

MEMO# 1997

June 29, 1990

NEW JERSEY CASINO COMMISSION TO RECONSIDER FIVE PERCENT LIMITATION ON INSTITUTIONAL INVESTORS

June 29, 1990 TO: SEC RULES COMMITTEE NO. 36-90 INVESTMENT ADVISERS COMMITTEE
NO. 22-90 RE: NEW JERSEY CASINO COMMISSION TO RECONSIDER FIVE PERCENT
LIMITATION ON INSTITUTIONAL INVESTORS

_____ Last year the New Jersey Casino Commission ruled that institutional investors that hold five percent or more of a New Jersey related casino stock must file for qualification under the New Jersey Casino Act. Previously, the Casino Commission and the Division of Gaming Enforcement recognized that the presumption of control set forth in the statute could be rebutted by an institutional investor upon a showing that the securities were being held for investment purposes on behalf of unrelated clients and not for the purpose of affecting or influencing control of the issuer. Consequently, waivers from the qualification process were routinely available to most institutional investors. A copy of the relevant New Jersey statutes are attached as Attachment A. The process of qualifying under the New Jersey Casino Act is lengthy, complicated and costly. During the process of qualifying, the stock must be placed in trust and no profits can be taken. If approval is denied, the investor will not be permitted to take its profits; rather, the profits are distributed to the Casino Revenue Fund. The Casino Control Commission has scheduled a hearing to consider whether the Casino Control Act should be amended to exempt or waive certain "institutional investors" from having to submit to the qualification process. One of the issues to be considered by the Commission is whether or not the five percent limitation discourages investment in casino holding company securities. The hearing will be held July 24, 1990, at 10:00 a.m., at the Commission's public meeting room, 3131 Princeton Pike, Building No. 5, Lawrenceville, New Jersey. A copy of the notice of the hearing is attached as Attachment B. Please provide me with any comments or suggestions to be included in the Institute's testimony by July 15, 1990. If you are interested in providing written testimony or wish to appear at the hearing, you must contact either Robert J. Genatt, General Counsel, or John R. Zimmerman, Deputy Director-Legal, at the Casino Control Commission, Princeton Pike Office Park, Building 5, CN-208, Trenton, New Jersey 08625, telephone number (609) 530- 4954 by July 11, 1990. We will keep you informed of developments. Patricia Louie Assistant General Counsel Attachments