

TRUMP ENTERTAINMENT RESORTS, INC.
Form 10-Q
August 10, 2012

UNITED STATES
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: June 30, 2012

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 ENTERTAINMENT RESORTS, INC.
(Exact name of registrant as specified in its charter)
Delaware

13-3818402
(I.R.S. Employer
Identification No.)

(State or other jurisdiction of
incorporation or organization)

1000 Boardwalk at Virginia Avenue
Atlantic City, New Jersey
(Address of Principal Executive
Offices)

08401
(Zip Code)

Registrant's telephone number, including area code: (609) 449-5534

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of August 10, 2012, there were 10,767,858 shares of common stock of Trump Entertainment Resorts, Inc. outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

TRUMP ENTERTAINMENT RESORTS, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share data)

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$45,904	\$63,895
Accounts receivable, net	14,362	15,104
Accounts receivable, other	3,579	3,138
Property taxes receivable	14,423	4,979
Inventories	1,760	1,978
Deferred income taxes	556	556
Prepaid expenses and other current assets	5,367	4,886
Total current assets	85,951	94,536
Net property and equipment	393,204	402,980
Other assets		
Restricted cash	7,700	11,347
Intangible assets	8,700	8,700
Property taxes receivable	37,952	4,737
Casino Reinvestment Development Authority investments, net	39,410	40,178
Other assets	16,823	16,332
Total other assets	110,585	81,294
Total assets	\$589,740	\$578,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$3,660	\$3,967
Accounts payable	25,492	27,205
Accrued payroll and related expenses	12,857	14,302
Income taxes payable	—	1,500
Self-insurance reserves	15,133	14,039
Other current liabilities	21,376	19,399
Total current liabilities	78,518	80,412
Long-term debt, net of current maturities	295,765	299,676
Deferred income taxes	556	556
Other long-term liabilities	11,510	5,401
Stockholders' equity:		
Preferred stock:		

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\$.001 par value; 2,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock:		
\$.001 par value; 20,000,000 shares authorized, 10,767,858 and 10,714,286 shares issued and outstanding, respectively	11	11
Additional paid-in capital	225,203	225,169
Accumulated deficit	(21,823)	(32,415)
Total stockholders' equity	203,391	192,765
Total liabilities and stockholders' equity	\$ 589,740	\$ 578,810
See accompanying notes to consolidated financial statements		

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TRUMP ENTERTAINMENT RESORTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(dollars in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Gaming	\$99,196	\$136,316	\$204,737	\$253,112
Rooms	19,755	20,119	36,201	35,548
Food and beverage	15,764	16,360	30,057	30,799
Other	5,045	5,936	9,439	12,487
	139,760	178,731	280,434	331,946
Less promotional allowances	(40,691	) (50,289	) (80,160	) (89,779
Net revenues	99,069	128,442	200,274	242,167
Costs and expenses:				
Gaming	44,223	57,020	91,933	112,756
Rooms	4,060	4,213	7,553	7,790
Food and beverage	8,550	8,931	15,154	16,653
General and administrative	28,108	30,345	56,119	60,814
Property taxes	14,056	11,373	25,837	22,746
Corporate and other	1,732	2,184	3,646	4,729
Corporate—related party	97	97	195	195
Depreciation and amortization	5,289	8,448	10,439	16,687
Income from settlement of property tax appeals, net of related fees	(30,874	) —	(30,874) —
Income related to utility agreements	—	—	(3,532) —
Asset impairment charge	—	—	1,100	—
	75,241	122,611	177,570	242,370
Income (loss) from operations	23,828	5,831	22,704	(203
Non-operating income (expense):				
Interest income	239	328	457	799
Interest expense	(9,154	) (10,753	) (18,361	) (22,050
Income related to deed amendment	—	—	—	5,465
	(8,915	) (10,425	) (17,904	) (15,786
Income (loss) before income taxes and discontinued operations	14,913	(4,594	) 4,800	(15,989
Income taxes	—	—	—	—
Income (loss) from continuing operations	14,913	(4,594	) 4,800	(15,989
Income (loss) from discontinued operations:				
Trump Marina	5,454	(2,771	) 5,792	(6,547
Income (loss) from discontinued operations	5,454	(2,771	) 5,792	(6,547
Net income (loss)	\$20,367	(7,365) \$10,592	\$(22,536
Net income (loss) per share—basic and diluted:				

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Continuing operations	\$ 1.37	\$ (0.43) \$ 0.44	\$ (1.48)
Discontinued operations	0.50	(0.25) 0.53	(0.61)
Basic and diluted net income (loss) per share	\$ 1.87	\$ (0.68	) \$ 0.97	\$ (2.09)
Weighted average shares outstanding—basic	10,890,002	10,767,858	10,867,926	10,767,858	
Weighted average shares outstanding—diluted	10,893,948	10,767,858	10,896,872	10,767,858	

See accompanying notes to consolidated financial statements

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TRUMP ENTERTAINMENT RESORTS, INC.
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (unaudited)
 (in thousands, except share data)

	Shares	Preferred Stock	Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2011—		\$—	10,714,286	\$11	\$225,169	\$(32,415)	\$192,765
Stock-based compensation expense	—		53,572		34		34
Net income						10,592	10,592
Balance, June 30, 2012	—	\$—	10,767,858	\$11	\$225,203	\$(21,823)	\$203,391

See accompanying notes to consolidated financial statements

TRUMP ENTERTAINMENT RESORTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(dollars in thousands)

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$10,592	\$(22,536)
Adjustments to reconcile net income (loss) to net cash flows used in operating activities:		
Depreciation and amortization	10,439	16,687
Asset impairment charge	1,100	—
Income related to property tax settlement, net of related fees	(30,874)	—
Provisions for losses on receivables	511	2,517
Valuation allowance—CRDA investments	768	816
Accretion of interest income related to property tax settlement	(140)	(227)
Stock-based compensation expense	34	57
Gain on sale of assets	(32)	(78)
Changes in operating assets and liabilities:		
Increase in receivables	(1,071)	(5,575)
Decrease in inventories	218	524
Decrease in property taxes receivable	5,000	3,641
(Increase) decrease in other current assets	(931)	2,357
Increase in restricted cash	—	(5,465)
(Increase) decrease in other assets	(122)	1,696
Decrease in accounts payable and other current liabilities	(2,879)	(20,542)
Increase in accrued interest payable	96	1,480
Decrease in other long-term liabilities	(532)	(461)
Net cash flows used in continuing operating activities	(7,823)	(25,109)
Net cash flows (used in) provided by discontinued operating activities	(5,176)	1,012
Net cash flows used in operating activities	(12,999)	(24,097)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,680)	(7,641)
Purchases of CRDA investments	(2,690)	(2,977)
Proceeds from sales of fixed assets	1,949	—
Decrease in restricted cash	1,547	7,724
Net cash flows used in continuing investing activities	(2,874)	(2,894)
Net cash flows provided by discontinued investing activities	—	30,408
Net cash flows (used in) provided by investing activities	(2,874)	27,514
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of term loans	(3,833)	(41,733)
Decrease in restricted cash	2,100	12,000
Repayments of other long-term debt	(385)	(283)
Net cash flows used in continuing financing activities	(2,118)	(30,016)

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Net decrease in cash and cash equivalents	(17,991)	(26,599)
Cash and cash equivalents at beginning of period	63,895	85,585
Cash and cash equivalents at end of period	\$45,904	\$58,986

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest	\$18,265	\$20,592
Cash paid for income taxes	\$1,500	\$—

See accompanying notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(dollars in thousands, except share and per share data)

(1) General

Organization

The accompanying consolidated financial statements include those of Trump Entertainment Resorts, Inc. (“TER”), a Delaware corporation, and its subsidiaries. Except where otherwise noted, the words “we,” “us,” “our” and similar terms, as well as “Company,” refer to TER and all of its subsidiaries. Through our subsidiary, Trump Entertainment Resorts Holdings, L.P. (“TER Holdings”) and its wholly-owned subsidiaries, we own and operate the Trump Taj Mahal Casino Resort (“Trump Taj Mahal”) and Trump Plaza Hotel and Casino (“Trump Plaza”), each in Atlantic City, New Jersey. Until May 24, 2011, we also owned and operated the Trump Marina Hotel Casino (“Trump Marina”) in Atlantic City, New Jersey. See Note 3 for additional information regarding this discontinued operation.

Chapter 11 Case

On February 17, 2009 (the “Petition Date”), TER and certain of its direct and indirect subsidiaries (collectively, the “Debtors”) filed voluntary petitions in the United States Bankruptcy Court for the District of New Jersey in Camden, New Jersey (the “Bankruptcy Court”) seeking relief under the provisions of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). These chapter 11 cases were jointly administered under the caption In re: TCI 2 Holdings, LLC, et al Debtors, Chapter 11 Case Nos.: 09-13654 through 09-13656 and 09-13658 through 09-13664 (JHW) (the “Chapter 11 Case”).

On May 7, 2010, the Bankruptcy Court entered an order (the “Confirmation Order”) confirming the Supplemental Modified Sixth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Ad Hoc Committee of Holders of 8.5% Senior Secured Notes Due 2015 (the “Ad Hoc Committee”), as filed with the Bankruptcy Court, in final form, on May 7, 2010 (the “Plan of Reorganization”).

On July 16, 2010 (the “Consummation Date”), the Plan of Reorganization became effective and the transactions contemplated by the Plan of Reorganization were consummated.

On January 10, 2012, the Bankruptcy Court issued its final decree and order closing the Chapter 11 Case.

Pursuant to the Plan of Reorganization, the Company entered into a registration rights agreement (the “Registration Rights Agreement”), pursuant to which the Company agreed to file with the Securities and Exchange Commission (“SEC”) no later than 30 days after the Consummation Date, and to use its commercially reasonable efforts to cause to be declared effective by 60 days after the Consummation Date, a registration statement to register for resale the new common stock of the Company issued pursuant to the Plan of Reorganization and held by members of the Ad Hoc Committee and/or their affiliates (the “Backstop Parties”) and other eligible holders of new common stock who elected to become parties thereto. The Registration Rights Agreement has been amended to defer our obligation to register the shares of common stock held by the Backstop Parties and such other holders until January 15, 2013, subject to an earlier request from the Backstop Parties holding a majority of the common stock held by the Backstop Parties.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted. The accompanying consolidated

financial statements have been prepared without audit. In the opinion of management, all adjustments, including normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC's website at www.sec.gov or our website at www.trumpcasinos.com.

The consolidated financial statements include our accounts and those of our controlled subsidiaries and partnerships. We

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(unaudited)

(dollars in thousands, except share and per share data)

have eliminated all intercompany balances and transactions. In accordance with Topic 280 – “Segment Reporting” of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), we view each of our casino properties as operating segments and aggregate all such operating segments into one reportable segment, as we believe that they are economically similar, offer similar types of products and services, cater to the same types of customers and are similarly regulated.

In preparing the accompanying unaudited consolidated financial statements, the Company has reviewed, as determined necessary by the Company’s management, events that have occurred after June 30, 2012.

Assets Held for Sale

Long-lived assets are considered held for sale when certain criteria are met, including whether management (having the authority to approve the action) has committed to a plan to sell the asset, whether the asset is available for sale in its present condition and whether a sale of the asset is probable within one year of the reporting date. Long-lived assets that are classified as held for sale are reported at the lower of the assets’ carrying amount or fair value less costs related to the assets’ disposition and are no longer depreciated.

Although the Company is currently evaluating certain strategic alternatives with respect to certain of its long-lived assets, including a potential sale of Trump Plaza, the accompanying financial statements do not present such long-lived assets as assets held for sale as all of the criteria required under ASC 360 - “Property, Plant and Equipment” (“ASC 360”) were not met as of the reporting date.

(3) Trump Marina Discontinued Operations

On May 24, 2011, the Company and its subsidiary, Trump Marina Associates, LLC, completed the sale of Trump Marina (the “Property”) to Golden Nugget Atlantic City, LLC (“Golden Nugget”), an affiliate of Landry's, Inc. (“Landry's”), pursuant to the Asset Purchase Agreement dated as of February 11, 2011 (as amended, the “Asset Purchase Agreement”). Pursuant to the Asset Purchase Agreement, at the closing, Golden Nugget acquired substantially all of the assets of, and assumed certain liabilities related to, the business conducted at the Property.

The following table provides a summary of Trump Marina's discontinued operations presented in our consolidated statements of operations for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Gaming revenues	\$—	\$18,487	\$—	\$48,242
Net revenues	—	17,285	—	45,084
Depreciation and amortization	—	114	—	481
Income (loss) from discontinued operations	5,454	(2,771)	5,792	(6,547)

Income from discontinued operations during the three and six months ended June 30, 2012 includes \$8,330 of income related to the settlement with the City of Atlantic City with respect to its challenges to the real estate tax assessments for the tax years 2008 through 2012 (see Note 8) and \$2,301 of non-cash expense recognized in connection with the donation of \$7,005 of previous CRDA deposits made by Trump Marina. On July 30, 2012, the Company received \$2,366 from the CRDA representing the cash-back donation credit.

During July 2012, the Company entered into a General Release with Golden Nugget and Landry's Inc. settling certain claims under the Asset Purchase Agreement. Pursuant to the General Release, the Company agreed to pay Landry's \$227 and the Company and Landry's each released, discharged and forgave any and all claims, counterclaims, cross claims and defenses against the other party with respect to post-closing prorations owed under the Asset Purchase Agreement, including the final working capital adjustment. No other claims of the parties under the Asset Purchase Agreement or otherwise were released.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(unaudited)

(dollars in thousands, except share and per share data)

(4) Sale of Off-Site Warehouse

On May 8, 2012, Trump Taj Mahal Associates completed the sale of its off-site warehouse (the “EHT Property”) located in Egg Harbor Township, New Jersey to Schoffer Enterprises, LLC pursuant to the terms of an Agreement of Sale dated as of February 6, 2012. The net cash proceeds of the transaction of \$1,949 are required to be used in a manner permitted under the Amended and Restated Credit Agreement.

In accordance with ASC 360, during the first quarter of 2012, the Company recorded a non-cash asset impairment charge of \$1,100 to record the EHT Property at its fair value less costs to sell. Such amount is reflected in Asset impairment charge in the consolidated statement of operations for six months ended June 30, 2012.

(5) Debt

As of June 30, 2012 and December 31, 2011, our debt consisted of the following:

	June 30, 2012	December 31, 2011
Senior Secured Credit Facility:		
Term Loans - maturing December 31, 2015, interest and principal payments due quarterly at 12.0%	\$293,720	\$297,553
Other:		
Capitalized lease obligations, payments due at various dates through 2028, secured by slot and other equipment, interest at 8.5% to 12.0%	5,705	6,090
Total long-term debt	299,425	303,643
Less: current maturities	(3,660)	(3,967)
Long-term debt, net of current maturities	\$295,765	\$299,676

Amended and Restated Credit Agreement - On July 16, 2010 (the “Consummation Date”), TER Holdings, TER and certain subsidiaries of TER (the “Subsidiary Guarantors”), each as reorganized pursuant to the Plan of Reorganization, entered into an Amended and Restated Credit Agreement (as amended, the “Amended and Restated Credit Agreement”) with Beal Bank, SSB (“Beal Bank”) as original collateral agent and administrative agent, and Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP and Icahn Partners Master Fund III LP (collectively, “Icahn Partners”), as initial lenders. In connection with a settlement of certain disputes between the Company and Icahn Partners, the Amended and Restated Credit Agreement was subsequently amended, retroactive to the Consummation Date, to reduce the total principal amount outstanding as of the Consummation Date to \$346,500 and to provide that interest would be payable on all principal outstanding. In April 2012, Beal Bank was replaced as collateral agent and administrative agent by Icahn Agency Services, LLC.

The Amended and Restated Credit Agreement requires quarterly principal amortization payments in the amount of \$866. All indebtedness outstanding under the Amended and Restated Credit Agreement matures on December 31, 2015. Until such maturity date, TER Holdings is required to pay interest on the unpaid principal amount of the Term Loans at a rate per annum equal to 12%, payable quarterly in arrears.

TER Holdings may elect, at its option, to prepay Term Loans outstanding under the Amended and Restated Credit Agreement. Any such optional prepayment after January 1, 2012 would be made at par. TER Holdings may be required to make mandatory prepayments of the Term Loans in connection with asset dispositions, debt and equity issuances and extraordinary receipts. During March 2012, in addition to its scheduled quarterly principal amortization payment, TER Holdings made a \$2,100 mandatory prepayment of the Term Loans utilizing proceeds from certain

extraordinary receipts during 2011. During 2011, in addition its scheduled quarterly principal amortization payments, TER Holdings made \$43,750 of mandatory prepayments utilizing proceeds from certain extraordinary receipts during 2010 and net cash proceeds from the sale of Trump Marina and the Steel Pier and skybridge at Trump Taj Mahal.

Beginning on March 31, 2011, and on each subsequent anniversary of such date that occurs prior to the maturity date, TER Holdings is required to offer to the lenders to prepay portions of the Term Loans equal to 50% of the Free Cash Flow (as defined in the Amended and Restated Credit Agreement) for the calendar year then most recently ended. The Company did not generate any Free Cash Flow during the calendar years ended December 31, 2011 and 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(unaudited)

(dollars in thousands, except share and per share data)

Amounts outstanding under the Amended and Restated Credit Agreement are guaranteed by the Company and certain of its direct and indirect subsidiaries and secured by a security interest in substantially all of the assets of the Company and its direct and indirect subsidiaries.

Under the Amended and Restated Credit Agreement, the Company and its subsidiaries are subject to certain affirmative and negative covenants. The negative covenants impose restrictions with respect to, among other things, (i) incurring liens, (ii) incurring debt, (iii) mergers or consolidations, (iv) sales or other dispositions of assets, (v) investments, (vi) dividends or distributions on, or repurchases of, equity interests, (vii) prepaying or repurchasing debt and (viii) certain capital expenditures. The Amended and Restated Credit Agreement contains customary event of default and remedy provisions, including a provision stating that an event of default includes any termination or expiration of the Second Amended and Restated Trademark License Agreement entered into on the Consummation Date (the “Trademark License Agreement”) or the issuance of an injunction or similar order against the Company under the Trademark License Agreement. As of June 30, 2012, the Company was in compliance with the terms of the Amended and Restated Credit Agreement.

(6) Earnings Per Share

The computations of basic and diluted net income (loss) per share for the periods presented are as follows:

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	2011		2011	
Numerator for basic and diluted income (loss) per share:				
Income (loss) from continuing operations	\$14,913	\$ (4,594)		