

TRUMP HOTELS & CASINO RESORTS INC

Form 10-Q

November 15, 2004

[Table of Contents](#)

---

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

### FORM 10-Q

---

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: September 30, 2004

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-13794

---

## TRUMP HOTELS & CASINO RESORTS, INC.

(Exact name of registrant as specified in its charter)

---

Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

|   |  |
|---|--|
| <b>DELAWARE</b><br>(State or other jurisdiction of<br>incorporation or organization)                      | <b>13-3818402</b><br>(I.R.S. Employer<br>Identification No.) |
| <b>1000 Boardwalk</b><br><br><b>Atlantic City, New Jersey</b><br>(Address of principal executive offices) | <b>08401</b><br>(Zip Code)                                   |

**(609) 449-6515**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

---

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes  No

As of November 15, 2004, there were 29,904,764 shares of common stock and 1,000 shares of class B common stock (having a voting equivalency of 13,918,723 shares of common stock) of Trump Hotels & Casino Resorts, Inc. outstanding.

---

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**INDEX TO FORM 10-Q**

|   | <b><u>Page No.</u></b> |
|---|------------------------|
| <b>PART I <u>FINANCIAL INFORMATION</u></b>  |                        |
| <b>ITEM 1 <u>Financial Statements</u></b>   |                        |
| <u>Condensed Consolidated Balance Sheets of Trump Hotels &amp; Casino Resorts, Inc. as of December 31, 2003 and September 30, 2004 (unaudited)</u>                            | 1                      |
| <u>Condensed Consolidated Statements of Operations of Trump Hotels &amp; Casino Resorts, Inc. for the Three and Nine Months Ended September 30, 2003 and 2004 (unaudited)</u> | 2                      |
| <u>Condensed Consolidated Statement of Stockholders' Equity (Deficit) of Trump Hotels &amp; Casino Resorts, Inc. for the Nine Months Ended September 30, 2004 (unaudited)</u> | 3                      |
| <u>Condensed Consolidated Statements of Cash Flows of Trump Hotels &amp; Casino Resorts, Inc. for the Nine Months Ended September 30, 2003 and 2004 (unaudited)</u>           | 4                      |
| <u>Notes to Condensed Consolidated Financial Statements of Trump Hotels &amp; Casino Resorts Inc.</u>   | 5                      |
| <b>ITEM 2 <u>Management's Discussion and Analysis of Financial Conditions and Results of Operations</u></b>   | 16                     |
| <b>ITEM 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u></b>   | 38                     |
| <b>ITEM 4 <u>Controls and Procedures</u></b>  | 38                     |
| <b>PART II <u>OTHER INFORMATION</u></b>   |                        |
| <b>ITEM 1 <u>Legal Proceedings</u></b>  | 39                     |
| <b>ITEM 2 <u>Unregistered Sale of Equity Securities and Use of Proceeds</u></b>   | 39                     |
| <b>ITEM 3 <u>Defaults Upon Senior Securities</u></b>  | 39                     |
| <b>ITEM 4 <u>Submission of Matters to a Vote of Security Holders</u></b>  | 39                     |
| <b>ITEM 5 <u>Other Information</u></b>  | 39                     |
| <b>ITEM 6 <u>Exhibits</u></b>   | 40                     |
| <b><u>SIGNATURE</u></b>   |                        |
| <b><u>Signature</u> Trump Hotels &amp; Casino Resorts, Inc.</b>   | 41                     |
| <b><u>EXHIBIT INDEX</u></b>   | 42                     |

**Table of Contents****PART I - FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS****TRUMP HOTELS & CASINO RESORTS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(dollars in thousands, except share data)

|  | December 31,<br>2003 | September 30,<br>2004 |
|--|----------------------|-----------------------|
|  | <u>2003</u>          | <u>2004</u>           |
|  |                      | (unaudited)           |
| <b>ASSETS</b>  |                      |                       |
| <b>CURRENT ASSETS:</b>   |                      |                       |
| Cash and cash equivalents  | \$ 95,672            | \$ 124,047            |
| Receivables, net   | 38,042               | 35,330                |
| Inventories  | 11,749               | 11,619                |
| Prepaid expenses and other current assets  | 11,689               | 16,512                |
|  | <u>157,152</u>       | <u>187,508</u>        |
| Total Current Assets   | 157,152              | 187,508               |
| INVESTMENT IN BUFFINGTON HARBOR, L.L.C.  | 29,743               | 28,384                |
| PROPERTY AND EQUIPMENT, NET  | 1,755,734            | 1,724,570             |
| DEFERRED BOND AND LOAN ISSUANCE COSTS, NET   | 26,497               | 21,548                |
| OTHER ASSETS   | 62,307               | 75,614                |
|  | <u>2,031,433</u>     | <u>2,037,624</u>      |
| <b>TOTAL ASSETS</b>  | <b>\$ 2,031,433</b>  | <b>\$ 2,037,624</b>   |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>   |                      |                       |
| <b>CURRENT LIABILITIES:</b>  |                      |                       |
| Current maturities of long-term debt   | \$ 29,399            | \$ 34,309             |
| Accounts payable and accrued expenses  | 142,383              | 173,941               |
| Due to affiliates, net   | 2,230                | 3,201                 |
| Accrued interest payable   | 30,040               | 83,824                |
|  | <u>204,052</u>       | <u>295,275</u>        |
| Total Current Liabilities  | 204,052              | 295,275               |
| <b>NON-CURRENT LIABILITIES:</b>  |                      |                       |
| Long-term debt, net of current maturities  | 1,781,498            | 1,788,541             |
| Long-term debt, related parties  | 15,425               | 15,888                |
| Other long-term liabilities  | 24,881               | 23,842                |
|  | <u>2,025,856</u>     | <u>2,123,546</u>      |
| <b>TOTAL LIABILITIES</b>   | <b>2,025,856</b>     | <b>2,123,546</b>      |
| <b>STOCKHOLDERS EQUITY (DEFICIT):</b>  |                      |                       |
| Common Stock, \$.01 par value, 75,000,000 shares authorized, 32,101,493 issued; 29,904,764 outstanding | 321                  | 321                   |

Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

|  |                   |                   |
|--|-------------------|-------------------|
| Class B Common Stock, \$.01 par value, 1,000 shares authorized, issued and outstanding |                   |                   |
| Additional Paid in Capital   | 470,566           | 470,566           |
| Accumulated Deficit  | (445,110)         | (536,609)         |
| Less treasury stock at cost, 2,196,729 shares  | (20,200)          | (20,200)          |
|  | <u>          </u> | <u>          </u> |
| TOTAL STOCKHOLDERS EQUITY (DEFICIT)  | 5,577             | (85,922)          |
|  | <u>          </u> | <u>          </u> |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)                                    | \$ 2,031,433      | \$ 2,037,624      |
|  | <u>          </u> | <u>          </u> |

See accompanying notes.

Table of Contents

## TRUMP HOTELS &amp; CASINO RESORTS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2004

(unaudited)

(dollars in thousands, except share data)

|  | Three Months Ended |                 | Nine Months Ended |                  |
|--|--------------------|-----------------|-------------------|------------------|
|  | September 30,      |                 | September 30,     |                  |
|  | 2003               | 2004            | 2003              | 2004             |
| <b>REVENUES:</b>   |                    |                 |                   |                  |
| Gaming   | \$ 324,339         | \$ 325,100      | \$ 938,471        | \$ 921,661       |
| Rooms  | 21,905             | 22,253          | 60,254            | 59,756           |
| Food and beverage  | 35,897             | 37,457          | 97,194            | 99,431           |
| Management fees  | 839                | 1,672           | 2,988             | 6,161            |
| Other  | 12,383             | 14,541          | 29,624            | 34,483           |
|  | <u>395,363</u>     | <u>401,023</u>  | <u>1,128,531</u>  | <u>1,121,492</u> |
| Gross revenues   |                    |                 |                   |                  |
| Less Promotional allowances  | 86,334             | 91,692          | 233,839           | 242,740          |
|  | <u>309,029</u>     | <u>309,331</u>  | <u>894,692</u>    | <u>878,752</u>   |
| Net Revenues   |                    |                 |                   |                  |
| <b>COSTS AND EXPENSES:</b>   |                    |                 |                   |                  |
| Gaming   | 150,777            | 152,700         | 437,292           | 432,252          |
| Rooms  | 7,460              | 7,354           | 23,060            | 21,794           |
| Food and beverage  | 13,064             | 12,852          | 35,479            | 35,392           |
| General and administrative   | 67,664             | 69,726          | 203,968           | 202,693          |
| General and administrative-related party   | 109                | 188             | 2,010             | 2,357            |
| Depreciation and amortization  | 24,515             | 27,489          | 69,952            | 77,603           |
| Debt renegotiation costs   |                    | 2,857           | 2,951             | 2,857            |
|  | <u>263,589</u>     | <u>273,166</u>  | <u>774,712</u>    | <u>774,948</u>   |
| Income from operations   | 45,440             | 36,165          | 119,980           | 103,804          |
| <b>NON-OPERATING INCOME AND (EXPENSE):</b>   |                    |                 |                   |                  |
| Interest income  | 139                | 204             | 1,207             | 560              |
| Interest expense   | (55,186)           | (56,878)        | (167,785)         | (169,073)        |
| Interest expense - related party   | (664)              | (747)           | (1,973)           | (2,177)          |
| Gain on debt refinancing, net  |                    |                 | 2,892             |                  |
| Other non-operating income (expense), net  | 7                  | (702)           | (20)              | 2,089            |
|  | <u>(55,704)</u>    | <u>(58,123)</u> | <u>(165,679)</u>  | <u>(168,601)</u> |
| Loss before equity in loss from Buffington Harbor, L.L.C.,<br>provision for income taxes and minority interest | (10,264)           | (21,958)        | (45,699)          | (64,797)         |

Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

|   |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
| Equity in loss from Buffington Harbor, L.L.C.   | (625)              | (204)              | (1,855)            | (1,430)            |
| Loss before income taxes and minority interest  | (10,889)           | (22,162)           | (47,554)           | (66,227)           |
| Provision for income taxes                      | (1,526)            | (2,983)            | (3,935)            | (25,272)           |
| Loss before minority interest                   | (12,415)           | (25,145)           | (51,489)           | (91,499)           |
| Minority interest                               |                    |                    | 5,061              |                    |
| <b>NET LOSS</b>                                 | <b>\$ (12,415)</b> | <b>\$ (25,145)</b> | <b>\$ (46,428)</b> | <b>\$ (91,499)</b> |
| Basic and diluted loss per share                | <b>\$ (0.43)</b>   | <b>\$ (0.84)</b>   | <b>\$ (1.90)</b>   | <b>\$ (3.06)</b>   |
| Weighted average number of shares outstanding : |                    |                    |                    |                    |
| Basic and diluted                               | 29,046,640         | 29,904,764         | 24,381,340         | 29,904,764         |

See accompanying notes.

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004**  
**(unaudited)**  
**(dollars in thousands)**

|                             |                           | Add 1              |                  |                   |   |
|-----------------------------|---------------------------|--------------------|------------------|-------------------|---|
|                             | Common<br>Stock<br>Amount | Paid In<br>Capital | Accum<br>Deficit | Treasury<br>Stock | Total<br>Stockholders<br>Equity (Deficit) |
|                             | _____                     | _____              | _____            | _____             | _____                                     |
| Balance, December 31, 2003  | \$ 321                    | \$ 470,566         | \$ (445,110)     | \$ (20,200)       | \$ 5,577                                  |
| Net Loss                    |                           |                    | (91,499)         |                   | (91,499)                                  |
|                             | _____                     | _____              | _____            | _____             | _____                                     |
| Balance, September 30, 2004 | \$ 321                    | \$ 470,566         | \$ (536,609)     | \$ (20,200)       | \$ (85,922)                               |
|                             | _____                     | _____              | _____            | _____             | _____                                     |

At September 30, 2004, there were 29,904,764 shares of Common Stock outstanding and 1,000 shares of Class B Common Stock (having the voting equivalency of 13,918,723 shares of Common Stock) outstanding.

See accompanying notes.



**Table of Contents****TRUMP HOTELS & CASINO RESORTS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2004****(unaudited)****(dollars in thousands)**

|   | <u>2003</u>     | <u>2004</u>     |
|---|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                 |                 |
| Net Loss  | \$ (46,428)     | \$ (91,499)     |
| Adjustments to reconcile net loss to net cash flows provided by operating activities: |                 |                 |
| Gain on debt refinancing, net   | (2,892)         |                 |
| Issuance of debt in satisfaction of accrued interest                                  | 10,478          | 2,005           |
| Non-cash increase in Trump's Castle PIK Notes   | (6,177)         |                 |
| Equity in loss of Buffington Harbor, L.L.C.   | 1,855           | 1,430           |
| Depreciation and amortization   | 69,952          | 77,603          |
| Minority interest in net loss   | (5,061)         |                 |
| Accretion of discounts on mortgage notes  | 3,181           | 1,974           |
| Amortization of deferred loan costs   | 5,667           | 4,861           |
| Provision for losses on receivables   | 4,929           | 4,338           |
| Valuation allowance-CRDA investments  | 5,123           | 3,507           |
| Loss on sale of assets  |                 | 717             |
| Changes in operating assets and liabilities:  |                 |                 |
| Increase in receivables   | (5,240)         | (1,626)         |
| Decrease in inventories   | 392             | 130             |
| Increase in other current assets  | (2,683)         | (4,882)         |
| (Decrease) increase in due to affiliates, net   | (97)            | 971             |
| Increase in other assets  | (1,599)         | (9,502)         |
| Increase in accounts payable, accrued expenses and other current liabilities.         | 11,545          | 31,198          |
| Increase in accrued interest payable  | 34,798          | 53,784          |
| Decrease in other long-term liabilities   | (2,590)         |                 |
| Net cash flows provided by operating activities                                       | <u>75,153</u>   | <u>75,009</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                 |                 |
| Purchase of property and equipment, net   | (23,450)        | (13,280)        |
| Purchase of CRDA investments, net   | (9,032)         | (9,896)         |
| Other.  | 318             | (71)            |
| Net cash flows used in investing activities   | <u>(32,164)</u> | <u>(23,247)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                 |                 |
| Proceeds from additional borrowings, net of discount                                  | 468,036         |                 |
| Contributed capital   | 15,000          |                 |
| Loan costs on additional borrowings   | (19,725)        |                 |
| Payment of long-term debt   | (480,455)       | (23,387)        |
| Net cash flows used in financing activities   | <u>(17,144)</u> | <u>(23,387)</u> |

Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

|   |                   |                   |
|---|-------------------|-------------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS         | 25,845            | 28,375            |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD  | 116,072           | 95,672            |
|   | <u>          </u> | <u>          </u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD        | \$ 141,917        | \$ 124,047        |
|   | <u>          </u> | <u>          </u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: |                   |                   |
| Cash paid for interest                            | \$ 124,401        | \$ 108,626        |
|   | <u>          </u> | <u>          </u> |
| Cash paid for income taxes                        | \$ 288            | \$ 789            |
|   | <u>          </u> | <u>          </u> |
| Equipment purchased under capital leases          | \$ 28,273         | \$ 31,825         |
|   | <u>          </u> | <u>          </u> |

See accompanying notes.

**Table of Contents****TRUMP HOTELS & CASINO RESORTS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(1) Organization and Operations**

The accompanying condensed consolidated financial statements include those of Trump Hotels & Casino Resorts, Inc., a Delaware corporation ( THCR or the Company ), Trump Hotels & Casino Resorts Holdings, L.P., a Delaware limited partnership ( THCR Holdings ), and Subsidiaries (as defined below). THCR Holdings is currently beneficially owned approximately 63.4% by THCR, as both a general and limited partner, and approximately 36.6% by Donald J. Trump, as a limited partner. Mr. Trump's limited partnership interest in THCR Holdings represents his economic interests in the assets and operations of THCR Holdings. Such limited partnership interest is convertible at Mr. Trump's option into 13,918,723 shares of THCR's common stock, par value \$0.01 per share (the THCR Common Stock ) (subject to certain adjustments), and if converted, would give Mr. Trump ownership of approximately 54.5% of the THCR Common Stock (including his current personal share ownership) or approximately 56.4% (assuming currently exercisable options held by Mr. Trump were exercised). Mr. Trump's limited partnership interests in THCR Holdings are represented by 1,000 shares of THCR's Class B common stock, par value \$0.01 per share (the Class B Common Stock ). The Class B Common Stock has the voting equivalency of 13,918,723 shares of THCR Common Stock and generally votes on all matters with the THCR Common Stock as a single class. The Class B Common Stock is redeemable at par to the extent that Mr. Trump converts his limited partnership interest in THCR Holdings and is not entitled to receive any dividends. Accordingly, the accompanying condensed consolidated financial statements include those of THCR and its 63.4% owned subsidiary, THCR Holdings and its wholly-owned subsidiaries. The minority interest liability in the consolidated balance sheet is adjusted with the proportionate share of the earnings (losses) of THCR. During the quarter ended March 31, 2003, the minority interest liability was completely eliminated through past losses. Consequently, losses will no longer be allocated to minority interest.

THCR has no operations and its ability to service its debt is dependent on the successful operations of the following subsidiaries of THCR Holdings (the Subsidiaries ): (i) Trump Atlantic City Associates, a New Jersey general partnership ( Trump AC ), which is comprised of Trump Taj Mahal Associates, a New Jersey general partnership ( Taj Associates ), and Trump Plaza Associates, a New Jersey general partnership ( Plaza Associates ); and (ii) Trump Casino Holdings, LLC, a Delaware single member limited liability company ( TCH ), which is comprised of: Trump Indiana, Inc., a Delaware corporation ( Trump Indiana ); Trump Marina Associates, L.P., a New Jersey limited partnership ( Marina Associates ), and THCR Management Services, LLC, a Delaware limited liability company ( Trump 29 Services ). Taj Associates, Plaza Associates and Marina Associates own and operate Trump Taj Mahal Casino Resort, Trump Plaza Hotel and Casino and Trump Marina Hotel Casino, respectively, in Atlantic City, New Jersey. Trump Indiana owns and operates Trump Casino Hotel, a riverboat casino in Buffington Harbor in Gary, Indiana. Trump 29 Services manages Trump 29 Casino located near Palm Springs, California pursuant to a five-year management agreement (the Trump 29 Management Agreement ) with the Twenty-Nine Palms Enterprises Corporation ( Twenty Nine Palms ), a corporation wholly-owned by the Twenty-Nine Palms Band of Luiseno Mission Indians, a federally recognized Native American Tribe and the owner of Trump 29 Casino (the Tribe ). TCH was capitalized in March 2003 and Trump Indiana, Marina Associates, Trump Marina, Inc., Trump 29 Services, THCR Management Holdings, LLC (the sole member of Trump 29 Services) and Trump Indiana Realty, LLC became wholly-owned subsidiaries of TCH on March 25, 2003 pursuant to a corporate reorganization approved by the Board of Directors of THCR.

Trump AC had outstanding at September 30, 2004, \$1.3 billion principal amount of 11.25% First Mortgage Notes due 2006 (the Trump AC Mortgage Notes ). The Trump AC Mortgage Notes are guaranteed by the entities that own and operate the Trump Taj Mahal Casino Resort and Trump Plaza Hotel and Casino in Atlantic City, New Jersey. TCH had outstanding at September 30, 2004, two issues of mortgage notes (the TCH Notes ): (i) \$425 million principal amount of 11.625% First Priority Mortgage Notes due 2010 (the TCH First Priority Notes ) and (ii) approximately \$68.8 million principal amount of 17.625% Second Priority Mortgage Notes due 2010 (the TCH Second Priority Notes ). The TCH Notes are guaranteed by the entities that own and operate the Trump Marina Hotel Casino in Atlantic City, New Jersey, and the Trump Indiana Riverboat in Gary, Indiana, as well as by the entity that manages Trump 29 Casino.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

THCR and its Subsidiaries are very highly leveraged, with extensive secured borrowing by THCR's operating level subsidiaries. The Company has incurred recurring operating losses, which totaled \$25.3 million, \$12.0 million, and \$87.3 million during the years ended December 31, 2001, 2002 and 2003, respectively, and \$91.5 million for the nine months ended September 30, 2004. The Company had a working capital deficit of

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

\$107.8 million at September 30, 2004. The recurring operating losses are primarily the result of substantial debt service obligations on outstanding indebtedness. In 2004, the Company's aggregate debt service obligation is approximately \$247 million. Due primarily to these factors, the Company has not been able to expand its operations or reinvest in the maintenance of its owned properties at desired levels. Furthermore, the Company does not currently have any short-term borrowing capacity available.

To address these factors, management and the board of directors reviewed various financing and restructuring alternatives, including the previously announced potential recapitalization transaction that contemplated an equity investment in the Company by DLJ Merchant Banking Partners III, L.P. ( DLJMB ) and Mr. Trump and a restructuring of the debt securities of the Company's subsidiaries (the DLJMB Transaction ). On September 22, 2004, by mutual agreement, THCR and DLJMB announced that they had terminated discussions regarding the DLJMB Transaction. After the termination of this proposal, the Company continued to pursue other potential transactions, including debt restructuring and recapitalization alternatives with certain of its debt holders and/or the sale of certain assets.

As discussed in Note 11, on October 21, 2004, the Company announced that THCR, Trump AC, TCH, Mr. Trump and holders of approximately 57% of the Trump AC Mortgage Notes (the TAC Note Group ) and approximately 68% and 81% of the TCH First Priority Notes and TCH Second Priority Notes, respectively (collectively, the TCH Group ), have entered into a restructuring support agreement (the Support Agreement ) in connection with the term sheet appended to the proposed recapitalization of the Company and its subsidiaries pursuant to a negotiated plan of reorganization (the Plan ). The Support Agreement contemplates, among other things, a restructuring of the Company's approximately \$1.8 billion aggregate principal amount of public indebtedness, including a reduction in the principal amount thereof to approximately \$1.25 billion, and a reduction of the weighted average rate of interest thereon from approximately 12% per annum to 8.5% per annum, representing an estimated annual interest expense savings of approximately \$98 million (excluding any interest related to borrowings on the \$500 million Financing). The Plan also permits an exit financing of up to \$500 million, secured by a first priority lien on substantially all of the Company's assets. This exit facility is expected to allow the Company to refurbish and expand its current properties and permit the Company to enter into new and emerging jurisdictions, among other uses.

The Company intends to implement the Plan through a voluntary chapter 11 proceeding. Under the Support Agreement, the Company is required to commence its case no later than November 29, 2004. An installment of interest of approximately \$73 million was due on the Trump AC Mortgage Notes on November 1, 2004. As contemplated in the term sheet attached as an exhibit to the Support Agreement and filed with the Company's Form 8-K on October 21, 2004, in satisfaction of the November 1, 2004 interest payment on the Trump AC Mortgage Notes, it is anticipated that the holders of the Trump AC Mortgage Notes will receive, as part of their overall recovery, an additional cash payment equal to simple interest on the principal amount of the new series of notes intended to be issued to the holders of the Trump AC Mortgage Notes upon the consummation of the Plan at an annual interest rate of 8.5% for the time period commencing May 1, 2004, the last date as of which interest was paid on the Trump AC Mortgage Notes, through the date on which the Plan is consummated. If the Company's case, however, is not commenced by November 29, 2004, the bondholder parties to the Support Agreement will have the right to terminate the Support Agreement. Furthermore, the Company will be required to make the November payment on the Trump AC Mortgage Notes. The Company would not have sufficient funds on hand from operations to make the November 1, 2004 interest payment on the Trump AC Mortgage Notes within the 30 day grace period provided in the indentures governing such notes. It would be an Event of Default under the indentures governing the Trump AC Mortgage Notes if such interest is not paid by November 30, 2004.

Subject to the foregoing, the accompanying condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted.

All significant intercompany balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying condensed consolidated financial statements have been prepared without audit. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary to present fairly the financial position, the results of operations and cash flows for the periods presented, have been made.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003 filed with the SEC and available on the SEC's website at [www.sec.gov](http://www.sec.gov) or through the Company's website, [www.trump.com](http://www.trump.com).

The casino industry in Atlantic City is seasonal in nature, with the peak season being the spring and summer months. Accordingly, results of operations for the period ended September 30, 2004 are not necessarily indicative of the operating results for a full year.

*Basic and Diluted Loss Per Share*

Basic loss per share is based on the weighted average number of shares of THCR Common Stock outstanding. Diluted loss per share includes the impact of common stock options using the treasury stock method unless the impact of such securities is anti-dilutive. The shares of THCR's Class B Common Stock owned by Mr. Trump have no economic interest and therefore are not considered in the calculation of weighted average shares outstanding. The 13,918,723 shares of THCR Common Stock issuable upon the conversion of Mr. Trump's limited partnership interest in THCR Holdings are excluded in the calculation of loss per share for the periods presented since they would be anti-dilutive.

*Stock-based Compensation Plans*

THCR has stock-based employee compensation plans. The Company applies the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for those plans. For stock options, no compensation expense is reflected in net income (loss) as all stock options granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. Pro forma information regarding net income (loss) and earnings (loss) per share is required by Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, and has been determined as if the Company had accounted for its stock plans under the fair value method of SFAS No. 123. Pro forma results are not necessarily indicative of the pro forma results for any future period. For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123:

| <b>Three Months Ended</b> | <b>Nine Months Ended</b> |
|---------------------------|--------------------------|
| <b>September 30,</b>      | <b>September 30,</b>     |
| <hr/>                     | <hr/>                    |

Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

|  | <u>2003</u>            | <u>2004</u>            | <u>2003</u>            | <u>2004</u>            |
|--|------------------------|------------------------|------------------------|------------------------|
| Net loss as reported   | \$ (12,415,000)        | \$ (25,145,000)        | \$ (46,428,000)        | \$ (91,499,000)        |
| Deduct total stock-based compensation expense determined under fair value method of all awards, net of tax | (191,000)              | (67,000)               | (573,000)              | (201,000)              |
| Pro forma loss   | <u>\$ (12,606,000)</u> | <u>\$ (25,212,000)</u> | <u>\$ (47,001,000)</u> | <u>\$ (91,700,000)</u> |
| Basic and diluted loss per-share as reported   | <u>\$ (0.43)</u>       | <u>\$ (0.84)</u>       | <u>\$ (1.90)</u>       | <u>\$ (3.06)</u>       |
| Basic and diluted loss per-share pro forma   | <u>\$ (0.43)</u>       | <u>\$ (0.84)</u>       | <u>\$ (1.93)</u>       | <u>\$ (3.07)</u>       |

7



**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Reclassifications*

Certain other reclassifications and disclosures have been made to prior year financial statements to conform to the current year presentation.

**(2) TCH Notes Offering**

On March 25, 2003, TCH and Trump Casino Funding, Inc. ( TCF ) consummated an offering (the TCH Notes Offering ) of the TCH Notes, consisting of: (i) \$425 million principal amount of TCH First Priority Notes due March 15, 2010, bearing interest at a rate of 11.625% per year payable in cash, sold at a price of 94.832% of their face amount for an effective yield of 12.75% and (ii) \$50 million principal amount of TCH Second Priority Notes due September 15, 2010, bearing interest at a rate of 11.625% per year payable in cash, plus 6.0 % through the issuance of payable-in-kind notes.

In connection with the TCH Notes Offering, Mr. Trump purchased in a concurrent private offering, \$15 million aggregate principal amount of additional TCH Second Priority Notes at the same purchase price at which the initial purchasers purchased the TCH Second Priority Notes.

Included in the \$96.9 million principal amount (including call premium) of THCR Holdings 15.5% Senior Notes due 2005 (the THCR Holdings Senior Notes ) purchased with the net proceeds of the TCH Notes Offering, \$1.7 million principal amount of THCR Holdings Senior Notes were held by Mr. Trump. THCR Holdings also acquired an additional \$15.0 million principal amount of THCR Holdings Senior Notes on the closing date of the TCH Notes Offering in a private transaction with Mr. Trump. The purchase price of the aggregate \$16.7 million principal amount of THCR Holdings Senior Notes acquired from Mr. Trump consisted of shares of stock of THCR valued at \$15.0 million, plus a cash amount equal to \$1.7 million plus the applicable redemption premium of 2.583% (approximately \$430,000) and accrued interest of approximately \$700,000 on the entire \$16.7 million principal amount of THCR Holdings Senior Notes sold by Mr. Trump.

Financing costs, including underwriters' discounts of 2.5% to the purchasers of the TCH First Priority Notes and 10% to the purchasers of the TCH Second Priority Notes and direct transactional fees (including accounting, legal and printing), have been capitalized as deferred bond and loan issuance costs in the accompanying balance sheet and are being amortized to interest expense over the term of the debt.

In connection with the refinancing, THCR recognized a net gain of \$2.9 million, which consists of a net gain of \$10.5 million on the retirement of the Trump's Castle Funding, Inc.'s 11.75% Mortgage Notes due 2003 and the Trump's Castle Funding, Inc.'s 13.875% PIK Notes due 2005, a \$2.8 million call premium on the retirement of THCR Holdings Senior Notes, the settlement of Trump Indiana's interest rate swap for \$0.9 million and the write-off of unamortized loan costs of approximately \$3.9 million.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

Under the applicable indentures, the interest rate on the TCH First Priority Notes increases by 0.5% per annum if TCH's First Priority Leverage Ratio for any fiscal year, commencing with the year ended December 31, 2003, exceeds 4.8 to 1.0, and by 1.0% per annum if the First Priority Leverage Ratio exceeds 5.3 to 1.0. Similarly, the rate of interest payable in cash on the TCH Second Priority Notes increases by 0.5% per annum or 1.0% per annum if the First Priority Leverage Ratio for any fiscal year, commencing with the year ended December 31, 2003, exceeds 4.8 to 1.0 or 5.3 to 1.0, respectively. For these purposes, the term First Priority Leverage Ratio for any year is defined generally as the ratio of (a) the total outstanding principal amount of the TCH First Priority Notes (plus other indebtedness, if any, ranking pari passu with the TCH First Priority Mortgage Notes) as of December 31, of such year to (b) the Consolidated EBITDA of TCH without duplication, the sum of consolidated net income, plus consolidated tax expense, plus consolidated depreciation and amortization expense, plus consolidated fixed charges and non-cash charges related to regulatory write downs for the year.

The First Priority Leverage Ratio for the year ended December 31, 2003 resulted in an increase in the interest rates on the TCH Notes of 1.0%. Such increase is effective from and after March 15, 2004 to March 14, 2005, at which point

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

the rates of interest payable on the TCH Notes would be restored to their original levels, unless the TCH First Priority Leverage Ratio computation for 2004 results in an increase. The estimated impact on our interest expense for the period March 15, 2004 through March 14, 2005 would be approximately \$4,900,000.

Interest payments on the TCH Notes are payable on a semi-annual basis on March 15 and September 15. Pursuant to the terms of the indentures governing the TCH Notes, TCH has a 30-day grace period to make such payment. On October 14, 2004, TCH made the September interest payment on the TCH Notes within the 30 day grace period.

**(3) Other Assets**

Plaza Associates is appealing a real estate tax assessment by the City of Atlantic City. At December 31, 2003 and September 30, 2004, other assets include \$8,014,000 that Plaza Associates believes will be recoverable on the settlement of the appeal.

As previously disclosed, Trump Indiana was assessed a sales and use tax on the purchase of the Trump Indiana vessel. The Company made the payment on this assessment (\$1,822,000) during the first quarter of 2002 in order to avoid incurring interest and penalties while Trump Indiana was appealing the assessment. The payment of \$1,822,000 had been capitalized in other assets as management believed the amount would be fully recoverable upon the settlement of the appeal. During the first quarter of 2004, the Indiana Tax Court ruled in favor of Trump Indiana as the Tax Court held that a boat assembled in Florida for use as a casino riverboat is not personal property and therefore not subject to sales and use taxation in Indiana. The Indiana Department of State Revenue petitioned the matter for final review by the Indiana Supreme Court. On September 21, 2004, the Indiana Supreme Court overturned Indiana's Tax Court and ruled in favor of the Indiana Department of State Revenue. As a result of this ruling the Company transferred the \$1,822,000 from other assets to fixed assets as the tax was a cost of getting the asset ready for its intended use. Additionally, the Company recorded a charge to depreciation expense for the three and nine months ended September 30, 2004 of approximately \$500,000 for the cumulative amount of depreciation as if the amount had been capitalized into the cost of the vessel when it was incurred.

**(4) Trump Plaza Warehouse**

On February 17, 2003, Plaza Associates' off-site warehouse collapsed due to an unusual amount of snowfall. As a result, it was demolished, and the Company is currently leasing another warehouse. In April of 2004, Plaza Associates settled a claim with the insurance carrier. A gain of \$2.1 million was recognized in other non-operating income during the nine months ended September 30, 2004 related to this transaction.

**(5) Trump 29 Services**

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

Trump 29 Services operates Trump 29, a casino owned by the Tribe through its sole ownership of Twenty Nine Palms, pursuant to the Trump 29 Management Agreement. The term of the Trump 29 Management Agreement is five years and expires during April 2007. Commencing in April 2005, an affiliate of the Tribe has the option of buying-out Trump 29 Services from the Trump 29 Management Agreement for an early termination fee as defined in the Trump 29 Management Agreement. Pursuant to the Trump 29 Management Agreement, in consideration for the Management Services, Trump 29 Services receives an annual fee based on a percentage of Net Revenues (as defined in the Trump 29 Management Agreement) for each year of the term (the Management Fee). Subject to the rights of the Tribe's lenders and payment of certain priority amounts under the Trump 29 Management Agreement, the Management Fee is payable monthly in amounts equal to the accrued management fee for the preceding month plus any accrued, unpaid amounts. Management Fee revenue was \$2,988,000 and \$6,161,000 for the nine month periods ended September 30, 2003 and 2004, respectively.

In the spring of 2004, Trump 29 Services applied to the Gaming Commission of the Tribe (the Palms Commission) for the renewal of Trump 29 Services' gaming license (the Trump 29 Gaming License) which is required to be renewed every two years. The Palms Commission has expressed certain concerns regarding the renewal of the Trump 29 Gaming License which THCR believes are unfounded. The Palms Commission has set a mid-November 2004 date to commence the license renewal hearing.

**Table of Contents****TRUMP HOTELS & CASINO RESORTS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

There can be no assurances that the Trump 29 Gaming License, which is required under the Trump 29 Management Agreement for Trump 29 Services' management of the day-to-day operations of Trump 29 Casino, will be renewed. In the event that the Management Services Agreement was to be terminated for any reason, including the failure to renew the Trump 29 Gaming License, Trump 29 Services would cease to have the revenues from such agreement, which would adversely affect the liquidity of TCH.

**(6) Investment in Buffington Harbor Entities**

THCR accounts for its investment in the Buffington Harbor Riverboats, L.L.C. ( BHR ) (a 50% joint venture between Trump Indiana and Majestic Star Casino, L.L.C. ( Majestic Star )), under the equity method of accounting. Trump Indiana and Majestic Star formed BHR and entered into an agreement (the BHR Agreement ) relating to the joint ownership, development and operation of all common land-based and waterside operations in support of each of Trump Indiana's and Majestic Star's separate riverboat casinos at Buffington Harbor. Trump Indiana and Majestic Star are equally responsible for the operating expenses of the common land-based facilities at the site. There can be no assurance that Trump Indiana and/or Majestic Star will be able to fund their respective share of future capital contributions or operating expenses.

In accordance with the BHR Agreement, Trump Indiana and Majestic Star pay berthing and other fees in an amount to cover the operating expenses of BHR. Berthing fees and other fees paid are included in general and administrative expenses in the accompanying statements of operations.

Selected financial information of BHR is as follows:

|                                    | <b>December 31,</b>              | <b>September</b> |
|------------------------------------|----------------------------------|------------------|
|                                    | <b>2003</b>                      | <b>30,</b>       |
|                                    | <b>2004</b>                      |                  |
|                                    | <b>2003</b>                      | <b>2004</b>      |
| Cash                               | \$ 82,639                        | \$ 343,343       |
| Total current assets               | \$ 5,095,856                     | \$ 2,500,605     |
| Property, plant and equipment, net | \$ 61,881,975                    | \$ 58,374,722    |
| Total assets                       | \$ 67,079,079                    | \$ 60,973,394    |
| Total current liabilities          | \$ 7,223,402                     | \$ 4,720,595     |
| Total liabilities                  | \$ 7,611,893                     | \$ 5,071,809     |
| Total members' equity              | \$ 59,467,186                    | \$ 55,901,585    |
|                                    | <b>For the Nine Months Ended</b> |                  |
|                                    | <b>September 30,</b>             |                  |
|                                    | <b>2003</b>                      | <b>2004</b>      |

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

|                |                |                |
|----------------|----------------|----------------|
| Gross revenues | \$ 10,276,367  | \$ 8,536,109   |
| Net loss       | \$ (3,589,216) | \$ (3,708,813) |

In September 2000, Buffington Harbor Parking Associates ( BHPA ) was formed as a joint venture between Trump Indiana and an affiliate of Majestic Star for the purpose of constructing and operating a parking garage. The estimated cost of the parking garage, including the land, was approximately \$25,000,000. BHPA separately leases

**Table of Contents****TRUMP HOTELS & CASINO RESORTS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

the parking garage to each of (i) Trump Indiana pursuant to a parking lease, dated June 19, 2001 (the Trump Indiana Garage Lease ), and (ii) Majestic Star under a substantially identical lease agreement. The term of the Trump Indiana Garage Lease is until December 31, 2018. The initial rent installment, paid by Trump Indiana for the Trump Indiana Garage Lease, was approximately \$8,800,000, which is being amortized on a straight-line basis over the term of the lease. In addition, Trump Indiana is obligated to pay BHPA a monthly rent equal to (i) 50% of BHPA's debt service on the \$17,100,000 financing (the BHPA Financing ) to build the parking garage and (ii) 50% of any construction costs incurred by BHPA in excess of the net proceeds of the BHPA Financing.

Selected financial information of BHPA is as follows:

|                                     | <b>December 31,</b>  | <b>September</b>     |
|-------------------------------------|----------------------|----------------------|
|                                     | <b>2003</b>          | <b>30,</b>           |
|                                     | <b>2004</b>          |                      |
|                                     | <b>2003</b>          | <b>2004</b>          |
| <b>Assets</b>                       |                      |                      |
| Current assets                      | \$ 2,263,000         | \$ 1,791,000         |
| Property, plant and equipment, net  | \$ 34,889,000        | \$ 34,473,000        |
| Other assets                        | \$ 959,000           | \$ 862,000           |
| <b>Total assets</b>                 | <b>\$ 38,111,000</b> | <b>\$ 37,126,000</b> |
| <b>Liabilities and Equity</b>       |                      |                      |
| Current portion of long-term debt   | \$ 1,258,000         | \$ 1,258,000         |
| Other current liabilities           | \$ 4,277,000         | \$ 3,011,000         |
| <b>Total current liabilities</b>    | <b>\$ 5,535,000</b>  | <b>\$ 4,269,000</b>  |
| Long-term debt                      | \$ 17,310,000        | \$ 17,439,000        |
| Deferred revenue-long term          | \$ 16,349,000        | \$ 15,639,000        |
| Members' capital                    | \$ (1,083,000)       | \$ (221,000)         |
| <b>Total liabilities and equity</b> | <b>\$ 38,111,000</b> | <b>\$ 37,126,000</b> |
| <b>For the Nine Months Ended</b>    |                      |                      |
| <b>September 30,</b>                |                      |                      |
|                                     | <b>2003</b>          | <b>2004</b>          |
| Revenues                            | \$ 2,923,000         | \$ 3,582,000         |
| Net income                          | \$ 463,000           | \$ 369,000           |

Table of Contents**TRUMP HOTELS & CASINO RESORTS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(7) Income Taxes**

Income tax expense for the three and nine months ended September 30, 2003 and 2004 is comprised of the following:

|                               | <b>Three months ended</b> |                     | <b>Nine months ended</b> |                      |
|-------------------------------|---------------------------|---------------------|--------------------------|----------------------|
|                               | <b>September 30,</b>      |                     | <b>September 30,</b>     |                      |
|                               | <b>2003</b>               | <b>2004</b>         | <b>2003</b>              | <b>2004</b>          |
| Indiana state income taxes    | \$                        | \$ 915,000          | \$                       | \$ 20,958,000        |
| New Jersey state income taxes | 1,526,000                 | 2,068,000           | 3,935,000                | 4,314,000            |
|                               | <u>\$ 1,526,000</u>       | <u>\$ 2,983,000</u> | <u>\$ 3,935,000</u>      | <u>\$ 25,272,000</u> |

As previously disclosed, in 1999, the Indiana Department of Revenue (the Department) issued a Letter of Findings to an unaffiliated Indiana gaming company, which affects Indiana riverboat gaming companies, including Trump Indiana, to the effect that the Riverboat Wagering Tax (the Tax), a tax deducted in computing income subject to federal tax, is not deductible when computing Indiana adjusted gross income. The unaffiliated entity that received the Letter of Findings, with the assistance of the Indiana Casino Association, of which Trump Indiana is a member, contested the findings in the Indiana Tax Court on the basis that the Tax is an excise tax and, as such, should be excluded from Indiana's add-back requirements (that is, it should be deducted in computing gross income for Indiana income tax purposes). In April 2004, the Indiana Tax Court found in favor of the Department. As a result of the ruling, the Company recorded an income tax provision of approximately \$19,108,000 during the first quarter of 2004 for the cumulative amount of taxes due since inception at Trump Indiana as if state income taxes were computed by not deducting the tax in calculating Indiana adjusted gross income. The members of the Indiana Gaming Association subsequently appealed the Indiana Tax Court's decision to the Indiana Supreme Court. The Indiana Supreme Court refused, however, to grant review of the Indiana Tax Court's decision. In October 2004, Trump Indiana received a notification from the Department assessing approximately \$17 million through 2002 in respect of this tax (the Tax Assessment).

Although the Company has accrued for the liability associated with the Tax, it does not have the cash on hand to provide for the payment in full of the Tax Assessment and any associated interest and penalties. Trump Indiana has met with representatives of the Department regarding a payment schedule for the Tax Assessment. If the Company is unable to arrive at a satisfactory payment schedule with the Department for the Tax Assessment, the Company will consider other alternatives to address this problem. The total amount of the estimated tax due and accrued on the balance sheet at September 30, 2004 is approximately \$20,958,000.

New Jersey state income taxes represent taxes as computed under the alternative minimum method in calculating state income taxes and the New Jersey Profits Tax in the amount of \$3,672,000 and \$263,000, respectively, for the nine months ended September 30, 2003 and \$3,526,000 and \$788,000, respectively, for the nine months ended September 30, 2004.



## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

The Company has not provided any provision for federal income taxes due to the current period operating loss. In addition, as disclosed in the Company's financial statements for the year ended December 31, 2003 included in the Company's 10-K filing with the Securities and Exchange Commission, the Company has net operating loss carryforwards for which a valuation allowance has been provided due to the uncertainty of realization.

---

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(8) Recent Accounting Pronouncements**

In January 2003, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 46 ( FIN 46 ), Consolidation of Variable Interest Entities, an interpretation of ARB 51. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ( variable interest entities ) and how to determine when and which business enterprise (the primary beneficiary ) should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Adoption of this pronouncement had no material impact on the Company's consolidated financial position, consolidated results of operations, or liquidity.

**(9) NJSEA Subsidy Agreement**

On April 12, 2004, the twelve Atlantic City casino properties, including the Trump Atlantic City properties, executed an agreement with the New Jersey Sports & Exposition Authority ( NJSEA ) and the Casino Reinvestment Development Authority ( CRDA ) to, among other things, enhance purses, fund breeders' awards and establish account wagering at New Jersey horse racing tracks ( NJSEA Subsidy Agreement or Agreement ).

The Agreement provides that the casinos, pro rata according to their gross revenues, shall: (a) pay \$34 million to NJSEA in cash in four yearly payments through October 15, 2007 and donate \$52 million to NJSEA from the regular payment of their CRDA obligations for use by NJSEA through 2008 to enhance such purses, fund such breeders' awards and establish such account wagering; and (b) donate \$10 million from the regular payment of their CRDA obligations for use by CRDA as grants to such other North Jersey projects as CRDA shall determine. These cash payments and donations of CRDA obligations are conditioned upon the timely enactment and funding of the Casino Expansion Fund Act. The Trump Atlantic City properties have estimated their portion of the industry obligation at approximately 23.0%.

The Agreement also anticipated that legislation to establish and fund a \$62 million Casino Expansion Fund would be effective by December 1, 2004 and that the fund will be administered by CRDA and made available pro rata to each casino for use in expanding its casino hotel facility in the amounts and at the times it makes its donation payments to CRDA ( Casino Expansion Fund Act ). The Agreement further provides for a moratorium until January 2009, which casinos may enforce by court injunction, on the conduct of casino gaming at any New Jersey racetrack (unless casinos controlling a majority of the hotel rooms controlled by the casinos in Atlantic City otherwise agree) and a moratorium until January 2006 on the authorization of casino gaming at any New Jersey racetrack, the violation of which would terminate the Agreement and all further payments to NJSEA and require NJSEA to return all undistributed cash and CRDA to return all undistributed donated CRDA obligations to the casinos. The Agreement also grants a license through August 2008 for the display, at no cost to the casino industry, of messages promoting Atlantic City generally in prominent locations at NJSEA's Meadowlands and Monmouth racetracks.

The Agreement finally provides that, if the Casino Expansion Fund is not established and funded by the New Jersey Legislature by December 1, 2004: (a) the casinos shall provide \$7 million in cash to NJSEA by December 10, 2004 and donate \$13 million from the regular payment of their

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

CRDA obligations to NJSEA for use by NJSEA to enhance such purses, fund such breeders awards and establish such account wagering; (b) the moratorium on the conduct of casino gaming at New Jersey racetracks shall expire as of January 2006; and (c) the Agreement shall otherwise terminate.

The New Jersey Legislature enacted a law effective June 30, 2004 which: (a) establishes the Atlantic City Expansion Fund, identifies the Casino Hotel Room Occupancy Fee as its funding source and directs CRDA to provide the Atlantic City Expansion Fund with \$62 million and to make same available to each casino licensee for investment in eligible projects which increase the number of hotel rooms in its casino hotel facility; and (b) in increments, fully phases out the July 2003 4.25% tax on casino complimentarys as of July 1, 2009.

---

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(10) Debt Renegotiation Costs**

Debt renegotiation costs during 2003 represent the costs expensed with debt refinancing efforts no longer pursued and transactional fees earned upon the successful completion of debt refinancing in 2003. Debt renegotiation costs in 2004 represent costs incurred in connection with the since terminated proposed capitalization of the Company by DLJMB. The Company has incurred approximately \$12,551,000 at September 30, 2004 of other costs directly associated with the recapitalization plan as discussed in Note 11. Such amount has been capitalized in other assets on the September 30, 2004 balance sheet and will be recorded as a cost of the recapitalization plan when consummated or expensed in the statement of operations if the recapitalization plan is abandoned.

**(11) Subsequent Events**

*Recapitalization Plan.* As previously disclosed, in the first quarter of 2004, the Company and certain of its subsidiaries entered into various agreements with DLJMB in connection with a proposed recapitalization of the Company (the DLJMB Transaction). On September 22, 2004, by mutual agreement, THCR and DLJMB announced that they had terminated discussions regarding the DLJMB Transaction. After the termination of this proposal, the Company continued to pursue other potential transactions, including debt restructuring and recapitalization alternatives with certain of its debt holders and/or the sale of certain assets.

On October 21, 2004, THCR issued a press release and filed a Current Report on Form 8-K with the SEC announcing that THCR, Trump AC, TCH, Mr. Trump, the TAC Note Group and the TCH Note Group have entered into the Support Agreement in connection with the Plan. The Support Agreement provides for, among other things, a restructuring of the Company's approximately \$1.8 billion aggregate principal amount of public indebtedness, including a reduction in the principal amount thereof to approximately \$1.25 billion, and a reduction of the weighted average rate of interest thereon from approximately 12% per annum to 8.5% per annum, representing an estimated annual interest expense savings of approximately \$98 million (excluding any interest related to borrowings on the \$500 million Financing). The Support Agreement and attached term sheet, which include certain terms of the Plan, were filed as exhibits to the Company's Form 8-K.

As part of the Plan, Mr. Trump would invest approximately \$71.4 million in the recapitalized Company, \$55 million of which would be in the form of cash and the remainder of which would be in the form of a contribution of approximately \$16.4 million principal amount of TCH Second Priority Notes owned by him (at 90% of the face amount thereof). Upon the consummation of the Plan, Mr. Trump will beneficially own 26.2% of the recapitalized Company's common stock (and/or common stock equivalents) on a fully-diluted basis, consisting of (i) 9.12% in return for Mr. Trump's \$55.0 million cash investment; (ii) 2.44% in return for Mr. Trump's contribution of approximately \$16.4 million principal amount of TCH Second Priority Notes; (iii) 0.08% in return for all accrued interest on Mr. Trump's TCH Second Priority Notes; (iv) 11.02% in return for Mr. Trump granting a perpetual, royalty-free trademark license to the recapitalized Company and for terminating his current trademark license agreement and executive services agreement with the Company; (v) 0.06% representing his existing equity interests after dilution upon the issuance of the recapitalized Company's new common stock; and (vi) 3.5% issuable upon the exercise of warrants to be issued to Mr. Trump upon the consummation of the Plan, having an exercise price equal to 1.5 times the investment price and a ten year term. Mr. Trump would also receive a parcel of land owned by the Company in Atlantic City, New Jersey constituting the former World's Fair site which may be developed for non-gaming related use and the Company's 25% interest in the Miss Universe pageant. In addition, the recapitalized Company would enter into a renewable three-year development agreement with Mr. Trump pursuant to which The Trump Organization would have the right of first offer to serve as the Company's general contractor, on commercially reasonable arm's length terms, with respect to construction and development projects for casinos and casino hotels and related lodging at the Company's existing and future properties. Mr. Trump will enter into a new

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

services agreement having a three-year rolling term and pursuant to which Mr. Trump will be paid \$2.0 million per year, plus a discretionary annual bonus and reasonable and accountable expenses incurred in connection with the Services Agreement.

---

**Table of Contents**

**TRUMP HOTELS & CASINO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Under the Plan, the holders of the Trump AC Mortgage Notes and the unaffiliated holders of the TCH Notes would exchange their notes (approximately \$1.8 billion aggregate principal amount) for an aggregate of approximately \$24 million in cash, an aggregate of \$1.25 billion principal amount of a new series of 8.5% senior second priority mortgage notes with a ten-year maturity secured by a lien on substantially all of the Company's assets (the New Notes) and approximately \$395 million of common stock of the Company valued at the same per share purchase price as Mr. Trump's investment (assuming the unaffiliated stockholders of the Company fully exercise the stockholder warrants discussed below). In addition, the Company's unaffiliated stockholders would receive one year warrants to purchase up to 8.33% of the fully diluted common stock of the recapitalized Company at a per share purchase price based on an assumed pro forma total equity value of the recapitalized Company of approximately \$582.3 million. The proceeds of such warrant exercise, and any shares reserved for issuance of such warrants that have not been exercised, would be distributed to holders of the Trump AC Mortgage Notes after the expiration of the exercise period for such warrants. The Plan also permits up to \$100 million of interim financing during the pendency of the chapter 11 proceedings, secured by a first priority lien on substantially all the Company's assets, which would rank senior in right of payment to the liens securing the Trump AC Mortgage Notes and TCH Notes. In addition, the Plan permits exit financing up to \$500 million secured by a first priority lien on substantially all of the Company's assets, which is expected to allow the Company to refurbish and expand its current properties and permit the Company to enter into new and emerging jurisdictions, among other uses.

The Company intends to commence its case by the end of November 2004 and expects, but cannot ensure that, the definitive plan contemplated by the Plan will be consummated in the second quarter of 2005. The Company intends to maintain its current level of operations during the proceedings, expects that its patrons and vendors would experience no change in the way the Company does business with them, and anticipates that the proposed plan of reorganization would not impair critical trade creditor claims.

Although the TAC Note Group and the TCH Note Group have agreed in principle to support the Plan, such support does not constitute their official approval of a definitive plan of reorganization that is anticipated to be proposed by the Company. Such approval can be obtained only after a court approved plan disclosure document is distributed to persons entitled to vote on the Plan.

The consummation of the Plan is subject to a number of conditions that are discussed below in Item 2 of this Form 10-Q, the satisfaction of which cannot be assured. There can be no assurances that the Plan will be officially proposed as described herein or approved or consummated.

*Management Changes.* The Company issued a press release on October 28, 2004, and filed a Form 8-K with the SEC on November 1, 2004, announcing, among other things, that Scott C. Butera was appointed as the Company's President and Chief Operating Officer, which appointment will be effective upon receiving the required regulatory approval.

*Morgan Stanley.* On October 26, 2004, the Company announced that it has retained Morgan Stanley & Co. Incorporated as the joint book-runner and co-lead manager of a \$500 million financing that is expected to be consummated as part of the Plan (the Financing). Proceeds from the Financing, which will be secured on a first priority lien on substantially all of the Company's assets are expected to fund immediate capital improvements, as well as certain expansion projects, at the Company's current properties. The Financing would also provide financial resources for the Company to potentially invest in additional jurisdictions. UBS Investment Bank, the Company's exclusive financial advisor in connection with the Plan, is expected to joint lead the Financing.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

*Beal Bank.* The Company issued a press release on November 1, 2004, and filed a Form 8-K on November 4, 2004, announcing that it has selected Beal Bank as the sole lead arranger of the \$100 million interim financing ( Interim Financing ) which is expected to be funded as part of the Plan. Proceeds from the Interim Financing, which will be secured by a lien on substantially all of the Company's assets, are expected to be used to fund certain business costs, including capital expenditures, wages, trade and vendor contracts and leases.

*Labor Negotiations.* On November 9, 2004, United Here H.E.R.E. Local 54, AFL-CIO ( Local 54, formerly the Hotel Employees & Restaurant Employees International Union) voted to approve of new five-year collective bargaining agreements with each of THCR's Atlantic City properties. The prior collective bargaining agreements had expired on September 14, 2004. The new collective bargaining agreements will expire on September 14, 2009.

**Table of Contents**

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as may, will, expect, intend, estimate, anticipate, believe, plans, forecasts, continue or could or other similar terms or variations of them or similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations include business, competition, regulatory and other uncertainties and contingencies discussed in this report that are difficult or impossible to predict and which are beyond our control. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this document. These forward-looking statements speak only as of the date of this report. We do not intend to update these statements unless the securities laws require us to do so.

The consummation of the proposed recapitalization plan (the Plan) is subject to a number of conditions, the satisfaction of which cannot be assured, including, among other things, the negotiation of the investment agreement and other documentation relating to the Company's arrangements with Donald J. Trump; the Company's ability to obtain the required consent of noteholders and other constituencies; substantial deterioration of the Company's base business and cash flows; court approval of the petitioner's first day papers and other motions presented by it from time to time; the ability of the Company to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the Company's case (or any significant delay with respect thereto); the risk that certain parties may challenge the enforceability of the Support Agreement in connection with the chapter 11 proceedings; risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for the Company to propose and confirm one or more plans of reorganization, or for the appointment of a trustee or to convert the case to a chapter 7 case; the ability of the Company to continue as a going concern; the ability of the Company to obtain trade credit, and shipments and terms with vendors and service providers for current orders; the Company's ability to maintain contracts that are critical to its operations; the ability to fund and execute its business plan; the ability to attract, retain and compensate key executives and associates; and the ability of the Company to attract and retain customers; licenses and approvals under applicable laws and regulations, including gaming laws and regulations; adverse outcomes of pending litigation or the possibility of new litigation; changes in the competitive climate in which the Company operates; or a broad downturn in the economy as a whole. Accordingly, there can be no assurance that the Plan will be consummated on the terms as proposed, or at all.

These and other factors, including the terms of any recapitalization plan ultimately confirmed, can affect the value of the Company's assets, liabilities, common stock and debt securities. No assurance can be given as to what values, if any, might be ascribed to such assets or liabilities or recovered by debt or equity holders in a chapter 11 case. A plan of reorganization could result in holders of THCR's common stock receiving no value for their interests or more value than that proposed. Because of such possibilities, the value of THCR's common stock is highly speculative. We urge that appropriate caution be exercised in making investment decisions regarding the Company's securities.

In this section, the words Company, we, our, ours, and us refer to Trump Hotels & Casino Resorts, Inc. ( THCR ), Trump Hotels & Casino Resorts Holdings, L.P. ( THCR Holdings ) and its subsidiaries, unless otherwise noted. We, through one or more subsidiaries of THCR Holdings, own and operate four casinos. Three of the four casinos are located in Atlantic City, New Jersey: (i) Trump Taj Mahal Casino Resort (the Trump Taj Mahal ), (ii) Trump Plaza Hotel and Casino ( Trump Plaza ) and (iii) the Trump Marina Hotel Casino ( Trump Marina, and together with the Trump Taj Mahal and the Trump Plaza, the Trump Atlantic City Properties ). The fourth is a riverboat casino docked in Buffington Harbor on Lake Michigan in Indiana ( Trump Indiana, and together with the Trump Atlantic City Properties, the Trump Casino Properties ). We also manage, through Trump 29 Services, Trump 29 Casino located near Palm Springs, California pursuant to a management agreement with an entity wholly-owned by the Twenty-Nine Palms Band of Luiseno Mission Indians, a federally recognized Native American Tribe (the Tribe ). Terms not defined in this section shall have the meanings ascribed to them elsewhere in this Quarterly Report on Form 10-Q.



## **Table of Contents**

### **Overview**

The Company has incurred recurring operating losses, which totaled \$25.3 million, \$12.0 million, and \$87.3 million during the years ended December 31, 2001, 2002 and 2003, respectively, and \$91.5 million for the nine months ended September 30, 2004. The Company had a working capital deficit of \$107.8 million at September 30, 2004. The recurring operating losses are primarily the result of substantial debt service obligations on outstanding indebtedness. The Company's aggregate debt service obligation is expected to be approximately \$247 million in 2004. Additionally, the Company has experienced increased competition and other challenges in its markets. The Company's liquidity situation continues to be constrained, due to the Company's diminished cash flows, increased trade payables, limited capacity to raise additional capital and minimal cash reserves beyond those required to fulfill gaming regulatory requirements. Due to these factors, the Company has not been able to reinvest in the maintenance of its owned properties at desired levels or expand its operations. Furthermore, the Company does not currently have any short-term borrowing capacity available if it does not undertake reorganization proceedings.

### **Recapitalization Plan**

On September 22, 2004, by mutual agreement, THCR and DLJMB announced that they had terminated discussions regarding the DLJMB Transaction. After the termination of this proposal, the Company continued to pursue other potential transactions, including debt restructuring and recapitalization alternatives with certain of its debt holders and/or the sale of certain assets.

On October 21, 2004, THCR issued a press release and filed a Current Report on Form 8-K with the SEC announcing that THCR, Trump AC, TCH, Mr. Trump, the TAC Note Group and the TCH Note Group have entered into the Support Agreement. The Support Agreement is an agreement in principle to support the Plan described below in a pre-negotiated chapter 11 proceeding that, if consummated, would result in the Trump AC Mortgage Notes and TCH Notes being exchanged for an aggregate of \$1.25 billion principal amount of New Notes, and cash and common stock of the recapitalized Company as described below. The New Notes would bear interest at the rate of 8.5% per annum, have a ten year maturity and would be senior obligations of the issuer, guaranteed by substantially all of the Company's operating subsidiaries and secured by a lien on substantially all of such operating subsidiaries' assets, subject to a first priority lien of the \$500 million Financing.

If the Plan is successfully completed, the Company expects to achieve:

a reduction of total publicly-traded indebtedness from approximately \$1.8 billion to approximately \$1.25 billion;

a reduction in average interest rates on the Company's publicly-traded indebtedness from a weighted average rate of approximately 12% to 8.5% per annum;

a reduction in annual cash interest expense of approximately \$98 million (excluding any interest related to borrowings on the \$500 million Financing);

an extension of the maturity of the Company's publicly-traded indebtedness to ten years;

the ability to utilize the \$500 million Financing for deferred capital expenditures and future expansions at the Company's properties;

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

significant liquidity to support growth in additional gaming jurisdictions and the ability to expand the Company's brand on a global basis; and

streamlining the public indebtedness of the Company's subsidiaries into a consolidated single issuer of publicly-traded debt.

Under the terms of the Plan contemplated by the Support Agreement, holders of the Trump AC Mortgage Notes would exchange their notes, now approximately \$1.3 billion aggregate principal amount, for approximately \$777.3 million aggregate principal amount of the New Notes, approximately \$50 million in cash, and (assuming that the unaffiliated stockholders of the recapitalized Company exercise the warrants discussed below in full) approximately \$384.3 million of common stock of the recapitalized Company (approximately 64% of the common shares of the

## Table of Contents

recapitalized Company, on a fully diluted basis (excluding shares to be reserved for management incentive plans and certain warrants)). The value for the common stock of the recapitalized Company is based on an assumed pro forma total equity value of the recapitalized Company of approximately \$582.3 million. This assumed pro forma equity value is not determined in accordance with generally accepted accounting principles and is not a guarantee or forecast of predicted value of the recapitalized Company.

The holders of the TCH First Priority Notes, approximately \$425.0 million accreted aggregate principal amount at September 30, 2004, would exchange their TCH First Priority Notes for approximately \$425.0 million aggregate principal amount of the New Notes, \$21.5 million in cash and \$8.5 million (based on the assumed pro forma value discussed above) of common stock of the recapitalized Company (approximately 1.41% of the common shares of the recapitalized Company, on a fully diluted basis (excluding shares to be reserved for management incentive plans and certain warrants)).

The unaffiliated holders of the TCH Second Priority Notes, approximately \$53.0 million accreted aggregate principal amount at September 30, 2004, would exchange their notes for approximately \$47.7 million aggregate principal amount of New Notes, \$2.3 million in cash and approximately \$2.1 million of common stock (based on an assumed pro forma value of the recapitalized Company described above) of the recapitalized Company (approximately 0.35% of the primary common shares of the recapitalized Company, on a fully diluted basis (excluding shares to be reserved for management incentive plans and certain warrants)).

The Company's existing common stockholders (excluding Mr. Trump) will receive nominal amounts of common stock in the recapitalized Company (approximately 0.05% of the shares currently outstanding). In addition, all existing options and warrants to acquire common stock of the Company or in its affiliates will be cancelled. The Company's unaffiliated common stockholders would also receive one year warrants to purchase shares of common stock of the recapitalized Company (up to 8.33%, on a fully diluted basis) at a per share purchase price based upon the pro forma value discussed above.

Assuming complete exercise of such warrants, existing unaffiliated common stockholders would pay \$50.0 million for approximately 8.33% of the fully diluted common stock of the recapitalized Company. Proceeds from the exercise of the warrants, and any shares reserved for issuance of such warrants that have not been exercised, will be distributed to the holders of the Trump AC Mortgage Notes, as described above. The rights to purchase new shares of common stock in the recapitalized Company will be implemented through the issuance of warrants on the date that the Plan of reorganization is consummated.

As part of the Plan, Mr. Trump would:

invest up to \$71.4 million in the equity of the recapitalized Company and/or its holding subsidiary, \$55 million in cash and the balance through the contribution of conversion of approximately \$16.4 million aggregate principal amount of the TCH Second Priority Notes owned by him;

enter into a services agreement and terminate his existing executive agreement; and

grant to the recapitalized Company a perpetual and exclusive worldwide trademark license to use his name and likeness and all related marks and intellectual property rights currently licensed to the Company in connection with any casino and gaming activities, subject to customary terms and conditions, and terminate his existing trademark license agreement with the Company.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

Upon the consummation of the Plan, Mr. Trump will beneficially own 26.2% of the recapitalized Company's common stock (and/or common stock equivalents) on a fully-diluted basis, consisting of (i) 9.12% in return for Mr. Trump's \$55.0 million cash investment; (ii) 2.44% in return for Mr. Trump's contribution of approximately \$16.4 million principal amount of TCH Second Priority Notes; (iii) 0.08% in return for all accrued interest on Mr. Trump's TCH Second Priority Notes; (iv) 11.02% in return for Mr. Trump granting a perpetual, royalty-free trademark license to the recapitalized Company and for terminating his current trademark license agreement and executive services agreement with the Company; (v) 0.06% representing his existing equity interests after dilution upon the issuance of the recapitalized Company's new common stock; and (vi) 3.5% issuable upon the exercise of warrants to be issued to Mr. Trump upon the consummation of the Plan, having an exercise price equal to 1.5 times the investment price and a ten year term.

## Table of Contents

Mr. Trump would also receive a parcel of land owned by the Company in Atlantic City, New Jersey constituting the former World's Fair site which may be developed for non-gaming related use and the Company's 25% interest in the Miss Universe pageant. In addition, the recapitalized Company would enter into a renewable three-year development agreement with Mr. Trump pursuant to which The Trump Organization would have the right of first offer to serve as the Company's general contractor, on commercially reasonable arm's length terms, with respect to construction and development projects for casinos and casino hotels and related lodging at the Company's existing and future properties. Mr. Trump will enter into a new services agreement having a three-year rolling term and pursuant to which Mr. Trump will be paid \$2.0 million per year, plus a discretionary annual bonus and reasonable and accountable expenses incurred in connection with the Services Agreement.

The recapitalized Company's Board of Directors will consist of nine members. Initially, the TAC Note Group will designate five directors (the Class A Directors), and Mr. Trump will designate three. The TAC Note Group and Mr. Trump will jointly select one independent director (as defined by the New York Stock Exchange and Securities and Exchange Commission). It is anticipated that each of the Class A Directors will also be independent. However, subject to regulatory approval, one or more of the holders of the Trump AC Mortgage Notes may decide to serve as a Class A Director. The Plan contemplates that Mr. Trump will enter into a voting agreement which will provide for the continued election of the initial Class A Directors (and any person selected to fill a vacancy) for a mutually agreeable period. Vacancies among the Class A Directors will be filled by the remaining Class A Directors or by a mechanism approved by the gaming regulators. The Class A Directors will make up a majority of each committee of the recapitalized Company's Board of Directors, and Mr. Trump may be a member of each of the committees, excluding the compensation committee and audit committee which must be comprised solely of independent directors under the New York Stock Exchange's governance requirements. Mr. Trump may serve as a member of the Board of Directors as long as he continues to be engaged by the Company pursuant to his new Services Agreement. The number of directors that Mr. Trump will be able to nominate to the Board will be subject to adjustment based on his respective ownership of the recapitalized Company's common stock at any given time. Senior management of the recapitalized Company will be selected by the Board of Directors by a simple majority vote at which a quorum is present. Any decision by the recapitalized Company's Board of Directors to sell one or more of the Company's current properties will require the approval of a majority of directors, including the affirmative vote of Mr. Trump, if he is a director at the time, and at least one of his board designees. Mr. Trump's written approval will be required in the event Mr. Trump is not a director at the time such decision is made as long as he beneficially owns not less than a certain agreed upon percentage of common stock or common stock equivalents; provided, however, that the recapitalized Company may, in its sole discretion, indemnify Mr. Trump for adverse tax consequences to him as a result of such a sale.

Under the Support Agreement, the Company is required to commence its case by November 29, 2004. The Company anticipates, but cannot ensure that, the definitive plan of reorganization contemplated by the proposed recapitalization plan will be consummated in the second quarter of 2005.

The consummation of the Plan is subject to a variety of conditions discussed below. The Company intends to maintain its current level of operations during the pendency of the proceedings, expects that its patrons and vendors would experience no change in the way the Company does business with them, and anticipates that the proposed plan of reorganization would not impair critical trade creditor claims. On November 1, 2004, the Company issued a press release announcing that it has selected Beal Bank as the sole lead arranger of the \$100 million Interim Financing (Interim Financing) which is expected to be funded as part of the Plan. Proceeds from the Interim Financing, which will be secured by a lien on substantially all of the assets of the Company's operating subsidiaries, are expected to be used to fund certain business costs, including capital expenditures, wages, trade and vendor contracts and leases.

Although the TAC Note Group and the TCH Note Group have agreed in principle to support the Plan, such support does not constitute their official approval of the definitive plan of reorganization that is anticipated to be proposed by the Company after a chapter 11 proceeding is commenced. Such approval can be obtained only after a court approved plan disclosure document is distributed to persons entitled to vote on the definitive plan.

As discussed above, the consummation of the Plan is subject to a number of conditions, the satisfaction of which cannot be assured, including, among other things, the negotiation of an indenture governing the New Notes, the documentation relating to the Company's proposed arrangements with Mr. Trump and a definitive plan of reorganization. The definitive plan of reorganization would also be subject to obtaining

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

applicable governmental approvals, including court confirmation of the plan of reorganization and approval of the related solicitation materials and gaming regulatory authority approvals. The definitive terms and conditions of the plan of reorganization would be outlined in a disclosure statement that would be sent to security holders and creditors entitled to vote on the definitive plan of reorganization. There can be no assurances that the Plan will be officially proposed as described herein, approved or consummated.

## **Table of Contents**

None of the securities proposed to be issued in connection with the Plan (including the New Notes and shares referenced herein) have been registered under the Securities Act of 1933, as amended (the Securities Act), or any state securities laws and unless so registered may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. None of the Support Agreement, the term sheet attached thereto or press release issued by the Company constitutes an offer to sell or the solicitation of offers to buy any security or constitute an offer, solicitation or sale of any security in any jurisdiction in which such offer, solicitation or sale would be unlawful.

On October 21, 2004, the Company filed a Current Report on Form 8-K with the SEC and furnished as exhibits to the report the Support Agreement (including the term sheet provided to certain noteholders and Mr. Trump).

## **Factors That May Affect Our Future Results**

Some of the factors that may affect our future results are discussed below. For a discussion of other factors that may affect our future results, please see our Annual Report on Form 10-K for the year ended December 31, 2003, previously filed with the SEC and available for inspection on our website at [www.trump.com](http://www.trump.com).

*We have substantial indebtedness and interest expense which limit our capital expenditures.*

Our company has substantial indebtedness and associated interest expense. At September 30, 2004, our consolidated long-term debt was approximately \$1.8 billion. Of such indebtedness, \$1.3 billion is represented by the Trump AC Mortgage Notes and approximately \$494 million is represented by the TCH Notes. The Trump AC Mortgage Notes are guaranteed by Trump Taj Mahal Associates and by Trump Plaza Associates, and are secured by substantially all of the fixed and other assets of such entities on a priority basis. The TCH Notes are guaranteed by Marina Associates, Trump Indiana and Trump 29 Services and are secured by substantially all of the fixed and other assets of such entities on a first priority basis. The Trump AC Mortgage Notes and the TCH Notes were issued pursuant to separate indentures, are not cross-collateralized and have separate and distinct Events of Default (as defined in the respective indentures). Management believes that this indebtedness and associated interest expense hinders the Company's ability to reinvest in the maintenance of its owned properties at desired levels.

*If we fail to commence our reorganization proceedings by the end of November 2004, we cannot ensure that we will be able to make the November 2004 interest payment on the Trump AC Mortgage Notes.*

Interest on the Trump AC Mortgage Notes (approximately \$73.1 million, semi-annually) is payable on May 1st and November 1st of each year. The Company intends to commence its chapter 11 case by the end of November 2004. As contemplated in the term sheet attached as an exhibit to the Support Agreement and filed with the Company's Form 8-K on October 21, 2004, in satisfaction of the November 1, 2004 interest payment on the Trump AC Mortgage Notes, it is anticipated that the holders of the Trump AC Mortgage Notes will receive, as part of their overall recovery, an additional cash payment equal to simple interest on the principal amount of the new series of notes intended to be issued to the holders of the Trump AC Mortgage Notes upon the consummation of the Plan at an annual rate of 8.5% for the time period commencing May 1, 2004, the last date as of which interest was paid on the Trump AC Mortgage Notes, through the date on which the Plan is consummated.

If the Company's case is not commenced by the end of November 2004, the Company would not have sufficient funds on hand from operations to make the November 1, 2004 interest payment on the Trump AC Mortgage Notes within the 30 day grace period provided in the indentures

governing such notes.

It would be an Event of Default under the indentures pursuant to which the Trump AC Mortgage Notes were issued if the interest thereon is not paid within 30 days of the due date. Upon the occurrence of an Event of Default, the Trustee may, and upon the request of the holders of 25% of the outstanding Trump AC Mortgage Notes is required to, declare the entire unpaid amount of the Trump AC Mortgage Notes to be immediately due and payable. If such an Event of Default were to occur and the Trump AC Mortgage Notes were to be accelerated, Trump AC would not be able to pay such indebtedness. In such event, Trump AC would likely seek to restructure the Trump AC Mortgage Notes.



## **Table of Contents**

The Trump AC Mortgage Notes are not guaranteed by THCR or by TCH, and the assets of TCH do not secure the Trump AC Mortgage Notes. An Event of Default under the Trump AC Mortgage Notes is not an Event of Default under the indentures pursuant to which the TCH Notes were issued. The ability of Trump AC and its subsidiaries to pay interest on the Trump AC Mortgage Notes depends on the ability of its subsidiaries to generate cash flows sufficient for such purposes. The ability of Trump AC to borrow funds for such purpose is also restricted.

*THCR is pursuing the Plan which is intended to reduce debt and provide capital, the completion of which cannot be assured.*

The consummation of the Plan is subject to a number of conditions, the satisfaction of which cannot be assured, including, among other things, the negotiation and performance of definitive transaction documents in connection with the proposed restructuring, including documents pertaining to the Interim Financing and Financing. THCR's ability to obtain the required consents of noteholders and other constituencies to carry out the proposed Plan; substantial deterioration of the Company's base business and cash flows; the negotiation of the potential arrangements with Donald J. Trump in connection with the proposed restructuring; court approval of THCR's first day papers and other motions presented by it from time to time; the ability of THCR to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the chapter 11 case (or any significant delay with respect thereto); the risk that certain parties may challenge the enforceability of the Support Agreement in connection with the proceedings; risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for THCR to propose and confirm one or more plans of reorganization, or for the appointment of a trustee or to convert the case to a chapter 7 case; the ability of THCR to continue as a going concern; the ability of the Company to obtain trade credit, and shipments and terms with vendors and service providers for current orders; the Company's ability to maintain contracts that are critical to its operations; the ability to fund and execute its business plan; the ability to attract, retain and compensate key executives and associates; and the ability of the Company to attract and retain customers; licenses and approvals under applicable laws and regulations, including gaming laws and regulations; adverse outcomes of pending litigation or the possibility of new litigation; changes in the competitive climate in which the Company operates; or a broad downturn in the economy as a whole. Accordingly, there can be no assurance that the Plan will be consummated on the terms as proposed, or at all, or that actual results will not differ significantly from the terms expressed in this report. Even if the definitive plan is approved and implemented, and facilitates the desired expansion and development of THCR's properties, the change may not lead to the hoped for increase in the volume and profitability of THCR's business.

### *Alternatives to the Plan*

If the Plan or other Plan is not consummated, THCR will continue to consider alternatives to optimize stakeholder return, reduce its consolidated indebtedness and improve its capital structure. There is no assurance that any such alternatives will be concluded or that stockholder return would be optimized.

*The rate of interest payable on the TCH Notes increased on March 15, 2004, thereby increasing TCH's interest expense.*

The interest rate on TCH's First Priority Notes will increase by 0.5% per annum if the TCH First Priority Leverage Ratio (as defined in the indenture for such notes) for any fiscal year, commencing with the year ended December 31, 2003, exceeds 4.8 to 1.0, and by 1.0% per annum if the TCH First Priority Leverage Ratio exceeds 5.3 to 1.0. The First Priority Leverage Ratio for the year ended December 31, 2003 resulted in an increase of the interest rates of the TCH Notes of 1.0%. Such increase is effective from and after March 15, 2004 to March 14, 2005, at which point the rates of interest payable on the TCH Notes would be restored to their original levels, unless the First Priority Leverage Ratio computation for fiscal 2004 results in an increase. The estimated impact on interest expense for such period would be approximately \$4,900,000. This will further constrain the ability of TCH to improve its properties, particularly Trump Marina in the intensely competitive marina district of Atlantic City.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

*Restrictions contained in the indentures governing our current public indebtedness impose limits on our ability to pursue certain business strategies.*

The respective indentures governing the Trump AC Mortgage Notes and the TCH Notes contain operating and financial restrictions that limit our discretion on various business matters. These restrictions include covenants limiting our ability to:

incur additional debt (with certain limited exceptions) without satisfying certain financial ratios that neither Trump AC nor TCH can currently meet;

**Table of Contents**

grant liens;

make capital expenditures;

make investments without satisfying certain financial ratios that Trump AC and TCH cannot currently meet;

sell assets without making an offer to purchase Trump AC Mortgage Notes or TCH Notes, as the case may be;

merge or consolidate with another company;

pay dividends and other distributions;

issue stock of subsidiaries; and

enter into transactions with affiliates.

These restrictions may severely restrict flexibility in planning for, or reacting to, changes in our business and the gaming industry. This reduced flexibility could hurt our results of operations and our ability to meet our debt service obligations with respect to our indebtedness.

*The loss of Trump 29 Services Gaming License and Management Agreement would adversely affect the liquidity of TCH.*

Trump 29 Services operates Trump 29, a casino owned by the Tribe through its sole ownership of Twenty Nine Palms, pursuant to the Trump 29 Management Agreement. The term of the Trump 29 Management Agreement is five years and expires during April 2007. Commencing in April 2005, an affiliate of the Tribe has the option of buying-out Trump 29 Services from the Trump 29 Management Agreement for an early termination fee as defined in the Trump 29 Management Agreement. Pursuant to the Trump 29 Management Agreement, in consideration for the Management Services, Trump 29 Services receives an annual fee based on a percentage of Net Revenues (as defined in the Trump 29 Management Agreement) for each year of the term (the Management Fee). Subject to the rights of the Tribe's lenders and payment of certain priority amounts under the Trump 29 Management Agreement, the Management Fee is payable monthly in amounts equal to the accrued management fee for the preceding month plus any accrued, unpaid amounts. Management Fee revenue was \$2,988,000 and \$6,161,000 for the nine month periods ended September 30, 2003 and 2004, respectively.

In the spring of 2004, Trump 29 Services applied to the Gaming Commission of the Tribe (the Palms Commission) for the renewal of Trump 29 Services gaming license (the Trump 29 Gaming License) which is required to be renewed every two years. The Palms Commission has expressed certain concerns regarding the renewal of the Trump 29 Gaming License which THCR believes are unfounded. The Palms Commission has set a mid-November 2004 date to commence the license renewal hearing. There can be no assurances that the Trump 29 Gaming License, which is required under the Trump 29 Management Agreement for Trump 29 Services management of the day-to-day operations of Trump 29 Casino, will be renewed. In the event that the Management Services Agreement was to be terminated for any reason, including the failure to renew the Trump 29 Gaming License, Trump 29 Services would cease to have the revenues from such agreement, which would adversely affect the liquidity of TCH.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

*Pennsylvania and New York have enacted gaming legislation which may harm us, and other states may do so in the future.*

In July 2004, the Pennsylvania state legislature passed extensive legislation that could adversely affect us. The legislation permits up to 61,000 slot machines statewide at up to 14 different locations, seven or eight of which would be at racetracks, plus four or five slot parlors and two small resorts. Three of the racetracks, Pocono Downs, Philadelphia Park and Chester Downs, as well as two slot parlors located within the city limits of Philadelphia, are in Atlantic City's customer markets. It is anticipated that up to 15,000 slot machines would be in place by 2006.

## Table of Contents

Also in July 2004, the Appellate Division of the Supreme Court of New York unanimously ruled that Indian-owned casinos could legally be operated in New York under the New York state law passed in October 2001. The law permits three new casinos in western New York, one in Niagara Falls, one in Buffalo and one on land owned by the Seneca Indian Nation, all of which would be owned by the Seneca Indian Nation. The legislation also permits up to three casinos in the Catskills in Ulster and Sullivan counties, also to be owned by Native American tribes. In addition, the legislation allows slot machines to be placed in Indian-owned casinos. The court also ruled that New York state could participate in the multi-state Mega-Millions lottery game.

The New York law had also permitted the installation of video lottery terminals ( VLTs ), at five horse racing tracks situated across the state of New York. In its July 2004 ruling, however, the Appellate Division of the Supreme Court of New York ruled that the law was unconstitutional because it required that a portion of VLT revenues go to horse-racing breeding funds and track purses. New York s constitution stipulates that all net proceeds from lottery games go to aid education in New York state. It is anticipated that the ruling will be appealed.

In addition, other states neighboring New Jersey, including Maryland, are currently contemplating gaming legislation. The net effect of these facilities and other items, when operational, on Atlantic City, including our properties, cannot be predicted. Since our market is primarily a drive-to market, legalized gaming in one or more states neighboring or within close proximity to New Jersey could have a material adverse effect on the Atlantic City gaming market, including our properties.

*We do not know how the recently announced gaming company mergers will, upon consummation, affect us.*

In June 2004, MGM Mirage and Mandalay Resort Group announced that they have entered into a definitive merger agreement under which MGM Mirage will purchase Mandalay. If consummated, the MGM Mirage would own and operate up to 28 properties across the country. Also, in July 2004, Harrah s Entertainment Inc. announced its intention of buying Caesars Entertainment Inc., which would, if consummated, create the world s largest gaming company with as many as 54 casinos across the country. The Harrah s-Caesars company would hold a large percentage of properties in jurisdictions in which we currently compete. The final terms of either of these mergers, including whether or not any of the companies will have to divest of any of their properties under the federal anti-trust laws or under the rules and regulations promulgated by the various gaming regulatory agencies, are unknown at this time. The effects of either of these mergers on the gaming market, in general, or on any jurisdiction in which we currently have properties, in particular, cannot be ascertained at this time.

*Taxation of the gaming industry, already significant, may increase in the future which would reduce our profitability.*

### *Indiana Wagering Tax Add-back*

In July 1999, the Indiana Department of Revenue (the Department ) issued a Letter of Findings to an unaffiliated Indiana gaming company, which affects Indiana riverboat gaming companies, including Trump Indiana, to the effect that the Riverboat Wagering Tax (the Tax ), a tax deducted in computing income subject to federal tax, is not deductible when computing Indiana adjusted gross income. The unaffiliated entity that received the Letter of Findings, with the assistance of the Indiana Casino Association, of which Trump Indiana is a member, contested the findings in the Indiana Tax Court on the basis that the Tax is an excise tax and, as such, should be excluded from Indiana s add-back requirements (that is, it should be deducted in computing gross income for Indiana income tax purposes.) In April 2004, the Indiana Tax Court found in favor of the Department. As a result of the ruling, the Company recorded an income tax provision of approximately \$19,108,000 during the first quarter of 2004 for the cumulative amount of taxes due since inception at Trump Indiana as if state income taxes were computed by not deducting the tax in calculating Indiana adjusted gross income. The members of the Indiana Gaming Association subsequently appealed the Indiana Tax Court s decision to the Indiana Supreme Court. The Indiana Supreme Court refused, however, to grant review of the Indiana Tax

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

Court's decision. In October 2004, Trump Indiana received a notification from the Department assessing approximately \$17 million through 2002 in respect of this tax (the Tax Assessment).

## Table of Contents

Although the Company has accrued for the liability associated with the Tax, it does not have the cash on hand to provide for the payment in full of the Tax Assessment and any associated interest and penalties. Trump Indiana has met with representatives of the Department regarding a payment schedule for the Tax Assessment. If the Company is unable to arrive at a satisfactory payment schedule with the Department for the Tax Assessment, the Company will consider other alternatives to address this problem. The total amount of the estimated tax due and accrued on the balance sheet at September 30, 2004 is approximately \$21.0 million.

### *NJSEA Subsidy Agreement.*

On April 12, 2004, the twelve Atlantic City casino properties, including the Trump Atlantic City properties, executed an agreement with the New Jersey Sports & Exposition Authority ( NJSEA ) and the Casino Reinvestment Development Authority ( CRDA ) to, among other things, enhance purses, fund breeders awards and establish account wagering at New Jersey horse racing tracks ( NJSEA Subsidy Agreement or Agreement ).

The Agreement provides that the casinos, pro rata according to their gross revenues, shall: (a) pay \$34 million to NJSEA in cash in four yearly payments through October 15, 2007 and donate \$52 million to NJSEA from the regular payment of their CRDA obligations for use by NJSEA through 2008 to enhance such purses, fund such breeders awards and establish such account wagering; and (b) donate \$10 million from the regular payment of their CRDA obligations for use by CRDA as grants to such other North Jersey projects as CRDA shall determine. These cash payments and donations of CRDA obligations are conditioned upon the timely enactment and funding of the Casino Expansion Fund Act. The Trump Atlantic City properties have estimated their portion of the industry obligation at approximately 23.0%.

The Agreement also anticipated that legislation to establish and fund a \$62 million Casino Expansion Fund would be effective by December 1, 2004 and that the fund will be administered by CRDA and made available pro rata to each casino for use in expanding its casino hotel facility in the amounts and at the times it makes its donation payments to CRDA ( Casino Expansion Fund Act ). The Agreement further provides for a moratorium until January 2009, which casinos may enforce by court injunction, on the conduct of casino gaming at any New Jersey racetrack (unless casinos controlling a majority of the hotel rooms controlled by the casinos in Atlantic City otherwise agree) and a moratorium until January 2006 on the authorization of casino gaming at any New Jersey racetrack, the violation of which would terminate the Agreement and all further payments to NJSEA and require NJSEA to return all undistributed cash and CRDA to return all undistributed donated CRDA obligations to the casinos. The Agreement also grants a license through August 2008 for the display, at no cost to the casino industry, of messages promoting Atlantic City generally in prominent locations at NJSEA s Meadowlands and Monmouth racetracks.

The Agreement finally provides that, if the Casino Expansion Fund is not established and funded by the New Jersey Legislature by December 1, 2004: (a) the casinos shall provide \$7 million in cash to NJSEA by December 10, 2004 and donate \$13 million from the regular payment of their CRDA obligations to NJSEA for use by NJSEA to enhance such purses, fund such breeders awards and establish such account wagering; (b) the moratorium on the conduct of casino gaming at New Jersey racetracks shall expire as of January 2006; and (c) the Agreement shall otherwise terminate.

The New Jersey Legislature enacted a law effective June 30, 2004 which: (a) establishes the Atlantic City Expansion Fund, identifies the Casino Hotel Room Occupancy Fee as its funding source and directs CRDA to provide the Atlantic City Expansion Fund with \$62 million and to make same available to each casino licensee for investment in eligible projects which increase the number of hotel rooms in its casino hotel facility; and (b) in increments, fully phases out the July 2003 4.25% tax on casino complimentaries as of July 1, 2009.

Future changes in state taxation of casino gaming companies cannot be predicted, and any such changes could adversely affect our profitability.

**Critical Accounting Policies**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management periodically evaluates the Company's policies and the estimates and assumptions related to such policies. The Trump Casino Properties operate in a highly regulated industry and are subject to regulations that describe and regulate operating and internal control procedures. The Company believes its most critical accounting policies and significant estimates are described below.



## **Table of Contents**

### *Revenue Recognition and Allowance for Doubtful Accounts*

The majority of the Company's revenue is from gaming activities, and the majority of such revenue is derived from cash, which by nature does not involve estimations. The Company extends credit to certain qualified patrons on a discretionary basis. Credit play as a percentage of total dollars wagered on table games has historically been approximately 20% for the past three years. The Trump Casino Properties establish credit limits based upon the particular patron's creditworthiness, as determined by an examination of various factors, including a credit check of the patron, a verification of the patron's personal checking account balance and current credit limits and indebtedness at other casinos in the United States, as well as many island casinos. The Company maintains an allowance for doubtful accounts for a portion of those customers whose checks have been unable to be deposited due to non-sufficient funds. This allowance is based on a specific review of customer accounts as well as a review of the history of write-offs of returned markers. Management believes that the reserve recorded is reasonable; however, these estimates could change in the near term based on the actual collection experience with each returned marker.

### *Long-lived Assets*

Management has determined that the Company's policy associated with its long-lived assets and the related estimates is critical to the preparation of the consolidated financial statements. The Company has a significant investment in long-lived property and equipment. Management estimates that the undiscounted future cash flows expected to result from the use of these assets exceed the current carrying value of these assets. Any adverse change to the estimate of these undiscounted cash flows could necessitate an impairment charge that would adversely affect operating results. Management estimates the useful lives for the Company's assets based on historical experience and the estimates of assets' commercial lives. Should the actual useful life of a class of assets differ from the estimated useful life, an impairment charge would be recorded. Management reviews useful lives and obsolescence and assesses commercial viability of the Company's assets periodically.

### *Self-Insurance Reserves*

Self-insurance reserves represent the estimated amounts of uninsured claims related to employee health medical costs, workers' compensation, and personal injury claims that have occurred in the normal course of business. These reserves are established by management based upon specific review of open claims, with consideration of incurred but not reported claims as of the balance sheet date. The costs of the ultimate disposition of these claims may differ from these reserve estimates.

## **Recent Accounting Pronouncements**

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an interpretation of ARB 51. The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (variable interest entities) and how to determine when and which business enterprise (the primary beneficiary) should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Adoption of this pronouncement had no material impact on the Company's consolidated financial position, consolidated results of operations, or liquidity.

**Financial Condition -**

**Liquidity and Capital Resources**

The Company had a working capital deficit of \$107.8 million at September 30, 2004 and has experienced recurring operating losses. The recurring operating losses are primarily the result of substantial debt service obligations on outstanding indebtedness. The Company's aggregate debt service obligation is expected to be approximately \$247 million in 2004. Additionally, the Company has experienced increased competition and other challenges in its markets. The Company's

## Table of Contents

liquidity situation continues to be constrained, due to the Company's diminished cash flows, increased trade payables, limited capacity to raise additional capital and minimal cash reserves beyond those required to fulfill gaming regulatory requirements. Due primarily to these factors, the Company has not been able to expand its operations or reinvest in the maintenance of its owned properties at desired levels. To address these factors, the Company has pursued various recapitalization and debt restructuring transactions and recently announced the Plan.

Cash flows from operating activities of the Trump Casino Properties are the Company's primary source of liquidity. The Company also relies on capital lease financing to satisfy a portion of its capital resource needs. The Company's ability to borrow funds for its liquidity needs is severely restricted by covenants in the various indentures governing the public debt issues of our subsidiaries and by already high levels of indebtedness and related interest expense. Sources of the Company's short-term and long-term liquidity include casino gaming revenues and room, food and beverage sales. If the Plan is not successfully consummated, the Company will be required to pursue other alternatives, including seeking alternative sources of financing to make its debt service, including interest payment on the Trump AC Mortgage Notes and TCH Notes. There can be no assurance that the general state of the economy, the status of the capital markets, generally, or the receptiveness of the capital markets to the gaming industry to Trump AC or TCH and their subsidiaries, specifically, will be conducive to refinancing debt on reasonable terms, or at all. In addition, under such circumstances, the Company would need to seek covenant waivers from noteholders to borrow any funds.

Also, in connection with their audit of the Company's financial statements for the year ended December 31, 2003, the Company's independent auditors expressed substantial doubt about the Company's ability to continue as a going concern, absent the successful completion of a restructuring or alternative transaction. The Company's financial condition would also make it difficult for the Company to obtain alternative financing in the event the Recapitalization Plan is not consummated.

Trump AC's cash flows from operating activities declined from \$58.9 million in 2002 to \$31.1 million in 2003, additionally cash flows from operating activities declined from \$70.9 million to \$49.2 million in the nine months ended September 30, 2003 and 2004, respectively. Trump AC's working capital deficit as of September 30, 2004 was \$78.8 million. A variety of factors, including a decrease or change in the demand for our services, could have a material adverse effect on our liquidity and our ability to service our debt obligations including the Trump AC Mortgage Notes. Interest on the Trump AC Mortgage Notes (approximately \$73.1 million, semi-annually) is payable on May 1st and November 1st of each year. Given the large number of holders of the Trump AC Mortgage Notes and TCH Notes, the Company intends to effect its proposed recapitalization in a voluntary chapter 11 proceeding pursuant to a pre-negotiated plan of reorganization in order to implement the Plan in an efficient and timely manner. An installment of interest of approximately \$73 million was due on the Trump AC Mortgage Notes on November 1, 2004. As contemplated in the term sheet attached as an exhibit to the Support Agreement and filed with the Company's Form 8-K on October 21, 2004, in satisfaction of the November 1, 2004 interest payment on the Trump AC Mortgage Notes, it is anticipated that the holders of the Trump AC Mortgage Notes will receive, as part of their overall recovery, an additional cash payment equal to simple interest on the principal amount of the new series of notes intended to be issued to the holders of the Trump AC Mortgage Notes upon the consummation of the Plan at an annual rate of 8.5% for the time period commencing May 1, 2004, the last date as of which interest was paid on the Trump AC Mortgage Notes, through the date on which the Plan is consummated. If the Company's case, however, is not commenced by November 29, 2004, the bondholder parties to the Support Agreement will have the right to terminate the Support Agreement. Furthermore, the Company will be required to make the November payment on the Trump AC Mortgage Notes. The Company would not have sufficient funds on hand from operations to make the November 1, 2004 interest payment on the Trump AC Mortgage Notes within the 30 day grace period provided in the indentures governing such notes. It would be an Event of Default under the indentures governing the Trump AC Mortgage Notes if such interest is not paid by November 30, 2004.

The Trump Atlantic City Properties also compete with other Atlantic City casino/hotels based on the quality of customer service, the array of games offered, the attractiveness of a casino/hotel and the extent and quality of the facilities and amenities. In July 2003, the Borgata Hotel Casino & Spa (the Borgata), a casino hotel built through a joint venture of Boyd Gaming Corporation and MGM Mirage, opened in Atlantic City's marina district. Since its opening, the Borgata has adversely affected the revenues of the Trump Atlantic City Properties and has announced its intentions to expand its casino floor and amenities. In addition, some of our Atlantic City competitors have recently completed substantial renovations designed to improve their competitive position. Furthermore, alternatives to casino style gambling, such as VLTs, are increasing in the northeast region of the country from which we attract most of our customers.



**Table of Contents**

In July 2004, the Pennsylvania state legislature passed extensive legislation permitting up to 61,000 slot machines statewide at up to 14 different locations, seven or eight of which would be at racetracks, plus four or five slot parlors and two small resorts. Three of the racetracks, Pocono Downs, Philadelphia Park and Chester Downs, as well as two slot parlors located within the city limits of Philadelphia, are in Atlantic City's customer markets. It is anticipated that up to 15,000 slot machines would be in place by 2006. Also in July 2004, the Appellate Division of the Supreme Court of New York unanimously ruled that Indian-owned casinos could legally be operated in New York under the New York state law passed in October 2001. Legalized gaming in one or more states neighboring, or within close proximity to, Atlantic City, New Jersey could have a material adverse effect on the Atlantic City gaming market, overall, including our properties. See Factors That May Affect Our Future Results Pennsylvania and New York have enacted gaming legislation which may harm us, and other states may do so in the future.

In October 2004, Trump Indiana received a notification from the Indiana Department of Revenue assessing Trump Indiana approximately \$17 million through 2002 for its share of an industry-wide tax assessment affecting Indiana riverboat gaming companies. Trump Indiana has met with representatives of the Department regarding a payment schedule for the tax assessment. If the Company is unable to arrive at a satisfactory schedule with the Department for the Tax Assessment, the Company will consider other alternatives to address this problem. The total amount of the estimated tax due and accrued on the balance sheet at September 30, 2004 is approximately \$21.0 million. See Factors That May Affect Our Future Results Taxation of the gaming industry....Indiana Wagering Tax Add-back.

The Tribe's Palms Commission has set a mid-November 2004 date to commence Trump 29 Service's license renewal hearing. There can be no assurances that the Trump 29 Gaming License, which is required under the Trump 29 Management Agreement, will be renewed. The loss of the Management Agreement, would adversely impact the liquidity of TCH. See Factors That May Affect Our Future Results The loss of Trump 29 Services' Gaming License and Management Agreement would adversely affect the liquidity of TCH.

Due to the Company's constrained liquidity position, resulting, in part, from substantial indebtedness and related interest expense, the Company has not been able to refurbish its properties to desired levels or to pursue various capital expenditures, such as the addition of more hotel rooms, or undertake significant new business initiatives. As a result of these factors, management has reviewed various financing alternatives, including the Plan. No assurances can be made that the Plan will be consummated, or if it is, that it will occur on terms acceptable to the Company to allow the Company to meet its obligations as they become due. Additionally, management has implemented programs to obtain cash flow savings and will continue to attempt to implement such programs in the upcoming year whether or not the Plan is consummated. These programs include labor savings through increased automation of the Company's slot machine product on the gaming floor and the further reduction of planned capital expenditures and maintenance programs. However, there can be no assurances that these programs would be successful for any protracted period of time. Accordingly, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty or the comprehensive recapitalization.

**Table of Contents**

Capital expenditures for the Trump Casino Properties for the nine months ended September 30, 2003 and 2004 are as follows:

**TRUMP HOTELS AND CASINO RESORTS, INC.****CONSOLIDATING CAPITAL EXPENDITURES****(IN THOUSANDS)**

|   | TRUMP            |                  | TRUMP            |                 |                 |                  |               |                  |
|---|------------------|------------------|------------------|-----------------|-----------------|------------------|---------------|------------------|
|   | TAJ              | TRUMP            | AC               | TRUMP           | TRUMP           | TCH              | THCR          | THCR             |
|   | MAHAL            | PLAZA            | CONSOL           | MARINA          | INDIANA         | CONSOL           | HOLDINGS      | CONSOL           |
| <b>FOR THE NINE MONTHS ENDED<br/>SEPTEMBER 30, 2003</b> |                  |                  |                  |                 |                 |                  |               |                  |
| Purchase of Property & Equipment                        | \$ 14,454        | \$ 3,185         | \$ 17,639        | \$ 3,968        | \$ 1,808        | \$ 5,776         | \$ 35         | \$ 23,450        |
| Capital Lease Additions                                 | 10,609           | 7,123            | 17,732           | 5,831           | 4,710           | 10,541           |               | 28,273           |
| <b>Total Capital Expenditures</b>                       | <b>\$ 25,063</b> | <b>\$ 10,308</b> | <b>\$ 35,371</b> | <b>\$ 9,799</b> | <b>\$ 6,518</b> | <b>\$ 16,317</b> | <b>\$ 35</b>  | <b>\$ 51,723</b> |
| <b>FOR THE NINE MONTHS ENDED<br/>SEPTEMBER 30, 2004</b> |                  |                  |                  |                 |                 |                  |               |                  |
| Purchase of Property & Equipment                        | \$ 5,641         | \$ 2,666         | \$ 8,307         | \$ 2,661        | \$ 1,951        | \$ 4,612         | \$ 361        | \$ 13,280        |
| Capital Lease Additions                                 | 13,413           | 12,331           | 25,744           | 5,992           | 89              | 6,081            |               | 31,825           |
| <b>Total Capital Expenditures</b>                       | <b>\$ 19,054</b> | <b>\$ 14,997</b> | <b>\$ 34,051</b> | <b>\$ 8,653</b> | <b>\$ 2,040</b> | <b>\$ 10,693</b> | <b>\$ 361</b> | <b>\$ 45,105</b> |

Note: Capital lease additions for the Trump Casino Properties were principally slot machines.

**Table of Contents****Results of Operations: Operating Revenues and Expenses**

All business activities of THCR are conducted primarily by Trump Taj Mahal, Trump Plaza, Trump Marina and Trump Indiana.

Comparison of Three-Month Periods Ended September 30, 2003 and 2004. The following tables include selected data of Trump Taj Mahal, Trump Plaza, Trump Marina and Trump Indiana.

|   | Three Months Ended September 30, 2003 |                   |                   |                 |                    |
|---|---------------------------------------|-------------------|-------------------|-----------------|--------------------|
|   | Trump Taj                             | Trump             | Trump             | Trump           | THCR               |
|   | Mahal                                 | Plaza             | Marina            | Indiana         | Consolidated*      |
|   | (dollars in thousands)                |                   |                   |                 |                    |
| <b>Revenues:</b>                        |                                       |                   |                   |                 |                    |
| Gaming                                  | \$ 137,858                            | \$ 83,455         | \$ 68,395         | \$ 34,631       | \$ 324,339         |
| Other                                   | 30,090                                | 19,186            | 18,642            | 2,267           | 70,185             |
| Management fees                         |                                       |                   |                   |                 | 839                |
| <b>Gross revenues</b>                   | <b>167,948</b>                        | <b>102,641</b>    | <b>87,037</b>     | <b>36,898</b>   | <b>395,363</b>     |
| Less: Promotional allowances            | 37,981                                | 25,800            | 18,711            | 3,842           | 86,334             |
| <b>Net Revenues</b>                     | <b>129,967</b>                        | <b>76,841</b>     | <b>68,326</b>     | <b>33,056</b>   | <b>309,029</b>     |
| <b>Costs and Expenses:</b>              |                                       |                   |                   |                 |                    |
| Gaming                                  | 61,796                                | 38,956            | 32,953            | 17,072          | 150,777            |
| Other                                   | 8,589                                 | 5,754             | 4,439             | 1,742           | 20,524             |
| General & administrative                | 26,232                                | 16,163            | 16,837            | 7,950           | 67,773             |
| Depreciation & amortization             | 11,349                                | 5,423             | 6,017             | 1,720           | 24,515             |
| <b>Total Costs and Expenses</b>         | <b>107,966</b>                        | <b>66,296</b>     | <b>60,246</b>     | <b>28,484</b>   | <b>263,589</b>     |
| <b>Income from Operations</b>           | <b>22,001</b>                         | <b>10,545</b>     | <b>8,080</b>      | <b>4,572</b>    | <b>45,440</b>      |
| <b>Non-operating income (expense)</b>   | <b>(15)</b>                           | <b>44</b>         | <b>8</b>          | <b>21</b>       | <b>146</b>         |
| Interest expense                        | (24,606)                              | (13,922)          | (11,078)          | (2,181)         | (55,850)           |
| <b>Total Non-operating Expense, Net</b> | <b>(24,621)</b>                       | <b>(13,878)</b>   | <b>(11,070)</b>   | <b>(2,160)</b>  | <b>(55,704)</b>    |
| <b>Loss in joint venture</b>            |                                       |                   |                   | <b>(625)</b>    | <b>(625)</b>       |
| <b>Provision for income taxes</b>       | <b>(689)</b>                          | <b>(449)</b>      | <b>(388)</b>      |                 | <b>(1,526)</b>     |
| <b>Net Income (Loss)</b>                | <b>\$ (3,309)</b>                     | <b>\$ (3,782)</b> | <b>\$ (3,378)</b> | <b>\$ 1,787</b> | <b>\$ (12,415)</b> |

\* Intercompany eliminations and expenses of THCR, THCR Holdings, Trump AC, TCH and Trump 29 Services are not separately shown.





**Table of Contents**

|   | Three Months Ended September 30, 2004 |                    |                   |                 |                    |
|---|---------------------------------------|--------------------|-------------------|-----------------|--------------------|
|   | Trump Taj                             | Trump              | Trump             | Trump           | THCR               |
|   | Mahal                                 | Plaza              | Marina            | Indiana         | Consolidated*      |
|   | (dollars in thousands)                |                    |                   |                 |                    |
| <b>Revenues:</b>                        |                                       |                    |                   |                 |                    |
| Gaming                                  | \$ 135,006                            | \$ 83,680          | \$ 71,761         | \$ 34,653       | \$ 325,100         |
| Other                                   | 32,237                                | 20,839             | 19,009            | 2,166           | 74,251             |
| Management fees                         |                                       |                    |                   |                 | 1,672              |
| <b>Gross revenues</b>                   | <b>167,243</b>                        | <b>104,519</b>     | <b>90,770</b>     | <b>36,819</b>   | <b>401,023</b>     |
| Less: Promotional allowances            | 40,671                                | 27,503             | 20,734            | 2,784           | 91,692             |
| <b>Net Revenues</b>                     | <b>126,572</b>                        | <b>77,016</b>      | <b>70,036</b>     | <b>34,035</b>   | <b>309,331</b>     |
| <b>Costs and Expenses:</b>              |                                       |                    |                   |                 |                    |
| Gaming                                  | 60,837                                | 41,349             | 32,356            | 18,158          | 152,700            |
| Other                                   | 8,200                                 | 5,838              | 4,491             | 1,677           | 20,206             |
| General & administrative                | 27,757                                | 17,375             | 16,929            | 7,234           | 69,914             |
| Depreciation & amortization             | 12,015                                | 7,921              | 5,265             | 2,263           | 27,489             |
| Debt renegotiation costs                |                                       |                    |                   |                 | 2,857              |
| <b>Total Costs and Expenses</b>         | <b>108,809</b>                        | <b>72,483</b>      | <b>59,041</b>     | <b>29,332</b>   | <b>273,166</b>     |
| <b>Income from Operations</b>           | <b>17,763</b>                         | <b>4,533</b>       | <b>10,995</b>     | <b>4,703</b>    | <b>36,165</b>      |
| <b>Non-operating income (expense)</b>   | <b>32</b>                             | <b>105</b>         | <b>48</b>         | <b>(3)</b>      | <b>(498)</b>       |
| Interest expense                        | (24,653)                              | (14,299)           | (11,811)          | (2,207)         | (57,625)           |
| <b>Total Non-operating Expense, Net</b> | <b>(24,621)</b>                       | <b>(14,194)</b>    | <b>(11,763)</b>   | <b>(2,210)</b>  | <b>(58,123)</b>    |
| <b>Loss in joint venture</b>            |                                       |                    |                   | <b>(204)</b>    | <b>(204)</b>       |
| Provision for income taxes              | (679)                                 | (449)              | (940)             | (915)           | (2,983)            |
| <b>Net Income (Loss)</b>                | <b>\$ (7,537)</b>                     | <b>\$ (10,110)</b> | <b>\$ (1,708)</b> | <b>\$ 1,374</b> | <b>\$ (25,145)</b> |

\* Intercompany eliminations, revenues and expenses of THCR, THCR Holdings, Trump AC, TCH, and Trump 29 Services are not separately shown.

**Table of Contents****Three Months Ended September 30, 2003**

|                                   | <b>Trump Taj</b>       | <b>Trump</b> | <b>Trump</b>  | <b>Trump</b>   | <b>THCR</b>         |
|-----------------------------------|------------------------|--------------|---------------|----------------|---------------------|
|                                   | <b>Mahal</b>           | <b>Plaza</b> | <b>Marina</b> | <b>Indiana</b> | <b>Consolidated</b> |
|                                   | (dollars in thousands) |              |               |                |                     |
| Table Game Revenues (1)           | \$ 37,189              | \$ 20,903    | \$ 15,176     | \$ 4,531       | \$ 77,799           |
| Table Game Drop (2)               | \$ 233,611             | \$ 158,096   | \$ 95,470     | \$ 29,683      | \$ 516,860          |
| Table Win Percentage (3)          | 15.9%                  | 13.2%        | 15.9%         | 15.3%          | 15.1%               |
| Number of Table Games             | 127                    | 90           | 81            | 45             | 343                 |
| Slot Revenues (4)                 | \$ 94,643              | \$ 62,552    | \$ 53,076     | \$ 30,100      | \$ 240,371          |
| Slot Handle (5)                   | \$ 1,184,689           | \$ 780,985   | \$ 671,398    | \$ 402,842     | \$ 3,039,914        |
| Slot Win Percentage (6)           | 8.0%                   | 8.0%         | 7.9%          | 7.5%           | 7.9%                |
| Number of Slot Machines           | 4,670                  | 2,946        | 2,495         | 1,732          | 11,843              |
| Other Gaming Revenues             | \$ 6,026               | \$ N/A       | \$ 143        | \$ N/A         | \$ 6,169            |
| Total Gaming Revenues             | \$ 137,858             | \$ 83,455    | \$ 68,395     | \$ 34,631      | \$ 324,339          |
| Number of Guest Rooms             | 1,250                  | 904          | 728           | 300            | 3,182               |
| Occupancy Rate                    | 98.5%                  | 96.8%        | 94.1%         | 60.1%          | 93.4%               |
| Average Daily Rate (Room Revenue) | \$ 82.54               | \$ 81.86     | \$ 80.01      | \$ 55.81       | \$ 80.13            |

**Three Months Ended September 30, 2004**

|                                       | <b>Trump Taj</b>       | <b>Trump</b> | <b>Trump</b>  | <b>Trump</b>   | <b>THCR</b>         |
|---------------------------------------|------------------------|--------------|---------------|----------------|---------------------|
|                                       | <b>Mahal</b>           | <b>Plaza</b> | <b>Marina</b> | <b>Indiana</b> | <b>Consolidated</b> |
|                                       | (dollars in thousands) |              |               |                |                     |
| Table Game Revenues (1)               | \$ 36,037              | \$ 21,228    | \$ 15,467     | \$ 4,428       | \$ 77,160           |
| Increase (Decrease) over prior period | \$ (1,152)             | \$ 325       | \$ 291        | \$ (103)       | \$ (639)            |
| Table Game Drop (2)                   | \$ 237,644             | \$ 148,155   | \$ 97,799     | \$ 28,047      | \$ 511,645          |
| Increase (Decrease) over prior period | \$ 4,033               | \$ (9,941)   | \$ 2,329      | \$ (1,636)     | \$ (5,215)          |
| Table Win Percentage (3)              | 15.2%                  | 14.3%        | 15.8%         | 15.8%          | 15.1%               |
| Increase (Decrease) over prior period | (0.7)pts               | 1.1pts       | (0.1)pts      | 0.5pts         | pts                 |
| Number of Table Games                 | 127                    | 90           | 76            | 39             | 332                 |
| Increase (Decrease) over prior period |                        |              | (5)           | (6)            | (11)                |
| Slot Revenues (4)                     | \$ 91,860              | \$ 62,452    | \$ 56,137     | \$ 28,622      | \$ 239,071          |
| Increase (Decrease) over prior period | \$ (2,783)             | \$ (100)     | \$ 3,061      | \$ (1,478)     | \$ (1,300)          |
| Slot Handle (5)                       | \$ 1,194,222           | \$ 776,539   | \$ 706,660    | \$ 366,467     | \$ 3,043,888        |
| Increase (Decrease) over prior period | \$ 9,533               | \$ (4,446)   | \$ 35,262     | \$ (36,375)    | \$ 3,974            |
| Slot Win Percentage (6)               | 7.7%                   | 8.0%         | 7.9%          | 7.8%           | 7.9%                |
| Increase (Decrease) over prior period | (0.3)pts               | pts          | pts           | 0.3pts         | pts                 |
| Number of Slot Machines               | 4,419                  | 2,863        | 2,538         | 1,714          | 11,534              |
| Increase (Decrease) over prior period | (251)                  | (83)         | 43            | (18)           | (309)               |
| Other Gaming Revenues                 | \$ 7,109               | \$ N/A       | \$ 157        | \$ 1,603       | \$ 8,869            |
| Increase (Decrease) over prior period | \$ 1,083               | \$ N/A       | \$ 14         | \$ 1,603       | \$ 2,700            |
| Total Gaming Revenues                 | \$ 135,006             | \$ 83,680    | \$ 71,761     | \$ 34,653      | \$ 325,100          |
| Increase (Decrease) over prior period | \$ (2,852)             | \$ 225       | \$ 3,366      | \$ 22          | \$ 761              |
| Number of Guest Rooms                 | 1,250                  | 904          | 728           | 300            | 3,182               |
| Occupancy Rate                        | 98.7%                  | 98.6%        | 95.7%         | 56.6%          | 94.0%               |
| Average Daily Rate (Room Revenue)     | \$ 82.07               | \$ 82.52     | \$ 82.49      | \$ 56.42       | \$ 80.85            |

- (1) Table Game Revenues is defined as the total amount wagered by table game patrons (the Table Game Drop ), less the amounts paid back to such patrons by the casino for winning wagers.
- (2) Table Game Drop is defined as the total amount wagered by table game patrons.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

- (3) Table Win Percentage is defined as the ratio, expressed as a percentage, of Table Game Revenues to Table Game Drop.
- (4) Slot Revenues is defined as the total amount wagered by slot patrons (the Slot Handle ), less the amount paid back to slot patrons by the casino for winning pulls.
- (5) Slot Handle is defined as the total amount wagered by slot patrons.
- (6) Slot Win Percentage is defined as the ratio, expressed as a percentage, of Slot Revenues to Slot Handle.

## **Table of Contents**

Gaming revenues are the primary source of THCR's revenues. The year-over-year decrease in gaming revenues in the Atlantic City market was due to decreased table game and slot revenues, which was principally caused by the lack of overall market growth to accommodate the Borgata opening in July 2003.

Table game revenues decreased by approximately \$639,000, or 0.8%, from the comparable three month period in 2003 due to the overall 1.0% decrease in table game drop of \$5,215,000 from the comparable period in 2003. Trump Taj Mahal's and Trump Marina's table win percentage decreases were partially offset by increases in table game drop. Trump Plaza's and Trump Indiana's decreases in table game drop were partially offset by increases in table win percentage. THCR's Atlantic City table game win percentage was flat at 15.0% for both the three months ended September 30, 2003 and 2004. The Atlantic City industry table game win percentages were 15.2% and 14.5% for the three months ended September 30, 2003 and 2004, respectively.

Slot revenues decreased by approximately \$1,300,000, or 0.5%, from the comparable three month period in 2003. Overall, slot handle increased approximately \$3,974,000 or 0.1% from the comparable period in 2003. Trump Taj Mahal's slot revenues decreased \$2,783,000 primarily as a result of a 0.3 point decrease in slot win percentage. Trump Plaza's slot revenues decreased \$100,000 due primarily to a \$4,446,000 decrease in slot handle. Trump Marina's slot revenues increased \$3,061,000 due primarily to a \$35,262,000 increase in slot handle. Trump Indiana's slot revenues decreased \$1,478,000 primarily due to decreased slot handle of \$36,375,000, which was partially offset by a 0.3 point increase in slot win percentage.

Trump Indiana's gaming revenues also increased in 2004 due to the introduction of poker in December 2003.

For the three months ended September 30, 2004, management fees of \$1,672,000 were earned from the Trump 29 Casino compared to \$839,000 for the three months ended September 30, 2003. The year-over-year increase is primarily the result of marketing programs which have increased the customer base.

Promotional allowances increased by \$5,358,000, or 6.2%, from the comparable three month period in 2003 primarily as a result of increases in coin expense and complimentary hotel services at Trump Taj Mahal, Trump Plaza and Trump Marina, which were partially offset by a decrease at Trump Indiana.

Gaming costs and expenses increased by approximately \$1,923,000, or 1.3%, from the comparable three month period in 2003 due to increased marketing costs.

General and administrative expenses increased approximately \$2,141,000, or 3.2%, from the comparable three month period in 2003. Increases of \$2,829,000 at the Atlantic City properties were attributed to increased entertainment, employee benefit expenses and utility expenses. These increases were partially offset by Trump Indiana's decrease in general and administrative expenses of approximately \$716,000 from the comparable period in 2003.

Depreciation and amortization expenses increased approximately \$2,974,000, or 12.1% from the comparable three month period in 2003. This increase was primarily attributed to slot machine purchases.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

Approximately \$2,857,000 in debt renegotiation costs were incurred during the three months ended September 30, 2004 in connection with the proposed recapitalization of the Company by the DLJMB proposed investment which was terminated on September 22, 2004.

Other non-operating expenses included an approximate \$717,000 loss on the sale of property in Atlantic City.

**Table of Contents**

Comparison of Nine-Month Periods Ended September 30, 2003 and 2004. The following tables include selected data of Trump Taj Mahal, Trump Plaza, Trump Marina and Trump Indiana.

|   | Nine Months Ended September 30, 2003 |                    |                    |                 |                    |
|---|--------------------------------------|--------------------|--------------------|-----------------|--------------------|
|   | Trump Taj                            | Trump              | Trump              | Trump           | THCR               |
|   | Mahal                                | Plaza              | Marina             | Indiana         | Consolidated*      |
|   | (dollars in thousands)               |                    |                    |                 |                    |
| <b>Revenues:</b>                                  |                                      |                    |                    |                 |                    |
| Gaming  | \$ 395,223                           | \$ 243,318         | \$ 200,571         | \$ 99,359       | \$ 938,471         |
| Other   | 80,965                               | 52,332             | 47,225             | 6,550           | 187,072            |
| Management fees                                   |                                      |                    |                    |                 | 2,988              |
| Gross revenues                                    | 476,188                              | 295,650            | 247,796            | 105,909         | 1,128,531          |
| Less: Promotional allowances                      | 99,743                               | 70,086             | 52,737             | 11,273          | 233,839            |
| <b>Net Revenues</b>                               | <b>376,445</b>                       | <b>225,564</b>     | <b>195,059</b>     | <b>94,636</b>   | <b>894,692</b>     |
| <b>Costs and Expenses:</b>                        |                                      |                    |                    |                 |                    |
| Gaming  | 177,825                              | 113,346            | 95,077             | 51,044          | 437,292            |
| Other   | 26,086                               | 16,178             | 11,350             | 4,925           | 58,539             |
| General & administrative                          | 80,424                               | 49,513             | 51,728             | 22,290          | 205,978            |
| Depreciation & amortization                       | 32,701                               | 15,144             | 16,660             | 5,426           | 69,952             |
| Debt renegotiation costs                          |                                      |                    | (47)               |                 | 2,951              |
| <b>Total Costs and Expenses</b>                   | <b>317,036</b>                       | <b>194,181</b>     | <b>174,768</b>     | <b>83,685</b>   | <b>774,712</b>     |
| <b>Income from Operations</b>                     | <b>59,409</b>                        | <b>31,383</b>      | <b>20,291</b>      | <b>10,951</b>   | <b>119,980</b>     |
| Non-operating income, net                         | 72                                   | 219                | 65                 | 386             | 1,187              |
| Interest expense                                  | (73,702)                             | (42,219)           | (42,024)           | (4,925)         | (169,758)          |
| Gain (loss) on bond redemption                    |                                      |                    | 9,751              | (1,820)         | 2,892              |
| <b>Total Non-operating Expense, Net</b>           | <b>(73,630)</b>                      | <b>(42,000)</b>    | <b>(32,208)</b>    | <b>(6,359)</b>  | <b>(165,679)</b>   |
| Loss in joint venture                             |                                      |                    |                    | (1,855)         | (1,855)            |
| Provision for income taxes                        | (1,806)                              | (1,141)            | (988)              |                 | (3,935)            |
| <b>Net Income (Loss) before Minority Interest</b> | <b>\$ (16,027)</b>                   | <b>\$ (11,758)</b> | <b>\$ (12,905)</b> | <b>\$ 2,737</b> | <b>\$ (51,489)</b> |
| Minority Interest                                 |                                      |                    |                    |                 | 5,061              |
| <b>Net Loss</b>                                   |                                      |                    |                    |                 | <b>\$ (46,428)</b> |

\* Intercompany eliminations, revenues and expenses of THCR, THCR Holdings, Trump AC, TCH, and Trump 29 Services are not separately shown.



**Table of Contents**

|   | Nine Months Ended September 30, 2004 |                    |                    |                    |                    |
|---|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|   | Trump Taj                            | Trump              | Trump              | Trump              | THCR               |
|   | Mahal                                | Plaza              | Marina             | Indiana            | Consolidated*      |
|   | (dollars in thousands)               |                    |                    |                    |                    |
| <b>Revenues:</b>                        |                                      |                    |                    |                    |                    |
| Gaming                                  | \$ 377,692                           | \$ 236,156         | \$ 198,990         | \$ 108,823         | \$ 921,661         |
| Other                                   | 83,658                               | 55,400             | 48,214             | 6,398              | 193,670            |
| Management fees                         |                                      |                    |                    |                    | 6,161              |
| <b>Gross revenues</b>                   | <b>461,350</b>                       | <b>291,556</b>     | <b>247,204</b>     | <b>115,221</b>     | <b>1,121,492</b>   |
| Less: Promotional allowances            | 101,648                              | 75,582             | 56,667             | 8,843              | 242,740            |
| <b>Net Revenues</b>                     | <b>359,702</b>                       | <b>215,974</b>     | <b>190,537</b>     | <b>106,378</b>     | <b>878,752</b>     |
| <b>Costs and Expenses:</b>              |                                      |                    |                    |                    |                    |
| Gaming                                  | 171,268                              | 113,676            | 92,061             | 55,247             | 432,252            |
| Other                                   | 24,667                               | 16,476             | 10,937             | 5,106              | 57,186             |
| General & administrative                | 79,248                               | 49,424             | 49,209             | 25,335             | 205,050            |
| Depreciation & amortization             | 36,570                               | 18,879             | 16,306             | 5,802              | 77,603             |
| Debt renegotiation costs                |                                      |                    |                    |                    | 2,857              |
| <b>Total Costs and Expenses</b>         | <b>311,753</b>                       | <b>198,455</b>     | <b>168,513</b>     | <b>91,490</b>      | <b>774,948</b>     |
| <b>Income from Operations</b>           | <b>47,949</b>                        | <b>17,519</b>      | <b>22,024</b>      | <b>14,888</b>      | <b>103,804</b>     |
| Non-operating income, net               | 39                                   | 2,424              | 118                | 579                | 2,649              |
| Interest expense                        | (74,392)                             | (42,548)           | (34,329)           | (6,563)            | (171,250)          |
| <b>Total Non-operating Expense, Net</b> | <b>(74,353)</b>                      | <b>(40,124)</b>    | <b>(34,211)</b>    | <b>(5,984)</b>     | <b>(168,601)</b>   |
| Loss in joint venture                   |                                      |                    |                    | (1,430)            | (1,430)            |
| Provision for income taxes              | (1,912)                              | (1,287)            | (1,115)            | (20,958)           | (25,272)           |
| <b>Net Loss</b>                         | <b>\$ (28,316)</b>                   | <b>\$ (23,892)</b> | <b>\$ (13,302)</b> | <b>\$ (13,484)</b> | <b>\$ (91,499)</b> |

\* Intercompany eliminations, revenues and expenses of THCR, THCR Holdings, Trump AC, TCH, and Trump 29 Services are not separately shown.



**Table of Contents****Nine Months Ended September 30, 2003**

|                                   | <b>Trump Taj</b>       | <b>Trump</b> | <b>Trump</b>  | <b>Trump</b>   | <b>THCR</b>         |
|-----------------------------------|------------------------|--------------|---------------|----------------|---------------------|
|                                   | <b>Mahal</b>           | <b>Plaza</b> | <b>Marina</b> | <b>Indiana</b> | <b>Consolidated</b> |
|                                   | (dollars in thousands) |              |               |                |                     |
| Table Game Revenues (1)           | \$ 115,430             | \$ 68,013    | \$ 47,041     | \$ 13,675      | \$ 244,159          |
| Table Game Drop (2)               | \$ 685,171             | \$ 443,295   | \$ 278,556    | \$ 85,437      | \$ 1,492,459        |
| Table Win Percentage (3)          | 16.8%                  | 15.3%        | 16.9%         | 16.0%          | 16.4%               |
| Number of Table Games             | 127                    | 90           | 81            | 45             | 343                 |
| Slot Revenues (4)                 | \$ 262,985             | \$ 175,305   | \$ 153,063    | \$ 85,684      | \$ 677,037          |
| Slot Handle (5)                   | \$ 3,290,264           | \$ 2,203,086 | \$ 1,907,885  | \$ 1,107,372   | \$ 8,508,607        |
| Slot Win Percentage (6)           | 8.0%                   | 8.0%         | 8.0%          | 7.7%           | 8.0%                |
| Number of Slot Machines           | 4,703                  | 2,953        | 2,507         | 1,726          | 11,889              |
| Other Gaming Revenues             | \$ 16,808              | \$ N/A       | \$ 467        | \$ N/A         | \$ 17,275           |
| Total Gaming Revenues             | \$ 395,223             | \$ 243,318   | \$ 200,571    | \$ 99,359      | \$ 938,471          |
| Number of Guest Rooms             | 1,250                  | 904          | 728           | 300            | 3,182               |
| Occupancy Rate                    | 95.2%                  | 93.5%        | 90.1%         | 54.6%          | 89.7%               |
| Average Daily Rate (Room Revenue) | \$ 78.54               | \$ 79.57     | \$ 77.66      | \$ 55.62       | \$ 77.33            |

**Nine Months Ended September 30, 2004**

|                                       | <b>Trump Taj</b>       | <b>Trump</b> | <b>Trump</b>  | <b>Trump</b>   | <b>THCR</b>         |
|---------------------------------------|------------------------|--------------|---------------|----------------|---------------------|
|                                       | <b>Mahal</b>           | <b>Plaza</b> | <b>Marina</b> | <b>Indiana</b> | <b>Consolidated</b> |
|                                       | (dollars in thousands) |              |               |                |                     |
| Table Game Revenues (1)               | \$ 107,489             | \$ 61,332    | \$ 42,093     | \$ 14,027      | \$ 224,941          |
| Increase (Decrease) over prior period | \$ (7,941)             | \$ (6,681)   | \$ (4,948)    | \$ 352         | \$ (19,218)         |
| Table Game Drop (2)                   | \$ 653,300             | \$ 420,888   | \$ 266,625    | \$ 92,865      | \$ 1,433,678        |
| Increase (Decrease) over prior period | \$ (31,871)            | \$ (22,407)  | \$ (11,931)   | \$ 7,428       | \$ (58,781)         |
| Table Win Percentage (3)              | 16.5%                  | 14.6%        | 15.8%         | 15.1%          | 15.7%               |
| Increase (Decrease) over prior period | (0.3)pts               | (0.7)pts     | (1.1)pts      | (0.9)pts       | (0.7)pts            |
| Number of Table Games                 | 127                    | 91           | 75            | 40             | 333                 |
| Increase (Decrease) over prior period |                        | 1            | (6)           | (5)            | (10)                |
| Slot Revenues (4)                     | \$ 251,929             | \$ 174,824   | \$ 156,488    | \$ 90,776      | \$ 674,017          |
| Increase (Decrease) over prior period | \$ (11,056)            | \$ (481)     | \$ 3,425      | \$ 5,092       | \$ (3,020)          |
| Slot Handle (5)                       | \$ 3,247,768           | \$ 2,140,351 | \$ 1,986,266  | \$ 1,175,940   | \$ 8,550,325        |
| Increase (Decrease) over prior period | \$ (42,496)            | \$ (62,735)  | \$ 78,381     | \$ 68,568      | \$ 41,718           |
| Slot Win Percentage (6)               | 7.8%                   | 8.2%         | 7.9%          | 7.7%           | 7.9%                |
| Increase (Decrease) over prior period | (0.2)pts               | 0.2pts       | (0.1)pts      | pts            | (0.1)pts            |
| Number of Slot Machines               | 4,401                  | 2,851        | 2,516         | 1,700          | 11,468              |
| Increase (Decrease) over prior period | (302)                  | (102)        | 9             | (26)           | (421)               |
| Other Gaming Revenues                 | \$ 18,274              | \$ N/A       | \$ 409        | \$ 4,020       | \$ 22,703           |
| Increase (Decrease) over prior period | \$ 1,466               | \$ N/A       | \$ (58)       | \$ 4,020       | \$ 5,428            |
| Total Gaming Revenues                 | \$ 377,692             | \$ 236,156   | \$ 198,990    | \$ 108,823     | \$ 921,661          |
| Increase (Decrease) over prior period | \$ (17,531)            | \$ (7,162)   | \$ (1,581)    | \$ 9,464       | \$ (16,810)         |
| Number of Guest Rooms                 | 1,250                  | 904          | 728           | 300            | 3,182               |
| Occupancy Rate                        | 94.7%                  | 94.0%        | 87.2%         | 52.6%          | 88.8%               |
| Average Daily Rate (Room Revenue)     | \$ 76.79               | \$ 78.80     | \$ 80.82      | \$ 56.73       | \$ 77.18            |

(1) Table Game Revenues is defined as the total amount wagered by table game patrons (the Table Game Drop ), less the amounts paid back to such patrons by the casino for winning wagers.

(2) Table Game Drop is defined as the total amount wagered by table game patrons.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

- (3) Table Win Percentage is defined as the ratio, expressed as a percentage, of Table Game Revenues to Table Game Drop.
- (4) Slot Revenues is defined as the total amount wagered by slot patrons (the Slot Handle ), less the amount paid back to slot patrons by the casino for winning pulls.
- (5) Slot Handle is defined as the total amount wagered by slot patrons.
- (6) Slot Win Percentage is defined as the ratio, expressed as a percentage, of Slot Revenues to Slot Handle.

## Table of Contents

Gaming revenues are the primary source of THCR's revenues. The year-over-year decrease in gaming revenues in the Atlantic City market was due to decreased table game and slot revenues, which was principally caused by the lack of overall market growth to accommodate the Borgata opening in July 2003.

Table game revenues decreased by approximately \$19,218,000, or 7.9%, from the comparable nine month period in 2003 due to decreases in table game drop as well as table win percentage at the Atlantic City properties. THCR's Atlantic City table game win percentage was 16.4% and 15.7% for the nine months ended September 30, 2003 and 2004, respectively. The Atlantic City industry table game win percentages were 16.0% and 15.3% for the nine months ended September 30, 2003 and 2004, respectively. Trump Indiana's increase of \$352,000 in table game revenues was primarily attributed to the \$7,428,000 or 8.7% increase in table game drop despite a 0.9 point decrease in table win percentage from the comparable period in 2003. The increase in table game drop at Trump Indiana is attributed to targeted marketing programs.

Slot revenues decreased by approximately \$3,020,000, or 0.4%, from the comparable nine month period in 2003. Slot revenues decreased at Trump Taj Mahal primarily as a result of decreased slot win percentage and slot handle. Trump Plaza's slot revenues decreased as a result of a decline in slot handle. Trump Marina's and Trump Indiana's slot revenues increases were primarily the result of increased slot handle due to the success of targeted marketing programs.

Trump Indiana's gaming revenues also increased in 2004 due to the introduction of poker in December 2003.

For the nine months ended September 30, 2004, management fees of \$6,161,000 were earned from the Trump 29 Casino compared to \$2,988,000 for the nine months ended September 30, 2003. The year-over-year increase is primarily the result of marketing programs which have increased the customer base.

Promotional allowances increased by \$8,901,000, or 3.8%, from the comparable nine month period in 2003 primarily as a result of increases in coin expense and complimentary hotel services at Trump Taj Mahal, Trump Plaza and Trump Marina, which were partially offset by a decrease at Trump Indiana.

Gaming costs and expenses decreased by approximately \$5,040,000, or 1.2%, from the comparable nine month period in 2003. The \$9,243,000, or 2.4%, decrease at the Atlantic City properties was attributed to decreases in payroll expenses. The \$4,203,000, or 8.2%, increase at Trump Indiana is primarily attributed to increased gaming taxes proportionate to higher gaming revenues and increased payroll attributed to the addition of poker.

General and administrative expenses decreased approximately \$928,000, or 0.5%, from the comparable nine month period in 2003. Decreases of \$3,784,000 at the Atlantic City properties were attributed primarily to payroll and employee benefits expenses and offset by increased utility expenses. Additionally the Atlantic City properties recorded a donation of casino reinvestment obligations in the prior year. Trump Indiana's expenses increased by approximately \$3,045,000 from the comparable period in 2003, which were primarily attributed to real estate taxes and insurance.

Depreciation and amortization expenses increased approximately \$7,651,000, or 10.9%, from the comparable nine month period in 2003. This increase is primarily attributed to slot machine purchases.

## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

During the nine months ended September 30, 2003, THCR incurred debt renegotiation costs of \$2,951,000 related to debt financing no longer pursued and transactional fees earned upon the consummation of the TCH Notes Offering on March 25, 2003. Approximately \$2,857,000 in debt renegotiation costs were incurred during the nine months ended September 30, 2004 in connection with the proposed recapitalization of the Company by the DLJMB proposed investment which was terminated on September 22, 2004.

In connection with the TCH Notes Offering, THCR recognized a net gain of \$2,892,000 which consists of a net gain of \$10,451,000 on the retirement of THCR Holdings Senior Notes and Trump's Castle PIK Notes, a \$2,828,000 call premium on the retirement of THCR Senior Notes, the settlement of Trump Indiana's interest rate swap of \$851,000 and the write off of unamortized loan costs of approximately \$3,880,000.

Other non-operating income increased approximately \$1,462,000 from the comparable nine month period in 2003. The increase was primarily due to the settlement in April 2004 of an insurance claim for Trump Plaza's warehouse which collapsed due to an unusual amount of snowfall in February 2003. The insurance settlement resulted in a gain of approximately \$2,100,000, recognized in the quarter ended June 30, 2004. This gain was partially offset by an approximate \$717,000 loss on the sale of property in Atlantic City.

Included in provision for incomes taxes of \$25,272,000 for the nine months ended September 30, 2004 is \$19,108,000 of expense recorded during the quarter ended March 31, 2004, by Trump Indiana as a result of a ruling by the Indiana tax court regarding the non-deductibility of the Indiana state wagering tax for the period from commencement of operations in June 1996 through the period ended March 31, 2004.

**Table of Contents**

**Seasonality**

Our cash flows from operating activities are seasonal in nature. Spring and summer are traditionally the peak seasons for the Trump Atlantic City Properties, with autumn and winter being non-peak seasons. Trump 29's peak seasons are late winter and spring. Trump Indiana generally is not seasonal. Since the Trump Atlantic City Properties account for the majority of our business, our operating results for the two quarters ending in March and December are not historically as profitable as the two quarters ending in June and September. Any excess cash flow achieved from operations during peak seasons is used to subsidize non-peak seasons. Performance in non-peak seasons is usually dependent on favorable weather and a long-weekend holiday calendar. In the event that we are unable to generate excess cash flows in one or more peak seasons, we may not be able to subsidize non-peak seasons, if necessary.

**Table of Contents****ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, foreign currency exchange rates and commodity rates. We have limited exposure to market risk due to the fact that the interest rates on our long term debt are fixed and we do not utilize these financial instruments for trading purposes.

The carrying amount of the following financial instruments approximates fair value as follows: (a) cash and cash equivalents, receivables and payables are based on the short-term nature of these financial instruments and (b) CRDA bonds and deposits are based on the allowances to give effect to the below market interest rates.

The carrying amount and fair value of our fixed rate indebtedness is as set forth below:

| Issuer/Debt  | September 30, 2004 |              |
|--|--------------------|--------------|
|  | Carrying Amount    | Fair Value   |
|  | (in thousands)     |              |
| <b>Trump Atlantic City Associates</b>                            |                    |              |
| \$1.2 billion 11.25% First Mortgage Notes due 2006               | \$ 1,200,000       | \$ 1,035,000 |
| \$75 million 11.25% First Mortgage Notes due 2006 (1)            | \$ 74,641          | \$ 64,688    |
| \$25 million 11.25% First Mortgage Notes due 2006 (2)            | \$ 24,824          | \$ 21,563    |
| <b>Trump Casino Holdings, LLC</b>                                |                    |              |
| \$425 million 11.625% First Priority Mortgage Notes due 2010 (3) | \$ 406,288         | \$ 439,875   |
| \$68.8 million 17.625% Second Priority Mortgage Notes due 2010   | \$ 68,847          | \$ 68,847    |

- (1) Carrying amount represents principal in the amount of \$75,000,000, net of unamortized discount of \$359,000 at September 30, 2004.  
(2) Carrying amount represents principal in the amount of \$25,000,000, net of unamortized discount of \$176,000 at September 30, 2004.  
(3) Carrying amount represents principal in the amount of \$425,000,000, net of unamortized discount of \$18,712,000 at September 30, 2004.

**ITEM 4 CONTROLS AND PROCEDURES**

(a) *Evaluation of Disclosure Controls and Procedures.* Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Registrant's principal executive officer and principal financial officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) are effective to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

(b) *Changes in Internal Controls.* There were no specific changes in the Registrant's internal controls over financial reporting during the fiscal quarter covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.



**Table of Contents**

**PART II OTHER INFORMATION**

**ITEM 1 LEGAL PROCEEDINGS**

*General.* Currently and from time to time, THCR and certain of its employees are involved in legal proceedings incidental to THCR's business. While any proceeding or litigation has an element of uncertainty, management believes that the final outcomes of these matters are not likely to have a material adverse effect on THCR's results of operations or financial condition. In general, THCR has agreed to indemnify such persons, and its directors, against any and all losses, claims, damages, expenses (including reasonable costs, disbursements and counsel fees) and liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) incurred by them in said legal proceedings absent a showing of such persons' gross negligence or malfeasance.

**ITEM 2 UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3 DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5 OTHER INFORMATION**

*Management Changes.* The Company issued a press release on October 28, 2004, and filed a Form 8-K with the SEC on November 1, 2004, announcing, among other things, that Scott C. Butera was appointed as the Company's President and Chief Operating Officer, which appointment will be effective upon receiving the required regulatory approval.

*Morgan Stanley.* On October 26, 2004, the Company announced that it has retained Morgan Stanley & Co. Incorporated as the joint book-runner and co-lead manager of a \$500 million financing that is expected to be consummated as part of the Plan (the "Financing"). Proceeds from the Financing, which will be secured on a first priority lien on substantially all of the Company's assets are expected to fund immediate capital improvements, as well as certain expansion projects, at the Company's current properties. The Financing would also provide financial resources



## Edgar Filing: TRUMP HOTELS & CASINO RESORTS INC - Form 10-Q

for the Company to potentially invest in additional jurisdictions. UBS Investment Bank, the Company's exclusive financial advisor in connection with the Plan, is expected to joint lead the Financing.

*Beal Bank.* The Company issued a press release on November 1, 2004, and filed a Form 8-K on November 4, 2004, announcing that it has selected Beal Bank as the sole lead arranger of the \$100 million interim financing ( Interim Financing ) which is expected to be funded as part of the Plan. Proceeds from the Interim Financing, which will be secured by a lien on substantially all of the Company's assets, are expected to be used to fund certain business costs, including capital expenditures, wages, trade and vendor contracts and leases.

*Labor Negotiations.* On November 9, 2004, United Here H.E.R.E. Local 54, AFL-CIO ( Local 54, formerly the Hotel Employees & Restaurant Employees International Union) voted to approve of new five-year collective bargaining agreements with each of THCR's Atlantic City properties. The prior collective bargaining agreements had expired on September 14, 2004. The new collective bargaining agreements will expire on September 14, 2009.

**Table of Contents**

**ITEM 6 EXHIBITS**

- 10.1\* Restructuring Support Agreement, dated October 20, 2004
- 10.2\*\* Commitment Letter and Term Sheet, dated November 1, 2004, between Trump Hotels & Casino Resorts, Inc. and Beal Bank, SSB
- 31.1 Certification by the Chief Executive Officer of the Registrant Pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as Amended.
- 31.2 Certification by the Chief Financial Officer of the Registrant Pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as Amended.
- 32.1 Certification of the Chief Executive Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

---

\* Filed as an exhibit to Current Report on Form 8-K filed by the Company with the SEC on October 21, 2004 and incorporated by reference herein.

\*\* Filed as an exhibit to Current Report on Form 8-K filed by the Company with the SEC on November 4, 2004 and incorporated by reference herein.

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TRUMP HOTELS & CASINO RESORTS, INC.**  
(Registrant)

Date: November 15, 2004

By: /S/ FRANCIS X. McCARTHY, JR.

---

**Francis X. McCarthy, Jr.**  
Executive Vice President of Corporate  
Finance and Chief Financial Officer  
(Duly Authorized Officer and Principal Financial Officer)

**Table of Contents**

**EXHIBIT INDEX**

| <b><u>Exhibit No.</u></b> | <b><u>Description</u></b>  |
|---------------------------|--|
| 31.1                      | Certification by the Chief Executive Officer of the Registrant Pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as Amended.                |
| 31.2                      | Certification by the Chief Financial Officer of the Registrant Pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as Amended.                |
| 32.1                      | Certification of the Chief Executive Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2                      | Certification of the Chief Financial Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |