STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

IN RE: CONSOLIDATED FINANCIAL
STABILITY HEARING OF TRUMP TAJ MAHAL
ASSOCIATES, TRUMP HOTEL MANAGEMENT
CORPORATION, TRUMP'S CASTLE
ASSOCIATES LIMITED PARTNERSHIP AND
TRUMP PLAZA ASSOCIATES

Thursday, June 20, 1991
Atlantic City Commission Office
Tennessee & Boardwalk
Atlantic City, NJ 08401
2:05 p.m.
VOLUME V

BEFORE:

STEVEN P. PERSKIE, CHAIRMAN
VALERIE H. ARMSTRONG, VICE CHAIR
W. DAVID WATERS, COMMISSIONER
JAMES R. HURLEY, COMMISSIONER
FRANK J. DODD, COMMISSIONER

PRESENT FOR THE CASINO CONTROL COMMISSION:

KAREN G. BIACHE, ADMINISTRATIVE ANALYST
THOMAS FLYNN, PUBLIC INFORMATION OFFICER

ON BEHALF OF THE COMMISSION STAFF:

JOHN R. ZIMMERMAN, DEPUTY DIRECTOR, LEGAL DIVISION
STEVEN M. INGIS, COUNSEL I

ON BEHALF OF THE DIVISION STAFF:

THOMAS N. AUERIEMMA, DEPUTY ATTORNEY GENERAL
ROBERT W. LATIMER, ADMINISTRATOR OF INVESTIGATIONS
MICHAEL ROMANO, SENIOR AGENT

SILVER & RENZI REPORTING SERVICE
824 West State Street, Trenton, New Jersey 08618
609-989-9191 (Toll Free NJ) 800-792-8880

Silver & Renzi Reporting Service
APPEARANCES:

ON BEHALF OF THE TRUMP ORGANIZATION
RIBIS, GRAHAM & CURTIN, ESQS.,
BY: JOSEPH A. FUSCO, ESQ.

NICHOLAS F. MOLES, ESQ.,
SENIOR VP LAW TRUMP TAJ MAHAL ASSOCIATES

PATRICIA M. WILD, ESQ.,
INHOUSE COUNSEL FOR TRUMP PLAZA

ROBERT M. PICKUS, ESQ.,
INHOUSE COUNSEL FOR TRUMP'S CASTLE

ON BEHALF OF THE TAJ MAHAL BONDHOLDERS STEERING
COMMITTEE
GREENBERG MARGOLIS, ESQS.,
BY: MARTIN L. GREENBERG, ESQ.

ON BEHALF OF MR. ICHAN, UNICORN ASSOCIATES CORPORATION
AND TORTOISE CORPORATION
WILENTZ, GOLDMAN & SPITZER, ESQS.,
BY: BRIAN J. MOLLOY, ESQ.

ON BEHALF OF THE TRUMP CASTLE BONDHOLDERS STEERING
COMMITTEE
LOWENSTEIN, SANDLER, KOHL, FISHER & BOYLAND, ESQS.,
BY: PETER H. EHRENBERG, ESQ.

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MS. BIACHE: I would like to read an opening statement.

"This is to advise the general public and to instruct that it be recorded in the Minutes that in Compliance with Chapter 231 of the Public Laws of 1975, entitled the 'Open Public Meetings Act,' the New Jersey Casino Control Commission at 4:28 p.m. on June 13, 1991 hand-delivered to the Office of the Secretary of State and caused to be posted on the bulletin board located outside the Office of the Secretary of State at the State House, Trenton, New Jersey and at 4:45 p.m. on June 13, 1991 mailed to the Press of Atlantic City and to the Newark Star Ledger and to the Office of the Clerk of Atlantic City a meeting notice setting forth the time, date and location of this meeting.

"Members of the press will be permitted to take photographs at today's meeting. We would ask, however, that this be done in a manner which is not disruptive of the meeting or distracting to the Commission and which does not interfere with the public's right to observe the meeting."

CHAIRMAN PERSKIE: Good afternoon.
The meeting will come to order. We will observe for the record the presence of all five members of the
Commission. This is the continuation of the hearings into the financial stability of The Trump Organization. The issues before the Commission at this hearing are the financial stability of The Trump Organization and the three casino properties which it owns, the Taj Mahal, the Plaza and the Castle.

Section 84 (a) of the Casino Control Act requires casino license applicants to establish their financial stability, integrity and responsibility. While these terms are not specifically defined in the Act, the Commission observed in the first casino license hearing in 1979, involving Resorts International, that these standards encompass all financial aspects of the applicant, its holding companies and its qualifiers. In addition to basic solvency or soundness, the standards relate to honesty and forthrightness in business dealings. Further, they include the care and prudence exercised by a licensee in managing, preserving and enhancing the assets entrusted to it.

The statutory demand for integrity in financial dealings is self-explanatory in the context of a pervasive system of casino regulation. However, the need for financial stability, which is the sole concern here, is no less basic to a successful and
well regulated gaming industry. As the Commission observed in its 1987 decision concerning a financial restructuring of Holiday Corporation: "Of course, there is an evident legislative desire to foster a healthy and financially robust gaming environment which will better assure that the few privileged gaming properties permitted in New Jersey will be able to promote the economic and social benefits for which gaming was legalized. Moreover, the danger of unsound or unlawful casino practices and of inroads by undesirable elements is markedly increased as a casino licensee or its parent companies are exposed to financial uncertainties. Thus, financial stability is an essential requisite to achieve both the economic and integrity objectives of the Act."

The Commission has on numerous other occasions, most notably in a series of opinions dealing with the Atlantis Casino Hotel, defined financial stability in terms of the capacity of an operator to pay its debts to gaming patrons, trade creditors and employees, and to discharge its regulatory responsibilities and its obligations to state and local taxing authorities. It was the Atlantis' inability to service its public and private debts in an orderly manner, and its cutting of
regulatory corners to preserve dwindling resources, which ultimately caused the loss of its license.

There are certainly other means of judging financial stability, including the use of accounting ratios and economic models. The Commission, as is well known, is in the process of exploring these alternatives, and to that end it will shortly retain a financial consultant to assist in developing a comprehensive strategy for analyzing financial stability. However, it would be premature to comment on the possible revision of the definition and measure of financial stability in the context of this case.

It is against this general background that the Commission now addresses the financial condition of the Trump entities. At the outset, a brief history of these protracted proceedings is appropriate.

In August of last year, the Commission was asked to approve the restructuring of approximately one billion dollars of debt of the entities owned and controlled by The Trump Organization. It was indisputable that the restructuring provided tangible, albeit short-term benefits to the 33 casino licensees. Donald Trump
received a new 65 million dollar credit line, 20
million dollars of which was used to pay interest on
Trump Castle bonds. In addition, principal and
interest payments on one billion dollars in debt, 840
million of which afforded recourse to Trump
personally, were deferred for five years. The banks
holding the one billion dollars in debt agreed to a
five year moratorium on recourse against Trump and
thus against his personal assets, including
significantly the equity in the casino licensees.

However, the restructuring also
exposed the licensees to substantial risks, stemming
from Trump's agreement to pledge his equity in the
casino companies to secure his obligations to the
lending banks under the credit agreement memorializing
the 65 million dollar line of credit, and the Override
Agreement embodying the interest deferral and recourse
moratorium. These agreements provided for the
possibility that a default on certain obligations
unrelated to the casinos could be satisfied by
foreclosure on the casino equity.

The evidence presented last August
demonstrated that The Trump Organization was in severe
financial distress. It was apparent that, without the
restructuring, foreclosure on the casino equities was
a virtual certainty, whether through judgments against
Trump or bankruptcy of The Trump Organization at that
point, the continued viability of The Trump
Organization and the casino licensees directly hinged
upon the restructuring.

The Commission therefore approved the
restructuring, but also reopened the license hearings
for the three casino entities. Subsequent proceedings
centered on the most immediate problem, the Taj Mahal,
in light of its acknowledged inability to fund a
November 15, 1990, 47 million dollar interest payment
to its bondholders.

On November 16, a tentative debt
restructuring agreement was reached between the Taj
Mahal and a Steering Committee representing the
holders of approximately 36 percent of its first
mortgage bonds. In light of that agreement, the
Commission granted a petition by the Steering
Committee to participate in the reopened license
hearing which commenced on December 3.

During that proceeding, the Taj Mahal
presented testimony regarding a long-term
restructuring designed to alleviate its cash flow
problems by reducing and deferring debt service
requirements. The plan was to be implemented through
the filing of a registration statement with the SEC, the approval of which would form the basis for a prepackaged bankruptcy proceeding. Satisfied that a restructuring proposal critical to the continued financial welfare of the Taj Mahal was in place, but cognizant that many hurdles remained to be cleared before the plan could be implemented, the Commission adjourned the proceedings pending receipt of additional submissions and documentation.

On January 29, 1991, the Commission continued the Taj Mahal financial stability hearing. The licensee presented additional evidence that the restructuring, if implemented, would enable it to achieve financial stability. There was credible testimony that the deferral of cash interest payments to the bondholders, coupled with the anticipated availability of senior credit lines, would have a demonstrably positive impact on the Taj Mahal's financial prospects. However, it was acknowledged that the restructuring could not be completed prior to the April 26 license expiration date, and the Commission thus consolidated the reopened hearing with the Taj Mahal license renewal proceeding.

During the consolidated hearing, the Taj Mahal presented testimony that the SEC would
declare the registration statement effective by May 1, and that the process of soliciting consent of the bondholders would be completed by June 15. Steering Committee representative Wilbur Ross testified that he expected holders of 90 percent of the bonds to vote in favor of the plan.

Of course, the Taj Mahal could not satisfy the financial stability requirement of the Act without also demonstrating the financial stability of The Trump Organization. In that context, the Commission heard testimony concerning a plan to restructure the debt of virtually all of the Trump noncasino assets, which Trump chief financial officer Stephen Bollenbach contended would render Mr. Trump and The Trump Organization financially stable. Bollenbach anticipated that the various elements of the restructuring would be reduced to executed term sheets by early June, and executed final documents within 60 to 90 days thereafter. He indicated that agreements in principle had been reached with a significant number of the lending institutions.

On April 18, 1991, the Commission renewed the Taj Mahal casino license, subject to further consideration of financial stability. The Commission determined at that time that financial
restructurings of the Taj Mahal and The Trump Organization were underway which, when and if consummated, could result in financial stability. Due to the uncertain status of both plans, the Commission was unable to reach a final conclusion on the issue. It was satisfied, however, that substantial progress had been made in implementing both plans. The Commission was further satisfied that the Taj Mahal had achieved short-term operational stability, in the sense that obligations to gaming patrons, employees, taxing authorities and trade creditors would be satisfied on a current basis. Thus, the public would be protected if licensure were continued. Licensure was conditioned upon the receipt of executed term sheets with respect to The Trump Organization restructuring and compliance with certain timetables applicable to the Taj Mahal's proposed bankruptcy filing. The Commission further decided to reconvene June 17, anticipating that additional progress toward effecting the plans would be demonstrated so as to make a final determination on stability possible at that time.

In the meantime, on May 8, 1991, the Commission renewed the casino licenses of Trump Plaza and Trump Castle, subject to a further review of their
financial stability. Of immediate concern was their ability to make substantial bondholder principal and interest payments by a June 15 deadline.

Nicholas Ribis, CEO for the Trump casino properties, testified that Plaza had reached an agreement with Fidelity Management and Research Company, a substantial bondholder, which would enable Plaza to satisfy its June 25 million dollar bond principal repayment. Pursuant to this agreement, Fidelity would exchange 25 million dollars of the bonds for a 25 million dollar note. The bonds would then be tendered in lieu of the sinking fund payment. If the June 1992 sinking fund payment is not otherwise satisfied, Fidelity will have the option to make a similar exchange and to acquire, at that time, an equity position in the Plaza.

Plaza also faced a 16 million dollar interest payment on June 15. Its operational projections indicated that Plaza would be able to make this and other interest payments as they came due during the license period. The report of the Commission's staff concluded that the assumptions underlying the forecasts were reasonable and that the predicted performance could be attained.

The Commission determined that Plaza
had devised a workable plan which, if implemented, could result in financial stability. However, the Commission was again unable to reach a final conclusion on financial stability at that time because the Fidelity deal had not been completed and there was little room for variance between actual and forecasted results. As with the Taj Mahal, short-term operational stability was found. The Commission resolved to re-examine Plaza's financial stability at the June 17 hearing, at which time it would know if the June 15 principal and interest payments had been made as planned and would also have additional information on which to evaluate the reasonableness of the licensee's projections.

With respect to the Castle, management acknowledged that, if current levels of operations continued and no restructuring were effected, there would be insufficient funds to cover debt service requirements. Castle's most immediate financial concern was its ability to make a 22.7 million dollar sinking fund payment on the first mortgage bonds due June 15, 1991, together with an interest payment of 18.4 million dollars. Mr. Ribis testified that Castle was offering to exchange 22.7 million dollars of its first mortgage bonds for new
bonds of a similar amount. He indicated that
consummation of this exchange offer, which was due to
expire on June 15, 1991, would enable Castle to make
the sinking fund payment. Castle anticipated a
similar transaction in 1992 to satisfy that year's
requirement. Mr. Ribis represented that he had
received assurances from the holders of 20 percent of
the outstanding bonds that they would participate in
the 1991 offering.

The Castle anticipated that interest
payments for 1991 and 1992 would be satisfied with
cash generated from operations coupled with
approximately seven million dollars in proceeds from
the sale of two parking facilities to the Taj Mahal.

As with the other two Trump
properties, the Castle had demonstrated short-term
stability, but had not made a sufficient showing to
enable the Commission to reach a final conclusion on
financial stability. The exchange offer and parking
lot sales had yet to be consummated, and the Castle's
ability to meet its projections was questionable in
light of its recent performance levels and historic
inability to make bondholder payments without external
financing. The Commission therefore determined to
examine further the Castle's financial stability at
the June 17 hearing.

On June 17 and 18 the Commission received evidence concerning the financial stability of The Trump Organization and the three casino operators. We are here today to determine whether the stability criteria of Section 84 (a) have been satisfied.

Turning first to The Trump Organization, the Commission has received executed term sheets with all but one of the Credit and Override Agreement banks. The term sheets comport generally with Mr. Bollenbach’s April testimony. Mr. Trump’s personal liability under the Override Agreement has been reduced by approximately 535 million dollars. He will remain liable for up to 115 million dollars of deficiency claims with respect to certain assets. Mr. Trump’s obligations to this deficiency pool will be secured by junior liens on his equity in the three casinos, Trump Tower and the Penn Yards. In addition, there are equity liens totaling 212 million dollars to be covered by specific assets. Mr. Trump will remain personally liable for the full amount of those loans.

There is 45 million dollars outstanding on the 65 million dollar Credit Agreement,
12 million dollars of which has been allocated to specific assets in exchange for bank releases of personal guarantees. Mr. Trump remains personally liable for the remaining 33 million dollars. All remaining commitments to Mr. Trump under the Credit Agreement will be terminated. The loan will be amended to extend the maturity dates to five years from closing at an interest rate of five percent a year.

Management prepared financial forecasts showing the effect of the restructuring on The Trump Organization. If these forecasts are met, The Trump Organization will be financially stable. The ability of The Trump Organization to satisfy these projections depends to a great extent on its ability to sell 10 Trump Tower apartments. Pursuant to the restructuring, The Trump Organization is entitled to use the first 10 million dollars of proceeds from these sales as working capital. The forecasts reflect the receipt of two million dollars in proceeds from these sales for August, October and December, respectively, with an additional four million dollars next April. If these sales do not materialize, The Trump Organization's ability to obtain alternate financing is uncertain. However, it is reasonable to
assume that, considering their location, the
apartments can be sold or at least mortgaged to
generate the required revenues.

Of course, if the projected sales
cannot be effected, or the forecasts cannot be
achieved, the Commission will not hesitate to
reevaluate the situation. Suffice it to say that The
Trump Organization must demonstrate on a continuing
and uninterrupted basis its ability to meet its
monthly projections and fund its financial
obligations.

Turning to the Plaza, the evidence
received at this week's hearing is essentially in
keeping with the representations made in April. The
Plaza made its bondholder payment on June 14. The
proposed exchange with Fidelity was consummated on
June 11, allowing Plaza to satisfy the principal
payment. As promised, the interest payment was made
from operating revenues. Thus, the cautious optimism
expressed in April has proven well-founded. Plaza is
currently negotiating to receive a 10 million dollar
line of credit which would place it on firmer
financial ground. It has already arranged for an
interim credit line of five million dollars which,
combined with available cash reserves, should ensure
continuing financial stability for the license period.

Of course, the Plaza is still
confronted with its scheduled 1992 bondholder payment
which is largely department on a further transaction
with Fidelity. Although there is no commitment from
Fidelity for that 1992 proposal, Ribis reiterated this
week that, absent some unexpected occurrence, Fidelity
would agree to the transaction.

The Taj Mahal's restructuring has
proceeded at a much slower pace than originally
contemplated. The SEC approval process inexplicably
took far longer than anticipated. As a result, the
timetables imposed in April have not been met. On
June 5, 1991, the Taj Mahal received SEC approval of
the registration statement and immediately began the
solicitation of bondholders. On the revised schedule,
the Taj Mahal expects to file a premarked petition for
bankruptcy on June--on July 16, 1991, and anticipates
that the plan will become effective on or about
October 15, 1991. The plan has been modified since
the renewal hearing to increase a proposed credit
facility from 75 million to 100 million dollars.
There appears to be little question that this facility
can be funded, because it will constitute a first lien
on the casino hotel.
The primary reason for withholding judgment at the renewal hearing on the financial stability issue was the uncertainty surrounding the bondholder approval process. At that time, there were no assurances that a sufficient number of bondholders would endorse the proposal in the registration statement. In order for a prepackaged filing in bankruptcy to be accomplished, the Taj Mahal needs acceptances from the bondholders representing at least two-thirds in dollar amount and more than one half in number of those voting. As of this past Tuesday, holders of approximately 70 percent of the total amount had either formally approved the plan or instructed their nominees to approve the plan. Only one holder, with $20,000 in bonds, voted in the negative. Mr. Ross testified as that he had last April—Mr. Ross testified as he had last April that he expected over 90 percent of the holders to vote in favor of the plan.

Of course, the conclusion of bankruptcy court proceedings and the implementation of the plan will not occur until this fall. However, since the Taj Mahal has demonstrated that the bondholder solicitation will in all likelihood be successful, the Commission is in a position to rule
upon the financial ramifications of that plan. The Commission staff report indicates that the restructuring, once consummated, will provide financial stability at the Taj Mahal. The projections clearly support this conclusion which the Division agreed in its summation.

As should by now be clear, in my view The Trump Organization, the Taj Mahal and the Plaza have demonstrated their financial stability. Before I make the appropriate motions, and then deal separately with the Castle, I understand that the Vice Chair has some comment.

VICE CHAIR ARMSTRONG: Mr. Chairman, I will begin with The Trump Organization, which, as disclosed in the report of our staff, is extremely limited in its financial options. The report reveals that The Trump Organization will have an estimated cash balance of 2.9 million dollars on June 30, 1991, and by its own projections will suffer a 7.7 million dollar cash flow deficit in the 12 months ending June 30, 1992. The report notes that the deficit is to be funded primarily by selling residential units in the Trump Tower, and specifically asks that The Trump Organization address at the hearing we have just held the likelihood of consummation of these sales, as well
as the financial flexibility available if additional cash is required to support the various enterprises of The Trump Organization.

For reasons that are inexplicable to me, these issues were not directly addressed in the testimony. Rather, it was left for the regulators to attempt to elicit information on cross-examination. We did receive some assurances with respect to the Trump Tower units. However, we have no information about why they have remained vacant since they were built four or five years ago, and no information, such as offers from prospective buyers and comparable sales data, to enable us to judge their value. I questioned Mr. Bollenbach about financial flexibility if Trump Tower sales do not materialize. I received facile generalizations about the existence of other assets, but no indication of what those assets are.

I also note The Trump Organization projections include receipt of $900,000 in Taj Mahal service agreement fees through June 1993. Of course, pursuant to a Taj Mahal license condition, these fees cannot be paid without Commission approval. The projections also assume receipt of zoning approvals for the Penn Yards, but we have no information upon which we can conclude that such approvals will occur.
when anticipated.

I also found the presentation with regard to the continuing existence of the Credit and Override Agreements to be unsatisfactory. The assurances we were given in April about the disappearance of these agreements were clearly overstated. The evidence we heard at the present hearing was incomplete and confusing. One thing which is clear is that the agreements, including their cross-collateralization provisions, remain in effect.

In short, the presentation regarding The Trump Organization is less than compelling. Nevertheless, for the reasons you expressed, Mr. Chairman, and subject to a rigorous schedule of continued monitoring, I can accept your conclusions that significant progress has been made in negotiating deals with the individual banks, and that the record as a whole reveals minimal but sufficient flexibility to justify a finding of financial stability.

With regard to the Taj Mahal, I am troubled by the fact that all votes cast for the restructuring set forth in the registration statement are revocable, and I am aware that a feasibility finding by the bankruptcy court cannot be assured regardless of the final vote. However, I recognize
that approval by both the bondholders and the court appears likely to occur. Likewise, while there is no guarantee that the plan, if brought to fruition, will result in financial stability, I recognize that staff reports filed in April and at this hearing opine that the plan will satisfy the statutory criterion. I therefore agree with your conclusion regarding the Taj Mahal.

As to the Plaza, I am encouraged by the fact that the sinking fund and interest payments due on June 15 have been made in accordance with the representations offered at the April hearing. The existence of a 60 day credit line, and the reasonable likelihood that a permanent line can be syndicated, enable me to again agree with your conclusion.

While I am thus able to endorse a finding of financial stability as to these three entities, I must note that I found the entire presentation at this hearing disappointing and disheartening. Matters of obvious concern to this Commission, including issues specifically raised in the reports of our staff, were ignored. Those issues which were addressed were given the most cursory treatment. I simply do not understand why, in matters of such evident seriousness, information must be given
to us so grudgingly.

CHAIRMAN PERSKIE: I move that the Commission find The Trump Organization financially stable. I make this motion subject to the condition recommended in the report of our staff, requiring the filings of monthly reports comparing actual to forecasted cash flows.

Further, the finding of financial stability of The Trump Organization is subject to conditions requiring that final executed contracts effecting the term sheets with each of the banks be filed with the Commission and Division by July 31, 1991. Mr. Bollenbach will continue to file weekly reports on progress leading to the final, binding agreements to be filed on July 31.

COMMISSIONER HURLEY: I second that motion.

CHAIRMAN PERSKIE: Is there comment or discussion with respect to that motion?

Hearing none I will call for a roll call vote:

Commissioner Dodd?

COMMISSIONER DODD: Aye.

CHAIRMAN PERSKIE: Vice Chair Armstrong?
VICE CHAIR ARMSTRONG: Yes.

CHAIRMAN PERSKIE: Commissioner Hurley?

COMMISSIONER HURLEY: Aye.

CHAIRMAN PERSKIE: Commissioner Waters?

COMMISSIONER WATERS: Yes.

CHAIRMAN PERSKIE: And I vote yes.

The record will reflect the motion carries unanimously.

(All Commissioners present voted in favor of the motion)

CHAIRMAN PERSKIE: I move that Trump Taj Mahal Associates and Trump Hotel Management Corporation be found to have established their financial stability. Again, I would impose the conditions suggested in the staff report. These conditions will require monthly reports addressing progress toward implementation of the plan set forth in the registration statement, and comparing actual and forecasted balance sheets, statements of income and statements of cash flow. All existing conditions, insofar as they remain relevant, shall remain in effect. The prepackaged bankruptcy filing shall of course be made on July 16 and a report thereof
promptly filed with the Commission and the Division.

The Division has suggested conditions in its report concerning the cash position of all three operating entities, as well as the maintenance of reserves against slot jackpots. In Mr. Auriemma's summation, the Division limited its request to the slot jackpot conditions, being satisfied that the casino operators have sufficient cash resources. While the Division did not specify the terms of the jackpot condition, my motion includes the following:

That the licensee maintain and demonstrate to the Commission or Division upon request that it has in effect, from an approved financial source, a line of credit, letter of credit or a Commission approved insurance program, in an amount greater than the total of all progressive cash jackpots offered in excess of $100,000, or that it has deposited and maintains in an escrow account, a sum not less than 50 percent of the amount of any individual progressive jackpot outstanding in excess of $250,000. For purposes of this condition, progressive jackpots shall not include those linked between casinos pursuant to Commission approval.

COMMISSIONER HURLEY: I second the motion.
CHAIRMAN PERSKIE: Comment or discussion on that motion?

Again a roll call vote.

Commissioner Dodd?

COMMISSIONER DODD: Aye.

CHAIRMAN PERSKIE: Vice Chair Armstrong?

VICE CHAIR ARMSTRONG: Yes.

CHAIRMAN PERSKIE: Commissioner Hurley?

COMMISSIONER HURLEY: Yes.

CHAIRMAN PERSKIE: Commissioner Waters?

COMMISSIONER WATERS: Yes.

CHAIRMAN PERSKIE: And I vote yes. The record will reflect that motion carries unanimously.

(All Commissioners present voted in favor of the motion)

CHAIRMAN PERSKIE: I move that the Commission find that Trump Plaza Associates has established its financial stability. I would continue the detailed reporting conditions imposed at the license renewal hearing, and impose the same progressive jackpot condition just imposed on the Taj
Mahal. Moreover, the Trump Regency real estate taxes must be paid by July 15. In addition, the licensee shall obtain a commitment for the 10 million dollar line of credit by July 31.

COMMISSIONER HURLEY: Second.

CHAIRMAN PERSKIE: Comment or discussion?

On that motion, Commissioner Dodd?

COMMISSIONER DODD: Yes.

CHAIRMAN PERSKIE: Vice Chair Armstrong?

VICE CHAIR ARMSTRONG: Yes.

CHAIRMAN PERSKIE: Commissioner Hurley?

COMMISSIONER HURLEY: Yes.

CHAIRMAN PERSKIE: Commissioner Waters?

COMMISSIONER WATERS: Yes.

CHAIRMAN PERSKIE: And I vote yes. The record will reflect that that motion likewise carries unanimously.

(All Commissioners present voted in favor of the motion)

CHAIRMAN PERSKIE: The Castle requires separate treatment, for obvious reasons.
When the Commission reopened the license hearings as to all three casinos last August, the Castle had already defaulted on a payment to its bondholders, and ultimately made the payment during the grace period with a cash infusion provided through the Credit Agreement. The next payment, in December 1990, was made only by Mr. Trump's father purchasing over three million dollars in gaming chips which he did not use to gamble, and which have been escrowed pending further Commission action.

Despite repeated and unconditional assurances during the renewal hearing that the June 1991 bondholder payment would be made, we now know that it was not. The contemplated parking garage transaction was never consummated and the proposed exchange offer did not receive the anticipated results. There was insufficient cash generated from operations from which to fund the principal and interest payments. In short, the Castle has defaulted on its bonds and has been forced to abandon the plan detailed at the renewal hearing. Its attempt to obtain a credit line has been unavailing.

As I have noted, we reopened the casino license hearing 10 months ago. Nonetheless, according to Mr. Ribis' testimony, negotiations on a
long-term fix of the Castle's obvious financial problems did not begin until the first or second week in May. The bondholder term sheet was negotiated last Friday and presented to us for the first time at this hearing. Significant provisions of the term sheet are left open. For example, loans from MidLantic bank of 50 million dollars and 13 million dollars must be restructured. There is no evidence before us that such a restructuring is likely. In fact, Mr. Foss testified that there have been no meetings with MidLantic, but that the bondholders will demand that MidLantic compromise its claims on terms that the bondholders consider fair. In addition, crucial provisions of the term sheet concerning the control and possible sale of the casino hotel are left to future negotiations. Moreover, Mr. Foss testified that the price for which Mr. Trump may reacquire portions of the equity, as well as numerous other items not addressed in the term sheet, remain to be negotiated.

The term sheet is by its very provisions not binding even on the members of the Steering Committee whose representatives negotiated it. Because of insider trading restrictions, the remaining bondholders were not made aware of the
specific provisions of the term sheet until this Monday, and we have received no formal evidence concerning their reaction. In fact, when asked for an opinion as to what percentage of the other bondholders would agree to the term sheet, Mr. Foss conceded that he did not know. Of course, in view of the existing default, there can be no assurance that an involuntary petition for reorganization or liquidation will not be filed.

The Trump Organization, the Taj Mahal and the Plaza all succeeded in fulfilling the essential representations made to the Commission at prior hearings. The Castle clearly did not. At this hearing, the other entities provided the Commission with a factual basis on which to judge their financial health. The Castle plan is clearly too incomplete and too recent to allow the Commission staff or the Division to effect any meaningful financial analysis of that plan. Obviously the Commission is not in a position to reach any conclusion on the long-term financial stability of the Castle. Just as obviously, the Commission cannot wait indefinitely for the Castle to arrive at a workable financial plan. At the April hearing, the Vice Chair made it clear that June 17 was a real date. Unfortunately, what we have before us is
not at this point a real plan.

However, in order to afford the
licensee every opportunity to satisfy its statutory
burden, I believe the Commission should provide a
detailed schedule of the actions the Castle must take
if it is to demonstrate its financial stability. I
have given some indication of the problems which must
be addressed. Clearly, the open items in the term
sheet must be resolved. The MidLantic loans must be
restructured. The Commission must have more
information about the position of the other
bondholders, whether through testimony provided by the
licensee, investigatory effort of the Division or
participation by other bondholders in these
proceedings. However, rather than attempt an
exhaustive listing of problems presented by the Castle
term sheet now, I would move that we adjourn the
Castle financial stability matter until June 26. At
that time the Commission can give a full recitation of
the issues and a strict timetable for their
resolution. Of course, this is not meant to
discourage the licensee from continuing to solidify
the plan between now and June 26. We would in fact
encourage all parties to take whatever actions are
possible before next Wednesday to supplement the
record with evidence of greater specificity and
completeness regarding the Castle's status.

COMMISSIONER HURLEY: I second the
motion.

CHAIRMAN PERSKIE: Comment or
discussion?

On that motion all in favor will so
indicate.

The record will reflect that motion
carries unanimously.

(All Commissioners present voted in
favor of the motion)

CHAIRMAN PERSKIE: The Commission is
acutely aware that the financial problems that have
plagued the Trump entities during the past year are by
no means unique to them. Other casino properties have
also been grappling with exorbitant debt burdens
during these troubled economic times. Moreover, such
problems are not endemic to the casino industry, but
pervade other businesses throughout the country as
well.

We are also mindful that The Trump
Organization has been placed in an unenviable
position, by the nature of this industry, of having to
discuss sensitive, ongoing negotiations in a public
forum. Although we empathize with the Trump affiliates in this respect, in carrying out our regulatory responsibilities we must continue to monitor closely their progress toward completing the necessary transactions to ensure financial stability.

While a considerable amount of work still needs to be done, especially with respect to the Castle, the progress that has been made is, in many respects, remarkable in light of the complexity of these matters. Obviously, it has taken longer than we would have liked to reach this point, but I have no doubt that all of the parties, including the Trump entities and their creditors, have at all times proceeded and negotiated in good faith. The parties have exhibited a real commitment to abide by our rigid standards. We expect nothing less in the future. Nonetheless, they are to be complimented for their efforts.

Anything further?

We will be in recess. Thank you very much.

(At which time the hearing was adjourned at 2:50 p.m.)
CERTIFICATE

I, CAROLYN GERBER, a Certified Shorthand Reporter and a Notary Public of the State of New Jersey, do hereby certify the foregoing to be a true and accurate transcript of my original stenographic notes taken at the time and place hereinbefore set forth.

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CAROLYN GERBER, CSR


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