of the administration, Mr. Mulcahy, who worked closely with the Sports and Exposition Authority, other than the Chief of Staff and the Governor's Counsel?

MR. MULCAHY: The Treasurer's Office, Mr. Chairman.

ASSEMBLYMAN KAMIN: The Treasurer's Office?

MR. MULCAHY: Absolutely. It relates to these bond issues. Cliff Goldman, whom you know, served as our Financial Adviser. He drafted the RFPs. The underwriters for each of the particular bond issues were given to us through Treasury.

My role was to make sure that the lead underwriter was a qualified investment banker, and that the costs of the bond issue were held down and done as cheaply as possible. So I had to make sure they were qualified; I had to make sure they were done in a cost-conscious manner, and I feel that I did that.

ASSEMBLYMAN KAMIN: Thank you.

Mr. Goodman, was there anyone in the administration that you worked with other than Mr. Salema?

MR. GOODMAN: I believe I had three meetings or so with Bob DeCotiis, maybe four meetings. I do not recall the exact number.

ASSEMBLYMAN KAMIN: But your contact was not with the Treasurer's Department?

MR. GOODMAN: My contact was not with the Treasurer's Department. That is correct. My only contact with the Treasurer's Department was when we had our regular meetings and the Treasurer attended.

ASSEMBLYMAN KAMIN: Thank you.

MR. MULCAHY: And I would keep-- When the communications came on the bond issues, I would call him and tell him what the process was and how we were doing it. But, as far as I know, he had no contact. That was the routine, and that is how it came through.

ASSEMBLYMAN KAMIN: Those would be preliminary briefings and then ultimately the entire Commission would be briefed?

MR. MULCAHY: Yes.

ASSEMBLYMAN KAMIN: Thank you.

Mr. Gibson?

ASSEMBLYMAN GIBSON: Just something that Mr. Goodman said has raised a question. You said you wanted to be Chairman before you were appointed? Is that so?

MR. GOODMAN: Yes. That was a desire of mine, yes.

ASSEMBLYMAN GIBSON: Are these salaried positions?

MR. GOODMAN: No, they are not.

ASSEMBLYMAN GIBSON: Okay. So, to be Chairman-- You wanted to be Chairman, I would presume, because you could exert some influence, or some of your own direction to the Committee?

MR. GOODMAN: That is correct.

ASSEMBLYMAN GIBSON: But yet you said, unless I didn't hear you correctly, in the beginning that you didn't do anything except Chair the meetings.

MR. GOODMAN: You heard me correctly.

ASSEMBLYMAN GIBSON: So if you wanted to be Chairman to exert some direction, or some good influence you would have, and yet you only chaired the meetings, that doesn't add up.

MR. GOODMAN: Well, it may not add up to you; it added up to me. I had to be asked by somebody in the administration to do certain jobs. In other words, I am not the CEO; I was not an executive officer; I am not an operating officer. I am merely the Chairman. If somebody asked me to do a job within the administration, I would have been more than pleased to do it. If I was not asked, I did not do it.

ASSEMBLYMAN GIBSON: Was your role as Chairman a disappointment? Did it not turn out the way you had expected?

MR. GOODMAN: That is correct.

ASSEMBLYMAN GIBSON: Okay. That answers my question.
Thank you.

ASSEMBLYMAN KAMIN: Thank you, Mr. Gibson.

Mr. Watson, and then I will go to Mr. Bagger.

ASSEMBLYMAN WATSON: Thank you, Mr. Chairman. I would like to ask the CEO, Mr. Mulcahy, these questions:

Mr. Mulcahy, the Governor has to sign off on your minutes. Is that correct?

MR. MULCAHY: That is correct.

ASSEMBLYMAN WATSON: The refinancing legislation involved a commitment of the taxpayers' funds, which is the ultimate responsibility of the Governor and the Legislature, it is not?

MR. MULCAHY: Yes, to the degree that they were involved in it. Two-thirds of our debt are paid by our own revenues, but to the degree that they are, yes.

ASSEMBLYMAN WATSON: Thank you.

Through you, Mr. Chairman, would it be a breach of responsibility for the Governor, through his staff, to ignore the Sports Authority operation and let you do as you please?

MR. MULCAHY: As I testified earlier, Assemblyman, I never felt that any major policy issue, whether it was Governor Byrne, Governor Kean, or Governor Florio, went forth without the knowledge of the Governor's Office. I just felt it was the wrong way to do it. Sometimes there would be discussions about whether or not it was the best thing to do, and sometimes we would revise our position. Sometimes I think Jerry underplayed himself a little, but there were times when his business knowledge would come in handy. I would talk to him about something and he would give me advice on an issue in an effort to make it better. I mean, that was the way I saw it.

ASSEMBLYMAN WATSON: But it has been a practice for the Governors--

MR. MULCAHY: Absolutely, every Governor.

ASSEMBLYMAN WATSON: --to keep a hands-on kind of a situation, because--

MR. MULCAHY: The profile of the Sports Authority is such that the Governors, all of them, have had an interest in it. Some liked some sports, some liked others.

ASSEMBLYMAN WATSON: Well, Mr. Mulcahy -- through you, Mr. Chairman -- wouldn't it be particularly so today because we are spending taxpayers' money now?

MR. MULCAHY: No question about it.

ASSEMBLYMAN WATSON: Through you, Mr. Chairman--

ASSEMBLYMAN KAMIN: Excuse me, Mr. Watson. Are you referring to the \$17 million that we now--

ASSEMBLYMAN WATSON: Absolutely, Mr. Chairman, that is what I am speaking about; the moneys that they--

ASSEMBLYMAN KAMIN: Because of the refinancing.

ASSEMBLYMAN WATSON: Yes, absolutely. I am speaking of the millions of dollars we are putting into the Sports Authority now.

Mr. Mulcahy, so if members of the Governor's key staff kept tabs on and offered suggestions on the operations of the Sports Authority, they would, in fact, be doing their job correctly, would you not say so?

MR. MULCAHY: I have no quarrel with that. My role up there has always been an open book. We are subject to scrutiny. I always felt that not only would I keep them informed, but if they wanted to ask me questions, they could.

ASSEMBLYMAN WATSON: Thank you, Mr. Mulcahy.

Mr. Chairman, I may have a few more questions later on, but thank you.

ASSEMBLYMAN KAMIN: Feel free at the appropriate time.

Mr. Bagger?

ASSEMBLYMAN BAGGER: Thank you, Mr. Chairman, and thank you to the witnesses for their appearance here today. I would like to reiterate the Chairman's comments. We are not

here today as a Committee to question the success of the Sports Authority in New Jersey, which is self-evident, or the substantive effectiveness of the 1992 bond refinancing, which I have no reason to dispute.

We are here today to evaluate the procedures that are followed by different State authorities, including the Sports Authority, and the issuance of debt, and to look at whether there are needs for improvements in State bonding procedures; to consider the need for additional oversight of bonding by independent authorities to determine whether the professionalism of authorities has been compromised by excessive executive interference. We are looking at these things because we are looking to the future and towards making recommendations, because, as you are aware, there are a number of bills that pertain to bonding which are being considered by this Committee and Chairman Russo of the State Government Committee.

With that, I would like to ask some fairly specific questions about the procedures that were followed in the selection of the participants in the 1992 refinancing.

Starting with you, Mr. Goodman, could you tell us, with reference to the refinancing which was approved by the Board on February 26, 1992, about a month after you were named Chairman by the Governor, what role did you yourself play in the selection of the 21 underwriters that participated in the refinancing?

MR. GOODMAN: I think you have to be a little more specific with regard to what role I played.

ASSEMBLYMAN BAGGER: What did you yourself do?

MR. GOODMAN: With regard to the selection of those 21 underwriters? I had no role whatsoever.

ASSEMBLYMAN BAGGER: You voted for it, I take it?

MR. GOODMAN: I voted, that's right; I voted for it. We had Financial Adviser Cliff Goldman and group, and the

Treasurer's Office made those recommendations. I voted for them, yes.

ASSEMBLYMAN BAGGER: The recommendations were presented to the Board and you took part of their recommendations.

MR. GOODMAN: That is correct.

ASSEMBLYMAN BAGGER: So I take it you yourself personally did not interview or evaluate any of the underwriters?

MR. GOODMAN: That is correct. We did have executive meetings where there were long discussions with regard to yield, where there were challenges made to Mr. Goldman having to do with timing of the event. I personally happen to believe that interest rates were headed down. Mr. Goldman believed, and his firm believed, that interest rates were headed up in the short period. As it turned out, we were both right. For the short term, interest rates headed up. In the long term, they went down. But this was something that had to be done then. In hindsight, he and his firm made the correct recommendation. That could have been an hour long, or a half-hour long debate between myself and the people who were present and representing the investment-- Let's say, Goldman and group.

ASSEMBLYMAN BAGGER: When you say, "executive meeting," do you mean a meeting with the executives of the Authority--

MR. GOODMAN: No.

ASSEMBLYMAN BAGGER: --or a meeting of the Board in executive session?

MR. GOODMAN: An executive session of the Board.

MR. MULCAHY: No, no, it was an Executive Committee--

MR. GOODMAN: Excuse me.

MR. MULCAHY: It was not an executive session.

ASSEMBLYMAN BAGGER: A meeting of the Executive Committee of the Board.

MR. MULCAHY: Yes, it was not an executive session.

ASSEMBLYMAN BAGGER: Mr. Mulcahy, could you explain for us the process that was followed by the Sports Authority in evaluating and selecting the 21 firms that were used as underwriters?

MR. MULCAHY: The process that was used-- I think I testified to this a year ago, or last spring. I indicated earlier that Cliff Goldman did an RFP and had investment houses respond to that RFP. The RFP, to the best of my knowledge, was reviewed not only by Cliff, but by Treasury. We received the underwriting syndicate list from Treasury. I personally did not participate in the selection of those syndicates. I wanted to make sure that the lead underwriter, which is the only one that counts in this deal, was qualified. If you look at the names, there is any one of a half dozen on Wall Street that are qualified. In this case, they all were. My role was to make sure that we got it done in a cost-conscious fashion. But I did not participate in the selection, nor in the process of selecting the underwriter syndicates.

ASSEMBLYMAN KAMIN: Excuse me. If I may, on the RFP, were there other professionals -- recommendations for other job titles coming from Treasury as well; for example, bond counsel or the underwriters' counsel who would work with the 21 firms?

MR. MULCAHY: The bond counsel-- In the case of the bond counsel, I pretty much insisted that it be Mudge Rose, because Bob Ferdun, who has done our work since the 1973 original Sports Authority concept, is considered one of the foremost public finance people in the country. Our bond resolutions are fairly complex, and I just didn't want to-- It was one thing that I was pretty insistent upon. He had done it for every issue under every administration, Republican or Democrat, and I felt this was part of not only doing it right,

but keeping the costs in line. That is one area where I did insist, but I did not play a role in the selection of the syndicates. I played a role where I thought we had some control. That was the bond counsel who was responsible to us, the financial adviser who was responsible to us, Cliff Goldman.

Then we would make sure that when they submitted costs for whoever the underwriters' counsels were, or other things, not only was there a clear accounting for their time spent, but we made sure there was no duplication. We would look at the fees. In many cases, we cut the fees in an effort to keep the costs down. That is the role I played in this.

ASSEMBLYMAN KAMIN: Who selected the firms? Those came from Treasury as well?

MR. MULCAHY: Yes, outside of Mudge Rose. They may have come from the investment banking houses themselves. I don't know. I was not in that process.

ASSEMBLYMAN KAMIN: Maybe I'm looking at the wrong branch of the administration. Mr. Levine indicated in his testimony before us that it was advice and -- that it wasn't advice and communication; that it was orders coming from the administration.

MR. MULCAHY: Mr. Chairman, with all due respect, I heard it, but I don't even remember Peter talking to me about those conversations. So, whatever those conversations were that he had, they were things that he kept to himself. They were not held with me. I can only tell you what my own personal experience was.

ASSEMBLYMAN KAMIN: Thank you.

Before we go back to Mr. Bagger, just one: We refer to Treasury. Is there a name specific?

MR. MULCAHY: Well, Bob Lurie was generally the lead person on the bond sales. He was sort of their key investment person who interfaced with us.

ASSEMBLYMAN KAMIN: So the law firms and some of the other-- That was not your call. That was Bob Lurie's call, or someone over there?

MR. MULCAHY: Or someone.

ASSEMBLYMAN KAMIN: Thank you.

Mr. Bagger, I apologize.

ASSEMBLYMAN BAGGER: Thank you, Mr. Chairman.

Mr. Mulcahy, I believe you just said that you made recommendations on bond counsel and financial adviser, because those were areas over which you had some control.

MR. MULCAHY: I felt so strongly about the quality of the people who performed those services that I wanted to make sure that we didn't compromise.

The other costs you can control. If you get a New York investment banking house of the quality of a Merrill Lynch or a Donaldson, or someone, they are going to do the job. You just have to manage what they do. So I felt this was really where I could make a contribution and have the control.

I would like to comment on one point you made, Assemblyman, because I think it may be helpful to this Committee. We began the process yesterday of refunding the senior lien bonds -- I think they are around \$69 million -- and bonding out the acquisition of the luxury suites that we had a five-year balloon loan with the banks, and we are doing it on a bid basis. Those bids are due back next Wednesday. I think it will be important for the Committee to review that process when they come back, to see how it relates to the processes in the past. I think it may be helpful to the Committee in evaluating this.

The second note that I would add -- and I think I made it when I was here last time, because I believe the Chairman picked up on it-- The issue we are in the process of doing is a fairly simple issue. On the Series C issue of contract bonds in Atlantic City, there is sometimes an opportunity to use a

variable rate instrument called a swap. You get the benefit of the long-term rate, which is guaranteed, without having to risk the weekly changes in interest rate that swaps do. It is a very complicated process, but it cut our costs substantially because there was the opportunity to do it in the market at that time.

That is an issue that would be much more difficult to deal with on a straight bid basis, because the timing of that-- You have to wait; you have to get somebody like an AIG or one of these major insurance companies to guarantee the rate; and you have to play the market to a point where you think you can make the best deal and do it. Now that is not one that I think you can bid in the same process. I only call that to your attention-- I think you raised that, Mr. Kamin, once before.

ASSEMBLYMAN KAMIN: I did.

MR. MULCAHY: It becomes a complex process, but I think that having done that with one of the issues in Atlantic City, and being in the process of bidding this issue next week, I think there is some valuable information that this Committee can use in attempting to come to some conclusion as to the viability of these processes.

Obviously, just like everything else, we will be more than happy to share those with you and compare the costs.

ASSEMBLYMAN BAGGER: We thank you for that. I think that will be instructive for us as we move forward.

If I may, through you, Mr. Chairman, continue on the process that was used for selecting the participants in the '92 refinancing, the RFP, I take it, was prepared by Clifford Goldman's firm?

MR. MULCAHY: My recollection is that it was prepared by Mr. Goldman, in consultation with Treasury, but I am unclear as to how much of a role each played.

ASSEMBLYMAN BAGGER: That was issued and the responses came back and went to Treasury?

MR. MULCAHY: They came back to Treasury, yes. I did not participate in the review of those responses, nor in the construction of the syndicates.

ASSEMBLYMAN BAGGER: Nor anyone who reports to you on the Authority staff?

MR. MULCAHY: No, other than Cliff may have participated in that. (pause here, as Mr. Mulcahy confers with Mr. Goodman) I am reminded that technically the RFPs were returned to someone in my office, who then forwarded them to Treasury.

ASSEMBLYMAN BAGGER: And that person did no independent evaluation?

MR. MULCAHY: I don't believe he made an independent evaluation. I'm sure he didn't, because he certainly didn't select-- There is no one in our place who had a role in the selection of the syndicate.

ASSEMBLYMAN BAGGER: If the Finance Committee of the Board did not make that evaluation--

MR. MULCAHY: Now, the Chairman of the Finance Committee of the Board is the State Treasurer, so--

ASSEMBLYMAN BAGGER: What came back from Treasury, then, was the entire structure of the underwriting certificate -- syndicate--

MR. MULCAHY: The syndicate, yes.

ASSEMBLYMAN BAGGER: --including levels of participation?

MR. MULCAHY: The levels of participation were not-- I am unclear who determined the levels of participation, whether it was the lead investment banker or Treasury. We didn't. I don't want to lead you astray that it was done at that time, or by anyone-- You will have to ask somebody else who determined that.

I do know this: There was a stated policy in an effort to include both New Jersey firms and minority firms in those syndicates. That is as far as I can tell you about my knowledge of the construction of the syndicates.

ASSEMBLYMAN BAGGER: Did you, Mr. Mulcahy, have any discussions with anyone in the Governor's Office concerning the composition of the underwriting syndicate?

MR. MULCAHY: The only conversation that I ever remember about-- There may have been one or two conversations in sort of passing in which the Governor's Counsel may have indicated to me that one of the firms might be the lead underwriter, but it wasn't a question to me as to whether or not I approved, disapproved, or something else. In one case, I think he may have indicated to me that there may be an inclusion of one or two other firms in the syndicate. That is the total of the conversations I ever had with the Governor's Office about who was in the bond deals.

ASSEMBLYMAN BAGGER: As best as you can recall, what did he say, and what firms was he speaking of?

MR. MULCAHY: I think there was a conversation at one point -- and I am not all that clear on it, and I don't know which of the three major ones on the bond was going to be the lead underwriter -- one of the major ones -- but it was just in passing.

I have a vague recollection that at some point there was a passing comment that Tri-State was going to be included in the syndicate. Those are the only comments that I remember -- conversations on any of this stuff.

ASSEMBLYMAN KAMIN: They had not responded to the RFP?

MR. MULCAHY: I subsequently heard that; I didn't know it at the time. Frankly, it didn't mean anything to me at the time.

ASSEMBLYMAN BAGGER: Did the Governor's Chief Counsel, in his conversations to you, mention the firm of Lazard Freres?

MR. MULCAHY: He could have, but it would only have been in passing. I don't remember it any other way, because, frankly, I had very little discussion about the investment bankers with him -- hardly any that I recall, and it certainly didn't leave much of an impression, because I couldn't identify which one.

ASSEMBLYMAN BAGGER: And the discussion of Tri-State was a request that it be included, or--

MR. MULCAHY: No. It was in passing that they were going to be included. They didn't ask me to include it, so I didn't put anybody in. You asked me what I can remember, and I am telling you what I can remember.

ASSEMBLYMAN BAGGER: You mentioned that the Governor's Counsel made some remark to you about the lead underwriter.

MR. MULCAHY: Well, that relates to Lazard or Donaldson or Merrill Lynch. That was the conversation in passing. See, it is very vague. You asked me if I ever remember a conversation. I believe that in passing it came up only in the sense that, "So and so is either under consideration or may be the lead--" I don't know. It was not, "Do you have any input," or anything else. I mean, I was not in that role.

ASSEMBLYMAN BAGGER: Was this a subject that you brought up--

MR. MULCAHY: No, I don't think so.

ASSEMBLYMAN BAGGER: --or that they brought up?

MR. MULCAHY: I don't remember bringing it up.

ASSEMBLYMAN BAGGER: So then--

MR. MULCAHY: But I would-- It could have come up this way: In the course of going over an agenda for a meeting, I would relate that we were going to begin the process to do this bond issue. I mean, those were policy issues, just like all of the other policy issues that I alluded to, that I would clear with the Governor's Office.

ASSEMBLYMAN BAGGER: But the mentioning of specific firms, or who was going to be lead underwriter was brought up by the Governor's Counsel?

MR. MULCAHY: It may have been. If it was, it was in an offhand passing way. It was not any other way.

ASSEMBLYMAN BAGGER: Mr. Goodman, did you ever discuss with anyone in the Governor's Office the selection of firms that would make up the underwriting syndicate for the 1992 refinancing?

MR. GOODMAN: No, I was never asked; never had any meetings. No one from the Governor's Office ever asked my opinion, nor did they give me any direction with regard to investment bankers.

ASSEMBLYMAN BAGGER: Mr. Mulcahy, when Mr. Levine was here you may have heard him. He testified that people in the executive branch made it quite clear to him as to which firms should participate and how he should vote at the February Board meeting. Do you know what he was talking about?

MR. MULCAHY: I have no comment to that, because he did not convey that to me.

ASSEMBLYMAN BAGGER: Now, you did say, Mr. Mulcahy, that the firm to be selected as the lead underwriter was an important decision to you, and previously that firm had been Merrill Lynch, which had a longstanding relationship with the Authority. Why was Merrill Lynch replaced as the primary underwriter, and who made that decision?

MR. MULCAHY: I am not the person to ask the question. I mean, I can't answer you.

ASSEMBLYMAN BAGGER: Was it you who made that decision?

MR. MULCAHY: Did I make that decision? No.

ASSEMBLYMAN BAGGER: How did that--

ASSEMBLYMAN KAMIN: Do you know who made the decision?

MR. MULCAHY: I'm not sure who made the decision, Mr. Chairman.

ASSEMBLYMAN BAGGER: How was that decision communicated to you?

MR. MULCAHY: Through Treasury, the syndicate -- or indicating, "Here is the lead underwriter to work with on this issue."

ASSEMBLYMAN BAGGER: And that lead underwriter was from Lazard Freres?

MR. MULCAHY: On what?

ASSEMBLYMAN BAGGER: On the refinancing?

MR. MULCAHY: Yes.

ASSEMBLYMAN BAGGER: What was your reaction to learning that news?

MR. MULCAHY: As long as they were qualified to do the job, that was what I was concerned about.

ASSEMBLYMAN BAGGER: Did you, as the CEO, believe there was any reason to replace Merrill Lynch?

MR. MULCAHY: Did I believe there was any reason to replace-- As far as I was concerned, Merrill Lynch had done a first-class job for us. That was my opinion, but it was not my decision.

ASSEMBLYMAN KAMIN: Mr. Bagger, if I may?

ASSEMBLYMAN BAGGER: Please.

ASSEMBLYMAN KAMIN: On the RFPs and the responses by the firms, did you get a chance to see the other main -- other underwriters that were in the hunt for lead underwriter? Did you get a chance to see their responses?

MR. MULCAHY: I did not look at them, no.

ASSEMBLYMAN KAMIN: Were you aware from communications with Treasury that, in fact, there were other responses that were better than Lazard Freres?

MR. MULCAHY: I assumed there were many responses, but I don't know that fact, Mr. Chairman. I was just not in that loop.

ASSEMBLYMAN KAMIN: You were not aware that there were responses that would, in fact, for want of a better term--

MR. MULCAHY: There could have been three; there could have been 10; there could have been 30. I don't know.

ASSEMBLYMAN KAMIN: And you don't know the rankings, or--

MR. MULCAHY: No.

ASSEMBLYMAN KAMIN: No? Good. Was Mr. Crane, the Treasurer, involved in communicating to you who the lead underwriter might be, or were there any discussions along those lines?

MR. MULCAHY: No, most of the communications came through Mr. Goldman from Treasury, which came to me.

ASSEMBLYMAN KAMIN: Thank you.

Mr. Bagger, go ahead.

ASSEMBLYMAN BAGGER: Mr. Chairman, I think Mr. Lance may have a question.

ASSEMBLYMAN KAMIN: Mr. Lance, please. I couldn't see where the light was. Sorry.

ASSEMBLYMAN LANCE: Mr. Mulcahy, you stated regarding Mr. Ferdun, who is a partner at Mudge Ross--

MR. MULCAHY: Yes?

ASSEMBLYMAN LANCE: --that you were insistent, based upon his long association with the Sports Authority, that he continue as the chief bond counsel. Is that accurate? (no response) Was there an attempt by anyone to replace Mr. Verdun?

MR. MULCAHY: The only request we had was that at some point the firm of Giordano be able to do some work. They handled the \$5 million Higher Education Sports Facility Act. Other than that, Mr. Ferdun did the work.

ASSEMBLYMAN LANCE: And there were no other suggestions beyond that?

MR. MULCAHY: No.

ASSEMBLYMAN LANCE: Your position is that regarding bond counsel, you were insistent that it remain where it had always been?

MR. MULCAHY: I was concerned that the work on the bond issues, because of the complexity of what was involved and the fact that Mr. Ferdun not only had been there, but had participated in drafting the legislation -- that we could not afford to make a mistake in this, and I felt it was important that he be the lead counsel. They worked with other counsels on the issue, but there was never any duplication of work. We always insisted that we would not pay for duplication.

ASSEMBLYMAN LANCE: And therefore, Mr. Mulcahy, there is apparently a difference between bond counsel in your mind and the chief underwriting firm, Merrill Lynch; whereas, in the second situation you were only concerned that whomever was chosen be competent.

MR. MULCAHY: Right. They worked for the underwriting firm, not for me.

ASSEMBLYMAN LANCE: Therefore, you did not insist that Merrill Lynch remain; whereas, you did insist -- or at least strongly recommend, whatever the phrase might be -- that Bob Ferdun and Munch Rose remain.

If I might follow up, Mr. Chairman-- Mr. Goodman, did you have any responsibilities in these regards relating to retention of Mudge Rose as chief bond counsel and choosing Lazard over Merrill Lynch as chief underwriter?

MR. GOODMAN: I don't understand your question.

ASSEMBLYMAN LANCE: I'm trying to draw out the point that the Chief Executive Officer, based upon his extensive experience at the Sports Authority, wished that the bond counsel remain as it had always been, but did not insist that that be true of the chief underwriter.

MR. GOODMAN: Yes, I understand that.

ASSEMBLYMAN LANCE: I would like you to comment on whether you were involved at all in the decision to retain Mudge Rose, and in particular Mr. Ferdun, as chief bond counsel.

MR. GOODMAN: I think my involvement was, once again, in Executive Committee meeting whereby we had discussions on these items. Bob made it very, very clear to us that his recommendation for bond counsel would be the Ferdun firm, and gave us the reasons. We all agreed with him.

With regard to the lead underwriter, I don't have any recollection of having a discussion about that.

ASSEMBLYMAN LANCE: Through you, Mr. Chairman, looking to the future, Mr. Mulcahy, do you think the system should be such in the future regarding either bond counsel or chief underwriter, or both; that these are decisions that should rest, most appropriately, with the Authority itself, and not with the Governor's Office or the Treasurer's Office or some combination of the two?

MR. MULCAHY: Well, the difficulty is that the Treasurer, in coming to a hard and fast rule-- The Treasurer sits on our Board as a voting member. The Governor signs the minutes. So the reality of the decision is that whatever you do, you are going to have to do in concert with however they want that policy carried out. I suspect every CEO likes as much latitude as possible, but the reality of the situation is that with a setup like that, you have to make it work.

ASSEMBLYMAN LANCE: Yes, sir, but it reaches a point, I suppose, where a CEO would be forced to choose to resign if he thought he had not been given appropriate leeway based upon his experience.

MR. MULCAHY: I think my record is such that if I felt there was a situation where we were compromising the Authority, I would have to--

ASSEMBLYMAN LANCE: You felt it was more important, as a bottom-line matter, to retain the bond counsel based upon his, I guess, exclusive experience in this regard?

MR. MULCAHY: Well, yes. I felt that between Cliff Goldman and Bob Ferdun we could manage any of the recognized Wall Street houses, because on any given issue if you manage them there, you are going to get the work done. That was really the philosophy I had.

My recollection is -- and I could be wrong on this -- that it was also the time when Merrill Lynch either did the State or the Turnpike bond sale. That may have had some bearing on the issue in terms of how much work they were going to do, or get, or what. I only offer that as a comment.

ASSEMBLYMAN LANCE: I see. I am not aware, although I am sure the staff can research the issue, as to whether it was at that time, or during that time frame that Merrill Lynch was involved in some other aspect of bonding.

Thank you, Mr. Chairman, and I thank the witnesses, as well.

ASSEMBLYMAN KAMIN: Mr. Russo, you had a question, too?

ASSEMBLYMAN RUSSO: Yes. Mr. Mulcahy, to some of the questions previously you answered that with regard to selection of bond underwriters and bond counsel, to an extent during these last several years-- I think you were referring to the fact that you weren't in the loop of some of these decisions.

MR. MULCAHY: In terms of the selection of the investment banking syndicate for each of the bond issues, that is correct.

ASSEMBLYMAN RUSSO: Right. Since you have been there since the inception, in the Byrne and Kean years -- and I understand that the Governor can veto the minutes -- did you have more input or more direct control over those decisions?

MR. MULCAHY: In the Byrne years, the bond issues were done before I went there in '79. They were done in '78. My recollection is -- and this is only based on conversations with him -- that the Treasurer pretty much determined. Frankly,

those happened because Merrill was the only one that could sell the original bonds after a couple of investment houses failed.

In the Kean years, we had two significant issues, I think, in '85. I made the recommendation to continue with Merrill. My recollection is that there were one or two firms that were asked to be included in the syndicate, and we included them. But there was a different level of intensity in the bonds we sold.

ASSEMBLYMAN RUSSO: Was there a different level of intensity with regard to the input you received from the administration during these past three years?

MR. MULCAHY: There was a different philosophy, I think, about how to handle these things. That is probably a more accurate way to express it.

ASSEMBLYMAN RUSSO: Thank you.

ASSEMBLYMAN KAMIN: So, if I may, Mr. Mulcahy, it was the choice of the Sports and Expedition Authority for lead underwriters in previous administrations?

MR. MULCAHY: My recollection is that when we did the two bond issues that I talked about -- the subordinated issue and the State guaranteed refunding in '85 -- at that time Jon Hanson was the Chairman. We had a discussion, and I believe I suggested that we continue with Merrill. I believe he came back and said there were two or three firms that we ought to include in the syndicate, and we did.

ASSEMBLYMAN KAMIN: But the choice of lead underwriter was yours?

MR. MULCAHY: Well, I wouldn't say it was the choice. They let me make a recommendation, and that choice was accepted.

ASSEMBLYMAN KAMIN: So the actual choice of lead underwriter, the actual mechanics of it, is a vote by the Commission ultimately?

MR. MULCAHY: Well, eventually they have to approve the syndicate, but Treasury, in reality, is the main player in this thing. They have to be.

ASSEMBLYMAN KAMIN: Thank you, Mr. Mulcahy.

Mr. Bagger, back to you.

ASSEMBLYMAN BAGGER: Thank you, Mr. Chairman. I am almost finished.

Would your recommendation in 1992 have been to retain Merrill Lynch as the lead underwriter?

MR. MULCAHY: My recommendation at that time probably would have been, if it were left to me, but that was simply based upon past practice and the performance I think they had given.

ASSEMBLYMAN BAGGER: How did you first learn that the firm of Lazard Freres was being considered, or would be recommended by the Treasurer's Office as the lead underwriter?

MR. MULCAHY: I believe Cliff Goldman told me, but I am not absolutely sure of that. If it wasn't Cliff, then it was Bob Lurie in Treasury, or somebody.

ASSEMBLYMAN BAGGER: At that time were you presented with the whole syndicate, or--

MR. MULCAHY: No, because you start out-- You have to begin the work with the lead underwriter, and the syndicate is put together practically at the last minute before you go to sale. They really come along, and then they are given a portion of bonds to sell. I mean, that is really what happens. So they really don't play a role until there is a sale.

ASSEMBLYMAN BAGGER: At that time, had you met, or did you know Mr. Porea (phonetic spelling) of that firm?

MR. MULCAHY: I don't believe I met him before that, no.

ASSEMBLYMAN BAGGER: Did you subsequently meet him?

MR. MULCAHY: Yes, of course.

ASSEMBLYMAN BAGGER: How did you first come to meet him?

MR. MULCAHY: He came after they indicated he was the lead underwriter. We had a meeting, and he came to the meeting representing Lazard. That is how I came to meet him.

ASSEMBLYMAN BAGGER: So I take it Lazard had no previous experience within the Sports Authority?

MR. MULCAHY: My recollection is that they did not. I can't say unequivocally that they might not have been a piece of a syndicate in prior bond issues. I just don't recall, but I do not recall them as a lead underwriter, no.

ASSEMBLYMAN BAGGER: Did Mr. Porea serve in any other capacity on the refinancing other than as the lead underwriter?

MR. MULCAHY: Do you mean for us?

ASSEMBLYMAN BAGGER: Yes.

MR. MULCAHY: Not to my knowledge.

ASSEMBLYMAN BAGGER: Were you aware at the time that the Board approved the underwriting syndicate in February 1992 of Mr. Porea and Lazard's experience in Florida and Kentucky?

MR. MULCAHY: I am not even sure I know what you are speaking about.

ASSEMBLYMAN BAGGER: Were you aware of the criticism of Mr. Porea's record on public finance in any other states?

MR. MULCAHY: Jerry, do you recall any?

MR. GOODMAN: Not to the best of my knowledge.

ASSEMBLYMAN BAGGER: For both of you the answer is no?

MR. MULCAHY: At this moment, I do not recall. I am not sure whether I have heard it since, other than here.

ASSEMBLYMAN BAGGER: Mr. Mulcahy, to your knowledge, did anyone in the Governor's office discuss the hiring of Lazard with anyone on the Board?

MR. MULCAHY: To my knowledge?

ASSEMBLYMAN BAGGER: To your knowledge.

MR. MULCAHY: To my knowledge, no.

ASSEMBLYMAN BAGGER: Mr. Goodman, to your knowledge, did the Governor's Office discuss the hiring of Lazard with anyone on the Board?

MR. GOODMAN: Not to the best of my knowledge. I can only say that they did not discuss it with me.

ASSEMBLYMAN BAGGER: Thank you, and thank you, Mr. Chairman.

I think the testimony today has been revealing, in that it is clear that the determination of the firms participating in the underwriting syndicate was established from within the administration and communicated to the Authority through the Treasurer's Office. I believe the Treasurer testified that some of those decisions were made within the Governor's Office, so I look forward to reading all of the testimony from all of our hearings together to synthesize my conclusions.

ASSEMBLYMAN KAMIN: We may have completed the circle today.

Mr. Smith, do you have any comments or questions?

ASSEMBLYMAN SMITH: A couple of questions.

ASSEMBLYMAN KAMIN: Yes?

ASSEMBLYMAN SMITH: Mr. Goodman and Mr. Mulcahy, as I have listened to you, I would like to characterize your testimony as saying that there were not direct discussions with the two of you about the selection of the bond counsel or the underwriters for the refinancing from, I guess, members of the Governor's Office. Is that a fair statement?

MR. MULCAHY: Other than what I indicated earlier, there were no conversations with me about either underwriters or bond counsel -- other than what I have said here before.

ASSEMBLYMAN SMITH: Just to clear the record for everybody, what about the Speaker of the General Assembly? Was there any communication from his office as to the selection of bond counsel or underwriter?

MR. MULCAHY: Do you mean, did he call me up and talk about--

ASSEMBLYMAN SMITH: Or any member of his staff?

MR. MULCAHY: Not to my recollection.

ASSEMBLYMAN SMITH: The same for the Senate President and his staff?

MR. MULCAHY: Yes.

ASSEMBLYMAN SMITH: The same for you, as well, Mr. Goodman?

MR. GOODMAN: The same, correct.

MR. MULCAHY: Do you mean on these bond issues?

ASSEMBLYMAN SMITH: On these bond issues.

MR. MULCAHY: I don't recall any conversations with them about specifics on these bond issues.

ASSEMBLYMAN SMITH: How about with respect to the Chairs of either the Appropriations Committee of the Senate or the General Assembly, either they or their staffs calling to inform the--

MR. MULCAHY: Do you mean Mr. Frelinghuysen or Mr. Kamin? No.

ASSEMBLYMAN SMITH: I'm referring to Mr. Littell.

MR. MULCAHY: No.

ASSEMBLYMAN SMITH: As I said, either they or their staffs?

MR. MULCAHY: No. I have had nothing but positive relationships with Mr. Littell and Mr. Frelinghuysen, and Mr. Kamin, in terms of going to them whenever we had a bond issue and explaining what we were going to do. I have always gotten a welcome and a response. They never asked me--

ASSEMBLYMAN SMITH: You've had an opportunity as Executive Director of the Sports Authority of participating in quite a few refinancings of bonds. Is that true?

MR. MULCAHY: Yes.

ASSEMBLYMAN SMITH: Based on that experience-- I am trying to get, I guess, some public policy issue, the point of this hearing. Is it a good thing that the Sports Authority and the State of New Jersey have discretion in the selection of

their bond counsel and underwriters, as opposed to a process in which whoever submits the lowest bid or the lowest price to perform the services will be selected?

MR. MULCAHY: I think there are two questions there. One is, I think it's-- First of all, our relationship with the State changed with the restructuring of the debt--

ASSEMBLYMAN SMITH: Right.

MR. MULCAHY: --in which the State had a much larger role, and therefore, I believe they have the greater role. However, with the Treasurer on the Board and the Governor able to veto minutes, I think they do have a role, and you have to acknowledge that they have a role. Frankly, it would be foolish on my part to act in such a manner without them knowing what was going to happen.

ASSEMBLYMAN SMITH: Absolutely irresponsible.

MR. MULCAHY: Or else you wind up with the opportunity of a--

ASSEMBLYMAN SMITH: Correct. But getting back, I have less concern about the fact that the Treasurer's Office may have put forward people that would not be the most competent bond counsel or underwriters. That is not the problem I have. I am trying to deal with the process. Would the State of New Jersey be better adopting a process in which we put out requests for proposals, whether the cheapest bid was selected, or is it a good thing that our authorities have the ability to exercise discretion? For example, you indicated earlier about Mudge Rose should have been involved because of their prior--

MR. MULCAHY: In our particular situation as bond counsel.

ASSEMBLYMAN SMITH: Yes, and they may not have been-- For example, you put that out for bid. You might not have to do--

MR. MULCAHY: Absolutely, because you are going to get -- you can get lowball bids, and you can wind up in a situation

when you have to cut-- So part of it gets back to the issue I talked about on whether you bid a bond issue. It depends on the issue, the complexity of it, how you are going to deal with it. That is the difficulty this Committee has in coming forth with one set of rules--

ASSEMBLYMAN SMITH: Right.

MR. MULCAHY: --as to how you are going to deal with each bond issue, in my view.

ASSEMBLYMAN SMITH: So the situation is--

MR. MULCAHY: In my view.

ASSEMBLYMAN SMITH: So a situation in which we adopted as a law of this State that bond counsel, pro-counsel, underwriters, and all that you have selected-- Well anyway, that is, whether offers to perform services at a lower price may not ultimately be in the best interest of the--

MR. MULCAHY: In my view, I concur with that.

ASSEMBLYMAN SMITH: Okay. That being said--

ASSEMBLYMAN KAMIN: That's to the heart of Executive Order No. 92.

ASSEMBLYMAN SMITH: That being said, this is the problem with newspaper accounts of these hearings. Isn't the problem not one of discretion -- who's picked -- but isn't the problem that the public perceives that the process is tainted--

MR. MULCAHY: Yes.

ASSEMBLYMAN SMITH: --because all during the gubernatorial election we read accounts of which candidate received how many tens of thousands of dollars from the firms that provided counsel to the underwriters? Isn't the real problem the public perception of trust?

MR. MULCAHY: Frankly, I believe that to be so. If none of them gave a dollar, we would go back to trying to make the best decision on who to use for a particular bond issue.

ASSEMBLYMAN SMITH: Isn't the solution to the problem-- Isn't the solution to the problem passing legislation in which we prohibit bond counsel, pro-counsel, and underwriters from making contributions to the gubernatorial candidates, Senate candidates, or Assembly candidates? Should we make the process pristine?

MR. MULCAHY: Are you asking for my personal opinion?

ASSEMBLYMAN SMITH: Yes.

MR. MULCAHY: Yes.

ASSEMBLYMAN SMITH: Mr. Chairman, the question is, when are we going to consider those bills?

ASSEMBLYMAN KAMIN: Well, Mr. Smith, if I may, the industry has responded publicly through their professional organizations, some of whom have the force of law, that they are not making political contributions -- 26 municipal bond firms, I think that is the correct number. I have yet to hear from the legal community to indicate that they are going to participate in no longer financing campaigns and making contributions. In fact, the question I had tied in with this is, where are the RFPs for the law firms and for the trustees and the escrow managers, and for the others who get involved with this whole process?

ASSEMBLYMAN SMITH: We, the Legislature, have made a conscious public policy decision about the number of industries wherein we believe that their participation in State politics would pervert the process. We have limitations on casino contributions; we have limitations on bank contributions; we have limitations on insurance contributions; we have limitations on public utility contributions. If the problem in the State of New Jersey today, especially after three months of seeing newspaper articles in The Star-Ledger every day about campaign contributions from the bond counsel, the cocounsel, and the underwriters for both candidates, is that the public believes that the process is tainted, isn't the solution to

the problem to reform that? Shouldn't we regulate campaign contributions? Let's eliminate them; let's eliminate those contributions. Let us make the process pristine so that the public believes that when bond counsel, cocounsel, or underwriters are selected, they are selected because they are working in the best interest of the State.

So that is what you can do. That is what we should be doing.

ASSEMBLYMAN KAMIN: So, Mr. Smith, you disagree with Executive Order No. 92, then?

ASSEMBLYMAN SMITH: I agree with the statement I just made. I agree with Mr. Mulcahy's statement.

ASSEMBLYMAN KAMIN: Well, then, you agree with many on this Committee--

ASSEMBLYMAN SMITH: Assemblyman Russo has a bill that--

ASSEMBLYMAN KAMIN: --who say that the process is not the problem, the process as it has been done in the--

ASSEMBLYMAN SMITH: I don't say it is a bad thing for the Governor and the Treasurer to make recommendations to the Authority about good bond counsel and good underwriters. That is a fine thing. The problem is the campaign contributions. That is what subverts the public's belief that this process is fair and impartial and that we are picking the best people. That is what we have to limit.

ASSEMBLYMAN KAMIN: Well, in his simplistic way, perhaps Mr. Smith is correct.

Let me get back to Assemblywoman Farragher for some questions as well.

But my point here, in response to yours, is that what is different here is the participants and how they became involved. We almost circumvented the expertise of the Sports and Exposition Authority that it utilized in the past. They didn't review. It was all done out of the Treasurer's Office. The recommendations were coming from the Treasurer's Office.

In fact, we waved the wand over firms that weren't even qualified. Tri-State Securities hadn't responded to the RFP. They just came in, changing the rules as they went along. It was a different set of the way to play the game.

You are quite correct, Mr. Smith. I fully agree with you. It is not whether it is a negotiated or a competitive bid. There is a different set of circumstances for putting all of this together. It is not the process; it is who chooses to participate, or who is allowed to participate. That is where the problems have developed over this.

ASSEMBLYMAN SMITH: The Governor of the State, the administration of the State, the Senate President, all of the leaders of the State government should have input in selecting the best qualified bond counsel, underwriters, the banks, firms, whatever, to work with the State.

But the flip side of that is that there shouldn't be incentive for them to pick one firm or the other. Eliminate campaign contributions from that industry. Make the process pure. Let's clean up the problem. If you ask the 7.5 million people in the State who just went through this gubernatorial campaign what they saw wrong with the bonding practices of the State, they would say it in two words: "Campaign contributions." They wouldn't talk about who made the recommendations. It's campaign contributions. If you want to clean up the problem, you eliminate those campaign contributions in any State office -- Governor, Senate, or Assembly.

ASSEMBLYMAN KAMIN: Oftentimes, Mr. Smith, I think that response does not answer the entire question here, and, to a large extent, is a smoke screen for what really happened.

Assemblywoman Farragher?

ASSEMBLYWOMAN FARRAGHER: Thank you, Mr. Chairman.

Mr. Mulcahy, you have been with the Sports and Exposition Authority now through several administrations.

MR. MULCAHY: Since 1979.

ASSEMBLYWOMAN FARRAGHER: And you have worked very closely with the gentleman from Mudge Rose and also with Merrill Lynch?

MR. MULCAHY: Yes.

ASSEMBLYWOMAN FARRAGHER: And according to what you said, you were very comfortable, in fact, very insistent that Mudge Rose continue as the bond counsel, but you were less insistent about Merrill Lynch. Did you have a problem with Merrill Lynch?

MR. MULCAHY: No.

ASSEMBLYWOMAN FARRAGHER: When Lazard was named as the lead underwriter for the issue, if I understood what you said correctly, you were unaware that they had problems in Kentucky and Florida?

MR. MULCAHY: My recollection is that at the time I was not aware of that, or that Mr. Porea had-- I met Mr. Porea when he came to the first meeting. Whether I heard about it subsequently, I can't tell you. I may have and I may not have. It is just not something that I can focus on. Certainly if-- I don't know how else to answer you. It was not an issue.

ASSEMBLYWOMAN FARRAGHER: Through the Chair, Mr. Mulcahy, I just would observe that were I in your position and a new firm came before me that I was going to have to deal with, I would want to know everything about them, and I would turn over every rock until I found it out.

You seem to me to be very conscientious, sir, in your position, and very insistent on how a job is done and that it is done right because it is in the best interest of the State. I find your disinterest in examining Lazard a little frustrating -- to hear that.

MR. MULCAHY: The only think I can tell you is that in another role, in another place, I had seen Lazard perform, and I knew they were a reputable underwriting firm. So I had no reason to believe that they were not reputable.

ASSEMBLYWOMAN FARRAGHER: In the instance of Lazard, it was not right-- It is not the firm that is the problem. In this case, it was the individual. Problems came about because of some statements that he made as to what had to be done to gain business in other states, and, of course, those allegations have cast a pall over what has been done in New Jersey.

MR. MULCAHY: Is that what the problem was with him?

ASSEMBLYWOMAN FARRAGHER: Yes, very much so. In fact, the expenses for the bond structured by him for Florida cost 4.8 percent of the principal, compared to 1-1/2 percent on average nationwide.

MR. MULCAHY: And we did a pretty good job of holding them down.

ASSEMBLYWOMAN FARRAGHER: Certain things that were related to executives in the company were, like, "Well, this is who you have to-- This is what you have to do to get that business."

But, Mr. Mulcahy and Mr. Chairman, do you not think that the Board should play -- and I have to say this in a quasi-board situation in a local governing body-- We certainly paid a great deal of attention to who our bond counsel was and who underwrote our financings. Shouldn't the Board give some attention to who is selected to do the underwriting? Granted, the State Treasurer is a voting member there and he is on the Financial Committee, but shouldn't the other members take an interest?

MR. MULCAHY: I think they all take an interest. In fact, some of them, I am sure, have investments with -- or know about many of these investment houses. I'm sure that if they felt there was a firm they had some concerns about, they would raise them. That has been the history of the Commissioners who are there. They are not afraid to speak up if they think there

is something untoward that might be, but in this case I don't remember anybody speaking of it, do you, Jerry?

MR. GOODMAN: No, and, quite frankly, I don't think there is any Commissioner who has the expertise or the knowledge that comes out of the Treasurer's Office with regard to underwriters and/or investment bankers.

MR. MULCAHY: In addition, Cliff Goldman is a pretty savvy guy. I would rely on him if he felt they were qualified to do the work. If he told me they were not qualified, I would be the first guy down here screaming.

ASSEMBLYWOMAN FARRAGHER: Thank you, Mr. Chairman.

ASSEMBLYMAN KAMIN: Thank you, Assemblywoman Farragher. Assemblyman Lance?

ASSEMBLYMAN LANCE: Thank you, Mr. Chairman.

Mr. Goodman, I was intrigued by your testimony earlier regarding your relationship with the Board. You stated that you had originally requested that you might want to go on the Board and in that capacity serve as Chairman of the Board. Did I hear that accurately?

MR. GOODMAN: That is correct.

ASSEMBLYMAN LANCE: As I understand it, you have had extensive experience in the private sector at what I guess is a bank in Camden County, the First People's Financial Corporation. Is that what you would call a bank?

MR. GOODMAN: You would call it a bank. You would call it either the fourth or fifth largest bank in the State of New Jersey, one of the top 300 banks in the United States.

ASSEMBLYMAN LANCE: You have been the Chairman, the CEO, and the President of that large organization?

MR. GOODMAN: That is correct.

ASSEMBLYMAN LANCE: Therefore, you have had significant experience in financial matters.

MR. GOODMAN: Yes, I would think that I had significant experience with regard to certain types of financial matters.

ASSEMBLYMAN LANCE: Then you told us that in your capacity as Chairman at the Sports Authority, you chaired the monthly meeting and you were involved, perhaps one-half day a month, in the Sports and Exposition Authority's matters.

MR. GOODMAN: Yes, that is my recollection.

ASSEMBLYMAN LANCE: Then you said you felt your experience there was different from what you thought it would be. Is that accurate?

MR. GOODMAN: Yes. When I took the job and when I made the request, I wasn't knowledgeable-- Let's say I did not have the knowledge that there was such a strong and competent CEO at the Sports Authority. I think the Commission is probably not much different than a Board of Directors for all practical purposes. Where you have a Board of Directors and the CEO is not the Chairman, the CEO can be the President, and you can have just the Chairman. It is usually the CEO who is the person with the greatest authority. The Chairman becomes sort of ceremonial if he is not the CEO, and I don't see that as being any different at the Sports Authority. We had a strong President, a strong CEO, and my position, as far as I am concerned, was very, very ceremonial. I conducted meetings.

ASSEMBLYMAN LANCE: I think we got a different impression, for better or worse, from Peter Levine as to his responsibilities when he was Chairman. That is certainly not something that you are able to discuss.

Would you recommend that in the future the position of Chairman be more substantive than it apparently has been during your tenure -- to use your own word, "ceremonial?"

MR. GOODMAN: Well, number one, there is no job description, as far as I am concerned, as to what the Chairman's job is. And number two, the Chairman's job, or the responsibility given to the Chairman, I would think, would depend greatly upon who the CEO was and how strong the CEO was. I think when you look at me, I am a South Jersey boy. I

have been on the Authority since June of 1991. Bob Mulcahy sits here. He has 14 years of experience. I think Peter Levine spent about the same amount of time with the Sports Authority, and probably over that period of time gathered a great deal of knowledge as to what took place at the Sports Authority. So in my opinion, the authority given to the Chairman, or what the Chairman is expected to do, once again, depends on how strong the CEO is.

ASSEMBLYMAN LANCE: I suppose that to some extent, Mr. Goodman, perhaps what decisions are made in a Governor's Office-- I assume the Governor's Office could choose to involve the Chairman to a greater extent than might have otherwise, or formerly, been the case given--

MR. GOODMAN: I think you are 100 percent correct. I know that Bob attended meetings in Trenton, depending upon when he was summoned, maybe anywhere from one to four times a month. I think there was only one occasion during my period on the Commission where I was asked to attend -- okay? -- in conjunction with Mr. Mulcahy. That sort of took me out of the loop.

ASSEMBLYMAN LANCE: Mr. Mulcahy, I have been discussing the fact that Mr. Goodman's testimony has been that his role as Chairman is largely ceremonial -- his phrase, not mine -- and that was not the impression we got from Mr. Levine in October.

From your perspective as a CEO, has the role of Chairman changed in recent years and, beyond that, what should the role of Chairman be?

MR. MULCAHY: Well, I think I indicated earlier that different Chairmen have different interests. In my opinion, largely because of the distance problem, Mr. Goodman has spent less time at the Authority than Mr. Levine or Mr. Hanson. It didn't mean that I felt any less comfortable with him, or that

I would not call him and go over policy issues that were there. I think different Chairmen perceive different roles.

What has happened, though, is, the complex -- or the Authority itself has gotten to be a very complex business. We are competing on a daily basis with many competitors in different sports and in different activities. You almost have to be there every day, eight hours a day, if you are going to be a participant in it -- an active participant -- other than on major policy roles, which would always go to the Executive Committee and the Board. So I think, in my view, yes, Mr. Goodman was less active than Mr. Levine, not because of interest, but because of distance. I think different Chairmen perceive a different role, and I also think the complexity of the Authority has gotten greater, certainly, in the last five years than it had been before that.

ASSEMBLYMAN LANCE: I want to make it clear, Mr. Mulcahy, that while you were out of the room I pointed out that based upon the information I received, Mr. Goodman has been President, Chief Executive Officer, and Chairman of what I call a bank. He points out that it is one of the largest ones in the United States. I do not mean to denigrate your experience in business, Mr. Mulcahy. I am trying to determine whether in the future, through the Governor's Office or in whatever other way is appropriate, that there be greater involvement of the Chairman since it is clear that no person is indispensable, although we have a Chief Executive Officer whose experience in this area has been over the course of 15 years.

Would you take the job again, Mr. Goodman?

MR. GOODMAN: Maybe I should try a better explanation, because I have my own philosophy with regard to what being the Chairman and/or what being the CEO is. I have had the opportunity over the last 15 years to be the Chairman and CEO and President of more than one public institution. My own philosophy is that the CEO -- that person who is the paid

runner, for all practical purposes, of the company -- is someone who spends anywhere from 55 or 60 hours a week at that business. The Directors and, in this case, the Commissioners spend approximately an hour a month attending a meeting.

My philosophy is that it is very, very difficult for someone who spends one hour a month, or three hours a month, to teach the CEO who spends 250 hours a month the nature of his business. So I happen to feel -- okay? -- that a strong CEO is the one who commands the responsibility and runs the show.

MR. MULCAHY: Also, there are some checks and balances. We have a thorough budget process, including-- Almost every scheduled event is gone over with each of the Commissioners, and that is the business plan for the year. There are also fairly sophisticated financial statements that are sent to the Commissioners relating to daily P&Ls at the racetrack, as well as monthly, so there is an ability for them, just by reading, to monitor what's happening.

ASSEMBLYMAN LANCE: Thank you, Mr. Mulcahy.

ASSEMBLYWOMAN FARRAGHER: Excuse me, Mr. Lance. Mr. Goodman, would you not, as a Board, have oversight over Mr. Mulcahy's actions, from a policy standpoint?

MR. GOODMAN: Yes, we would.

ASSEMBLYWOMAN FARRAGHER: Would you not then regularly review what he had done?

MR. GOODMAN: Yes. We were given reports on a monthly basis, as Mr. Mulcahy -- or Bob -- just mentioned. That would be the primary method of review. In other words, you would be given an update, a report, a complete set of financials, all bills that had to be paid over a certain number of dollars. All bills had to be over a certain number of dollars. There were many, many ratifications of all the actions -- or of many of the actions -- of the CEO. That was the oversight.

ASSEMBLYWOMAN FARRAGHER: I think it was important, sir, that that be said, because the impression you were giving

to this Committee, or at least to me, was that, more or less, your role was just to be there in sort of a perfunctory form to just basically allow the CEO free rein, and that, I know, is not the case.

MR. GOODMAN: No. I think maybe I misled you. I was talking about the Chairman's position per se, not the position of being a Commissioner. In other words, we had all the responsibilities and all the duties that you spoke of as Commissioners. But I tried to let you believe that my job as the Chairman -- okay? -- was only one, for all practical purposes, of being an honorarium.

ASSEMBLYWOMAN FARRAGHER: I understand.

MR. MULCAHY: Also, the Executive Committee would meet monthly, at which time we would go through the issues -- the policy issues and any other issues that we would have. There are other Committees of the Board that meet. The Construction Committee meets all the time relating to the Atlantic City projects and the Rutgers projects. So there are Committees of the Board that function. I think there was a misunderstanding as to what Jerry was trying to explain.

ASSEMBLYWOMAN FARRAGHER: There was.

MR. GOODMAN: Yes. I think just one other thing: Concerning the question with regard to the time I put in, I was talking about the time I put in as Chairman and/or conducting a meeting. I was not talking about the time I put in by serving on various Committees -- okay? -- at the Authority. Those were all in addition--

ASSEMBLYMAN LANCE: Additional time.

MR. GOODMAN: Yes.

ASSEMBLYWOMAN FARRAGHER: Sorry for interrupting.

ASSEMBLYMAN LANCE: Thank you, Assemblywoman Farragher.

Moving to another area, when Mr. Levine was here two months ago, Mr. Goodman, there was a lengthy discussion about a meeting in February of 1992 when the Board approved a \$224

million bond sale. As I understand it, he did not vote for that. He has said that in 1985, I think, there were nine bond firms; whereas, in 1992 there were 21. The minutes of the meeting suggest that more firms were included to let more New Jersey firms participate, which is something I certainly would agree with.

MR. GOODMAN: And, I think, minorities.

ASSEMBLYMAN LANCE: And additionally minorities. Our statistics seem to indicate that 17 percent of the bonds went to New Jersey-based firms. I'm wondering why it was so low, given the fact that the reason the number was increased so dramatically from nine to 21 -- one of the two reasons; the other being the minorities, and I will get to that in a moment -- was to try to include New Jersey firms. Can you explain that to me in any detail?

MR. GOODMAN: I can't explain that, because I had nothing to do with the allocations -- or, we had nothing to do with those specific allocations. In other words, what was sold-- I think that is usually done by the lead underwriter. Bob Mulcahy, correct me if I am wrong.

MR. MULCAHY: No, and I think it may relate to how many bonds the firms wanted to commit themselves to. It is not something that we participated in.

ASSEMBLYMAN LANCE: So I should be asking this question of someone else?

MR. MULCAHY: Yes.

ASSEMBLYMAN LANCE: Neither you nor Mr. Goodman--

MR. MULCAHY: It is not our role?

ASSEMBLYMAN LANCE: It's not your job.

MR. GOODMAN: No, sir.

ASSEMBLYMAN LANCE: Would the same be true regarding minority firms? Our statistics are that 6.3 percent went to minority firms, and over half of that 6.3 percent went to a

firm in New York -- M.R. Beal & Company. So I am curious on that issue, as well, but that is not something you can answer.

MR. GOODMAN: No, I have no knowledge.

ASSEMBLYMAN LANCE: When Mr. Levine was here the subject was raised, based upon press accounts, that twice during the meeting you, as Chairman, tried to defer Mr. Levine's questions about the bond selection process. Would you care to respond to that -- to the press accounts of that meeting and to Mr. Levine's testimony earlier?

MR. GOODMAN: Number one, I don't have the press account in front of me, so it would be very, very difficult for me to respond to it. My recollection -- okay? -- and it is just a recollection, is that I think this was either my first meeting or second meeting as Chairman. I think, quite frankly, that Mr. Levine was a little unhappy about me having replaced him, and I think he was somewhat repetitive with regard to his thoughts. Okay? In other words, it was the same thing being said over and over again. I think I finally asked him for a reason.

ASSEMBLYMAN LANCE: So from your perspective, Mr. Goodman, you did not wish to forestall discussion of the bond selection process. You just thought that Mr. Levine was repetitive at that time.

MR. GOODMAN: That is correct. I think-- My recollection is that the Attorney General, who was present at the meeting, told me that I should let Mr. Levine talk as much as he wanted, and he continued for as long as he wanted.

ASSEMBLYMAN LANCE: Mr. Goodman, Mr. Levine told us, and also the newspapers, that the Commissioners, "should have the necessary information and the ability to discuss it and make decisions, as opposed to being a rubber stamp." Let's put it that way. That is not my phrase; it was Mr. Levine's. He also said that he had not seen a list of the firms until the day of the vote.

Since that time, and you are now engaging in some bonding -- some new bonding -- is it your recommendation that these lists be given to the members of the Authority before the day of the vote?

MR. GOODMAN: My personal opinion is that I don't think the list is significant -- okay? -- specifically to those members, or those Commissioners. I don't think they have the expertise or knowledge to know who is good and who is bad. That is the very reason why we hire experts -- okay? -- to make those recommendations.

ASSEMBLYMAN LANCE: Mr. Mulcahy, what is your seat-of-the-pants opinion on whether or not it is important in the future to give lists of the underwriters to the members of the Board before the day of the vote?

MR. MULCAHY: The bottom line is, the syndicate is going to be given an allocation of bonds to sell. The lead underwriter is responsible for getting it done. I think, from an informational standpoint, it might be fine to give it. I think far more important is the process that is used to put together the syndicate to make sure that you have a syndicate that can sell the bonds. Frankly, that is the important part of the process, not really whether-- The syndicate members are going to be allocated something to sell. If they sell them, they will make money. If they don't sell them, they won't. By being placed there they are given the opportunity to sell. It is not that they are automatically given money if they get there. But I think the process is more important than whether the Commissioners have a list.

ASSEMBLYMAN LANCE: Mr. Goodman, Peter Levine made rather strong statements on what he characterized as interference by the administration, and what he characterized as his fight to maintain the integrity and independence of the body. I gather from what you have been saying that you do not

believe that there was any compromise of the integrity or independence of the Authority.

MR. GOODMAN: I don't think so. That would be my statement just as you said it.

ASSEMBLYMAN LANCE: Mr. Mulcahy, regarding the issues we have been discussing--

MR. MULCAHY: Regarding the bond issues?

ASSEMBLYMAN LANCE: Yes.

MR. MULCAHY: It is hard for me to say other than to relate to what I have testified to. In terms of how they were selected, I was not in that process. In terms of keeping the costs down in carrying out the functions of doing the issues, I think we did a good job. Frankly, in that process I don't recall anybody bothering us once it got started.

ASSEMBLYMAN LANCE: Have you been involved -- you may have covered this already -- in the selection process of the bond houses before this?

MR. MULCAHY: Yes.

ASSEMBLYMAN LANCE: You have before this, but you were not in this situation, so at least in that regard-- Were you involved in that process, Mr. Mulcahy, in both the-- I guess you testified that there were no bond issues while you were there during the Byrne years.

MR. MULCAHY: No, they had been done earlier before I got there.

ASSEMBLYMAN LANCE: So you were involved in the selection of the bond houses during the Kean years?

MR. MULCAHY: Yes.

ASSEMBLYMAN LANCE: But you were not in the Florio years?

MR. MULCAHY: That is correct.

ASSEMBLYMAN LANCE: So that is a difference--

MR. MULCAHY: Right. Plus our role changed in '92.

ASSEMBLYMAN LANCE: Your role changed because of State funding?

MR. MULCAHY: Right, right.

ASSEMBLYMAN LANCE: Well, that might--

MR. MULCAHY: I think this: I think if you have an experienced CEO who has been there awhile, certainly that person's opinion ought to be solicited. That is my own personal opinion.

ASSEMBLYMAN LANCE: Mr. Chairman, I think this raises a fundamental point -- and this is a comment, not a question. It would seem to me that in the future, Mr. Mulcahy, or whoever is the CEO, should be involved, if not as a decision maker, then at least be given the opportunity to give his or her opinion regarding the bond houses, number one.

Number two, it is my opinion now that it seems to me that perhaps it should include a recommendation by the Chairman, be it John Hanson, Peter Levine, or you, Mr. Goodman, based upon your many years of experience in the business community. I think you have been modest as to your experience in the weighty affairs of finance.

But regardless of that fact, there apparently has been a difference between the Kean administration and the Florio administration regarding this area. Looking into the future for the Whitman administration, it certainly would be my recommendation -- for what it is worth -- that the CEO be involved, at least on a consultant basis, in determining who the bond houses are.

Thank you, Mr. Chairman.

ASSEMBLYMAN KAMIN: Thank you, Mr. Lance.

Assemblywoman Farragher, and then we will have Assemblyman Gibson and Assemblyman Romano. Assemblywoman Farragher?

ASSEMBLYWOMAN FARRAGHER: Thank you, Mr. Chairman. Through the Chair, Mr. Mulcahy, to follow up on what Mr. Lance

was getting at, in the earlier bond issues when Merrill Lynch was the lead, did you know the names of the firms that were chosen as part of the syndicates?

MR. MULCAHY: Well, in that -- and I think I testified to this -- I was asked to include certain firms.

ASSEMBLYWOMAN FARRAGHER: When Merrill Lynch was the lead?

MR. MULCAHY: Yes.

ASSEMBLYWOMAN FARRAGHER: Yes. You were familiar, then, with various houses, based on your experiences through Merrill Lynch?

MR. MULCAHY: Yes. Also, we at that time used Merrill Lynch as the financial adviser, as well as the lead underwriter.

ASSEMBLYWOMAN FARRAGHER: Okay. When Lazard was named as the lead, did you recognize many of the names of the bond firms that were part of the syndicate, or were some of them new?

MR. MULCAHY: I'm sure some of them were new. I just don't recall. There were several, and I just don't recall which ones were on that. If you gave me a sheet of that, I could tell you how many I recognize and how many I don't.

ASSEMBLYWOMAN FARRAGHER: Okay. Thank you. Thank you, Mr. Chairman.

ASSEMBLYMAN KAMIN: You're welcome. Assemblyman Romano?

ASSEMBLYMAN ROMANO: Oh, I thought you were just going to--

ASSEMBLYMAN KAMIN: Well, I know you only have a couple of points you want to make.

ASSEMBLYMAN ROMANO: I will be brief.

ASSEMBLYMAN KAMIN: We would also like to hear from you since--

ASSEMBLYMAN ROMANO: I know. I always end up on the end of the conversation. In any event, through you, Mr. Chairman, I just have a basic question for both parties. I

myself appreciate the information arrived at today. I was not surprised, because I expected the sort of answers you gave, because I think the both of you epitomize the highest ideals of your respective offices.

Just to satisfy myself-- I am wondering: At any time, did you ever get any pressure from any source to move the bond issues toward a direction that would compromise the efficiency, effectiveness, or the economy of the Authority, in your own judgments as respective CEO and as Chairperson of the Board?

MR. GOODMAN: As the Chairperson I have stated before that I never received any.

ASSEMBLYMAN ROMANO: Mr. Mulcahy?

MR. MULCAHY: I think I indicated that I was not part of the process of selecting the underwriters, so I was not in that.

ASSEMBLYMAN ROMANO: From all of the other remarks you made today, you have substantiated that.

I just have a comment, if I may. First of all, through you, Mr. Chairman, I think before when you paused, you were looking for certain words and you were satisfied, perhaps, with the answer given by Mr. Goodman. I think you were looking for, "Aw shucks!" (laughter)

On another note, I think what we have here today becomes one of those conversations, and it is aptly such, about the perception of roles that one sees when fulfilling the position of a CEO and/or a Chairperson, you know, in all due deference to Mr. Goodman. So it took a while for everybody to understand. I knew from the beginning you were talking as the role of the Chairperson, as against just being a Commissioner on the Board.

MR. GOODMAN: That's correct.

ASSEMBLYMAN ROMANO: And you saw it as ceremonial; whereas, someone -- your predecessor, in fact -- saw it as,

let's say, a leadership role to bring the Board or Commissioners along. Obviously, we have a situation where we have an excellent CEO, and the Board requires, or relies upon the input of the CEO to guide them in things as much as possible, which I am sure Bob Mulcahy has done. In answer-- Or, not in answer, in explanation, we talk about CEOs having a direct relationship to advisements in the appointment of counsels and that. I think it is a given that Mr. Mulcahy is not the sort of a person who sits and takes a backseat. I'm sure his views on whatever he feels needs to be said, are said, but as a good CEO he also understands he does not have a voting-- You don't vote on the Commission, do you, Bob?

MR. MULCAHY: Yes, I do.

ASSEMBLYMAN ROMANO: Oh, you do?

MR. MULCAHY: By statute.

ASSEMBLYMAN ROMANO: He does not overwhelm the Commission. I think only at the time when someone suggested, "Why don't you quit? If there is something you don't like, you can always resign--" I think it became a matter of a moral and legal issue for us to do that. These are the types of issues in terms of preference; of one thing versus another thing. I don't think these are matters where we are willing to give up our position. And by the way, I am glad we all realize that as a Chairperson of the Commission they are not paid. This is not a salaried position.

MR. GOODMAN: That is correct.

ASSEMBLYMAN ROMANO: Everyone comes to the role as Chairperson with a different perception. You have your perception. We have that same problem in education. That is why you'll notice there is a bill, which now became law -- or will become law -- where Board of Education trustees are required to go through training. These trustees are required. There is no school for Chairpersons of independent authorities. I'm sure that Bob Mulcahy's role and duties and

obligations are clearly defined in some sort of statute or handbook, and that the Board of Commissioners sits over and just looks over his shoulder to, how shall I say, give a pat on the shoulder or to correct anything that perhaps they might not like. But I am sure in Bob's case that is not usually the case. I'm sure somebody within would applaud.

But these are all the variables that went to this whole matrix of leadership -- following -- being ceremonial. I think it is very difficult to train someone in that sort of position and say, "This is the way you should be as the Chairperson," the same way it is difficult to come up with leadership and ability. You don't usually find somebody like a Bob Mulcahy every day of the week.

Those are the only comments I have, Mr. Chairperson. I hope I didn't unnerve you at all. Far be it for me to divest myself of my, how shall I say, unusual countenance as being the nice guy, which I am always criticized for, but thank you, gentlemen, very much for coming here today.

MR. GOODMAN: Thank you.

MR. MULCAHY: Might I add, Mr. Chairman--

ASSEMBLYMAN KAMIN: Sure.

MR. MULCAHY: --in the business we're in, there is no short supply of people who think they have better answers to doing what we do, including the Commissioners.

ASSEMBLYMAN KAMIN: Dr. Romano, it is always a pleasure to hear your thoughts. I guess when you referred to the "Aw shucks" point of the meeting, yes, I was somewhat taken aback because--

ASSEMBLYMAN ROMANO: Wasn't that the proper term that you were looking for, "Aw shucks?"

ASSEMBLYMAN KAMIN: Darn.

ASSEMBLYMAN ROMANO: Darn.

ASSEMBLYMAN KAMIN: Because, number one, of what Mr. Salema had said at the time of the appointment of the Chairman to the spot--

ASSEMBLYMAN ROMANO: Newspapers you are talking about?

ASSEMBLYMAN KAMIN: This was his quote -- this was Mr. Salema's quote, that Mr. Goodman was going to "roll up your sleeves and analyze the Authority's structure. We are going to wait for him" -- referring to Mr. Goodman -- "to tell us what needs to be done." Now, that is more of a hands-on, get-in-there, see-what-is-going-on kind of thing, and then we have--

ASSEMBLYMAN ROMANO: But didn't the Chair--

ASSEMBLYMAN KAMIN: Now we have Chairman telling us what his role has been over there. We also found out that as opposed to previous times when the Authority, with its special advisers -- Merrill Lynch, law firms that worked with them giving them the advice, and the Finance Committee within the Sports and Exposition Authority making the choices -- we now find out that it was the Treasurer's Office giving the direction. Now, that is also in contrast to public statements by the administration, which say, "We don't do bonds." So, with those two things -- Mr. Salema's charge to the Chairman and the "We don't do bonds" comment, I didn't expect those kinds of answers today. That is why maybe I was, "Oh, darn" or "Aw shucks."

ASSEMBLYMAN ROMANO: I am not going to comment on your final remarks in terms of who said what; that proves this or that proves that. You know, I am talking about-- I am not an attorney. What is that, (indiscernible), or is that circumstantial evidence?

ASSEMBLYMAN KAMIN: That is why you are held in such high regard in this Committee.

ASSEMBLYMAN ROMANO: But let's get back to your original remark, which I think--

ASSEMBLYMAN SMITH: Mr. Russo and Mr. Lance both appreciate that comment.

ASSEMBLYMAN ROMANO: When you talked about Mr. Salema's comment about Mr. Goodman rolling up his sleeves, that was, my dear friends, Mr. Salema's perception of what the Chairperson would do, but that doesn't make it that that is Mr. Goodman's perception of what it should be. And Mr. Salema had the perfect right to express his thoughts about what the Chairperson of the Authority should be.

ASSEMBLYMAN KAMIN: But Mr. Salema, remember, in testimony today, is the one who asked Mr. Goodman to, number one, become a Commissioner, and then ultimately be the Chairman.

ASSEMBLYMAN ROMANO: No, if I heard correctly, I think Mr. Goodman had said to Mr. Salema that he was interested in it, but had he looked toward becoming the Chairperson?

MR. GOODMAN: You heard correctly, Mr. Romano.

ASSEMBLYMAN ROMANO: Even though these ears fail me a little bit, when I do hear, I hear very well.

Thank you, Mr. Chairman. It is always a pleasure.

ASSEMBLYMAN KAMIN: Dr. Romano.

MR. MULCAHY: I also think that with all due -- if you will permit me, Mr. Chairman--

ASSEMBLYMAN KAMIN: Mr. Mulcahy, certainly.

MR. MULCAHY: Jerry Goodman is a very independent guy. He is not someone who is going to sit around and take orders if he doesn't think they should be done. I mean, my relationship with Jerry has always been that if we had issues, I would talk to him about them, and I respected his independence.

ASSEMBLYMAN KAMIN: Thank you.

MR. GOODMAN: Would you just allow me one word?

ASSEMBLYMAN KAMIN: Mr. Chairman, sir.

MR. GOODMAN: I wouldn't want everybody to think here today that I am a 98-pound weakling. I run five miles every day. I have had as many as 1500 employees under my supervision at one time. But the truth is -- okay? -- that when you step into a position and you find that you have a very, very strong

CEO who is very, very knowledgeable, very, very capable, it diminishes -- okay? -- the role that I may have been able to play, or could have played. Okay? I was not about to be a duplicate of what it was he was doing.

ASSEMBLYMAN KAMIN: Thank you, Mr. Chairman.

Mr. Gibson?

ASSEMBLYMAN GIBSON: Thank you, Mr. Chairman. Just a follow-up question on the series of questions Assemblyman Lance had, Mr. Mulcahy.

I would like you maybe to clear up for me why your policy was just to accept who was selected as lead bond counsel, but once that selection was made you were very much involved in keeping the costs down. You were involved in that part of it, but not involved in the selection part of it. I would like you to explain why one is--

MR. MULCAHY: Well, I felt that I had a more direct opportunity to deal with the latter part, because once the selection was made, really, it was our people involved in it, as opposed to the selection process.

ASSEMBLYMAN GIBSON: Isn't the Governor's Office still available to veto? Is it the Treasurer?

MR. MULCAHY: They can veto, but they weren't there on a daily basis to sit in the meetings, to work out the process and the sale of the bonds. When it came to pricing, the Treasurer was involved in the pricing, as were we. But it was a different role, because at that point once you start the perfunctory work of doing the issue, then we have a staff that is involved in that and we can control those costs.

ASSEMBLYMAN GIBSON: I'm sure you could work with whomever they sent you, but it would seem to me that if you were going to be working with somebody on an ongoing basis, that your input as to the selection process would be very, very important.

MR. MULCAHY: I appreciate your comments.

ASSEMBLYMAN GIBSON: Mr. Goodman, I still have a little question as to what you expected and, really, what you ended up with. Maybe it will help me to understand. Are you employed in any other position now?

MR. GOODMAN: Yes, I am.

ASSEMBLYMAN GIBSON: A full-time position?

MR. GOODMAN: I have a full-time position. I happen to be the Chairman of Travel One, which is the country's 12th largest travel company. But that is not a new position. That is a position I have had all during the period of time that I was in the banking business. I also happen to be the sole shareholder, which makes my employment guaranteed. (laughter)

ASSEMBLYMAN GIBSON: So there really is an awful lot of competition on your time. You had understood that when you were going for Commissioner, and expecting to be the Chairman of the Commission.

MR. GOODMAN: No, Mr. Gibson, there isn't a lot of demand with regard to my time because I have had occasion to have several open-heart surgery operations. Once you wake up with the tube in your throat and you realize what you have gone through, it allows you to take a different perspective on life. So my time is exactly what I want it to be. If I want to work, I work; if I don't want to work, I don't work. If I want to spend a lot of time with the Sports Authority, I spend a lot of time with the Sports Authority. Where I feel that it would be duplicative, I don't spend any time, because I have a great deal of confidence in the gentleman who is running the Sports Authority, for all practical purposes.

ASSEMBLYMAN GIBSON: Thank you. The series of questions, I guess, that I would like to pursue are similar ones as I pursued at the last hearing with Mr. Levine. They have to do with some of the other professionals who were hired. It wasn't clear to me from Mr. Levine's answers to my questions, but I am sure you can help me with this.

The Sports Authority, I think, builds their own projects. They built a stadium. They probably-- Looking at your letterhead, you have pictures of it.

MR. MULCAHY: Well, we supervised it, certainly. We have contractors, obviously, but we supervised it.

ASSEMBLYMAN GIBSON: You have a picture of Monmouth Park. You inherited that; that was there before, but the Giants Stadium, the Meadowlands, those projects-- Was the Sports Authority created first and then those projects built? Were you there during that period of time?

MR. MULCAHY: During the Arena?

ASSEMBLYMAN GIBSON: During the Arena.

MR. MULCAHY: I went there when it was a hole in the ground for the Arena.

ASSEMBLYMAN GIBSON: So you do, then, have a construction section or division or group?

MR. MULCAHY: No. We have a Director of Engineering and we have a construction manager.

ASSEMBLYMAN GIBSON: Okay. Then I guess in January of 1992, you were charged with two more projects -- the Rutgers Stadium and the Convention Hall in Atlantic City. They are directly under the Sports Authority?

MR. MULCAHY: We are responsible. Well, there are different roles for the two places. In terms of Rutgers, we are responsible for the funding and the oversight of the project. Rutgers has, in-house, a construction staff, which we felt was very good. We worked with them in the selection of the bids and participated in the construction meetings. They take responsibility for on-site supervision of the job.

In the case of Atlantic City, where we have oversight responsibility for the Atlantic City Convention Center Authority, it became clear that we had to hire a construction manager, as we have done on other major projects, i.e., the Arena. We had a construction manager there, as well as our

own person to protect the Authority. Frankly, that is the structure of what we have in Atlantic City. We have a Sports Authority construction person there. We have the Dishman (phonetic spelling) Company as a construction manager and we have biweekly construction meetings with the staff and the Construction Committee of the Board.

ASSEMBLYMAN GIBSON: Okay, thank you. We will keep talking about that some more. Who is the construction manager down there?

MR. MULCAHY: Joe Mendolia.

ASSEMBLYMAN GIBSON: Mr. Goodman, was he hired when you were Chairman?

MR. GOODMAN: Yes.

ASSEMBLYMAN GIBSON: Was it your responsibility to participate in his selection?

MR. GOODMAN: Yes.

ASSEMBLYMAN GIBSON: Did you know him before?

MR. GOODMAN: No, I did not.

ASSEMBLYMAN GIBSON: How did you come to meet him?

MR. MULCAHY: I'll answer the question, Jerry. We receive resumes from a lot of people. We receive them from the public; we receive them from ads; we receive them from political leaders. In this particular case, Mr. Mendolia's name was presented to us by Mr. Salema. He presented it to me. As I would do with anyone, I reviewed his credentials; I interviewed him -- incidentally, he was responsible for the construction of three of the award-winning facilities at the Carnegie Center -- and we hired him.

ASSEMBLYMAN GIBSON: Is there an architect down there?

MR. MULCAHY: Yes. We inherited the architect.

ASSEMBLYMAN GIBSON: Pardon me?

MR. MULCAHY: We inherited the architect.

MR. GOODMAN: What does that mean, you "inherited" him?

MR. MULCAHY: The project had begun locally, and the project had been practically designed when we took over. What we did when we took over was to bring in our own set of consultants. We brought in Ellerbee Becket (phonetic spelling), who is one of the foremost designers of convention centers in the country. We brought in other consultants on specific areas, i.e., concessions, to look at the plans. We brought in a Convention Center Manager to look at the plans, to make sure before we went ahead that what we had was the proper product for the area and, in fact, we made several changes in the layout in the function area of the Convention Center. We did that on our own. Those were people we selected and that we paid to do that.

ASSEMBLYMAN GIBSON: Sounds like to me, Mr. Mulcahy, that you are involved in this construction project a lot more, certainly, than in selecting the lead bond attorneys.

MR. MULCAHY: I go to the construction meetings -- most of them.

ASSEMBLYMAN GIBSON: Are they held down in Atlantic City?

MR. MULCAHY: Most of them.

ASSEMBLYMAN GIBSON: How often are they held?

MR. MULCAHY: They meet bimonthly normally. Usually we will meet once in Atlantic City, once a month at Monmouth, so it is halfway for all of us.

ASSEMBLYMAN GIBSON: So the architect with his plans that had been started prior to your--

MR. MULCAHY: They had spent about \$11 million on the architecture and plans up to that point. It made no sense for us, when we reviewed it, to throw out the architect. What we tried to do was make sure the plan we had was the best plan we could have.

ASSEMBLYMAN GIBSON: On Mr. Mendolia's qualifications, he was introduced to you by Mr. Salema?

MR. MULCAHY: Yes.

ASSEMBLYMAN GIBSON: Where had he been working before that?

MR. MULCAHY: He had had a construction background all his life. Among other things, he had been responsible for three of the award-winning buildings at the Carnegie Center.

ASSEMBLYMAN GIBSON: Was he working there when you hired him?

MR. MULCAHY: No, he was not there. I would be happy to send his resume to the Committee.

ASSEMBLYMAN GIBSON: Now, about the process of interviewing him--

MR. MULCAHY: I interviewed him, and I presented him to the Executive Committee, who also interviewed him.

ASSEMBLYMAN GIBSON: The Executive Committee is a portion of your Commission?

MR. MULCAHY: Yes.

ASSEMBLYMAN GIBSON: All right, I have no further questions, Mr. Chairman.

ASSEMBLYMAN KAMIN: Thank you, Mr. Gibson. Mr. Russo?

ASSEMBLYMAN RUSSO: Thank you. Mr. Goodman, listening to the testimony, on several occasions Mr. Mulcahy referred to the 1992 legislation which brought tax dollar support. You started as Chairman when, again?

MR. GOODMAN: I believe it was either January--

MR. MULCAHY: I think it was January 1991.

MR. GOODMAN: It was either January or February of 1992.

ASSEMBLYMAN RUSSO: So right about that time?

MR. GOODMAN: Yes.

ASSEMBLYMAN RUSSO: Since there are tax dollars involved now and, of course, as Mr. Mulcahy has had a great amount of experience as CEO-- He stated that the function, I guess -- maybe that is the term -- the function or the role of

the Authority has changed somewhat over the years. Is this actually -- now that there are public dollars here -- what you would term an independent Authority at this point, in your opinion?

MR. GOODMAN: Well, I don't know what you mean by an independent Authority.

ASSEMBLYMAN RUSSO: This was brought up by Mr. Levine, and I am really looking perspectivevely here. Maybe your opinion, as someone with less experience-- The reason I say this is that we term it "independent Authority," and we have been throwing that term around here for several hours. Is this maybe now with the funding-- Is this just an agency? Maybe we shouldn't be so concerned about governmental input.

MR. GOODMAN: I don't know that I have enough experience or enough ability to say whether this is an independent Authority, whether it is an agency, or whether it is a pseudo-independent Authority.

ASSEMBLYMAN RUSSO: Or a quasi-independent Authority perhaps? Let me ask Mr. Mulcahy.

MR. MULCAHY: I testified to this before.

ASSEMBLYMAN RUSSO: Yes.

MR. MULCAHY: First of all, in all the time I have been there the practicality of whatever you term it is that you have the Governor's veto and you have the Attorney General and the Treasurer on the Board. To believe that you were going to go off on any course that was very different from where the administration wanted it to go would be ludicrous. Obviously, I made it a point on major policy issues to discuss them with the Governor's Office, because I felt that was the role. How you define that in relation to an independent Authority, which is probably a legislative definition of what the Authority is, as opposed to something else, I don't know.

Yes, we are independent in the sense that we do not have Civil Service. We have probably 32 union locals in our

operation statewide. There are a lot of things that are different that we do than the State bureaucracy; in fact, make the job significantly different. I think those bear on the definition of an independent Authority, as opposed to independent actions. I mean, when the Authority first started, its original bonds had a moral pledge of the State. Subsequently, there was a State guaranteed bond issue. I mean, to believe that you would go forth in significant actions without at least having informed the administration, is just not the way I would think you would proceed.

So I think, really, you are dealing here with a question of semantics. I am not sure the term "independent Authority"-- A truly independent Authority would report to no one. We have never been in that position. So I think you may be dealing with an issue of semantics here and, frankly, a question of judgment as to how much, or how little. Look, when you have a Governor with a veto and the Attorney General, you are not going to get very far out of line.

Our agency is that way. Not all agencies have those things, but ours does. That is the practical reality of the thing. So I think the debate about independent may be a question of semantics, and less of an issue than, frankly, in reality it is.

ASSEMBLYMAN RUSSO: I didn't ask the question for that reason. I think yours is a legitimate answer, from your perspective especially, because I know during the past campaign there were statements made by now Governor-elect Whitman with regard to privatization, etc., etc. on this issue. It is an interesting concept, especially whether it is an arm of the government, or whatever. Maybe you have some comments on that.

MR. MULCAHY: Do you mean on privatization?

ASSEMBLYMAN RUSSO: Yes.

MR. MULCAHY: I think there are--

ASSEMBLYMAN RUSSO: That is not in my notes. I am just saying that because you answered, and I think you gave a very honest and expansive answer.

MR. MULCAHY: I think there are functions that we can consider privatizing. It is something that we have looked at before.

ASSEMBLYMAN RUSSO: At the Sports Authority?

MR. MULCAHY: Yes. The difficulty in privatizing the entire complex is that normally when you look to buy a business and sell it, there are certain ratios of cash flow and earnings that are used to cover the debt service, and the role of this Authority has never been specifically that, although in early days when racing was doing well, we turned over some \$60 million in surplus to the State. If racing were doing that well, we would be doing the same thing now, but you have racing impacted by the casinos and the Lottery to the tune of 56 percent.

You have a change in people's entertainment habits. You have had, in the last 20 years since we have been open, even a change in the-- I mean, if you just consider the concept of how many couples there are where both spouses are working, that changes their whole entertainment pattern. In fact, having sat through many focus groups, where we have sat down with people who have never been there, people who are occasional goers, people who go frequently, and asked them questions about what motivates them to go, what kinds of marketing you can do to make them go, you find out that they do not have a lot of time. They are looking for high impact when they go, so you try to design what you do. It is one of the reasons the casinos are so successful. There is a lot of quick excitement and they're gone and they have had that excitement

So you have one shot at these customers today. Unlike in '76 when we opened, the only gambling around was to go to a racetrack. I recall the first time I ever went to a racetrack. My father took me when I was young to Monmouth

Park. It's different today. My kids, only because they're mine, go to a racetrack, but they also go to the casinos on their own -- the ones who are old enough.

But it is a fascinating discussion that really gets to the demographics of today, the society of today, and how these things all relate.

ASSEMBLYMAN RUSSO: With regard to the four bond issues -- and this would be a question for both of you gentlemen-- With regard to the reinvestment --- the reinvestment of the proceeds -- were there any conversations or recommendations with regard to which firm should handle any reinvestment? Was that discussed with you, Mr. Goodman, by any administration member -- Mr. Salema, the Governor's Counsel, etc. -- or you, Mr. Mulcahy?

MR. MULCADCY: It was discussed with me by our financial adviser, Cliff Goldman. My recollection is that we did what we thought was right. I think we took bids or did something else, but it was different than what happened in a couple of other cases I read in the papers. But we did what we thought was the right thing to do. So there was a discussion on that issue with me.

ASSEMBLYMAN RUSSO: Was that with regard to Lazard?

MR. MULCAHY: No.

ASSEMBLYMAN RUSSO: No?

MR. MULCAHY: No.

ASSEMBLYMAN KAMIN: Mr. Goodman?

MR. GOODMAN: It was not discussed with me by any member of the administration. My recollection is that I was involved in a discussion with Bob.

ASSEMBLYMAN RUSSO: Bob Mulcahy?

MR. GOODMAN: Yes.

ASSEMBLYMAN RUSSO: With regard to the reinvestment question?

MR. MULCAHY: How we did it, yes.

MR. GOODMAN: How they did it.

ASSEMBLYMAN RUSSO: Mr. Lance, did you have a quick question?

ASSEMBLYMAN LANCE: I have a question in the area we were discussing just previously, Mr. Mulcahy, regarding horse racing. One of the papers I read is The Courier-News. Ray Bateman had a column last week saying that he felt the demographics of horse racing are such that older people go to horse races. Is that accurate?

MR. MULCAHY: By and large it is happening, although from some of the things we have done in the last couple of years we have noticed a younger audience coming on the weekend nights. What we have attempted-- Look, I have been very outspoken on this issue and I can send you a bunch of keynote speeches I have given around the country at various things. In essence what I have said is, there are going to be fewer tracks. Those that are able to produce a product are the ones that are going to survive. You are going to have interactive TV with home betting and telephone betting and accounts.

We have been able to build a separate afternoon crowd for simulcasting. We have the most complex simulcasting system of any track in the country right now, because we were in the forefront on this. We devised the original formulas. It has seen an entirely different kind of business.

I think there will always be horse racing. You are going to see it in a different form. It is going to take a form that is much more modern than the people in today's world of electronics can relate to. That is my vision.

ASSEMBLYMAN LANCE: So you are attempting to--

MR. MULCAHY: We are trying to be ahead of that curve, yes.

ASSEMBLYMAN LANCE: --overcome whatever problems may exist in that regard?

MR. MULCAHY: That's right. It will never be back where it was because you have too many other forms of gambling now competing.

ASSEMBLYMAN LANCE: I think the Legislature ought to be aware of that when it is asked, as it is periodically, to increase the forms of gaming in this State--

MR. MULCAHY: No question.

ASSEMBLYMAN LANCE: --as this Committee has been asked in recent times to do.

MR. MULCAHY: I testified some years back when Governor Kean had a Commission on Gambling. I told Mr. Edwards, I guess after he was designated to head up a similar commission, that I had very specific thoughts about that, and I would be happy to share them.

ASSEMBLYMAN LANCE: And, Mr. Goodman, do you have any further comments on the matter under discussion now?

MR. GOODMAN: No, not unless you have a specific question. I don't have any specific comments.

ASSEMBLYMAN LANCE: Thank you.

ASSEMBLYMAN KAMIN: Thank you, Mr. Lance. Mr. Russo?

ASSEMBLYMAN RUSSO: Mr. Goodman, I just want to ask a few other questions: You mentioned that you are a South Jersey person, and obviously you read The Inquirer, the Courier Post, and whatever, and, of course, some of us are from North Jersey and we do not read those papers much. I know I was quite surprised with the selection of the underwriters with regard to the \$224 million bond issue. Now, I know from Mr. Levine, unless you want to disagree-- I would assume-- I know you were at that meeting and cast a vote in favor of the list of those underwriters.

MR. GOODMAN: That is correct.

ASSEMBLYMAN RUSSO: In particular with regard to Tri-State, because up where we are that is a big issue. It was front page on Sunday, I think March 7, in The Bergen Record,

especially when we talk about perceptions and campaign contributions and things like that, which I tend-- In fact, I 100 percent agree with the comments you made, and Mr. Mulcahy made and Assemblyman Smith, because I have a bill to ban campaign contributions by bond dealers and bond counsel. I think that will improve the system greatly.

But, with regard to Tri-State, at that meeting was the status of Tri-State and the history of Tri-State discussed?

MR. GOODMAN: No, it was not.

ASSEMBLYMAN RUSSO: Were you aware of the censure of Tri-State and the fact that they had not -- as Chairman -- that they had not even responded to the RFP?

MR. GOODMAN: I was not.

ASSEMBLYMAN RUSSO: You were not?

MR. GOODMAN: No. When I say I was not, it may have been brought up at the meeting, but I don't have any recollection of that discussion. So what I am saying to you is, it may have been said, but I have no recollection of it being said.

ASSEMBLYMAN RUSSO: Because I know Mr. Mulcahy before stated that he had gotten a call from -- it might have been the Governor's Counsel; I think it was the Governor's Counsel -- with regard to some tangential issues, and one of the firms that might have been mentioned was Tri-State. Did you get a call like that from either the Governor's Counsel--

MR. GOODMAN: I did not.

ASSEMBLYMAN RUSSO: --or Mr. Salema?

MR. GOODMAN: I did not.

ASSEMBLYMAN RUSSO: So the first time you saw Tri-State on that list was when you saw that list at the meeting?

MR. GOODMAN: That is correct.

ASSEMBLYMAN RUSSO: Did you take any action after casting that vote when I assumed you learned the problems with regard to Tri-State?

MR. GOODMAN: No, I did not take any action, but, frankly, you would have to refresh my memory with regard to the problems with Tri-State, because today I sit here and I am not knowledgeable about Tri-State.

MR. MULCAHY: I think it would be fair to say this, Assemblyman: Knowing that the Commissioner is on the Board, if that information was there, I don't think any of them would have voted for them. I'm not sure of the timing of the information. My recollection is, just from what I have heard--

ASSEMBLYMAN RUSSO: Right.

MR. MULCAHY: --is that whatever came out about them, came out subsequent to the day the bond issue was sold.

ASSEMBLYMAN SMITH: A point of information: Does anybody know what the timing was on that censure versus the timing of the censure before--

MR. BOLEN (Assembly Majority Staff): The censure was before--

ASSEMBLYMAN KAMIN: The censure was prior to, and it was against the original firm, Mr. Booth's firm. He was the one who was censured by the National Association of Security Dealers. He was the one who was prohibited from ever being involved again through the NASD.

ASSEMBLYMAN SMITH: I understand that was afterward. What was the date?

ASSEMBLYMAN RUSSO: Well, the RFP, Bob, was out before.

ASSEMBLYMAN SMITH: Before the censure?

ASSEMBLYMAN RUSSO: The RFP was out before--

ASSEMBLYMAN KAMIN: Tri-State--

MR. BOLEN: He was censured as part of his other firm, New Jersey Capital Markets, which was in existence before Tri-State--

ASSEMBLYMAN SMITH: You're saying the individual was censured, as well as their company.

MR. BOLEN: Both.

ASSEMBLYMAN KAMIN: Right, both. The New Jersey Capital Markets was, in fact, the firm that had responded to the RFP. Then they were dissolved; then this new thing was created.

ASSEMBLYMAN SMITH: Tri-State.

ASSEMBLYMAN KAMIN: Tri-State, and they had not responded to the RFP, but they were included.

ASSEMBLYMAN RUSSO: The reason I asked the question was not to embarrass Mr. Goodman -- I think you can hear that from my tone -- but prospectively, maybe we should be looking at legislation that would require that Commissioners can only cast votes if there is an affirmative statement, or whatever, on their agenda that not only has the RFP been sent, but that there has been actual bidding and a response, etc. -- that kind of thing. That is what I am talking about.

MR. MULCAHY: Mr. Assemblyman, I would conjecture -- and Mr. Goodman can support or negate this -- that if that kind of information was before the Board, they would never have been approved. Do you agree, Jerry?

MR. GOODMAN: I agree.

ASSEMBLYMAN RUSSO: In your opinion, Mr. Mulcahy, would the comment that I just made be appropriate, that that type of information--

MR. MULCAHY: Yes, absolutely.

ASSEMBLYMAN RUSSO: --should certainly be in front of the CEO -- and it wasn't in front of you?

MR. MULCAHY: I concur.

ASSEMBLYMAN RUSSO: You also, Mr. Goodman?

MR. GOODMAN: Yes.

ASSEMBLYMAN RUSSO: Thank you.

MR. MULCAHY: We are trying to do the right thing.

ASSEMBLYMAN RUSSO: No, no. I think you can hear from my tone that no one is trying to--

MR. MULCAHY: Absolutely.

ASSEMBLYMAN RUSSO: This is a prospective issue here.

MR. MULCAHY: No question. Anybody in that situation shouldn't be on it.

ASSEMBLYMAN RUSSO: Thank you.

ASSEMBLYMAN KAMIN: Tied in with that on this bond issue, the reinvestments of the proceeds-- That was not competitively bid? As I understood you, you were not sure.

MR. MULCAHY: Mr. Chairman, I can't answer that question. It is vague in my mind. I remember a discussion with Mr. Goldman to do what we thought was right at the time, which is not what happened in a couple of other cases. I think he took quotes. I can't be sure. You would have to ask him. I remember a discussion on the issue. I remember telling him, "Let's do it the best way," but it is just not clear in my mind.

ASSEMBLYMAN KAMIN: In the previous bond issues, Mr. Mulcahy, that you were involved with, there was never this pool -- holdbacking of pool allocations. Did that ever happen in--

MR. MULCAHY: We had a smaller syndicate.

ASSEMBLYMAN KAMIN: Right, but as far as-- In this case, it was about 15 percent of the total dollars that was held back and then became, like, a discretionary account?

MR. MULCAHY: Mr. Chairman, I can't answer, because I just don't know without going back and looking.

ASSEMBLYMAN KAMIN: But to your knowledge it was not done in the previous issues that were handled by the Sports and Exposition Authority?

MR. MULCAHY: I don't know.

ASSEMBLYMAN KAMIN: Okay.

MR. MULCAHY: I just don't want to say because I don't know, without looking.

ASSEMBLYMAN KAMIN: If you wouldn't mind, on that particular point, if you could communicate back to the Chair, that would be of help. We do care about that because this, to my knowledge, was the first time that was done.

MR. MULCAHY: Mr. Chairman, would you just give me the question that you want answered?

ASSEMBLYMAN KAMIN: The holdback on pool allocations--

MR. MULCAHY: Yes?

ASSEMBLYMAN KAMIN: In this particular case it was about 15 percent?

MR. MULCAHY: Yes.

ASSEMBLYMAN KAMIN: On the general obligation refinancing and the 1.8 billion?

MR. MULCAHY: Okay.

ASSEMBLYMAN KAMIN: I just wanted to know if it was done at the Sports Authority in the past with your other issues -- the holdback.

MR. MULCAHY: If this holdback was done?

ASSEMBLYMAN KAMIN: Yes.

MR. MULCAHY: Okay.

ASSEMBLYMAN KAMIN: Because under those circumstances, the firm--

MR. MULCAHY: I'll get you the answer.

ASSEMBLYMAN KAMIN: Thank you.

Assemblywoman Farragher?

ASSEMBLYWOMAN FARRAGHER: Nothing further.

ASSEMBLYMAN KAMIN: Anyone else? Mr. Lance, and then I have a couple more questions, very briefly. Assemblyman Lance?

ASSEMBLYMAN LANCE: Yes, Mr. Chairman, and through the Chair-- Just to follow up on Assemblyman Russo on the Tri-State matter, I think both of you have testified that if you had known the situation, the Board would not have selected them -- so be it -- and that neither of you was the person who had chosen Tri-State. Somebody chose Tri-State. Do each of you believe that whoever chose Tri-State had the responsibility to inform you, Mr. Mulcahy, and to inform you and your Board, Mr. Goodman, of the true situation regarding Tri-State?

MR. MULCAHY: If anybody knew it, they certainly did.

ASSEMBLYMAN LANCE: In the subjunctive, if they knew it, you believe, Mr. Mulcahy, that that information should have been submitted to you?

MR. MULCAHY: Absolutely, without question.

ASSEMBLYMAN LANCE: Mr. Goodman, do you agree with that?

MR. GOODMAN: Certainly.

ASSEMBLYMAN LANCE: Thank you, Mr. Chairman.

ASSEMBLYMAN KAMIN: I have just two-- Yes, Mr. Mulcahy?

MR. MULCAHY: Mr. Chairman, I am reminded that the pool allocation came out of the State general obligation bond sale. I am not sure we have pool allocation even on these, but I will get the answer to both these and the past.

ASSEMBLYMAN KAMIN: Thank you.

The final two points I have-- I am back to the hiring of the Atlantic City construction manager. I didn't hear the answer to the question: Were there others interviewed for the position?

MR. MULCAHY: There were none, no one else.

ASSEMBLYMAN KAMIN: There were no others, even though within your network there are other construction managers that could have been considered?

MR. MULCAHY: We could have advertised. In addition to that, we have a Director of Engineering and a Director of Construction, both of whom came out of the Port Authority -- having done either the World Trade Tower or the second level of the George Washington Bridge -- who work for us, whom I use in an oversight capacity, to leave it there. But it is a long distance for them to go. We need somebody on-site every day.

ASSEMBLYMAN KAMIN: Yes. Do either of you know whether or not Mr. Mendolia is related to Elizabeth Mendolia, one of Governor Florio's former congressional staff members?

MR. MULCAHY: I have subsequently heard that.

ASSEMBLYMAN KAMIN: Do you know, Mr. Goodman?

MR. GOODMAN: I don't have any knowledge; I do not know.

MR. MULCAHY: I mean, I have heard that said.

ASSEMBLYMAN KAMIN: Or to Mr. John Mendolia, who is more of a friend -- an associate of Mr. Salema's? Do either of you know that?

MR. MULCAHY: I don't know who John Mendolia is.

MR. GOODMAN: And I have no idea either.

ASSEMBLYMAN KAMIN: So Elizabeth Mendolia is what you have heard, but you don't know that?

MR. MULCAHY: Is that his mother?

ASSEMBLYMAN KAMIN: Wife.

MR. GOODMAN: I know nothing about Elizabeth Mendolia; and I know nothing about John Mendolia.

ASSEMBLYMAN KAMIN: They are somehow related. I am not sure it's his wife, but there was some relationship there. I don't know either; that is why I asked the question.

Gentlemen, you have been very patient, very cooperative. On behalf of Chairman Frelinghuysen and the members of this Committee, we thank you for your participation today.

MR. MULCAHY: Mr. Chairman, we thank you for the tone of the meeting, the tone of the questions. Obviously, if we can be helpful in improving the process, then it benefits everyone. I think both Mr. Goodman and myself-- It is consistent with what we stand for. It is certainly consistent with the 20 years I have been on the State scene, and 30 years in public life. I am more than happy to try to be helpful.

ASSEMBLYMAN KAMIN: Thank you. Mr. Chairman, Mr. Mulcahy, the Office of Legislative-- Yes, Mr. Goodman?

MR. GOODMAN: I just would concur with Mr. Mulcahy, so you can bring this meeting to an quick end.

ASSEMBLYMAN KAMIN: Thank you.

ASSEMBLYMAN GIBSON: Mr. Chairman?

ASSEMBLYMAN KAMIN: Yes, Mr. Gibson?

ASSEMBLYMAN GIBSON: Would it be in order for them to make some recommendations as to what might improve the process?

ASSEMBLYMAN KAMIN: Absolutely. I think it is the Office of Governor-elect Whitman, 28 West State Street, Eighth Floor. There is a transition team over there. Besides that, this Committee would find your recommendations of immense help, as well.

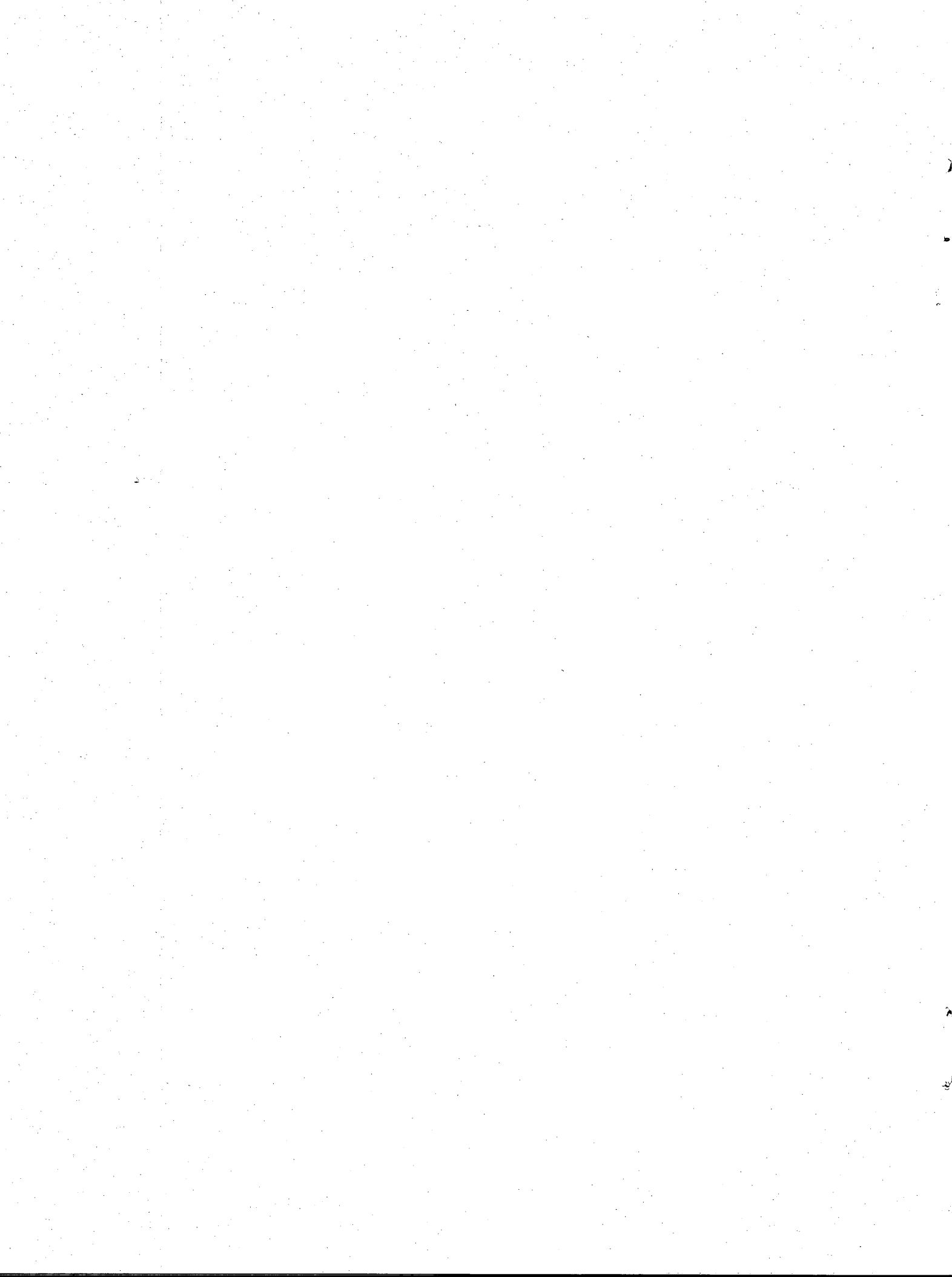
MR. MULCAHY: I think we could probably forward some recommendations to you.

ASSEMBLYMAN KAMIN: Wonderful.

To the members of the Office of Legislative Services for their help in putting this meeting together today, we are appreciative, and to all of you for attending.

Thank you. This meeting stands adjourned.

(MEETING CONCLUDED)



APPENDIX



OPENING STATEMENT OF ROBERT E. MULCAHY III

PRESIDENT AND C.E.O.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

NEW JERSEY GENERAL ASSEMBLY APPROPRIATIONS COMMITTEE HEARING

DECEMBER 1, 1993

Mr. Chairman, I appreciate the opportunity to come before you again and, of course, I again appreciate the courtesy of you allowing me these opening remarks. Over the past few years this Committee has taken a rightful interest in the bonding practices of this State and of the Sports Authority. You and we have truly become partners in public policy and today for the third time since you assumed the Chair, I stand ready to answer the Committee's questions.

Much was raised at the October hearing of the Committee, and I am sure that you have questions pertaining to that but little was said about the bonding of the Sports Authority. Today I am presenting important independent research to you that was compiled on our 1992 and 1993 bond issues.

Now, let me get right to the numbers. I have provided the Committee with a thoroughly researched analysis of the

cost efficiency of the three major Sports Authority bond issues of 1992. Securities Data Company tracks all issues nationally. Here is the extraordinary positive result we achieved.

By careful cost oversight the Sports and Exposition Authority saved \$2.25 million dollars in fees compared to the national average of similar bond issues. Look at the chart labelled 1992 Sports Authority Gross Spreads that is attached to my testimony. Let me state again that this information was compiled by the Independent Securities Data Company.

For the 1992 Series A Sports Complex refinancing, when compared to Stadium/Theater/Convention Center issues nationally, the Authority's spread (or issuance costs) were \$725,760 less than the national average. Fully 33 national issues had higher spreads and 12 had lower.

For the Atlantic City Luxury Tax bonds, the savings below the national average were \$725,868. An incredible 29 out of 33 such issues had higher spreads. Finally, the Convention Center Series C bonds saved \$802,162 off the national average as 125 out of 144 such issues had higher spreads.

I greatly appreciate the Committee giving us the opportunity to present the independent standard industry research showing that the New Jersey Sports and Exposition Authority completed three of the most cost effective bond issues in the history of this or any other State in 1992.

This is not politics. This financing is good public policy, prudent financial stewardship, and a solid fiscal winner that is providing lasting benefits around the state for a generation to come.

The bond issues of the Sports and Exposition Authority, beginning with the Series A debt refinancing which we discussed before you in March of 1992 achieved four clear objectives:

- 1) cost effectiveness, 2) savings of millions of public dollars, 3) fulfilling the Legislative mandate to the Authority, and 4) having a continuing positive impact on the psyche and economy New Jersey for a generation to come.

Outstanding work by the Sports Authority's legal committee and financial advisers kept our issuance costs down, this Committee has the full details of those numbers from our prior appearances, in addition to the nationwide numbers I have provided for you. For the public and the

Authority, present value savings from the refinancing of 37 million dollars and long-term savings of 140 million are being achieved. I was deeply gratified by the strong public words of support from members of this Committee, from both sides of the aisle, over the results of that issue.

The Legislature presented us with a mandate in January of 1992, and I believe we are fulfilling it in laudable fashion. Finally, in the face of a lingering dull national economy, New Jersey is investing in its future through the Sports Authority in a coordinated effort to protect the Authority's finances, prepare Atlantic City for the future, and allow our State University to not only improve the quality of campus life but to maximize its potential to create revenue.

Ladies and gentlemen of the Committee, I have stated to you before, and I feel even more strongly today that the bond issue refinancing and statewide project development by the Authority in the past two years is nothing short of a grand slam home run for the taxpayers of New Jersey.

We are again adding excitement, economic impact, entertainment, and even a little ego to the State. The tool to accomplish and nourish these ends was the successful

series of Sports Authority bond issues, known as Series A, B, & C, which provided for the refinancing of high interest debt, and provided the funds for the Atlantic City and Rutgers projects.

At those 1992 hearings, in specific detail, and again at our budget hearing this May, we reported on the successful transactions to the Committee that good timing and good planning allowed us...with your support...to give New Jersey...a 37 million dollar saving in present value terms, and over one hundred and forty million in interest savings, by refinancing our high interest rate debt. This was accomplished with an overwhelmingly positive reaction from Wall Street. Further, the issuance costs were extremely competitive with municipal issues around the nation in fact for three issues they were over 2 million dollars below the national average.

This debt refinancing received broad bipartisan legislative sponsorship and support. The financial community, as witnessed by the well documented cost benefits and excellent interest rate terms it supplied, heartily endorsed our handling of the issues. Finally, this public policy garnered widespread editorial support. The

Star-Ledger, for example, called it quote, a "good deal" for the Authority, the State and the taxpayer. And you, ladies and gentlemen, were the ones that made it possible.

At your Committee budget hearings in May of this year we reviewed the successful outcomes and tremendous taxpayer benefit that has resulted from the series of Sports Authority bond issues that followed the initial major refinancing. In a stagnant national economy thousands of construction jobs are being created in New Brunswick and Atlantic City. From these construction projects New Jersey receives economic and quality of life benefits for a generation to come. Jobs, economic impact, excitement, and statewide opportunities for growth are the result of the new era of interlinked cooperation among the Sports Authority, the Legislature, and the Executive branch.

By working together toward a common goal through the Sports Authority, the Legislature and the Executive branches are delivering savings, stability, jobs, and opportunity to people, places, and institutions around the State of New Jersey.

As an independent state authority with the State Treasurer and Attorney General serving on the board and the Governor having veto power of our minutes, there has been direct Executive branch involvement in Sports Authority financing since day one with Governor Cahill.

Over the years, the Legislature has gotten more deeply involved in the Authority's mission, from the authorizing of the Monmouth park purchase through the State Aquarium project, and culminating in the 1992 legislation which allowed for the refinancing and construction projects. We now present a business plan to the joint budget oversight committee and are called to budget hearings. The cooperation and oversight which now exist among the Authority, the Legislature, and the Executive branch is certainly not new, but it does continue to mature. Clearly, the record shows the enormous good that has come through the Authority to the people of the State in the past three years because of it.

As a former elected official, Cabinet officer, and gubernatorial chief of staff, I have testified and appeared before legislative committees over three different decades. In fact, I have become something of a regular before you.

Yesterday, the Commissioners of the Sports Authority approved the competitive bidding of the refinancing of the Senior Lien Bonds of the Authority. This simple transaction will net the Authority, and the public, substantial savings as interest rates have remained low.

Finally, Mr. Chairman, my public service has taught me that the process of cooperation, oversight, and debate of public policy between and among the various branches of government is an essential dynamic to delivering the best possible services to the taxpayer. I look forward to again answering your questions in the respectful manner which has always marked our relationship.

Thank you again, Mr. Chairman, for allowing me the time for this statement.

1992 SPORTS AUTHORITY GROSS SPREADS

	SPORTS COMPLEX SERIES A	LUXURY TAX SERIES A	CONVENTION CENTER SERIES C (VARIABLE)
DATE	2/28/92	10/28/92	11/12/92
AMOUNT	224,000,000	168,025,000	209,990,000
SPREAD	\$10.05	\$8.99	\$1.84
SECURITY DATA CATEGORY	STADIUM, ETC.	CONVENTION CTR.	VARIABLE RATE
1992 NATIONAL AVG.	\$13.29	\$13.31	\$5.66
NJSEA AS % OF NAT'L AVG.	75.6%	67.5%	32.5%
\$ LESS THAN NAT'L AVG	\$725,760	\$725,868	\$802,162
# WITH HIGHER SPREADS	33	29	125
# WITH LOWER SPREADS*	12	4	19
PERCENTILE NATIONALLY	28%	15%	14%

*Two issues were discarded from Stadium Category and one from Convention Category as non-comparables. Other included issues may not be comparables.

X

Stadiums/Theaters/Convention Center Issues

1992

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Negot/Compet	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
12/16/92	6.305	Westchester Co Indust Dev Agcy	Civic Facility Rev Bonds	N	15.00	-	-	-	-
12/16/92	8.995	NYC Indust Dev Agency	Civic Facility Rev Bonds	N	15.00	-	-	-	-
12/11/92	868.849	Metropolitan Pier & Expo Auth	McCormick Pl Expansion Bds	N	10.53	-	-	-	-
12/11/92	9.497	Pasadena Community Facs Dt #1	Special Tax Bonds	N	27.50	-	-	-	-
12/09/92	10.800	Dade Co-Florida	Pro Sports Franchise Fac Tax Bds	N	6.22	-	-	-	-
12/07/92	0.850	Blaine-Washington	Unltd Tax GO Bonds	N	12.50	-	-	-	-
12/07/92	2.500	St Louis Land Clear Redev Auth	Lease Revenue Bonds	N	18.00	-	-	-	-
12/04/92	14.000	Spokane Public Facilities Corp	Hotel/Motel & Sales Tax Bds	N	14.70	2.850	0.25	5.35	6.250
12/02/92	21.070	North Charleston-South Carolina	Certificates of Participation	N	13.00	-	-	-	-
11/30/92	62.400	St Louis Industrial Dev Auth	Industrial Rev Ref Bonds	N	20.00	-	-	-	-
11/25/92	18.805	Birmingham-Jefferson Civ Ctr Au	Ref & Cap Outlay Spec Tax Bds	N	12.00	-	-	-	-
11/13/92	149.825	California Statewide Comm Dev Au	Lease Revenue Bonds	N	11.19	-	-	-	-
11/12/92	209.990	New Jersey Sports & Expo Auth	State Contract Bonds	N	1.84	-	-	-	-
11/04/92	25.000	Lansing Tax Increment Fin Auth	Tax Increment Bonds	N	12.00	-	-	-	-
11/04/92	6.570	Duarte Public Financing Auth	Certificates of Participation	N	17.50	-	-	-	-
10/29/92	44.945	San Antonio-Texas	Taxable Tax/Stadium Rev Ref Bds	N	3.00	-	-	-	-
10/28/92	168.025	New Jersey Sports & Expo Auth	Convention Center Luxury Bonds	N	8.99	0.860	-	0.88	7.250
10/09/92	9.435	Southfield Building Authority	Building Auth Refunding Bonds	N	11.00	-	-	-	-
09/22/92	6.915	Escambia Co-Florida	Tourist Development Revenue Bds	N	10.00	-	-	-	-
09/17/92	40.000	Cuyahoga Co-Ohio	Development Rev Bonds	N	6.02	2.750	-	1.02	2.250
09/17/92	1.520	Ellsworth Public Building Comm	Revenue Bonds	N	27.50	-	-	-	-
09/16/92	20.925	Myrtle Beach Public Facs Corp	Convention Ctr Certs of Part	N	12.50	2.250	-	2.75	7.500
08/25/92	2.490	Chino Hills-California	Certificates of Participation	C	11.05	-	-	-	-
08/17/92	1.375	Lakeville Hsg & Redev Auth	Ice Arena Lease Rev Bds	N	20.00	-	-	-	-
08/13/92	42.865	Minneapolis-St Paul Met Council	Sports Facs Ref Rev Bonds	N	9.25	-	-	-	-
08/11/92	13.000	Longmont-Colorado	GO Civic Center Bonds	C	8.89	-	1.66	1.0	6.230
08/11/92	17.965	Salt Lake City Redev Agency	Jr Lien Tax Increment Bonds	N	10.66	-	-	-	-
07/29/92	4.045	Encinitas-California	Certificates of Participation	C	6.63	-	-	-	-
07/16/92	48.675	Miami Sports & Exhibition Auth	Special Obligation Rev Bonds	N	9.80	-	-	-	-
07/01/92	41.000	Escondido Jt Powers Fin Auth	Lease Revenue Bonds	N	10.25	-	-	-	-
06/15/92	2.330	Muskegon Building Authority	Building Auth Refunding Bonds	C	15.00	-	-	-	-
06/10/92	9.700	Dallas-Texas	Comb Tax & Rev Certs of Oblig	C	9.93	-	2.27	1.1	6.560
06/09/92	135.000	Arlington Sports Facs Dev Auth	Sales Tax Rev Flt Rte Notes	N	7.93	-	-	-	-
05/28/92	45.480	NYC Indust Dev Agency	Civic Facility Rev Bonds	N	12.31	-	-	-	-
05/05/92	1.505	Bullock Co Development Auth	Refunding Revenue Bonds	N	20.00	-	-	-	-

Stadiums/Theaters/Convention Center Issues

1992

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Negot/Compet	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
04/29/92	1.625	Pierre-South Dakota	Sales Tax Revenue Bonds	N	22.29	-	-	-	-
04/21/92	14.350	Tupelo-Mississippi	Certificates of Participation	C	27.00	-	6.24	0.9	19.860
04/02/92	299.985	Orange Co-Florida	Tourist Dev Tax Rev Bonds	N	8.34	-	-	-	-
03/25/92	65.760	Metropolitan Service District	GO Refunding Bonds	N	7.51	-	-	-	-
03/20/92	182.120	Metropolitan Pier & Expo Auth	Dedicated State Tax Rev Bonds	N	10.33	1.000	0.25	1.93	7.150
03/18/92	4.500	Iowa Finance Authority	Small Business Dev Ref Rev Bond	N	24.00	-	-	-	-
03/12/92	163.669	Massachusetts Convention Ctr Au	Hynes Convention Ctr Ref Bonds	N	9.17	0.920	-	0.8	7.450
02/28/92	7.670	Palo Alto-California	Certificates of Participation	N	12.50	-	-	-	-
02/26/92	224.000	New Jersey Sports & Expo Auth	State Contract Bonds	N	10.05	1.700	-	0.88	7.470
02/19/92	11.965	Fort Myers-Florida	Taxable Improvement Rev Bonds	N	13.62	-	-	-	-
02/18/92	0.780	Ocean Shores-Washington	Unltd Tax GO Conven Ctr Ref Boi	N	20.51	-	-	-	-
02/13/92	100.274	San Francisco Redev Agency	Lease Revenue Bonds	N	11.48	0.850	-	1.288	9.350
01/16/92	4.465	Kansas City Munic Assist Corp	Leasehold Rev Ref Bonds	N	21.33	-	-	-	-
01/09/92	92.777	Anaheim-California	Certificates of Participation	N	9.50	-	-	-	-
1992 Average Gross Spread =					13.17				

Convention Center Issues

1992

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Negot/Compet	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
12/16/92	6.305	Westchester Co Indust Dev Agcy	Civic Facility Rev Bonds	N	15.00	-	-	-	-
12/16/92	8.995	NYC Indust Dev Agency	Civic Facility Rev Bonds	N	15.00	-	-	-	-
12/11/92	868.849	Metropolitan Pier & Expo Auth	McCormick Pl Expansion Bds	N	10.53	-	-	-	-
12/11/92	9.497	Pasadena Community Facs Dt #1	Special Tax Bonds	N	27.50	-	-	-	-
12/07/92	0.850	Blaine-Washington	Unltd Tax GO Bonds	N	12.50	-	-	-	-
12/02/92	21.070	North Charleston-South Carolina	Certificates of Participation	N	13.00	-	-	-	-
11/25/92	18.805	Birmingham-Jefferson Civ Ctr Au	Ref & Cap Outlay Spec Tax Bds	N	12.00	-	-	-	-
11/13/92	149.825	California Statewide Comm Dev At	Lease Revenue Bonds	N	11.19	-	-	-	-
11/04/92	25.000	Lansing Tax Increment Fin Auth	Tax Increment Bonds	N	12.00	-	-	-	-
11/04/92	6.570	Duarte Public Financing Auth	Certificates of Participation	N	17.50	-	-	-	-
10/28/92	168.025	New Jersey Sports & Expo Auth	Convention Center Luxury Bonds	N	8.99	0.860	-	0.88	7.250
10/09/92	9.435	Southfield Building Authority	Building Auth Refunding Bonds	N	11.00	-	-	-	-
09/22/92	6.915	Escambia Co-Florida	Tourist Development Revenue Bds	N	10.00	-	-	-	-
09/17/92	1.520	Ellsworth Public Building Comm	Revenue Bonds	N	27.50	-	-	-	-
09/16/92	20.925	Myrtle Beach Public Facs Corp	Convention Ctr Certs of Part	N	12.50	2.250	-	2.75	7.500
08/25/92	2.490	Chino Hills-California	Certificates of Participation	C	11.05	-	-	-	-
08/11/92	13.000	Longmont-COLORADO	GO Civic Center Bonds	C	8.89	-	1.66	1.0	6.230
08/11/92	17.965	Salt Lake City Redevel Agency	Jr Lien Tax Increment Bonds	N	10.66	-	-	-	-
07/29/92	4.045	Encinitas-California	Certificates of Participation	C	6.63	-	-	-	-
07/16/92	48.675	Miami Sports & Exhibition Auth	Special Obligation Rev Bonds	N	9.80	-	-	-	-
07/01/92	41.000	Escondido Jt Powers Fin Auth	Lease Revenue Bonds	N	10.25	-	-	-	-
06/15/92	2.330	Muskegon Building Authority	Building Auth Refunding Bonds	C	15.00	-	-	-	-
05/28/92	45.480	NYC Indust Dev Agency	Civic Facility Rev Bonds	N	12.31	-	-	-	-
04/29/92	1.625	Pierre-South Dakota	Sales Tax Revenue Bonds	N	22.29	-	-	-	-
04/21/92	14.350	Tupelo-Mississippi	Certificates of Participation	C	27.00	-	6.24	0.9	19.860
04/08/92	4.168	Santa Ana-California	Industrial Development Ref Bds	N	2.50	1.250	-	-	1.250
04/02/92	299.985	Orange Co-Florida	Tourist Dev Tax Rev Bonds	N	8.34	-	-	-	-
03/25/92	65.760	Metropolitan Service District	GO Refunding Bonds	N	7.51	-	-	-	-
03/20/92	182.120	Metropolitan Pier & Expo Auth	Dedicated State Tax Rev Bonds	N	10.33	1.000	0.25	1.93	7.150
03/18/92	4.500	Iowa Finance Authority	Small Business Dev Ref Rev Bonds	N	24.00	-	-	-	-
03/12/92	163.669	Massachusetts Convention Ctr Au	Hynes Convention Ctr Ref Bonds	N	9.17	0.920	-	0.8	7.450
02/28/92	7.670	Palo Alto-California	Certificates of Participation	N	12.50	-	-	-	-
02/18/92	0.780	Ocean Shores-Washington	Unltd Tax GO Conven Ctr Ref Bonds	N	20.51	-	-	-	-
02/13/92	100.274	San Francisco Redevel Agency	Lease Revenue Bonds	N	11.48	0.850	-	1.288	9.350
01/09/92	92.777	Anaheim-California	Certificates of Participation	N	9.50	-	-	-	-
					13.31				
					1992 Average Gross Spread =				

12X

**Convention Center Issues
1992**

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Negot/Compet	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
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13X

**Negotiated Variable Rate Issues
1992**

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
12/31/92	145.000	Pennsylvania Economic Dev Fin Au	Solid Waste Disposal Rev Bds	7.25	3.000	-	1.75	2.500
12/16/92	93.400	Indiana Health Fac Fin Auth	Hospital Revenue Bonds	3.35	-	-	-	-
12/14/92	175.000	Chula Vista-California	Industrial Dev Rev Bonds	3.99	-	-	-	-
12/11/92	45.970	New Jersey Economic Dev Auth	Economic Growth Bonds	12.50	-	-	-	-
12/10/92	357.000	Nebraska Higher Ed Loan Prog Inc	Senior Lien Notes	11.80	-	-	-	-
12/07/92	100.000	Ohio Air Quality Dev Authority	Air Quality Develop Rev Bds	4.10	-	-	-	-
12/04/92	568.455	New York-New York	General Obligation Bonds	7.70	1.000	-	0.35	6.350
12/01/92	50.000	Colorado Student Oblig Bond Auth	Taxable Student Loan Rev Bds	5.90	-	-	-	-
11/30/92	73.600	Nashville-Davidson Metro H&E Bd	Hospital Revenue Bonds	7.00	1.000	-	2.0	4.000
11/24/92	56.000	Halifax Co Indus Dev Auth	Pollution Control Revenue Bds	3.75	-	-	-	-
11/23/92	38.900	Tennessee	GO BANs	1.76	-	-	-	-
11/18/92	95.000	San Francisco Redev Agency	Var Rte Multi-Fam Hsg Ref Bds	3.95	-	-	-	-
11/17/92	37.300	Maricopa Co Pollution Con Corp	PCR Refunding Bonds	2.00	0.350	-	0.4	1.250
11/12/92	209.990	New Jersey Sports & Expo Auth	State Contract Bonds	1.84	-	-	-	-
11/12/92	28.000	St Charles Parish-Louisiana	Pollution Control Rev Bonds	3.65	-	-	-	-
11/11/92	25.000	Winston-Salem-North Carolina	Taxable Certs of Participation	7.50	-	-	-	-
11/04/92	30.200	Ohio State University	Var Rte Dem Gen Receipts Bds	2.84	0.500	-	1.09	1.250
10/29/92	69.000	Orange Co-California	Apt Develop Rev Ref Bonds	4.14	-	-	-	-
10/28/92	31.250	Beaver Co Industrial Dev Auth	Pollution Control Rev Ref Bds	3.75	-	-	-	-
10/27/92	37.735	Illinois Health Facilities Auth	Revenue Bonds	9.75	-	-	-	-
10/26/92	54.200	Hillsborough Co Ind Dev Auth	Pollution Cntrl Rev Ref Bds	3.95	-	-	-	-
10/22/92	777.910	New York-New York	General Obligation Bonds	7.45	0.890	-	0.92	5.640
10/22/92	126.000	New York-New York	General Obligation Bonds	7.45	0.890	-	0.92	5.640
10/22/92	75.000	New York-New York	General Obligation Bonds	7.45	0.890	-	0.92	5.640
10/15/92	100.000	NYC Municipal Water Finance Auth	Adj Rte Water & Sewer Rev Bds	3.90	1.000	-	0.4	2.500
10/14/92	29.040	Santa Clara Co Housing Authority	Multi-Fam Housing Ref Bds	10.00	-	-	-	-
10/13/92	53.400	Beaver Co Industrial Dev Auth	Pollution Control Rev Ref Bds	4.48	-	-	-	-
10/12/92	91.000	Newport Beach-California	Var Rte Demand Rev Bonds	1.50	-	-	-	-
10/12/92	60.830	Geisinger Authority	Health System Revenue Bonds	9.50	-	-	-	-
10/08/92	90.000	Massachusetts Ind Finance Agency	Pollution Control Ref Bds	2.50	-	-	-	-
10/08/92	141.600	San Diego Co Reg Transp Comm	Second Sr Sales Tax Rev Bds	3.02	0.850	-	0.92	1.250
10/01/92	26.400	NYS Environmental Facs Corp	Solid Waste Disposal Bonds	4.50	-	-	-	-
09/30/92	5000.000	California	Various RANs	1.42	-	-	-	-
09/29/92	34.000	Ascension Parish-Louisiana	PCR Refunding Bonds	4.00	-	-	-	-
09/25/92	266.850	Louisiana Offshore Terminal Auth	Deepwater Port Ref Rev Bonds	5.92	-	-	-	-

**Negotiated Variable Rate Issues
1992**

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Gross Spread	Mgmnt Fee	Underw Fee	Expenses	Take Down
09/25/92	118.615	San Diego-California	Industrial Dev Rev Ref Bonds	9.94	-	-	-	-
09/24/92	30.000	Maysville-Kentucky	Solid Waste Disp Facs Bonds	4.48	-	-	-	-
09/23/92	1000.000	New Jersey	TRANS	1.25	-	-	-	-
09/23/92	122.373	Chicago-Illinois	GO Tender Notes	1.85	-	-	-	-
09/23/92	182.762	New Jersey Economic Dev Auth	Economic Recovery Fund Bonds	9.81	-	-	-	-
09/17/92	139.000	Michigan State Housing Dev Auth	Rental Housing Revenue Bds	4.70	-	-	-	-
09/17/92	135.000	Denver-Colorado	Airport System Rev Bonds	4.88	1.250	-	1.13	2.500
09/17/92	40.000	Cuyahoga Co-Ohio	Development Rev Bonds	6.02	2.750	-	1.02	2.250
09/15/92	204.270	Rhode Island Hsg & Mtg Fin Corp	Homeownership Opportunity Bonds	9.01	1.100	-	0.72	7.190
09/14/92	31.000	Missouri St Env & Energy Res Au	Environmental Imp Rev Ref Bds	3.80	-	-	-	-
09/10/92	31.000	Jefferson Co-Kentucky	Pollution Control Rev Bonds	4.12	-	-	-	-
09/10/92	60.000	Trimble Co-Kentucky	Pollution Control Rev Bonds	4.12	-	-	-	-
09/02/92	61.900	Orange Co Muni Water Dt	Certificates of Participation	9.76	-	-	-	-
09/01/92	98.500	Orange Co Sanitation Dt #1 2 & 3	Certificates of Participation	5.50	-	-	-	-
08/25/92	43.000	Clark Co-Arkansas	Solid Waste Disposal Bonds	5.00	-	-	-	-
08/21/92	78.500	Roanoke Industrial Dev Auth	Hospital Revenue Ref Bonds	7.67	-	-	1.46	6.210
08/19/92	43.500	NYC Indust Dev Agency	Industrial Develop Rev Bds	2.33	-	-	-	-
08/06/92	269.000	Student Loan Funding Corp	Revenue Notes	5.52	-	-	-	-
07/29/92	40.000	California Higher Ed Loan Auth	Var Rte Student Loan Rev Ref Bds	2.75	-	-	-	-
07/24/92	30.000	Minnesota Higher Ed Coord Board	Var Rte Revenue Bonds	0.50	0.100	-	-	0.400
07/22/92	28.700	Missouri H & E Facs Authority	Health Fac Refunding Rev Bonds	1.25	-	-	-	-
07/15/92	35.240	North Carolina Ed Facs Fin Agcy	Revenue Bonds	5.50	-	-	-	-
07/07/92	52.330	Dade Co-Florida	Aviation Revenue Refunding Bonds	5.20	1.500	-	2.45	1.250
07/07/92	30.000	California PC Finance Auth	Pollution Control Revenue Bonds	10.13	-	-	-	-
07/06/92	50.000	Lee Co Hosp Board of Directors	Hospital Revenue Bonds	2.50	-	-	-	-
06/30/92	42.895	De Kalb Co Housing Authority	Single Family Mtg Rev Bonds	1.88	-	-	-	-
06/29/92	28.600	Indiana Development Fin Auth	Industrial Development Bonds	1.00	-	-	-	-
06/26/92	76.285	Nevada Housing Division	Single Family Prog Var Rte Bonds	2.13	-	-	0.88	1.250
06/26/92	60.000	North Dakota	Single Fam Mtg Program Bds	3.24	-	-	-	-
06/25/92	80.000	Maine State Housing Authority	Mortgage Purchase Bonds	1.64	-	-	-	-
06/25/92	95.270	NYS Mortgage Agency	Homeowner Mtg Rev Bds	1.66	-	-	-	-
06/25/92	210.605	NYS Mortgage Agency	Homeowner Mtg Rev Bonds	1.66	-	-	-	-
06/25/92	84.200	Florida Housing Finance Agency	Home Ownership Rev Bds	2.57	1.280	-	0.24	1.050
06/25/92	25.000	Maine State Housing Authority	Mortgage Purchase Bonds	12.50	-	-	-	-
06/24/92	112.070	Rhode Island Hsg & Mtg Fin Corp	Homeownership Opportunity Bonds	0.75	-	-	-	-

**Negotiated Variable Rate Issues
1992**

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
06/24/92	25.000	Rhode Island Hsg & Mtg Fin Corp	Homeownership Opportunity Bds	0.75	-	-	-	-
06/24/92	50.000	Idaho Housing Agency	Single Fam Mortgage Var Rte Bds	1.00	-	-	-	-
06/24/92	87.200	Wisconsin Housing Finance Auth	Homeownership Revenue Bonds	2.02	-	-	-	-
06/24/92	37.000	Huntsville Health Care Auth	Health Care Fac Rev Bonds	4.50	-	-	-	-
06/24/92	273.475	Ohio Housing Finance Agency	Single Family Mtg Rev Bonds	12.50	-	-	-	-
06/23/92	56.600	Pennsylvania Hghr Ed Facs Auth	Adj Convert Extend Sec Bonds	5.50	-	-	-	-
06/23/92	39.410	Utah Housing Finance Agency	Single Family Mtg Rev Bonds	20.00	-	-	-	-
06/23/92	38.595	Utah Housing Finance Agency	Single-Fam Mtg Rev Bonds	20.00	-	-	-	-
06/19/92	111.785	North Cntrl Texas Hlth Facs Corp	Hospital Revenue Bonds	9.69	-	-	-	-
06/16/92	1500.000	Los Angeles Co-California	TRANS	1.10	0.100	-	0.17	0.830
06/15/92	72.375	Washington State Hsg Fin Comm	Single Family Mtg Rev Ref Bds	18.20	-	-	-	-
06/15/92	48.995	Washington State Hsg Fin Comm	Single Family Mtg Rev Ref Bds	18.20	-	-	-	-
06/12/92	107.900	Charlotte-North Carolina	Var Rte Airport Ref Rev Bonds	4.50	-	-	-	-
06/12/92	130.000	Georgia Housing Fin Auth	Home Ownership Oppor Prog Bonds	4.70	-	-	-	-
06/11/92	216.925	Burke Co Development Authority	Adj Tndr Pollution Cntrl Rev Bds	4.50	-	-	-	-
06/10/92	98.700	Los Angeles Co Transport Commiss	Sales Tax Rev Ref Bonds	3.52	-	-	-	-
06/10/92	35.000	Alabama Higher Ed Loan Corp	Wkly Adj Rte Student Loan Bds	5.93	-	-	-	-
06/09/92	225.100	Virginia Housing Dev Authority	Commonwealth Mortgage Bds	0.37	-	-	-	-
06/09/92	340.000	Virginia Housing Dev Authority	Commonwealth Mortgage Bds	0.37	-	-	-	-
06/09/92	95.650	Pennsylvania Housing Fin Agency	Single Family Mtg Rev Bonds	1.95	-	-	-	-
06/09/92	27.720	Massachusetts Housing Fin Agency	Single-Fam Hsg Rev Bonds	2.89	-	-	1.89	1.000
06/09/92	135.000	Arlington Sports Facs Dev Auth	Sales Tax Rev Flt Rte Notes	7.93	-	-	-	-
06/04/92	25.207	Sarasota-Florida	Water & Sewer Sys Ref Bds	8.45	-	-	-	-
06/03/92	136.080	Illinois Housing Dev Authority	Residential Mtg Rev Bds	2.48	-	-	0.98	1.500
05/28/92	52.595	Massachusetts Ind Finance Agency	Wkly Rte Unit Price Dem Adj Res	4.50	-	-	-	-
05/28/92	70.135	Louisiana Public Facilities Auth	Revenue Bonds	11.50	2.000	0.50	2.01	6.990
05/27/92	49.325	St Lucie Co-Florida	Pollution Control Rev Ref Bonds	2.63	-	-	-	-
05/27/92	28.300	Jacksonville-Florida	Pollution Control Rev Ref Bds	3.65	-	-	-	-
05/21/92	53.000	Houston-Texas	Public Improvement Bonds	1.05	-	-	-	-
05/21/92	27.545	Jersey City Redevelopment Auth	Multi-Fam Hsg Rev Bonds	9.50	2.000	-	2.5	5.000
05/20/92	51.410	Pueblo Co-Colorado	Single Family Mtg Rev Bonds	5.17	-	-	-	-
05/15/92	44.650	Middlesex Co Utilities Auth	Sewer Rev Ref Bonds	8.90	-	-	-	-
05/14/92	34.800	Torrance-California	Hospital Revenue Bonds	6.32	-	-	-	-
05/13/92	75.000	Missouri Housing Dev Commission	Single Family Mtg Rev Bonds	1.05	-	-	-	-
05/13/92	56.000	University of Michigan	Adj Rte Dem Hosp Rev Ref Bonds	1.16	-	-	-	-

16X

**Negotiated Variable Rate Issues
1992**

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
05/12/92	50.000	Brazos River Harbor Navig Dt	Var Rte Dem Rev Bonds	15.00	-	-	-	-
05/08/92	50.000	Brazos-Texas	Student Loan Rev Bonds	6.50	-	-	-	-
05/05/92	109.200	Greater East Texas Hgr Ed Auth	Adj Rte Student Loan Rev Bds	8.00	-	-	-	-
05/04/92	90.000	New Jersey Economic Dev Auth	Exempt Facility Rev Bonds	5.06	-	-	-	-
05/01/92	90.000	Rochester-Minnesota	Health Care Facs Rev Bonds	8.11	6.000	-	0.11	2.000
04/30/92	26.200	Ohio Housing Finance Agency	Single Family Mtg Rev Ref Bds	26.20	-	-	-	-
04/29/92	31.000	Monroe Co Economic Dev Corp	Wkly Adj Rte Dem Ltd Oblig	3.75	-	-	-	-
04/24/92	184.000	California Higher Ed Loan Auth	Adj Rte Stud Loan Rev Ref Bds	3.20	-	-	-	-
04/22/92	27.000	NYC Trust for Cultural Resources	Weekly Var Rte Rev Bonds	12.33	-	-	-	-
04/16/92	140.000	Nebraska Higher Ed Loan Prog Inc	Med-Term & Float Rte CP Notes	2.50	-	-	-	-
04/16/92	38.000	Armstrong Co Hospital Auth	Hospital Rev Ref Bonds	10.00	-	-	-	-
04/15/92	28.000	Irvine-California	Apartment Dev Revenue Bonds	6.00	-	-	-	-
04/15/92	58.000	Panhandle Plains Higher Ed Auth	Var Rte Student Loan Rev Bds	6.27	-	-	-	-
04/13/92	29.565	Wyoming Community Dev Authority	Single Fam Mtg Bonds	3.64	-	-	0.64	3.000
04/08/92	55.640	Person Co Industrial Fac Fin Au	PCR Refunding Bonds	2.00	-	-	-	-
04/02/92	56.000	New Mexico Ed Assist Foundation	Student Loan Rev Bonds	7.51	-	-	-	-
03/25/92	81.800	Philadelphia Hosp & Hghr Ed Auth	Daily Var Rte Hosp Rev Bonds	4.00	-	-	-	-
03/25/92	50.000	Harris Co Health Facs Dev Corp	Wkly Var Rte Hosp Rev Bonds	4.00	-	-	-	-
03/20/92	31.320	Lombard-Illinois	Multi-Family Hsg Rev Bonds	7.50	-	-	-	-
03/19/92	299.800	District of Columbia	GO Var Rate Refunding Bonds	3.10	1.000	-	0.85	1.250
03/18/92	57.200	Alabama Housing Fin Authority	Wkly Var Rte Single Fam Mtg Rv B	2.15	0.250	-	0.65	1.250
03/18/92	27.500	South St Paul Housing Dev Auth	Var Rte Dem Hosp Fac Rev Bonds	10.00	-	-	-	-
03/11/92	165.270	NYS Mortgage Agency	Home Owner Mtg Rev Bonds	2.11	0.450	-	0.41	1.250
03/09/92	202.505	New York-New York	General Obligation Bonds	8.63	0.960	-	1.0	6.670
03/09/92	99.000	New York-New York	General Obligation Bonds	8.63	0.960	-	1.0	6.670
03/06/92	29.020	Illinois Development Fin Auth	Multi-Family Hsg Rev Ref Bds	3.50	-	-	-	-
03/03/92	50.000	Texas Water Development Board	Multi-Modal Interchg Rate Rte Bd	5.50	-	-	-	-
02/28/92	32.000	Sarasota Co Health Facs Auth	Hospital Revenue Bonds	10.00	-	-	-	-
02/26/92	50.000	Mobile Medical Clinic Board	Revenue Bonds	7.00	-	-	-	-
02/19/92	55.000	Roanoke Industrial Dev Auth	Daily Var Rte Hosp Rev Bonds	3.25	-	-	-	-
02/13/92	66.390	Tooele Co-Utah	Unit Priced Dem Adj Hazard Wste	1.93	-	-	-	-
02/11/92	119.999	Puerto Rico Hsg Finance Corp	Single Family Mtg Rev Bonds	8.32	-	-	-	-
02/07/92	57.000	Illinois Educational Facs Auth	Adj Dem Rev Bonds	5.00	-	-	-	-
02/06/92	100.000	NYS Energy Research & Dev Auth	Electric Facs Rev Bonds	2.50	0.700	-	0.8	1.000
02/03/92	29.700	Toledo-Lucas Co Port Authority	Var Rte Port Fac Ref Rev Bonds	3.75	-	-	-	-

**Negotiated Variable Rate Issues
1992**

Sale Date	Amount (\$ mils)	Issuer	Issue Description	Gross Spread	Mgmt Fee	Underw Fee	Expenses	Take Down
02/03/92	44.670	Courtland Industrial Dev Board	Var Rte Dem Indust Dev Ref Bonds	6.50	-	-	-	-
01/23/92	25.000	Massachusetts Hlth & Ed Facs Au	Revenue Bonds	8.10	-	-	-	-
01/21/92	25.000	Naples-Florida	Hospital Revenue Bonds	7.50	-	-	-	-
01/16/92	33.500	Albuquerque-New Mexico	Lodgers Tax Adj Dem Rev Ref Bds	5.00	-	-	-	-
01/01/92	78.190	University Support Services Inc	Education Loan Notes	8.13	-	-	-	-
1992 Average Gross Spread =				5.66				

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