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:

Wednesday, July 31, 1991
Atlantic City Commission Office
Tennessee & Boardwalk
Atlantic City, NJ 08401

VOLUME VII

BEFORE:

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

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BY: JOSEPH A. FUSCO, ESQ.

PETER EHRENBERG, ESQ.
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CHAIRMAN PERSKIE: All right, we will call the meeting to order and observe for the record the presence of all of the Commissioners.

This is the continuation of the consolidated financial stability hearings of Trump Taj Mahal Associates, Trump Hotel Management Corporation, Trump’s Castle Associates Limited Partnership and Trump Plaza Associates.

While I am shuffling paper, we may have appearances entered.

MR. AUERIEMMA: Thomas Auriemma for the Division.

MR. FUSCO: Joseph Fusco of Ribis, Graham & Curtin for the licensees and Robert M. Pickus, vice president and general counsel for Trump Castle.

MR. EHRENBERG: Peter Ehrenberg, Trump’s Castle Bondholder Steering Committee.

CHAIRMAN PERSKIE: Now, first, let’s talk paper. The Commission has received since our last hearing a number of documents. It’s my understanding that the Division has received copies of the same documents. In relevant part or in relevant numbers they are A-27D, which is the Executed Services Agreement between the Taj, Trump Taj Mahal Associates
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and Donald J. Trump as of April 1, '91. That document is received and offered?

MR. FUSCO: It is offered, yes, sir.

MR. AURIEFFMA: No objection.

CHAIRMAN PERSKIE: Will be received in evidence as A-27D.

(A-27D was marked into evidence)

MR. FUSCO: Mr. Chairman, there is one before that, A-15A is the first.

CHAIRMAN PERSKIE: Did I skip one?

MR. FUSCO: A-15A.

CHAIRMAN PERSKIE: Quite so. Amended and restated third agreement to the August--this is the subcontractor creditors?

MR. FUSCO: That is correct, sir.

Just so you know, there was an exhibit A-15 which you can see this is the amended and restated exhibit. It was by oversight not marked. It was provided by my letter to Mr. Zimmerman on February 4 and I am just cleaning that up, Mr. Chairman.

MR. AURIEFFMA: I have no objection to it.

CHAIRMAN PERSKIE: That exhibit also may be received and marked in evidence as A-15A.

(A-15A was marked into evidence)
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CHAIRMAN PERSKIE: That takes us down to 62; does it not?

MR. FUSCO: Yes, that's correct.


Mr. Auriemma, you have had a chance to receive all of those documents?

MR. AURIEMMA: We have received all those, yes.

CHAIRMAN PERSKIE: And you've thoroughly reviewed and analyzed and searched each and every one and are conversant with their contents?

MR. AURIEMMA: Absolutely.

CHAIRMAN PERSKIE: Oh how you lie.

All of those documents are offered in evidence?

MR. FUSCO: Yes, sir, that's correct.

MR. AURIEMMA: We have no objection.

CHAIRMAN PERSKIE: All of those documents as marked will be received into evidence.

(A-62 through A-75 were marked into evidence)
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CHAIRMAN PERSKIE: Does that take care of the paper for the moment?

MR. FUSCO: They are our exhibits, that's correct, Mr. Chairman.

CHAIRMAN PERSKIE: Let's go back to June the 20th and let's start with The Trump Organization and go through the requirements that were imposed at the time and evaluate at least on a prima facie basis where we are with respect to each of the entities.

First, the organization was required to file monthly reports comparing actual to forecasted cash flows. I am advised by our staff that those reports have been submitted on a current basis.

Mr. Auriemma, you have received those?

MR. AURIEMMA: Yes, we have.

CHAIRMAN PERSKIE: Secondly, that The Trump Organization was directed to file executed contracts with each of the banks with the Commission and the Division by today. As I understand it exhibits A-71 through 75 are submitted in satisfaction of that obligation.

MR. FUSCO: Including exhibit 70 and exhibit 64 and 65, Mr. Chairman.
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CHAIRMAN PERSKIE: Correct, okay. It would appear, Mr. Auriemma, on a preliminary basis without the opportunity for the same quality of review that you have had that those agreements would appear to satisfy the condition imposed in June.

MR. AURIEMMA: I believe that's accurate.

CHAIRMAN PERSKIE: Without any final evaluation, Mr. Fusco, by the Commission, I will indicate that the forms of the agreements appear to be in satisfaction of that agreement--of that arrangement.

Third, Mr. Bollenbach would continue to file weekly reports on progress leading to the final binding agreements. I would indicate that in the end that condition was satisfied as well.

There was a reference to eight banks at the time. Do we have eight? We have Boston Safe, we have MidLantic, Bankers Trust, Citibank, First Fidelity, Nat West, Manufacturers Hanover.

MR. FUSCO: Marine Midland was already done and that's exhibit A-34 and Chase was not to be the subject--

CHAIRMAN PERSKIE: I remember Chase.

MR. FUSCO: --of a further agreement.
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CHAIRMAN PERSKIE: Right, that was admitted in April, A-34, okay.

Trump Plaza, again on June 20 there was a condition, the same condition as to the monthly reports on the actual and forecasted cash flows. Those reports likewise have been received.

I should indicate, by the way, for all of the entities, the three hotels and The Trump Organization, those monthly filing requirements are continuing and are not obviated by any of these proceedings. So that obligation is a continuing obligation, but I will indicate that there has been compliance with the filing of those form documents by Trump Plaza on a monthly basis.

Trump Regency real estate tax was to be paid by July 15.

MR. FUSCO: Yes, that has been done. I submitted a letter to Mr. Zimmerman and I believe Mr. Auriemma as indicated to me that he knows that that's been done.

MR. AURIEMMA: Yes. We have received independent information that those taxes were, in fact, paid.

CHAIRMAN PERSKIE: We will accept those representations.
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Three, Plaza shall obtain a commitment for a 10 million dollar line of credit by July 31. Now, in response to that requirement the Commission has received today and marked into evidence--

Mr. Fusco: A-69.

Chairman Perskie: A-69 which is what it is. What it is is not a 10 million dollar line of credit. What I want done or the Commission would want, Mr. Fusco, is that representatives of the Plaza shall confer between today and the 14th of August with the Commission staff and with the Division staff, financial staffs of each organization to review the circumstances underlying that condition and to evaluate the continued necessity of that condition in light of the document A-69 which does provide certain access. As a result of that review by the 14th, a full compliance with that condition will be met or in the alternative appropriate application will be filed with the Commission.

Trump Taj Mahal, again, on June 20 the first condition was a monthly report which has been received. The Division has received that also?

Mr. Auriemma: Yes, we have.

Chairman Perskie: Again, that's a
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continuing obligation.

Second, the filing by July 16 of a prepackaged bankruptcy proceeding and the Commission has received in evidence today A-62 and A-63 in evidence which I will indicate on a prima facie review are satisfactorily in compliance with that license condition or with that condition imposed on June 20 and the Commission takes note of the fact that jurisdiction has been asserted by the bankruptcy court, proceedings have been assigned to Judge Gambardella who has a schedule in effect with respect to that proceeding incident to which, Mr. Fusco, I would like a representation from you with respect to the nature and timing of any procedures before the bankruptcy court respecting the claims of the subcontractors referring specifically now to the documents that we have before us as A-15 and A-15A.

MR. FUSCO: Mr. Chairman,

specifically we are a couple of things, one, obligated to report on a monthly basis on the status of the bankruptcy. The first report will be due the 15th of August. I submitted a report on July 29 addressed to Mr. Zimmerman with a copy to Mr. Auriemma advising of what schedules have been and what is happening to summarize it simply, and as far as the subcontractor
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creditors there was a motion filed by the subcontractor creditors with regard to the settlement agreement that exists between the subcontractor creditors and the Taj Mahal. That motion was initiated actually by order to show cause returnable July 23 before Judge Gambardella. On July 22 the debtors and the Bondholder Steering Committee supplied papers in opposition thereto and on July 23 Judge Gambardella conducted a proceeding and made certain preliminary rulings denying the relief sought by the subcontractor creditors and at that time established a date of August 12 for that court, bankruptcy court, to consider fully both the motion of the subcontractor creditors with regard to the settlement agreement and the motion of the debtors that the court authorized it to assume that settlement agreement as an executory contract. The debtors have briefed their motion and the subcontractor creditors have until August 7 to file their papers in opposition to that motion. All of those papers including the transcript has been provided of the proceeding before Judge Gambardella, has been provided both to Mr. Zimmerman and Mr. Auriemma.

CHAIRMAN PERSKIE: All right. Let me modify, Mr. Fusco, your reporting requirement with
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respect to the bankruptcy proceeding to direct that
you will file that report with us and with the
Division on August 15 and again on August 30. Future
dates beyond August 30 will be set depending upon the
proceedings in the bankruptcy court, but I would like
a full report with respect to the status of that
matter on those two dates.

Mr. Zimmerman, please see to it that
that is circulated to the Commissioners when it’s
received.

MR. ZIMMERMAN: Yes.

CHAIRMAN PERSKIE: All right, does
that dispose as far as everybody is concerned of all
outstanding and open questions respecting The Trump
Organization and the Taj Mahal and the Plaza?

MR. FUSCO: Yes, Mr. Chairman.

CHAIRMAN PERSKIE: Does the
Commission have any other--do you have anything?

All right, on June 26 we addressed
Trump’s Castle. Well, let’s start with some of the
easier things first. The second or one of the
conditions was that by today, July 31, a registration
statement would be filed with the SEC with copies to
the Division and the Commission. We have received
today--where is it?
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MR. FUSCO: 68A and B.

CHAIRMAN PERSKIE: A-68A and B which have been received in evidence with the representation that they were filed with the SEC when?

MR. FUSCO: This morning at approximately 9:00, 9:15.

CHAIRMAN PERSKIE: The Division has received copies of those as well?

MR. AURIEMMA: Yes.

CHAIRMAN PERSKIE: And subjected them to the same searching analysis?

MR. AURIEMMA: Very searching, yes.

CHAIRMAN PERSKIE: You will remember, Mr. Fusco, I assume that the existing conditions imposed on June 26 provide that within 20 days of that registration statement being declared effective by the SEC you shall submit to us written confirmation of the approval of a sufficient percentage of the bondholders in the number and amount necessary to consummate that plan once bankruptcy proceedings are filed.

MR. FUSCO: Yes, Mr. Chairman.

CHAIRMAN PERSKIE: Of course thereafter there were other requirements later.

MR. FUSCO: We are aware of them.

CHAIRMAN PERSKIE: Now, in addition
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we started on the 26th with a document known as A-55A which for reasons indicated on the record at that time was determined by the Commission to be inadequate to the Commission’s needs and the parties were directed to submit by today a binding executed agreement between Castle and the Steering Committee which agreement would include an executed agreement with the MidLantic Bank, management agreement provisions, provisions regarding corporate governance and the price in terms upon which Donald Trump might reacquire any portion of the equity conferred to the bondholders.

It is my understanding that the documents filed with the SEC in the registration statement, A-68A and B, substantively address the questions of the management agreement and its terms, the provisions regarding the corporate governance and terms and conditions of any reacquisition of equity.

Mr. Auriemma, is that your understanding as well?

MR. AURIEMMA: That’s my understanding, yes.

CHAIRMAN PERSKIE: All of our determinations today obviously with respect to each of these documents are tentative and no final decisions
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will be made today on them pending a complete review
by our staff, of course, and by the Division staff of
the contents of those documents, but I will indicate
that on a prima facie basis the documents filed with
the SEC appear to satisfy those conditions of the June
26 requirement.

There was a requirement for the
filing of an executed agreement with the MidLantic
Bank and in response to that we have received and
admitted into evidence today the document—

Mr. Fusco: 65, Mr. Chairman.

Chairman Perskie: Known as A-65
which is dated 7/25/91 and purports by its terms to
restructure the indebtedness of Trump's Castle
Associates to MidLantic National Bank and I will
indicate that on its face that agreement likewise
purports to satisfy the condition of the June 26
determination. That agreement called for the
repayment of one million dollars to the bank incident
to its terms.

Mr. Fusco: Which payment was made,
Mr. Chairman.

Chairman Perskie: The representation
is made that the payment was made. Has any
documentation been submitted with respect to that?
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MR. FUSCO: No. We haven’t submitted documentation, but it’s available.

MR. AURIEMMA: We have not seen actual documentation, but in monitoring the cash position we have noted the withdrawal of that amount of money.

CHAIRMAN PERSKIE: So the money is gone.

MR. AURIEMMA: It’s gone.

CHAIRMAN PERSKIE: I guess that may be called good news in context. We will require, Mr. Fusco, that documentation as to the payment to MidLantic be submitted. I would think that’s kind of easy so do that by Friday if you will and submit that both to Mr. Zimmerman and Mr. Auriemma. You will still be here by then?

MR. AURIEMMA: I will be here, yes.

CHAIRMAN PERSKIE: That leaves us with the requirement of the submission of a binding executed agreement between Castle and the Steering Committee. In response to that condition we have been supplied with the document A-68D and under the heading of good news it’s a document from the Steering Committee of the Unofficial Committee of Trump’s Castle First Mortgage Bondholders signed by Mr. Foss
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who the Commission has already determined to be a representative of the Steering Committee. That's the good news.

The bad news is, Mr. Ehrenberg, that it does not appear to be a binding executed agreement between Castle and the Steering Committee. Do you want to be heard?

MR. EHRENBERG: Mr. Chairman, if I may, document A-68D albeit only four pages represents a significant amount of work among the Steering Committee that I believe the Commission is aware of. There are, as you observed, certain conditions in the letter and I think that they speak for themselves.

As to the MidLantic issue, I have been authorized by the attorneys who have been negotiating this to say first that as to the economic terms of the deal there appears to be agreement that the terms that remain open are creditor terms which are standard, when I say standard, the types of agreements in which when you have more than one creditor for the same piece of collateral, creditors have interests and protected each other. Those are the points that remain open. They are the types of points that with negotiation can be resolved and certainly the Steering Committee would hope that they
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get resolved.

CHAIRMAN PERSKIE: You would agree, would you not, Mr. Ehrenberg, that in the event that your hopes are frustrated, that the Commission would have nothing upon which it could act?

MR. EHRENBERG: I would agree that if it's a condition of the Commission that there be an agreement among MidLantic, the bondholders and Trump, at this point, yes, I agree with you.

CHAIRMAN PERSKIE: The June 26 proceedings also obligated the Castle to file by today financial forecasts for certain periods in a certain format. We have received and marked into evidence--

MR. FUSCO: 67, Mr. Chairman.

CHAIRMAN PERSKIE: A-67 which obviously our staff has not had--yet had the opportunity to review. The Division has received those as well?

MR. AURIEMMA: Yes.

CHAIRMAN PERSKIE: It would appear, am I correct, that on a prima facie look the documents appear to be in form and in content consistent with the obligations that were imposed?

MR. INGIS: Yes.

CHAIRMAN PERSKIE: The last
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requirement that was imposed on July—or June 26 was
that by today the Castle would submit evidence of a
conditional commitment for letter of credit or provide
a sufficient explanation for not seeking or obtaining
a credit facility and designation of alternative
satisfactory contingent cash resources including
provisions for ensuring payment on progressive
jackpots.

MR. FUSCO: Mr. Chairman, in exhibit
A-67 to which you just referred, the contents of that
exhibit generally, and specifically the balance sheet
and the cash position that the Castle will enjoy by
virtue of these—by virtue of these forecasts as well
as within that exhibit page, the assumptions, Mr.
Chairman, the 15 assumptions and the fifteenth
assumption is addressed, addresses that and I will
read it if you want me to.

CHAIRMAN PERSKIE: No, that’s all
right.

MR. FUSCO: It’s presumptuous of me
to give you a one-sided explanation.

CHAIRMAN PERSKIE: I am not
interested in that. You have done what I wanted which
is to identify—as far as you are concerned this
condition is satisfied because you have submitted an
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explanation and a designation of alternative
contingent cash resources in the form of those
forecasts.

MR. FUSCO: Absolutely, Mr. Chairman.

CHAIRMAN PERSKIE: Well, I will for
purposes of the record today receive that
representation—that document obviously and the
representation on it. Our staff as well as the
Division's will evaluate the document to assess
whether, in fact, it provides sufficient assurance
with respect to the credit facility concept. Suffice
it to say that the representation is and will remain
that subject to any further action of the Commission
the Castle does not intend to seek a conditional
commitment for a letter of credit.

MR. FUSCO: Yes, that is the
representation for the reasons which we feel are
contained in exhibit A-66.

CHAIRMAN PERSKIE: All right. Have I
covered all the paper then that has been submitted
with respect to the Castle and with regard to the
conditions imposed on June 26?

MR. AURIEMMA: Yes.

MR. FUSCO: Yes, Mr. Chairman.

CHAIRMAN PERSKIE: Well, it's obvious
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that a good deal of work and a great deal of progress has been accomplished and we are certainly in a different position today by reason of the filing of these documents than we were in June to assess the financial stability of the Castle. A meaningful analysis, of course, will have to await a complete review of all these documents which will commence today, and to the extent that in the case of the other entities as well, the documents are on a prima facie basis, appear to be in compliance with the conditions imposed, assuming the analysis bears out the substance, they should be sufficient.

There are, however, a couple of or at least I have already dealt with the Plaza, with respect to the Castle there are some serious problems. Whatever it is, document A-68D is not a binding contractual undertaking on behalf of the Steering Committee of the first mortgage bondholders, and while it appears that a great deal of significance and importance has, in fact, been agreed to between the Castle and the bondholders on the one hand, and certainly to be sure the Castle and the bank, MidLantic on the other, there is an obvious area as yet to be agreed as between the several creditors, the bank and the bondholders. That's point one.
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Point two is the language of the document itself, A-68D at paragraph two on the first page which refers to unspecified technical corrections that may be required and a generic reference to approval being subject to terms satisfactory to the Steering Committee is language through which even a first year law student could drive a truck.

Lastly, of course, there is the addendum which sets forth the substance of the areas remaining to be discussed between the bank and the bondholders.

The Commission finds itself in a difficult situation. It is our view that we have been and should have been very deliberate and very patient, albeit firm in terms of the requirements to submit the kinds of documents that would afford us and the Division the opportunity to make the kinds of judgments that we have the responsibility to make and, as I have said, a great deal of work has been done and the Commission acknowledges that and expresses its appreciation to those that have been involved. The fact is we are not there and the fact is that it's very obvious today that until there is a complete and final agreement, a three part agreement between the MidLantic Bank and the Bondholder Steering Committee
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and the Castle, the Commission will not be able, even after assessing the substance of all of these documents, to conclude the existence of financial stability which is the whole purpose of the exercise.

The Commission, therefore, has to face the question of alternatives. It’s our view that with the proper level of commitment and effort the remaining issues ought to be resolvable in a very short period of time and we will insist on that. The Commission will administratively schedule hearings for each day next week starting at 10:00 on Monday, August 5 and we will reserve the time at 10:00 each morning of each day next week. In the event that sufficient documentation in the form that I have described, a final binding agreement as to all issues, is submitted to the Commission and to the Division and Trump’s Castle, the Bondholder Steering Committee and the bank by noon on Friday, August 9—excuse me, August 2, I mean the day after tomorrow, sorry, a slip of the tongue, August 2, about 43 hours, the Commission will schedule a comprehensive review and the submission of any supporting testimony supporting the documents for its regular meeting session on Wednesday August 14 at which time we will have been in a position to have evaluated all the documents, take any testimony that
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may be necessary and make any determinations that are
appropriate. In the event that the documents in
question have not been submitted in an appropriate
forum by noon on Friday, the 2nd, the Commission will
schedule a hearing at its convenience for any one or
more of the days of next week at which time we will
evaluate the situation and take any action necessary
including the consideration of an appointment of a
conservator to protect the public interest and to
protect the various interests associated with the
facility. Documents that have been submitted go a
very long way to bringing the Commission to the
position it needs to be in to make a judgment, but I
have said before, and the Commission has indicated on
many occasions, the Vice Chair has said it, the rest
of us have said it, we will not undertake to exercise
our responsibilities until all of the information in
the form that we need it and all of the undertakings
in the form that we need it have been submitted and
have been submitted on the schedule indicated.

Any questions?

MR. FUSCO: No questions.

CHAIRMAN PERSKIE: With respect to
the schedule for next week, as I have indicated, I
guess the basic assumption is people should assume
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that the hearings will start at 10:00 on Monday morning unless they are cancelled. The Commission will have a statement on Friday afternoon, the Commission will have a statement on Friday afternoon confirming either the fact of the receipt of the necessary documents and the cancelling of the hearings of next week or the fact of the nonreceipt of the necessary documents and the hearings will be scheduled next week. I don't know whether Friday afternoon we will be in a position to identify whether the hearings will be Monday or Tuesday or Wednesday, that will remain to be seen, but we will give as much notice as we can. In the meantime the hearings will be tentatively scheduled for each day until we are ready to do what we need to do.

Anything further?

The meeting is adjourned. Thank you very much.

(At which time the meeting was adjourned at 4:45 p.m.)
CERTIFICATE

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

Carolyn Gerber
CAROLYN GERBER, CSR