STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

IN RE:

HEARING ON THE PETITION OF TRUMP
PLAZA ASSOCIATES, TRUMP'S CASTLE
ASSOCIATES, TRUMP TAJ MAHAL
ASSOCIATES AND TRUMP HOTEL MANAGEMENT:
CORPORATION FOR APPROVAL OF A
TRANSFER TO BANKING INSTITUTIONS IN
THE ORDINARY COURSE OF THEIR BUSINESS:
OF SECURITY INTERESTS IN THE EQUITY:
OWNERSHIP OF CERTAIN CASINO RELATED:
ENTITIES AND FOR CERTAIN OTHER RELIEF:

Atlantic City Commission Office
Tennessee Ave and the Boardwalk
Atlantic City, NJ 08401
Tuesday, August 21, 1990
11:05 a.m.
VOLUME IV

BEFORE:
VALERIE H. ARMSTRONG, ACTING CHAIR
W. DAVID WATERS, COMMISSIONER
E. KENNETH BURDGE, COMMISSIONER
FRANK J. DODD, COMMISSIONER
JAMES R. HURLEY, COMMISSIONER

PRESENT FOR THE CASINO CONTROL COMMISSION:

KAREN G. BIACHE, ADMINISTRATIVE ANALYST

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RIBIS, GRAHAM, VERDON & CURTIN, ESQS.
BY: NICHOLAS L. RIBIS, ESQ.
and
JOSEPH A. FUSCO, ESQ.
## INDEX

<table>
<thead>
<tr>
<th>VOTES</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of pledges of the equity in Trump Plaza Associates, Trump Castle Associates, Trump Taj Mahal Associates and Trump Hotel Management Corporation</td>
<td>286</td>
</tr>
<tr>
<td>Motion to reopen casino license hearings with regard to the three Trump properties</td>
<td>287</td>
</tr>
<tr>
<td>Approval of Credit and Override Agreements</td>
<td>290</td>
</tr>
<tr>
<td>Approval of amendments to partnership agreements</td>
<td>290</td>
</tr>
<tr>
<td>Approval of lease from Trump Crystal Tower Associates to Trump Plaza Associates and Assignment of rents to Manufacturers Hanover Trust Company</td>
<td>292</td>
</tr>
<tr>
<td>Approval of a mortgage and assignment of leases from Seashore Four Associates to First Fidelity Bank and Bankers Trust Company</td>
<td>294</td>
</tr>
<tr>
<td>Approval of amendment to a collateral assignment and general security agreement between Trump Hotel Management Corporation and First Fidelity</td>
<td>295</td>
</tr>
</tbody>
</table>
MR. BIA: I would like to read an opening statement.

"This is to advise the general public and to instruct that it be recorded in the Minutes that in Compliance with Chapter 231 of the Public Laws of 1975, entitled the 'Open Public Meetings Act,' the New Jersey Casino Control Commission at 4:04 p.m. on August 17, 1990 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 4:40 p.m. on August 17, 1990 mailed to the Press of Atlantic City and to the Newark Star Ledger and to the Office of the Clerk of Atlantic City an Annual Meeting Schedule setting forth the time, date and location of this meeting.

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

ACTING CHAIR ARMSTRONG: Thank you, Ms. Biache.

Good morning everyone. We call this
hearing to order and I note the presence today of all five Commissioners. I also note the presence of counsel, Mr. Ribis, Mr. Fusco, and Mr. Auriemma.

The petitioners in this matter are the Trump Castle, Trump Plaza and Trump Taj Mahal casino licensees. They seek various items of relief with respect to the restructuring of some of the debt related to the three casinos and other assets owned by Donald Trump.

The total debt of all Trump entities is approximately 3.3 billion dollars. 1.3 billion dollars is casino-related bond debt which is not affected by the restructuring. The remaining two billion dollars is bank debt, approximately one billion dollars of which is the subject of the restructuring.

There are two essential restructurings documents, the Credit Agreement and the Override Agreement.

Under the Credit Agreement, seven banks will grant a 65 million dollar line of credit to Trump. The initial draw will be 40 million dollars, 20 million dollars of which will replace 20 million dollars previously loaned to meet an interest payment on the Trump Castle bonds. The remainder is to be
used in accordance with the business plan.

Interest on borrowings under the Credit Agreement will be payable currently. Principal repayment will be deferred until the agreement expires. The agreement is for three years, extendible to five years at Trump's option if he satisfies various conditions, including supplying a new business plan acceptable to the seven banks covering the additional two years.

The Override Agreement is between Trump and the nine banks which hold the one billion dollars in restructuring debt, 840 million dollars of which affords potential recourse to Trump, because it is guaranteed by him or is debt of a partnership in which he is a general partner. The nine banks include the seven signatories to the Credit Agreement. The principal, and in most cases, the interest on the one billion dollars will be deferred for five years. In addition, the banks will observe a five year moratorium on recourse against Trump.

For his part, Trump has agreed to pledge all of the equity in the casino companies. The pledge will secure in order of priority, payments on certain existing, but presently unsecured debts referred to as the Special Collateral. Payments on
the 65 million dollar line of credit and interest payments on the one billion dollars in deferred debt.
The Special Collateral debts include the 108 million dollars in casino-related debt, consisting of a 75 million dollar loan to Trump Taj Mahal Realty Corporation, a 13 million dollar line of credit to Trump Castle Associates, and a 19.6 million dollar line of credit to Trump Plaza Associates.

Under the Credit and Override Agreements, Trump must also implement the business plans, adopt accounting controls and business procedures, and appoint a senior financial officer. The business plans, business procedures, accounting controls, and the identity and job description of the senior financial officer must all be reasonably satisfactory to the banks.

Trump has also agreed to cause his companies to dividend to him all cash not required to be held in the ordinary course of business, or, in the case of the casinos, not required to be retained in the operating companies by this Commission. Because of restrictions on his personal finances, the dividends will make funds available for debt repayment.

As long as there is any outstanding
loan under the Credit Agreement, the seven signatory banks may declare a default by a vote of the holders of two-thirds of the outstanding amount of the loan, upon the occurrence of an event of default. Events of default include a payment default under the Credit Agreement; the breach of any term of the Credit Agreement; the failure to keep any loan document in full force and effect; a payment default on any indebtedness of Trump or his affiliates, other than the Trump Shuttle, of over five million dollars; a bankruptcy or other judicial declaration of insolvency by Trump or any of his affiliates; the failure of Trump or any of his affiliates to make payments to certain employee benefits plans; any judgment of over five million dollars against Trump or his affiliates, other than the Trump Shuttle, which remains unpaid for 80 days; any material adverse change in the condition, financial or otherwise, of Trump or his affiliates; any governmental action which materially and adversely affects the ability of Trump and his affiliates to operate the casinos; any restructuring of the equity of any casino company; and Trump's death or incapacity.

Events of default also include the breach of covenants which require Trump, among other
things, to pay taxes on all of his assets, maintain
insurance on all of his assets, limit cash in his
companies to the amount needed for operations, abide
by the business plan, appoint a senior financial
officer and implement business procedures and
accounting controls.

If a default is declared following
any event of default, the seven banks may take any
action provided in the Credit Agreement, including
foreclosing on the equity in the casinos.

The Override Agreement enumerates
uniform events of default which are substantially the
same as the events of default in the Credit Agreement,
but also include payment defaults under the Override
Agreement. If a default has been declared under the
Credit Agreement or there is no loan outstanding under
the Credit Agreement, and a uniform event of default
occurs, the nine banks can declare a default by a vote
of the holders of two-thirds of the amount of the
deferred debt. The banks may then exercise any remedy
under the Override Agreement, including terminating
the agreement and foreclosing on the casino equity.

On the basis of this brief overview
of two very complex documents, I will address the
items of relief requested by the petition. These fall
into two general categories: Those relating to approval of the pledges of the casino equity, and those relating to the approval of the Credit and Override Agreements.

Approval of the pledges is mandated by the Casino Control Act, specifically Section 82 (d) (7), which requires prior Commission approval of the transfer of securities of a nonpublicly traded casino licensee; Section 44, which defines a security as including an instrument evidencing a creditor interest, and Section 47.2, which defines a transfer as including the fixing of a lien. In addition, the casino license resolutions require preapproval of transfers of interest in the licensees and the corporate partners in the licensees, and the partnership agreements and corporate charters require the same approval.

Section 82 (d) (7) does not set forth any criteria for the approval of securities transfers. Obviously, the Commission must look to the policies of the Act. Most relevant here are the policy of prohibiting any involvement of unqualified persons in the ownership or operation of casinos; and the policy of promoting continuity and stability of casino operations, including the requirement that
casino licensees maintain financial stability, integrity and responsibility.

As to the matter of qualification, petitioners request a ruling that the Credit and Override Agreement banks are exempt under Section 85 (c) of the Act. That section exempts a banking or other licensed lending institution which holds a mortgage or other lien acquired in the ordinary course of business.

As I have already indicated, the banks have a role in the Trump reorganization beyond that normally enjoyed by a lender. I refer to such matters as their approval authority over the business plan, the senior financial officer, and the use of cash generated by Trump businesses as well as their ability to block any restructuring of the equity in the casino companies.

It could be argued that banks in such a position should not be exempted from qualification. Section 85 (c) could also be read as providing that a bank which has the ability to control a casino licensee is nonetheless exempt from qualification. I do not think we need decide that issue because I do not believe that the banks in question have sufficient control to require their designation as qualifiers.
In reaching that conclusion, I am mindful that petitioners must establish the suitability of these banks as financial sources under Section 84 (b).

While petitioners concede that the seven Credit Agreement banks are financial sources, they request a ruling that the nine Override Agreement banks are not. The Override Agreement grants a lien on the equity in three casinos. There is no question that such a lien bears a relation to the casinos under Section 84 (b), and that the banks are thus financial sources.

A further financial source issue arises from the fact that seven of the loans covered by the Override Agreement have assignee or participant banks. The Commission has consistently held that all members of a bank syndicate which funds a loan within the purview of Section 84 (b) must qualify as financial sources. This is in keeping with the requirement of Section 84 (b) that all holders of an evidence of indebtedness which bears any relation to a casino must qualify. However, the Commission has also ruled that certain participant banks will not be deemed financial sources. The ruling covered instances where the participant merely received a right to share in the loan proceeds, and had no right
in the collateral and no voice in how to proceed in
the event of a default. The Commission found the
interest of such participants too attenuated to bear
any relation to the casino.

Some of the participants under the
seven loans in question fit within this prior ruling,
while several others do not, because they have voting
rights with respect to the declaration of a default.
However, petitioners argue there are other factors
which minimize the significance of these voting
rights.

First, as long as there is an
outstanding loan under the Credit Agreement, the
lenders under the Override Agreement are prevented
from declaring a default unless the lenders under the
Credit Agreement have done so. This imposes a layer
of decision making prior to any action by the Override
Agreement banks.

In addition, if there is a uniform
event of default under the Override Agreement, a
default can only be declared by a two-thirds vote of
the nine banks. A participant or assignee bank would
have, at most, the right to vote as to how the lead
bank in its consortium, as one of the nine Override
Agreement banks, would vote with respect to a
default. This is another level of dilution of voting power of the participants and assignees.

Finally, the Override Agreement banks vote in proportion to the amount of recourse debt that they hold. The seven loans covered by the Override Agreement, which have assignees or participants have between 1.6 percent and 16 percent of the total recourse debt. Thus, these loans have relatively small input into the 66 and two-thirds percent vote needed to declare a default.

In identifying financial sources, the Commission has considered not only potential control, but also potential economic benefit. Petitioners contend that the participant and assignee banks receive limited benefit from the pledge of the casino equity because the pledge only secures repayment of the interest on the deferred debt, and at the outset of the Override Agreement there will be no interest due. Petitioners also point out that the lien on casino equity is of limited benefit because it will be junior to the liens securing existing debt, Special Collateral debt, and Credit Agreement debt.

In my view, the ability of the participant and assignee banks to cause the exercise of remedies upon default is sufficiently remote, and
the benefit to them from the pledge of the casino equity is sufficiently limited, so that the Commission may conclude that the liens of these banks do not bear any relation within the meaning of Section 84 (b).

The only exception I would make is to require qualification as financial sources of the two participants in the 75 million dollar loan to Trump Taj Mahal Realty Corporation because the holders of that Special Collateral loan have the potential to move independently against the equity in the Taj Mahal.

Having dealt with all qualification issues raised by the pledges of the casino equity, I will turn to the financial stability issues.

Section 1 (b) 14 of the Act provides that confidence in casino gaming operations is eroded to the extent that the State of New Jersey does not provide a regulatory framework that permits and promotes stability and continuity in casino gaming operations. Section 84 (a) requires all casino licensees to establish their financial stability, integrity and responsibility. The Commission has also understood these Section 84 (a) criteria as intended not only to promote a stable and robust casino industry which can contribute to the redevelopment of
Atlantic City, but also to eliminate marginal
operators which may revert to the unscrupulous
practices which have plagued casinos in other
jurisdictions.

Petitioners request a ruling that the
Commission may approve the pledges of the casino
equity without considering the financial stability,
integrity and responsibility of the casino licensees
or the Trump Organization.

Petitioners note that the Commission
must consider these issues at all regularly scheduled
license hearings and can consider them at a reopened
hearing at any time. They argue that it is
unnecessary to perform a full-scale stability analysis
of the casino licensees and the Trump Organization in
order to approve the proposed transactions so long as
it can be demonstrated that these transactions will
have a positive effect on stability. If overall
stability needs to be reviewed, petitioners contend
that this can be done after they are permitted to
realize the benefits of the debt restructuring.

If the Commission is, in fact,
convinced that the restructuring will leave the
casinos more stable than it found them, petitioners'\ncontention that we need not conduct a full stability
analysis at this point is persuasive. Whether the
record establishes the salutary effect of the
restructuring is, however, a difficult and troublesome
question.

It is obvious that the restructuring
will confer substantial benefits on the Trump
Organization, and on the casinos as assets of that
organization. There will be 65 million dollars in
fresh capital, and the debt service on one billion
dollars in existing loans will be deferred. There
will also be a moratorium on recourse against Mr.
Trump which will have the effect of protecting his
assets, including the equity in the casinos from
creditors. All of these provisions will surely have a
stabilizing effect. In addition, the deferral of debt
service on 108 million dollars in casino related loans
will have a direct stabilizing effect on the casinos.

On the other hand, there are features
of this restructuring which could be extremely
destabilizing to the casinos. Absent the
restructuring, if one of the casinos were to default
on its existing debt, it would presumably attempt to
reach an accommodation with its lenders, such as a
debt-for-equity exchange. Failing that, it might
suffer a foreclosure of the casino hotel and a sale to
a qualified buyer in accordance with the Interim
Casino Authorization provisions of the Act. In the
alternative, it might go into bankruptcy and obtain
the benefits of an automatic stay of all of its
obligations and an ultimate reorganization with a
lessened debt burden.

The Commission has dealt with all of
these alternatives in the past and could surely deal
with any of them again with respect to a Trump
property. As of today, none of these alternatives
with respect to one Trump casino would necessarily
have any effect on the other two. If the
restructuring is effectuated, however, each of these
alternatives will be an event of default under the
Credit Agreement and a uniform event of default under
the Override Agreement, and could lead to a
foreclosure on the equity of all three properties.
Thus, the restructuring links the fate of the three
properties, and increases the likelihood that
financial problems at one would lead to foreclosure at
the others.

Even more disturbing is the link the
restructuring forges between the fate of the casinos,
and that of other Trump assets. If, for example, the
Trump Shuttle goes into bankruptcy, or employee
benefit fund payments are not made at the New York
Plaza Hotel, or real estate taxes are not paid on the
Penn Railroad Yards, the Credit and Override Agreement
banks could call a default, and, having obtained a
secured position with respect to the casino equity,
could satisfy outstanding obligations from that
equity.

We are thus being asked to tie the
fate of the three casinos to a host of events which
have nothing to do with their individual or collective
financial condition. We are being asked to do this
without holding a hearing on the financial stability
of the Trump Organization, and thus without being able
to gauge with any precision the likelihood that
various events of default will occur.

We are also being asked to approve a
restructuring which would substantially limit the
ability of the individual Trump casinos to reach an
accommodation with their bondholders, as well as the
ability of the Trump Organization to make a public
offering of equity in a common casino holding
company. If all of the equity in the casinos is
pledged to the Credit and Override Agreement banks,
equity cannot be offered to bondholders or the public
without the agreement of those banks.
During the prehearing process, petitioners put forth their theory as to why the Commission should allow the pledge of the casino equity without holding a financial stability hearing. As set forth in the second prehearing conference order, petitioners' argument is essentially this: The Trump Organization is now in default on loans on most of its noncasino assets; the Trump Organization lacks the resources to pay this debt, a substantial portion of which is resource to Mr. Trump; therefore, if the restructuring is not approved, creditors will be able to obtain judgments against Mr. Trump and ultimately reach his personal assets including the casino equity. In essence, we are being told that foreclosure on the casino equity, whether through judgments or bankruptcy of the Trump Organization, is a virtual certainty without this restructuring, but may be avoided if the restructuring is consummated.

Petitioners have been understandably reluctant to proclaim the financial woes of the Trump Organization from the witness stand. However, the report of the Division of Financial Evaluation and Control of the Commission staff reveals that there are currently 540.5 million dollars in past due debt maturities, of which 240.5 million dollars is
personally guaranteed by Mr. Trump. For the next nine months, ending on April 30, 1991, there will be another 169.5 million dollars in debt maturities. Projected cash flows for the nine months, without giving effect to the Credit or Override Agreements, shows a deficiency for each month, ranging from eight to 18 million dollars. Extending cash balance as of April 30, 1991, is projected to be negative 68 million dollars.

The report of Trump accountants Kenneth Leventhal & Company tells much the same story. Mr. Cerabino testified that, based on the Leventhal report, the Trump Organization does not have the resources to pay its past due noncasino debts. As to the casinos, the August 15, 1990 update to the report reveals that operating results are below projections, and concludes that in the circumstances, there can be no assurance that the operating results of the individual casinos will improve or alternative means can be devised to satisfy the obligations presently payable or becoming due in the next year.

This is obviously a situation in which there are no good answers for Mr. Trump or for New Jersey. Whether we approve or disapprove this restructuring, our action will be fundamentally
unsettling. However, I come down in favor of the restructuring because I am persuaded of two things. First, it is clear that, absent some form of restructuring, the casino equity will be reached by creditors holding liens on noncasino assets. Second, in view of the enormous amount of time and effort put into this proposal, and in view of the absence of noncasino assets in which the Trump Organization has substantial equity, it is highly unlikely that rejection of this proposal will lead to another restructuring which will not include a pledge of the casino equity. In sum, I find that the risk of substantial economic disruption at the casinos will be less with the restructuring than it is without it.

I therefore move that the Commission approve the pledges of the equity in Trump Plaza Associates, Trump Castle Associates, Trump Taj Mahal Associates and Trump Hotel Management Corporation to the Credit Agreement and the Override Agreement signatory banks, subject to the conditions proposed by the Division of Gaming Enforcement. I further move that the Commission find that the Credit Agreement and the Override Agreement signatory banks, as well as the lead and participant banks on the 75 million dollar Trump Taj Mahal Realty Corporation loan, are suitable
as financial sources.

Is there a second?

COMMISSIONER BURDGE: Second.

ACTING CHAIR ARMSTRONG: Comment or
discussion on that motion?

If not, all those in favor?

COMMISSIONER WATERS: Madam Chair, I
just have some brief comments at this point.

It is with a great deal of reluctance
that I intend to support the motion. My reluctance
stems from the fact that this workout plan leaves the
Trump Organization with over one billion dollars of
casino debt which has not been addressed. I don't
want this to be construed as criticism of the Trump
Organization. I am sure they would have liked to have
it otherwise. However, we have been told that it was
impossible to get the consortium of banks to
participate in the workout which would encompass all
of the Trump debt. This says something about the
banks' interest in this matter and I think its failure
to recognize the public interest in trying to deal
with the entire situation. I have no reason to doubt
that claim as made by representatives of Trump, and as
a result, I would expect Trump to present a plan
within a short time frame, as suggested by the
Division, which hopefully will enable the
extinguishment of a substantial portion of the
remaining debt. Without such a plan, based on the
reports of our Financial Evaluation Division and the
Division of Gaming Enforcement, it's obvious that
revenue from the Trump casino properties will not
service that debt, and, thus, financial stability of
those properties will be in danger.

In the past two weeks we have dealt
with two examples, Griffin and Trump, of the problems
created by taking on debt obligations which cannot be
serviced by the existing level of casino revenues.
Those organizations are not the only casino entities
which have an excessive debt structure. I would hope
that those other entities will note the experience of
Griffin and Trump and will take those steps necessary
to avoid a similar fate.

Recently, the media has publicized
the fact that many of the casinos are failing to turn
a net profit. The Casino Association, when responding
to this situation, predictably sounds like the voice
of doom and looks to government to effect a
turnaround. Governmental action is not the solution,
nor should it be. The casino industry itself has the
wherewithal to bring about the needed recovery.
While the recent economic downturn has seriously affected many industries, real estate development and housing, retail establishments, automobile manufacturers and others, the impact on the casino industry has been relatively mild. Gross revenues for the six months ending June 30, 1990 in the casino industry shows approximately a four percent increase over a like period in 1989. While that increase is not running at a rate as great as that experienced in prior years, it doesn't mean that the Atlantic City casino industry is on the verge of failure. However, that could occur if the industry continues to fail to look within itself for the solution. The industry cannot continue to give away exorbitant amounts in the form of promotional expenses and allowances, compensate its executives without regard to performance, fail to control employee turnover and fail to restructure debt in order to reduce debt service.

I would, accordingly, urge the industry to give serious consideration to effecting improvements in the foregoing areas as soon as possible. In other words, the time is now!

ACTING CHAIR ARMSTRONG: Thank you, Commissioner.
Any further comment or discussion on the motion as made and seconded?

If not, all those in favor?
The motion carries unanimously.

(All Commissioners present voted in favor of the motion)

ACTING CHAIR ARMSTRONG: Obviously, I do not view this restructuring as the total solution to the financial problem of the Trump Organization or the casino licensees. Many difficulties lie ahead, including the 47 million dollar Taj Mahal bond payment due on November 15.

Having based my conclusion that the pledge should be approved on the evidence concerning the Trump Organization's financial distress, it follows that we must hold a full financial stability hearing as soon as possible. The Casino Control Act requires all casino enterprises to maintain financial stability, integrity and responsibility. We have approved the pledges without inquiring into whether the three Trump properties continue to meet these standards, and it is surely our obligation to conduct that inquiry as quickly as we can. In order that the matter does not linger, I move that the Commission reopen the casino license hearings with regard to the
three Trump properties and that we schedule a combined hearing on all the licensees to begin during the month of October 1990. If the motion is adopted, I will begin the prehearing process within the next several weeks.

Is there a second?

COMMISSIONER WATERS: Second.

ACTING CHAIR ARMSTRONG: Comment or discussion?

All those in favor?

The motion carries unanimously.

(All Commissioners present voted in favor of the motion)

ACTING CHAIR ARMSTRONG: I will now turn to petitioners' request for approval of the Credit and Override Agreements.

Section 104 (b) of the Act requires casino licensees to keep records of agreements concerning the business of the casino hotel; and gives the Commission the discretionary authority to review such agreements on the basis of the reasonableness of their terms, including the terms and compensation, and the qualifications of the parties involved.

The Credit and Override Agreements are clearly covered by Section 104 (b). While
preapproval of these agreements is not mandated, it has been requested by petitioners.

Petitioners seek approval of the agreements in their entirety, specifically including the facility fee provisions of the Override Agreement.

Under the Override Agreement, an interim facility fee is payable in connection with any capital event, that is, any sale, refinancing or equity offering involving the casinos and occurring prior to the determination date. The determination date is defined as the earlier of the date on which all the debt obligations covered by the Override Agreement are paid in full and June 30, 1995. In addition, if Trump owns any equity in any of the casinos on the determination date, the banks will be entitled to receive a final facility fee.

For each casino capital event occurring prior to the determination date, the facility fee will be 10 percent of the net cash proceeds, if any, received by Trump. While the definition of net cash proceeds is complex, in the broadest terms it refers to proceeds after the payment of transaction costs and certain covered debt obligations under the Override Agreement relating to the casinos.
The final facility fee will be 10 percent of the appraised amount of Trump's remaining equity interest in the casinos on the determination date. The appraised amount is defined generally as the fair market value of Trump's remaining equity interest minus, among other things, the amount of covered debt obligations.

Despite its complexity, the idea behind the facility fee is simple -- to give the banks a 10 percent share of Trump's equity in the casinos.

The facility fee, like the equity pledges, is part of the consideration for the new credit facility, the debt service deferral and the personal recourse moratorium. As such, it is reasonable. However, I note that it constitutes a security interest in the casino licensees, which, absent the bank exemption, would require its holders to qualify. Were we not dealing with banks, we would surely hold, as we have held in the past, that the right to receive the value of an equity interest is indistinguishable from the right to hold that equity interest for purposes of qualification under Section 85 (c) of the Act.

I am not aware of any other provisions of the Credit and Override Agreements which
require comment, and I move that they be approved under Section 104 (b).

Is there a second?

COMMISSIONER HURLEY: Second.

ACTING CHAIR ARMSTRONG: Comment or discussion?

All those in favor?

The motion carries unanimously.

(All Commissioners present voted in favor of the motion)

ACTING CHAIR ARMSTRONG: Petitioners also request approval of amendments to the Trump Plaza Associates, Trump Castle Associates and Trump Taj Mahal Associates partnership agreements. These are technical amendments necessary to implement the pledges. As we have approved the pledges, I move that we approve the amendments.

Is there a second?

COMMISSIONER WATERS: Second.

ACTING CHAIR ARMSTRONG: Comment or discussion?

All those in favor?

The motion carries unanimously.

(All Commissioners present voted in favor of the motion)
ACTING CHAIR ARMSTRONG: Petitioners next request approval of a lease from Trump Crystal Tower Associates to Trump Plaza Associates and an assignment of rents to Manufacturers Hanover Trust Company.

Manufacturers loaned Trump Crystal Tower up to 85 million dollars to purchase and refurbish the former Atlantis Casino Hotel, now the Regency. Crystal Tower plans to lease the Regency to Trump Plaza for four years. The base rent will be 50 percent of the debt service on the Manufacturers loan in the first year, 75 percent in the second year and 100 percent in the third and fourth years. Crystal Tower proposes to assign these rents to Manufacturers. The remainder of the debt service on the loan will be deferred under the Override Agreement. There will also be an additional rent equal to all operating costs of the Regency.

Clearly, the lease and assignment of rents are subject to review under Section 104 (b). These agreements will effectively allow Manufacturers to look to Trump Plaza for partial repayment for its loan to Trump Crystal Tower. This arrangement is in accordance with the Special Collateral provisions. Petitioners contend, and I have no reason to disagree,
that the transaction has a legitimate business purpose for Trump Plaza because it can use the 500 rooms at the Regency as part of its casino hotel.

I therefore move that we approve the lease and assignment of rents. Petitioners can work with our staff to resolve the regulatory implications of using the Regency in connection with the Plaza.

Is there a second?

COMMISSIONER DODD: Second.

ACTING CHAIR ARMSTRONG: Comment or discussion?

All those in favor?

The motion carries unanimously.

(All Commissioners present voted in favor of the motion)

ACTING CHAIR ARMSTRONG: Petitioners next seek approval of a mortgage and assignment of leases from Seashore Four Associates to First Fidelity Bank and Bankers Trust Company.

Seashore Four owns and leases to Trump Plaza part of the realty under that facility. Seashore Four is owned by Donald Trump and holds a casino service industry license.

First Fidelity has issued a letter of credit to secure Seashore Four's debt to another bank.
in connection with the purchase of the land.

As part of the Special Collateral provisions, First Fidelity will defer Trump's obligation to repay money drawn under the letter of credit and will renew the letter of credit. In exchanges, Seashore Four will grant First Fidelity a mortgage on the land, an assignment of the lease and the right to the rent.

In addition, Seashore Four will grant Bankers Trust, as agent for the banks under the Credit Agreement, second and third mortgages on the land and subordinated assignments of lease and the right to receive the rents. The second lien will secure loans under the Credit Agreement and the third lien will secure payment of deferred interest under the Override Agreement.

Again, this is a Section 104 (b) transaction. I believe it is reasonable, and I move that we approve it.

Is there a second?

COMMISSIONER BURDGE: Second.

ACTING CHAIR ARMSTRONG: Comment or discussion?

All those in favor?

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

ACTING CHAIR ARMSTRONG: Finally, petitioners seek approval of an amendment to a collateral assignment and general security agreement between Trump Hotel Management Corporation and First Fidelity.

Under the Taj Mahal management contract, Trump Taj Mahal Associates is to pay Trump Hotel Management a 10 million dollar fee for services rendered in connection with the construction of the hotel, as well as the semi-annual management fee of 1.7 percent of gross revenues.

As I previously noted, First Fidelity has loaned Trump Taj Mahal Realty Corporation 75 million dollars. The loan is secured by a mortgage on certain land adjacent to and used in connection with the Taj Mahal. In addition, payment is guaranteed by Trump Hotel Management and Donald Trump. To secure its guarantee, First Fidelity was granted a lien on the management contract.

The agreement is to be amended to provide the obligation to pay the 10 million dollar construction fee will be deferred for five years and evidenced by a note which will be pledged to First
Fidelity. In addition, payment of the semi-annual management fee will be deferred for three years, with the funds which would have gone to the fee to be used in connection with the Taj Mahal, including payment of construction contractors’ claims. The deferred payment will be evidenced by a note pledged to First Fidelity.

The amendment to the agreement comes within Section 104 (b). It will enhance the stability of the Taj Mahal entities, and I therefore move to approve it.

Is there a second?

COMMISSIONER WATERS: Second.

ACTING CHAIR ARMSTRONG: Comment or discussion?

All those in favor?

The motion carries unanimously.

(All Commissioners present voted in favor of the motion)

ACTING CHAIR ARMSTRONG: And I believe that that disposes of all of the issues before us.

There being nothing further, we stand adjourned.

(At which time the hearing was
concluded at 11:37 a.m.)

CERTIFICATE

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

Carolyn Gerber

CAROLYN GERBER, CSR