

## LEGISLATIVE HISTORY CHECKLIST

**NJSA:** 5:12-1 et al (Casinos-- interim authorization)  
**LAWS OF:** 1987 **CHAPTER:** 409  
**BILL NO:** S2895  
**Sponsor(s):** Codey  
**Date Introduced:** December 18, 1986  
**Committee:** **Assembly:** -----  
**Senate:** Institutions, Health and Welfare  
**Amended during passage:** No Substituted for A3569 (not attached)  
**Date of Passage:** **Assembly:** January 11, 1988  
**Senate:** November 12, 1987  
**Date of Approval:** January 14, 1988  
**following statements are attached if available:**  
**Sponsor statement:** Yes  
**Committee statement:** **Assembly** No  
**Senate** Yes  
**Fiscal Note:** No  
**Veto Message:** No  
**Message on Signing:** No  
**Following were printed:**  
**Reports:** No  
**Hearings:** Yes  
974.90 New Jersey. Legislature. General Assembly.  
G191 Independent and Regional Authorities Committee.  
1987 Public meeting on . . . A3569, held 1-12-87, 2-5-87, 2-27-87. Trenton,  
1987.

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SENATE, No. 2895

STATE OF NEW JERSEY

INTRODUCED DECEMBER 18, 1986

By Senator CODEY

Referred to Committee on Institutions, Health and Welfare

AN ACT establishing interim casino authorization, amending and supplementing P. L. 1977, c. 110, and repealing section 137 of P. L. 1977, c. 110.

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

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

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

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

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

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

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

19 (3) The rehabilitation and redevelopment of existing tourist and  
20 convention facilities in Atlantic City, and the fostering and en-  
21 couragement of new construction and the replacement of lost con-

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

**Matter printed in italics thus is new matter.**

**Matter enclosed in asterisks or stars has been adopted as follows:**

**\*—Senate committee amendments adopted November 9, 1987.**

22 vention, tourist, entertainment and cultural centers in Atlantic City  
23 will offer a unique opportunity for the inhabitants of the entire  
24 State to make maximum use of the natural resources available in  
25 Atlantic City for the expansion and encouragement of New Jersey's  
26 hospitality industry, and to that end, the restoration of Atlantic  
27 City as the Playground of the World and the major hospitality  
28 center of the Eastern United States is found to be a program of  
29 critical concern and importance to the inhabitants of the State of  
30 New Jersey.

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

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

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

63 (7) Legalized casino gaming in New Jersey can attain, maintain  
64 and retain integrity, public confidence and trust, and remain com-

65 patible with the general public interest only under such a system  
66 of control and regulation as insures, so far as practicable, the ex-  
67 clusion from participation therein of persons with known criminal  
68 records, habits or associations, and the exclusion or removal from  
69 any positions of authority or responsibility within casino gaming  
70 operations and establishments of any persons known to be so defi-  
71 cient in business probity, ability or experience, either generally or  
72 with specific reference to gaming, as to create or enhance the  
73 dangers of unsound, unfair or illegal practices, methods and  
74 activities in the conduct of gaming or the carrying on of the busi-  
75 ness and financial arrangements incident thereto.

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

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

104 (10) Since the development of casino gaming operations in  
105 Atlantic City will substantially alter the environment of New  
106 Jersey's coastal areas, and since it is necessary to insure that this  
107 substantial alteration be beneficial to the overall ecology of the

108 coastal areas, the regulatory and investigatory powers and duties  
109 conferred by this act shall include, in cooperation with other public  
110 agencies, the power and the duty to monitor and regulate casinos  
111 and the growth of casino operations to respond to the needs of the  
112 coastal areas.

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

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

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

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

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

148 (16) The aims of continuity and stability and of law enforcement  
149 will best be served by a system in which [applicant entities and  
150 investors in those applicant entities can be assured of prompt and]

151 continuous casino operation *can be assured* under certain circum-  
 152 stances wherein [the applicant has not yet been fully licensed, or  
 153 has had a license suspended or revoked] *there has been a transfer*  
 154 *of property or another interest relating to an operating casino and*  
 155 *the transferee has not been fully licensed or qualified*, as long as  
 156 control of the [applicant's] operation under such circumstances  
 157 may be placed in the possession of a person or persons in whom  
 158 the public may feel a confidence and a trust.

159 (17) A system whereby the satisfaction of certain appropriate  
 160 criteria, including the execution of a voting trust agreement, per-  
 161 mits temporary casino operation prior to licensure and whereby the  
 162 suspension or revocation of casino operations under certain appro-  
 163 priate circumstances causes the imposition of a conservatorship  
 164 upon the suspended or revoked casino operation serves both the  
 165 economic and law enforcement interests involved in casino gaming  
 166 operations.

1 2. Section 73 of P. L. 1977, c. 110 (C. 5:12-73) is amended to  
 2 read as follows:

3 73. Meetings and Quorum. a. Meetings of the commission will  
 4 be held at the discretion of the chairman at such times and places  
 5 as he may deem necessary and convenient, or at the call of three  
 6 members of the commission.

7 b. The commission shall in all respects comply with the provi-  
 8 sions of the "Open Public Meetings Act" (P. L. 1975, c. 231;  
 9 C. 10:4-6 et seq.).

10 c. Any other law, rule or regulation to the contrary notwith-  
 11 standing, the commission shall take all necessary steps to ensure  
 12 that all interested persons are given adequate notice of commission  
 13 meetings, and the agenda of such meetings, through the utilization  
 14 of all media engaged in the dissemination of information.

15 d. A majority of the full commission shall determine any action  
 16 of the commission, except that no casino license *or interim casino*  
 17 *authorization* may be issued without the approval of four members.  
 18 In the event that a vacancy has existed in the commission for more  
 19 than 60 days, a majority of the full commission may act with  
 20 respect to any matter, including the issuance of a casino license *or*  
 21 *interim casino authorization*.

(New Article) INTERIM CASINO AUTHORIZATION

1 3. (New section) Applicability and Requirements.

2 a. Except as provided in subsection b. of this section, whenever  
 3 any person contracts to transfer any property relating to an  
 4 ongoing casino operation, including a security holding in a casino  
 5 licensee or holding or intermediary company, under circumstances

6 which require that the transferee obtain casino licensure under  
7 section 82 of the "Casino Control Act," P. L. 1977, c. 110 (C.  
8 5:12-82), or qualification under sections 84 or 85 of the "Casino  
9 Control Act," P. L. 1977, c. 110 (C. 5:12-84 and 5:12-85), the  
10 contract shall not specify a closing or settlement date which is  
11 earlier than the 121st day after the submission of a completed  
12 application for licensure or qualification, which application shall  
13 include a fully executed and approved trust agreement in accor-  
14 dance with section 5 of this \***[1986]**\* \*1987\* amendatory and sup-  
15 plementary act. Any contract provision which specifies an earlier  
16 closing or settlement date shall be void for all purposes. Sub-  
17 sequent to the earlier of the report of the division on interim  
18 authorization or the 90th day after the timely submission of the  
19 completed application, but no later than the closing or settlement  
20 date, the commission shall hold a hearing and render a decision on  
21 the interim authorization of the applicant. If the commission  
22 grants interim authorization, then, subject to the provisions of  
23 sections 3 through 7 of this \***[1986]**\* \*1987\* amendatory and  
24 supplementary act, the closing or settlement may occur without  
25 interruption of casino operations. If the commission denies interim  
26 authorization, there shall be no closing or settlement until the com-  
27 mission makes a determination on the qualification of the applicant,  
28 and if the commission then denies qualification the contract shall  
29 thereby be terminated for all purposes without liability on the  
30 part of the transferor.

30A b. Whenever any person, as a result of a transfer of publicly-  
31 traded securities of a casino licensee or holding or intermediary  
32 company, is required to qualify under sections 84 or 85 of the  
33 "Casino Control Act," P. L. 1977, c. 110 (C. 5:12-84 and 5:12-85),  
34 the person shall, within 30 days after the commission determines  
35 that qualification is required under section 84 or declines to waive  
36 qualification under paragraph (1) of subsection d. of section 85, or  
37 within such additional time as the commission may for good cause  
38 allow, file a completed application for such licensure or qualifica-  
39 tion, which application shall include a fully executed and approved  
40 trust agreement in accordance with section 5 of this \***[1986]**\*  
41 \*1987\* amendatory and supplementary act. No extension of the  
42 time for filing a completed application shall be granted unless the  
43 person submits a written acknowledgement of the jurisdiction of  
44 the commission and the obligations imposed by the "Casino Control  
45 Act," P. L. 1977, c. 110 (C. 5:12-1 et seq.). If a person required  
46 by this section to file an application fails to do so in a timely  
47 manner, such failure shall constitute a per se disqualification to  
48 continue to act as a security holder, and the commission shall take

49 appropriate action under the "Casino Control Act." If a person  
50 required by this section to file an application does so in a timely  
51 manner, then, subsequent to the earlier of the report of the division  
52 on interim authorization or the 90th day after submission of the  
53 completed application, but not later than the 120th day after such  
54 submission, the commission shall hold a hearing and render a  
55 decision on the interim authorization of such person. The pendency  
56 of proceedings under this subsection shall not prevent the renewal  
57 of a casino license under section 88 of the "Casino Control Act,"  
58 P. L. 1977, c. 110 (C. 5:12-88), so long as any person required by  
59 this subsection to file an application has complied with this sub-  
60 section and has otherwise complied with the "Casino Control Act."

1 4. (New section) Commission Consideration of Request for  
2 Interim Casino Authorization. a. The commission may grant  
3 interim authorization where it finds by clear and convincing  
4 evidence (1) that statements of compliance have been issued  
5 pursuant to sections 81, 82c., 82d., 82e., 84e., and 134 of the "Casino  
6 Control Act," P. L. 1977, c. 110 (C. 5:12-81, 5:12-82, 5:12-84, and  
7 5:12-134); (2) that the casino hotel facility is an approved hotel in  
8 accordance with the requirements of section 83 of the "Casino  
9 Control Act," P. L. 1977, c. 110 (C. 5:12-83); (3) that \***[the**  
10 **applicant has proposed]**\* the trustee or trustees required by section  
11 5 of this \***[1986]**\* \*1987\* amendatory and supplementary act\***],**  
12 and that the trustee or trustees\* have satisfied the qualification  
13 criteria applicable to a casino key employee, except for residency  
14 and casino experience; and (4) that interim operation will best  
15 serve the interests of the public with particular reference to the  
16 policies and purposes enumerated in section 1 of the "Casino  
17 Control Act," P. L. 1977, c. 110 (C. 5:12-1).

18 b. The commission's consideration of a request for interim  
19 authorization shall include, but not be limited to, consideration of  
20 such relevant information as may be presented to it by the division.  
21 In responding to the request and in determining whether to concur,  
22 the division shall not be required to disclose any information the  
23 disclosure of which, in its judgment, may prejudice or otherwise  
24 compromise any continuing investigation.

1 5. (New section) Provisions and Application of Trust Agreement.

2 a. (1) Where the applicant is not required to obtain a casino  
3 license, the trust agreement filed pursuant to section 3 of this  
4 \***[1986]**\* \*1987\* amendatory and supplementary act shall transfer  
5 and convey all of the applicant's present and future right, title  
6 and interest in the property described in section 3, including all  
7 voting rights in securities, to the trustee.



8 (2) Where the applicant is required to obtain a casino license,  
9 the trust agreement filed pursuant to section 3 of this \***[1986]**\*  
10 \*1987\* amendatory and supplementary act shall transfer and con-  
11 vey to the trustee, if the applicant is a corporation, all outstand-  
12 ing equity securities of the corporation, and, if the applicant is other  
13 than a corporation, all outstanding interest in the applicant.

14 (3) The compensation for the service, costs and expenses of the  
15 trustee or trustees shall be stated in the trust agreement and shall  
16 be approved by the commission.

17 (4) The trust agreement filed pursuant to section 3 of this  
18 \***[1986]**\* \*1987\* amendatory and supplementary act shall, in all  
19 instances, contain such provisions as the commission may deem  
20 necessary and desirable.

21 b. With respect to applicants described in subsection b. of section  
22 3 of this \***[1986]**\* \*1987\* amendatory and supplementary act, if  
23 the commission denies interim authorization, it shall order that the  
24 trust agreement become operative, or take such other action as may  
25 be appropriate in accordance with this \***[1986]**\* \*1987\* amendatory  
26 and supplementary act. With respect to all applicants under section  
27 3, if the commission grants interim authorization, it shall there-  
28 after order that the trust agreement become operative at such time  
29 as it finds reasonable cause to believe that the applicant or any  
30 person required to be qualified in connection with the application  
31 may be found unqualified.

32 c. While the trust agreement remains operative, the trustee shall  
33 exercise all rights incident to the ownership of the property subject  
34 to the trust, and shall be invested with all powers, authority and  
35 duties necessary to the unencumbered exercise of such rights, as  
36 provided in sections 31 through 40 of P. L. 1978, c. 7 (C. 5:12-130.1  
37 through 5:12-130.11), except that the applicant shall have no right  
38 to participate in the earnings of the casino hotel or receive any  
39 return on its investment or debt security holdings during the time  
40 the trust is operative.

41 d. The trust agreement, once operative, shall remain operative  
42 until the commission finds the applicant qualified, or the commission  
43 finds the applicant unqualified and the property subject to the trust  
44 is disposed of in accordance with subsection e. of section 5 of this  
45 \***[1986]**\* \*1987\* amendatory and supplementary act, except that  
46 the applicant may request the commission to direct the trustee to  
47 dispose of the property subject to the trust, in accordance with  
48 that subsection e., prior to a finding with respect to qualification.

49 e. If the commission denies qualification to a person subject to  
50 sections 3 through 7 of this \***[1986]**\* \*1987\* amendatory and  
51 supplementary act, the trustee shall endeavor and be authorized to  
52 sell, assign, convey or otherwise dispose of all property subject to  
53 the trust to such persons as shall be appropriately licensed or  
54 qualified or shall obtain interim authorization in accordance with  
55 those sections. The disposition of trust property by the trustee  
56 shall be completed within 120 days of the denial of qualification, or  
57 within such additional time as the commission may for good cause  
58 allow, and shall be conducted in accordance with sections 31 through  
59 40 of P. L. 1978, c. 7 (C. 5:12-130.1 through 5:12-130.11), except  
60 that the proceeds of such disposition shall be distributed to the  
61 unqualified applicant only in an amount not exceeding the actual  
62 cost of the assets to such unqualified applicant, and any excess re-  
63 maining proceeds shall be paid to the casino revenue fund.

1 6. (New section) Obligations and Responsibilities. During the  
2 period of interim authorization, the commission and the division  
3 shall continue such procedures as are provided by the "Casino  
4 Control Act," P. L. 1977, c. 110 (C. 5:12-1 et seq.) and the regula-  
5 tions promulgated thereunder as may be necessary for a deter-  
6 mination of the qualification of the person granted interim authori-  
7 zation. The obligations and responsibilities incumbent upon an  
8 applicant, licensee or person required to be qualified are in no way  
9 relieved by the granting of interim authorization.

1 7. (New section) Time for Determining Qualification. Within  
2 nine months after a grant or denial of interim authorization, which  
3 period may be extended by the commission for one three-month  
4 period, the commission shall hold a hearing and render a decision  
5 on the qualification of the applicant.

1 8. Section 137 of P. L. 1977, c. 110 (C. 5:12-137) is repealed.

1 9. This act shall take effect immediately.

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GAMBLING—CASINOS

Establishes interim casino authorization.

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1 8. Section 137 of P. L. 1977, c. 110 (C. 5:12-137) is repealed.

1 9. This act shall take effect immediately.

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#### SPONSOR STATEMENT

This bill establishes an "interim casino authorization" to assure continuous casino operations when there is a transfer of property or other interest relating to an operating casino and the transferee has not been fully licensed or qualified. These provisions replace provisions presently in the "Casino Control Act" (section 137 of P. L. 1977, c. 110) which are inadequate in addressing changes in casino ownership.

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#### GAMBLING—CASINOS

Establishes interim casino authorization.

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SENATE INSTITUTIONS, HEALTH AND WELFARE  
COMMITTEE

STATEMENT TO

**SENATE, No. 2895**

with Senate committee amendments

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**STATE OF NEW JERSEY**

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DATED: NOVEMBER 9, 1987

The Senate Institutions, Health and Welfare Committee favorably reports Senate Bill No. 2895 with committee amendments.

As amended by committee, this bill establishes a detailed procedure for "interim casino authorization" to ensure continuous casino operations when there is a transfer of property or other interest relating to an operating casino and the transferee has not been fully licensed or qualified. The procedures in the bill replace provisions currently in the "Casino Control Act," section 137 of P. L. 1977, c. 110, which do not adequately address changes in casino ownership.

Specifically, the bill increases the current 90-day waiting period (when there is to be a transfer of property relating to an ongoing casino operation) to 120 days, during which the Division of Gaming Enforcement has 90 days to conduct a preliminary investigation of the transferee and the Casino Control Commission has 30 days to conduct a hearing and render a decision on the interim authorization. In the case of a transfer which occurs through the purchase of publicly-traded securities (where a 90-day waiting period could not be imposed), the bill provides that within 30 days after the commission declines to waive qualification of the purchaser, an application must be filed and then the 120-day review period would begin.

The bill establishes specific criteria for the commission's granting of interim authorization which include compliance with certain technical requirements of the "Casino Control Act" and consideration of relevant information provided by the Division of Gaming Enforcement.

Also, the bill establishes a procedure for the appointment of a trustee who would be authorized, if necessary, to maintain and sell the property that is being transferred. This procedure would preclude an applicant who fails to acquire and maintain interim authorization from participating in the profits of a casino and precludes an applicant who is ultimately denied licensure from profiting as a result of the sale of a casino.

The bill repeals section 137 of P. L. 1977, c. 110 (C. 5:12-137) which provides the current procedures for transfer of casino property.

The committee amendments are technical in nature. The amendments correct references to the date of the bill to reflect the current year and clarify that among the criteria the commission shall consider for granting interim authorization is the qualification of the required trustee, rather than both the fact that the applicant has proposed a trustee and that the trustee is qualified, as the bill originally provided.

An identical bill, Assembly Bill No. 3569 OCR (Riley), is currently pending before the General Assembly.

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