

ORIGINAL

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

1
2
3 IN RE: CONSOLIDATED FINANCIAL :
4 STABILITY HEARING OF TRUMP TAJ MAHAL :
5 ASSOCIATES, TRUMP HOTEL MANAGEMENT :
6 CORPORATION, TRUMP'S CASTLE :
7 ASSOCIATES LIMITED PARTNERSHIP AND :
8 TRUMP PLAZA ASSOCIATES :

6 Thursday, June 20, 1991
7 Atlantic City Commission Office
8 Tennessee & Boardwalk
9 Atlantic City, NJ 08401
10 2:05 p.m.
11 VOLUME V

B E F O R E:

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

PRESENT FOR THE CASINO CONTROL COMMISSION:

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

ON BEHALF OF THE COMMISSION STAFF:

17 JOHN R. ZIMMERMAN, DEPUTY DIRECTOR, LEGAL DIVISION
18 STEVEN M. INGIS, COUNSEL I
19

ON BEHALF OF THE DIVISION STAFF:

20 THOMAS N. AURIEMMA, DEPUTY ATTORNEY GENERAL
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1 A P P E A R A N C E S:

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

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

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

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

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

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

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

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

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

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

23 CHAIRMAN PERSKIE: Good afternoon.
24 The meeting will come to order. We will observe for
25 the record the presence of all five members of the

1 Commission. This is the continuation of the hearings
2 into the financial stability of The Trump
3 Organization. The issues before the Commission at
4 this hearing are the financial stability of The Trump
5 Organization and the three casino properties which it
6 owns, the Taj Mahal, the Plaza and the Castle.

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

21 The statutory demand for integrity in
22 financial dealings is self-explanatory in the context
23 of a pervasive system of casino regulation. However,
24 the need for financial stability, which is the sole
25 concern here, is no less basic to a successful and

1 well regulated gaming industry. As the Commission
2 observed in its 1987 decision concerning a financial
3 restructuring of Holiday Corporation: "Of course,
4 there is an evident legislative desire to foster a
5 healthy and financially robust gaming environment
6 which will better assure that the few privileged
7 gaming properties permitted in New Jersey will be able
8 to promote the economic and social benefits for which
9 gaming was legalized. Moreover, the danger of unsound
10 or unlawful casino practices and of inroads by
11 undesirable elements is markedly increased as a casino
12 licensee or its parent companies are exposed to
13 financial uncertainties. Thus, financial stability is
14 an essential requisite to achieve both the economic
15 and integrity objectives of the Act."

16 The Commission has on numerous other
17 occasions, most notably in a series of opinions
18 dealing with the Atlantis Casino Hotel, defined
19 financial stability in terms of the capacity of an
20 operator to pay its debts to gaming patrons, trade
21 creditors and employees, and to discharge its
22 regulatory responsibilities and its obligations to
23 state and local taxing authorities. It was the
24 Atlantis' inability to service its public and private
25 debts in an orderly manner, and its cutting of

1 regulatory corners to preserve dwindling resources,
2 which ultimately caused the loss of its license.

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

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

19 In August of last year, the
20 Commission was asked to approve the restructuring of
21 approximately one billion dollars of debt of the
22 entities owned and controlled by The Trump
23 Organization. It was indisputable that the
24 restructuring provided tangible, albeit short-term
25 benefits to the 33 casino licensees. Donald Trump

1 received a new 65 million dollar credit line, 20
2 million dollars of which was used to pay interest on
3 Trump Castle bonds. In addition, principal and
4 interest payments on one billion dollars in debt, 840
5 million of which afforded recourse to Trump
6 personally, were deferred for five years. The banks
7 holding the one billion dollars in debt agreed to a
8 five year moratorium on recourse against Trump and
9 thus against his personal assets, including
10 significantly the equity in the casino licensees.

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

22 The evidence presented last August
23 demonstrated that The Trump Organization was in severe
24 financial distress. It was apparent that, without the
25 restructuring, foreclosure on the casino equities was

1 a virtual certainty, whether through judgments against
2 Trump or bankruptcy of The Trump Organization at that
3 point, the continued viability of The Trump
4 Organization and the casino licensees directly hinged
5 upon the restructuring.

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

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

21 During that proceeding, the Taj Mahal
22 presented testimony regarding a long-term
23 restructuring designed to alleviate its cash flow
24 problems by reducing and deferring debt service
25 requirements. The plan was to be implemented through

1 the filing of a registration statement with the SEC,
2 the approval of which would form the basis for a
3 prepackaged bankruptcy proceeding. Satisfied that a
4 restructuring proposal critical to the continued
5 financial welfare of the Taj Mahal was in place, but
6 cognizant that many hurdles remained to be cleared
7 before the plan could be implemented, the Commission
8 adjourned the proceedings pending receipt of
9 additional submissions and documentation.

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

24 During the consolidated hearing, the
25 Taj Mahal presented testimony that the SEC would

1 declare the registration statement effective by May 1,
2 and that the process of soliciting consent of the
3 bondholders would be completed by June 15. Steering
4 Committee representative Wilbur Ross testified that he
5 expected holders of 90 percent of the bonds to vote in
6 favor of the plan.

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

22 On April 18, 1991, the Commission
23 renewed the Taj Mahal casino license, subject to
24 further consideration of financial stability. The
25 Commission determined at that time that financial

1 restructurings of the Taj Mahal and The Trump
2 Organization were underway which, when and if
3 consummated, could result in financial stability. Due
4 to the uncertain status of both plans, the Commission
5 was unable to reach a final conclusion on the issue.
6 It was satisfied, however, that substantial progress
7 had been made in implementing both plans. The
8 Commission was further satisfied that the Taj Mahal
9 had achieved short-term operational stability, in the
10 sense that obligations to gaming patrons, employees,
11 taxing authorities and trade creditors would be
12 satisfied on a current basis. Thus, the public would
13 be protected if licensure were continued. Licensure
14 was conditioned upon the receipt of executed term
15 sheets with respect to The Trump Organization
16 restructuring and compliance with certain timetables
17 applicable to the Taj Mahal's proposed bankruptcy
18 filing. The Commission further decided to reconvene
19 June 17, anticipating that additional progress toward
20 effecting the plans would be demonstrated so as to
21 make a final determination on stability possible at
22 that time.

23 In the meantime, on May 8, 1991, the
24 Commission renewed the casino licenses of Trump Plaza
25 and Trump Castle, subject to a further review of their

1 financial stability. Of immediate concern was their
2 ability to make substantial bondholder principal and
3 interest payments by a June 15 deadline.

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

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

25 The Commission determined that Plaza

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

15 With respect to the Castle,
16 management acknowledged that, if current levels of
17 operations continued and no restructuring were
18 effected, there would be insufficient funds to cover
19 debt service requirements. Castle's most immediate
20 financial concern was its ability to make a 22.7
21 million dollar sinking fund payment on the first
22 mortgage bonds due June 15, 1991, together with an
23 interest payment of 18.4 million dollars. Mr. Ribis
24 testified that Castle was offering to exchange 22.7
25 million dollars of its first mortgage bonds for new

1 bonds of a similar amount. He indicated that
2 consummation of this exchange offer, which was due to
3 expire on June 15, 1991, would enable Castle to make
4 the sinking fund payment. Castle anticipated a
5 similar transaction in 1992 to satisfy that year's
6 requirement. Mr. Ribis represented that he had
7 received assurances from the holders of 20 percent of
8 the outstanding bonds that they would participate in
9 the 1991 offering.

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

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

1 the June 17 hearing.

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

8 Turning first to The Trump
9 Organization, the Commission has received executed
10 term sheets with all but one of the Credit and
11 Override Agreement banks. The term sheets comport
12 generally with Mr. Bollenbach's April testimony. Mr.
13 Trump's personal liability under the Override
14 Agreement has been reduced by approximately 535
15 million dollars. He will remain liable for up to 115
16 million dollars of deficiency claims with respect to
17 certain assets. Mr. Trump's obligations to this
18 deficiency pool will be secured by junior liens on his
19 equity in the three casinos, Trump Tower and the Penn
20 Yards. In addition, there are equity liens totaling
21 212 million dollars to be covered by specific assets.
22 Mr. Trump will remain personally liable for the full
23 amount of those loans.

24 There is 45 million dollars
25 outstanding on the 65 million dollar Credit Agreement,

1 12 million dollars of which has been allocated to
2 specific assets in exchange for bank releases of
3 personal guarantees. Mr. Trump remains personally
4 liable for the remaining 33 million dollars. All
5 remaining commitments to Mr. Trump under the Credit
6 Agreement will be terminated. The loan will be
7 amended to extend the maturity dates to five years
8 from closing at an interest rate of five percent a
9 year.

10 Management prepared financial
11 forecasts showing the effect of the restructuring on
12 The Trump Organization. If these forecasts are met,
13 The Trump Organization will be financially stable.
14 The ability of The Trump Organization to satisfy these
15 projections depends to a great extent on its ability
16 to sell 10 Trump Tower apartments. Pursuant to the
17 restructuring, The Trump Organization is entitled to
18 use the first 10 million dollars of proceeds from
19 these sales as working capital. The forecasts reflect
20 the receipt of two million dollars in proceeds from
21 these sales for August, October and December,
22 respectively, with an additional four million dollars
23 next April. If these sales do not materialize, The
24 Trump Organization's ability to obtain alternate
25 financing is uncertain. However, it is reasonable to

1 assume that, considering their location, the
2 apartments can be sold or at least mortgaged to
3 generate the required revenues.

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

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

1 continuing financial stability for the license period.

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

9 The Taj Mahal's restructuring has
10 proceeded at a much slower pace than originally
11 contemplated. The SEC approval process inexplicably
12 took far longer than anticipated. As a result, the
13 timetables imposed in April have not been met. On
14 June 5, 1991, the Taj Mahal received SEC approval of
15 the registration statement and immediately began the
16 solicitation of bondholders. On the revised schedule,
17 the Taj Mahal expects to file a premarked petition for
18 bankruptcy on June--on July 16, 1991, and anticipates
19 that the plan will become effective on or about
20 October 15, 1991. The plan has been modified since
21 the renewal hearing to increase a proposed credit
22 facility from 75 million to 100 million dollars.
23 There appears to be little question that this facility
24 can be funded, because it will constitute a first lien
25 on the casino hotel.

1 The primary reason for withholding
2 judgment at the renewal hearing on the financial
3 stability issue was the uncertainty surrounding the
4 bondholder approval process. At that time, there were
5 no assurances that a sufficient number of bondholders
6 would endorse the proposal in the registration
7 statement. In order for a prepackaged filing in
8 bankruptcy to be accomplished, the Taj Mahal needs
9 acceptances from the bondholders representing at least
10 two-thirds in dollar amount and more than one half in
11 number of those voting. As of this past Tuesday,
12 holders of approximately 70 percent of the total
13 amount had either formally approved the plan or
14 instructed their nominees to approve the plan. Only
15 one holder, with \$20,000 in bonds, voted in the
16 negative. Mr. Ross testified as that he had last
17 April--Mr. Ross testified as he had last April that he
18 expected over 90 percent of the holders to vote in
19 favor of the plan.

20 Of course, the conclusion of
21 bankruptcy court proceedings and the implementation of
22 the plan will not occur until this fall. However,
23 since the Taj Mahal has demonstrated that the
24 bondholder solicitation will in all likelihood be
25 successful, the Commission is in a position to rule

1 upon the financial ramifications of that plan. The
2 Commission staff report indicates that the
3 restructuring, once consummated, will provide
4 financial stability at the Taj Mahal. The projections
5 clearly support this conclusion which the Division
6 agreed in its summation.

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

13 VICE CHAIR ARMSTRONG: Mr. Chairman,
14 I will begin with The Trump Organization, which, as
15 disclosed in the report of our staff, is extremely
16 limited in its financial options. The report reveals
17 that The Trump Organization will have an estimated
18 cash balance of 2.9 million dollars on June 30, 1991,
19 and by its own projections will suffer a 7.7 million
20 dollar cash flow deficit in the 12 months ending June
21 30, 1992. The report notes that the deficit is to be
22 funded primarily by selling residential units in the
23 Trump Tower, and specifically asks that The Trump
24 Organization address at the hearing we have just held
25 the likelihood of consummation of these sales, as well

1 as the financial flexibility available if additional
2 cash is required to support the various enterprises of
3 The Trump Organization.

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

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

1 when anticipated.

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

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

20 With regard to the Taj Mahal, I am
21 troubled by the fact that all votes cast for the
22 restructuring set forth in the registration statement
23 are revocable, and I am aware that a feasibility
24 finding by the bankruptcy court cannot be assured
25 regardless of the final vote. However, I recognize

1 that approval by both the bondholders and the court
2 appears likely to occur. Likewise, while there is no
3 guarantee that the plan, if brought to fruition, will
4 result in financial stability, I recognize that staff
5 reports filed in April and at this hearing opine that
6 the plan will satisfy the statutory criterion. I
7 therefore agree with your conclusion regarding the Taj
8 Mahal.

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

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

1 to us so grudgingly.

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

8 Further, the finding of financial
9 stability of The Trump Organization is subject to
10 conditions requiring that final executed contracts
11 effecting the term sheets with each of the banks be
12 filed with the Commission and Division by July 31,
13 1991. Mr. Bollenbach will continue to file weekly
14 reports on progress leading to the final, binding
15 agreements to be filed on July 31.

16 COMMISSIONER HURLEY: I second that
17 motion.

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

20 Hearing none I will call for a roll
21 call vote:

22 Commissioner Dodd?

23 COMMISSIONER DODD: Aye.

24 CHAIRMAN PERSKIE: Vice Chair
25 Armstrong?

1 VICE CHAIR ARMSTRONG: Yes.

2 CHAIRMAN PERSKIE: Commissioner
3 Hurley?

4 COMMISSIONER HURLEY: Aye.

5 CHAIRMAN PERSKIE: Commissioner
6 Waters?

7 COMMISSIONER WATERS: Yes.

8 CHAIRMAN PERSKIE: And I vote yes.

9 The record will reflect the motion carries
10 unanimously.

11 (All Commissioners present voted in
12 favor of the motion)

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

1 promptly filed with the Commission and the Division.

2 The Division has suggested conditions
3 in its report concerning the cash position of all
4 three operating entities, as well as the maintenance
5 of reserves against slot jackpots. In Mr. Auriemma's
6 summation, the Division limited its request to the
7 slot jackpot conditions, being satisfied that the
8 casino operators have sufficient cash resources.
9 While the Division did not specify the terms of the
10 jackpot condition, my motion includes the following:
11 That the licensee maintain and demonstrate to the
12 Commission or Division upon request that it has in
13 effect, from an approved financial source, a line of
14 credit, letter of credit or a Commission approved
15 insurance program, in an amount greater than the total
16 of all progressive cash jackpots offered in excess of
17 \$100,000, or that it has deposited and maintains in an
18 escrow account, a sum not less than 50 percent of the
19 amount of any individual progressive jackpot
20 outstanding in excess of \$250,000. For purposes of
21 this condition, progressive jackpots shall not include
22 those linked between casinos pursuant to Commission
23 approval.

24 COMMISSIONER HURLEY: I second the
25 motion.

1 CHAIRMAN PERSKIE: Comment or
2 discussion on that motion?

3 Again a roll call vote.

4 Commissioner Dodd?

5 COMMISSIONER DODD: Aye.

6 CHAIRMAN PERSKIE: Vice Chair

7 Armstrong?

8 VICE CHAIR ARMSTRONG: Yes.

9 CHAIRMAN PERSKIE: Commissioner

10 Hurley?

11 COMMISSIONER HURLEY: Yes.

12 CHAIRMAN PERSKIE: Commissioner

13 Waters?

14 COMMISSIONER WATERS: Yes.

15 CHAIRMAN PERSKIE: And I vote yes.

16 The record will reflect that motion
17 carries unanimously.

18 (All Commissioners present voted in
19 favor of the motion)

20 CHAIRMAN PERSKIE: I move that the
21 Commission find that Trump Plaza Associates has
22 established its financial stability. I would continue
23 the detailed reporting conditions imposed at the
24 license renewal hearing, and impose the same
25 progressive jackpot condition just imposed on the Taj

1 Mahal. Moreover, the Trump Regency real estate taxes
2 must be paid by July 15. In addition, the licensee
3 shall obtain a commitment for the 10 million dollar
4 line of credit by July 31.

5 COMMISSIONER HURLEY: Second.

6 CHAIRMAN PERSKIE: Comment or
7 discussion?

8 On that motion, Commissioner Dodd?

9 COMMISSIONER DODD: Yes.

10 CHAIRMAN PERSKIE: Vice Chair
11 Armstrong?

12 VICE CHAIR ARMSTRONG: Yes.

13 CHAIRMAN PERSKIE: Commissioner
14 Hurley?

15 COMMISSIONER HURLEY: Yes.

16 CHAIRMAN PERSKIE: Commissioner
17 Waters?

18 COMMISSIONER WATERS: Yes.

19 CHAIRMAN PERSKIE: And I vote yes.

20 The record will reflect that that
21 motion likewise carries unanimously.

22 (All Commissioners present voted in
23 favor of the motion)

24 CHAIRMAN PERSKIE: The Castle
25 requires separate treatment, for obvious reasons.

1 When the Commission reopened the license hearings as
2 to all three casinos last August, the Castle had
3 already defaulted on a payment to its bondholders, and
4 ultimately made the payment during the grace period
5 with a cash infusion provided through the Credit
6 Agreement. The next payment, in December 1990, was
7 made only by Mr. Trump's father purchasing over three
8 million dollars in gaming chips which he did not use
9 to gamble, and which have been escrowed pending
10 further Commission action.

11 Despite repeated and unconditional
12 assurances during the renewal hearing that the June
13 1991 bondholder payment would be made, we now know
14 that it was not. The contemplated parking garage
15 transaction was never consummated and the proposed
16 exchange offer did not receive the anticipated
17 results. There was insufficient cash generated from
18 operations from which to fund the principal and
19 interest payments. In short, the Castle has defaulted
20 on its bonds and has been forced to abandon the plan
21 detailed at the renewal hearing. Its attempt to
22 obtain a credit line has been unavailing.

23 As I have noted, we reopened the
24 casino license hearing 10 months ago. Nonetheless,
25 according to Mr. Ribis' testimony, negotiations on a

1 long-term fix of the Castle's obvious financial
2 problems did not begin until the first or second week
3 in May. The bondholder term sheet was negotiated last
4 Friday and presented to us for the first time at this
5 hearing. Significant provisions of the term sheet are
6 left open. For example, loans from MidLantic bank of
7 50 million dollars and 13 million dollars must be
8 restructured. There is no evidence before us that
9 such a restructuring is likely. In fact, Mr. Foss
10 testified that there have been no meetings with
11 MidLantic, but that the bondholders will demand that
12 MidLantic compromise its claims on terms that the
13 bondholders consider fair. In addition, crucial
14 provisions of the term sheet concerning the control
15 and possible sale of the casino hotel are left to
16 future negotiations. Moreover, Mr. Foss testified
17 that the price for which Mr. Trump may reacquire
18 portions of the equity, as well as numerous other
19 items not addressed in the term sheet, remain to be
20 negotiated.

21 The term sheet is by its very
22 provisions not binding even on the members of the
23 Steering Committee whose representatives negotiated
24 it. Because of insider trading restrictions, the
25 remaining bondholders were not made aware of the

1 specific provisions of the term sheet until this
2 Monday, and we have received no formal evidence
3 concerning their reaction. In fact, when asked for an
4 opinion as to what percentage of the other bondholders
5 would agree to the term sheet, Mr. Foss conceded that
6 he did not know. Of course, in view of the existing
7 default, there can be no assurance that an involuntary
8 petition for reorganization or liquidation will not be
9 filed.

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

1 not at this point a real plan.

2 However, in order to afford the
3 licensee every opportunity to satisfy its statutory
4 burden, I believe the Commission should provide a
5 detailed schedule of the actions the Castle must take
6 if it is to demonstrate its financial stability. I
7 have given some indication of the problems which must
8 be addressed. Clearly, the open items in the term
9 sheet must be resolved. The MidLantic loans must be
10 restructured. The Commission must have more
11 information about the position of the other
12 bondholders, whether through testimony provided by the
13 licensee, investigatory effort of the Division or
14 participation by other bondholders in these
15 proceedings. However, rather than attempt an
16 exhaustive listing of problems presented by the Castle
17 term sheet now, I would move that we adjourn the
18 Castle financial stability matter until June 26. At
19 that time the Commission can give a full recitation of
20 the issues and a strict timetable for their
21 resolution. Of course, this is not meant to
22 discourage the licensee from continuing to solidify
23 the plan between now and June 26. We would in fact
24 encourage all parties to take whatever actions are
25 possible before next Wednesday to supplement the

1 record with evidence of greater specificity and
2 completeness regarding the Castle's status.

3 COMMISSIONER HURLEY: I second the
4 motion.

5 CHAIRMAN PERSKIE: Comment or
6 discussion?

7 On that motion all in favor will so
8 indicate.

9 The record will reflect that motion
10 carries unanimously.

11 (All Commissioners present voted in
12 favor of the motion)

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

22 We are also mindful that The Trump
23 Organization has been placed in an unenviable
24 position, by the nature of this industry, of having to
25 discuss sensitive, ongoing negotiations in a public

1 forum. Although we empathize with the Trump
2 affiliates in this respect, in carrying out our
3 regulatory responsibilities we must continue to
4 monitor closely their progress toward completing the
5 necessary transactions to ensure financial stability.

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

19 Anything further?

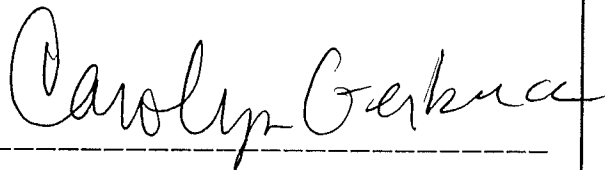
20 We will be in recess. Thank you very
21 much.

22 (At which time the hearing was
23 adjourned at 2:50 p.m.)
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C E R T I F I C A T E

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



CAROLYN GERBER, CSR

Dated: June 21, 1991.