ORIGINAL 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.

Monday, June 17, 1991
2:05 p.m.
Atlantic City Commission Office
Boardwalk and Tennessee Avenue
Public Meeting Room
Atlantic City, NJ 08401

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

PRESENT FOR THE CASINO CONTROL COMMISSION:
KAREN BIACHE, ADMINISTRATIVE ANALYST

ON BEHALF OF THE COMMISSION STAFF:
JOHN R. ZIMMERMAN, ASSISTANT GENERAL COUNSEL
STEVEN M. INGIS, SENIOR ASSISTANT COUNSEL

ON BEHALF OF THE DIVISION STAFF:
THOMAS N. AURIEMMA, DEPUTY ATTORNEY GENERAL

SILVER & RENZI REPORTING SERVICE
824 West State Street
Trenton, New Jersey 08618
609-989-9191 or 800-792-8880 (TOLL FREE)
ON BEHALF OF ALL TRUMP ENTITIES
RIBIS, GRAHAM & CURTIN, ESQS.,
BY: JOSEPH A. FUSCO, ESQ.

ON BEHALF OF TAJ MAHAL BONDHOLDERS STEERING COMMITTEE
GREENBERG MARGOLIS, ESQS.,
BY: MARTIN L. GREENBERG, ESQ. and
GUY S. MICHAEL, ESQ.

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

ON BEHALF OF MR. ICAHN
WILENTZ, GOLDMAN & SPITZER, ESQS.,
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ON BEHALF OF SUBCONTRACTOR CREDITORS OF TAJ MAHAL
CRUMMY, DEL DEO, DOLAN, GRIFFINGER & VECCHIONE, ESQS.
BY: DALE E. BARNEY, ESQ.
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MS. BIACHE: 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 3:44 p.m. on June 11, 1991, hand-delivered to the office of the Secretary of State and caused to be posted on the bulletin board located outside the Secretary of State's office at the State House, Trenton, New Jersey, and at 4:45 p.m. on June 11, 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 of 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. I'm going to say you may be seated, but I guess everybody that may is. You guys can, if you can. I will call the meeting to order and observe for the record the presence of all of the
members of the Commission.

This is, of course, as indicated, the
continuation of prior proceedings and the return date
for the continued examination by the Commission of the
financial stability of three of the casino licensees,
the Taj Mahal, Trump Plaza, and the Castle, together,
of course, with the necessary determinations as to the
Trump organization.

For the record, I suppose we should
commence with the entry of appearances.

CHAIRMAN PERSKIE: For the Division?

Nobody seems to be getting up first.

MR. AURIEMMA: Thomas Auriemma, for
the Division.

MR. FUSCO: For the licensees, Joseph
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Taj Mahal, Mr. Pickus for the Castle, and Miss Wild
for the Plaza.

CHAIRMAN PERSKIE: Wherever they may
be sitting.

MR. FUSCO: They are all in the room.

CHAIRMAN PERSKIE: There's one of
them, okay.

MR. GREENBERG: Mr. Chairman, Martin
Greenberg and Guy Michael for the bondholders and the
Steering Committee in the Taj Mahal matter.

MR. EHRENBERG: Mr. Chairman, Peter Ehrenberg, Trump Castle Bondholders Steering Committee.

CHAIRMAN PERSKIE: Mr. Ehrenberg, you were, I think, here the last time and entered an appearance then. Yes?

MR. EHRENBERG: That's correct.

CHAIRMAN PERSKIE: Okay.

We have received a petition from Mr. DeFillipo on behalf of what is captioned "An Unofficial Committee of Subcontractor Creditors," with a Notice of Motion to intervene or participate.

I would observe for the record that that motion was dated June 13th, filed with the Commission on June 14th, and is anticipated by the applicant, I assume, to be heard today.

The world knew and everyone is charged, in my view, of notice that this hearing was going to be today from at least April. This petition will be listed for consideration by the Commission on June 26th at its regular meeting.

On April 18th, 1991, the Commission renewed the casino licenses of Trump Taj Mahal Associates and Trump Hotel Management Corporation.
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IN RE: CONSOLIDATED FINANCIAL
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On April 18th, 1991, the Commission renewed the casino licenses of Trump Taj Mahal Associates and Trump Hotel Management Corporation.
subject to further review of the licensees' financial stability.

In granting the renewal applications, the Commission determined that financial restructuring of the Taj Mahal and the Trump organization were underway, which, if consummated, could result in a financially stable casino property and a financially stable Trump organization.

Due to the uncertain status of both plans at that time, the Commission was unable to reach a final conclusion regarding financial stability.

Accordingly, the Commission scheduled a financial stability hearing, commencing today, to examine the progress and viability of the respective proposals.

On May 8th, 1991, the Commission renewed the casino licenses of Trump Plaza Associates and Trump Castle Associates, subject to a further and ongoing review of their financial stability.

Of immediate concern was their ability to satisfy certain debt payments due June 15th.

At the renewal hearing, the licensees testified that plans had been developed which would enable them to make the required payments and to
demonstrate financial stability. However, the
viability of these plans could not be determined at
that time in that context.

Consequently, the financial stability
issue was consolidated with that of the Taj Mahal and
Trump organization matters and all, of course, are
scheduled today.

So that the record is clear, at prior
proceedings in this matter in connection with
licensure all of the following exhibits have been
received and marked into evidence:

C-1 through C-12, inclusive, and
there is now a C-13 about which we'll hear in a few
minutes, it's the Commission's Division of Financial
Evaluation Report under date of June 14th.

Division exhibits 1 through 9 are in
evidence, and we have now received D-10, the
Division's report from Mr. Auriemma of June 13th with
respect to all of the entities.

The applicant exhibits in evidence
are A-1 through--A-1, A-1A, and A-1B, A-2 through
A-27B, inclusive, not including A-27C; A-28 through
A-41A, inclusive, and not including A-41B and A-41C;

We have received and we'll hear more
in a minute about exhibits A-54 through A-60,
inclusive, which in turn include A-55A and A-59A and
A-59B, all of which are before us, and we have also
received in evidence S-1, 2, and 3 at prior
proceedings.

And last, but by no means least here
Mr. Ehrenberg, P-1, is a participant's exhibit from
him.

Now, let us go through and discuss
what we need to discuss about the exhibits.

C-13 is the report of the
Commission's Division of Financial Evaluation as to
Mr. Trump, I believe. Let me just get my hands on
it. C-13 is as to Donald J. Trump.

Mr. Fusco.

MR. ZIMMERMAN: Mr. Chairman, C-13
refers to Mr. Trump. There are also--

CHAIRMAN PERSKIE: Two others.

MR. ZIMMERMAN: Yes, though not on
your list. There are also two other--

CHAIRMAN PERSKIE: I was going to get
to that.

What are they numbered?

MR. ZIMMERMAN: Well--

CHAIRMAN PERSKIE: Or haven't they
been yet?

MR. ZIMMERMAN: I have just numbered mine.

CHAIRMAN PERSKIE: Out of all of those questions, you can answer them in any sequence you would like.

MR. ZIMMERMAN: The one on which I have just written is C-14 is a supplemental report of June 14 regarding Trump Taj Mahal Associates.

CHAIRMAN PERSKIE: All right. That will be C-14, and the Plaza will be C-15, which raises the obvious question where is 16, or is there going to be one?

MR. ZIMMERMAN: There is not at this point because of the Castle situation just coming to our attention.

CHAIRMAN PERSKIE: C-14, Counsel, for identification is the Division's report of June 14 as to the Taj, and C-15 is the report of the same date as to the Plaza.

(Off the record.)

CHAIRMAN PERSKIE: If I said Division, I'm sorry. I meant the Commission to the Division of Financial Evaluation. Thank you.

As to the C-13, 14, and 15, Mr.
Fusco.

MR. FUSCO: We do not object to--I take it they are being offered, Mr. Chairman.

CHAIRMAN PERSKIE: Well, I guess--I don't know who offers them.

The question is what's your position on whether they should be--

MR. FUSCO: We do not object to those reports coming into evidence.

MR. AURIEMA: We do not object.

MR. ZIMMERMAN: Then I offer them.

CHAIRMAN PERSKIE: Thank you. Mr. Zimmerman then I suppose offers them, and without objection all three will be received and may be so marked, and that solves part of the problem for the right half of the room.

Division 10 is the report by Mr. Auriemma of June 13.

MR. AURIEMA: I offer it.

CHAIRMAN PERSKIE: Mr. Auriemma offers it.

Mr. Fusco.

MR. FUSCO: No objection.

CHAIRMAN PERSKIE: Let me just call your attention, everybody, to page 29 of that report,
which contains what I consider to be a very--an error
that I would like to have corrected before it’s
received.

    The Division asserts that in granting
the renewal of the Taj, the Commission found that
restructurings were under way which, and I quote,
"when and if consummated would result in a financially
stable casino property."

    The Commission was careful not to
reach that conclusion at that time.

    MR. AURIEMMA: I agree with that. I
think that "would" either--probably should be a
"could."

    CHAIRMAN PERSKIE: Could, or might,
or may be, or perhaps, or with luck, any of those
other type of words.

    MR. AURIEMMA: I agree with that.

    CHAIRMAN PERSKIE: Okay.

    Mr. Fusco.

    MR. FUSCO: We would object to that
change. It’s kind of late in the day to change it.

    CHAIRMAN PERSKIE: Okay, Fusco is
awake. We’re in trouble.

    D-10, with the modification
indicated, will be received and marked into evidence.
It's much easier when you were asleep before.

The applicants' exhibits, the new ones, we will not, unless somebody specifically asks us, go back and revisit the ones that were not received at prior proceedings, but starting with A-54 and 55, 55A, 56, 57, 58, 59, 59A, 59B and 60, those, Mr. Fusco, are all offered?

MR. FUSCO: If I may because certain things have developed as we go, Mr. Chairman, I think A-54 will be offered, A-55 will not be, because A-55A would supersede it—

CHAIRMAN PERSKIE: All right.

MR. FUSCO: --which is the executed term sheet as opposed to the unexecuted term sheet.

CHAIRMAN PERSKIE: So A-55 is held.

MR. FUSCO: We do not offer that, Mr. Chairman.

CHAIRMAN PERSKIE: All right, that's fine.

Any others?

MR. FUSCO: A-56 is offered, A-57 is offered, A-58 is offered, A-59 is offered, and the Chair has made reference to 59A and B, they are also offered.

CHAIRMAN PERSKIE: And 60?
MR. FUSCO: And A-60 is offered as well.

CHAIRMAN PERSKIE: Mr. Auriemma?

MR. AURIEMMA: I have no objection to any of those.

CHAIRMAN PERSKIE: All of those documents, without objection, will be received and marked into evidence.

(The above-mentioned documents were received and marked into evidence.)

CHAIRMAN PERSKIE: Now, as to documents or exhibits, Counsel, have we left anything out?

MR. FUSCO: I'm sorry, Mr. Chairman, 27C, A-27C.

CHAIRMAN PERSKIE: Wait a second. A-27C is a--oh, the services agreement as of April 1?

MR. FUSCO: That's correct, Mr. Chairman.

CHAIRMAN PERSKIE: All right.

MR. AURIEMMA: I have no objection to that.

CHAIRMAN PERSKIE: That's the one for which our approval today is sought.
MR. FUSCO: That's correct.

CHAIRMAN PERSKIE: In its most recent incarnation?

MR. FUSCO: Yes, Mr. Chairman. The only change is as to the effective date. That's the only change--

CHAIRMAN PERSKIE: Without objection the document will be received and marked into evidence.

(A-27C received and marked in evidence.)

MR. AURIEMMA: I think there might be one or two others that Mr. Fusco has spliced into the existing numbers. For example, I think A-1F might be one.

MR. FUSCO: Correct.

Mr. Chairman, if we could, I know what Mr. Auriemma is speaking of. I will handle what he said. A-1F and A-1G will be offered.

A-1F is Amendment No. 6 to the registration statement regarding the Taj Mahjal, and A-1G is the solicitation of the prospectus that was sent to the bondholders, which essentially reflects A-1F. There would be no need, I think, to mark A-1C, D, or E, which are interim amendments. There is no
need to offer them into evidence.

CHAIRMAN PERSKIE: Except perhaps to explain the otherwise inexplicable of what the SEC was doing all these weeks.

MR. FUSCO: Yes.

CHAIRMAN PERSKIE: But that's another subject for another day.

You're offering F and G?

MR. FUSCO: Yes, sir.

MR. AURIEMMA: I have no objection.

CHAIRMAN PERSKIE: A-1F and A-1G will be received and marked into evidence without objection.

(A-1F and A-1G received and marked in evidence.)

MS. BIACHE: Mr. Chairman, we have still A-41B and A-41C.

MR. FUSCO: That's right. That was the next one. A-41B and A-41C are the two loan agreements, or Promissory Notes, Indenture of Mortgage and option agreements relating to the transaction with the Trump Plaza Associates. That was described in A-41A which was the--it's related to the sinking fund payments just made, Mr. Chairman.

CHAIRMAN PERSKIE: Okay. That's the
agreement to—

MR. FUSCO: Notes in exchange for the bonds, $25 million.

MR. AURIEMMA: I have no objection.

CHAIRMAN PERSKIE: All right. Those documents will be received and marked in evidence as well.

(A-41B and A-41C received and marked in evidence.)

CHAIRMAN PERSKIE: It's, of course, clear from one of the documents, I believe, or would it be that one that the--we have another document evidencing the payment of the interest of the Plaza the other day, that's already in.

MR. FUSCO: Yes.

CHAIRMAN PERSKIE: Are these the documents that evidence the compliance—

MR. FUSCO: These are the contracts which are executed, which are the contracts that closed which gave rise to the exhibits which indicate that the interest payments were made.

CHAIRMAN PERSKIE: So with that document and the letter on the interest payments, that hurdle may be considered to have been crossed.

MR. FUSCO: You are correct.
MR. AURIEMMA: Correct.

CHAIRMAN PERSKIE: All right.

Does that finish the discussion for the moment with respect to exhibits or documents?

MR. FUSCO: Yes, Mr. Chairman, I believe it does.

MR. AURIEMMA: Yes, it does, Mr. Chairman.

CHAIRMAN PERSKIE: All right.

Obviously, we have, except for the ones that we just got today, which are in the high fifties and 60, we have had the opportunity to review these.

There are a number of questions that some of us have, obviously, with respect to some of the agreements, but we will deal with those questions I presume, when testimony is presented.

Any stipulations, beyond those that are already in the record?

MR. AURIEMMA: I don't believe there are any.

MR. FUSCO: None, sir.

CHAIRMAN PERSKIE: There are two miscellaneous applications—I call them miscellaneous only because they are important, but it's tangential to the main issues of the day—relating to the
application of the petition to approve the stock
transfer and the Taj financing. This is transfer, I
believe, from Donald Trump to Taj funding. Is that
the one?

MR. FUSCO: No. The stock is in
Trump Taj Mahal, Inc., and it's a transfer from Mr.
Trump to the corporation TTTMI, Trump Taj Mahal, Inc.

CHAIRMAN PERSKIE: Okay, that's it.
We have the petition on that.

Mr. Auriemma, have you had an
opportunity to review that?

MR. AURIEMMA: Yes.
We have no objection to that because
we believe when we were here on January 29th that the
transfer that's evidence of the most recent petition
was understood to have been part of the overall Taj
restructuring, and I think it really should have been
done on January 29th, it was just a slight oversight,
and, therefore, we would have no objection to it.

CHAIRMAN PERSKIE: Do you desire to
be heard, Mr. Greenberg?

MR. GREENBERG: No, sir.
CHAIRMAN PERSKIE: Anybody on the
Commission have any question with respect to the
petition for the approval of that transfer?
Hearing none, I will entertain a motion to the approval of that transfer.

VICE CHAIR ARMSTRONG: So moved.

CHAIRMAN PERSKIE: All in favor will so indicate.

(All Commissioners present voted in favor of the motion.)

CHAIRMAN PERSKIE: The record will reflect that that motion carries unanimously.

Then there is a petition for the approval of the services agreement. This is the one I believe we have just marked into evidence as--

MR. AURIEMMA: A-27C.

CHAIRMAN PERSKIE: A-27C.

It being understood, I assume, Mr. Fusco and Mr. Moles, that the approval is subject to the understanding and the license condition that any payment to be made under the proposed service agreement would itself have to be subject to an application to and approval by the Commission, save for the license exemptions that we have already put in as a license condition.

MR. FUSCO: We understand that will be a separate petition seeking authorization for payments under the agreement. We are seeking to have
the agreement approved--

CHAIRMAN PERSKIE: Subject to that understanding.

MR. FUSCO: Yes, sir.

CHAIRMAN PERSKIE: Mr. Auriemma?

MR. AURIEMMA: Yes, we have no objection to that. That's our understanding as well. It will just be an approval under Section 104 of the statutes, subject to further petition.

CHAIRMAN PERSKIE: Mr. Greenberg, do you desire to be heard?

MR. GREENBERG: Give me one second, your Honor, Judge, Chairman.

CHAIRMAN PERSKIE: Whatever.

MR. GREENBERG: We have no objection, no comment.

CHAIRMAN PERSKIE: Anybody on the Commission have any questions with respect to that application?

Entertain a motion to approve the proposed services agreement as indicated on document A-27C, subject to the license conditions previously imposed.

COMMISSIONER HURLEY: So moved.

VICE CHAIR ARMSTRONG: Second.
CHAIRMAN PERSKIE: All in favor so indicate.

(All Commissioners present voted in favor of the motion.)

CHAIRMAN PERSKIE: The record will reflect that that motion carries unanimously as well.

Counsel, for your assistance in scheduling and in the presentation of the matter, it is the Commission’s intention to proceed in a moment and to take the balance of the afternoon up to somewhere probably this side of 4:30 a little bit and then to reconvene tomorrow morning to continue.

It is our expectation, but not our certainty, that all of the presentation that is necessary to be made can be accomplished by tomorrow and we would like you to be able, if we reach that point, to make your final arguments by the close of the proceedings tomorrow afternoon.

I’m not trying to restrict you. If more time is needed, we will make it available. But judging by what we have seen and heard, it’s our expectation that we can probably get to that point of the proceedings tomorrow.

Whether the Commission is in a position on Wednesday or Thursday or Friday of this
week to make a determination is not something that we will know at the least before tomorrow, and maybe not until Wednesday, but we have taken steps to be legally in a position to be able to render a decision in the matter on any one of those days where we would be in a position to do so. Obviously, as soon as we have some sense of where we are schedule-wise, I'll let you know.

Is there anything else that needs to be brought to our attention before we commence with the proceedings this afternoon?

MR. AURIEMMA: No, Mr. Chairman.

MR. FUSCO: Mr. Chairman, did you state on the record what order you wanted us to proceed.

CHAIRMAN PERSKIE: I didn't. I was just about to do that. I was going to invite your attention, obviously, Mr. Fusco, you and your associates are the applicants and can present your matter in any way you want.

We would suggest that the most effective way to present it is to address first the several issues and concerns respecting the Trump organization as that would in common effect all three of the licensees. And then, after those issues have
been addressed, the licensees can be addressed, and
our suggestion is that you should proceed down the
Boardwalk, as it were, starting with the Plaza and
going to the Taj and finishing up around the corner at
the Marina.

MR. FUSCO: One minute.

CHAIRMAN PERSKIE: If there is a
serious problem with that, let us know and we'll fix
it.

MR. FUSCO: Thank you.

(Off the record.)

CHAIRMAN PERSKIE: So that the record
is clear, the public is advised that very substantive
discussion had to do with scheduling problems of
witnesses, and essentially do whatever you need to do,
and let's get started.

Are there going to be opening
statements?

MR. FUSCO: Yes, Mr. Chairman. I'm
sorry, yes.

CHAIRMAN PERSKIE: Do you have an
opening statement?

MR. FUSCO: Yes.

CHAIRMAN PERSKIE: You may proceed.

MR. FUSCO: Members of the
Commission:

These resumed casino license proceedings concern the financial stability of Donald Trump and his three Atlantic City casinos, which comprise one-fourth of this New Jersey industry.

You have previously been presented with evidence of the strong new management which has been established at each casino and the addition of Mr. Bollenbach and Mr. Ribis to executive management at the Trump organization.

Since August 1990, the licensees have reported regularly to you and the Division, as both agencies have monitored the financial condition of each Trump entity. Mr. Trump and his licensees have diligently and successfully pressed forward to restructure company debt.

It is again appropriate to note that for many years Mr. Trump has put his money, energy and effort into New Jersey and its casino industry and that, more than any single individual anywhere, he has responded to the legislative goal of revitalizing the New Jersey hospitality industry and restoring Atlantic City to its status as a major hospitality center in the United States. With his characteristic diligence and energy, he has now achieved plans which establish
financial stability at the Trump organization in each of his operating licenses.

Nine weeks ago, on April 18, the Commission renewed the Taj Mahal casino license on the basis of detailed and comprehensive restructuring plans regarding a prepackage reorganization of the Taj Mahal and an overall restructuring of the financial obligations of Mr. Trump to certain banks.

The Commission then determined to resume these proceedings on the issue of financial stability. The Taj Mahal registration statement has now been declared effective, and more than the required number of bondholders have advised that they will accept the plan.

Agreement for restructuring the bank debt of Mr. Trump has now been reduced to executed term sheets, which is now Exhibit A-54 in evidence.

The licensees submit that the Taj Mahal, through the bondholder acceptance of its reorganization plan, and Mr. Trump, by virtue of the executed term sheet, have now achieved financial stability for the applicable license period.

As to the Taj Mahal, in addition to exhibits admitted in evidence today, you will again hear from Mr. Ribis and bondholder financial advisor,
Wilbur Ross.

As to the Trump organization, in addition to the exhibits, you will again hear from Mr. Bollenbach, who, as you will recall, in April testified that bank executed term sheets would be provided to you by today. Mr. Bollenbach will describe the content of the agreement with these banks and the timetable for their closure.

After closure on these transactions, Mr. Trump's assets will provide him with a very substantial net value in not only his three New Jersey casinos, but also in his New York real estate holdings, which include Trump Tower, the Plaza Hotel, and his Hudson River Waterfront Development Project.

Six weeks ago, on May 8th, the Commission renewed the Trump Plaza and Trump Castle casino licenses on the basis of two workable plans that deal effectively with the debt service requirements regarding interest and sinking fund payments due today to casino bondholders, and again scheduled proceedings to resume today on the issue of financial stability.

At Trump Plaza, the transaction with Fidelity Management Research Corporation closed last week on June 11th, which is Exhibit A-41B and C, and
together with cash from operations permitted Trump Plaza to satisfy the interest in sinking fund payments due to its bondholders.

At the Castle, the contemplated exchange offer and asset sale transactions have been significantly improved upon and replaced by a comprehensive reorganization plan accepted by the Bondholder Steering Committee, as is outlined in the executed term sheet dated June 14 and marked as Exhibit A-55A.

As to Trump Plaza, Mr. Ribis will testify about the completed Fidelity Management transaction as well as the arrangements by Trump Plaza for an ongoing line of bank credit.

As to the Castle, Mr. Ribis will describe the principal terms agreed upon with the Bondholder Steering Committee and the financial stability which the plan will achieve at the Castle.

Warren Foss, of Scully Brothers & Foss, who are the financial advisors to the Steering Committee, will also testify about the plan, its timetable, the Steering Committee, the bondholders, his experience in transactions of this type, and the financial stability of the Castle.

At the conclusion of these resumed
proceedings, the licensees submit that the evidence will clearly and convincingy establish their financial stability and the financial stability of Mr. Trump.

CHAIRMAN PERSKIE: Mr. Auriemma.

MR. AURIEMMA: Good afternoon, members of the Commission.

These consolidated proceedings, which will commence today, although required by Commission order, are part of an ongoing process of review that has been in place for approximately one year now.

While these hearings certainly do not represent the beginning of the regulatory review process, they also do not constitute the end. The Division believes that these three casino licensees and qualifier Donald J. Trump are on a path, a positive path toward resolving their respective financial problems.

Since we were last before you on May 8th, a number of significant developments have occurred.

First, with respect to Donald Trump, term sheet agreements have been reached between him and the banks. During the course of these proceedings, we expect that a full and complete
understanding of the implication of these agreements
will be presented to the Commission. In particular,
we expect to comprehend the effect of these agreements
upon the three Trump casino licensees.

Included within that presentation, we
hope, will be a realistic assessment of a length of
time that will be necessary to fully implement the
skeletal agreements and execute the final documents.

Second, with respect to the Taj Mahal
restructuring, it is fair to stay that the process has
been much slower than anticipated. Nevertheless, the
formal solicitation process has now commenced and a
date for filing of a prepackage bankruptcy seems
reasonably certain, that is mid July.

Of course, that bankruptcy process
will still consume a number of months before it is
completed. However, we believe the licensee should
present evidence today or tomorrow as to the progress
that has been made from June 6th to the present
regarding this formal solicitation process.

Third, at the Trump Plaza we know
that the bondholder interest and sinking fund payments
were made in a timely fashion. Our focus now should
be on the adequacy of that licensee's resources to
operate and we as regulators should be assured that
the public interest is protected in this regard.

Fourth, and last, the Castle presents a far different picture. When we were here on April 29th and May 8th with respect to the Castle, the testimony presented was focused upon a proposed bond exchange for a new A 3 series of bonds, which it was represented that it would satisfy the $22.7 million sinking fund payment to Castle bondholders.

Additionally, it was testified that cash flow from the Castle's operations and asset sales would be sufficient to permit a timely payment of interest to the bondholders. The foregoing has not come to pass.

Recently, negotiations commenced with the Steering Committee of Castle bondholders to restructure the Castle. Earlier today the term sheet was apparently signed, and which has been admitted into evidence a few moments ago. In a simplistic way, we can say that such a term sheet agreement is Taj-like in nature. Thus, we should examine it in that light--

CHAIRMAN PERSKIE: Have you now coined a new phrase, Mr. Auriemma?

MR. AURIEMMA: I hope so.

We should examine it in that light
and fully comprehend what steps will be necessary to
implement it and understand the length of time that it
will take before the process is complete.

Thank you.

CHAIRMAN PERSKIE: That phrase, I'm
afraid, Mr. Auriemma, may come back to haunt us all.

Mr. Greenberg, Mr. Ehrenberg, I think
the easiest way to handle this is simply to ask you to
invite yourselves to participate, if the spirit moves
you, rather than having me keep asking you if you have
anything to say and not having anything to say.

MR. GREENBERG: I appreciate that.

I'm not so moved at the present time.

CHAIRMAN PERSKIE: That's very
desirable, Mr. Greenberg. But if the occasion
presents itself, you will let me know.

Mr. Ehrenberg--

MR. EHRENBEG: I will join my
friend.

CHAIRMAN PERSKIE: Mr. Fusco, your
ball.

MR. FUSCO: I would like to call Mr.
Ross, Wilbur Ross.

W I L B U R L. R O S S, J R., having been first
duly sworn, testified as follows:
CHAIRMAN PERSKIE: Mrs. Fusco, for the assistance of the Commission, as well perhaps of Mr. Auriemma, if you know that any witness is going to be testifying from any exhibits or documents, would you sort of flag that for us so we can get them out of the boxes that we have?

MR. FUSCO: A-59A and A-59B with regard to Mr. Ross.

DIRECT EXAMINATION

BY MR. FUSCO:

Q Mr. Ross, you, of course, testified before the Commission during April with regard to the restructuring of the Taj Mahal?

A I did, sir.

Q And you, of course, are a senior partner at Rothschild, the financial advisor to the Steering Committee?

A I am, sir.

Q And could you describe to the Commission the status—well, let me ask you this. The registration statement has been declared effective by the Securities and Exchange Commission; is that not so?

A Yes, on June 5th.

Q And a solicitation of bondholders for
Ross - direct by Fusco

acceptances of the plan has been undertaken?

A    It has, sir.

Q    Could you report--and that commenced on
what date, sir?

A    It commenced several days thereafter,
because while it was cleared on the 5th, there was
then printing time and mailing time, so I would say
the early part of the next week is when it began.

Q    And could you advise the Commission as to
the status of the solicitation for acceptances?

A    Yes. Since then we have been in touch
with the holders of somewhat over 90 percent of the
675 million in bonds, and of those an aggregate of
557,295,000, or 82.56 percent, have indicated in one
form or another that they will support the plan. That
constitutes an aggregate of more than a hundred
holders saying that they will accept it.

To date, only one holder has
indicated a negative vote, and that is a private
individual owning $20,000.00 principal amount of the
bonds.

Q    In your view, will the reorganization give
the Trump Taj Mahal stability through the license
period?

A    I believe so, yes, sir.
Ross - direct by Fusco

Q And is this level of approval adequate for approval of the plan?

A I believe so. There are, needless to say, a myriad of mechanical developments that have to occur relating to the bankruptcy court orders, relating to the formalization of the $50 million and $25 million lines of credit and everybody's approval to them. But other than those, I know of no other reason that could possibly interfere with this.

MR. FUSCO: Mr. Chairman, we would have offered Mr. Ross after Mr. Ribis, but they are the questions I have of Mr. Ross at this point in time.

CHAIRMAN PERSKIE: Mr. Auriemma.

CROSS-EXAMINATION

BY MR. AURIEMMA:

Q Good afternoon, Mr. Ross.

A Good afternoon, sir.

Q With respect to your comment that you were in touch with approximately 90 percent of the holders of the Taj bond, does that include the bond held by Mr. Icahn's company?

A It does, sir.

Q And is it your representation that based on your conversations or your knowledge of Mr. Icahn's
Ross - cross by Auriemma

company that he will support this particular plan?

A I believe, as I say, subject to all of the
other mechanical conditions being met, the bankruptcy
court approval, the securing of the lines of credit,
and all that, I believe he will.

I also believe his counsel is here
and, therefore, could provide whatever clarification
you might need.

Q Do you have before you Exhibit A-59B?
A Yes, I do, sir.
Q And that was prepared by an individual
named Harvey Hepner?
A Yes. He is an employee of my firm.
Q And so that we all understand what this
exhibit represents, as of today, June 17th, is it fair
to say that 42.78 percent of the holders of the bonds
have actually voted in favor of the plan?
A Well, it depends how you define "actually
voted." The trustee of the bank in Minneapolis, the
First Bank National Association, had processed as of
noon today 288,795,000 of the bonds, which
represents 42.78 percent.

Beyond that, there were additional
holders other than Mr. Icahn of 118,500,000, for 17.55
percent, who tell us they have sent instructions to
Ross - cross by Auriemma

their custodial agents to send the votes in to the bank. Those bonds are somewhere between the beneficial owner, its holder of record, the bank custodian, and the First Bank of Minneapolis.

Q That 17.56 percent, that’s based upon oral communications that you or members of your company have had with these bondholders?

A Oh, yes, indeed.

Q You also indicated in response to a question by Mr. Fusco that approximately 100 holders have indicated that they would vote for this particular plan?

A Well, the bank has processed a total of 103 ballots, of which 102 were in favor, one was against. We have been in touch with a good deal more than that, all of whom, as far as I know—all of whom are in favor. So it’s quite a bit more than a hundred, but the bank has actually processed 103.

Q In order for this plan to be filed as a prepackage bankruptcy and to be acceptable ultimately as a prepackage bankruptcy, there are certain percentages that are required under the bankruptcy code, I believe. Is that fair to say?

A I’m not a lawyer, but to my layman’s understanding, there are two sets of percentages that
are required. The first is two-thirds in amount of
those who actually vote, not of the total issue, but
of those who actually vote.

So, for example, if no more bonds
voted than the ones that were already processed by the
bank, you would have 288,795,000 affirmative dollar
votes, 20,000 negative dollar votes, and, therefore,
99.999 affirmative votes. So that would meet the vote
by number--by amount.

Similarly, of the 103 individual
holders who voted, 102 have voted in favor, and that
would very handily accomplish the requirement of more
than 50 percent by number.

Q And that's the other criteria, 50 percent
by number?

A Yes, sir. So that if the end of the
balloting were today, both requirements would have
already been met.

Q And based on your understanding and
knowledge of the plan and the solicitation process, is
it fair to say that the solicitation will be completed
by July 15th?

A Oh, I have no doubt about that. When I
tested in April, I testified I believe something
like 90 percent would vote in favor of the plan. I
Ross - by Chairman Perskie

have no reason whatever to change that view as we sit here.

Q And you would expect that once the solicitation is complete, the prepackage bankruptcy could be filed in short order?

A Oh, absolutely.

MR. AURIEMMA: I have nothing further.

EXAMINATION

BY CHAIRMAN PERSKIE:

Q Mr. Ross, how many bondholders are there?

A In round numbers, 150, 155 that we know of.

Q And they hold 675 million?

A Yes, sir.

Q So two-thirds of that would be 450 million.

A That's correct.

Q So if everybody voted, you would need 450 million dollars' worth and you would need, let's call it, 80 to approve?

A Yes, sir.

Q And you've already got over 80--

A Yes. I think it's mathematically impossible to lose the vote by number at this point.
Ross - by Chairman Perskie

Q With one exception that I'll get back to.

Now, you don't have, however, the 450 million. You have, according to the--I'm not quite sure how to square 59A and 59B. 59A says--

A I can show you how to do it, sir.

Q Go ahead.

A In 59A, if you go to number 3, you will see the number--

Q 216.

A 216,684--

Q Right.

A --and I assume your question is, how do you get from there to the 287,433,000.

Q Am I that transparent?

Yes, that's my--that's my first question.

A Then if I may answer your first question.

If you will turn to item 6 on page 2, you will note that First Bank has received letters of intent from 72,111,000. God willing, if you add the 216,684,000 and the 72,111,000, you will derive something like the 287,433,000.

Q Well, actually, you get to 795 by adding in the individual holders. But that means then that you have added in--what is this letter of intent?
Ross - by Chairman Perskie

What is that?

A  That's a--

Q  How is it different from a vote?

A  Well, to me, there is no substantive difference among all of the three categories: the votes, as the bank defines them; the letters of intent; and what I call the oral things, because the real world is that the holders have found the deal quite acceptable. So to me, as a lay person, that's sort of a formality.

Q  Forget the oral for a minute.

What's the difference between sending in a vote of yes and sending in a letter of intent to vote yes?

A  The only--as I understand it, the only party who can actually vote is the holder of record. And generally with institutions, and most of these bonds are held by institutions, the actual beneficial holder is not the holder of record. The insurance companies and other entities generally use the bank as a matter of convenience. So the 72,111 would be letters where the beneficial holder confirms that he is going to vote for the plan and has directed his custodian to do so, but the paperwork has not yet come in from the custodian.
Ross - by Chairman Perskie

Q. Who does that letter of intent go from and who does it go to?

A. Now you're getting more technical than I can deal with, but I believe it's from the beneficial holder to the custodian, but I'm not a back-office expert.

Q. Now, 59A, it says at paragraph 5 that "the vote tallies are subject to the rights of the holders to revoke the votes as described in the prospectus."

A. Yes. It's my understanding that in this matter, as in all other similar matters, until the date when the petition was actually filed, until the end of the solicitation period, as a technical matter, any or all of these could be revoked.

Now, that has always been inherent in the process, and, as I say, it's nothing unique to this situation. That's just the SEC rules, as I understand it.

Now, I might add, that I've never seen it happen.

Q. Nevertheless, the SEC doesn't have to be concerned with whether a potential revocation affects the financial stability of a licensee of the Casino Control Commission, does it?

A. I have great difficulty understanding
Ross - by Chairman Perskie

exactly what they are and are not concerned with, sir

Q All right.

Now, this 288 million does not

include Mr. Icahn; is that correct?

A The 288, no, it does not include Mr. Icahn.

Q How much does he have?

A Mr. Icahn holds 150 million, or perhaps

slightly more, representing 22.22 percent of the

issue.

Q So that if you added Mr. Icahn to the 288

you get 64--65 percent on the money?

A You would get exactly 65 percent, yes,

sir, of the total outstanding.

Q So to get to 67, you would need two

percent more, about another $13 million?

A $13,500,000 face amount.

As I say, I really don't think the

arithmetic is an issue, as you can see by the

proportions that we have here.

CHAIRMAN PERSKIE: Anybody else on

the Commission have any questions of the witness?

Commissioners Waters, or Vice Chair.

EXAMINATION

BY VICE CHAIR ARMSTRONG:
Ross - by Vice Chair Armstrong

Q. Can you clarify Mr. Icahn's status at this point? He has not formally voted yet?

A. Mr. Icahn has indicated to me, as have his people, and I believe his counsel is here, and who could perhaps clarify it even further, I believe that assuming that all the other pieces are put together, the bankruptcy petition filed, the lines of credit are all put together, and all that, I believe that Mr. Icahn will vote for the plan, and he has so indicated to me.

VICE CHAIR ARMSTRONG: I hope somebody is going to clarify this for me, because--

CHAIRMAN PERSKIE: There's no--I mean, I sense the Vice Chair's discomfort.

Let me make it very clear. He is going to vote for this plan before we are, Mr. Fusco. Are we clear?

MR. FUSCO: That's pretty clear, Mr. Chairman.

CHAIRMAN PERSKIE: Okay.

EXAMINATION

BY COMMISSIONER WATERS:

Q. Commissioner Armstrong had the same question I had. I guess it's kind of late in the game to be doing this, but I understood last time around
Ross - by Commissioner Waters

when we met there was no question on the part of Mr. Icahn being signed, and I didn't hear any conditions mentioned at that time. And, as a chairman has indicated, it sounds now as though he's not going to sign until everything else is wrapped up, and, if that's the case, then it will never happen.

A If I gave you that impression, sir, I think I did the licensee and Mr. Icahn a disservice. I believe that last time Mr. Icahn's position was that he had agreed to the deal in principle, that he had not seen the detailed paperwork, and that, therefore, his approval was contingent upon reading this great gigantic document that the SEC finally approved.

The document that they approved, because of when it came through and the millions of other things that have been going on, certain items that will be needed for the final closing do not yet exist; for example, the loan agreements with the banks.

There were a $50 million line of credit and $25 million line of credit that have always been a part of the plan. Everybody knows that, and that's part of what we're voting on.

Nobody has seen—we have not seen,
Ross - by Chairman Perskie

nor has the Trump organization people, as far as I
know, any detailed term sheets from the banks.

So all that is, I believe, is that
it's the position of Mr. Icahn and others that they
can't approve something they've never seen any more
than you could. So it is not any kind of a desire to
delay or to be obstructive; it's just that a few of
the documents do not exist.

BY CHAIRMAN PERSKIE:

Q    Well, our approval of those nonexistent
documents is being sought here today; is it not?

A    I don't know, sir. I'm here to talk about
where the bondholders stand, and I'm having my hands
full doing that.

Q    So far as I understand you, you're telling
me that, subject to revocation, I can rely on 42.78.

A    I believe in substance you can rely on
the--

Q    That's what I have in my hand, in other
words, at this point?

A    That's what the bank in Minneapolis has
processed so far, yes, sir.

CHAIRMAN PERSKIE: I gotcha.

Anybody else have any questions of

the witness?
Ross - further cross by Auriemma

Counsel, any further questions of the witness?

MR. FUSCO: I have nothing further.

MR. AURIEMMA: I just have one question.

FURTHER CROSS-EXAMINATION

BY MR. AURIEMMA:

Q  Mr. Ross, assuming that the $400 million of credit line for the Taj is not obtained until after July 15th, is it your impression that Mr. Icahn would not vote or would vote in the negative if that were to occur?

A  Well, I don't know the answer, but I have every confidence that those lines of credit will be approved. Those, as I think you're aware, would be the senior most obligations of the whole Taj. So our 675 million in bonds, the First Fidelity notes, the National Westminster notes, everything else would be downstairs to them.

So I find it very difficult to imagine as a credit matter that there would be a lot of difficulty getting 75 million credit as the senior most thing. So I don't think the problem is will we get the credit. All that is needed is for there to be obtained and to make sure that it's on commercially
Ross – further cross by Auriemma

reasonable terms.

Q  But isn’t it a fact that Mr. Icahn’s votes
would have--or may have to occur prior to July 15th
and that the actual documentation on those senior
loans may not come until after that date?

A  My impression is that it will be
forthcoming quite quickly. I don’t believe that--they
are not at the beginning of the process; they are well
along in it, as I understand it. It’s just that with
the SEC, for whatever reason, requiring the six
amendments and not clearing them until June instead of
May, the kind of limited staff has been a little bit
preoccupied about trying to get the matter through the
SEC. So I don’t think that there is anything to
indicate that there are any substantive problems.
It’s just that the documents don’t exist.

MR. AURIEMMA: Thank you.

CHAIRMAN PERSKIE: You may step down, sir. Thank you very much.

MR. FUSCO: May I have one minute, please, Mr. Chairman?

(Off the record.)

MR. FUSCO: Mr. Chairman, I call

Warren Foss. We will address the interest of the
Commission, I assure you. I will not--
Foss - direct by Fusco

CHAIRMAN PERSKIE: I have, Mr. Fusco, not the slightest doubt about it, because I don't want you to have the slightest doubt, or anybody else, this is going in nowhere until we see 67 percent signed, sealed and delivered. I mean, how many more times I got to say it that way?

MR. FUSCO: I understand.

CHAIRMAN PERSKIE: If you can do without Icahn, that's fine, and if you need Icahn, that's fine, too, but it's got to be signed, sealed and delivered here. So far, for this purpose, I make it at 42.78, and counting.

MR. FUSCO: I understand.

CHAIRMAN PERSKIE: Your witness.

MR. FUSCO: It's not lost, Mr. Chairman, but I'm attempting to go forward--

CHAIRMAN PERSKIE: Proceed. We are nothing if not patient.

MR. FUSCO: I will call Warren Foss.

W A R R E N M. F O S S, J R., having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. FUSCO:

Q Mr. Foss, could you describe your association with Scully Brothers & Foss?
Foss - direct by Fusco

A. I'm a founding partner of the firm. The firm was founded in 1988.

Q. And what is your relationship to the Trump Castle Bondholder Steering Committee?

A. We are the financial advisor to the Steering Committee of the Trump Castle bondholders.

Q. And for how long have you been serving in that capacity, sir?

A. Our initial involvement began in December last year. We have been formally engaged for the last month or two.

Q. And do you have experience in involving yourself in reorganization of companies?

A. I do, including in front of this Commission.

Q. And are you familiar with the outline of principal terms dated June 15—I'm sorry, Mr. Chairman, A-55A--

CHAIRMAN PERSKIE: 55A?

MR. FUSCO: 55A, 56, and 60.

CHAIRMAN PERSKIE: All right. Just one second.

CHAIRMAN PERSKIE: Okay, 55A, 56, and 60.

You may proceed.
BY MR. FUSCO:

Q    And the reorganization to which you made reference was the reorganization of the Atlantis property; is that not so, sir?

A    That is correct.

Q    Okay.

Now, could you describe what Exhibit A-55A is?

A    This is an outline of terms the Steering Committee worked out largely by Friday afternoon, last week, with the Trump organization with respect to the proposed restructuring of the Trump Castle first mortgage bonds.

Q    And just so we get the exhibits straight, Exhibit A-56 is what, sir?

A    I believe these are pro forma financial results prepared by the Castle reflecting--giving different levels of operating performance of what the financial results of the property would look like.

Q    So their forecast is based on the terms contained in A-55A?

A    That is my understanding.

Q    Okay.

And A-60, what is that, sir?

A    It's a press release which I believe was
Foss - direct by Fusco
released sometime around noon today.

Q Could you outline--let me ask you more specifically.

Does the--do the principal terms that are reflected in A-55A contemplate a reorganization?

A Yes, sir, they do.

Q And is there a contemplated filing of registration statement?

A Yes, there is, on approximately August the 15th, or thereabouts.

Q And is that contained in the document itself that day, sir?

A You mean the press release or--

Q No, in A-55A, the first page, in the second paragraph of the first page.

A Yes. I'm sorry. Yes, it is.

Q And when is it anticipated that a solicitation for bondholder acceptance would occur?

A Solicitation we believe will begin sometime around August--correction, October 1st.

Q And that solicitation would conclude and there would be the filing of a prepackaged reorganization plan?

A Sometime in November, we assume.

Q And ultimately you would contemplate
confirmation by the--

A Sometime around the turn of the year.

Q What is the Steering Committee, sir? Who comprises it?

A The Steering Committee consists of five institutional holdings--holders rather, of the Trump first mortgage bonds, Trump Castle first mortgage bonds. It includes Putnam, Bearing America, Merrill Lynch Asset Management, Shearson Asset Management, and Packholder Associates.

EXAMINATION

BY CHAIRMAN PERSKIE:

Q How much do they hold?

A Collectively, they own approximately 33 percent of the first mortgage bonds of the Trump Castle.

Q And that's 290 million?

A Today the accreted amount is just about 290. I may be off by a million or so, but it's just about that amount.

Q So they own slightly less than a hundred?

A That would be about right, yes, sir.

DIRECT EXAMINATION CONTINUED

BY MR. FUSCO:

Q And you have indicated that you have
Foss - direct by Fusco

advised the Steering Committee since the month of December, did you say, sir?

A That is correct.

Q In that experience, have you been in contact with bondholders beyond those who are actually members of the Steering Committee?

A Yes, we have.

Q And have you maintained through that period of these months contacts with other bondholders?

A Yes, we have.

Q Could you describe briefly, sir, the concepts which have been agreed upon as these principal terms?

A We have reduced the stated rate of interest and the current pay rate of interest for a period of time.

Correction, let me rephrase that.

We have reduced the stated rate of interest throughout the life of the remaining bondholders, or bonds, rather; we have reduced the current pay portion below that stated rate for a period of time; we have altered the call features on the securities so that they can be called at a discount for a period of accreting up over time.
Foss - direct by Fusco

We have changed the--we have proposed the change of the equity ownership of the facility so that the first mortgage bondholders would become equity participants in the facility, and the ultimate percentage of equity would be a function of how, in fact, the bonds are retired.

We propose cash sweeps to be used to reduce outstanding bonds from available cash. We contemplate the compromising and reduction of principal amount of a note due to Donald Trump. And we contemplate a variety of other issues which may not be financial in nature, but which are important overall to the transaction.

Q Does the outline contemplate discussing excusing the licensee from making the interest sinking fund payment during the month of June 1991?

A Yes, it does.

Q When the reorganization plan is consummated, Mr. Foss, do you have an opinion as to whether or not when consummated the Trump Castle Associates will have achieved financial stability and have adequate financial resources for the operations of its casino through May 16, 1993?

A We believe it will have financial stability, and we have so designed our deal to reflect
Foss - cross by Auriemma

MR. FUSCO: Mr. Chairman, another witness will also testify about this transaction, Mr. Ribis.

CHAIRMAN PERSKIE: That's all you have for the moment of this witness?

MR. FUSCO: Yes, sir.

CHAIRMAN PERSKIE: Mr. Auriemma.

CROSS-EXAMINATION

BY MR. AURIEMMA:

Q Mr. Foss, the agreement that was signed earlier today, A-55A, has your signature upon it; is that correct?

A Yes, sir, it does.

Q And it also has the signatures of Mr. Trump and Mr. Ribis?

A Well, I don't remember all who signed. Mr. Ribis, Mr. Trump, myself, and Mr. Nutt, who is legal advisor to the Steering Committee.

Q And this agreement was signed sometime today?

A It was signed 11 o'clock this morning, 10:30 this morning.

Q When you--earlier you indicated that you have been in contact with other bondholders--
Foss - cross by Auriemma

A Right.

Q --besides the 33 percent Steering Committee members. Could you quantify what percentage you're talking about?

A Including the Steering Committee, it is approximately three-quarters of all the first mortgage bonds outstanding, and my recollection is that it's approximately 80 percent of the 13 and three-quarters.

Q And, as far as you know, Putnam, which is a member of the Steering Committee, is the largest bondholder of Castle bonds?

A That's my understanding, yes.

Q About 18 percent?

A I believe that's the percentage, yes.

Q Are you aware of any other large bondholders who are not part of the Steering Committee who do not approve or have some difficulty with this plan at this point in time?

A Let me clarify.

When you say that, do you mean with respect to the financial terms? Do you mean with respect to anything else?

Q I mean with respect to this agreement, are you aware of any group of bondholders or a large bondholder that does not adhere to the principal terms
that are contained in this term sheet?

A We have had--since the press release only went out at approximately midday, and since a number of the terms were confidential, we have not been in touch directly with the bondholders since we have been enroute over here to the hearing.

Prior to that time, and apart from the article that appeared in the Wall Street Journal this morning, we have not had a conversation with the broader bondholder group about the specifics of this proposal. It was only agreed to relatively late on Friday afternoon up in Boston. So I would be--it would not be possible for me to comment with respect to other bondholders who are not part of the Steering Committee.

With respect to the financial terms of the transaction, the Steering Committee is in agreement with respect to some of the other details, and I'm sure we have clarifications with respect to those.

Q The agreement calls for the filing of the requisite disclosure statements with the SEC no later than August 15th.

Is there a reason for that particular date?
A We think it's timely. We think it's
doable and timely.

Q Do you believe it can be done any sooner
than that?

A I would defer to counsel. I think we've
tried to outline what we think is a reasonable period
of time to do the documentation, which is complex, and
prepare public disclosure statements and things of
that sort. It's possible, but I wouldn't try to
mislead you by saying I can guarantee it.

Q The agreement contemplates that the
solicitations are due not later than October 1.

A That is correct.

Q Are you familiar, in a general way, with
the Taj bondholder process?

A In a general way, yes.

Q And are you aware that it took some time
for the Securities and Exchange Commission to
ultimately approve the registration statement?

A Yes, I am.

Q And despite that general knowledge, do you
still believe that October 1 is a realistic date for
commencement of Castle solicitation?

A Well, I could never underwrite the date
from the SEC, and I would not attempt to do so, but I
would hope that perhaps the SEC has cut their teeth, so to speak, on the Taj deal and maybe this would be a little bit less complex, but I can't guarantee that.

Q  Suppose, for whatever reason, it takes the SEC longer than October 1 to formally approve the registration statement, and suppose that it takes later than November 15th to file the petition in bankruptcy court called for by the agreement.

What, in your opinion, happens to the principal terms of the agreement if those dates are not met?

A  Well, a lot would depend on how long in addition we're talking about. If we're talking about theoretically a year, I suppose we would sit back and revisit a lot of things. If we're talking about minor extensions, I wouldn't see there being any change to it whatsoever.

Q  But assuming these dates are not technically met, it would require, in your opinion, some sort of extension between the Steering Committee and the Castle representatives?

A  I think that's right. We are not--maybe I left you with the mistaken impression. The Steering Committee has not set forth that the appearance of these dates is a condition of the deal. I think the
principle is that we should move forward in a timely
fashion, it’s in everybody’s interest. But if there
are minor delays, that’s fine.

Q The sinking fund and interest payments
that are due today to the Trump Castle bondholders
will not be paid today; is that correct?

A That’s my understanding.

Q Assuming that we proceed down this
particular route and there is not an emergence from
bankruptcy or a confirmation in bankruptcy by December
15th, the December 15th interest payment to Castle
bondholders would also not be made. Is that accurate?

A I believe that would also be the case.

Q Let me go through some of the general
terms of the agreement so that we can understand
exactly what the deal is.

The principal amount of the first
mortgage bond would be $290 million?

A Approximately. It represents the accreted
value of the seven, so--

Q So that's essentially what the bond--what
the principal amount is today?

A That is correct.

Q And the plan also provides for cash sweeps
at various periods of time?
A. That's correct. It has one at the petition date, one at the confirmation date, and then subsequently, of course, we'll pick up a June interest payment next year, which is essentially a sweep which has a stated rate to it.

Q. And there is also a provision in the term sheet for payment in kind types of bonds; is that accurate?

A. That is correct.

Q. And could you explain to us when a payment in kind bond would be paid?

A. Sure. The stated rate on the securities will be--is proposed to be nine and a half percent. And what would happen is that for the interest payments, really beginning in June of next year, is that the Trump Castle would be obligated to make a cash pay rate, which could be at a lower number, I think it begins at five, as I recall, and it progresses up over, I believe it's four interest payment dates, if I'm not mistaken, to nine and a half percent. And during that interim period of time, excuse me, any noncash paid interest from the stated rate down to reduced rate could be, in effect, paid to the bondholder.

Q. The plan also calls for a management fee
Foss - cross by Auriemma

to Mr. Trump of $1.5 million?

A That is correct.

Q And is that based on performance or is that a flat fee?

A That is a flat fee. There is not an incentive or anything else to it.

Q Are there any requirements that Mr. Trump perform some personal services for the Castle?

A I think the--there are, I believe as we stated in the back part of the term sheet, a number of details need to be worked out. We have not specifically addressed the details of that. We've contemplated that he would be paid. We would anticipate very shortly getting much more into those types of details in the transaction.

Q And those types of details would have to be ironed out before the registration statement were filed with the Securities and Exchange Commission?

A I would assume so, yes.

Q Currently, Mr. Trump has a demand note with respect to the Castle?

A That's correct.

Q About $28 million?

A I believe that's right, yes, sir.

Q This would modify that demand note in what
fashion?

A It would be reduced down to 15 million, face amount, and the interest paid on it, interest or dividends, the term sheet discusses either a deeply subordinated note or a preferred stock, would mirror the payment characteristics of the first mortgage bonds with respect to cash at a nominal rate.

Q And when would it be determined whether this is a preferred stock or a subordinated debt stream?

A Shortly.

Q And as is clear from the exhibit upon confirmation, the bondholders would receive 50 percent of the equity in the Castle; is that correct?

A That is correct, sir.

Q Earlier I used a phrase in my opening statement that this is somewhat like a Taj-like deal.

Can we focus on the following: In the Taj transaction there is a new board of directors of a new holding company that's coming into existence.

Is that contemplated here?

A We contemplate that there be a board and the majority of the board members be elected by Donald Trump and the minority be selected by some private
first mortgage bondholders.

Q    And in the Taj transaction there are
certain transition events which could result in the
Taj bondholders assuming control of that board of
directors.

Is that contemplated here or not?

A    We assume that there will be some
differences in this transaction than the Taj
transaction in that regard.

Q    Well, is that a difference or is that
something that will be akin to the Taj Mahal deal?

A    We assume that under certain circumstances
either we can require the sale of the facility or
certain management changes. I think some of the
transition event language is yet to be clarified in
discussions with the Trump organization.

Q    The agreement also contemplates that
MidLantic's debt with respect to the Castle has to be
addressed.

A    That is correct.

Q    Do you know what the status of MidLantic's
debt is at this point in time and what is
contemplated?

A    We have not met, as a bondholder
committee, with MidLantic. We would contemplate doing
that in the very near term.

    I think the term sheet is clear in
that it is conditioned upon an acceptable
restructuring of that debt. We would not see
ourselves being treated unfairly, shall I say,
relative to MidLantic in this transaction, but those
negotiations have not taken place. They have to be to
the satisfaction of the first mortgage bondholders.

Q Before the signature lines of the
agreement there is a sentence which reads, "The above
terms representing nonbinding framework for a
financial restructuring of the Trump Castle."

    Can you express to us what your
understanding of that phrase is?

A Yes, sir.

    We believe that this is the
reflection of the business terms of the transaction.
There are, obviously, many other terms of the
transaction that need to be clarified and set forth in
detail.

    Typically, term sheets of this nature
become rather extensive and detailed. Given that we
were working rather late on Friday, I think it was not
possible to complete all of that. We would need to do
that in the very near future. Until that's done, I
I believe this statement will be a very accurate statement.

Q Have you had a chance to review at all Exhibit A-56?

A For a few minutes.

Q Did you assist in the preparation of this document in any way?

A No, I did not.

Q Let me just ask you this question, then. Do you have it in front of you?

A Yes, I do.

Q Would you turn to the fifth page.

A Yes, sir.

Q The first line on the top of that page reads "Net Cash Provided (Used by Operating Activities)."

A Right.

Q Could you go down about two-thirds of the way before the second dotted line, there is a category "Payments of Dividends or Capital Withdrawals."

A Right.


A Right.

Q And there is a figure I believe 26,200,000--
Foss - cross by Auriemma

CHAIRMAN PERSKIE: You're ahead of me. Just a second.

What's the category? "Payments"—

MR. AURIEMMA: "Payments of Dividends or Capital Withdrawals."

CHAIRMAN PERSKIE: I must be on the wrong page. Hold it.

I got it. I'm sorry. 26,200,000?

MR. AURIEMMA: Right, 26,200,000.

Q Do you see that, Mr. Foss?

A Yes, I do.

Q And could you indicate to us what that represents?

A I believe that number would represent under this operating scenario the sweep amount that would occur on or about the petition date.

Q And that's the sweep to the bondholders?

A That is correct. I would defer, however, to the Trump organization. I did not prepare this and have not spent much time reviewing it.

MR. AURIEMMA: I have nothing further at this time. Thank you.

EXAMINATION

BY CHAIRMAN PERSKIE:

Q Mr. Foss, what do you contemplate, or are
Foss - by Chairman Perskie

you the right one to ask, is going to be going on
between now and August 15th that would prevent an
application with the Securities and Exchange
Commission until then?

A  Well, I would invite further comment from
our counsel to the Steering Committee, but I think--

CHAIRMAN PERSKIE: Is he going to be
testifying, Mr. Fusco?

MR. FUSCO: We didn't plan it, but if
it's necessary, we will--

CHAIRMAN PERSKIE: Well, you better
make that judgment after he finishes waffling on this

MR. FUSCO: We will.

A  (Continuing) I think there are a rather
substantial number of details to be knocked around.
We should try to go through, I guess what we'll call
them, the noneconomic terms of the transaction, and I
think it will take us a little while to finish those.
When I say "a little while," I really can't tell you
whether that's a week or two weeks or three weeks or
whatever.

I think there are other events that
may have to happen with regard to the structure of the
entities that will need time. Obviously, a disclosure
statement will have to be prepared. Diligence on the
disclosure statement is something that I think we all want to be sure is done adequately.

I think that there is an obligation, a logical obligation to personally explain the transaction to the nonSteering Committee bondholders, which I would anticipate doing largely tomorrow and into the next several days as they have questions on it. If certain questions arise, they may give rise to other questions or clarification or needs to have discussions with the Trump organization on the transaction. But I think the mechanics, while they sometimes seem relatively modest, usually find a way of becoming I think fairly lengthy in a process of this sort.

Q You would agree, would you not, that there is nothing in this document that you have signed today that constitutes a binding legal obligation on anybody?

A I think that's an accurate reflection, yes.

Q While I'm on that subject, and I don't mean this personally, the end result is I'm going to ask you who you are, and I'm going to ask you in that context as what I read to be the financial advisor to the Steering Committee of the unofficial committee of
the first mortgage bondholders. That indeed is a
mouthful. I've had a number of titles in my life.
Tell me what that means.

A A number of large bondholders collectively
formed a Steering Committee, the number being five in
this case.

Q Who is the unofficial committee?

A The unofficial committee is a committee
of--there is a Steering Committee, there is an
unofficial Steering Committee.

Q This is the Steering Committee of the
unofficial committee. I'm leading up to, who is the
official committee?

A This is not a committee approved by the
bankruptcy court, because we're not in bankruptcy
right now.

Q Okay. So that's what you mean by
unofficial?

A I believe that's correct.

Q Prebankruptcy?

A Yes.

Q Okay. And the Steering Committee has or
does not have any formal authority from the unofficial
committee to act on its behalf?

A Technically, that's correct.
Foss - by Chairman Perskie

1. Q  Is it that they do or they don’t have?

2. A  No, they do not have.

3. Q  And you’re the financial advisor, you’re

4.   the one who signed this, and Mr. Nutt, and neither of

5.   you is a member of the Steering Committee?

6. A  That is correct, but this was prepared

7.   with the Steering Committee on Friday.

8. Q  And your signature is understood and Mr.

9.   Nutt’s is understood to convey, and you understand it

10.  to convey, the approval and the sanction of the

11.  Steering Committee?

12. A  I believe that to be an accurate

13.   statement, yes.

14. Q  And which in turn represents that it has

15.   the authority of the unofficial committee?

16. A  You’re defining or you’re--I mean, you’re

17.   defining things with such a fineness that I would ask

18.   counsel to comment.

19.   CHAIRMAN PERSKIE: Well, all right,

20.   then I guess we’ll ask counsel.

21. Q  Let me ask you a couple of business

22.   questions here.

23.   Page 3 of this document refers to

24.   redemption. It says, "If the call is exercised after

25.   ’92, the issuer may, for a nominal amount, redeem a
percentage of the equity," etcetera.

What does "nominal amount" mean? Is that the famous one dollar?

A    It's not been negotiated yet. It's not contemplated to be in large amount, but it has not yet been negotiated.

Q    In your experience, nominal amount in this context could range from what to what?

A    It could be--it could have a number that's at least a million dollars, it could be lesser or more.

Q    So that if, for example, on this particular issue somebody wanted to take the position that half a million dollars would be an appropriately nominal amount and somebody else wanted to take the position that a million and a half was a more appropriately nominal amount, and they didn't agree, there would be nothing here that this Commission could get its teeth into, could it?

A    Until we agree to those types of terms, the answer to that question is yes, although we do think that the broad economics of the transaction reflect the views of the Steering Committee. So I take it, it's more than, how shall I say, a casual document, but it's not finalized.
Foss - by Vice Chair Armstrong

CHAIRMAN PERSKIE: Okay.

Anybody else on the Commission have any questions of the witness?

VICE CHAIR ARMSTRONG: Mr. Chairman.

CHAIRMAN PERSKIE: Vice Chair.

EXAMINATION

BY VICE CHAIR ARMSTRONG:

Q Let me get back to some questions the Chair was asking. This Steering Committee to which you are the financial advisor consists of five institutional investors, which hold 33 percent of the first mortgage bonds--

A That's correct.

Q --and they got together and they said we are going to form a Steering Committee to come up with a plan which is acceptable to those five institutional investors and presumably, hopefully, at some point in time acceptable to the rest of the bondholders.

A I think, not to interrupt you, Commissioner Armstrong, but I believe the process was slightly different than that.

I believe, and this was slightly before our involvement, but not by much. Last December, I believe it was, when it became--it was apparent that the Castle was having payment
difficulties and earnings difficulties, some of the larger bondholders were concerned about that, and it's my understanding they not only formed the Steering Committee, but did so after, in fact, they had conversations with a number of the other bondholders about who might take the lead in this action, who might have an interest in participating.

I don't mean to represent to you that the five holders called 57 or 82, or whatever it was, bondholders to come up with that, but they more broadly dealt with a number of other institutional holders in securities to find out who had interest in serving on such a committee in such a capacity to resolve these issues, which is typical in these processes, it's not at all unusual, and the the group was formed, the group has had ongoing conversations through either conference calls or direct calls by ourselves, or direct calls by members of the Steering Committee to other bondholders.

Those calls became lessened once, in fact, we the Steering Committee members became privileged to inside information. Obviously, we couldn't have open conversations with other bondholders.

But I don't mean a leave an
Foss - by Vice Chair Armstrong

impression, I think it would be a mistake, that
we—that the people have been out of touch and there
is no liaison that's occurred over this rather
extensive period of time.

At the same time, I don't purport to
say that since we just filed our press release today
and so now it's public information that we have not
been out there talking to all the other bondholders
with definitive terms, more definitive terms of the
transaction.

Q But I presume you are not in a position,
such as you had the last hearing with the Taj Mahal or
with Mr. Ross, to be able to give informal opinion as
to beyond the Steering Committee, beyond the 33
percent how many of those other bondholders are pretty
related about this piece of paper?

A I would be contradicting myself since I
have not had those conversations since the press
release went out.

Q Okay. So all you can tell us at this
point is that, as far as you know, the 33 percent
bondholders, which constitute the Steering Committee,
are pretty much on board with this?

A Certainly, we are prepared to recommend
these financial terms, and we have further work to do
Poss - by Vice Chair Armstrong

with respect to the balance of the more detailed term sheet reflecting the transaction, and, as is logical and normal in this process, I think this type of a process we could communicate more broadly with bondholders and, obviously, take their input now that public information is available.

VICE CHAIR ARMSTRONG: Okay, thank you.

CHAIRMAN PERSKIE: Anybody else?

Thank you, sir.

THE WITNESS: Thank you.

MR. FUSCO: Mr. Chairman, could we take five minutes, please?

CHAIRMAN PERSKIE: We may take a brief recess. Reconvene at quarter to four.

(A short recess was taken.)

CHAIRMAN PERSKIE: Mr. Fusco.

MR. FUSCO: Mr. Chairman, we would call Robert L. Nutt to the stand.

ROBERT L. NUTT, having been first duly sworn, testified as follows:

CHAIRMAN PERSKIE: When you started out, Mr. Nutt, this afternoon there was standing room only over here. You seem to draw flies. I hope you don't take it personally.
Nutt - direct by Fusco

Mr. Fusco.

DIRECT EXAMINATION

BY MR. FUSCO:

Q Mr. Nutt, you are an attorney, sir?

A Yes, sir.

Q And a partner with the firm of Ropes & Gray?

A That’s correct.

Q And you are a signatory to the document which has been identified as A-55A?

A That’s correct, in our capacity as counsel to the Steering Committee.

Q Could you describe for the Commission the relationship between the Steering Committee and the unofficial committee that was discussed in prior testimony?

A When a group of bondholders got together as early as last June to discuss the Trump Castle matter, a few of those bondholders unofficially stepped forward and said that they would be willing to serve as representatives of the other on the Steering Committee.

Those five institutions formed themselves as the Steering Committee and the name unofficial committee to the larger group was given to
Nutt - direct by Fusco

the other holders to the first mortgage bonds who have been identified by the Steering Committee. So the Steering Committee is representative of the larger group.

Q The Steering Committee was selected by the larger group?

A That's correct

Q And since their selection--when did the selection occur?

A The selection occurred in December, formal selection.

Q And since their selection, has there been maintained a dialogue or a relationship or conversations between the Steering Committee and the unofficial committee?

A Yes, sir.

Q And have they been apprised of the fact that there have been negotiations over the last several weeks which resulted in the exhibit which is A-55?

A They were apprised that the negotiations were ongoing.

Q And were they advised from time to time of different terms which were under discussion?

A The very broad parameters of terms under
discussion were discussed with them in telephone
conference calls. Given the fact that the bonds are
publicly traded, there were limitations upon what
could be told to them at any particular point in time.

Q And the public announcement was made—

A Only occurred this morning.

Q And there are restrictions and

confidentiality which attend discussing potential
changes in the terms of securities prior to the time
that they are publicly announced; is that not so?

A That’s correct.

Q And does that generally come under the
category of inside information?

A That’s correct.

Q And so there’s a limitation on your
ability to be able to present the entire scenario of a
proposal that’s on the table while that remains as
confidential inside information; is that correct?

A That’s correct.

Q And have you had occasion to participate
previously in any Steering Committee circumstances
where securities were being reorganized or
restructured?

A Yes.

Q And is the process that after the public
Nutt - direct by Fusco

announcement there is a dialogue over the terms that
have been publicly announced?

A There frequently are comments that come in
from the bondholders, that’s correct.

Q Do you expect to maintain that dialogue
over the next days and weeks with the unofficial
committee as well as with the Steering Committee?

A Yes.

Q And in that process, do you get to form
the concept of people being supportive of the terms
that have been agreed to?

A That’s correct.

Q The term sheet itself, or the outline of
principal terms on the first page sets forth a series
of target dates.

Do you have the document with you, sir?

A Yes, I do.

Q And specifically I direct your attention
to the fact that, the third line of the second
paragraph, with the requisite transaction and
disclosure documents being completed for filing with
the Securities and Exchange Commission not later than
August 15th, could you describe for the Commission
what thoughts were inputted that resulted in August
15th being selected as a target date?

A  Both we and the representatives of the
Castle, with whom we negotiated, wanted to maintain
the momentum that has been built in the discussions of
recent days, we wanted to conclude any issues yet to
be agreed upon in clarification of finalizations as
promptly as possible, and we wanted to turn to the
documentation process as quickly as could be.

We thought this was an aggressive,
but reasonably attainable goal to have all of the
documentation, disclosure documentation, securities
documentation completed.

Q  And, in your view, sir, is that time, from
a practical point of view, compressible? Is it likely
that you will come in under that time? Could you just
address that thought?

A  I will be surprised if we can beat it by
much. I don't see any reason why we should be
substantially beyond that period of time, but there is
a substantial amount of work that needs to be done.

Q  I say respectfully, in your view, that's
not too much time? That's aggressively performing in
the next two months?

A  That's right. I think we'll all have to
work very hard to have the documents completed by
then.

MR. FUSCO: Mr. Chairman, that's all I have of Mr. Nutt at this point in time.

CROSS-EXAMINATION

BY MR. AURIEMMA:

Q Mr. Nutt, your law firm, Ropes & Gray, is a Massachusetts law firm?

A That's correct.

Q Earlier you indicated that there was a percentage of a larger group of bondholders with whom the Steering Committee was in touch.

Could you quantify what percentage we're talking about?

A According to the latest records that the Steering Committee had, the larger group includes approximately 94 percent of the 13 and three-quarters, approximately 61 percent of the sevens, for a total of approximately 83 percent of the aggregate face and accreted value of the 13 and three-quarters and seven percent.

Q In terms of numbers, do you know how many holders they would make up?

A There are approximately 30 of whom we speak.

Q And is it your testimony that prior to the
official announcement today there were certain restrictions upon the Steering Committee speaking to these other 30 bondholders?

A  Yes, sir.

Q  And now, as a result of this public announcement, are there any restrictions?

A  We will go out and describe to them the specific terms as in the press release. I don't think we'll be in a position to disclose to them material nonpublic information that we have obtained from the Castle. But that material nonpublic information which was the fact that there were negotiations, the terms of the negotiations, and so forth, we will now be free to discuss, and will.

Q  The five members that constitute the Steering Committee, are they now prevented on a going forward basis from trading in the Castle--

A  Yes. We have entered into a confidentiality and restriction on trading agreements with the Castle at the very outset.

Q  The larger group would not be so constrained?

A  No, they are not restricted from trading.

Q  Let me ask you this: Even though this agreement was signed today and the interest in sinking
fund payments will not be made, there is, in theory at least, no prohibition on any group of bondholders bandying together and filing or petitioning the bankruptcy court for an involuntarily bankruptcy with respect to the Castle?

A There is no such mechanism in place.

Q Let me ask you just generally about one of the terms of the agreement.

The principal amount of the bonds will remain between $290 million?

A That's correct.

Q And given the payment in kind provisions that this term sheet agreement calls for, there can be, under certain scenarios, an increase in that overall debt?

A That is correct.

Q Unlike the existing bond indenture and sinking fund arrangement where the balance is sunk periodically, this term sheet agreement does not provide for that; is that accurate?

A It does not provide for amortization of principal, that's correct. It does provide for certain cash sweeps where bonds can be purchased in the market.

MR. AURIEMMA: I have nothing
further. Thank you.

EXAMINATION

BY CHAIRMAN PERSKIE:

Q The cash sweeps, as I understand it, are commonplace, although again that's a term that's one of the several that's not specifically defined here. That would not--that would refer to cash that would be generated from operations?

A That's correct.

Q As opposed to, for example, to any cash that might be generated from external capital source?

A That's correct.

CHAIRMAN PERSKIE: Anybody else have any other questions of this witness?

COMMISSIONER WATERS: No.

CHAIRMAN PERSKIE: Mr. Auriemma, do you have any other questions?

MR. AURIEMMA: Yes, let me ask just one question.

FURTHER CROSS-EXAMINATION

BY MR. AURIEMMA:

Q If the Castle were to sell an asset, would the funds that are derived from that sale be part of a cash sweep?

A That was the reason I was hesitating when
Nutt - by Chairman Perskie

the Commissioner asked the question. We think that that would be included if it was to be part of the cash sweep, that's right.

MR. AURIEMMA: Thank you.

BY CHAIRMAN PERSKIE:

Q  What would not be?

A  If the indenture were to permit external financing, we would deal with that separately, either equity or debt financing. We don't intend to allow any other equity financing without our permission.

Q  How about junior debt?

A  We would--we probably will not permit any extensive amount of junior debt other than that used for operating purposes.

Q  Where does that leave you with your first answer to my question?

A  Primarily operating capital, internally generated funds.

Q  So then the answer to my question is more properly no than yes.

My question was, does it contemplate that it would be applied only to operating cash.

A  You asked, I believe, if cash sweep--if the cash that would be swept would be generated primarily from operating funds, and the answer to that
Nutt - by Chairman Perskie

is yes, that's correct.

Q But you just, I think, if I understand you correctly, eliminated, at least that I know of, any other post potential source--

A Other than the sale of assets.

Q What about a capital contribution by the Trump organization?

A We simply have not dealt with that in the negotiations to this point.

Q I understand that. But you wouldn't contemplate, would you, that under the general--as you generally understand cash sweeps, that that would be included?

A No, we would not contemplate that that would be included.

CHAIRMAN PERSKIE: Anything else?

MR. AURIEMMA: No, thank you.

CHAIRMAN PERSKIE: All right, thank you.

(Off the record.)

MR. FUSCO: Mr. Chairman, I'd like to call Nicholas Ribis.

CHAIRMAN PERSKIE: Is that the same Nicholas Ribis who testified the last time?

MR. FUSCO: The one and the same, Mr.
Ribis - direct by Fusco

Chairman.

N I C H O L A S L. R I B I S, having been first
duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. FUSCO:

Q Mr. Ribis, Mr. Ross has already testified
as to the Taj Mahal solicitation process being under
way.

Could you indicate, sir, what the
current cash position is at the Taj Mahal?

A Yes, Mr. Fusco. Presently, the Taj Mahal
has approximately $45 million, approximately $30
million of which is above the restricted cage funds
property.

Q Have the lines of credit arranged for or
contemplated by the reorganization plan, the $100
million lines of credit, which total that amount, have
they--what's the status of those?

A I think Mr. Bollenbach will brief the
Commission in more detail, but the line of credit
was--discussions were held with Bankers Trust, I
believe that there is an agreement as to the funding
of what I'll call a dip financing. It's not an
unusual type of financing, and it's the type of
financing that the bank would look to when the asset
Ribis - direct by Fusco

has the value of a Taj Mahal.

CHAIRMAN PERSKIE: What kind of
general terms are you talking about here, Mr. Ribis,
on these lines?

THE WITNESS: Well, I'd like, if I
could, Mr. Perskie, to defer that to Mr. Bollenback,
who had direct conversations with the bankers on that.

CHAIRMAN PERSKIE: All right.

BY MR. FUSCO:

Q In your--in light of the current cash
position and your familiarity with the terms of the
reorganization plan, do you have an opinion, sir, as
to whether or not the organization--the reorganization
plan will provide the licensees with the financial
stability and adequate financial resources for the
operation of its casino through the license period?

CHAIRMAN PERSKIE: You're talking
about which organization now?

MR. FUSCO: Taj Mahal.

Q Do you have an opinion, sir?

A Yes. The answer is I have an opinion, and
the answer is yes, it does. And I'd like to point out
that in the overall picture, as you know, the chief
operating officers reported to me, and we have had Mr.
Gomes at the property now for approximately 60 days,
Ribis – direct by Fusco

his programs have taken place, he is a well-known executive in the industry, that the Taj Mahal itself has been performing at levels that were anticipated, it is a property that is driving forward.

And as to the solicitations, I had discussed with Mr. Ross and Mr. Hepner, who sent that memo to him, it was my understanding that there were—there was 42 percent, plus an additional percentage, as Mr. Ross described, which is in the form of letters of intent because they were in the process of about 118 million in addition to the 42 percent.

I have that. Thank you, Mr. Fusco.

But, furthermore, I think that the question of Mr. Icahn is being resolved and will hopefully be resolved, but that he had informed me, through his counsel, that he was going to vote affirmatively with regard to the plan. And so that’s the status of the Taj Mahal, I believe where we anticipated we would be when we adjourned the last hearing.

Q Directing your attention to Trump Plaza Associates, Mr. Ribis, there was an interest payment due today. Has that--what is the status of that interest payment?
Ribis - direct by Fusco

A I think the record will indicate that the interest payment was made early on Friday, it was forwarded by a wire to the trustee, the First National Bank. It was further, the transaction with Fidelity was completed on June 11th, those documents are in the record, and the sinking fund payment has been made, so a total payment of approximately $41 million has been made by Trump Plaza Associates to the bondholders.

MR. FUSCO: For the record, members of the Commission, Exhibit A-58.

Q Mr. Ribis you made reference to an exhibit. I show you A-58.

A Yes. That's the letter from Mr. Leslie, of the First Bank, with respect to the interest payment, and it's dated June 14th.

Q For the record, the documents relating to the Fidelity transaction, Mr. Ribis, you're referring to the transaction documents which are exhibits A-41B and C?

A Yes.

Q Now, has the Trump Plaza arranged for a credit line, sir?

A Yes. As the Commission and Division staffs were continually updated, discussions were held with a New Jersey bank and due diligence was commenced
Ribis - direct by Fusco

regarding a $10 million long-term line of credit.
Those discussions and due diligence are just about
complete, but on an interim basis we have obtained a
$5 million line of credit for Trump Plaza which can be
used in its operations, and the Division and
Commission staffs I believe have been notified.

CHAIRMAN PERSKIE: Has documentation
as to that been provided?

THE WITNESS: We have, Mr. Chairman,
submitted a communication from the bank.

CHAIRMAN PERSKIE: That was the
attachment to one of the letters?

THE WITNESS: It was a letter of
Friday, yes.

MR. FUSCO: Yes. It was attached as
a letter report to the Commission, sir.

THE WITNESS: Yes.

CHAIRMAN PERSKIE: But that was Mr.
Bollenbach's letter?

THE WITNESS: No, no. It was a
letter from the bank to me and forwarded to the
Commission and Division staffs.

MR. ZIMMERMAN: I have a letter,
Chairman, but I don't believe it's been offered in
evidence.
Ribis - direct by Fusco

CHAIRMAN PERSKIE: I haven't seen it.

MR. FUSCO: There was a letter dated--give me one minute, I will get it.

THE WITNESS: It can be moved into evidence. I don't have a problem with that.

MR. FUSCO: It specifically addresses what Mr. Ribis spoke of, the $5 million--

CHAIRMAN PERSKIE: Mr. Zimmerman has it. Why don't you take a look and if everybody agrees, maybe--I would like to see it. I suspect that my colleagues might have a passing interest.

While we are waiting for that--

MR. FUSCO: I have it in multiple copies, sir.

CHAIRMAN PERSKIE: One will suffice. Actually, five will be more wonderful at the moment.

MR. FUSCO: That's what I meant.

(Off the record.)

CHAIRMAN PERSKIE: I have a letter which I'm circulating to the commissioners, a two-page letter addressed to Mr. Ribis from Patrick Sweeney, of Peoples Bank, under date of June 13. Actually, I think I have seen this letter.

MR. FUSCO: Mr. Chairman, for purposes of record keeping, A-61 would be the next
Ribis - direct by Fusco

exhibit.

CHAIRMAN PERSKIE: It will be marked as A-61.

Mr. Auriemma, have you seen it?

MR. AURIEMMA: Yes, I have seen it and I have no objection.

CHAIRMAN PERSKIE: It will be received and marked into evidence as A-61.

(A-61 received and marked in evidence.)

CHAIRMAN PERSKIE: I may have seen an unexecuted copy. I don't know what I saw. I remember seeing--

THE WITNESS: I know as soon as I received a copy of it, I sent it down to Mr. Fusco, and you'll see from the correspondence that the larger line is continuing to be worked on and the commitment on an ongoing basis of $5 million is in place and we intend to--they're just awaiting, Mr. Chairman, a completion of these hearings here before the Commission and then we are going to move forward with the larger facility.

CHAIRMAN PERSKIE: All right.

BY MR. FUSCO:

Q Mr. Ribis, beyond that line of credit,
Ribis - by Chairman Perskie

could you indicate to the Commission what the cash
position is at Trump Plaza?

A   Above--with the cage and the current cash,
it's approximately $13 million.

EXAMINATION

BY CHAIRMAN PERSKIE:

Q   Is that before or after the payment of the
May real estate taxes on the Regency that the Division
report indicates weren't paid?

A   The Regency--before, because that's part
of the final documentation that we are doing with
Manufacturers Hanover. That's one of the items which
will be discussed. The real estate taxes will be
paid. It's a matter of--

Q   Don't they have to be paid by Trump Plaza
irrespective of the factor or content of any deal with
Manufacturers Hanover?

A   Yes, if there weren't a transaction which
is going to take place with Manufacturers Hanover.
Yes, they will be paid.

Q   Is there anything in that transaction
which will be inconsistent with TPA's obligation to
pay the real estate taxes?

A   Possibly it would be, that could be part
of the overall transaction, because there has been, as
you know, a significant change in the transaction. But, to answer your question, that's the reason why those taxes have not been paid to date.

Q When is it contemplated that those taxes will be paid?

A That will be resolved during the course of the next few weeks as we finish our documentation with Manufacturers Hanover.

CHAIRMAN PERSKIE: All right, I will refer you, Mr. Fusco, to page 14 of Division's report at D-10.

DIRECT EXAMINATION CONTINUED

BY MR. FUSCO:

Q In your opinion, Mr. Ribis, in light of the June payments to the bondholders, credit line and cash position, do you have an opinion as to whether or not Trump Plaza has achieved financial stability and has adequate resources financially for the operations of its casino through May 16, 1993?

A Yes and yes, as I answered before.

THE WITNESS: I do want to clarify one thing.

During the earlier testimony of last hearing, Mr. Chairman, there were some questions regarding future boxing at Trump Plaza.
Ribis - direct by Fusco

We have determined to move ahead with a significant boxing match in August, but under the terms and conditions which are more satisfactory to the facility and with the larger participation of other casinos in Atlantic City. There will be a fight, I believe it's on August 9th, at Trump Plaza between Mercer and Morrisson, and which they tell me is a substantial undercard. Yes, it's a good fight.

CHAIRMAN PERSKIE: I was asking my resident expert.

THE WITNESS: (Continuing) We haven't executed those documents as yet, but we anticipate doing that this week.

I know that wasn't a question, Mr. Fusco, but I apologize.

I want to state further that while I'm talking that--

CHAIRMAN PERSKIE: That's the first rule you should teach your witnesses, Mr. Fusco.

MR. FUSCO: It's pretty obvious who is the teacher.

CHAIRMAN PERSKIE: Go ahead, Mr. Ribis.

THE WITNESS: Mr. DeSanctis, who has now been licensed by the Commission, has been at the
Ribis - direct by Fusco

property for about four months, has implemented his policies. And despite what I read in the Press today about gross revenues, our target is not gross revenues. Our target is revenues to the bottom line, and the competition to be at the top of that list so that we can get headlines every month and every quarter is not what we are interested in.

We are focusing in on the details, as Mr. DeSanctis said, and at that property in particular that doesn't mean it will not be driven by revenues, but we will focus on what's important, and that is there's a change in this industry, and I think that sometimes change is painful when we've gone through that change.

CHAIRMAN PERSKIE: In fact, the projections that were made for the second quarter the last time we were here as to that property had been met, weren't they?

THE WITNESS: That is correct, and we are very pleased with that.

BY MR. FUSCO:

Q As to--

A Have you forgotten? It's Trump Castle.

COMMISSIONER DODD: No leading the witness.
Q As to Trump Castle, Mr. Foss outlined the outline of principal terms that were dated June 15, A-55A.

Mr. Ribis, would you like to add anything to the testimony that Mr. Foss gave us to the terms?

A Well, a lot of thought went into--when we were here last time, I testified a lot of thought went into a long-term fix for the property, and that when there were several approaches with the bondholder Steering Committee representatives, and what happened was that when we looked at the total long-term fix for the property and we finally had some fruitful discussions six or seven weeks ago, we saw that on a long-term basis the property could be fixed rather than a short-term fix, and the problem was reducing the debt obligations, going forward on a long-term basis, not for a license period, and that was the decision we made, and I recognized it was a risky decision to go forward with. But we did complete the term sheet, and the committee which was formed, as I understand it, and listening to Mr. Nutt in the same way these committees are formed and as it was done at the Taj Mahal, we think we can have a truncated process, because we all learned a lot from the Taj
Ribis - direct by Fusco

Mahal, and we believe that on a long-term basis that
the Castle will be not only financially stable, but
under Mr. Wagner's stewardship has already started to
move forward in a positive direction, and this term
sheet and agreement permits the property to go forward
without worrying about each interest period making its
interest payment.

Here we can focus on the capital
expenditures which need to be made, the advertisements
which we would like to do with the property, and on a
long-term basis have a property that's financially
stable, and that's what we are able to do with this
committee. And I would say they have worked hard and
long, and even though they dragged us up to Boston on
Friday, we were able to complete it and work through
the weekend to clean up the term sheet that was
submitted late Friday to the Commission.

Q In the context of that reorganization plan
that you have just discussed, could you indicate what
is the current cash position of the Castle?

A It's approximately $12 million.

Q And is the Castle in a position to make
its July 1 slot machine payments and real estate tax
payments due in August?

A Yes.
Ribis - direct by Fusco

Q And A-56, Mr. Ribis, I don't know if it's in front of you or not, it's the exhibit, you're familiar with A-56?

A Yes.

Q They are the forecasts?

A What we did, for the assistance of the Commission the Commission staff, was have prepared three different scenarios with respect to gross operating profit: one which mirrored the submission to the Casino Control Commission which was previously made, one which lowered the gross operating profits for 1991 to $35 million, and one which reduced the gross operating profits in 1991 to $30 million.

And the reason why we did that is to illustrate to the Commission and to assist the Commission and Division staffs that under the transaction, that under any of these gross operating profits, that the property is financially stable through the licensing period and has sufficient cash and that the number that was pointed to, the $26 million number that Mr. Auriemma pointed to, is the cash sweep under the $44 million projection that was submitted earlier to the Commission.

Q And--

A And that's above--let me say that's above
the cage, plus $10 million, which was the--is the
essence of the transaction, and that is aside from the
cage, there would be $10 million of operating money in
the facility at all times, and any sweep would always
be above that number.

Q And, Mr. Ribis, I will ask you, do you
have an opinion as to whether or not the Castle, by
virtue of the restructuring, has achieved financial
stability adequate for the operations of its casino
through May 1993?

A With the completion of that transaction,
yes.

MR. FUSCO: Mr. Chairman, I have no
more questions.

CHAIRMAN PERSKIE: We are going to
recess at this point.

MR. FUSCO: Mr. Chairman, could we
have one more--I think it would be in our interest,
certainly, to offer before you break for today certain
more testimony regarding an issue that we just
discussed.

CHAIRMAN PERSKIE: From Mr. Ribis?

MR. FUSCO: No, from several
witnesses, for Mr. Icahn, a representation from Mr.
Molloy, his attorney, Mr. Icahn's attorney.
Mr. Chairman, I know it's a little bit unusual, but we--

CHAIRMAN PERSKIE: I'm going to let you or him say anything that you want. I just don't want any illusions that anything that he says is going to substitute for a piece of paper.

With that having been said, fire away. Who is he and what does he want?

MR. MOLLOY: Brian Molloy. It is unusual, Mr. Chairman, and I don't want there to be any false impressions or illusions as to what's happening.

What I want to say is that we will be in a position--

CHAIRMAN PERSKIE: For the record, you represent what interests this afternoon?

MR. MOLLOY: The interests of Mr. Icahn's company.

MR. FUSCO: The companies that have applied for qualification status, Chelonian, Tortoise, and Unicorn, the holders of the bonds.

We have spoken with Mr. Icahn and we expect to be in a position to tender a ballot tomorrow, or the next day, whenever the Commission has a hearing, and it will be testimony--
CHAIRMAN PERSKIE: Our hearing is tomorrow.

MR. MOLLOY Tomorrow. Well, we'll be here tomorrow, Mr. Chairman.

CHAIRMAN PERSKIE: We will look forward to your presence, with documents, with enthusiasm.

MR. MOLLOY: We will be here, Mr. Chairman. I just didn't want the record to be complete today without there being--

CHAIRMAN PERSKIE: Mr. Molloy, I think that's helpful.

MR. MOLLOY: Because I think it sets the right tone. Thank you.

CHAIRMAN PERSKIE: What time are we advertised for tomorrow? Ten?

CHAIRMAN PERSKIE: Are we stuck with that?

We're stuck with it. Ten o'clock.

MR. AURIEMMA: Mr. Chairman, through you, could I just make one request that a representative of the Plaza be available to give the cash position of the Plaza, that a representative of the Plaza produce a written document which details after the payments that's been made of the sinking
funds interest what the cash position is net of outstanding checks and what the house funds are.

CHAIRMAN PERSKIE: Have that here tomorrow, Mr. Ribis.

Anything else this afternoon?

MR. BARNEY: My name is Dale Barney, of Crummy, Del Deo Dolan, Griffinger & Vecchione, and I'm addressing the Commission concerning the motion for permission to intervene and participate in these proceedings which Mr. Perskie made reference to before we started here today that was filed last week on behalf of the unofficial committee of subcontractor creditors.

CHAIRMAN PERSKIE: At the Taj?

MR. BARNEY: Of the Taj, that's correct.

Mr. Chairman, and members of the Commission, the reason that that motion was only filed last week was because the dispute concerning the interplay of the two documents mentioned herein and the agreements and amendments thereto only came to the attention of Michael Borer, the trustee for that committee of subcontractor creditors as of last Monday, June 10.

The fact that the Trump organization
disputed our particular view of the interplay of those two documents was not accurately—we were not accurately aware of that dispute prior to that time and, as such, our motion to intervene, as well as our substantive papers, were only filed or were filed as timely as they could have been given the timing of the notice to us.

As such, we feel that the information we have to offer concerning that agreement is pertinent to the Commission's hearings here and its determination and, as such, we ask either that the Commission reconsider and hear our motion to participate or intervene or, alternately, to hold the record open until such time as the Commission is able to hear that motion. I think you indicated you would hear it on the 26th during the ordinary course.

CHAIRMAN PERSKIE: I haven't read it all. I received it late Friday, with the indication it will be filed on Friday. I have not had a chance to review it. I don't know if the other members of the Commission have or not.

It will be heard on the 26th. Whether by then we have already taken action in connection with this matter and it may or may not render the application moot is something I do not know.
today, but I for one am not prepared to entertain it before that time.

    I think, as I indicated earlier, the western world, and good portions of the eastern, knew that we were going to be here on June 17th to hear these matters, and, as far as I'm concerned, your office, if they had reason to believe on the 10th of June there was going to be a possible problem, should have filed it on the 10th. We didn't have anything to do with when it was called. That was your call. We will hear it on the 26th, if there is still anything left to hear.

    MR. BARNEY: Okay, thank you very much.

    CHAIRMAN PERSKIE: Anybody else?

    Ten o'clock tomorrow morning.  

    (Hearing was adjourned at 4:25 p.m.)
CERTIFICATE

I, EDWIN SILVER (Certificate No. 379),
Certified Shorthand Reporter and 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.

EDWIN SILVER, CSR

Dated: June 18, 1991