

D-2

8/16/90

EV
KB

RECEIVED

AUG 13 1990

CASINO CONTROL COMMISSION
LEGAL DIVISION

STATE OF NEW JERSEY
Department of Law and Public Safety
Division of Gaming Enforcement

PRELIMINARY REPORT ON
THE FINANCIAL
CONDITION OF THE
DONALD J. TRUMP ORGANIZATION
POST-RESTRUCTURING

Date: August 13, 1990
Trenton, New Jersey

TABLE OF CONTENTS

	<u>Page</u>
I. Introduction.....	1
II. The Financial Crisis.....	5
III. The Accord.....	9
IV. Financial Review of Trump Organization - Post Restructuring.....	17
A. Atlantic City Properties.....	17
1. Trump Castle.....	17
a. Background to Crisis.....	17
b. Tower Construction.....	20
c. Overall Debt.....	22
d. Appraisals.....	28
e. Cash Flows.....	30
f. Partnership Distributions.....	33
g. Management Changes at Trump Castle Since January 1990.....	35
h. Summary.....	37
2. Taj Mahal.....	39
a. Overall Debt.....	39
b. Bank Cash Balances.....	40
c. Employees.....	43
d. Financial Analysis of the Taj Mahal...	44
e. Cash Flow Analysis.....	62
f. Management Changes at Taj Mahal Since Opening.....	68
g. Summary.....	70

3.	Trump Plaza.....	72
	a. Overall Debt.....	72
	b. Cash Flow.....	75
	c. Partnership Distributions.....	84
	d. Appraisals.....	86
	e. Management Changes at Trump Plaza Since January 1990.....	88
	f. Summary.....	89
4.	Trump Regency.....	89
5.	Penthouse Land Parcels.....	94
B.	Non Casino Entities of the Trump Organization...	95
	1. Trump Princess Yacht.....	95
	2. Lincoln West Railroad Yards.....	97
	3. Plaza Hotel.....	98
	4. Trump Shuttle.....	99
	5. Helicopter Air Services Inc. t/a Trump Air.....	104
V.	Conclusion.....	105
	Table 1 - DJT Post-Plan Interest Projections	
	Table 2 - Trump Castle Forecasted Income Cash Flow Statements	
	Table 3 - Trump Castle 5% Deviation	
	Table 4 - Trump Castle 8% Deviation	
	Table 5 - Trump Castle 10% Deviation	
	Table 6 - Trump Castle 15% Deviation	

I. Introduction

This is a preliminary report with regard to the financial condition of the Donald J. Trump Organization ("Trump Organization") and its affiliated entities subsequent to the recent fiscal restructuring that has occurred. As a result of significant developments within the Trump Organization in the last several months, occasioned by certain financial difficulties, the Division of Gaming Enforcement ("Division") is filing this status report to advise the Commission at this time of recent events and their potential impact on the Trump Organization, particularly the Atlantic City casino hotels and one non-casino hotel owned and operated by that Organization.

As the Commission will recall, on March 29, 1990, a hearing was held on the application of Trump Taj Mahal Associates Limited Partnership ("TTMA") for a casino license. A casino license was issued that day for a period of one year, effective on April 26, 1990. TTMA is a New Jersey limited partnership formed on June 23, 1988. Donald J. Trump ("DJT") and Trump Taj Mahal, Inc. ("Trump Inc.") are the general partners and DJT is the sole limited partner of the partnership. Trump Inc. is a New Jersey corporation formed on June 3, 1988, of which DJT is the sole shareholder.

TTMA entered into a management agreement with Trump Hotel Management Corp. ("THMC"), a New Jersey corporation formed on November 1, 1988, and wholly-owned by DJT. Under that management

agreement, which was approved by the Commission on March 29, 1990, see N.J.S.A. 5:12-82(c), THMC is required to manage and operate the Trump Taj Mahal Casino Hotel ("Taj Mahal"), including all casino operations. THMC was issued a casino license in conjunction with the license granted to TTMA. See 5:12-82(b)(3).

DJT is also the beneficial owner of Trump Plaza Associates ("TPA") and Trump Castle Associates ("TCA"), both casino licensees whose licenses were most recently renewed, effective May 16, 1989, for a two year period. TPA is a New Jersey general partnership trading as the Trump Plaza Hotel and Casino ("Trump Plaza"), and Trump's Castle Associates ("TCA") is a New Jersey limited partnership trading as Trump Castle Resort by the Bay ("Trump Castle or Castle").

In addition to the above-noted three casino hotels, DJT beneficially owns the Trump Regency Hotel ("Trump Regency") in Atlantic City, formerly the Atlantis Casino Hotel, which is currently being operated as a non-casino hotel. Trump Crystal Tower Associates Limited Partnership ("TCTA"), a New Jersey limited partnership, owns and operates the Trump Regency. TCTA is comprised of DJT who has a 99% interest as a limited partner and DJT Acquisition Corp. a New Jersey corporation which has a 1% interest and is wholly owned by DJT, as its general partner.

The Casino Control Act ("Act") commands, among other things, that in order to be issued a casino license or a renewal thereof, each casino applicant or licensee must provide to the regulatory authorities sufficient "documentation and assurances concerning financial background and resources as may be required to establish by clear and convincing evidence the financial stability, integrity and responsibility" of the applicant or licensee. See N.J.S.A. 5:12-84(a). Further, N.J.S.A. 5:12-84(b) requires that the adequacy of financial resources as to the operation of each casino be demonstrated. The foregoing financial criteria are of a continuing nature. See generally, In the Matter of the Application of Elsinore Shore Associates for a Renewal of Its Casino License, 11 N.J.A.R. 382 (decided April 14, 1986).

With respect to financial matters, and in other fiscal contexts, a number of Atlantic City's casino licensees have faced extensive regulatory scrutiny. See, e.g., In the Matter of the Petition of Marina Associates, Harrah's Atlantic City, Inc., Harrah's New Jersey, Inc., Holiday Inns, Inc. and Holiday Corporation Seeking Declaratory Rulings With Respect to the Proposed Acquisition of the Holiday Inn Hotel Business by Bass PLC, Related Corporate Transactions, and an Internal Realignment of the Gaming Companies (PRN 270901, decided January 24, 1990); In re Petition of Ramada, Inc., Ramada New Jersey Holdings Corp., and Adamar of New Jersey, Inc. For Approval of a Plan of Restructuring (PRN 061903, decided August 31, 1989); In the Matter of Bally

Manufacturing Corporation, a Delaware Corporation, Bally's Park Place, Inc., a New Jersey Corporation, and Bally's Park Place Funding, Inc., a Delaware Corporation, For Approval of Plan Pursuant to Which the Existing Indebtedness of Park Place New Jersey is to be Refinanced and for Other Relief (PRN 089901, decided August 9, 1989); In the Matter of the Joint Petition of Boardwalk Regency Corporation and Caesars World, Inc. for Approval of a Plan of Merger and Recapitalization (PRN 121707, decided August 14, 1987); In the Matter of the Petition of Marina Associates and Holiday Corporation Seeking Declaratory Rulings With Respect to a Proposal Plan of Recapitalization (PRN 030702, decided April 1, 1987). This regulatory review has been most critical in recent years since the Commission has recognized "the unsettling financial climate that currently permeates [the casino] industry" in New Jersey and has emphasized that it is imperative that heightened scrutiny be given to financial events. In re Petition of Ramada, Inc et al, supra at CCC Transcript of August 31, 1989, p. 889.

The report which follows sets forth the events leading up to the financial problems encountered by the Trump Organization this spring and the subsequent negotiations and agreements that resulted. Additionally, even though renewal proceedings concerning the casino licenses of TTMA, TPA, and TCA are not scheduled to be held until the spring of 1991, the Division believes that a preliminary analysis of the financial well-being of these licensees

is critical at this juncture in view of recent events. Similarly, since the entire Trump Organization has been affected by the financial difficulties and restructuring that have resulted, an extensive review of the fiscal condition of DJT and his affiliated companies has been deemed appropriate at this time. This financial analysis is the continuation of a financial review of DJT and his affiliated entities which started in January 1990 and thereafter intensified following the opening of the Taj Mahal in April 1990. This report is, however, by no means exhaustive, but represents a starting point for future financial monitoring of the Trump Organization.

II. The Financial Crisis

Earlier this spring, the Trump Organization and, in particular DJT, encountered severe financial distress as a result of cash flow shortages. In purchasing the various assets which comprise his Organization, DJT borrowed from lending institutions or sold public bonds totaling more than \$3 billion. Unfortunately, many of these properties became cash drains on the Organization because they did not produce sufficient income to cover principal and interest payments. Additionally, according to the Trump Organization, certain asset sales, like that of the Trump Princess yacht, the Trump Shuttle airline, and an equity interest in the Plaza Hotel did not come to fruition, thereby depriving the Organization of badly needed cash. A weak real estate market also affected the sale of certain DJT assets. The Trump Atlantic City casinos,

moreover, failed in 1990 to produce excess cash available for use by DJT. The construction supervisory fee of \$10 million due to the THMC within ten days of the Taj Mahal opening was delayed for more than one year and that facility almost immediately drew upon the full \$25 million credit line established by DJT for its use.

The financial crunch faced by DJT and various entities in his Organization was heightened by the fact that certain bank debt and bondholder payments were rapidly coming due for payment. On June 15, 1990, DJT had a personal loan of approximately \$28 million due to Manufacturers Hanover Trust. This loan was secured by certain property in New York and was not extendable. The proceeds from this loan, previously \$70,000,000, had been used in 1985 to make a capital contribution by DJT to TCA. DJT did not have readily available funds or credit facilities to meet this maturing obligation. Also due on June 15, 1990 was a sinking fund payment on certain public bonds. More particularly, on June 15, 1990, TCA did not make the payments to Trump's Castle Funding, Inc. ("TCF") to enable TCF to make principal and interest payments required on that date on TCF's 13 3/4 First Mortgage Bonds, Series A-1, due June 15, 1997, and the interest payment required on that date on TCF's 7% First Mortgage Bonds, Series A-2, due June 15, 1999 (collectively the "bonds"). While prior to June 15, 1990, DJT (who controls TCA and TCF), TCF and TCA purchased an aggregate of approximately \$22.7 million in principal amount of Series A-1 bonds which, under the terms of the bond indenture, could have been

applied to the principal payment due on June 15, TCA did not have sufficient cash or credit facilities available to enable it to cause TCF to pay an approximate \$20 million interest payment due to bondholders.

Thus, on June 16, First Fidelity Bank, N.A., New Jersey, ¹as trustee under the bond indenture and as the assignee of TCF's interest, as mortgagee, under the Indenture of Mortgage issued by TCA on June 27, 1985, gave notice to TCF, TCA, and others of the missed payments described above, as well as a demand that TCA, as guarantor under the bond indenture, make such payments in full. This notice of default created a situation where TCF had ten days from the date of the notice to cure the default. Pursuant to an agreement of June 26, 1990 between DJT and several lending institutions, sufficient funds became available to DJT so that he could loan money and contribute bonds previously purchased so that TCA and TCF could meet their obligations to bondholders.

Also coming due in the immediate future for DJT was a non-extendable, working capital loan of approximately \$36 million payable on July 20, 1990 to Manufacturers Hanover Trust which was

¹Simultaneous with the notification, First Fidelity gave notice to TCF, TPA, and others that it was resigning, effective immediately, as trustee under the bond indentures for TCF and Trump Plaza Funding, Inc. ("TPF"). First Fidelity indicated that it would continue to act as trustee until the appointment of a successor trustee.

secured by the Grand Hyatt in New York City. Moreover, on July 26, 1990, DJT had a non-extendable loan due of \$63 million to Citibank relating to Alexander's stock that he owned and which, as of the late spring, had a market value based upon the trading price of slightly less than the loan amount. Funds to pay these loans were not readily available. However, the two loans from Manufacturers Hanover Trust totalling \$64 million as well the \$63 million Citibank loan have been extended pursuant to the agreement in principle.

In order to deal with the impending cash shortfall, DJT retained, in mid-May 1990, the accounting firm of Kenneth Leventhal and Company ("KL Company") to represent him in negotiations with his lending institutions.² As noted above, these discussions, which were quite lengthy and complex, culminated in an agreement on June 26, 1990, more fully described below.

²The KL Company is a national certified public accounting firm and is headquartered in Los Angeles, California. It is affiliated internationally through Clark Kenneth Leventhal. The firm provides services in accounting, tax and management consulting to clients, and is particularly noted for its work in real estate and financial services. Because of the involvement of the KL Company with respect to the Trump Organization and its three affiliated casino licensees, the Division has advised the KL Company that it should apply for licensure as a non-gaming related casino service industry pursuant to N.J.S.A. 5:12-92(c). The company is in the process of completing the application forms. Additionally, John Robbins, the managing partner of the New York office of the KL Company, has significant involvement with the Trump Organization. Therefore, the Division has advised him that he should file an application for qualification. See N.J.S.A. 5:12-85. He is currently completing the qualification form.

III. The Accord

Commencing in May 1990, lengthy and complex negotiations occurred between the Trump Organization and seven major American banks ("the banks"). These banks are Bankers Trust Company, Citibank, N.A., The Chase Manhattan Bank, N.A., Manufacturers Hanover Trust Company, and National Westminster Bank USA, all of New York and two New Jersey banks, First Fidelity Bank, N.A., New Jersey and Midlantic National Bank. These banks, in turn, engaged in arduous negotiations with their affiliated banking syndicates, many outside the United States, in an effort to solicit their approval to the agreement reached. On June 26, 1990, the Trump Organization and the bankers agreed in principle on a five year (three years plus two year extension) \$65 million plan to assist the Organization in solving its financial problems and loaned the Organization immediately \$20 million so that TCF could satisfy its interest payments to public bondholders on TCF mortgage bonds. Six of the banks provided \$3 million each while Midlantic National Bank supplied \$2 million of the credit facility. While additional assets of DJT became collateral for this interim credit facility, no property of the three Atlantic City casino licensees was included in such collateral.

The \$20 million represents a 30 day bridge loan, which has been renewed, and afforded the Trump Organization and the banks time to complete the extensive loan agreements that were contemplated. Under the terms of this accord, the \$20 million

bridge loan must be repaid before the Trump Organization may receive the \$65 million loan. In actuality, the \$20 million will be paid from the proceeds of the \$65 million loan.

The agreement in principle to advance \$65 million to DJT is currently memorialized in a June 25, 1990 "Term Sheet" and in a document entitled "Summary of Terms & Covenants" while drafting of the actual loan agreement continued. This \$65 million represents a "New Money Revolving Facility." The seven banks delineated above will supply this new credit facility in the following amounts:

Bankers Trust Company	\$18,250,000
Citibank	18,250,000
Chase Manhattan	9,000,000
Manufacturers Hanover Trust	7,000,000
First Fidelity	5,500,000
Midlantic National Bank	2,000,000
National Westminster Bank	5,000,000
	<u>\$65,000,000</u>

DJT will be the borrower of this new money facility which will be used for working capital and a \$5 million letter of credit. The interest rate on this new money facility will be the prime rate plus 1% and must be paid monthly on a current basis. The proceeds are to be used in accordance with a business plan which, at present, is reflected in a June 14, 1990 report of Kenneth Leventhal and Company ("KL report"). The first draw on the new money facility is \$40 million. Subsequent draws are to be made by requisition, signed by DJT showing, among other things, uses of the funds and conformity to a business plan.

In order to obtain this new money facility additional assets of DJT had to be pledged as security. For instance, some, but not all, of those additional assets are as follows: DJT's Trump Tower residential space, Trump Tower commercial equity subject to Chase Manhattan interests, Taj Mahal note subject to a Bankers Trust lien, Trump Castle note, DJT's equity in the three casino hotels subject to bondholders' liens and interests of First Fidelity, Midlantic Bank, and National Westminster, Trump Princess yacht subject to Boston Safe interest, DJT interests in family businesses, aircraft, a general pledge of all proceeds payable to DJT as a general or limited partner subject to all existing pledges or liens. Specifically excluded as collateral for the new money facility are DJT's three personal residences and the undeveloped railroad yards in New York City that are owned 80% by DJT.³

Pursuant to the "Override Agreement" negotiated with the seven listed banks above and Boston Safe Deposit and Trust Company and Marine Midland Bank, there will be a moratorium on principal and interest payments on approximately \$1 billion of the Trump Organization's \$2 billion in bank debt. These loans will generally

³It should be noted that Paragraph 24 of TCA's casino license resolution, 89-122, and paragraph 24 of TPA's casino license resolution, 89-123, requires that notification must be given to the Commission and the Division in writing as soon as the licensees become aware of new financial sources. Additionally, prior approval of a transfer of a security interest in the three casino hotels is necessary. See N.J.S.A. 5:12-82(d)(7).

defer and accrue interest for five years unless otherwise agreed to. For example, the DJT obligations on the railroad yard land in New York City will defer and accrue interest for three years. Moreover, interest and sinking fund payments on \$1.3 billion of bond debt as well as interest on all or part of mortgages on the Trump Tower, Trump Shuttle, Plaza Hotel and Grand Hyatt properties would, however, be required to be kept current. The interest and sinking fund payments on the bond debt for the remainder of 1990 are \$81.8 million and \$208 million for 1991. On a going-forward basis, the Trump Organization will be responsible for approximately \$52.4 million of interest payments in 1990 and \$101.6 million in 1991. While these amounts are exclusive of bond interest, they do include other non-bank obligations. A detailed listing of the bank interest that must be kept current by the Trump Organization is set forth in Table 1.

At the end of the third year of the moratorium, the holder of a lien claim on a specific asset (not including the holders of the mortgage liens on the casinos acting with respect to such mortgage liens) or a lien claim on the equity interests in the owner of a specific asset, that is, a "claimholder" may exercise certain rights to compel a sale of the asset to a bonafide purchaser located by the claimholder unless DJT refinances the asset, notifies the claimholder that based on six month historic cash flows the projected net cash flow of the asset is adequate to service the debt held by such claimholder and debt which is senior

thereto at which time such debt and all debt senior thereto with respect to such asset shall convert to a current pay claim. However, an appraisal by an independent, professionally certified appraiser must be obtained by the claimholder indicating the value of the asset is no more than the contract price. If DJT does not agree with the appraisal, he may obtain a second appraisal. If the two appraisals do not reflect substantially the same value, the two appraisers shall designate a third appraiser who shall determine the value based upon the two prior appraisals. If the third appraiser shall value the asset in an amount greater than such contract price, then DJT shall have an additional period of time, not to exceed 90 days, to either sell such asset for an amount not less than the value established by the third appraiser; or agree that the debt held by such claimholder with respect to such asset has as of such date converted to a current pay claim.

The accord also sets forth a schedule for determining how the net proceeds (the amount left after payment of principal and interest, new money principal and interest, taxes and transaction costs) from the sale of DJT's assets are to be distributed among the banks and DJT. In its simplest terms, all net proceeds from the sale of non-casino assets shall be shared 50%/50% between DJT and the banks to reduce outstanding bank debt. A more complex formula has been established with respect to any casino sales. Under certain circumstances, the distribution between DJT and the banks will be 50%/50% of net proceeds. However, there are

circumstances under which the proceeds could be split 90% to the banks and 10% to DJT.

As a result of the accord, the Trump Organization must submit a business plan to the banks, within 90 days of hiring a chief financial officer, which will contain projections on income and expenses for each of DJT's assets. A chief financial officer must be selected by DJT no later than the end of 1990. Contrary to published reports, the banks have no specific approval rights with respect to the person chosen, although undoubtedly the person selected must be acceptable to them. DJT will remain, however, as chief executive of the Trump Organization. No equity in any of DJT's assets will be transferred to the banks by virtue of this agreement, but additional collateralization of assets will result.

Asset sales are contemplated by the accord since there are incentives in the plan to sell properties. This incentive mechanism is greatest within the next year since if an asset is sold by June 1991 there will be a significant discount accorded the Trump Organization on deferred interest. The responsibilities for determining which assets should be sold to raise cash and reduce debt lies with DJT. As noted earlier, the Trump Shuttle, the Trump Princess yacht, and an equity interest in the Plaza Hotel were listed for sale prior to the commencement of the bank negotiations. The Trump Organization is not required to cut business expenses or lay off employees, although it is expected that expenses will be

commensurate with the level of business activity for each asset. The KL report anticipates, however, cost savings at essentially every entity within the Trump Organization.

Also, during the first six months of the five year pact, DJT is restricted to personal and household expenses of \$450,000 a month, and lesser amounts in future years (\$375,000 a month in 1991 and \$300,000 a month in 1992). DJT may not be paid, individually, a salary in excess of \$200,000, and he is limited to charitable contributions of not more than \$100,000 per month.

The Trump Organization must also install and maintain an adequate system of accounting controls and business planning by no later than September 30, 1990. The KL Company replaced Arthur Andersen as the accounting firm of the Trump Organization.

Moreover, DJT may not guarantee any secured or unsecured debt or any other obligations, funded or contingent. He may not permit any salaries, personal service contracts, consulting agreements, bonuses, counsel fees to general counsel, or other remuneration, at the Organization level, to exceed \$300,000 annually to any individual currently employed or retained by DJT.

The agreement also establishes numerous reporting requirements between DJT and the banks. Some of those requirements are as follows: No later than December 31, 1990, a Strategic Plan for each

asset entity and for DJT as a whole is required detailing (a) short-range plans to achieve expense savings and/or cash break-even, (b) primary strategy for the asset entity with time parameters for goal achievements, and (c) alternative courses of actions, with time parameters, if primary strategy fails. No later than November 30 of each year, an Annual plan for the ensuing year, along with detailed monthly operating plans for each entity/asset is required. Annually, DJT must submit to the banks, within 90 days of year end: (a) GAAP Audited Financial Statements, unqualified as to scope, prepared by KL Company for the three casinos, the Grand Hyatt, the Plaza Hotel, the Trump Shuttle and Trump Tower, and DJT consolidated, (b) certificate from auditors stating that there are no defaults and calculating covenant compliance, (c) management certification of financial statements and statement of no default with the certificate being signed by DJT and DJT's chief financial officer, and by each entity's chief executive officer, and chief financial officer, and (d) management letters covering improvements needed in the system of internal accounting controls. Quarterly and monthly financial statements are also required as are litigation status reports, accounts receivable aging reports by entity, accounts payable aging reports by entity, and other schedules of capital expenditures by entity, cash and personal expenses.

IV. Financial Review of Trump Organization - Post Restructuring

A. Atlantic City Properties

1. Trump Castle

a. Background to Crisis

When DJT acquired Trump Castle from Hilton Hotels Corporation in 1985, he did so through the issuance of approximately \$352 million of mortgage-backed bonds. The bonds were issued by TCF, a New Jersey corporation owned by Trump's Castle Hotel and Casino, Inc. and DJT. TCA is a New Jersey partnership which is beneficially wholly-owned by DJT. TCF loaned the net proceeds of the bonds to TCA which, in turn, issued promissory notes to TCF in the aggregate principal amount of \$351.8 million. At the same time, DJT made a capital contribution of \$70 million. These funds were borrowed from Manufacturers Hanover Trust by DJT personally. To date, DJT still has \$28 million of this loan outstanding.

Two series of bonds were issued: Series A-1, \$226,800,000 at 13 3/4%, due 1997; and Series A-2, \$125,000,000 at 7%, due 1999. The Series A-2 bonds were issued at a discount, for an effective rate of 13 3/4%. Both series of bonds have interest payable semi-annually, on June 15 and December 15. The Series A-1 bonds also have a sinking fund requirement of 10% of the original principal amount, or \$22,680,000. The semi-annual interest payments are \$15,592,500 for the Series A-1 bonds, (before any sinking fund

obligations) and \$4,375,000 for the Series A-2 bonds, for a total of \$19,967,500. TCF made timely payments on all interest obligations from December 1985 to December 1989 from funds generated by the operations of Trump Castle.

However, as of December 31, 1989, when the June 15, 1990 interest obligation amount of \$19.967 million and the first sinking fund obligation of \$22.68 million were included in current liabilities, the combined balance sheets for TCA and TCF showed current assets of \$46.793 million, and current liabilities of \$74.259 million for a net working capital deficit of \$27.564 million. This deficit, an early indication that Trump Castle might encounter difficulty in meeting its June 15 bond interest and sinking fund obligations, was noted upon review of TCF's SEC Form 10-K, which was received by the Division on April 9, 1990. At March 31, 1990, the net working capital deficit grew to \$30.1 million, based on a review of TCF's SEC Form 10-Q, which was received by the Division on May 21, 1990. That same day a telephone call was placed to an executive at Trump Castle, and the working capital deficit problem was discussed. It was indicated that Trump Castle was depending on DJT for the additional funds needed to satisfy the June 15 bond obligations.

In anticipation of the sinking fund payment due on June 15, 1990, TCA had acquired \$10,200,000 (face value) of Series A-1 bonds in December 1989, which were purchased in the open market. As a

result of this purchase, the total amount of interest and sinking fund payments that would be due in June 1990 decreased from \$42.7 million to \$32.5 million. The remaining cash outlay required on June 15 was then further reduced to \$24.5 million when DJT purchased an additional \$8 million (face value) of Series A-1 bonds in early spring 1990. Despite the reductions in the sinking fund obligations, Trump Castle was still without sufficient funds to satisfy the June 15 payment to bondholders and continued to anticipate that DJT would be able to supply the needed funds.

In an effort to determine whether DJT would be able to provide the necessary funds to Trump Castle, a telephone call was placed to the Trump Organization in late May. At that time, a Trump Organization executive indicated that DJT was attempting to secure additional financing to meet the bond obligations, and that individual was confident that appropriate financing would be in place to insure timely bond payments. According to the Trump Organization, in the event financing was not secured, DJT would still have sufficient cash reserves to make the payment.

Communication with Trump Castle representatives and with the Trump Organization occurred continuously to determine the bond payment status. The answer remained the same: Trump Castle was expecting DJT to provide the needed cash, and the Trump Organization had commenced negotiations to secure additional financing to satisfy the bond obligations. Finally, on June 15,

after a week of intense negotiations with bankers, a press release was issued stating that Trump Castle would not be paying the interest due. At that point, the Trump Castle was in default under the terms of the bond indenture, although there was still a grace period of ten days in which the interest and sinking fund payments could be made. On June 26, 1990, DJT secured financing on a bridge loan in the amount of \$20 million which enabled TCF to meet its interest and sinking fund payments.

b. Tower Construction

In February 1988, TCA obtained a \$50 million construction loan from Midlantic Bank to partially finance an expansion of the Trump Castle facility. The expansion contemplated constructing a helipad on the roof of the Castle parking garage, a new 99-suite hotel tower which would contain a ballroom and related function rooms, and the renovation of the Senator Frank S. Farley State Marina.

According to TCA management, the cost of the expansion was originally projected to be approximately \$70 to \$75 million. The actual cost ended up being approximately \$110 to \$115 million. The question was posed to TCA executives as to why only \$50 million was borrowed when, in fact, construction costs soared to over \$110 million. Since the original costs were projected at \$70 to \$75 million, the Castle would use \$20 to \$25 million of internally

generated funds that had accumulated within the last few years. Thus, by minimizing borrowings to \$50 million lower interest costs would result, and yet the amount of cash the Castle was providing would not be detrimental to working capital. However, after construction was started, a decision was made to change the interior decor. Whereas the Castle's existing market was primarily middle to upper middle class patrons, it was envisioned that the new hotel tower would become a luxurious first class facility for upper class patrons and high rollers. Consequently, rugs, furniture and other furnishings were upgraded significantly, raising not only materials cost, but also associated labor expenses, as modifications on existing work needed to be done. As a result, originally projected costs of \$70 million skyrocketed to amounts in excess of \$110 million, and the amount of internally generated funds used grew to \$55 million instead of \$20 million, severely depleting available cash reserves.

The chart below demonstrates the effect of the additional construction costs on TCA's and TCF's combined working capital.

For the Years Ended
(\$ in Millions)

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Cash & Cash Equivalents (includes house funds)	\$31.1	\$19.7	\$14.6
Working Capital (Current Assets less Current Liabilities)	20.8	(5.6)	(27.6)
Net Purchases of Property and Equipment	10.8	60.4	50.1
Additional Borrowings for Property and Equipment	--	18.0	32.0

In 1988, approximately \$42.4 million of the \$60.4 million in total property and equipment purchases were in excess of bank borrowings, which caused a reduction of working capital from a positive \$20.8 million in 1987 to a deficit of \$5.6 million in 1988. This deficit grew to \$27.6 million in 1989, although \$22.7 million can be attributed to the inclusion of the sinking fund payment due in June 1990 in current liabilities.

c. Overall Debt

As previously mentioned, TCA has \$351.8 million of promissory notes due to TCF which is equal to the aggregate principal amount of the issued bonds (\$329.12 million after the June 15, 1990 sinking fund obligation was satisfied) and a \$50 million loan from Midlantic Bank which was used to partially finance the Castle expansion. In addition, the Castle has a \$15 million line of

credit with Midlantic Bank, of which \$13 million has been utilized, and a \$2 million loan from DJT. Below is a summary of the Castle's outstanding debt at 6/15/90.

	<u>\$ in millions</u>
Outstanding Bonds	\$329.1
Midlantic Tower Loan	50.0
Midlantic Line of Credit	13.0
DJT	<u>2.0</u>
Total	<u>\$394.0</u>

Under the bank accord, interest on all the above-noted loans must remain current, except for the DJT loan which is payable on demand.

The promissory notes are secured by a mortgage and a security interest in Trump Castle, its ancillary properties, and substantially all of its assets. The promissory notes and the mortgage were assigned, as security for the bonds, to First Fidelity Bank as trustee under the bond indenture. TCA has issued a non-recourse limited guarantee for the payment of the principal, premium (if any) and interest on the bonds. The bonds are non-recourse to the partners of TCA and the shareholders of TCF, and cannot be subordinated to any other future borrowings of TCA or TCF.

The Series A-1 Bonds may be redeemed at the option of TCF, as a whole or in part, on any date before the stated maturity, at the

following redemption prices together with interest accrued to the date fixed for redemption: (assuming a 12 month period beginning June 15)

<u>Year</u>	<u>Percentage</u>
1991	106.25
1992	105.00
1993	103.75
1994	102.50
1995	101.25
1996	100.00

The bonds were also subject to redemption in part on June 15, 1990, and will be on each June 15 thereafter, through June 15, 1996, without premium, at their principal amount plus accrued interest to date, through operation of a sinking fund. Under the provisions of the sinking fund, which began on June 15, 1990, and continues on each June 15 until 1996, TCF is required to make sinking fund payments equal to 10% (\$22,680,000) of the principal amount of the Series A-1 bonds up to a maximum of 70% (\$158,760,000) of principal. Prior to any sinking fund payment date, TCF can elect to provide an additional sinking fund payment of up to \$22,680,000 if the aggregate amount of sinking fund payments does not exceed \$158,760,000 (70% of outstanding principal). The newly reached accord between DJT and the banks restricts the purchase date to no earlier than six months prior to the sinking fund due date, or December 15, 1990, with respect to

the June 15, 1991 obligation. Should additional sinking fund payments cause TCF's aggregate amount paid to exceed \$158,760,000 prior to June 15, 1996, no subsequent sinking fund payments are to be made.

The Series A-2 bonds are redeemable at any time prior to 1999, at TCF's option subject to certain conditions, at 100% principal, without premium, plus accrued interest. There is no sinking fund requirement for the Series A-2 bonds.

The annual interest and sinking fund obligations are set forth below:

	Bond Interest <u>June 15</u>	Sinking Fund Obligation <u>June 15</u>	Total June 15 <u>Obligation</u>	Bond Interest <u>December 15</u>	Annual <u>Total</u>
1990	Paid	Paid		18,408,250	18,408,250
1991	18,408,250	22,680,000	41,088,250	16,849,000	57,937,250
1992	16,849,000	22,680,000	39,529,000	15,289,750	54,818,750
1993	15,289,750	22,680,000	37,969,750	13,730,500	51,700,250
1994	13,730,500	22,680,000	36,410,500	12,171,250	48,581,750
1995	12,171,250	22,680,000	34,851,250	10,612,000	45,463,250
1996	10,612,000	22,680,000	33,292,000	9,052,750	42,344,750
1997	9,052,750		9,052,750		9,052,750

The interest calculations are based on two assumptions: 1) there are no early redemptions with respect to either Series of

bonds; and 2) sinking fund obligations are satisfied on their due date of June 15. As noted, the June 15, 1990 obligations have already been satisfied.

TCF can issue an additional series of bonds, provided they are on a parity with the series of bonds currently outstanding. An additional issuance of bonds is permitted, provided the following criteria are met: the additional bonds are being issued to finance additions capital improvements, or structural expansion with a cost in excess of \$10 million to Trump's Castle or ancillary facilities; the bonds are issued only upon the substantial completion of the project; the amount of the bonds issued does not exceed the total project costs; the aggregate principal of outstanding mortgage debt does not exceed \$750 million; TCF and TCA are not in default under any of their mortgage debt; the aggregate amount of funded debt does not exceed 80% of the appraised value; the indenture trustee is provided with all documents of the indenture; the average life of the additional bonds is not less than the average remaining life of the Series A-1 bonds; and the proceeds are simultaneously loaned to TCA by TCF in exchange for an additional note, which will in turn be assigned to the indenture trustee.

With respect to the \$50,000,000 revolving credit facility with Midlantic Bank, TCA utilized the entire amount, which was then converted into a term loan upon the completion of the renovation of the Farley Marina. Principal will be payable commencing in 1992

(four years from the closing date) based upon a ten year amortization schedule, with the balance due in a balloon payment in 1998. The interest rate is 1% above Midlantic's prime lending rate. As security for the term loan and the facility, TCA gave Midlantic a perfected, co-equal first priority mortgage lien on, and security interest in, Trump Castle and substantially all of the other assets of TCA, including furniture fixtures and equipment. The terms are virtually the same as the mortgage and security interests granted to the trustee as security for the bonds. The security is to be shared on an equal basis by Midlantic and the trustee. Midlantic is also party to the accord with DJT where they may, under certain circumstances, transfer all of their right, title, and interest in the term loan to DJT who will be required to accept the transfer and assignment. DJT would then be required to pay all amounts owed to Midlantic by TCA and TCF under the agreement.

TCA also has an unsecured \$15,000,000 line of credit with Midlantic. As of May 31, 1990, \$2,000,000 was available on the line of credit. The outstanding principal amount is payable on demand. The interest rate is prime. DJT has personally guaranteed the repayment of one-half of the outstanding amount of indebtedness under the loan. Under the June 26, 1990 bank accord, the interest is to be paid by TCA on a current basis.

In December 1989, TCA borrowed \$2,000,000 from DJT for general working capital purposes. This unsecured loan is evidenced by a demand promissory note which bears a bank's prevailing prime interest rate.

d. Appraisals

The most recent appraisal available for the Castle was completed as of January 1, 1988, by Appraisal Group International, which gave a value of \$636 million for the Trump Castle and its ancillary facilities. The ancillary facilities include a 33,000 square foot warehouse, approximately 10.7 acres of land situated in Pleasantville, New Jersey, and an employee parking lot which is on 44.9 acres of land.

The value given for the Castle in DJT's personal financial statements as of November 30, 1989, was \$635 million. It is interesting to note, however, that in November 1989, the new hotel tower which represented approximately \$100 million in capital improvements (excluding the renovation work on the Farley Marina which is owned by the State) was virtually completed and yet DJT's estimate of the Castle's value reflects a \$1 million reduction in the value.

Further, in the KL report, there are three valuations of the property. They are:

	<u>Company</u>	<u>Going Concern Market</u>	<u>Short Term Liquidation</u>
	\$635,000,000	\$400,000,000-	\$300,000,000-
less 10%	(63,500,000)	460,000,000	350,000,000
	571,500,000		

The "Company" column represents what Castle management believes the facility is worth. The beginning amount of \$635 million is from DJT's financial statements. The 10% reduction is an adjustment that was made by Castle management to reflect existing market conditions and the current value of the property.

The going-concern market range of values represent estimates developed by the KL Company based upon certain analytical procedures. These procedures were performed in connection with the preparation of the framework for negotiations with the banks, (in connection with the DJT accord), but were not sufficient to warrant a conclusion as to the values or the range of values.

Short term liquidation ranges were obtained from various lender representatives of the banks during the discussions leading up to the accord.

Thus, after review of the above table, it may be stated that the Castle is worth anywhere from \$300 million to \$571.5 million, which is a decrease in value from the January 1, 1988 valuation of \$636 million. Further, this decrease in value is despite the addition of a hotel tower and other amenities in the last year.

e. Cash Flows

As of May 31, 1990, the Castle had a cash balance (excluding house and cage funds) of \$6.1 million. According to the Post-Plan budget in the KL report, through the next eleven months (June to April) the Castle expects to generate \$57.1 million of operating income, which, after paying the December 15, 1990 bond interest obligation of \$19 million and making capital expenditures of approximately \$500,000 per month, would give the Castle a cash balance of \$30.0 million at the end of April. See Table 2. A December distribution of \$2.1 million to DJT is also forecasted.

The \$57.1 million of operating income is based on assumed net revenues of \$258.1 million, promotional allowances equal to 11.6% of total revenues, and casino revenues comprising 76.6% of gross revenues. Operating expenses have been reduced by almost \$7 million when compared to the Pre-Plan budget, and the estimated monthly hold percentage is 15.9%. The actual hold percentage for the month of June was 16.4%, but through July 13, the month-to-date hold has been only 13.1%.

The projected cash balance of \$30.0 million at the end of April is not adequate to cover the \$18.4 million of interest and the \$22.68 million of sinking fund payments due in June 1991. However, the \$41.1 million needed in June could be satisfied by either 1) additional debt being secured to satisfy existing debt

or 2) by the Castle satisfying its sinking fund obligations by buying bonds on the open market that are trading significantly lower than face value. Assuming the bonds are trading at 50 at the time of buy back, only \$11.4 million would have to be expended to purchase the \$22.68 million (face value) of sinking fund bonds. By using only \$11.4 million to buy the bonds, coupled with the \$18.4 million of interest, \$29.8 million of cash would be needed. Depending on when the bonds are repurchased, interest expense savings up to \$1.6 million could be realized. The earlier the bonds are retired, the higher the interest savings. Even if the above scenario were to eventuate, a remaining cash balance of only \$1.9 million would exist. Moreover, the likelihood of the Castle bonds trading at 50 is improbable. Even if DJT does not withdraw the \$2.1 million in December, the infusion of the \$2.1 million could be offset by a higher trading value on the bonds.

Since December 1989, the Castle has been below its forecasted casino revenues. The following table represents a comparison of results to budget since December 1989.

Casino Revenues
(\$ in millions)

	-----Monthly-----			-----Year to Date-----		
	<u>Actual</u>	<u>Budgeted</u>	<u>Variance %</u>	<u>Actual</u>	<u>Budgeted</u>	<u>Variance %</u>
December 1989	\$20.2	\$20.3	(0.4%)	\$264.4	\$277.6	(4.8%)
January 1990	23.4	23.5	(0.3%)	23.4	23.5	(0.3%)
February 1990	21.4	21.8	(1.8%)	44.8	45.2	(1.0%)
March 1990	21.5	23.2	(7.3%)	66.3	68.5	(3.2%)
April 1990	18.6	20.9	(11.2%)	84.9	89.4	(5.1%)
May 1990	17.7	21.6	(17.8%)	102.6	111.0	(7.5%)
June 1990	19.4	24.1	(19.6%)	122.0	135.0	(9.7%)

To show the effects of actual casino revenues falling below the amounts forecasted in the KL report, the Division reduced projected casino revenues by 5%, (the 1989 variance of actual to budget), 10%, (the variance through June), and 8% (to give effect to the market share the Castle may recoup from the Taj Mahal). See Tables 3 - 5. The modified revenue amounts were then substituted for originally projected casino revenues, then flowed through the cash flow projections while keeping all other line items constant.

A 5% variation in casino revenues would result in an eleven month operating income of \$46.0 million and an ending cash balance of \$19.7 in April, which indicates the June cash balance will not be adequate to cover both the interest and sinking fund obligations due in June 1991. A variance of 8% or over would leave the Castle with insufficient cash to meet interest obligations after December 1990. It should be noted that since the Taj Mahal opening, the gap between actual and budgeted results has widened significantly. The

unfavorable variance was over 11% in April and further deteriorated to approximately 20% in June. In light of this negative trend, it is the Division's view that the Castle will not be able to meet its revenue projections.

f. Partnership Distributions

Through June 30, 1990, TCA had been permitted to distribute quarterly available cash flows in excess of \$1,512,000 to its partners. However, if available cash flow was not at least \$1,512,000 for each quarter beginning with September 30, 1985 and continuing through June 30, 1990, no distributions could be made until the aggregate amount of any shortfalls for all prior periods had been satisfied. Available cash flow is defined as net income plus depreciation and amortization (excluding debt discount amortization) plus the provision for uncollected casino revenues, less any sinking fund requirements less expenditures for capital improvements. TCA can also distribute, without restriction, the amount of any initial capital contribution in excess of \$50 million in the aggregate. Of the \$65 million in initial capital contributions made by the partners, \$14,925,000 has been returned to the partners.

The table below is a summary of the Partners' Capital and Retained Earnings Accounts since TCA's inception in 1985:

	<u>Partners'</u> <u>Capital</u>	<u>Retained</u> <u>Earnings (Deficit)</u>	<u>Total</u>
Initial Capital Contribution	\$65,000,000	---	\$65,000,000
Return of Initial Capital Contribution	(14,925,000)		(14,925,000)
Net Income		\$1,848,000	1,848,000
Partners Distributions	(5,419,000)	(1,848,000)	(7,267,000)
December 31, 1985 Balance	44,656,000	---	44,656,000
Additional Capital Contributions	1,141,000		1,141,000
Net Income		3,768,000	3,768,000
Partners Distributions, Net	(4,159,000)	(3,768,000)	(7,927,000)
December 31, 1986 Balance	41,638,000	---	41,638,000
Additional Capital Contributions	164,000		164,000
Net Income		1,707,000	1,707,000
Partners' Distributions, Net	(10,884,000)	(1,707,000)	(12,591,000)
December 31, 1987 Balance	30,918,000	---	30,918,000
Net Loss		(3,118,000)	(3,118,000)
Reversal of Prior Accrued Distributions	403,000		403,000
December 31, 1988 Balance	31,321,000	(3,118,000)	28,205,000
Net Loss		(6,678,000)	(6,678,000)
Partners' Contributions	5,000,000		5,000,000
Reversal of Prior Accrued Distributions	3,747,000		3,747,000
December 31, 1989 Balance	<u>\$40,068,000</u>	<u>(\$9,796,000)</u>	<u>\$30,272,000</u>

The reversal of prior accrued distributions in 1988 and 1989, (\$403,000 and \$3,747,000) reflects the partners' repayment of previously distributed capital because available cash flow was not met in prior periods. The 1989 partners' contribution relates to a purchase price debt due to Hilton Hotels Corporation in the form of a letter of credit. DJT contributed \$5.0 million to satisfy the acquisition retainage, thereby eliminating the letter of credit due Hilton.

In summary, the following table shows the partners' net contributions and distributions from 1985 to 1989. (Accrued distribution reversals are included in contributions.)

	<u>Contributions</u>	<u>Distributions</u>	<u>Net Amounts Contributed (Distributed)</u>
1985	\$65,000,000	\$(22,192,000)	\$42,808,000
1986	1,141,000	(7,927,000)	(6,786,000)
1987	164,000	(12,591,000)	(12,427,000)
1988	403,000	---	403,000
1989	8,747,000	---	8,747,000
Totals	<u>\$75,455,000</u>	<u>\$(42,710,000)</u>	<u>\$32,745,000</u>
		Net Loss 1985-1989	(2,473,000)
		Ending Partners' Capital	<u>\$30,272,000</u>

Since 1985, DJT has contributed \$75,455,000 in capital and withdrawn \$42,710,000, for a net contribution to TCA of \$32,745,000. Beginning with the quarter ended September 30, 1990, TCA may distribute all available cash flow for the quarter, including available cash flow previously undistributed, of which there is none.

g. Management Changes at Trump Castle Since January 1990

Since January 1990, there have been a significant number of management changes at Trump Castle. The following is an account of those changes which have involved TCA entity qualifiers:

1. Edward M. Tracy was appointed Chief Executive Officer of Trump Castle.
2. Anthony Calandra was promoted from Branch Office Manager (New York Office) to President & Chief Operating Officer for Trump Castle.
3. Tim Rose was terminated as Senior Vice President of Marketing at Trump Castle.
4. William Dayton was hired as Senior Vice President of Marketing.
5. John Belisle was hired as Vice President of Marketing at Trump Castle. However, he has since resigned this position, effective June 24, 1990.
6. Lauren Etes was hired as Executive Vice President of Player Development.
7. Lyndon Stockton was hired as Vice President of Player Development.
8. Jeffrey Ludwig was transferred from Trump Castle to the Taj Mahal where he holds the same position, Vice President of Administration.

9. Richard Goldstein was promoted from Director of Casino Marketing to Vice President of Casino Marketing.
10. Nathan Katz was hired as Vice President of National Marketing.
11. Brad Buchanan was hired as Vice President of Business Analysis.

h. Summary

From 1985 to 1989 the Castle was able to meet all of its debt service through funds generated by operations while maintaining a comfortable cash position. Year end cash balances amounted to \$31.1 million in 1987, \$19.7 million in 1988 and \$14.6 million in 1989. The gradual decrease in cash was the result of higher than projected costs in connection with the tower construction that was paid from operating funds and was completed in December 1989. Instead of the originally anticipated \$20 to \$25 million of internally generated funds that would be necessary to complete the project, the Castle expended closer to \$55 million. This increase was the result of a change in plans to upgrade the Castle to a luxurious first class facility instead of catering to their existing middle market.

Consequently, a once comfortable cash balance became severely inadequate, especially in light of the initial \$22.68 million sinking fund payment and the \$20 million in interest that were coming due June 15, 1990. The inadequate cash balance became obvious when the Castle was unable to make timely payments on June 15, 1990. In fact, only a cash contribution by DJT avoided a bond default. DJT was able to cure the default by securing a bridge loan to satisfy the obligations and make the necessary interest payments within the 10 day grace period.

Going forward, the Castle will be able to make the December 15, 1990 bond interest payment as long as results are within 15% of budget. See Table 6. However, even if management's projections are met, the Castle will be unable to meet its June 15, 1991 sinking fund and interest payments without purchasing the bonds at a significant discount. If projected casino revenues decline by 5%, then sufficient cash will exist only to pay the June 15, 1991 interest and not the sinking fund requirement. The sinking fund obligation would have to be satisfied through an external source, most likely DJT, although the Division does not believe that this is a realistic alternative. Because of recent negative trends in revenue projections, the Division does not foresee the Castle realizing its revenue expectations and consequently satisfying its June 15, 1991 bond obligations.

2. Taj Mahal

Prior to the March 29, 1990 TTMA casino license proceeding, the Division filed on March 15, a 94 page report with the Commission on various matters related to that hearing. A section of that Division report examined the proposed financial stability of TTMA over a one year period. Since at that point TTMA had no operating history against which to measure its projections, the Division's analysis was based on certain key assumptions provided by that entity. However, it is now evident that several of those assumptions were overly optimistic, such as the amount of construction debt and trade payables that TTMA would be faced with in 1990, and the ability of the Taj Mahal to capture more than its fair share of the forecasted level of the slot play in the Atlantic City industry. Even though the facility has only been operational for slightly over three months, a somewhat pessimistic picture of its future financial health has evolved. Hence, an updated Division financial analysis follows below.

a. Overall Debt

As of June 30, 1990, the Taj Mahal was responsible for long term debt totalling \$822.3 million as follows:

\$675.0	14% First Mortgage Bonds due 1998
47.3	National Westminster Bank USA
<u>25.0</u>	Trump Line of Credit
747.3	
<u>75.0</u>	First Fidelity Loan
<u><u>\$822.3</u></u>	Total

Under the terms of the New Money Facility, the National Westminster loan must be kept current while the \$75.0 million First Fidelity loan is deferred and interest payments are subject to the moratorium. Therefore, the property must generate sufficient cash flow to service the \$675.0 million first mortgage bonds and the \$47.3 million National Westminster debt totalling \$722.3 million. The debt service for the remainder of 1990 totals \$54.9 million with \$3.9 million due in August and \$51.0 million due in November. The National Westminster debt service requires principal of \$2.6 million and interest due each quarter. The debt service on the bonds requires interest to be paid semi-annually on November 15 and May 15. The next interest payment, which totals \$47.3 million, is due November 15, 1990. The remainder of the Taj Mahal portion of this report will describe the current financial position and recent operating history of the property. The present circumstances indicate that the property cannot generate sufficient cash to meet its debt service and consequently a default on the November 1990 interest payment becomes a distinct possibility.

b. Bank Cash Balances

In June, the Division began to monitor the bank balances at the Taj Mahal on a daily basis. The records provided by the Taj Mahal indicated that the bank balance, at times, was unusually low or in an overdraft status. Accordingly, the Division has reviewed the bank balances from opening day (April 2, 1990) to the present

(July 17, 1990). The following table reflects the days on which the available bank cash balances per the company's books indicated a negative balance or a balance of less than \$1.0 million through July 17, 1990. Bank cash balance is defined as all funds on deposit at the bank less the float (checks drawn but not cleared). These funds do not include the cash maintained at the casino (cage cash, main cage bank, impressment or floor and general cashier cash inventory).

Taj Mahal Bank Balances Less Than \$1.0 Million

<u>Date</u>	<u>Amount</u>
April 5	\$ 745,961
April 6	(1,745,320)
April 7	(1,027,153)
April 8	(601,838)
April 9	(1,321,754)
May 18	(484,679)
May 19	547,597
May 20	846,387
May 25	(1,183,083)
May 26	(644,501)
May 27	157,147
June 15	577,087
June 22	97,089
June 23	909,054
June 29	(1,486,506)
June 30	(1,301,262)
July 1	(644,085)

On April 1, 1990 the Taj Mahal had an available bank cash balance of \$12,350,343 (\$17,075,000 invested less \$4,724,657 float). On the date the casino opened (April 2, 1990), \$7,400,799 of cash was available in the bank. As a result of the opening week's problems, available bank cash declined because more funds were being disbursed (checks drawn) than were being deposited. Commencing on April 6 and continuing through April 9 (4 days), the

amount of outstanding checks (float) exceeded the total funds on deposit at the bank. If all the checks written were issued and presented for payment at the bank, the Taj Mahal would have had insufficient funds on deposit to satisfy them. These negative available cash balances occurred again on May 18, 25, and 26; June 29 and 30 and July 1.

According to Henry Hornbostel, chief financial officer of the Taj Mahal, the negative cash balances were offset by checks which were prepared but not signed or issued and referred to as "hold checks". He indicated that the hold checks, in combination with the normal float time of checks, more than covered the negative cash balance. The Division advised Mr. Hornbostel that a daily accounting of the hold checks would be necessary in order to document the cash position of the company. This matter was also discussed with a representative of the KL Company. During the week of July 9, 1990, Mr. Hornbostel advised the Division that during the week of July 16, 1990 the Taj Mahal would implement a new system of writing checks as issued and eliminate any hold checks. However, since July 2, 1990 the company records have not indicated a negative balance and Mr. Hornbostel stated there has not been a need for hold checks. The average bank balance has averaged \$7.4 million through July 24, 1990.

c. Employees

The level of payroll expense was identified by management early on as an expense which needed to be brought under control. Payroll has significantly exceeded budget amounts as follows:

(\$ in millions)

	<u>Actual Payroll</u>	<u>Budgeted Payroll</u>	<u>Variance</u>
April	\$12.9	\$10.0	(\$2.9)
May	\$11.9	\$10.5	(\$1.4)
June	\$10.5	\$ 9.9	(\$0.6)

The following table reflects the number of employees and associated payroll costs of the Taj Mahal on opening night (April 2, 1990) and as of June 22, 1990 and July 1, 1990.

<u>Date</u>	<u># of Employees</u>	<u>Full Time Equivalents*</u>	<u>Gross Payroll</u>
04/02/90	7,608	7,907.3	\$3,095,000
06/22/90	7,153	6,085.7	\$2,395,000
07/01/90	7,123	6,029.5	\$2,439,000

* 40 Hour Work Week

Since commencing operations, the Taj Mahal reduced its staff by 485 (6.4%) employees (1,878 [23.8%] full time equivalent employees) and weekly payroll by \$656,000.

Additionally, all Taj Mahal departmental heads were to have submitted plans for adjusting the seasonal workforce to management by July 15, 1990, to reflect "seasonal adjustments" which will provide further employee reductions after Labor Day.

d. Financial Analysis of the Taj Mahal

Actual vs Budget

April 1990

During April 1990, the first month of operation, the Taj Mahal generated \$18.5 million in table gaming revenue, over \$800,000 more than budget. However, slot revenue of \$15.4 million fell over \$6 million below projections. Total gaming revenue amounted to \$34 million but was \$5.4 million below forecast. All other revenues (rooms \$4.0 million, food and beverage \$7.6 million) exceeded projections for April. Gross revenue of \$46.7 million fell short of projections by \$4.4 million. With promotional allowances on target with forecast (\$5.1 million), net revenue (\$41.6 million), fell \$4.3 million below budget.

April payroll costs of \$12.9 million exceeded projections by \$2.9 million. Through reductions in marketing (-\$1.4 million), complimentaries (-\$1.7 million) and coin giveaways (-\$1.9 million), total expenses fell \$3.2 million below budget at \$32 million. Operating income which had been budgeted at \$10.8 million fell to

\$9.7 million. With depreciation and the Trump Management fee approaching projections, earnings before interest and taxes amounted to \$4.3 million, \$1.4 million below forecasts.

Interest expenses were slightly higher than projections at \$8.3 million, resulting in a \$4 million net loss. This was \$1.6 million more than anticipated.

May 1990

In May 1990, table game revenue amounted to \$18.0 million (\$1.4 million below budget and \$500,000 below April 1990). Slot revenue (\$18.1 million), although \$2.6 million better than April, was still \$4.1 million below forecast. Total gaming revenue which was projected at \$41.6 million amounted to \$36.1 million, a \$5.5 million shortfall. Even though gaming revenue fell short of projections, the Taj Mahal expended \$275,000 more than forecast for promotional allowances (\$6.3 million). Net revenue at \$43.9 million was \$4.2 million less than forecast.

Expenses for payroll (\$11.9 million) as well as general and administrative (\$4.0 million) each exceeded projections by more than \$1 million. The amount of coin giveaways amounted to only \$92,000 or \$2.7 million less than budget. Because of this sizeable savings, total cost was \$600,000 below budget at \$35.2 million.

Operating profit which had been budgeted at \$12.3 million amounted to only \$8.7 million. Depreciation and management fees both approached budget, such that earnings before interest and taxes amounted to \$3.3 million or 50% of budget.

Interest expenses were only slightly higher than forecast at \$8.6 million. Net loss was projected at \$1.4 million but soared to \$5.2 million, an increase of 275.9%.

Growth of the Atlantic City Market

Prior to the opening of the Taj Mahal, the licensee forecasted that the Atlantic City market would generate \$2.95 billion of gaming revenue in 1990. This amount represents a 5.09% growth over the 1989 industry revenue level of \$2.807 billion. In order to achieve the forecasted level, the industry needs to grow at a rate of 6.8% post-Taj Mahal opening (April to December) to offset the 1990 pre-Taj Mahal months (January to March) when industry revenue levels fell 0.3% below 1989.

Casino Revenues and Market Share

This section of the report will examine the performance of the Taj Mahal with respect to cash flow requirements and monthly budgeted casino revenue. The property's performance is measured against either annualized "forecasts" prepared prior to the opening of the property or monthly "budgeted" amounts. To meet cash flow requirements, the average daily casino revenue during the first nine months must be at least \$999,000. This is based upon an analysis submitted to the Commission by Taj management prior to the original license hearing. It is important to note that the \$999,000 is an average. In actuality, the break-even point will rise during the peak summer season when expenses are higher and fall in the off-season. Our analysis indicates that even though casino revenue has often not reached the break-even amount, the average daily casino revenue through July 18, 1990 (108 days) has been \$1.17 million.

Table Games

The following table reflects the actual operating results for the Taj Mahal versus budgeted amounts in table games revenue.

Table Games Revenue
(\$ in millions)

	<u>April</u>	<u>May</u>	<u>June</u>	<u>3 Month Total</u>
Drop				
Actual	\$122.6	\$133.1	\$111.5	367.2
Budgeted	109.1	120.0	120.0	349.1
% Variance	12.4%	9.8%	(7.1%)	5.2%
Revenue				
Actual	18.6	18.0	17.7	54.3
Budgeted	17.7	19.4	19.4	56.5
% Variance	5.2%	(7.2%)	(8.8%)	(3.9%)
Hold Percentage				
Actual	15.2%	13.6%	15.9%	14.8%
Budgeted	16.2%	16.2%	16.2%	16.2%
Variance	(1.0)	(2.6)	(0.3)	(1.4)

During the first three months of operations the Taj Mahal was able to generate a level of business (drop) at the table games which exceeded the budget by 5.2%. Closer examination reveals that the drop exceeded projections in April and May by 12.4% and 9.8% respectively. However, drop was lower than projected by 7.1% in June. This trend may indicate a lessening of demand. Notwithstanding the fact that table drop exceeded budget by \$18.1 million in the first three months of operations, Table Games Revenues fell below projections by \$2.2 million (3.9%). This was due to a lower than expected hold percentage during the period, 14.8% versus 16.2%, a variance of 1.4 percentage points.

Table Games Revenue
Market Share Analysis

	<u>April</u>	<u>May</u>	<u>June</u>	<u>3 Month Total</u>
Fair Share Based on Table Game Units	12.3%	12.3%	12.3%	12.3%
Forecasted Market Share	17.4%	17.4%	17.4%	17.4%
Actual Market Share				
Based on Drop	18.0%	18.3%	16.2%	17.5%
Based on Win	17.7%	16.0%	16.4%	16.8%
Performance Level				
Forecasted	141.3%	141.3%	141.3%	141.3%
Actual Based on Drop	145.8%	148.3%	131.8%	142.5%
Actual Based on Win	143.5%	130.5%	133.5%	135.7%
Daily Win Per Unit				
Budgeted	\$3,649	\$3,755	\$3,880	\$3,762
Actual	\$3,821	\$3,484	\$3,533	\$3,609
Industry Rank	2nd	2nd	2nd	--

The table above summarizes the table games market share statistics for the Taj Mahal's first three months of operation. For the period, the facility exceeded the forecasted market share based upon table game drop by one-tenth of a percentage point but fell below forecast by six-tenths of a percentage point based upon win. This indicates that the volume of table games business is at the level expected. However, two items of interest should be noted with respect to the table games. First, the market share of table

drop fell by two percentage points from May to June. This may be an indication that the public demand for the new facility is softening. Secondly, the hold percentage for the three months is below forecast by 1.4 percentage points. The exact reason(s) for the variance in hold percentage is unclear at this time. If the low hold percentage is due to an inaccurate forecast, the result of game security problems, or due to the start-up problems, the hold percentage variance and related revenue may not be recoverable. If the low revenue is due to the normal volatility of the hold percentage, the related revenue may be recoverable.

Slot Revenue
(\$ in millions)

	<u>April</u>	<u>May</u>	<u>June</u>	<u>3 Month Total</u>
Actual	\$15.9	\$18.5	\$17.1	\$51.5
Budgeted	22.1	22.7	23.4	68.2
% Variance	(28.1%)	(18.5%)	(26.9%)	(24.5%)

Slot Revenue has been significantly below projections. For the first three months of operation the slot revenue is \$16.7 million (24.5%) below budget. Slot revenue was expected to contribute approximately 55% of the total casino revenue. Actual results, however, indicate that slot revenues are only 48% of gaming revenue. For the six months ending June 30, 1990, the Taj Mahal is the only property in Atlantic City which generated less than 50% of its casino revenue from slot machines.

Slot Revenue

Market Share Analysis

	<u>April</u>	<u>May</u>	<u>June</u>	<u>3 Month Total</u>
Fair Share Based on Slot Machine Units	14.4%	14.3%	14.4%	14.4%
Forecasted Market Share	16.0%	16.0%	16.0%	16.0%
Actual Market Share	10.5%	12.2%	11.3%	11.3%
Performance Level				
Forecasted	113.0%	113.0%	113.0%	113.0%
Actual	74.2%	85.9%	79.6%	79.9%
Daily Win Per Unit				
Budgeted	\$247.40	\$237.53	\$253.08	\$245.90
Actual	\$182.49	\$198.19	\$188.90	\$190.02
Industry Rank	11th	10th	12th	--

The table above summarizes the slot market share statistics for the Taj Mahal's first three months of operation. For the period, the slot department performed significantly below the expected revenue and market share levels. It appears that all market share indicators rose from April to May, but then fell during the month of June. The rise in May is probably due to the fact that the slot department was not operating at full capacity in April. The decline in performance during the month of June may indicate that the Taj Mahal is losing its ability to draw business, although no definitive conclusion can be advanced at this time.

It is also important to note that the casino bus program has been severely curtailed due to start-up problems related to the slot department. The cut back has helped to control expenses but has also negatively affected slot revenue and market share. An indication of the size of the cut back can be seen when actual coin giveaways are compared to budgeted amounts.

	<u>Coin Giveaways</u> (\$ in millions)			
	<u>Actual</u>	<u>Budgeted</u>	<u>Variance</u>	<u>%</u>
April	\$0.0	\$1.4	\$1.4	100%
May	0.1	2.8	2.7	96%
June	0.4	2.9	2.5	86%

The table below illustrates the shortfalls between budgeted Total Casino Revenue and Actual Results.

	<u>Total Casino Revenue</u> (\$ in millions)			
	<u>April</u>	<u>May</u>	<u>June</u>	<u>3 Month Total</u>
Actual	\$34.5	\$36.5	\$34.8	\$105.8
Budgeted	39.8	42.1	42.8	124.7
% Variance	(13.3%)	(13.3%)	(18.7%)	(15.2%)

Total Casino Revenue has been significantly below expectations throughout the first three months of operations. April and May were both 13.3% below budget while June was 18.7% below budget.

Total Casino Revenue

Market Share Analysis

	<u>April</u>	<u>May</u>	<u>June</u>	<u>3 Month Total</u>
Fair Share Based on Casino Floorspace	15.6%	15.6%	15.6%	15.6%
Forecasted Market Share	16.6%	16.6%	16.6%	16.6%
Actual Market Share Attained	13.5%	13.8%	13.4%	13.6%
Performance Level				
Forecasted	106.7%	106.7%	106.7%	106.7%
Actual	86.2%	88.7%	86.1%	87.0%
Daily Win Per Square Foot				
Budgeted	\$11.44	\$11.32	\$11.89	\$11.55
Actual	\$ 9.89	\$ 9.82	\$ 9.65	\$ 9.79
Industry Rank	10th	8th	10th	--

In terms of total casino revenue the Taj Mahal has not performed as expected. Market share levels, performance levels and win per square foot are all well below projections. More importantly, the trend for the first three months does not show signs of improvement and may, in fact, be deteriorating.

As mentioned earlier, table game performance has been hindered by a lower than expected hold percentage, while slot revenue performance is the major cause of the disappointing gaming results.

Based upon the preliminary industry revenue figures available for the first 21 days of July, the Taj Mahal's market share of

total casino win is 14.0%, which is well below the property's fair share and forecasted market share. As in the prior three months, the table games department performed well with 17.1% of the market, while slots continued a lackluster showing garnering only 11.7% of market share.

Accounts Payable

Included in the February 7, 1990 submission package to the Commission were Forecasted Balance Sheet statements as of March 31, 1990 and December 31, 1990. Also included in the submission were forecasted statements of cash flows for each three month period commencing June 30, 1990 which reflected the net increases (decreases) projected for accounts payable for each quarter in 1990.

Projected Accounts Payable Balances
(\$ in millions)

Balance March 31, 1990	\$32.0
Payable Decreases 4/1/90 to 6/30/90	(<u>5.0</u>)
Balance June 30, 1990	27.0
Payable Decreases 7/1/90 to 9/30/90	(<u>5.0</u>)
Balance September 30, 1990	22.0
Payable Decreases 10/1/90 to 12/3/90	(<u>2.0</u>)
Balance December 31, 1990	<u>\$20.0</u>

As the above table indicates, the Taj Mahal anticipated commencing operations (April 2) with approximately \$32 million in

accounts payable. According to a Taj Mahal financial executive, the \$32 million was comprised of \$20.0 million in operating accounts payable and \$12.0 million in construction related bills. The forecast anticipated paying off \$5 million in each of the first two quarters of operation and \$2 million the last quarter of 1990.

A review of the unaudited Taj Mahal Balance Sheets has, however, disclosed the following accounts payable and retainage balances (Retainage is the amount of payment withheld until the date of completion of construction):

(\$ in millions)

	<u>Total</u>	<u>Payable</u>	<u>Retainage</u>
December 31, 1989	\$ 41.6	\$34.5	\$7.1
April 30, 1990	75.6	67.6	8.0
May 31, 1990	100.9	92.9	8.0
June 30, 1990	100.0	93.9	6.1

The \$100.9 million balance at May 31, 1990 is comprised of construction (\$56.7 million), FF&E (\$17.1 million), operation accounts payable (\$14.9 million) and late invoices of \$12.2 million. The breakdown for the June 30, 1990 total is not available at this time.

Thus, it is readily apparent that instead of presently having a manageable accounts payable of approximately \$27 million, the Taj

Mahal faces accounts payable of approximately \$100 million. This large amount of payables has resulted in representatives of the Taj Mahal meeting with construction contractors in order to reach some agreement on a stretch out of the monies due.

Taj Mahal Construction and Trade Payables

The beginning of July marked the commencement of the 14th week of operation for the Taj Mahal facility, since its opening on April 2, 1990. During this period, the Taj Mahal accumulated a growing list of unpaid invoices and accounts payable which has reached an outstanding total of approximately \$85.3 million. This sum does not include construction retainage of \$6.6 million which is maintained in a separate general ledger account or accrued expenses. Most of the money owed is to various contractors who performed construction services and/or provided labor and materials for the Taj Mahal. The table below illustrates the recent trend in accounts payable balance, excluding retainage and accrued expenses.

Accounts Payable Balances
(\$ in millions)

	<u>Total</u>	<u>Without Construction Invoices</u>	<u>Construction Invoices</u>
5/29/90	\$49.0	\$15.9	\$33.1
6/09/90	73.6	26.0	47.6
6/15/90	72.1	24.6	47.5
6/29/90	75.8	32.9	42.9
7/05/90	85.3	29.8	55.5
7/13/90	83.1	27.6	55.5
7/20/90	90.0	40.9	49.1

As of July 20, 1990, the Taj Mahal Accounts Payable Aging Balance reflected outstanding payables of \$90.0 million as follows:

<u># of Days</u>	<u>Total</u>	<u>Without Construction*</u> <u>Invoices</u>	<u>Construction</u> <u>Invoices</u>
0-30	\$ 9.2	\$ 9.2	--
31-60	12.9	11.3	\$ 1.6
61-90	18.0	2.8	15.2
91-120	33.0	7.0	26.0
Over 120	<u>16.9</u>	<u>10.6</u>	<u>6.3</u>
Total	<u>\$90.0</u>	<u>\$40.9</u>	<u>\$49.1</u>

*Includes certain furniture and fixtures (i.e. slot machines, coin changers, etc.)

It should be noted that the above Accounts Payable Aging does not include construction retainage of \$6.6 million.

The growing list of unpaid creditors has prompted the filing of several civil action claims against the Taj Mahal by a number of contractors, as well as the threat of additional litigation. Over the past two months, the Division has received a number of telephonic and written complaints from various Taj Mahal creditors claiming that the Taj Mahal and the Trump Organization have breached various contractual relationships by failing to pay monies owed.

The following four (4) civil actions have been filed against the Taj Mahal during the past month:

A. Molded Fiber Glass Companies

v.

Trump Taj Mahal Associates, L.P., et.al.

(Atlantic County Superior Court,

Docket #ATL-L-0030830-90)

The plaintiff is seeking \$3,118,752.85, plus interest, costs of suit and attorney's fees from the defendants. The plaintiff provided over 70 molded fiberglass minarets and domes to the Taj Mahal at a total contract price of \$14.2 million.

B. Thomas Company, Inc., t/a Thomas Roofing & Sheet Metal Company

v.

Trump Taj Mahal Associates, L.P.

(Atlantic County Superior Court,

Docket #ATL-L-003023-90)

Plaintiff alleges that the Taj Mahal owes it \$932,340.16 for labor, material, equipment, scaffolding and other expenses for HVAC ductwork and roofing systems for the casino hotel facility. The plaintiff's total contract price was \$8.3 million.

C. Central Metals, Inc.

v.

Trump Taj Mahal, Inc., et. al
(Camden County Superior Court,
Docket #L06860-90)

The plaintiff alleges that the defendant has failed to pay \$1.6 million on a contract of nearly \$6.8 million for ornamental and other metal work.

D. Falcon Steel Company, Inc.

v.

Trump Taj Mahal Associates, L.P., et. al
(Atlantic County Superior Court,
Docket #ATL-L-003492-90)

The plaintiff is seeking a judgment of \$2,303,186.49 (plus interest, costs of suit, and attorney fees) against various Trump defendants and the Perini Corporation for failing to pay monies owed. Falcon Steel provided labor, material and equipment for the installation and erection of molded fiber glass and structure steel on the Taj Mahal project.

Various meetings have been held between representatives of the Trump Organization and contractor groups in an attempt to restructure sums owed by the Taj Mahal. On July 10, 1990, several

Trump representatives met with approximately 125 people representing more than 50 Taj Mahal subcontractors at Merv Griffin's Resorts Casino Hotel to discuss settlement possibilities. The subcontractors have selected a seven-member committee to continue discussions with the Trump Organization.

According to John Robbins of the KL Company, DJT has offered to pay \$20 million in cash to the Taj Mahal contractors, and issue non-interest bearing notes to pay the remaining \$50-\$60 million in construction payables over the next five years. The casino hotel would pay \$5 million immediately to a number of smaller Taj Mahal contractors (owed less than \$195,000) to satisfy those obligations. On Monday, July 23, 1990, \$5.0 million was placed into escrow for contractor payments. This money has been used to pay the 206 contractors who have accepted Taj Mahal's offer of 70 cents on the dollar.

An additional \$15 million in cash would be paid to the remaining creditors in two installments; \$7.5 million in August, with another \$7.5 million to be paid in September. Based upon the cash balance of \$8.8 million at July 24, 1990 it is uncertain whether or not the Taj Mahal can meet this payment schedule.

The remaining notes would be prioritized so that large creditors who have already received a majority of their contract amount would receive the balance of their money last. All the

promissory notes would be unsecured, and all proceeds would be derived from the Taj Mahal's operating cash flow. The offer has not been accepted thus far by the contractors, but additional negotiations between Trump representatives and the creditors committee are ongoing.

e. Cash Flow Analysis

The KL Company prepared a Pre-Plan Budget of projected cash flow activity for the period May 1990 through April 1991. The May 1990 amounts are actual results, while the June 1990 through April 1991 figures reflect management's forecasts as adjusted by the KL Company. The KL Company has also prepared a Post-Plan Budget of cash flow. In this instance, the Pre-Plan and Post-Plan documents are identical due to the lack of operating history for the property. The assumptions and budget amounts contained in the KL Company Post-Plan budget as compared to actual preliminary June 1990 results for the Taj Mahal are as follows:

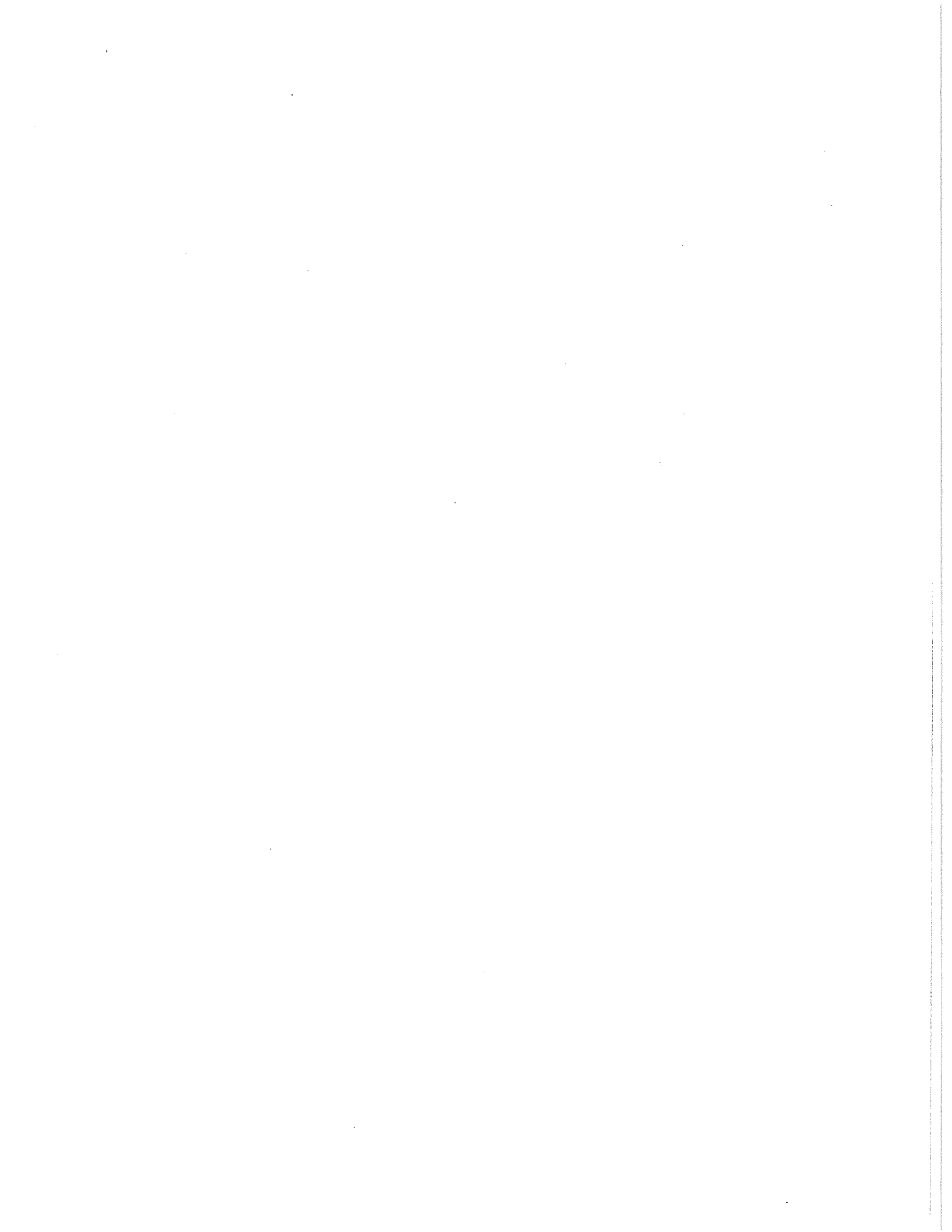


TABLE 1

REF #	LENDER	COLLATERAL/ RELATED PROPERTY	PROPERTY PER KL REPORT	PURPOSE	MAXIMUM AMOUNT	OUTSTANDING APRIL 30, 1990	1990 TOTALS	1991 TOTALS
TOTAL DEFERRED DEBT:								
01	BANKERS TRUST COMPANY		TRUMP PARC	H/C	4,000,000	4,000,000	222,033	410,000
02	BANKERS TRUST COMPANY		UNSECURED STOCK	H/C	100,000,000	100,000,000	5,552,083	10,250,000
03	BEAR STEARNS & CO.	ALEXANDER'S STOCK	STK ARGN	H/C	6,104,853	6,104,853	330,630	610,465
04	BOSTON SAFE DEPOSIT		UNSECURED	H/C	10,000,000	9,400,000	509,157	940,000
06	BOSTON SAFE DEPOSIT	TRUMP PRINCESS	PRINCESS	H/C	15,737,500	15,737,500	937,633	1,731,125
07	BOSTON SAFE DEPOSIT	TRUMP PRINCESS	UNSECURED	H/C	10,000,000	10,000,000	541,657	1,000,000
08	CHASE MANHATTAN BANK	LINCOLN WEST	PENN YARDS	H/C	25,000,000	18,700,000	1,012,917	1,670,000
10	CHASE MANHATTAN BANK		STOCK	PROP DEV	200,000,000	195,648,829	11,184,402	20,648,127
12	CITIBANK		TRUMP PALACE	ALEXANDER STK	220,000,000	135,817,924	7,410,971	13,681,792
13	CITIBANK		TRUMP SHUTTLE	PUR/CONS	135,000,000	135,000,000	7,495,313	13,837,500
15	CITIBANK		PLAZA HOTEL-NY	EQUITY	125,000,000	113,248,201	6,134,276	11,324,620
16	CITIBANK		STEEL PIER	FTR EG	75,000,000	75,000,000	4,265,625	7,675,000
19	FIRST FIDELITY LOAN	GRAND HYATT	TAJ	H/C	35,861,065	35,861,065	2,039,536	3,765,412
21	MANUFACTURER'S HANOVER	MOKT REC-E. 61st ST	TRUMP PARC	H/C	23,752,000	23,752,000	1,318,731	2,434,560
22	MANUFACTURER'S HANOVER	100 CENTRAL PARK	TRUMP PARC	H/C	30,000,000	28,357,500	1,736,837	2,977,538
23	MANUFACTURER'S HANOVER	100 CENTRAL PARK SO.	TRUMP PARC	PROP PUR	887,361	887,361	48,056	83,758
24	MANUFACTURER'S HANOVER	TRUMP REGENCY	TRUMP REGENCY	PROP PUR	85,000,000	72,566,333	4,028,943	7,433,049
25	MANUFACTURER'S HANOVER	TRUMP PLAZA	TRUMP PLAZA	PROP PUR	15,000,000	0	0	0
28	MIDLANTIC NATIONAL BANK	TRUMP PLAZA	TRUMP PLAZA	H/C	7,000,000	7,000,000	379,167	700,000
29	MIDLANTIC NATIONAL BANK	PENTHOUSE LAND	PENTHOUSE LAND	H/C	37,000,000	37,000,000	2,104,375	3,685,000
30	MIDLANTIC NATIONAL BANK	BOHARDALK PROP. INC.	TRUMP PLAZA	H/C	19,000,000	19,000,000	0	0
34	VAR. PURCHASE MORTGAGES		PROP DEV	PROP DEV	60,000,000	60,000,000	0	0
42	BANKERS TRUST	GRAND HYATT	PROP DEV	PROP DEV	21,402,166	21,402,166	0	0
43	EQUITABLE REAL ESTATE	GRAND HYATT	PROP DEV	PROP DEV	38,443,420	38,443,420	0	0
44	HOME SAVINGS OF AMERICA	GRAND HYATT	PROP DEV	PROP DEV	0	0	0	0
TOTAL DEFERRED DEBT					\$1,362,186,365	\$1,227,927,172	\$60,665,154	\$111,763,166
TOTAL CURRENT BANK DEBT:								
05	BOSTON SAFE DEPOSIT	FLORIDA RESIDENCE	MAR-R-LAGO	PTR PUR	12,000,000	12,000,000	650,000	1,200,000
09	CHASE MANHATTAN BANK	TRUMP TOWER	TOWER	PTR PUR	75,000,000	75,000,000	4,164,063	7,687,500
11	CIT GROUP	HELICOPTER AIR	HELICOPTER	PURCH	50,000,000	50,000,000	2,843,750	5,250,000
14	CITIBANK	TRUMP SHUTTLE	TRUMP SHUTTLE	PUR	265,000,000	245,000,000	13,270,833	24,500,000
17	CITIBANK	PLAZA HOTEL-NY	PLAZA HOTEL-NY	PTR PUR	300,000,000	300,000,000	16,250,000	30,000,000
18	EUROPEAN AMERICAN BANK	TR. PLAZA LAND	TR. PLAZA LAND	LAND - AC	10,000,000	10,000,000	595,833	1,100,000
20	FIRST PENNSYLVANIA BANK	TR. PLAZA LAND	TR. PLAZA LAND	LAND - AC	2,790,000	2,790,000	171,000	312,000
26	MARINE MIDLAND	TR. PLAZA PALM BCH	TR. PLAZA PALM BCH	PROP PUR	27,109,155	27,109,155	1,578,544	2,914,234
27	MIDLANTIC NATIONAL BANK	TRUMP CASTLE	TRUMP CASTLE	W/C	16,000,000	13,000,000	704,157	1,300,000
31	MIDLANTIC NATIONAL BANK	TRUMP CASTLE	TRUMP CASTLE	TMR. CONS.	50,000,000	50,000,000	2,379,157	5,500,000
38	NATIONAL WESTMINSTER	LESS: LTR OF CREDIT	TRUMP PLAZA	W/C	(19,000,000)	100,000	5,417	10,000
36	NATIONAL WESTMINSTER	TAJ MAHAL	TRUMP PLAZA	EQUIP	50,000,000	50,000,000	7,839,150	14,505,816
TOTAL CURRENT BANK DEBT					\$667,899,155	\$634,999,155	51,051,931	\$94,279,550
CURRENT OTHER DEBT: (EXCLUDING BOND DEBT)								
32	MARRAN'S ATLANTIC CITY	TRUMP PLAZA	TRUMP PLAZA	PTR PUR	16,095,000	16,095,000	871,813	3,983,850
33	VAR. PURCHASE MORTGAGES	NOTE. NOTES TPAC	TRUMP PLAZA	PROP PUR	9,213,488	9,213,488	499,054	3,301,699
TOTAL CURRENT BANK AND OTHER DEBT					\$683,207,643	\$660,307,643	\$52,422,807	\$101,571,099
BOND DEBT: CSINKING FUND AND INTEREST								
38	13 3/4% DEBENTURES	TRUMP CASTLE	TRUMP CASTLE	PTR PUR	226,800,000	226,800,000	14,033,250	49,187,250
39	7% DEBENTURES	TRUMP CASTLE	TRUMP CASTLE	PTR PUR	125,000,000	81,808,000	4,375,000	6,750,000
40	12 7/8% DEBENTURES	TRUMP PLAZA	TRUMP PLAZA	PTR PUR	250,000,000	250,000,000	16,093,752	55,573,127
41	14% DEBENTURES	TAJ MAHAL	TAJ MAHAL	PTR PUR	675,000,000	675,000,000	47,250,000	94,500,000
TOTAL BOND DEBT					\$1,276,800,000	\$1,239,608,000	\$81,752,002	\$208,015,377
TOTAL CURRENT DEBT					\$2,160,007,643	\$2,093,915,643	313,417,409	\$309,585,476

TRUMP CASTLE HOTEL AND CASINO
 INCOME STATEMENT AND CASH FLOW PROJECTIONS
 MANAGEMENT PROJECTIONS

TABLE 2

(\$ in Thousands)

	1990					1991			111 MONTH APRIL TOTAL			
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY		FEBRUARY	MARCH	
CASH BEGINNING	\$6,121	\$11,234	\$20,318	\$26,417	\$32,422	\$37,140	\$38,583	\$19,207	\$22,012	\$24,068	\$27,429	\$6,121
OPERATING INCOME	5,151	10,650	7,565	7,171	5,884	2,509	2,198	3,871	3,122	4,427	4,581	57,129
TAX SERVICE: INTEREST PRINCIPAL*	(22,680)	(566)	(566)	(566)	(566)	(566)	(18,574)	(566)	(566)	(566)	(566)	(566)(46,748)
ADDITIONAL BORROWINGS (WITHDRAWALS)	23,642						(2,100)					21,542
CAPITAL EXPENDITURES	(1,000)	(1,000)	(900)	(600)	(600)	(600)	(500)	(500)	(500)	(500)	(500)	(7,100)
OTHER												
CASH ENDING	\$11,234	\$20,318	\$26,417	\$32,422	\$37,140	\$38,583	\$19,207	\$22,012	\$24,068	\$27,429	\$30,944	\$30,944

	1990					1991			111 MONTH APRIL TOTAL			
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY		FEBRUARY	MARCH	
ESTIMATED HOLD %	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%
CASINO REVENUES	20,646	26,278	24,864	21,958	20,317	18,827	16,999	18,514	18,446	19,154	17,610	229,752
OTHER REVENUES	6,356	8,012	7,581	6,696	6,195	5,740	5,164	5,645	5,624	5,840	5,369	68,223
LOSS REVENUES	27,202	34,290	32,445	28,654	26,512	24,567	22,103	24,159	24,070	24,934	22,979	291,975
PROMOTIONAL ALLOWANCES	3,157	3,980	3,766	3,326	3,077	2,851	2,565	2,804	2,794	2,901	2,667	33,888
NET REVENUES	24,045	30,310	28,679	25,928	23,435	21,716	19,598	21,955	21,276	22,099	20,312	258,087
OPERATING EXPENSES	18,894	19,660	19,113	18,157	17,551	17,206	17,540	17,484	15,904	17,666	15,731	194,706
EQUAL ESTATE TAXES	0	0	2,001	0	0	2,001	0	0	2,250	0	0	6,252
OPERATING INCOME	5,151	10,650	7,565	7,171	5,884	2,509	2,198	3,871	3,122	4,427	4,581	57,129

CASH OUTLAYS FOR THE JUNE 15, 1990 SINKING FUND REQUIREMENTS ARE NOT INCLUDED, AS THESE OBLIGATIONS WERE PURCHASED BY DJT, NOT THE CASTLE.

TRUMP CASTLE HOTEL AND CASINO
INCOME STATEMENT AND CASH FLOW PROJECTIONS
% DEVIATION

TABLE 3

(\$ in Thousands)

	1990					1991			11 MONTH			
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	TOTAL
CASH BEGINNING	\$6,121	\$10,192	\$17,962	\$22,818	\$27,726	\$31,428	\$31,929	\$11,706	\$19,585	\$14,719	\$17,122	\$6,121
OPERATING INCOME	4,109	9,996	6,922	6,074	4,868	1,568	1,950	2,945	2,200	3,469	3,701	45,941
DEBT SERVICE: INTEREST PRINCIPAL*	(22,680)	(566)	(566)	(566)	(566)	(566)	(18,974)	(566)	(566)	(566)	(566)	(566)(46,748)
ADDITIONAL BORROWINGS (WITHDRAWALS)	23,642						(2,100)					21,542
CAPITAL EXPENDITURES	(1,000)	(1,000)	(900)	(600)	(600)	(500)	(500)	(500)	(500)	(500)	(500)	(7,100)
OTHER												
CASH ENDING	\$10,192	\$17,962	\$22,818	\$27,726	\$31,428	\$31,929	\$11,706	\$13,585	\$14,719	\$17,122	\$19,756	\$19,756

	1990					1991			11 MONTH			
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	TOTAL
ESTIMATED HOLD %	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%
CASINO REVENUES	19,804	24,964	23,620	20,861	19,301	17,886	16,092	17,588	17,523	18,196	16,729	212,564
OTHER REVENUES	6,356	8,012	7,581	6,696	6,195	5,740	5,164	5,645	5,624	5,840	5,369	68,223
GROSS REVENUES	26,160	32,976	31,201	27,557	25,496	23,626	21,255	23,233	23,147	24,036	22,099	280,787
PROMOTIONAL ALLOWANCES	3,157	3,980	3,766	3,326	3,077	2,851	2,565	2,804	2,794	2,901	2,667	39,888
NET REVENUES	23,003	28,996	27,436	24,231	22,419	20,775	18,690	20,429	20,354	21,135	19,432	246,899
OPERATING EXPENSES	18,694	19,660	19,113	18,157	17,551	17,206	17,340	17,484	15,904	17,666	15,731	194,706
REAL ESTATE TAXES	0	0	2,001	0	0	2,001	0	0	2,250	0	0	6,252
OPERATING INCOME	4,109	9,336	6,322	6,074	4,868	1,568	1,950	2,945	2,200	3,469	3,701	45,941

* CASH OUTLAYS FOR THE JUNE 15, 1990 SINKING FUND REQUIREMENTS ARE NOT INCLUDED, AS THESE OBLIGATIONS WERE PURCHASED BY DJT, NOT THE CASTLE.

TRUMP CASTLE HOTEL AND CASINO
INCOME STATEMENT AND CASH FLOW PROJECTIONS
8% DEVIATION

TABLE 4

(\$ in Thousands)

	1990					1991			11 MONTH TOTAL			
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY		FEBRUARY	MARCH	APRIL
CASH BEGINNING	\$6,121	\$9,566	\$16,548	\$20,658	\$24,907	\$28,000	\$27,937	\$7,205	\$8,529	\$9,109	\$10,938	\$6,121
OPERATING INCOME	3,483	8,548	5,576	5,415	4,259	1,003	842	2,390	1,646	2,895	3,172	39,229
DEBT SERVICE: INTEREST PRINCIPALS	(22,680)	(566)	(566)	(566)	(566)	(566)	(18,974)	(566)	(566)	(566)	(566)	(46,748)
ADDITIONAL BORROWINGS (WITHDRAWALS)	23,642						(2,100)					21,542
CAPITAL EXPENDITURES	(1,000)	(1,000)	(900)	(600)	(600)	(500)	(500)	(500)	(500)	(500)	(500)	(7,100)
OTHER												
CASH ENDING	\$9,566	\$16,548	\$20,658	\$24,907	\$28,000	\$27,937	\$7,205	\$8,529	\$9,109	\$10,938	\$13,044	\$13,044

	1990					1991			11 MONTH TOTAL			
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY		FEBRUARY	MARCH	APRIL
ESTIMATED HOLD %	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%
CASINO REVENUES	19,178	24,175	22,875	20,202	18,692	17,321	15,584	17,033	16,970	17,622	16,201	205,852
OTHER REVENUES	6,356	8,012	7,581	6,696	6,195	5,740	5,164	5,645	5,624	5,840	5,369	68,223
GROSS REVENUES	25,535	32,188	30,456	26,898	24,887	23,061	20,747	22,678	22,594	23,462	21,570	274,075
PROMOTIONAL ALLOWANCES	3,157	3,980	3,766	3,326	3,077	2,851	2,565	2,804	2,794	2,901	2,667	33,888
NET REVENUES	22,377	28,208	26,690	23,572	21,810	20,210	18,182	19,874	19,800	20,561	18,903	240,187
OPERATING EXPENSES	18,694	19,660	19,113	18,157	17,551	17,206	17,340	17,484	15,904	17,666	15,731	194,706
REAL ESTATE TAXES	0	0	2,001	0	0	2,001	0	0	2,250	0	0	6,252
OPERATING INCOME	3,483	8,548	5,576	5,415	4,259	1,003	842	2,390	1,646	2,895	3,172	39,229

CASH OUTLAYS FOR THE JUNE 15, 1990 SINKING FUND REQUIREMENTS ARE NOT INCLUDED, AS THESE OBLIGATIONS WERE PURCHASED BY DJT, NOT THE CASTLE.

TRUMP CASTLE HOTEL AND CASINO
INCOME STATEMENT AND CASH FLOW PROJECTIONS
10% DEVIATION

TABLE 5

(\$ in Thousands)

	1990											11 MONTH
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	TOTAL
CASH BEGINNING	\$6,121	\$9,149	\$15,606	\$19,218	\$23,028	\$25,715	\$25,275	\$4,204	\$5,158	\$5,369	\$6,815	\$6,121
OPERATING INCOME	3,066	8,022	5,079	4,976	3,852	626	503	2,020	1,277	2,512	2,820	34,754
DEBT SERVICE: INTEREST PRINCIPALS	(22,680)	(566)	(566)	(566)	(566)	(566)	(18,974)	(566)	(566)	(566)	(566)	(46,748)
ADDITIONAL BORROWINGS (WITHDRAWALS)	23,642					(2,100)						21,542
CAPITAL EXPENDITURES	(1,000)	(1,000)	(900)	(600)	(600)	(500)	(500)	(500)	(500)	(500)	(500)	(7,100)
OTHER												
CASH ENDING	\$9,149	\$15,606	\$19,218	\$23,028	\$25,715	\$25,275	\$4,204	\$5,158	\$5,369	\$6,815	\$8,569	\$8,569

	1991											11 MONTH
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	TOTAL
ESTIMATED HOLD %	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%
CASINO REVENUES	18,762	23,650	22,377	19,763	18,286	16,944	15,245	16,663	16,601	17,238	15,849	201,377
OTHER REVENUES	6,356	8,012	7,581	6,696	6,195	5,740	5,164	5,645	5,624	5,840	5,369	68,223
GROSS REVENUES	25,118	31,662	29,958	26,459	24,480	22,685	20,409	22,308	22,225	23,079	21,218	269,600
PROMOTIONAL ALLOWANCES	3,157	3,980	3,766	3,326	3,077	2,851	2,565	2,804	2,794	2,901	2,667	39,888
NET REVENUES	21,960	27,682	26,193	23,133	21,403	19,833	17,843	19,504	19,431	20,178	18,551	235,712
OPERATING EXPENSES	18,894	19,660	19,113	18,157	17,551	17,206	17,940	17,484	15,904	17,666	15,791	194,706
REAL ESTATE TAXES	0	0	2,001	0	0	2,001	0	0	2,250	0	0	6,252
OPERATING INCOME	3,066	8,022	5,079	4,976	3,852	626	503	2,020	1,277	2,512	2,820	34,754

* CASH OULAYS FOR THE JUNE 15, 1990 SINKING FUND REQUIREMENTS ARE NOT INCLUDED, AS THESE OBLIGATIONS WERE PURCHASED BY DJT, NOT THE CASTLE.

TRUMP CASTLE HOTEL AND CASINO
INCOME STATEMENT AND CASH FLOW PROJECTIONS
15% DEVIATION

TABLE 6

(\$ in Thousands)

	1990					1991					11 MONTH APRIL TOTAL	
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH		
CASH BEGINNING	\$6,121	\$8,828	\$14,879	\$18,108	\$21,580	\$23,953	\$23,223	\$1,891	\$2,559	\$2,486	\$9,637	\$6,121
OPERATING INCOME	2,745	7,617	4,695	4,638	3,539	396	242	1,734	993	2,216	2,542	31,298
TAX SERVICE: INTEREST PRINCIPAL*	(22,680)	(566)	(566)	(566)	(566)	(566)	(18,974)	(566)	(566)	(566)	(566)	(46,748)
ADDITIONAL BORROWINGS (WITHDRAWALS)	23,642					(2,100)						21,542
CAPITAL EXPENDITURES	(1,000)	(1,000)	(900)	(600)	(600)	(500)	(500)	(500)	(500)	(500)	(500)	(7,100)
OTHER												
CASH ENDING	\$8,828	\$14,879	\$18,108	\$21,580	\$23,953	\$23,223	\$1,891	\$2,559	\$2,486	\$3,637	\$5,113	\$5,113

	1990					1991					11 MONTH APRIL TOTAL	
	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH		
ESTIMATED HOLD %	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%
CASINO REVENUES OTHER REVENUES	17,719	22,396	21,134	18,665	17,270	16,003	14,398	15,737	15,679	16,281	14,968	190,189
ROSS REVENUES	6,356	8,012	7,581	6,696	6,195	5,740	5,164	5,645	5,624	5,840	5,369	68,223
PROVISIONAL ALLOWANCES	24,075	30,348	28,715	25,361	23,465	21,743	19,562	21,382	21,303	22,121	20,338	258,412
NET REVENUES	2,436	3,071	2,906	2,566	2,374	2,200	1,980	2,164	2,156	2,238	2,064	26,156
OPERATING EXPENSES REAL ESTATE TAXES	21,639	27,277	25,809	22,795	21,090	19,543	17,582	19,218	19,147	19,882	18,273	232,256
OPERATING INCOME	18,694	19,660	19,113	18,157	17,551	17,206	17,340	17,484	15,904	17,666	15,731	194,706
	0	0	2,001	0	0	2,001	0	0	2,250	0	0	6,252
	2,745	7,617	4,695	4,638	3,539	396	242	1,734	993	2,216	2,542	31,298

CASH OUTLAYS FOR THE JUNE 15, 1990 SINKING FUND REQUIREMENTS ARE NOT INCLUDED, AS THESE OBLIGATIONS WERE PURCHASED BY DJT, NOT THE CASTLE.

Preliminary June 1990 Results
(\$ in millions)

	<u>Actual</u>	<u>KL Post-Plan Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>%</u>
Market Share	13.4%	15.2%	(1.8%)	(11.8%)
Casino Revenue	\$34.3	\$42.3	(\$8.0)	(19.1%)
Hold %	15.9%	16.2%	(0.3%)	(1.9%)
Total Non Gaming Revenue	\$11.9	\$12.7	(\$0.8)	(6.3%)
Promotional Allowances	\$ 5.2	\$ 5.5	\$0.3	5.1%
Net Revenues	\$41.0	\$49.6	(\$8.6)	(17.3%)
Operating Expenses	\$32.5	\$33.2	\$0.7	2.1%
Operating Income	\$ 8.6	.\$16.4	(\$7.8)	(47.6%)
Capital Expenditures	\$11.1	\$ 1.3	(\$9.8)	(753.8%)
Changes in Working Capital:				
Use/(Increase) of Liquid Assets	\$2.3	(\$ 7.1)	(\$9.4)	(132.3%)
A/P Reductions	(\$0.9)	(\$ 7.2)	(\$6.3)	(87.5%)

The above table is a representative month of the cash flow track record the Taj Mahal has established since April 2, 1990. The June results of market share, hold percentage and all income amounts did not reach budgeted levels, some by very significant variances. For example, casino revenues, net revenues and net

operating income were under budget by approximately 19%, 17% and 48%, respectively. Expenses have been coming in just under budget in spite of revenue levels that are well below the budgeted levels.

The capital expenditures budgeted for the remainder of 1990 are principally comprised of items necessary for the efficient operation of the building or for items necessary for the completion of the facility. For example, the capital expenditure budget includes items such as, completing the pool and health club, completing the building management system and finishing the theatre roof. Therefore, these expenditures must be characterized as non-discretionary.

According to the KL Company Post-Plan Budget, \$1.3 million was budgeted for capital expenditures in June 1990. According to the preliminary June balance sheet, Property Plant and Equipment increased by \$11.1 million in one month. Therefore, it is estimated that capital expenditures exceeded the budgeted amount by \$9.8 million or by 754%.

Of equal importance are the budgeted changes in working capital. According to the budget, liquid assets were to increase by \$7.1 million in June. In actuality, cash balances decreased by \$2.3 million in June, a \$9.4 million negative variation as illustrated below:

(\$ in millions)

	<u>Cash Balance</u>	<u>Change</u>
December 31, 1989	\$71.0	
April 30, 1990	68.8	(\$ 2.2)
May 31, 1990	22.8	(46.0)
June 30, 1990	20.5	(2.3)
July 24, 1990	18.7	(1.8)

It is important to note that the above cash balance on June 30, 1990 includes approximately \$10.0 million of casino cage and house funds which are not available to pay operating expenses. Also, the progressive jackpot liability at June 30 was \$2.5 million. If progressive jackpots were required to be fully funded by cash balances, the available cash at June 30, 1990 would have been approximately \$8.0 million. Further, according to the June budget, \$7.2 million was to be used to reduce accounts payable, and amounts owed to the contractors. However, the preliminary June balance sheet indicates that payables were reduced by less than \$1.0 million.

Since accounts payable have risen to \$100.0 million at June 30, 1990, there is no evidence to suggest that the Taj Mahal will have the ability to increase cash balances in line with their budget. This will determine whether or not an interest payment of \$47.3 million due to the bondholders on November 15, 1990 can be made. The cash balances are crucial since all credit lines are

presently exhausted, and we have not been presented with any information that DJT is capable of making any contributions or that any banks are willing to extend financing.

After borrowing \$25.0 million from DJT to meet its May 15, bond interest payment the Taj Mahal has not been able to increase its bank balances significantly. Unless casino revenues and cash flow levels dramatically increase, it appears unlikely that there will be sufficient cash to pay the bondholder interest on November 15, 1990.

As of July 13, 1990, 18 weeks remained until the due date of the interest payments and the bank balance per books was \$5.4 million. If we assume that the \$5.4 million will be maintained as the property's bank balance, then the Taj Mahal must set aside \$2,625,000 each week through November 15. However, the Division observes that at the height of the summer season, the Taj Mahal thus far has not increased its cash balances significantly. Further, nothing in the historical performance of this facility suggests that it will be able to attain the needed cash balances.

As a final analytical step, the Post-Plan budget prepared by the KL Company was reviewed to determine the amount by which net revenues could vary from the budgeted amounts and permit the November bond interest payment. This analysis utilizes the cash

balance of \$20.5 million at June 30, 1990 and assumes that \$10 million of that amount must be available as house funds.

<u>Cash Flow Scenarios</u>	<u>Net Revenue Variance Must Not Exceed</u>
1. As budgeted	4%
2. No management fee paid	6%
3. No management fee paid No capital expenditures	7%
4. No management fee paid No capital expenditures No contractor payments	14%

As the above table indicates, the tolerable net revenue variance ranges from 4% in Scenario 1 to 14% in Scenario 4. Since the capital expenditures of \$3.5 million and contractor payments of \$19.2 million budgeted for the remainder of the year (July through December) are considered by the Division to be non-discretionary items, we believe Scenario 2, a 6% tolerable variance, presents the most realistic circumstance.

According to the preliminary June statement of operations net revenue was 17.3% below the KL Company Post-Plan budget for the month of June. Therefore, the ability of the Taj Mahal to keep revenue levels within 6% of the budget does not seem realistic.

The actual results for June 1990 were markedly different from the KL Company Post-Plan budget. These differences exemplify the difficulty in forecasting the future of the Atlantic City market,

especially for a new property the size of the Taj Mahal. This is an even greater task for the KL Company which is unfamiliar with the casino industry.

f. Management Changes at Taj Mahal Since Opening

Since the opening of the Taj Mahal facility on April 2, 1990, there have been a significant number of management changes. The following is an account of those changes which have involved TTMA entity qualifiers:

1. Robert S. Trump was replaced as Chief Executive Officer shortly after the opening of the facility. Mr. Trump continues to serve as a member of the Executive Committee.
2. Edward M. Tracy was appointed Chief Executive Officer of the Taj Mahal, Trump Plaza and Trump Castle properties.
3. Donald Wood was terminated as Vice President of Finance.
4. Walter Haybert was replaced as President and Chief Operating Officer and appointed to the position of Vice President of Finance.
5. Willard ("Bucky") Howard was promoted from Executive Vice President, Operations to President and Chief Operating

Officer. Effective July 31, 1990, Mr. Howard was replaced as President & COO and returned to the Executive Vice President position.

6. Thomas W. Elam was hired as Vice President, Casino Finance.
7. Henry Hornbostel was hired as Senior Vice President of Finance.
8. Thomas Adams was terminated as Vice President of Administration.
9. Donald Buzney was terminated as Vice President of Human Resources.
10. Jeffrey Ludwig was hired as Vice President of Administration.
11. Richard Meister was terminated as Vice President, Support.
12. Don M. Thomas resigned as a Member of the Audit Committee.
13. Jay Kramer was selected to replace Don M. Thomas as a member of the Audit Committee.
14. Phil Dion has resigned as a member of the Audit Committee. No replacement has been selected yet.

15. Irving G. ("Jack") Davis was appointed President and Chief Operating Officer, effective July 31, 1990. Mr. Davis becomes the third president of the facility in nine months.
16. Steven Bolson was terminated as Senior Vice President of Marketing. Mr. Bolson is presently considering other job possibilities within the Trump Organization.
17. Howard Klein was hired as Senior Vice President of Marketing.
18. Brad Buchanan was hired as Vice President of Business Analysis.

g. Summary

The first three months of operations for the Taj Mahal have been disappointing. The highlight of the operation has been the table games department, which exceeded the forecast based on drop. However, table game revenues were slightly under forecast due to a low hold percentage. Expenses have been held under budget, due principally to lower coin giveaways, lower gaming taxes and lower marketing expenses. The lower coin giveaways resulted from a cut back in the busing program as a result of the start up problems in the slot department. Recently, the number of bus customers has increased, but the question remains whether or not the slot revenue

can increase to a level that will provide the funds to meet the bond interest payment due November 15. Since opening, slot revenues, as compared to budget, have been 25% lower and market share has been 4.7 percentage points lower than budgeted amounts.

Accounts payable balances have steadily risen since opening and have plateaued at \$100 million. The negotiations on payment terms now under way with the contractors will determine how this liability is managed and how it will affect cash balances.

Cash balances have, at times, fallen to very precarious levels. On ten days since the property opened, based upon cash summary records supplied to the Division, cash in bank has been a negative balance. The month of July has shown an improvement in the bank balances from an average of \$4.9 million in June to an average of \$7.4 million thus far in July. However, a portion of the increase results from moving approximately \$3.0 million from casino cage funds to the bank account balances. During April and May house funds were often maintained at \$13.0 million or higher. In June and July house funds were maintained closer to \$10.0 million. According to management, the reduction in house funds is the result of better cash management on the property.

Exclusive of any contractor payments, bank balances must grow by approximately \$11.4 million per month (\$2.6 million per week) through November, otherwise outside financing or other agreements

must be obtained to avoid the distinct possibility of a default. There has been no evidence presented to the Division which suggests that the Taj Mahal will be able to achieve this \$2.6 million per week amount. Similarly, the Division remains unconvinced of the likelihood of additional contributions being made by DJT. Further, the performance of the Taj Mahal to date has been below the forecasts of the KL Company for that casino hotel. As a result, the accuracy of future forecasts for this facility is questionable. This is not all that surprising given the KL Company's recent introduction to the casino industry.

3. Trump Plaza

a. Overall Debt

TPA was formed under the name Harrah's Associates in June 1982 as a joint venture between DJT and Harrah's Atlantic City, Inc. ("HAC"). The 50% interest of HAC in the Partnership was redeemed by the Partnership in May 1986 for approximately \$67 million (\$50 million in cash and a \$17 million seven-year note of the Partnership and DJT payable to HAC).

Presently, the Partnership is 99.99% owned by DJT and 0.01% owned by Trump Boardwalk Realty Corp. ("TBRC"), a New Jersey corporation 100% owned by DJT.

Long term debt, including current maturities at December 31, 1989 and June 30, 1990, consisted of the following:

(\$ in millions)

	<u>12/31/89</u>	<u>6/30/90</u>
12 7/8 % mortgage bonds due 1998	\$250.0	\$250.0
10% note payable to Harrah's Atlantic City, Inc.	16.1	14.4
Mortgage notes payable	<u>11.0</u>	<u>10.8</u>
	<u>\$277.1</u>	<u>\$275.2</u>

According to the 1989 SEC Form 10-K filed by Trump Plaza Funding the aggregate maturities of long term debt and interest payments for the years 1987 through 1989 and projected in each of the years subsequent to 1989 are set forth below.

Long Term Debt
Historical and Projected
(\$ in millions)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>HISTORICAL</u>			
1987	\$0.4	\$32.8	\$33.4
1988	0.2	34.7	34.9
1989	2.9	34.7	37.6
<u>PROJECTED</u>			
1990	3.6	34.8	38.5
1991	28.0	32.6	60.6
1992	34.5	28.9	63.4
1993	33.8	24.7	58.6
Thereafter	<u>177.2</u>		
Total Projected Debt	<u>\$277.1</u>		

The majority of the increase in above projected principal and interest payments relate to the debt service for the bond issue. Interest on the mortgage bonds is payable semi-annually on December 15 and June 15 (interest payments commenced on December 15, 1986), at the rate of 12 7/8%. The semi-annual interest payment is approximately \$16.1 million.

Relative to principal payments the indenture provides for the operation of a sinking fund which requires the redemption of \$25.0 million aggregate principal amount of bonds on June 15, 1991 and on each June 15, thereafter through June 15, 1997. The bonds mature in 1998. The sinking fund requires the early redemption of \$175.0 million principal amount of the bonds (70% of the bond issue) by 1997. In addition, TPA, at its option, on each of the sinking fund dates may redeem up to an additional \$25.0 million aggregate principal amount of the bonds.

As the above table indicates, debt service requirements increase significantly when the first sinking fund date is reached on June 15, 1991. For example, debt service requirements in the years 1987 through 1990 range from \$33.4 million in 1987 to \$38.5 million in 1990. In 1991, debt service grows to \$60.6 million, an increase of \$22.1 million (57%).

The principal portion of the debt service could be reduced in the future if TPA is able to purchase bonds on the open market at

rates significantly below the face value. Trump Plaza Funding Bonds were trading at 86.5 cents on the dollar as of July 25, 1990. The recent trading history of the Trump Plaza bonds is listed below:

1989	October	97.5
	November	98.5
	December	95.0
1990	January	94.0
	February	82.0
	March	88.5
	April	80.5
	May	86.0
	July 25, 1990	86.5

If the bonds could be purchased at 86.5, total principal payments in 1991 would be reduced by approximately \$3.4 million, to \$24.6 million. Total debt service in 1991 would then be lowered from \$60.6 million to \$57.2 million.

b. Cash Flow

Since DJT acquired full control of the property, Trump Plaza has generated significant cash flow from operations. The majority of this cash has been used to fund capital improvements. For example, in the years 1987 through 1989 cash flow from operations totalled \$133.7 million and capital improvements totalled \$113.6 million. Also, during that period distributions to the partners totalled \$27.7 million.

Trump Plaza Associates
Actual and Forecasted Statements of Cash Flows
(\$ in millions)

	<u>ACTUAL</u>			<u>FORECASTED</u>	
	Year	Year	Year	Year	Six Months
	Ending 12/31/87	Ending 12/31/88	Ending 12/31/89	Ending 12/31/90	Ending 6/30/91
<u>Net Cash Flows from</u>					
<u>Operating Activities:</u>	\$39.1	\$58.0	\$36.6	\$60.4	\$26.3
<u>Cash Flows From Investing</u>					
<u>Activities:</u>					
Capital Expenditures	(46.3)	(33.1)	(34.2)	(4.1)	(2.1)
Purchase of CRDA Bonds	(3.0)	(3.7)	(3.8)	(3.9)	(1.8)
Net Cash Used by Investing					
<u>Activities:</u>	(49.3)	(36.8)	(38.0)	(8.0)	(3.9)
<u>Cash Flows From Financing</u>					
<u>Activities:</u>					
Debt Payments	(0.4)	0.0	(0.3)	(2.1)	(2.7)
Capital Withdrawals	(8.3)	(16.0)	(3.4)	(44.8)	0.0
Bond Sinking Fund Payment	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	(25.0)
Net Cash Used by Financing					
<u>Activities:</u>	(8.7)	(16.0)	(3.7)	(46.9)	(27.7)
Net Increase (Decrease)					
in Cash	(18.9)	5.2	(5.1)	5.5	(5.3)
Cash, Beginning of Period	<u>30.5</u>	<u>11.6</u>	<u>16.8</u>	<u>7.7</u>	<u>13.2</u>
Cash, End of Period	<u>\$ 11.6</u>	<u>\$ 16.8</u>	<u>\$ 11.6</u>	<u>\$ 13.2</u>	<u>\$ 7.9</u>

As the above table indicates, Trump Plaza has generated sufficient cash to fund significant capital improvements and distributions to the partners in the years 1987 through 1989. The cash needed to fund the increased debt service required beginning in 1991 can be covered from operations if cash flows remain at historical levels and severe reductions are made in the level of

capital improvements and partners distributions. For example, cash flow from operations over the last three years averaged \$44.5 million, yet only amounted to \$36.6 million in 1989. The principal amounts due in 1991 total \$28.8 million. Of that amount, \$27.5 million (\$25.0 million bond sinking fund payment and \$2.5 million principal payment due on the HAC Note) is due by June 15, 1991.

In forecasts submitted as part of the 1989 license renewal (see above table) Trump Plaza estimated that Capital Expenditures for the year 1990 and for the six months ended June 30, 1991 would be limited to \$4.1 million and \$2.1 million, respectively. More importantly, capital withdrawals were estimated at \$44.8 million in 1990 and zero for the six months ended 1991. The sizeable capital withdrawals forecasted for 1990 are predicated upon cash flows from operations estimated at \$60.4 million. Based upon the 1989 results of Trump Plaza and the competition from the Taj Mahal it is unlikely that cash flows from operations will reach the \$60.4 million forecasted.

The table below compares the 1989 actual results with those forecasted during the 1989 license renewal proceeding.

Trump Plaza
 Excerpts from 1989 Financial Statements
Forecasted Versus Actual
 (\$ in millions)

	<u>Actual</u>	<u>Forecasted</u>	<u>Variance</u>
Net Revenues	\$354.1	\$343.5	\$10.6
Cost and Expenses	294.9	264.1	(30.8)
Income from Operations	59.1	79.4	(20.3)
Interest Expense	31.9	35.9	4.0
Net Income	24.6	39.9	(15.3)
Net Cash Flow From Operations	36.6	55.9	(19.3)

As the above table indicates, net income was \$15.3 million under forecast. The principal causes of this variance were: 1) net revenues exceeded the forecast by \$10.6 million; 2) costs and expenses exceeded the forecast by \$30.8 million and 3) interest expense was under forecast by \$4.0 million.

After taking into consideration non-cash charges and reflecting the changes in the balance sheet accounts, cash flow from operations amounted to \$36.6 million while the forecast estimated \$55.9 million, a shortfall of \$19.3 million. Two major changes in the balance sheet which caused a drain on cash in 1989 were an increase in the amounts due from affiliates of \$4.2 million and decrease in amounts due to partners of \$5.4 million. These amounts which total \$9.6 million represent loans to affiliated companies or distributions to partners which could be considered discretionary cash outlays made by Trump Plaza.

The reason for the increase in the amounts due from affiliates relates to Trump Seashore Associates (TSA) and the Trump Penthouse Parcel. TSA leases a parcel of land to Trump Plaza. However, TSA's mortgage obligations have been in excess of the lease payments received from Trump Plaza. As a result, Trump Plaza has been advancing the amounts necessary for TSA to pay the mortgage. The amount advanced as of March 31, 1990 totalled \$1.5 million. According to Trump Plaza executives, beginning in July 1990, it will no longer be necessary to fund the mortgage payments and the amount due from TSA will begin to be paid by them. Also, during the year \$3.3 million was incurred in legal fees and other costs related to the acquisition of the Penthouse site. The Penthouse site is personally owned by DJT and these amounts are due from him. It is questionable when this sum can be repaid.

Total Casino Revenue
Market Share Analysis
First Quarter 1990

	Budget	Actual			Adjusted	
		Jan.	Feb.	Mar.	3 mon. Total	3 mon. Total
Fair Share	---	9.2%	9.2%	9.2%	9.2%	9.2%
Market Share	11.1%	11.2%	9.4%	4.7%	10.8%	11.7%
Performance Level	121%	122%	102%	127%	117%	127%

As the above table indicates, for the first quarter of 1990 the actual Trump Plaza market share and performance levels were below budgeted amounts. However, closer examination reveals that

during February the casino lost \$6.2 million to one high roller which lowered the market share and performance level. If this loss is excluded from the calculation, market share rises to 12.1%. In addition, the market share and performance level for the quarter, when adjusted, exceed budget by 11.7% and 127% respectively.

Total Casino Revenue
Market Share Analysis
Second Quarter 1990

	Budget	-----Actual-----			Adjusted	
		<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>3 mon.</u> <u>Total</u>	<u>3 mon.</u> <u>Total</u>
Fair Share	---	7.8%	7.8%	7.8%	7.8%	7.8%
Market Share	9.2%	7.9%	11.9%	9.0%	9.6%	8.5%
Performance Level	118%	101%	152%	115%	123%	109%

As the above table indicates, for the three month period since the Taj Mahal opened, Trump Plaza has exceeded the market share of 9.2% which was budgeted by the KL Company. However, closer examination reveals that the market share was below budget in April and June when it attained 7.9% and 9.0%, respectively. In addition, if the \$9.4 million win from one high roller is excluded from the May revenue figures the three month market share falls to 8.5%, 0.7 percentage points below budget.

It is important to note that the trend of actual market share attained, excluding the high roller, indicates that the Trump Plaza

is regaining market share lost to the Taj Mahal. The adjusted market share for April, May and June is 7.9%, 8.6% and 9.0%, respectively.

The operating results for 1990 have been disappointing when measured against either the budget or the prior year's results. The 1990 results are distorted by one high roller who won \$6.2 million in February and lost \$9.4 million in May. To more accurately analyze the 1990 results the effect of the high roller was eliminated from revenues and income in the following tables:

Variance from 1989 Results
Favorable (Unfavorable)
(\$ in millions)

	3 months Ended 3/31/90		2 months Ended 5/31/90	
	<u>Variance</u>	<u>%</u>	<u>Variance</u>	<u>%</u>
Casino Revenue	\$2.9	3.9%	(\$ 9.9)	(19.2%)
Net Revenue	5.3	6.4%	(10.6)	(17.9%)
Costs and Expenses	(5.7)	(8.5%)	(2.1)	(4.5%)
Operating Income	(0.3)	(1.8%)	(12.6)	(93.6%)
Net Income (loss)	(1.9)	(43.1%)	(12.4)	(276.9%)

Variance from 1990 Results
Favorable (Unfavorable)
(\$ in millions.)

	3 months Ended 3/31/90		2 months Ended 5/31/90	
	<u>Variance</u>	<u>%</u>	<u>Variance</u>	<u>%</u>
Casino Revenue	(\$2.9)	(1.2%)	(\$11.2)	(21.2%)
Net Revenue	1.6	1.8%	(12.4)	(20.4%)
Costs and Expenses	(3.1)	(4.5%)	0.9	1.9%
Operating Income	(1.5)	(7.9%)	(11.5)	(93.0%)
Net Income (loss)	(2.7)	(51.9%)	(11.5)	(323.4%)

As the two tables above demonstrate, the financial results worsened after the Taj Mahal opened. Costs and Expenses were higher than 1989 by only 4.5% but under budget by 1.9% for the two months ending May 31, 1990. This indicates that costs and expenses were being controlled. However, all revenue and income levels significantly worsened post Taj Mahal. For example, when compared to budget, Operating Income was off by \$1.5 million (7.9%) pre Taj Mahal and lower by \$11.5 million (323.4%) post Taj Mahal.

These results have caused management to lower the financial targets originally budgeted for 1990.

Cash Balance

As of June 30, 1990, the cash balance for the property totalled \$9.2 million. This consisted of \$4.3 million of cash in the bank and \$4.9 million of casino cage and other house funds.

	<u>Total Cash</u> (\$ in millions)		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
May	21.3		
June	9.2	11.2	(20.7)
July	8.6 *	21.9 **	(13.3)

* as of July 20, 1990

** Budgeted through July 31, 1990

Utilizing the May 31, 1990 Cash Balance of \$21.3 million as a starting point, the June 30, 1990 balance is \$2.0 million below the amount contained in the KL Company budget of \$11.2 million. More recently, the total cash balance at July 31, 1990 is budgeted to be \$21.9 million. To meet this target the property must accumulate \$1.2 million per day through the end of July. The property is falling behind the targeted cash balances which must be achieved if the \$20.0 million distribution to DJT is to be made, as planned, in December.

c. Partnership Distributions

According to bond indenture covenants, beginning in September 1986 and continuing through June 1991, distributions to the partners can be made in each quarter from available cash flow in that quarter which exceeds \$2.0 million.

If the available cash flow in any quarter does not reach \$2.0 million, no distributions can be made until the aggregate amount of any shortfalls for all prior periods have been satisfied.

If the available cash flow does not reach \$8.0 million during the defined 12 month periods, and partners have previously received distributions, the General Partners must make up the shortfall to the extent of aggregate amount previously distributed to the partners. The obligation to return funds is the personal obligation of the General Partners.

No distributions were made to DJT during the second quarter of 1990, since the available cash flow did not reach the levels defined in the bond indenture. According to TPA management, this is the usual situation for both the first and second quarters each year. Also, Trump Plaza was accumulating funds to pay the semi-annual interest payment due on June 15, 1990 of approximately \$16.1 million which was paid on that date.

Following June 30, 1991, distributions to the partners can be made as follows:

1. after the first sinking fund payment, the amount of Retained Cash Flow which exceeds \$15.0 million
2. after the second sinking fund payment the amount of Retained Cash Flow which exceeds \$5.0 million
3. after the third sinking fund payment all of the Retained Cash Flow.

In summary, the following table shows the partners' net contributions and distributions from May 16, 1986, when TPA acquired HAC's partnership interest, thru December 31, 1989.

	<u>Contributions</u>	<u>Withdrawals/ Distributions</u>	<u>Net Amounts Contributed/ (Distributed)</u>
May 16, 1986 -			
December 31, 1986	\$49,074,000	(\$21,912,000)	\$27,162,000
1987	---	(8,263,000)	(8,263,000)
1988	---	(16,005,000)	(16,005,000)
1989	---	(3,378,000)	(3,378,000)
Totals	<u>\$49,074,000</u>	<u>(\$49,558,000)</u>	<u>(\$88,484,000)</u>
		Net Income - 1986-1989	\$88,965,000
		Ending Partners' Capital	<u>\$88,481,000</u>

Since 1986, DJT has contributed \$49.074 million of capital, and withdrawn \$49.558 million, which means that DJT has withdrawn an amount greater than the capital that he invested plus he has

withdrawn \$404,000 of net income generated by the partnership. The ending partners' capital balance is comprised solely of Trump Plaza's retained earnings.

d. Appraisals

The most recently completed appraisal for Trump Plaza, which valued the property at \$606 million was done by Appraisal Group International, and was dated May 16, 1988. One of the covenants in the bond indenture requires that an appraisal be completed at least every 24 months. Warren Schneider of the Trump Organization has indicated that an appraisal of the Trump Plaza is currently under way and should be completed by the end of July 1990. Preliminary indications from Appraisal Group International estimate the value of the property to be \$650 million.

Trump Plaza's value, as listed in the KL report, which is the value given in DJT's personal financial statements as of November 30, 1989, was \$650 million. Since the prior appraisal was completed in May of 1988, approximately \$50 million in building improvements and related acquisitions of furniture and fixtures have been added to the facility which would theoretically increase its value from \$606 million to approximately \$650 million. However, in the KL report, there is a 10% reduction in the property's value of \$650 million, which was made by Trump Plaza management to reflect existing real estate market conditions and

their negative effect on the value of the property. Thus, management's estimate of the property's value at the time of the KL report was only \$585 million. It should be noted that the \$585 million is less than the \$606 million value given in May 1988, although, since that date, \$50 million of capital improvements have been made. It is also raises the question of how the property values in Atlantic City, where the real estate market has been depressed, could have rebounded from management's value of \$585 million in May of this year to Appraisal Group's value of \$650 million in just two and one-half months.

In addition to the Company's estimated value, there are two other values set forth below, excerpted from the KL report.

	<u>Company</u>	<u>Going Concern Market</u>	<u>Short Term Liquidation</u>
	\$650,000,000	\$485,000,000-	\$350,000,000-
Less 10%	<u>65,000,000</u>	585,000,000	580,000,000
	\$585,000,000		

After a review of the above table and the pending appraisal, it can be stated that the Trump Plaza is worth anywhere from \$350 million to \$650 million. Further, should the Plaza be sold, any price less than \$500 million would be insufficient to cover its long term debt obligations.

e. Management Changes at Trump Plaza Since January 1990

Since January 1990, there have been a significant number of management changes at Trump Plaza. The following is an account of those changes which have involved TPA entity qualifiers:

1. Edward M. Tracy was appointed Chief Executive Officer of Trump Plaza.
2. John "Jack" O'Donnell resigned as President & Chief Operating Officer at Trump Plaza effective April 27, 1990.
3. Gary Selesner was promoted from Executive Vice President to President & Chief Operating Officer.
4. Howard Dreitzer resigned as Senior Vice President, Casino Operations at Trump Plaza effective January 30, 1990.
5. Dennis Leong was hired as Senior Vice President, Casino Operations.
6. Robert Pellegrini was promoted to Senior Vice President, National Marketing at Trump Plaza.

7. Nathan Katz resigned as Vice President of Player Development to accept a position at Trump Castle.
8. Brad Buchanan was hired as Vice President of Business Analysis.

f. Summary

As indicated earlier, the distributions to DJT from Trump Plaza were forecasted at that entity's 1989 license proceeding, at \$44.8 million for 1990. The Post-Plan budget prepared by the KL Company lowered the estimate to \$20.0 million. When 1990 results post Taj Mahal and the present cash balances are considered, the distribution estimate may need to be lowered again. As of the writing of this report, the June 1990 financial statements were not available. With all the uncertainties surrounding the Trump properties, the accumulation of cash at the Trump Plaza will be monitored closely to determine whether or not December bond interest payment of \$16.1 million is in jeopardy.

4. Trump Regency

On April 21, 1989, Elsinore Shore Associates ("ESA"), which was operating the Atlantis casino hotel under a conservatorship, filed a petition seeking approval of a purchase sale agreement dated April 14, 1989, between ESA and DJT Acquisition Corp. ("DJT

Acquisition"), a New Jersey corporation controlled by DJT. (PRN 111902). On or about that same date, DJT Acquisition submitted the agreement for review by the Commission and joined in ESA's request for approval of the agreement. DJT Acquisition indicated that the Atlantis facility would be operated as a non-casino hotel.

On May 30, 1989, subject to the receipt of a report from the Division addressing the question of whether the proposed acquisition of the Atlantis would result in undue economic concentration under N.J.S.A. 5:12-1(b)(12), the Commission approved the agreement. Thereafter, on June 12, 1989, the Division filed its report on the economic concentration issue and the Commission conducted a plenary hearing on the matter. On June 16, 1989, the Commission resolved that the acquisition of the Atlantis facility, together with DJT's other holdings in Atlantic City, would not result in DJT having undue economic concentration in the Atlantic City gaming industry. Thus, the Commission approved the contract subject to the following two conditions: (1) that DJT request and obtain Commission approval prior to further development of casino or non-casino hotel rooms, and (2) that DJT request and obtain Commission approval prior to any acquisition of casino-zoned real estate in Atlantic City. See Commission Order 89-167A. On June 29, 1989, TCTA purchased the bankrupt Atlantis from ESA for \$63 million, and the transaction was completed. On July 7, 1989 DJT renamed the Atlantis the Trump Regency. Presently, TCTA owns and

operates the Trump Regency, which is being operated as a non-casino hotel.

On June 13, 1989, the late Stephen Hyde testified before the Commission with respect to the purchase and sale agreement and the future of the facility. He stated that he shared the same vision for the facility as DJT. More specifically, he said the facility was in need of significant rehabilitation and that it was the intention of DJT to turn the property into a "five star hotel." Since then, a major refurbishing of the hotel rooms, restaurant and ballrooms has been in process. Due to the renovations the hotel has been operating with 20% to 30% of the rooms not available for occupancy. As of June 15, 1990, two hundred rooms had been completed. Ninety-six rooms are currently being renovated and two hundred and four rooms will be renovated by the anticipated completion date of July 31, 1990.

The estimated cost of the completed refurnishing will be approximately \$10 to \$12 million. In addition, plans are being formulated to transform the 60,000 plus square feet of former casino space into banquet halls, exhibition and meeting areas. No cost estimates have been formulated for the transformation.

On August 2, 1989, TCTA secured a note from Manufacturers Hanover Trust Company in the principal amount of \$65 million, with a maximum credit line up to \$85 million. A major portion of the

proceeds, \$63 million, was used to purchase the former Atlantis Hotel from ESA. The remaining \$2 million was utilized for acquisition and closing expenses associated with the purchase of the hotel. The interest rate on the Manufacturers Hanover loan is approximately 10.25%. The loan matures on July 31, 1994.

Since August 2, 1989, TCTA has borrowed an additional \$11,715,752 on the line of credit which has been utilized to pay for hotel renovations and accrued interest related to the note. As of May 31, 1990, the outstanding principal balance on the bank note was \$76,715,752. In the KL report, the appraised value of the Regency as determined by management was \$68,400,000.

In addition to the above secured note, since September 1989, TCTA has received unsecured advances from DJT in the aggregate amount of \$5.85 million through May 31, 1990. The outstanding amount due DJT is payable on demand and there is no interest associated with the advance. The last advance by DJT to the Regency was made on May 1, 1990 for \$750,000. These advances were used to satisfy the daily operating expenses associated with the Trump Regency.

As evidenced by the above noted advances that are needed to satisfy its daily operating expenses, the Regency has been a cash drain for the Trump Organization. Revenues have not been sufficient to cover operating expenses and debt service. In its

first six months of operation, from July 1, 1989 to December 31, 1989, the Regency had an operating loss of \$1.4 million, and through the first five months of 1990, the loss was \$1.2 million. According to management's forecasts, the cash drain will be accelerated even further when the \$85 million credit line limit with Manufacturers Hanover is exhausted, which is currently forecasted to be in October 1990.

In an attempt to relieve the Regency from its current and further anticipated cash flow difficulties, the Regency has contemplated entering into a four year lease with Trump Plaza. This agreement is a result of the newly reached bank accord, and will effectively eliminate all current interest obligations from the Regency. In the first year of the lease, Trump Plaza will pay one-half of the monthly interest obligation through lease payments, and the remaining one-half will be deferred under the moratorium. In the second year, Trump Plaza lease agreement will satisfy 75% of the interest, and in the third and fourth years, Trump Plaza lease payments will satisfy 100% of the interest. Any interest obligations not paid by the Trump Plaza lease will fall under the moratorium.

The Division has been advised that the lease will be structured so that the only revenues that will appear on the Regency's books will be lease income from Trump Plaza, and the expenses will only reflect the debt service. All the Regency's

room revenues and operating expenses will be reflected on Trump Plaza's books. The lease payments received by the Regency will be assigned and paid to Manufacturers Hanover and the amounts actually received will reduce DJT's liability under the Regency guaranty. In effect, fiscally sound Trump Plaza would be subsidizing the cash flow deficit currently being generated by the Trump Regency.

5. Penthouse Land Parcels

On March 18, 1989, DJT purchased all the real property holdings of Penthouse International, Ltd. in Atlantic City for approximately \$52,000,000. The transaction was segmented into two separate sales whereby DJT purchased the unfinished Penthouse Boardwalk Hotel/Casino for \$35 million and the Columbus Plaza parking site for \$17 million.

The properties are encumbered by two loans, one in the amount of \$37 million from Midlantic National Bank and the second loan is a \$19 million promissory note. The \$19 million promissory note including accrued interest (prime rate) will be released to Penthouse International, Ltd. upon the resolution of certain litigation and delivery of clear title.

As noted in the KL report, the Pre-Plan budgeted cash flow reflects the \$9,320,000 of additional contributions by DJT that

would be needed. These projections do not include interest due on the \$19 million promissory note.

Resulting from the moratorium, DJT will defer \$3,564,000 of interest associated with the \$37 million Midlantic National Bank loan and the bank has agreed to pay \$612,000 in real estate taxes due ending April 1991.

The Trump Organization and the KL Company have both estimated the market value of the property at \$50,400,000. A sale of the property at this value would be insufficient to satisfy the \$56,000,000 indebtedness.

B. Non Casino Entities of the Trump Organization

The Division has analyzed below selected Trump entities having significant negative cash flows.

1. Trump Princess Yacht

On October 2, 1987, DJT entered into a purchase agreement of \$29 million for the yacht Nabila, later renamed the Trump Princess. On November 25, 1987, following the organization of Aliban, Inc., DJT assigned his interests in the Trump Princess to Aliban. DJT is the sole stockholder of Aliban. On December 16, 1987, Aliban entered into a \$29 million loan agreement with Boston Safe Deposit

and Trust. The loan is payable in 240 equal monthly principal payments of \$120,833. Interest is due monthly at a rate of prime plus 1% on all amounts in excess of \$10 million and at prime on balances below \$10 million.

The KL report states that the Pre-Plan budget of the Trump Organization would require \$9,272,000 of cash to fund the Trump Princess during the period May 1, 1990 through April 30, 1991. Of this amount, \$5,166,000 is required for operations and \$4,106,000 would be needed for principal and interest on the Boston Safe Deposit loan.

In its Post-Plan cash analysis, the KL Company estimates \$4,631,000 will be deferred by the interest moratorium and that additional savings may be realized through a decrease in the usage of the yacht. The June 15, 1990 addendum to the tentative term sheet states that, should the net proceeds to DJT on the sale of the Trump Princess exceed \$45 million, they shall be applied to reduce DJT's Mar-a-Lago loan to the extent of \$2,000,000. The existing loan on the Trump Princess shall mature June 30, 1991 and the interest deferred and accrued shall be paid without discount. Further on June 30, 1991 or at the time of any sale, a \$9,400,000 working capital loan to be collateralized by the Trump Princess together with any deferred or accrued interest shall be paid.

In May 1990, DJT received an offer to buy the yacht for an amount in excess of \$100 million. However, the sale was never finalized and the offer expired. According to Trump officials, the yacht is being offered at a price of \$85 million and they had received a bid of \$60 million. At the present time, however, no contract for the sale of the yacht has been signed. Both the Trump Organization and the KL report have estimated the market value of the yacht at \$70 million.

2. Lincoln West Railroad Yards

On January 2, 1985, Penn Yard Associates, a limited partnership, was formed with DJT as both a general and a limited partner and Penn Yards Realty Corporation as a general partner. Through his partnership holdings, DJT owns 80% of the Lincoln West Railroad Yards while Penn Yards Realty owns the remaining 20%.

On January 15, 1985, the undeveloped land known as Lincoln West Railroad Yards bound by 59th Street and 72nd Street, Westend Ave and the Hudson River in New York City was purchased by Penn Yards Associates for \$115,000,000. Funding for the purchase, anticipated carrying cost and maintenance expenses are being financed through a \$200 million line of credit with Chase Manhattan Bank. As of April 30, 1990 \$196,648,828 of the line of credit had been utilized.

The KL report disclosed under the Pre-Plan budget of the Trump Organization that \$23,524,000 of additional cash would be required to maintain the carrying costs during the 12 month period ending April 1991. Of this amount DJT would have been required to contribute \$18,698,000 (80%) while Penn Yards Realty would have funded \$4,826,000. For this 12 month period, total interest due Chase Manhattan was projected at \$17.1 million, while real estate taxes amounted to \$4.5 million.

As a result of the moratorium, DJT will defer \$15,396,000, in interest and Chase Manhattan Bank has agreed to pay the real estate taxes of \$4,500,000 due on the property.

The Trump Organization estimates that the market value of the 76 acres of Lincoln West Railroad Yards is \$385,000,000 with DJT's interest (80%) amounting to \$308,000,000. However, the KL Company estimates the short term liquidation value to range between \$150,000,000 to \$200,000,000. A sale at the liquidation level would be insufficient to cover outstanding debt.

3. Plaza Hotel

On March 25, 1988, DJT and DJT Plaza Hotel Corp. purchased the Plaza Hotel in New York City for \$407,500,000. Funding for the project was supplied by Citibank through a \$125,000,000 credit line and a \$300,000,000 loan. As of April 30, 1990, \$113,248,201 of the

\$125,000,000 credit line was outstanding as was the full \$300,000,000 loan.

As noted in the KL report, \$6,973,000 of additional contributions by DJT would be needed under the Organization's Pre-Plan budget analysis. It is projected that \$9,860,000 of interest due on the \$125,000,000 credit line will be deferred during the 12 month period ending April 30, 1991 under the Post-Plan cash flow analysis. The KL Company also is proposing to save \$6,440,000 through increased revenues and decreased operating expenses during the 12 month Post-Plan period ending April 30, 1991. The \$300,000,000 loan, however, under the plan must be paid currently.

The Trump Organization has estimated the market value of the Plaza Hotel at \$830,000,000 while the KL Company short term liquidation estimates ranges from \$413,248,201 (debt balance) to \$500,000,000. Under any of these figures the sale of the Plaza would cover the outstanding debt and could provide DJT with as much as \$416,751,798.

4. Trump Shuttle

On June 7, 1989, Trump Airlines Holding Corporation entered into a purchase agreement to buy the Eastern Shuttle for \$365,000,000. The purchase consisted of 21 Boeing 727 aircraft as well as airport landing rights.

Citibank has provided a total of \$380,000,000 in loans relating to the Shuttle: 1) \$245,000,000 mortgage, and 2) \$135,000,000 personal line of credit to DJT.

The Pre-Plan budget of the Trump Organization indicates that operating profit before debt service and capital expenditures is projected to amount to \$35.3 million for the 12 month period ending April 30, 1991. The debt service due during this period is \$26.6 million of interest due on the \$245 million Citibank loan. In addition, total capital expenditures (federal imposed and routine) are projected at \$13.1 million. These obligations do not include the interest due on the \$135 million personal line of credit.

The KL report states that the Post-Plan budget requires that the interest on the \$245,000,000 mortgage be current, while the \$11,530,000 interest due on the \$135,000,000 personal line of credit from July 1990 through April 1991 is deferred. Further, the KL Company is estimating that \$17,750,000 of savings would be realized by instituting a "no frills" program. Of critical importance, the present business plan, which must be adhered to unless approved by one-third of the banks, does not permit any further contributions by DJT to the Trump Shuttle. In other words, the Shuttle must become a self-sufficient organization including the debt service on the \$245 million mortgage.

The Trump Organization estimates the market value of the Shuttle at \$308,000,000 while the KL Company estimates the short term liquidation values to range between \$150,000,000 and \$300,000,000. If the Shuttle was sold within these values, the company would realize a shortfall after satisfying debt of between \$40,000,000 and \$230,000,000.

The Shuttle has been a cash drain on the Trump Organization since it was acquired in June 1989. During 1990 the Shuttle continues to operate at a loss. The table listed below compares selected unaudited income statement line items for the Trump Shuttle, Inc. for the six months ended June 30, 1990 to budget.

Six Months Ended June 30, 1990
(\$ in millions)

	<u>Actual</u>	<u>Budget</u>	<u>Variance %</u>
Total Operating Revenue	\$ 88.2	\$ 95.3	(7.5%)
Total Operating Expenses	<u>105.8</u>	<u>104.0</u>	(<u>1.7%</u>)
Operating (Loss)	(17.6)	(8.7)	(103.4%)
Total Non-Operating Expenses	<u>16.9</u>	<u>17.7</u>	(<u>4.6%</u>)
Net (Loss)	(<u>\$ 34.5</u>)	(<u>\$ 26.3</u>)	(<u>31.0%</u>)

During the first six months of 1990, passenger revenue fell \$9.2 million below budget to \$82 million. However, the amount of charter revenue was almost twice that of budget, at \$4.8 million. All other revenue amounted to approximately \$1.4 million. Total operating revenue for the six month period ended June 30 amounted to \$88.2 million, or \$7.2 million less than budget.

Salaries and wages which accounted for one-fifth of operating expenses were 2.3% below budget. Expenses such as food service, rentals, fuel and other operating expenses all exceeded budget by 18.5%, 8.4%, 4.9% and 18.2% respectively, causing total six month operating expenses to be \$105.8 million, which was \$1.8 million over budget. Operating losses for the first six months were more than twice that budgeted at \$17.6 million. Non-operating expenses fell \$.8 million below budget to \$16.9 million due to interest expense falling \$.7 million below budget. Net loss for the first six months of 1990 amounted to \$34.5 million or 31.0% below budget.

Due to these continuing losses from operations and the level of capital expenditure which totalled \$17.1 million for the first five months of 1990, DJT contributed \$36.5 million in cash to the Trump Shuttle, Inc. during the five month period ended May 31, 1990. The following table reflects monthly capital contributions in 1990 made by DJT.

(\$ in millions)

January	\$16.0
February	4.0
March	8.0
April	4.0
May	<u>4.5</u>
Total	<u>\$36.5</u>

During the same five months of 1990, cash balances ranged from \$4.1 million to \$6.5 million as shown below:

(\$ in millions)

January	\$6.5
February	4.2
March	4.1
April	4.8
May	5.9

With DJT no longer supporting the operations through additional contributions, the cash balance at Trump Shuttle, Inc. declined to \$3.6 million as of June 30, 1990, a decrease of \$2.3 million over the prior month. Based on an August 7, 1990 telephone conversation with a Trump Shuttle executive, the cash balance as of that date was approximately \$1 million.

Since the Shuttle relies heavily on business travel, the months of July and August have typically been the slowest months of the year and the strain on cash resources is most acute. To enhance cash flow management has sought ways to reduce expenses while finding alternative sources of revenue. More charter flights have been booked in an effort to increase revenues. To control expenses, the average cost of meals offered to passengers has been reduced from \$5.00 per meal to \$3.75. Further, the number of weekend flights have been reduced.

Even with Management's financial austerity and revenue enhancement measures, the Shuttle's cash balances have continued to decline, to a balance of approximately \$1.0 million at August 7, 1990. On the basis of the above analyses it is apparent that absent immediate relief in the form of additional funds the Shuttle will exhaust its available cash. If operating results continue to fall below budget the cash infusion required could be significant.

5. Helicopter Air Services Inc.
t/a Trump Air

In November 1988, DJT purchased Helicopter Air Services, Inc., for \$4.5 million in connection with his sale of Resorts International, Inc. to Merv Griffin. The business currently consists of five helicopters which travel from the 30th Street Heliport in New York City to Atlantic City. The CIT Group has lent \$50,000,000 to the company at prime plus .5% which matures on May 1, 1997.

The KL report indicates that the Pre-Plan budget of the Trump Organization would require \$12,300,000 of cash to fund Trump Air. This budget further indicates that Trump Air will suffer an operating loss of \$4,008,000 during the 12 month period ending April 30, 1991. Principal payments will amount to \$3,032,000 and interest \$4,060,000.

The Post-Plan cash analysis of the KL Company estimates that \$6,763,000 can be saved if a break even point is reached by October 1, 1990. The plan states that the loan payments must be kept current.

The Trump Organization estimates the market value of Trump Air to be \$23,000,000 which is identical to the short term liquidation value projected by the KL Company. A sale of Trump Air would be insufficient to satisfy the \$50,000,000 outstanding debt.

V. Conclusion

This spring's much publicized financial problems of DJT and the Trump Organization resulted in an interim accord reached on June 26, 1990, and an agreement in principle with seven major American banks to loan \$65 million of new money to DJT in connection with the repayment of the \$20 million advanced under the interim accord. In return for the fresh capital, DJT will provide pledges of his ownership interests in the three Trump Atlantic City casino hotels and certain affiliated entities in order to secure his obligations relating to this capital infusion. In addition, the Override Agreement negotiated with the seven lending institutions and two other banks will provide for a deferral by the Trump Organization of certain principal and interest payments for from three to five years as well as, under certain circumstances, a moratorium by the nine banks on the assertion of any claims against DJT personally for five years. DJT's new obligations under the Override Agreement likewise will be secured by his equity interests in the casino entities and additional pledges of his ownership in the TPA entities, TCA entities, and TTMA entities will secure certain existing (but not now casino-collateralized) debt obligations. Moreover, under the agreements negotiated with the banks, the Trump Organization must embark upon fundamental changes since a comprehensive business plan must be formulated, a new chief financial officer selected, and substantial fiscal reporting requirements implemented.

These agreements, even if approved and strictly adhered to by the parties, do not and will not bring to a conclusion the financial difficulties facing the Trump Organization. Rather, the agreement offers simply the prospect of immediate relief without which the fiscal stability of the Organization must be seriously questioned.

With respect to the three casino licensees themselves, it is beyond dispute that the Castle, which failed to initially meet its sinking fund obligations and interest payments to bondholders this spring, only averted a worse scenario by the eleventh hour infusion of the \$20 million from the DJT interim credit facility. On a going-forward basis, however, the Castle must be able to satisfy its obligations from cash flow since the evidence presented to the Division makes it eminently clear that future rescue attempts by DJT will not occur. As noted, December 1990 and June 1991 are critical dates for the Castle as substantial bondholder principal and interest payments are due. While our present analysis suggests that the December bondholder payment can be satisfied from cash flow, there is strong doubt whether the Castle can avoid, in June 1991, the crisis it faced this year. This difficulty is compounded by the fact that the Castle must pursue its financial path under the direction of a new chief operating officer who has no previous experience in managing any facility, let alone a casino hotel the size of the Castle, and at a time when it is critically dependent on significant cash flow to meet its goals.

Currently, Trump Plaza is the one asset within the entire Organization that historically has been capable of producing a healthy cash flow as well as distributing funds to DJT for his use throughout the Organization. The dependency of DJT on the continued viability of Trump Plaza as a revenue producer is evident from the June 14, 1990 KL report. For example, that casino hotel will undoubtedly represent the chief source of business for the Trump Regency, thereby enabling that entity to have a realistic opportunity of satisfying its obligations. Yet, we also see a possible cash crunch facing Trump Plaza, if it is to distribute \$20 million to DJT in December 1990 and commence annual sinking fund payments of \$25 million in June 1991 given operating income that, for the first five months of 1990, was \$13 million below forecast. Indeed, during April and May, the first two months that the Taj was open, the operating income was \$11.5 million below budget. This recent trend raises some doubt as to whether Trump Plaza can service all of its debt while at the same time support the Trump Regency and shore up DJT. Simply put, given recent performance trends at Trump Plaza, this property may no longer be positioned as a crutch to prop up non-income producing or other cash-draining assets of the Organization.

The Taj Mahal, on the other hand, presents a far more worrisome picture. That facility owes enormous sums of money to subcontractors and trade vendors and, as reported earlier, has made

a proposal to the subcontractors which would permit repayment over a five year period of time out of the Taj Mahal's cash flow. In the Division's view, an accord with these contractors is absolutely critical to the operations at the Taj Mahal since there is no real possibility of these subcontractors being paid in full in the near future.

Further, and just as critical to the Taj Mahal's operations, is the ability of that facility to satisfy the interest payment of over \$47 million due to bondholders on November 15. Based on the casino hotel's performance to date, it will not have sufficient funds from cash flow to meet this payment. Accordingly, in the Division's estimation, the Taj Mahal will be faced with a crisis similar to that recently experienced by Trump Castle unless the Trump Organization directly and expeditiously addresses this matter with the bondholders.

The ultimate success, then, of the casino properties depends upon their ability to generate ever increasing cash at a time when the trend is otherwise. And all of this must occur also at a time when numerous high-level personnel changes at these properties have been effected. Thus, whether the individuals heading the various casino entities can provide the administrative skills, managerial stability and fiscal responsibility which, as an absolute minimum, will be required to meet Atlantic City obligations, remains an

open question and must be scrutinized closely by the regulatory authorities.

On a broader, consolidated basis, the Organization does not now present itself as one capable of continuing to operate all of its businesses while shouldering its excessive debt load. Our examination reveals that the Organization as a whole is generating an insufficient level of cash flow to adequately support both daily operations and payment of debt service and the consequences of this shortfall will be compounded as other burdensome obligations, not protected by the moratorium, come due and owing in the very short-term. Most notably, the Shuttle presents an immediate concern in that operating funds are precariously low at \$1 million and based on our most recent review, the monthly cash drain at this company has been in excess of \$2 million. Should the trend continue at this pace, the drain on the new money facility could be significant. Simply put, the Organization is in dire financial straits.

As noted, the bank agreements, by themselves, will not resolve all the financial troubles confronting either DJT personally, his Atlantic City properties in particular or, on the broadest scale, his Organization. Rather, it appears that the real opportunity afforded by these agreements is its notion that it makes economic sense to break up the Organization, sell off parts of the business that are more valuable outside the Company, shrink overhead and

refocus its energies on a few core operations. The proceeds generated by these overdue restructurings can then be used to reduce debt to more sustainable levels, creating a leaner, more efficient and competitive organization.

While several factors have contributed to its troubles, the overleveraging of this Organization, particularly in its recent acquisitions of non-casino hotel assets, has created the crisis atmosphere wherein debt service payments can not now be satisfied out of operating cash flow and has forced the Company to rethink its entire strategy and capital structure. In this case, excessive debt has acted as a powerful agent for change and, ironically, has served as a brake on management mistakes. It may very well be that the greatest hope for preserving remaining value lies in a quick and efficient reorganization and workout process--a privatized bankruptcy of sorts--outside the courtroom.

On this score, our report, which summarizes the results of a financial review initiated in January, 1990, serves as an overview of the fiscal condition of DJT and the Trump entities and as a backdrop against which the instant petition, seeking permission to, inter alia, borrow \$65 million and collateralize DJT's equity interests in his Atlantic City casinos, can be intelligently assessed. Hopefully, this Report will enable the Commission to more fully and comprehensively analyze, review and dissect the


various bank agreements which underlie the present request for relief.

More importantly, however, this report--in its portrayal of an Organization at the most critical juncture in its corporate life and well being--has an independent significance and addresses the larger issue of financial stability in the long term. Regardless of the outcome of the instant claim for relief, that issue must be confronted in the very near term.

Respectfully submitted,

ANTHONY J. PARRILLO
DIRECTOR

By:



Thomas N. Auriemma
Deputy Attorney General

jh/1