Columbia Business School

Case Study

Turnaround Analysis of

TRUMP

ENTERTAINMENT RESORTS

CARL MARKS STUDENT PAPER COMPETITION

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Definition of Key Terms

the Company	Trump Entertainment Resorts Inc. and all Subsidiaries
the Subsidiaries	Any company or other corporate entity in which the Company directly or indirectly owns more than 50% of the equity or otherwise controls
TER Holdings	Trump Entertainment Resorts Holdings, L.P.
Trump Entertainment	Trump Entertainment Resorts Inc.
Know When to Hold 'em	
Know When to Fold 'em	Popular song lyric from The Gambler by Kenny Rogers
Double Down	Blackjack term for doubling bet when the player's hand is believed to be superior to the dealer's hand
Rolling On	Term for rolling dice on various table games

Chapter 1

Executive Summary

1.1 Overview

Two years after emerging from bankruptcy, Trump Entertainment Resorts, Inc. ("the Company") is again facing a challenging financial situation. With rapidly changing market dynamics, the Company's remaining assets, three aging casinos in Atlantic City, are steadily losing market share. Limited financial resources have prevented the Company from making the large-scale renovations necessary to compete with new entrants or attract customers from the more convenient gaming alternatives emerging throughout Northeast U.S. As a result, the stock price has languished and the Company may not have sufficient funds to cover future obligations.

In November 2006, the Company's management articulated their strategy to improve the competitive position and restore financial stability, but the suggested projects appear costly and carry considerable execution risk. Most significantly, the Company has substantial strategic and branding issues to address as it seeks to change its focus to high-end customers while two of its properties currently cater to lower-tier clientele. We believe that this situation, together with the increasing risk of financial hardship, led the Company to hire Merrill Lynch in March 2007 to explore strategic alternatives. In a press release dated May 17, 2007, the Company announced the receipt of "preliminary and conditional indications of interest from parties proposing to acquire the Company." However, in July 2007, The Board of Directors concluded that none of these indications of interest would lead to a transaction that was in the best interest of the Company and the corporation would move forward with its strategic plan while considering other strategic corporate options. The prospects and the terms of such strategic options, including whether it would include a sale of some or all assets, remain uncertain.

In this paper, we have analyzed the Company's current assets and operations across the following criteria:

1. Financial
2. Market Position
3. Operations
4. Strategy

5. Management and Corporate Governance
6. Non-Market Factors

We acknowledge that the Company faces major challenges, however we believe a successful turnaround is possible. We propose a three-step plan named "Know When to Hold 'em, Know When to Fold 'em," which consists of refinancing, selling two properties ("Double Down") and improving existing operations ("Rolling On"). If this plan is implemented, we believe the Company will be able to restore sustainable growth, meet its obligations when due and generate substantial value for security holders.

1.2 Financial Summary

Trump Entertainment currently generates positive EBITDA from each of its casinos. However, the Company remains burdened by a high debt load after emerging from bankruptcy protection in 2005. An inflexible capital structure makes it difficult to fund capital expenditures and improve competitive positioning in existing or new markets. Current projections suggest that the Company will not generate sufficient cash to meet both interest expenses and its planned Capex.

Based on public filings, industry/research reports and our own strategic analysis, we have created financial projections for each casino and the consolidated entity. An underlying assumption in our analysis is that the new management team hired after the bankruptcy, including CEO James Perry[a], will make headway in improving the Company's operations and financial health. As such, our projections show gradual operational improvements in the Company's performance, in accordance with management guidance and Wall Street research estimates. Specifically, these estimates assume greater efficiency and profitability in day-to-day casino operations and a positive impact from the Company's investment in property renovations. Most notably, we expect the Taj Mahal property to benefit significantly from the

[a] Case Update: CEO James Perry and other members of management left the Company in July 2007 shortly after the Board of Directors concluded their strategic review. Mark Juliano, the interim CEO of Trump Entertainment Resorts and 30-year industry veteran, was appointed CEO in August 2007.

completion of a new 965-room tower in 2008. Despite these projected improvements, the Company will continue to operate at a significantly levered position with a high risk of default on its current debt obligations. The Company's debt service coverage ratio ([EBITDA-Capex] / Interest) will be -1.0x in 2007 and 0.0x in 2008, and it will not be able to meet its obligations when they become due. We believe that significant additional Capex is required to meet revenue projections and maintain the Company's long-term competitiveness. As a result, we believe that the Company should sell part of its assets to secure sufficient financing to meet its current and future obligations, including the pay down of the revolving credit line in 2010 and the $140 million debt due in 2012.

1.3 Summary of Strategic Alternatives

We have reviewed the Company's financial and operational position and improvement opportunities to create a strategic plan that maximizes the Company's enterprise value. As such, our recommendations should increase value for debt as well as equity holders. However, we have not structured our proposals to secure individual holders' specific interests, including a potential interest of Mr. Trump to avoid dilution. A summary of the strategic alternatives facing the Company today is presented below:

	Benefits	Considerations
New Equity Financing	• Reduce onerous debt burden	• Limited credibility and market demand given financial history and outlook • Mr. Trump may not accept further dilution
New Debt Financing	• Refinance current debt; reduce interest and/or extend repayment dates	• Current 8.5% interest rate is reasonably priced (at market rate) • New debt would be junior; difficult to find buyers • Limited credibility and market demand given financial history and outlook
Refinance Existing Debt or Equity Exchange Offer	• Refinance current debt; reduce interest and/or extend repayment dates	• Difficult to persuade lenders to accept deal without significant additional sacrifices from original owners • Limited negotiating power • Likely limited desire in the market for such new equity

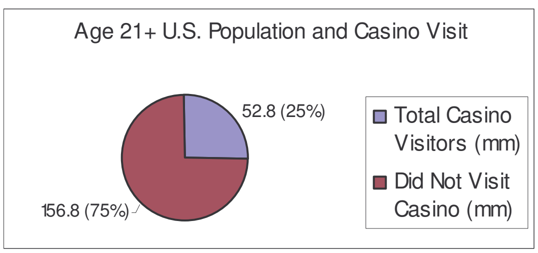
Sale of Entire Company	• Debt holders and shareholders receive full (current market) value • Capital structure may be easier to optimize	• Unlikely to find a single interested buyer willing to buy on acceptable terms • Mr. Trump may block sale due to personal interests and potential refusal to exit AC market
Sale of Specific Properties (Plaza & Marina Casinos)	• Continue to operate marquee property (Taj Mahal) • Mr. Trump likely to desire keeping some operations • Reduces financial risk by cutting debt, Capex and low-margin businesses • Enables management to focus on single property	• Plaza likely to be sold at liquidation value – negative brand and morale effects • Mr. Trump may not be amenable to further reductions in company operations • Sold assets have potential long-term growth opportunities and buyer(s) may be future competition

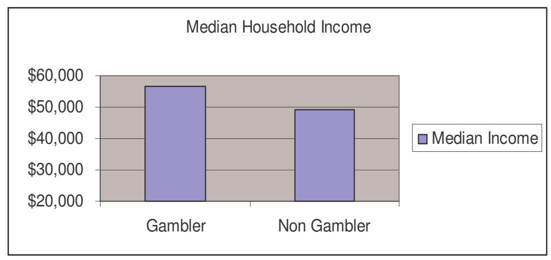
Chapter 2

Industry Overview

2.1 U.S. Gaming Market

The U.S. gaming industry has experienced strong revenue growth for the past several years with an increasing part of the population visiting casinos. In 2005, over 52.8 million people visited a casino, representing 25% of the population over 21 years old.[1] We expect the growth in revenue to continue in 2007 and the following years helped by the retiring so-called "baby boom generation" as well as the U.S. ban on online gambling[1]. Overall, the trends in the industry are that more people visit casinos and that the typical gambler has a greater median household income than a non-gambler[1].





The approximate $50 billion U.S. gaming industry (in 2006) is currently spread across the markets in the table and map below[1]. In addition to the current locations listed below[2], gaming operations have been initiated over the past year in other locations such as Pennsylvania and New York.

	Revenues ($mm)		%
Location	**2005**	**2006**	**Change**
Nat. American Casinos	18,036	19,118	6.00%
Las Vegas	6,034	6,637	10.00%
Nevada (non-Vegas)	5,615	5,944	5.90%
Atlantic City	**5,018**	**5,218**	**4.00%**
Indiana	2,414	2,577	6.80%
Mississippi	2,468	2,571	4.20%
Illinois	1,799	1,924	6.90%
Louisiana	1,676	1,854	10.60%
Missouri	1,532	1,592	3.90%
Detroit	1,229	1,303	6.00%
Iowa	747	815	9.10%
Colorado	755	788	4.40%
New Orleans	229	339	48.00%
Deadwood SD	84	90	7.10%

Casino Locations by Category

2.2 Drivers and Measurements of Revenue and Profitability

Historically, the gaming business is very seasonal with the majority of revenue generated during the spring and summer seasons. Cash flows from the peak months are used to support operations during non-peak months[2]. There are three main approaches to increase revenues and profits for a company in the gaming industry[2]:

1. Increase revenues at an existing location. The Company can enhance their marketing programs to attract and retain customers. This includes maintenance programs that encourage customers to spend additional money and make return trips. For the hotel component of revenues, a company can look to improve Revenue per Available Room (RevPar) by increasing occupancy rates or average room rates.
2. Increase revenues by opening a new location. Many of the large gaming companies own hotel-casinos in more than one of the legal gaming markets; an approach that provides the benefit of not having all revenues tied to one market.
3. Increase revenues by making an acquisition. An acquisition in the gaming space can be a faster mode of entry into a market versus building a new casino from the ground up.

These three growth strategies are complicated by the underlying dynamics of the gaming industry. There are several challenges that a gaming company must consider when developing their growth strategy.

Challenge	Description
Capital Expenditure	Significant Capex is required to maintain, expand and differentiate facilities.
Labor	Large number of service employees needed. There is strong potential for union difficulties and increasing hiring costs in a competitive situation.
Macro Issues	Revenues will be affected twofold as gaming demand is dependent upon consumer confidence and as a decrease in business spending may hurt the convention component of revenues.
Regulation	Highly regulated industry where future changes in laws, taxes, license cost or zoning can affect business.
Competition	New entrants can erode incumbent profits by increasing costs for labor and marketing.
Marketing	Brand and image are important differentiators for a gaming company. This carries additional expense and consumer preferences often change.

2.3 Gaming Market Trends – Northeast Region

Trump Entertainment owns and operates three casino hotels located in Atlantic City, the second largest geographic gaming market in the U.S. behind Las Vegas. Atlantic City held a regional monopoly position on legalized gambling for many years, until state and local governments in the Northeast Region loosened gaming restrictions (most in relation to slot machines). The most significant changes have happened in Pennsylvania, New York and New Jersey.

Pennsylvania enacted the Race Horse Development and Gaming Act, which authorized the State Control Board to permit a total of up to 61,000 slot machines in up to fourteen different licensed locations in Pennsylvania; seven at racetracks (each with up to 5,000 slot machines), five at slot parlors and two at established resorts (each with up to 500 slot machines). Three of the racetracks and the two Philadelphia slot parlors are located in what Trump Entertainment defines as their core market area.[3]

Pursuant to legislation passed in 2001, the New York State Division of the Lottery of the State of New York has authorized the establishment of seven video lottery terminals at various horse racing facilities in New York. This includes one facility approximately 95 miles from Manhattan, one at Yonkers raceway (less than 15 miles from Manhattan – opened in 2006) and one at the Aqueduct Racetrack (less than 15 miles from Manhattan – expected to open in 2007) [3].

Pursuant to a bill passed in 2003, the New Jersey Lottery Commission may permit the operation of video lottery terminals at the Meadowlands Racetrack located approximately 125 miles north of Atlantic City and less than ten miles from midtown Manhattan. Such operations cannot begin until 2009 at the earliest and only with additional legislature support[3].

In addition, Atlantic City casino operators face increased competition from federally recognized Native American tribes, such as Foxwoods Resort Casino in Ledyard, Connecticut and Mohegan Sun Casino Resort in Uncasville, Connecticut. Pursuant to the Indian Gaming Regulatory Act, any state that permits casino-style gaming, even if only for limited charity purposes, is required to negotiate gaming compacts with federally recognized Native American tribes. Following the change in the New York legislation, the Governor of New York is authorized to negotiate with Native American tribes regarding the opening of casino facilities including slot machine gaming.[3]

The significantly increased competition from Northeast Region slot parlors, gaming operations run from track ("racinos") and Native American casino operations has had a severe impact on growth and future opportunities for Atlantic City gaming operations. In addition, there are significant new developments planned for the next several years. The table below outlines currently planned gaming projects in the Northeast by location along with the projected project cost[4]. In sum, gaming capacity is increasing substantially with over 36,000 new slot machines (compared to approximately 45,000 currently in operation in Atlantic City) and $7.5 billion of gaming projects currently planned by 2010. Not included in this list are many of the projects rumored to be in the planning stages, some of which are classified as so-called "Megaresorts" (large and modern destination hotel-casinos that are often theme based).

Casino/Racino	Owner	Location	Projected Open Date	New Slots	Projected Cost ($mm)
Presque Isle Downs	MTR Gaming Company	PA	2007	2,000	$250
The Meadows	Millennium Gaming	PA	2007	1,700	$450
MT Airy	Louis DeNaples	PA	2007	1,500	$315
Harrah's Atlantic City	Harrah's	AC	2007	0	$550
Trump Marina	**Trump Entertainment**	**AC**	**2007**	**0**	**$40**
Trump Plaza	**Trump Entertainment**	**AC**	**2007**	**0**	**$45**
Yonkers	Empire Resorts	NY	2007	1,400	NA
Aqueduct Racetrack	MGM	NY	2007	4,500	$170
Borgata	MGM and Boyd Gaming	AC	2007	0	$325
Trump Taj Mahal	**Trump Entertainment**	**AC**	**2008**	**0**	**$250**
Sands Bethworks Casino	LVS	PA	2008	3000	$350
Majestic Star	PITG/Don Barden	PA	2008	3000	$450
Pocono Downs	Mohegan Sun	PA	2008	2500	$150
Foxwoods Casino	Philadelphia Ent. and Dev.	PA	2008	3000	$365
Foxwoods	Foxwoods	CT	2008	1500	$700
Hollywood Casino	Penn National Gaming	PA	2008	2000	$310
Sugarhouse Casino	HSP Gaming LP	PA	2009	3000	$550
Mohegan Sun - Project Horizon	MTGA	CT	2010	1400	$740
Pinnacle Megaresort	Pinnacle Entertainment	AC	2010	3500	$1,500
Morgan Stanley Casino	Morgan Stanley	AC	2010	2800	NA

For years, Atlantic City has been primarily a day trip outing where customers arrive by bus, car or train, but do not stay overnight[2]. To encourage these trips, Casino operators have customarily provided incentives to customers such as free coins for slot machines or buffet meals. As a response to the growing competition from other gaming operators in the Northeast, Atlantic City casino operators are now attempting to attract overnight guests and higher-end customer segments to improve profitability and reduce earnings volatility. The Atlantic City casino operators anticipate a decline in lower-tier slot customers as gaming locations that are more conveniently located emerge throughout the Northeast corridor. However, to evolve into an overnight destination catering to higher-end customers, Atlantic City casino-hotel operators will have to perform costly upgrades of their properties, including room upgrades and the addition of non-gaming amenities[2]. A number of the recently announced renovation projects appear to follow this strategy, thereby trying to mimic the success of the newest addition to the Atlantic City casino market – The Borgata – that successfully runs a Las Vegas Style resort casino.

2.4 Competitive Landscape - Atlantic City

Atlantic City gaming revenues increased to $5.2 billion in 2006 from $5.0 billion the year earlier[2]. The 2005-2006 growth of 4.0% was lower than both the 2004-2005 growth of 4.4% and the 2003-2004 growth of 7.1%. The table below outlines the eleven casino hotels operating in the Atlantic City market along with revenue and market share from 2004-2006[2] (note that 2006 revenues were negatively impacted by a three day government-mandated shutdown of all Atlantic City casinos).

		Date	Revenues ($mm)			Market Share (%)		
Casino	**Owner**	**Opened**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**
Bally's	Harrah's Entertainment	Dec-79	$644.7	$645.6	$677.3	13.4%	12.9%	13.0%
The Borgata	MGM-Boyd Gaming	Jul-03	$636.5	$704.4	$739.3	13.2%	14.0%	14.2%
Caesars	Harrah's Entertainment	Jun-79	$496.0	$523.5	$555.2	10.3%	10.4%	10.6%
Harrah's	Harrah's Entertainment	Nov-80	$449.9	$476.3	$509.0	9.4%	9.5%	9.8%
Hilton	Resorts International	Dec-80	$295.4	$289.4	$330.1	6.1%	5.8%	6.3%
Resorts	Resorts International	May-78	$252.8	$272.0	$282.9	5.3%	5.4%	5.4%
Sands (closed 11/20/06)	Pinnacle Entertainment	Aug-80	$190.2	$176.6	$148.0	4.0%	3.5%	2.8%
Showboat	Harrah's Entertainment	Mar-87	$392.6	$414.4	$429.5	8.2%	8.3%	8.2%
Tropicana	Aztar Corp	Nov-81	$363.9	$441.9	$459.1	7.6%	8.8%	8.8%
Trump Marina	Trump Entertainment	Jun-85	$263.0	$250.7	$257.2	5.5%	5.0%	4.9%
Trump Plaza	Trump Entertainment	May-84	$318.3	$303.5	$300.9	6.6%	6.0%	5.8%
Trump Taj Mahal	Trump Entertainment	Apr-90	$503.3	$519.9	$529.2	10.5%	10.4%	10.1%
		Trump Entertainment Total				**22.6%**	**21.4%**	**20.8%**

The three Trump Entertainment properties accounted for approximately 20.8% of all Atlantic City gaming revenues in 2006, down from a 22.6% market share in 2004. All three Trump Entertainment hotels have lost market share since 2004. The Borgata Hotel and Casino, owned by MGM-Boyd Gaming, has continued to increase its market share since its opening in 2003 and is now expanding with a second hotel tower. Similarly, the Piers at Caesars Atlantic City (operated by Harrah's), which includes ninety upscale retail, restaurant and entertainment venues, has increased revenues and market share since its opening. Harrah's has started construction of a major expansion project which is expected to include approximately 172,000 square feet of retail and entertainment space, a spa which is expected to open in 2007 and an approximate 965-room hotel tower which is expected to open in 2008. Other planned major additions[3] in Atlantic City are:

- Pinnacle Gaming acquired and closed the Sands casino during late 2006 and has announced plans to demolish the property and build a new casino resort property. If completed, this project is anticipated to open sometime after 2010.
- MGM Mirage recently announced that its board of directors approved $20 million to design a Megaresort that if built, would be situated in the marina district on an approximate 70-acre parcel of land between Harrah's Atlantic City and The Borgata Hotel Casino & Spa.

Overall, the Atlantic City market has historically suffered from the lack of overall room inventory. There are only 14,500 total hotel rooms in Atlantic City compared to over 130,000 in Las Vegas[2]. The limited number of rooms has made it difficult for Atlantic City to have a substantial convention center business that is essential to increase revenues during mid-week periods. The new and planned additions of rooms may help attract more conventions and help grow the market.

Chapter 3

Trump Entertainment Market Position

3.1 Key Assets

An overview of the three hotel-casino assets operated by Trump Entertainment is presented below[3]:

Property	Location	Acres	Rooms	Dining	Bars	Gaming (sq ft)	Tables	Slots	Theatre (seats)	Exhb. Space (sq ft)	Emp.
Taj Mahal	Boardwalk	40	1,250	13	4	158,000	200	3,770	1,200	63,000	3,400
Plaza	Boardwalk	11	900	9	3	96,000	90	2,280	800	18,000	2,100
Marina	Marina	14	728	7	2	79,000	70	2,020	540	58,000	1,800

3.2 Management Strategy

Management outlined their corporate strategy in a November 2006 investor presentation[5]. According to the presentation, the overall strategic goals of the management team are:

1. Re-establish the Company as an industry leading hotel operator.
2. Strengthen the Company financially by establishing FCF discipline, improving margins and committing to a strong balance street.
3. Capitalize on the worldwide prominence of the Trump brand.
4. Create a culture build around customer satisfaction and employee accountability.
5. Set benchmarks and measure progress

To achieve these goals, management has planned the following turnaround projects[5]:

Project	Description
Customer Segmentation Initiatives	Development of data warehouse to improve customer targeting and enhance marketing spend. Plan to create a yield management system that optimizes room management.
Corporate Brand Strategy	Position the Company to become the employer of choice in the AC market, thereby allowing it to attract and retain high quality service employees.
Property Brand Strategy	Develop a targeted brand strategy for each property.
Re-theming Capital Program	Develop an operating plan for each site to support the brand positioning statement (casino, rooms, food) and make required renovations to attract new business.
Strategic Expansion	Expand existing hotels using existing land assets.
New Development Opportunities	In the investor presentation, management discussed expansion into Philadelphia and Mississippi. Weeks later, the Company lost the Philadelphia bid and pulled out of Mississippi for "strategic" reasons.

Many of these projects require substantial investment, which may be difficult given the current financial condition of the Company. The Company has already undertaken significant Capex to upgrade all three hotels and has additional improvements planned for the future, including a new 965-room tower adjacent to the Trump Taj Mahal planned to open in 2008. These projects carry execution risk and may be difficult to finance given the current competitive landscape in Atlantic City. A further discussion of the Company's strategic position is presented through a SWOT and a Five Forces analysis in sections 3.4 and 3.5.

3.3 Operating Benchmarks

Although the Company's strategy of targeting multiple customer segments through its three properties makes a competitive analysis of operating metrics difficult, it appears that Trump Entertainment ranks in the lowest quartile among the major casino operators. The Company's last twelve-month EBITDA and net profit margins are 16.5% and -1.8%, respectively, well below the industry median of 27.7% and 8.4%. In terms of growth prospects, Trump Entertainment's past twelve-month revenue growth is only 3.4%, much lower than the industry median of 25.9%, and its past 3 years annual EBITDA margin growth is a negative 7.4%, in contrast to the industry median of 30.6%. As a result, the return on equity is a negative 4.4%, which is considerably lower than the industry's (positive) 16.3%. Although part of this difference may be attributable to difference in scale, location and leverage, we believe that the gap versus the competition indicates that there is significant room for improvement and that the new management team should be able to improve operations significantly, albeit this will take time. However, it is important that management first address the financial and strategic problems of the Company. For example, the Company's 8.1x debt/LTM EBITDA ratio is substantially higher than the 5.1x industry median. A summary of key metrics is presented below[6]:

	Profitability	Growth	Leverage	ROIC
Company Name	**LTM EBITDA Margin**	**3 Yr EBITDA Growth**	**Debt/LTM EBITDA**	**Return on Equity**
Ameristar Casinos Inc. (NasdaqNM:ASCA)	27.41	10.31	3.2x	14.57
Boyd Gaming Corp. (NYSE:BYD)	29.32	40.10	3.3x	14.62
Harrah's Entertainment Inc. (NYSE:HET)	25.23	34.25	5.0x	8.93
Isle of Capri Casinos Inc. (NasdaqNM:ISLE)	22.05	(2.68)	5.3x	4.06
Las Vegas Sands Corp. (NYSE:LVS)	31.29	42.88	5.9x	23.99
MGM Mirage (NYSE:MGM)	33.80	30.55	5.4x	17.95
Penn National Gaming Inc. (NasdaqNM:PENN)	27.97	38.60	4.5x	29.04
Pinnacle Entertainment Inc. (NYSE:PNK)	18.56	23.85	4.7x	11.03
Station Casinos Inc. (NYSE:STN)	37.99	21.39	6.8x	49.65
Wynn Resorts Ltd. (NasdaqNM:WYNN)	20.47	NM	8.1x	39.19
High	37.99	42.88	8.1x	49.65
Low	18.56	(2.68)	3.2x	4.06
Mean	27.41	26.58	5.2x	21.30
Median	**27.69**	**30.55**	**5.1x**	**16.28**
Trump Entertainment Resorts Inc. (NasdaqNM:TRMP)	16.87	(7.40)	8.1x	(4.58)

A further analysis of Trump Entertainment operating performance provides additional evidence that the Company is performing well below its main competitors for 2006.[7]

Consolidated	WYNN	LVS	HET	MGM	*Industry Avg.*	TRMP
Gross Margin						
Gaming	45.0%	44.8%	50.4%	48.5%	*47.2%*	**45.8%**
F&B	37.2%	52.5%	55.8%	39.2%	*46.2%*	**34.1%**
Rooms	57.3%	68.5%	79.3%	59.2%	*66.1%*	**39.9%**
as % of Gross Revenue	47.3%	50.3%	57.3%	51.1%	*51.5%*	**34.7%**
as % of Net Revenue	41.2%	48.0%	49.8%	46.9%	*46.5%*	**44.7%**
Promo as % of Rev (Gross)	10.4%	4.4%	15.1%	8.0%	*9.5%*	**22.4%**
SG&A as % of Rev (Gross)	14.5%	9.8%	19.4%	13.7%	*14.4%*	**21.8%**
SG&A as % of Rev (Net)	16.2%	10.3%	27.8%	14.9%	*17.3%*	**28.2%**
Ad expense as % of SG&A	8.6%	2.6%	13.0%	11.1%	*8.8%*	**4.9%**
Ad expense as % of Rev (Gross)	1.2%	0.3%	2.5%	1.5%	*1.4%*	**1.1%**
EBITDA Margin	20.5%	31.3%	25.2%	33.8%	*27.7%*	**12.8%**
OPM	4.4%	24.5%	13.7%	22.6%	*16.3%*	**7.7%**

WYNN = Wynn Resorts Ltd; LVS = Las Vegas Sands Corp; HET = Harrah's Entertainment; MGM = MGM Mirage

As shown in the table, the Company (TRMP) spends far more than its major competitors to attract customers, which results in a higher promotional allowance percentage. We believe this is attributable primarily to the customer segment the Company has targeted and attracted over the past decade. The Company's customer segment is characterized by high price sensitivity, low total spending, and minimal usage of ancillary offerings such as restaurants or retail shops. Targeting this customer segment also results in comparatively high F&B and Rooms costs, as these customers are generally day-trippers from nearby cities, resulting in a lower occupancy rate. In addition to being low revenue / high cost customers, we believe that this customer segment has the additional downside that it creates a lower-tier image for the facilities. This reputation discourages the bigger spenders – families and "high-rollers" – from visiting the Company's properties.

In comparing the Company's operations to these competitors, it is important to note the effect of geography and scale on each metric. The Company only operates in Atlantic City, while the comparables listed in the table above operate in multiple geographies and benefit from diverse market characteristics. As noted in section 2.1, the Las Vegas market is larger and growing faster than the Atlantic City market. Given the geographic attractiveness, it may be easier (and less expensive) for Las Vegas casinos to attract customers. However, the larger number of casinos in that region may increase competitiveness and offset this factor. Furthermore, the comparison does not take into account that some of the competitors are substantially bigger. With larger operations, those companies enjoy economies of scale and a reduced overall relative operating cost structure.

3.4 Competitive Positioning

A SWOT analysis for the Company' current operations is outlined below, with an emphasis on the competitive weaknesses and threats that should be considered in a turnaround. The greatest strength appears to be the Trump brand, but it is not clear how the Company can leverage this across the low- to mid-tier (Plaza and Marina) casinos without alienating the upper-tier Taj Mahal customers. To win loyal customers, the Company must establish a unique brand and operational identity for each of its hotels as also outlined in management's strategy plan. However, we believe that creating such unique identities will be very expensive and require substantial Capex and marketing efforts. Trump Entertainment has limited financial flexibility, making execution of management's plans, including this part of the strategy, extremely difficult.

The large influx of slot machines throughout the Northeast corridor will directly affect Atlantic City slot revenues, which are approximately 34% of the Company's gaming revenues[8]. Another threat to the Atlantic City casino operators is the restriction on smoking under the New Jersey Smoke-Free Air Act, which was effective on April 15, 2006. The law prohibits the smoking of tobacco in structurally enclosed indoor public places and workplaces in New Jersey, including licensed casino hotels. This Act has designated 25% of the casino floor as a smoking area and has limited the number of smoking rooms within the hotel. In addition to this law, the New Jersey Senate recently passed legislation that if enacted would prohibit all smoking in casinos. The potential revenue loss from such legislation is substantial as evidenced by events in Delaware, where revenues decreased by 20% when the state banned smoking in its gaming centers in 2003[4]. Overall gaming revenues in Delaware have subsequently recovered but revenues per gaming station (e.g., slot machine) remain depressed[b]. The New Jersey Casino Association has estimated that annual gaming revenues in Atlantic City would decrease by up to $1 billion if a total ban on smoking in casinos were implemented[b].

An additional threat for Trump Entertainment operations emerged on April 1, 2007 when the 470 dealers at the Trump Plaza voted overwhelmingly to join the United Auto Workers ("UAW").[10] The dealers at Trump Marina have similarly announced plans to vote on UAW membership in the near future. The dealers are looking to secure long-term commitments in wages and benefits, which may adversely affect future margins. In addition, if the unionized dealers are unable to negotiate what they believe is a fair agreement, a strike is possible. A prolonged shutdown of gaming table operations at any of the Company's casinos would have a materially adverse impact on revenues.

Another challenge for the management team is growth opportunities. The available opportunities in Atlantic City and elsewhere require significant Capex, and the Company must upgrade existing buildings and address brand issues before they can begin to explore these alternatives. As such, we believe that having three separate locations in one market is problematic. In addition to having an undiversified revenue base, this may create an internal competition for capital that may lead to suboptimal allocation, especially given the Company's limited financial resources. Trump Entertainment recognized the problem of geographic focus and attempted to expand to Pennsylvania as well as in Providence, Rhode Island. However, none of the projects materialized; the Company failed to receive a license for the Pennsylvania project and in Rhode Island, a necessary change of legislation was not passed. The recent decision to abandon attempts to enter the Mississippi market suggests that management is aware of their current financial inflexibility and intends to address the problems within their core Atlantic City market. The

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[b] Projections from "As Atlantic City Eyes Smoking Ban, Casinos Fear Losses," New York Times, 11/29/2006. Projection methodology of the New Jersey Casino Association was not defined.

decision to explore strategic alternatives with Merrill Lynch may be a signal that the Company is considering a full or partial exit of the Atlantic City market.

SWOT ANALYSIS	
Strengths	**Weaknesses**
- Strong brand recognition - Multiple locations creates option value in divestiture - Prime location (e.g., Taj Mahal located on the Boardwalk and the Marina next to the Borgata) - Experienced management team - Long established history in region - Recent Taj Mahal upgrades - Land reserve	- Balance sheet limitations - Operational inefficiencies versus peers - Deteriorating market share - Aging buildings in need of renovation - Brand differentiation for multi-tier customers - Concentration of revenues from Atlantic City market
Opportunities	**Threats**
- Scarcity of AC hotel rooms - Upgrade buildings to attract high end customers - Capture mid week convention revenues - Expansion into new gaming location - Margin improvement potential	- New entrants into the AC market - Regional gaming alternatives including potential legalization of table gaming in PA and NY - Change in regulatory environment - Economic downturn - Pending smoking ban - Higher cost of debt due to increase in LIBOR

3.5 Strategic Analysis

A "Five Forces" strategic analysis for the current Company operations is summarized below along with a rationale for the risk ranking. A sixth Force of government regulations is added here due to the highly regulated nature of the casino industry. Overall, this analysis suggests that it will be very difficult for Trump Entertainment to develop and sustain a competitive advantage unless it successfully differentiates from competitors, maintains continuous access to capital, and attracts a loyal customer base. As also described above under the SWOT analysis, we believe that this will be a challenging undertaking given the current operational and financial position of Trump Entertainment. This analysis also highlights the uncertainty surrounding financial projections over the next several years.

Force	Risk	Rationale
Threat of New Entrants	High	New entrants are emerging in Atlantic City and throughout the Northeast. A number of these competitors have easier access to funding than Trump Entertainment.
Bargaining Power of Buyers	High	Customers demand high quality and high service levels. Existing customers can easily switch to another casino if expectations are not met. This creates high Capex requirements, along with high labor and service costs.
Bargaining Power of Suppliers	Medium	As the largest casino operator in Atlantic City, the Company should have bargaining power over the large number of outside casino-hotel suppliers. However, regarding the service employees, we believe the unionization can create problems in the medium-long term.
Threat of Substitutes	Medium	Substitutes include local slot parlors and racinos. We believe that if Trump Entertainment successfully implements the high-end destination strategy, the threat decreases significantly.
Rivalry Among Existing Firms	High	Significant rivalry exists, even on a regional level to win loyalty of gaming customers. Expensive loyalty programs and "comps" are used to lure customers from competitors.
Government/Regulator	High	Significant risk for a state or local government to modify taxes, laws or license requirements. Such changes can directly impact profitability and strategic planning. Governments can also rezone areas allowing competitors to enter the market.

3.6 Evaluation of Management' Strategy Plan

We believe that management's plans contain sensible initiatives, in particular the effort to shift focus from day-trippers to destination travelers and families through a focused brand strategy and the re-theming of the existing properties. Similarly, we believe that it is imperative that the Company undertakes the development of a loyalty program and technology similar to that operated by the main competitors, as outlined in the Customer Segmentation Initiative part of management's plan, and we view the continued development of this program as a key project for the success of the Company. BusinessWeek recently reported on May 18, 2007 that the Company expects to launch its loyalty card program named "Trump One" in June 2007. On the other hand, we do not support management's plans to further expand operations in Atlantic City through new developments in addition to the new Tower at the Taj Mahal or in other locations. We do not believe that the Company's financial situation allows for such expansion, and we would prefer the Company to fix its existing operations before entering into new markets or otherwise expanding its operations.

With regards to the financial projections provided by management and underlying our Base Case valuation, we believe that the projections for the Taj Mahal are realistic or even slightly pessimistic given the substantial modernization and expansion programs that the Company has already undertaken or is committed to undertake. On the other hand, we believe that the projected growth in revenues of between 1% and 3% at the Marina and at the Plaza over the next couple of years with only modest capital expenditure might be optimistic. The Plaza projections even appear to be extremely optimistic given the property is in need of very extensive if not complete modernization. Recent data from the New Jersey Casino Control Commission[8] shows monthly revenues from the Taj Mahal up almost 7.9% in March 2007 compared to March 2006, whereas the Marina is up a modest 1% and the Plaza is down almost 3% in the same period.

Chapter 4

Trump Entertainment Background

4.1 History

In 1984, Mr. Trump opened, in partnership with casino operator Harrah's, the 39-story Harrah's Trump Plaza hotel and casino. The joint venture, built by the Trump Organization on Trump land but with Harrah's money, collapsed when the competing Trump Castle made its debut the following year directly across the street from Harrah's Marina hotel in Atlantic City.

In 1986 Mr. Trump bought Harrah's half-share in Trump Plaza (Harrah's name had been removed) for $59.1 million and renamed Trump Castle “the Trump Marina.” In 1990, Mr. Trump built the more luxurious Trump Taj Mahal. In 1995, all three of these Atlantic City casino properties were transferred to Trump Entertainment’s predecessor company, Trump Hotels & Casino Resorts, Inc. (“THCR”).

THCR entered new markets, such riverboat casinos in Indiana, and started operating casinos owned by third parties. However, THCR’s financial performance continuously deteriorated as it faced declining revenues, hotels in need of extensive restoration and increased competition from new high-end hotels in Atlantic City. Its debt burden also increased, reaching approximately $1.8 billion in 2004 with an average interest rate of 15%. Faced with this situation, in 2004 THCR announced that it was exploring various options for restructuring its debt.

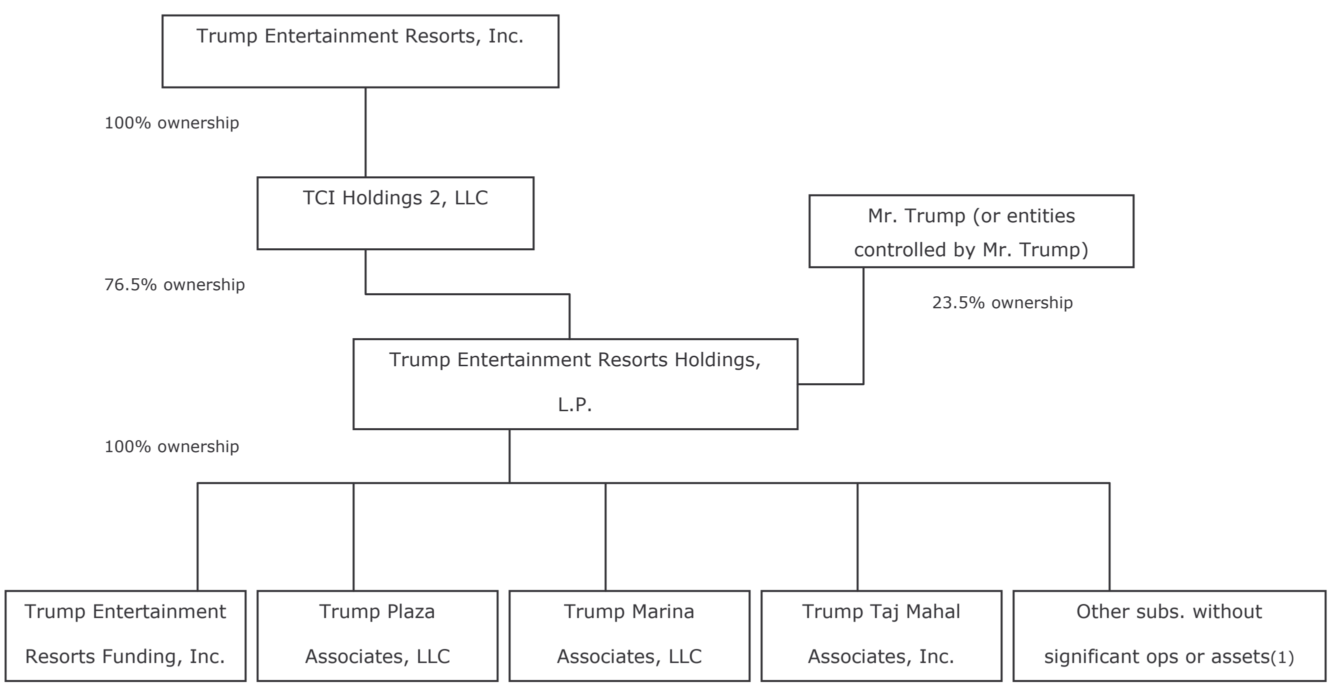
On October 21, 2004, THCR announced that it had reach a preliminary agreement with its investors under which Mr. Trump, the majority owner, would reduce his stock ownership from 56 percent to 27 percent and bondholders would exchange some of their debt for stock. On October 27, 2004, THCR announced a plan to issue new $500 million of debt securities as part of the restructuring plan. However, THCR subsequently filed for bankruptcy on November 21, 2004. In that relation, Mr. Trump noted that “*I don’t think [the bankruptcy]’s a failure, it’s a success. In this case, it was just something that worked better than other alternatives. It’s really just a technical thing, but it came together*”.[11]

The restructuring plan was submitted to the court on December 16, 2004 and on April 5, 2005, the Company formally exited from bankruptcy upon the confirmation of a restructuring plan. On May 20, 2005, the Company filed the 8-K and announced the results, including[12]:

- $544 million reduction of total publicly-traded indebtedness, from $1.8 billion to $1.25 billion;
- $102 million of annual cash interest savings resulting from a reduction in the Company's publicly-traded indebtedness and average interest rate;
- A reduction in the weighted average cost of debt from 12% to 7.7%;
- A ten-year extension of the maturity of the Company's publicly-traded indebtedness to 2015;
- Access to a $500 million Senior Credit Facility priced at LIBOR + 2.50%; and
- Access to funding of deferred Capex and future expansions of the Company's properties.

4.2 Corporate Structure

The corporate structure of the Trump Entertainment Resorts Company is as follows:



Source: Exhibit 21.1 to Trump Entertainment Resorts, Inc., Annual Report 2006 - All of the companies and partnerships are incorporated in Delaware.
(1) Keystone Redevelopment Partners, LLC, TER Keystone Development Co., LLC, TER Development Co. LLC, TER Management Co., LLC, Trump Entertainment Resorts Development Company, LLC, Ocean State Gaming Ventures, LLC and TER Ocean State Development Co, LLC

4.3 Key Regulations

The key regulations governing the casino specific issues of the Trump Entertainment operations are the New Jersey Casino Control Act and the New Jersey Casino Commissions Regulations (jointly the "Casino Control Act")[13]. Under the Casino Control Act, the New Jersey Casino Control Commission ("CCC") grants, renews and is entitled to withdraw licenses on basis of a number of criteria including the financial stability and adequacy of the financial resources of the holder of a casino license. The current licenses of Trump Marina Associates, LLC, Trump Plaza Associates, LLC and Trump Taj Mahal Associates, LLC expire in June 2007. In mid February, these three operating companies applied for renewal of their respective licenses until June 2012. Under the Casino Control Act, to be considered financially stable, a licensee must demonstrate the ability to[13]:

- Pay winning wagers when due;
- Achieve an annual gross operating profit;
- Pay all local, state and federal taxes when due;
- Make necessary capital and maintenance expenditures to ensure that it has a superior first-class facility; and
- Pay, exchange, refinance or extend debts that mature or become due/payable during the license term.

The corporate structure of Trump Entertainment described under 4.2 above is in part dictated by the provisions of the Casino Control Act including Section 5:12-85, under which any security holders of a casino operator needs to fulfill the requirements to become an actual employee of a casino. Under litra d of said subsection the requirements does not apply to holders of securities in holding companies (or affiliated companies) if the holder is not significantly involved in the activities of the corporate licensee and does not have the ability to control the holding company or elect one or more directors thereof[c]. In

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[c] Under the Casino Control Act, institutional investors holding securities of the holding company are as the general rule exempt from the requirement provided that they hold less than 10% of the equity and less than 20% of the debt (and less than 50% of any one debt issuance). The New Jersey Gaming commission may grant exemptions to qualified investors holding a higher percentage.

practice, such control is deemed to happen if the person holds more than 5% of the equity. Without a holding company structure, all the shareholders and debt holders would need to qualify under the act (save an exemption).

4.4 Agreements with Mr. Trump

The Company and the Subsidiaries are parties to a number of agreements with Mr. Trump regarding the Company's use of his name and brand, his investments in the Company and his services to the Company.[14] The main agreements are:

- Partnership Agreement ("the Partnership Agreement")
- Third Amended and Restated Exchange Rights Agreement ("the Exchange Rights Agreement")
- Service Agreement ("the Service Agreement")
- Trademark License Agreement ("Trademark License Agreement")
- Right of First Offer Agreement ("Trademark Security Agreement")
- Voting Agreement ("the Voting Agreement")

Below we have outlined the key provisions of these agreements except for the Voting Agreement, which are described in section 4.6.

The Partnership Agreement governs a number of issues, including the management of TER Holdings, the transferability of interests, additional capital contributions and distribution and allocation of profits and interests. In addition, the Partnership Agreement contains key provision regarding the sale or transfer of the Company's current properties. According to these provisions, Mr. Trump must consent to any such sale or transfer unless the Company indemnifies Mr. Trump up to an aggregate of $100 million for the U.S. federal income tax consequences associated with such sale or transfer.

Under the Exchange Rights Agreement, Mr. Trump has the right (subject to certain terms and conditions) to exchange his limited partnership interests in TER Holdings for common stock in the Company.

Pursuant to the Services Agreement, Mr. Trump serves as Chairman of the board of directors of Trump Entertainment and certain of the Subsidiaries and is obligated to participate in up to six promotional events per year on the Company's behalf, as well as to cooperate with the Company in the production of advertisements for the Company. The initial term of the Services Agreement is three years (i.e. lapses in 2008) but can be extended subject to certain terms and conditions. Under the Services Agreement, Mr. Trump is entitled to receive an annual fee of $2 million, bonus payments, certain benefits and other compensation and unless Mr. Trump is terminated for cause, he is guaranteed 3 years salary.

Under the Trademark License Agreement and the Trademark Security Agreement, the Company is granted a perpetual, exclusive, and royalty-free license to use Mr. Trump's name and likeness in connection with the Company's casino and gaming activities. In order to protect the trademark, the Company has undertaken certain obligations, including a minimum comprehensive general liability insurance, workers' compensation insurance and umbrella liability insurance. If the Company terminates the Service Agreement (or does not extend it) other than for "cause" or if Mr. Trump terminates it without "good reason", the Trademark Agreement will terminate in which case the Company may choose to enter into a 10 year royalty-bearing license. Under such agreement, the Company will pay to Mr. Trump an annual royalty (paid quarterly) in the amount of (i) $500,000 for each Company property with an annual EBITDA of at least $25 million or (ii) $100,000 for each Company property with an annual EBITDA of less than $25 million, provided that aggregate royalties will not exceed $5 million a year.

Under the Right of First Offer Agreement, the Trump Organization LLC is granted a three-year right of first offer to serve as development manager, project manager, construction manager and/or general contractor with respect to construction and development projects with an initial budget of at least $35 million, for casinos, casino hotels and related hospitality lodging to be performed by third parties on the Company's existing and future properties.

4.5 Capital Structure

As of December 31, 2006, the total capitalization of Trump Entertainment is $2.1 billion, including $1.4 billion of debt (equal to 8.1x LTM EBITDA and a 67% Debt/Capital ratio). The non-debt portion of $700 million consists of $100 million cash and cash equivalents, $27 million restricted cash, $412 million shareholder equity and $125 million minority interests. [3]

Items	Balance at 12/06 ($000)	Multiple of LTM EBITDA
Cash and cash equivalents	100,007	0.6x
Restricted cash	27,375	0.2x
Long-term debt:		
Senior secured credit facility		
Senior secured notes	1,248,962	7.2x
Capitalized lease	10,721	0.1x
Total long-term debt	1,407,433	8.1x
Less: long term debt-current portion	11,263	0.1x
Long term debt, net of current portion	1,396,170	8.1X
Other long term liabilities	17,017	0.1x
Minority interest	125,395	0.7x
Shareholder's Equity	412,768	2.4X
Total capitalization	**2,089,995**	**12.1X**

The total debt is composed of a senior secured credit facility, including $200 million unused revolving line of credit, a $150 million secured term loan, and $1.25 billion so-called senior secured notes. The $200 million revolver can be drawn at any time but must be paid in full or renegotiated by 2010. The revolving line of credit and the term loan are secured by first priority on all assets of TER holdings and its subsidiaries. The term loan can only be used for the renovation of Taj Mahal. The “senior secured notes” are guaranteed by all subsidiaries of TER holdings and is secured by all real property and incidental personal property subject to prior liens. The loan agreements contain a number of maintenance covenants on liquidity and leverage ratios including a requirement that leverage must not exceed 8.75x EBITDA, that first lien coverage is no less than 2.25x, and that interest coverage is at least 1.35x. Further, there are a number of restrictive covenants including restrictions on sale of assets and dividend payments.

Items	Terms	Secured by	Covenants	Outstanding at Dec 31, 2006
Revolving line of credit	-Revolving line of credit \$200,000,000 -Expires on May 20, 2010 -Interest payable quarterly -LIBOR+Margin	-Secured by first priority on all assets of TER holdings and its subsidiaries	-Only for Taj Mahal -Leverage ratio: <=8.75 -First lien coverage :>=2.25 -Interest coverage: >=1.35 -No dividend payments	-
Term loan	-\$150,000,000 -Matures at May 20, 2012 -Interest quarterly -principle repaid final year in equal quarterly amounts -LIBOR+Margin (7.87% as of Dec 31, 2006)	-Secured by first priority on all assets of TER holdings and its subsidiaries	-Only for Taj Mahal -Leverage ratio: <=8.75 -First lien coverage :>=2.25 -Interest coverage: >=1.35 -No dividend payments	\$147,750,000
Senior secured notes	-\$1,250,000 -Due at June 1, 2015 -Interest payable semi-annual, 8.5%	-TER holding and TER funding are co-issuers -All other subsidiaries of TER holdings are guarantors - Secured by all real property and incidental personal property, subject to prior liens	-Limitation on incurrence of additional indebtedness and payment of dividends	\$1,248,962,000

4.6 Board of Directors[d]

The Board of Directors of Trump Entertainment Resorts, Inc. currently consists of nine people all of which were appointed in accordance with the plan of reorganization (the "Plan") of Trump Hotels & Casino Resorts, Inc., under chapter 11 of the United States bankruptcy code.

[d] Case Update: In August 2007, Trump Entertainment Resorts appointed Ivanka Trump, daughter of Chairman Donald Trump, to the Board of Directors following the retirement of Wallace Askins. Ms Trump is currently the Vice President of Development and Acquisitions for the Trump Organization LLP.


Donald Trump


Wallace B. Askins


Edward D'Alelio


James J. Florio


Cezar M. Froelich


Morton E. Handel


vMichael Kramer


Don M. Thomas


James B. Perry

Mr. Trump chairs the board and has appointed himself, Wallace B. Askins[e] and Don M. Thomas to the board in accordance with the restructuring plan. Edward H. D'Alelio, Cezar M. Froelich, Morton E. Handel, Michael A. Kramer and James B. Perry[f] were all nominated by the informal committee of certain holders of TAC Notes and James J. Florio was appointed upon mutual agreement between the informal committee of holders of TAC Notes and Mr. Trump. Pursuant to requirements imposed by the SEC and the NASDAQ, the principal market on which the Company's common stock is traded, at least half of the directors are required to be independent. The board is staggered, but according to an agreement entered into by Mr. Trump and certain security holders, Mr. Trump is required to vote for the continued election of the directors initially appointed by the informal committee of certain holders of TAC Notes until the earlier of (i) the date immediately following the sixth annual meeting of the Company's stockholders following the effective date of the Plan and (ii) such time as the stockholders of the Company shall fail to elect Mr. Trump to the Company's board of directors, subject to certain terms and conditions. Under this agreement, Mr. Trump has the right to designate up to three directors (along with a ninth director that must be mutually acceptable to Mr. Trump and a majority of the directors not appointed by Mr. Trump), subject to adjustment based on Mr. Trump's beneficial ownership of the shares. Further, Mr. Trump has the right to serve on each committee of the Company's board of directors, other than the compensation committee and audit committee.[14]

[e] Case Update: Retired in August 2007 and replaced by Ivanka Trump
[f] Case Update: Resigned in June 2007 as CEO, president and a member of the board of directors

4.7 Management [g]

The management team consists of 10 executive officers with extensive experience from the casino and hotel industry. In addition to Mr. Perry (CEO and President), who has previously served as CEO of Argosy Gaming Company, the management team consists of the following individuals:

- Mark Juliano, Chief Operating Officer. Mr. Juliano has previously worked as President of Caesar's Atlantic City (1994-1999) and Caesars Palace in Las Vegas (1999-2005).
- Dale R. Black, Chief Financial Officer. Mr. Black was recruited from Argosy Gaming Company, where he held various positions, most recently CFO, working closely with Mr. Perry.
- Virginia McDowell, Chief Information Officer. Ms. McDovell has more than 25 years of experience from the gaming industry including from the Argosy Gaming Company, where she worked with Mr. Perry, Mr. Black and Mr. Keller.
- Craig D. Keyser, Executive Vice President responsible for Human Resources & Administration. Mr. Keyser has been with the Company (and its predecessor companies) for more than 5 years.
- John P. Burke, Executive Vice President responsible for Corporate Treasurer, has been with the Company since 1992. Mr. Burke has served numerous roles, including Senior Vice President of Corporate Finance.
- Joseph A. Fusco, Executive Vice President responsible for Governmental Affairs. Mr. Fusco is a former counsel for the New Jersey Casino Control Commission and has worked with the Company (and its predecessor companies) for more than 10 years.

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[g] Case Update: James Perry and Virginia McDowell left the Company in July 2007. Mark Juliano, who was appointed to CEO in August 2007, has the difficult task of rebuilding a strong management team that can implement a turnaround of the Company. Mr. Perry had significant turnaround experience in the gaming industry as shown by his successful turnaround of Argosy Gaming. The loss of his experience and skills is a significant issue for the Company to address during turnaround planning and implementation.

- Paul B. Keller, Executive Vice President responsible for Design & Construction. Mr. Keller has more than 10 years of experience from the gaming industry including from the Argosy Gaming Company., where he worked with Mr. Perry, Mr. Black and Ms. McDowell.
- Robert M. Pickus, Secretary & General Counsel. Mr. Pickus has worked for the Company (and its predecessor companies) for more than 10 years.
- Richard M. Santoro, Executive Vice President responsible for Asset Protection & Risk Management. Mr. Santoro has worked for the Company (and its predecessor companies) for more than 15 years.

In the late nineties, Mr. Perry together with other members of the new management team successfully turned around Argosy Gaming, a riverboat casino operator based in Alton, Ill, transforming the company from a highly levered almost bankrupt company to a profitable casino operator named "Gaming Company of the Year" in 2000[19]. For his role in this turnaround, Mr. Perry was named "CEO of the Year" in the industry.[19.]

As part of the reorganization of the Company, a stock incentive plan ("the 2005 Incentive Award Plan" hereinafter referred to as "the Stock Incentive Plan") was adopted in order to attract, retain and incentivize qualified management. Under the Stock Incentive Plan, the Company can issue incentive stock options, non-qualified stock options, restricted stock, stock appreciation rights, performance shares and other stock-based awards to its officers, employees, consultants and independent directors. Under the Stock Incentive Plan, a total of more than 370,000 restricted stock and 300,000 stock options have been issued.[h] The Company still has authorization to issue more than 3 million securities under this plan equal to almost 10 percent of the current outstanding shares.[3]

Based on the publicly available information, including the information about the management team's previous experience and the above-mentioned Stock Incentive Plan, we believe that the Company has a strong and properly incentivized leadership team that it is well positioned for the future challenges

[h] The options have an exercise price of $17.75 and are consequently currently not in the money.

whether the Company will continue with its current operations or divest part of its operations. In addition to the above executive officers, the Company has hired separate managers for each hotel, all with previous experience from the gaming and lodging industry. In September 2006, approximately 6 months before announcing it had retained an investment bank for a strategic review, the Company hired a former Managing Director at Bear Sterns, Mr. Eric Hausler, as Senior Vice President for Development. We view this hiring and the subsequent decision to perform a strategic review as closely connected (cf. also Chapter 7 below).

4.8 Shareholder Structure

As of March 14, 2007, the Company had 31,067,978 class A shares of common stock and 900 shares of class B common stock outstanding (all class B shares are held by Mr. Trump). The class A and B common shares carry different economic and voting privileges. Each class A share carries 1 vote and the class B shares together carry 9,377,484 votes or 23.2% of the total voting rights. The class B shares do not carry any right to dividends or distributions (other than certain distributions upon liquidation) with respect to equity. If Mr. Trump should decide to exercise the option to convert his 23.5% limited partnership interest in TER Holdings to Class A common stock in the Company, the B shares will be redeemable at par. The top ten shareholders of the Company are as follows: [15]

Top 10 Holders:	Position (000s)	% of Total
Morgan Stanley & Co. Inc.	5,558	17.9%
Franklin Mutual Advisers, LLC	5,142	16.6%
Anchorage Advisors, LLC	1,889	6.1%
Prides Capital, L.L.C.	1,832	5.9%
JANA Partners, L.L.C.	1,690	5.5%
Eaton Vance Management, Inc.	1,494	4.8%
Donald J Trump	1,220	3.9%
Goldman Sachs & Company, Inc.	1,200	3.9%
Barclays Global Investors, NA	1,075	3.5%
Penn Capital Management, Inc.	956	3.1%

Even though there is a high concentration of shareholders with hedge funds holding more than 25% of the Company's shares and the top twenty shareholders/institutional holders holding more than 85% of the shares, these shareholders do not appear to have control of the company. Because of his direct shareholding, his warrants that allow him at any time until 2015 to purchase up to 1,446,706 class B common stock in the Company at an exercise price of $21.90 per share and of the agreements described in section 4.4 above, we believe that Mr. Trump has de facto control of the Company.

Chapter 5

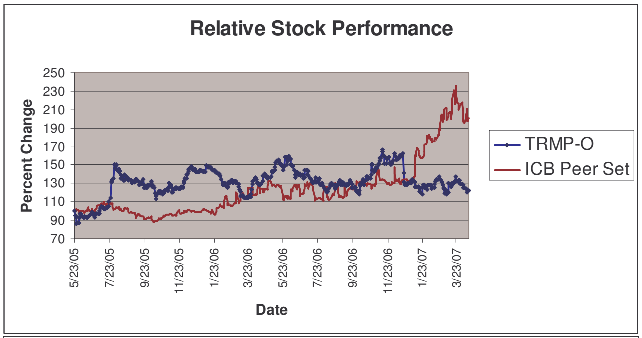
Valuation

5.1 Trump Entertainment Stock Performance

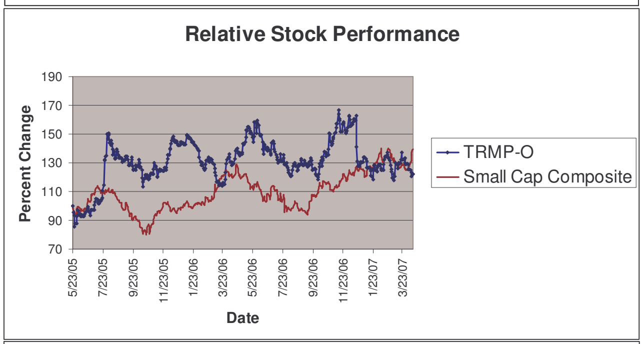
TRMP stock metrics as of April 13, 2007 are presented in the table below ($ in mm except per share data). Since this date, the stock fell to $13.07 as of May 17, 2007 but increased to $15.80 as of May 18, 2007 following the press release that indicated the company has received "preliminary and conditional indications of interest from parties proposing to acquire the Company." The stock has fallen significantly (to approximately $7 per share as of August 8th 2007) since the Board of Directors announced that the strategic review did not result in a sale of the company.

Metric	TRMP Value
Price 4/13/07	$17.15
Price 8/7/07	$7.39
52 Week High	$23.80
52 Week Low	$5.15
Market Cap (as of 4/13/07)	$530.30
Enterprise Value (as of 4/13/07)	$1,962.70

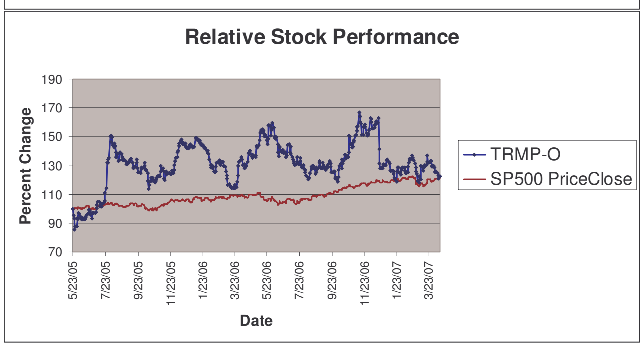
A comparison of The Company's stock performance to Small Cap Peers (Market Cap < $3.8B: ASCA, ISLE, PENN, PNK), All Industry Peers (ICB Code), and the S&P 500 is presented in the following graphs. The Company has performed in line with its Small Cap Peers and the S&P 500 since it emerged from bankruptcy. However, it has significantly underperformed the Industry Peer Company index. Given the recent stock price volatility, data from April 13, 2007 is used for our comparable company stock performance analysis that is presented below.



•Trump Entertainment stock post bankruptcy has underperformed the ICB Peer Set that consists of small, mid, and large cap gaming stocks.



•Trump Entertainment stock post bankruptcy has performed in line with gaming stocks < $3.8B market cap (Composite = ASCA,ISLE,PENN,PNK).



•Trump Entertainment stock post bankruptcy has performed in line with S&P 500 after falling from late 2006 highs. December 2006 decline appears to coincide with loss of Philadelphia Gaming License.

5.2 Trump Entertainment Valuation

An overview of our valuation methodologies and the implied range of Enterprise Values are presented in the table below. The Company, at its current trajectory, is likely to require an additional cash infusion or restructuring in order to remain a going concern. It is apparent from the current stock price that the market, in its valuation of the Company, assumes that this will take place and as such, we have assumed the same *solely* for the purposes of assessing its current value.

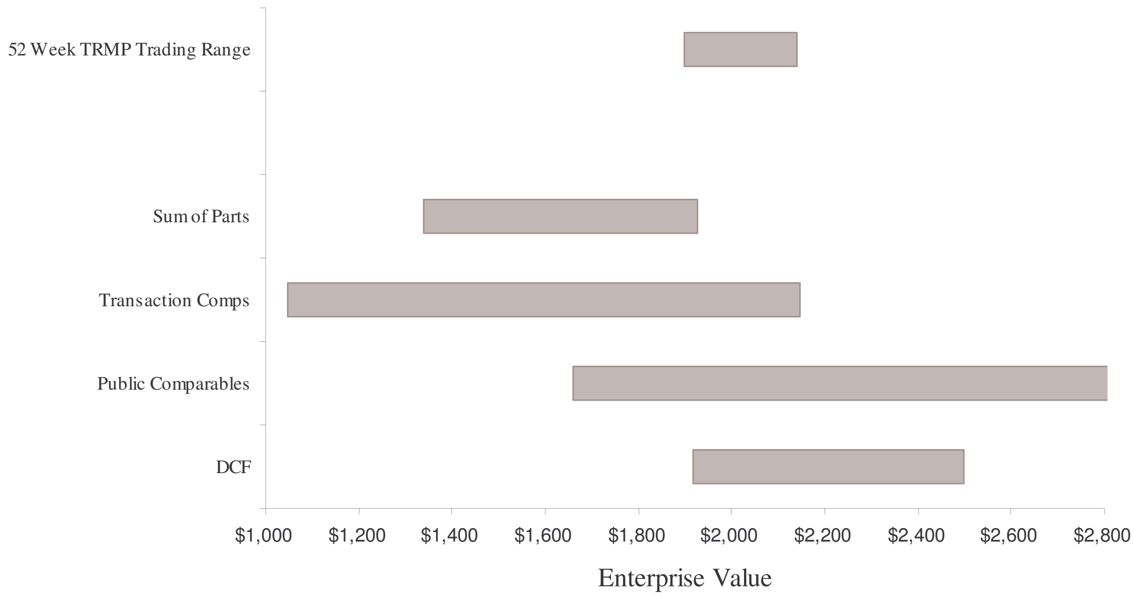
Materials supporting our valuation in the form of Transaction Comparables, Trading Comparables and DCF Valuation are included as Appendix B. Our valuation resulted in an average enterprise value of approximately $1.95 billion for the Company, on par with the enterprise value of $1.963 billion as of 4/13/07. As of this date, Trump Entertainment traded at $17.15, which was down from $19.50 since February. The average enterprise value resulting from our analysis, when adjusted for net debt and minority interest of $1.4 billion, implies a per share value of $17.36 based upon 2006 EBITDA and our high-end Sum of Parts valuation implies a per share value is $16.58. Transaction and trading comparables in our valuation were limited to companies with a market cap less than $2 billion due to the size of Trump Entertainment.[16]

Valuation/Range	Low Value/ Multiple	High Value/ Multiple	Low Enterprise Value	High Enterprise Value	Assumptions
52 Week Trading Range	$16.2	$23.8	**$1,898.0**	**$2,139.8**	Market Cap calculated using 30.9mm shares and then adjusted using net debt + minority interest of $1405
DCF	WACC 7%	WACC 8%	**$1,917.2**	**$2,499.0**	Range based upon WACC of 7-8%. Cash flow projections do not change
Public Comparables	8.1 x	13.9 x	**$1,660.5**	**$2,849.5**	Range from Low-High values of public trading comps with market cap < $2B
Transaction Comps	6.2 x	12.7 x	**$1,047.8**	**$2,146.3**	Range of Low-High values of deal comps with market cap < $2B
Sum of Parts	See Below	See Below	**$1,339.1**	**$1,927.6**	Range based upon values below, adjusted for Corp EBITDA (Expense) of ~$36M at a 6x valuation
Taj Mahal	9.7 x	12.7 x	$1,108.7	$1,451.6	Assumes median-high range of transaction comps. Recent updates make it attractive versus comparables.
Plaza[i]	See Liquidation Estimate	See Liquidation Estimate	$137.0	$208.0	Assumes a high-low liquidation range and gross proceed amount; this aged property is likely be torn down if sold.
Marina[j]	6.2 x	9.7 x	$309.4	$484.0	Assumes a minimum-median multiple range of transaction comps < $2B. Marina should trade toward high end of range due to location, deep water dock and convention space.

[i] The Plaza owns 14.5 acres of land, including 3.5 acres that are currently undeveloped. Based on the May 3, 2007 Prudential Equity Research report by Joel Simkins, the market price for land is currently $10-15 million per acre (based on transactions on the Sands and Dunes sites). Therefore, the Plaza land may have an implied market value of $145-$217.5 million. This alternative valuation is in line with our sum of parts approach. We have elected to use the sum of parts approach due to its conservatism and greater accuracy and reliability of valuation metrics.

[j] The Marina currently has 2 acres of undeveloped land, which is owned by Trump Entertainment. We have not included the implied value of this property ($20-30 million based on real estate transaction comparables) in an effort to be conservative. However, this value represents a potential upside to both low and high values. Transaction comparables from May 3, 2007 Prudential Equity Research, Joel Simkins.

Trump Entertainment - Implied Enterprise Value



Each valuation methodology presents a different challenge. The transaction and public comparables include casinos across various tiers, resulting in a wider valuation range. The Marina and Plaza hotels are lower tier hotels than the Taj Mahal and should have different multiples. Therefore, if we had used comparable transactions or company multiples to the consolidated EBITDA, our valuation would be over- or understated. The DCF analysis, based on our base case, assumes that management targets for improving operational performance would be met. Due to the competitiveness and uncertainties in the Atlantic City market, we believe this approach is a best-case valuation with a high degree of uncertainty.

The sum of parts approach avoids many of the problems because we can apply different multiples based on assumptions, such as tier or likelihood of liquidation. This analysis also shows the approximate size of each casino compared to the total Enterprise Value (Taj Mahal is the largest). The total Enterprise Value of $1.937 billion and our average valuation is very close to our Sum of Parts high value of $1.923 billion. Furthermore, we believe Mr. Trump is unlikely to exit the Atlantic City market completely, but may be willing to sell off lower tier properties as a last resort. It is also unlikely that a single suitor would be willing to pay an attractive price for all three casinos[k]. The Sum of Parts valuation enables us to evaluate all of these scenarios and provides the best approach for assessing the strategic options in Section 7.

Chapter 6

Financial Forecast

6.1 Assumptions and Explanation of Forecasting Methodology

In forecasting the financial performance of the Company, we have made separate projections for each of the Trump Entertainment properties, including but not limited to Capex requirements and operational improvements. Our base financial projections assume operational improvements in the Company's casinos in accordance with management guidance and Wall Street research estimates[17]. These estimates assume greater efficiency and profitability in day-to-day casino operations and a significantly positive impact from the Company's sizable investment in property renovations. This approach will allow us to determine if Trump Entertainment will have sufficient available capital (in the form of available credit lines, cash or future free cash flows) to support the management's strategies and to evaluate alternative strategies.

6.2 Income Statement

The income statement projections in Appendix A are based on individual projections for each of the three casinos plus corporate overhead expenses. The Taj Mahal, the Company's most successful property, is expected to grow revenues at a moderate 2% until the completion of a new tower in 2008. The new 965-room tower is being heavily promoted by the Company, and the increased customer flow is expected to contribute to growth in gaming, rooms and food/beverage revenues. We expect this renovation and

[k] Case Update: This original conclusion appears to be accurate given that the Board of Directors did not receive an attractive offer during the strategic review. However, it is unknown if the Company received attractive offers for individual assets that are consistent with our asset valuations.

expansion (an almost 80% increase in available rooms) to increase revenues by 11% in 2008, and contribute to a revenue growth rate of approximately 8% thereafter. We expect cost of goods sold to remain constant as a percentage of revenues and we expect general and administrative expenses as a percent of net revenues to remain steady at 23% in 2007, and then decrease gradually to 20% by 2011. Depreciation and amortization will increase due to the large recent investment in Capex. Based on these projections, we expect the Taj Mahal to reach a 26% long-term EBITDA margin, which is comparable to the industry median average of 27%.

The Plaza and Marina properties, which have historically been less successful than the Taj Mahal, are currently under intense scrutiny for improvement in efficiency and profitability. We expect the Company's recent and planned investments in renovations for these two properties should drive stronger growth. Current estimates are for a moderate improvement in revenues (approximately 1-3% per year) and slight reduction in general and administrative costs whereas cost of goods sold are expected to remain constant as a percentage of revenues. We have forecasted depreciation and amortization expenses to decrease due to one-time write-offs in 2005 and 2006 and effect slightly offset by the investments.

Overall, we have assumed that the Company will spend the following amounts on renovating and upgrading the properties, based on Company filings and on our assumptions regarding the split between technology and maintenance. Going forward, we have assumed that maintenance grows by 2% per year and technology and renovation remain $10 million and $50 million, respectively.[3]

	FY07E	FY08E	FY09E	FY10E	FY11E
Renovation and updating capital	135,000	50,000	50,000	50,000	50,000
Taj Mahal Tower	105,000	100,000			
Technology	10,000	10,000	10,000	10,000	10,000
Maintenance Taj Mahal	20,901	21,319	21,746	22,181	22,624
Maintenance Plaza	9,176	9,360	9,547	9,738	9,933
Maintenance Marina	7,423	7,571	7,722	7,877	8,034
Total	**287,500**	**198,250**	**99,015**	**99,795**	**100,591**

In the case of a sale of one or more property, we have assumed that the Company would neither spend the maintenance Capex related to such property nor a proportionate part (based on rooms) of the renovation and updating capital.

In the base case scenario, the Company will increase revenues by 3% in 2007, followed by a 9% increase in 2008 as the current large-scale renovation program is completed. The Company's $2.5 billion long-term renovation program will facilitate a 6% growth rate thereafter. Accordingly, the Company's EBITDA will increase significantly in 2008, and reach a stabilized growth rate by 2012. With the completion of the recent restructuring and due to the impact of the renovation program, net income will grow to $95 million by 2011 (assuming a 35% tax rate based on historical figures).

6.3 Balance Sheet

Our balance sheet projections in Appendix A are based on historical statements and research estimates, which are only provided in consolidated form for all of the Company's operations. Projected balances are expected to change in line with historical operating ratios (e.g., DSO - Days Sales Outstanding - of 15 days and inventory turns of 3.9). The restricted cash will be eliminated in 2007 as taxes for the sold Indiana property are paid. The Company has two forms of NOLs; a $60.3 million restricted NOL and an $82.8 million unrestricted NOL. The Company can use $6.3 million of its restricted NOL each year until 2011 and $2 million per year thereafter. We have assumed that the Company will target a deferred tax liability of $142 million similar to 2005 and 2006, by adjusting the valuation allowance.

For working capital, we assume a minor improvement on account receivables days sales outstanding (DSO) from 16.2 to 15, an increase in account payables days sales outstanding (DSO) from 19.6 to 20 and maintain all the items at the same percentage of sales as of 2006. Plant, property and equipment will increase due to the renovation programs the Company has implemented described above under section 6.2. We have assumed that debt will be repaid according to the current schedules as described in Appendix A. We have further assumed that the Company will draw down on the $200 million revolved in 2007, in order to finance the planned Capex. Finally, we have assumed that the minority interest, which represents Mr. Trump's holdings, will remain constant for the purposes of this analysis.

6.4 Cash Flows

In the base case, we expect the Company to continue to generate positive cash flows from operations. We assume that the Company must continue to invest heavily to maintain this profile, including $287.5 million for Capex in 2007, $198.6 million in 2008 and approximately $100 million per year thereafter.

6.5 Key Projection Takeaways

A key implication of these financial projections is that the Company will be operating with significant leverage with a high risk of default on its current debt obligations. As described above, the Company's debt-service coverage ratio (calculated as EBITDA less Capex over interest) will be -1.0x in 2007 and 0.0x in 2008. While the operations at each property are generating positive EBITDA, the substantial investment in Capex will continue to result in a negative cash flow. As a result, in both scenarios we believe that the Company will be required to re-negotiate its debt agreements no later than 2010, in order to pay down the $200 million due from drawing on the revolver in 2007. In addition, further re-negotiations will be necessary to pay the $140 million principal in 2012. The Company may attempt to restructure its debt today to address these future challenges. Any impediment to the assumed improvement in operations will place the Company in danger of default and make re-negotiations of the debt agreements even more required. We also believe that the projections for the Marina and Plaza hotels are best case and have further downside risk due to emerging threats from middle-tier slot parlors that are emerging throughout the region. We believe that the Company's decision to engage Merrill Lynch to perform a strategic review of the Company, reflects that management share our view that the Company will not be able to fund its current plans and perform a turnaround without refinancing and/or sale of assets.

Chapter 7

Strategic Plan – "Know When to Hold 'em, Know When to Fold 'em"

As part of on our analysis of the Company, we have considered many issues facing the Company including the current Company's capital structure, the Company's operational performance and the current market dynamics within the gaming industry. An additional consideration is the position and involvement of Mr. Trump. Given his shareholdings and agreements with the Company, any material decision must be approved by Mr. Trump, which may prove an obstacle given his opinions on the current situation. In a recent New York Times interview regarding Wall Street's increasing concerns about the future prospects of his casinos, Mr. Trump responded:

"I'm happy to say we're doing very, very well. I couldn't be happier with how things are going… Would Atlantic City be the same without me? I think the answer would be no." [18]

Although we appreciate that this is a statement to the media and not necessarily an expression of Mr. Trump's actual view of the situation, we believe the statement is insightful regarding the problems that would be faced in a reorganization of the Company. We believe that Mr. Trump will not accept dilution, and he will be very reluctant to consider a significant exit from Atlantic City[1]. As such, the Company may not be able to explore one or more of the items of our strategic plan that we describe in the following even if it is in the best interest of majority shareholders.

We do not see any of the problems at the Company's casinos as unfixable. The properties have good locations, and in spite of the challenging competitive situation, we believe that the development and transformation of Atlantic City represents a lucrative opportunity. However, given the Company's current financial situation and the market's skepticism based on lackluster past performance, we do not believe

[1] This assumption is partly based on information provided by advisors to Mr. Trump at a public presentation at Columbia Business School following the reorganization. The advisors explained that Mr. Trump was adamant that he would not accept less than 25% of the votes even if he financially could get a better deal by accepting additional dilution.

that the Company has the resources or will be able to attract such new capital that is required to turnaround all three properties. We therefore see a need for the Company to shrink before it can grow.

On this basis, we have identified a three-step strategy strategic plan whereby the Company focuses on the key parts of the business in order to restore a profitable growth profile. The overall plan "Know When to Hold 'em, Know When to Fold 'em" as well as key aspects of the plan are named after popular gambling phrases (see Definition of Key Terms). The intention is that this will help convey a basic message throughout the organization and serve as a rallying point for the employees that must implement the plan. The first two steps of the plan involves a focus on the balance sheet partly through a divestiture of lesser performing assets the Plaza and the Marina ("Double Down" plan) and a refinancing that secures that the Company's financing needs for the next five years is in place. The third and final step ("Rolling on") focuses on revitalizing and improving the Company's operations at the remaining property the Taj Mahal using the resources created by the first two steps.

In summary, the key elements of the "Know When to Hold 'em, Know When to Fold 'em" plan are:

1. A refinancing in the form of negotiations with existing security holders and exploring the opportunity of accessing the capital markets;
2. Sale of Trump Marina and Trump Plaza ("Double Down"); and,
3. Operational improvements and focus on the Taj Mahal ("Rolling On").

7.1 Refinancing

With $1.4 billion total long-term debt on the balance sheet as of Dec 31, 2006 at an 8.5% annual interest rate, Trump Entertainment must pay roughly $600 million interest in the next five years. In addition, the Company has to fund a $789 million five-year Capex plan and the $140 million of term loan due in 2012. Thereby, we foresee that the Company will exhaust its existing $127 million cash balance, its $200 million revolving line of credit and its expected 2007-2012 operating cash flows (which we estimate at around $1.2 billion). Even with the divestiture of two casinos, we forecast that the Company will need to start making draw downs on its revolver in 2008 and that the Company will not be able to pay down the revolver in 2010 as is required under the current loan agreements. Considering the minimum cash requirement for operating activities, the capital leases, the future Capex requirements and interest on the revolver, we forecast that the Company will need to raise an additional $150-$200 million through an extension of the revolver or otherwise over the next five years[m].

As described above, the Company currently has a 1.3x debt service coverage ratio – far below what we believe is the optimal capital structure (see Appendix B) and far below the industry average of 3.2x. In order to reduce the default risk and assume a coverage ratio closer to industry standards, the Company would have to reduce its current debt obligations by 25-50%. Apart from a sale of assets as described in Section 7.2, such a reduction can be achieved through one of or more of the options below. Although, we believe that approaching the security holders and/or the capital markets only 1.5 years out of bankruptcy will prove very difficult, we believe that one or more of the below steps is necessary as part of the restructuring of Trump Entertainment:

- *Equity offering:* Considering the current conditions of the Company, we do not believe it would be able to issue equity at a price acceptable to the current equity holders or at a price that could justify the costs of such offering. Furthermore, we believe that Mr. Trump would resist any offering that would further reduce his ownership or influence.
- *Exchange offer:* An exchange offer in itself would only immediately result in relief for interest payment and would not solve the Company's overall problems. However, we believe that any solution involving the issuance of new debt or equity would have to include an exchange of existing debt for equity perhaps in connection with a cancellation of existing equity.
- *Debt and bond offering*: Given the current situation of the Company, we do not believe that issuing another second lien loan or high-yield bond in addition to the current $1.4 billion senior debt is realistic as such debt would get a very low rating and would be very hard to market.

[m] This assumes that the company will be able to roll over the revolver when it expires in 2010 and does not take into account the maturity of $1.25 billion senior secured loan in 2015

- *Renegotiation*: Again, we do not believe that a renegotiation with creditors is in itself a viable solution. Trump Entertainment only recently emerged from bankruptcy and is in almost as bad a shape as previously. Trump Entertainment has been continuously losing market share, facing increasing competition from brand-new casino entrants and revenues are expected to suffer further in the future (e.g., from the non-smoking ban). However, we believe that a renegotiation could be part of a larger plan where some of the operations are divested.

In conclusion, we do not believe that a new debt or equity offering is feasible at this time. We also realize that the Company will continue to have a high degree of leverage and will be far from what we view as the optimal capital structure. However, we do believe that a renegotiation of the terms of the existing debt, exchange of some of the outstanding debt for shares in connection with a realization of part of the Company’s assets will be necessary. We believe that the Company should for now focus on the shortfall that will arise in 2010 when the revolver becomes due and attempt to we believe that it should be possible to negotiate an extension of the revolver subject to certain conditions including at least a part of the management’s assumptions regarding operational improvement.

7.2 Sale of Properties – “Double Down”

As described above we do not believe that Mr. Trump would want to exit Atlantic City completely, so a divestiture of assets would at the most involve two of the three Atlantic City properties. From the publicly available documents, we have learned that the proceeds from a sale would not go directly to the Company as a number of different stakeholders have a claim on such proceeds, including: [14]

- The debt holders who would have accept to a sale and who would most likely require that they would receive a substantial part of the proceeds if one or more properties were to be sold.
- Mr. Trump who would have to accept a sale and/or receive indemnification for any negative tax consequences such sale would have for him.

If one or more properties were sold, there would also be an adjustment required in the operating projections due to the loss of certain economies of scale. For the purpose of our evaluation of different strategies, we have either ignored such effect (e.g., reduced bargaining power) or been conservative by assuming the same absolute cost irrespective of the reduced scale (e.g., technology investments).

We recognize that any assumptions about a sale of properties are uncertain in the current market although the Company's disclosure of interest from potential buyers (cf. section 1.1 above) and the proposed takeovers of Harrah's Entertainment Inc., Station Casinos Inc., American Entertainment Properties Corp. (owner and operator of the Stratosphere Casino Hotel & Tower on the Las Vegas Strip, the Arizona Charlie's Decatur and Arizona Charlie's Boulder and the Aquarius Casino Resort in Laughlin, Nevada) and Rivera Holdings Inc. (owner and operator of Riviera Hotel and Casino on the Las Vegas Strip and the Riviera Black Hawk Casino in Black Hawk, Colorado) shows that there is interest in the market for casino operators.

In case of a sale of one or more properties, the Company could be required to reimburse Mr. Trump for certain negative tax consequences. The exact extent of this obligation is not specified in the available public documents (except that it is capped at $100 million) including the taxable position of Mr. Trump, so we have assumed that 10% of the proceeds of any sale (capped at a total of $100 million) of land would be payable to Mr. Trump. Further, in relation to a divestiture of one or more properties, the Company is subject to certain covenants under its credit agreements that would likely require the use of proceeds for debt reduction. We have assumed that the Company could negotiate with creditors to retain 20% of the sale proceeds for investment in the Company, and that the senior secured creditors would receive the remaining 80%. This value will be net of indemnification of Mr. Trump equal to 10% of the land value less costs related to the shut down of the operations. Accordingly, a sale would both ease the debt burden of the Company and help finance necessary renovations and expansions of the property/properties that remain with the Company. Although the reduction of debt is not in itself sufficient, the reduction will bring the Company closer to its optimal capital structure as shown in Appendix B.

We have considered a sale of the excess land, i.e. the land that the Company is not currently using for its operations. In our opinion, such land is only valuable as part of the respective properties and cannot be sold or developed separately. Even if this assumption is incorrect, we do not believe that a sale of such excess land will provide sufficient funds to solve the Company's financial needs.

We believe that the Company should retain the Trump Taj Mahal and sell the Marina as well as the Plaza. By selling both these casinos, we believe that the Company will be able to reduce capital investments by $270.9 and $159.4 million, in 2007 and 2008 respectively. The sale of the two casinos is expected to provide a total of $575.5 million of cash proceeds, of which we assume that $455.9 million will be used to pay down debt. We do not expect additional financing activities to occur during this period. This recommendation is based on our strategic analysis and the strategic considerations described below.

First, we believe that the Company is currently struggling with a branding problem. On the one hand, Trump Entertainment tries to cater to an upscale clientele with the Taj Mahal, while on the other hand it caters to the budget visitors with the Marina and the Plaza. Catering to only one customer segment will allow the Company to avoid conflicting marketing messages and customer confusion. We believe that the Taj Mahal offers better future prospects than the other two casinos. The Taj Mahal has better operating performance and caters to the kind of customers that we believe Atlantic City must attract in order to survive as a profitable destination in the future.

In addition, following the renovations that have already been undertaken, the Taj Mahal is better positioned to grow than are the other two properties. We believe that these other two properties would need substantial capital in order to remodel and develop their properties and business in order to provide a reasonable return and we do not believe that the management's current plans are sufficient. We do not believe that Trump Entertainment would be able to raise enough capital to fund such the required renovations even if the Company were to dispose of its most valuable asset, the Taj Mahal.

On the other hand, we do believe that there will be buyers for both of the casinos as a going concern. We believe the Marina would be sold as a going concern, due to its reasonable growth in overall gaming revenues and the limited amount of prime land assets in the Atlantic City market. We believe that the right owner, with a less strained capital structure, would be able to make necessary investments and operating improvements to make the Marina a well-performing, long-term business. The Marina can also be marketed to buyers as a more desirable asset given its location near the Borgata, its deep dock marina and convention space. However, the Company will need a different approach to sell the Plaza as a going concern. Due to its aging facilities, operational difficulties and tarnished image, we believe that it would likely be sold for its land/property value. We do not believe buyers would be interested in investing the large capital necessary to renovate the current structure. Because of these key differences in the sale approach for the two properties, we believe that there will be different buyers for each property.

7.2.1 Revenue Generated From the Sale of the Two Properties

As mentioned above, we believe that the Marina would generate the highest price as a going concern, whereas the value of the Plaza is primarily represented by the land.

Plaza

In connection with the reorganization of the Company, the Company's assets and liabilities were comprehensively revalued using the principles of fresh start accounting as required under US GAAP. Under fresh start accounting, all assets and liabilities were revalued at estimated fair values. Whereas the PP&E under this method would have been valued primarily based on a going-concern assumption, the land would normally be valued on basis of its traded fair market value. Given that the valuation under the fresh start accounting is no more than two years old, we would therefore expect that the book value of the land should constitute a good estimate of the fair value of the land[n]. When estimating the proceeds from a sale, we have considered a high and a low scenario. In addition, we have assumed that the price will likely be depressed because of the Company's situation and that the seller will incur substantial cost from removing the potentially obsolete existing property. From the proceeds we have subtracted the indemnification of Mr. Trump (which we have set at 10% of the proceeds attributable to the land) and shut down costs (mostly severance pay) estimated at 25% of estimated annual compensation expense. We have assumed that the net proceeds would be the average of our high and low scenarios.

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[n] This assumption is supported by public available information on real estate comparables as discussed in notes d and e from Section 5.2. Our estimates are conservative versus the implied range of $10-$15mm per acre.

	Total BV	Plaza %	Plaza Book value	Salvage Value Low	Salvage Value High	Low	High
Land	972,314	17%	165,293	115,705	148,764	70%	90%
Buildings	131,224	29%	38,544	-	3,854	0%	10%
Furniture and fixtures	451,516	29%	132,621	13,262	39,786	10%	30%
Total			**336,458**	**128,967**	**192,405**		
Less: Shut down costs				4,646	4,646	20%	20%
Less: Indemnification of Mr. Trump				11,571	14,876	10%	10%
Net proceeds from sale				**112,751**	**177,528**		

Marina

In order to determine the amount the Marina could be sold for as a going concern, we have reviewed deals in the casino industry over the past five years including recently announced but not yet completed transactions. We have included our analysis of past transactions in Appendix B. We found that gaming companies trade at variable multiples depending on financial flexibility, customer segment, size, number of rooms and future Capex requirements. Based on the profile of the Trump Marina and future Capex requirements, we have assumed that the Marina could be sold at 9x EBITDA, which is the middle range for a small casino. From the proceeds, we have subtracted the indemnification of Mr. Trump (which we have set at 10% of the proceeds attributable to the land). We have assumed that the acquirer would assume all responsibilities in relation to employees and suppliers (or that the Company would be able to transfer the employees/agreements to the Taj Mahal) and therefore have not deducted any amount for severance expenses.

Net Sale Proceeds	
EBITDA, LTM	49,900
EBITDA multiple	9x
Enterprise Value based on EBITDA multiple	449,100
Less: Indemnification of Mr. Trump	18,717
Net proceeds from sale	**430,383**

7.2.2 Result of Sale

As described above, we have assumed that the Company through negotiation with the creditors would be able to retain 20% of the net proceeds from a sale to invest in the Company and that the senior secured creditors would get the remaining 80%. This would result in an almost $450 million reduction of the senior term loan with a resulting reduction of future interest expense, and availability of more than $100 million of funding for the company's expansion and renovation of the Taj Mahal (see Appendix A). Selling the two properties will result in significant savings on Capex, which we estimate at $30-40 million annually over the next five years compared to management's plans. Finally, although EBITDA is reduced through the sale of the two properties, interest coverage would be dramatically improved.

Interest Coverage	FY07E	FY08E	FY09E	FY10E	FY11E
Base Case	(0.96x)	0.05x	1.01x	1.22x	1.34x
Strategic Plan	(1.54x)	(0.46x)	1.06x	1.34x	1.47x

We have assumed that the working capital requirements of the Plaza and the Marina will be eliminated, thereby reducing the overall working capital requirements of the Company. For this purpose, we have generally assumed that each of the properties have had the same working capital requirements as a proportion of sales and COGS. However, for certain items (e.g., self-insurance reserve) we have made no changes, since we did not have sufficient information to make the relevant adjustments.

Most importantly, however, we believe that the sale would allow management to focus all resources, financial and otherwise on improving the operations of the Taj Mahal. This should have an added benefit to brand and marketing initiatives as the Taj Mahal actively targets the high-end customer segment.

7.3 Operational Improvement Plan – "Rolling On"

As described in Section 3.3, Trump Entertainment's operating performance has historically been well below that of the industry and of its main competitors. Accordingly, management has stated a focus on improving operations partly through increased focus on employee retention and customer satisfaction. We note that without access to internal company metrics, it is difficult to identify specific improvements opportunities, such as outsourcing certain services to third party suppliers or reducing headcount in certain functional areas.

Based on our analysis, we believe that the Company should focus on three general areas to achieve the company goal to make the Taj Mahal a leading top theme-based high-end hotel in Atlantic City:

1. Increase Customer Satisfaction
2. Increase Employee Satisfaction
3. Focus Promotional Activities on the most Profitable Customers

Overall, we believe that management's plan contains many sensible initiatives, in particular the effort to shift focus from day-trippers to higher segment destination travelers and families. We believe that this initiative will not only increase gambling and spending on food and beverage but will also increase overnight stays and thereby help reduce costs for rooms as promotional campaigns are scaled back.

In the past, the Company has had problems with customer satisfaction, with the hotels ranking in the mid- to low-end of the major casinos in the ratings of major travel sites[o]. Comments on the travel site tripadvisor.com include:

> *"I could spit harder than the water comes out of the faucet."*
> *"It's super nice for a low-end hotel. Don't let them convince you it's anything more."*
> *"If you like clean sheets you should stay away from here"*

We believe that a key issue is that the Company has not sent a clear message to customers about what they should expect – a luxury Trump experience or a low budget stay – by not branding the different properties clearly. However, the Company should appreciate that the problem is not all about branding and that it is imperative to spend resources to improve the customer experience in order to attract the high rollers and return customers.

In addition, we believe that the morale among the personnel has played an important part. The Company has been struggling financially and operationally for a number of years, and the lack of good leadership and feeling of being a small part of a larger Trump empire may have disempowered the whole organization. This would be a problem in any industry but especially in the hospitality industry, the employees are all important for the customer experience and thereby of the success of the company. Accordingly, we believe that it is very important that the employee satisfaction is high. A key part of

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[o] For example, Trump Plaza ranks 19th in popularity out of the 67 hotels in Atlantic City on tripadvisor.com

"Rolling On" is to ensure the Company attracts the best possible employees and makes them feel motivated and empowered. We view the recent attempts by the dealers to unionize as an indication that management still faces substantial challenges in this regard. Although it will be difficult to attract and retain the best employees as long as operations suffer, we believe that a number of initiatives should be evaluated, most significantly an increased and more focused remuneration of lower level management. Lower level management is imperative to secure the best possible operations as they directly observe events and have the opportunity to correct mistakes immediately. However, traditionally in the Casino industry, lower level management employees have received lower compensation than that of the people they supervise, because the lower level management did not receive a share of the tipping pool. We believe that it is necessary to increase the attractiveness of the lower level management positions, for example through a bonus incentive plan tied to the operational performance of the individual manager (based on factors such as gaming revenue and customer satisfaction)[p]. Finally, regarding more focused promotional expenditure, we note that currently the Company's promotional expenses (whether in the form of complimentary rooms, food and beverage, or marketing campaigns) are almost twice the industry average (relative to revenues) and this disproportionately high spending will not be changed as a result of the shift in customer focus. On the contrary, the new focus may result in other increased promotional costs in the form of for example more expensive food and beverage. In order to reduce the promotional expenses the Company must create systems and procedures that allow them to target their promotional efforts against their most profitable customers. We understand that the Company has started developing a loyalty program and technology similar to that operated by the main competitions and that this program named "Trump One" will be launched in June this year. We have not been able to determine whether the

[p] When establishing such plan, the Company should avoid the problems Wynn Las Vegas faced when it changed compensation by giving lower level management a portion of the tipping pool, but ended up alienating dealers and waitresses and initiating a heated battle with the unions (http://www.lvbusinesspress.com/articles/2007/04/13/news/news_update/doc46203757d78c4387450497.txt).

Company has outsourced the development and operations of such technology or whether it is being developed in-house. Given the scale of the Company, we doubt that it currently possess or will be able to build up the necessary in-house IT capabilities to undertake this key project and we would consequently recommend that this project, which we view as a key project for the success of the Company is outsourced.

We believe that shrinking the Company's operations will free up management time and resources to focus on improving the performance of core assets. This will also enable the Company to better target its efforts on sending a more distinct marketing message to its customers, thereby creating the basis for sustainable future growth. In addition to freeing up resources for the remaining property, we expect the Company to be able to reduce its selling, general and administrative expenses on the corporate level. We have assumed a 25% reduction, which we believe is quite conservative given that the two properties we plan to divest, currently account for more than half of the revenues.

7.4 Expected Long-Term Impact on the Value of the Company

Below is a comparison of Company value in 2011 for the base case and for our suggested strategy with the sale of two properties. The equity value is projected to be higher in the divestiture case and would enable the Company to meet future debt obligations. We have assumed a 10x terminal multiple, which is higher in the divestiture case because the Taj Mahal on a stand-alone basis should command a higher multiple than the average of the three casinos. We also project a higher terminal growth value for the Taj Mahal than that in the base case as in accordance with our assumption that the lower-tier casinos will lose market share to the new regional entrants that cater to this customer segment.

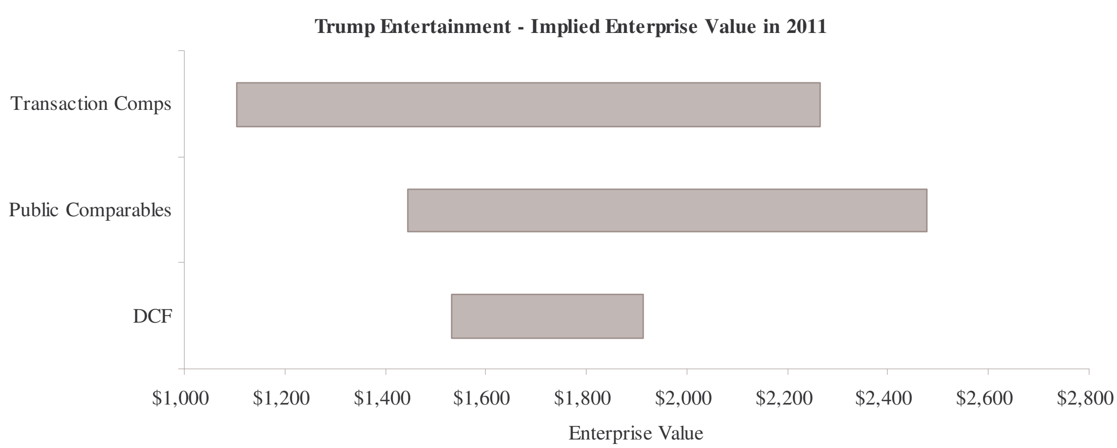
Base Case Terminal Valuation

Terminal Mutiple		
Debt	1,388,727	
EV	2,077,593	8x Terminal Multiple
Equity Value	688,866	
Terminal Growth		
Debt	1,388,727	
EV	2,089,411	1% Terminal Growth
Equity Value	700,684	

Sale of Marina and Plaza

Terminal Mutiple		
Debt	944,026	
EV	1,782,396	10x Terminal Multiple
Equity Value	838,370	
Terminal Growth		
Debt	944,026	
EV	1,805,198	3.5% Terminal Growth
Equity Value	861,172	

Company Valuation in 2011					
Methodology	Low Value/ Multiple	High Value/ Multiple	Low Enterprise Value	High Enterprise Value	Assumptions
DCF	8% WACC	7% WACC	$1,530.8	$1,913.5	Range based on WACC of 7-8% and growth rate of 3%. Cash flow projections do not change
Public Comparables	8.1 x	13.9 x	$1,443.7	$2,477.5	Range from Low-High values of public trading comps with market cap < $2B
Transaction Comps (<$2B Market Cap)	6.2 x	12.7 x	$1,105.1	$2,263.6	Range from Low-High values of transaction comps with market cap < $2B



Conclusion

Trump Entertainment is in a difficult situation today, with large debt obligations and insufficient capital for the property renovations needed to improve market share. While the Company's *do* generate positive operational cash flow, its existing business is deteriorating and it does not have sufficient cash flows to sustain the current capital structure and expand/renovate its properties.

We believe that the Company's core business, the Taj Mahal, could become a highly profitable business under our three-step restructuring plan, "Know When to Hold 'em, Know When to Fold 'em". The first step is a partial refinancing, whereby the Company secures that it will be able to meet its obligation when its revolving credit line expires in 2010. The second step, named "Double Down," involves a substantial reduction of the Company's operations through a sale of two of its three casinos. The third and final step, named "Rolling On," involves a turnaround of the operations of the Taj Mahal to improve focus on customer satisfaction, employee satisfaction and promotional spending.

We believe that our restructuring plan will increase total expected equity value in 2011 by over 20% versus the base case (and somewhat optimistic) going concern projections. The sale will enable the Company to meet its debt obligations and bring it closer to what we believe is its optimal capital structure. Together with the operational improvements, the Company will be able to complete a turnaround that will better position it to extend its brand into new locations and become a substantial player in the high-end gaming segment.

Appendix A: Financial Statements

Part A: Base Case Statements

Trump Entertainment Resorts Inc. - Consolidated Income Statement
Base Case
(in 000s)

	FY05	FY06	FY07E	FY08E	FY09E	FY10E	FY11E
Revenue							
Gaming Tables	1,061,549	1,079,200	1,103,340	1,173,954	1,228,499	1,285,171	1,325,273
F&B	122,004	123,091	125,553	133,274	139,209	145,366	149,693
Rooms	74,617	78,211	79,775	85,790	90,305	93,777	96,580
Other	39,642	42,365	42,921	44,459	45,568	46,594	47,646
Less Promotional Expenses	(305,591)	(296,750)	(307,401)	(322,031)	(336,593)	(349,790)	(363,538)
Gaming	*(193,685)*	*(185,518)*	(193,663)	(202,879)	(212,053)	(220,367)	(229,029)
Rooms	*(29,811)*	*(26,950)*	(27,666)	(28,983)	(30,293)	(31,481)	(32,718)
F&B	*(74,130)*	*(74,396)*	(76,850)	(80,508)	(84,148)	(87,447)	(90,884)
Other	*(7,965)*	*(9,886)*	(9,222)	(9,661)	(10,098)	(10,494)	(10,906)
Total Net Revenues	992,221	1,026,162	1,044,188	1,115,446	1,166,990	1,221,118	1,255,654
COGS							
Gaming Tables	493,929	494,411	509,525	537,216	555,582	573,937	591,394
F&B	40,359	41,945	42,096	44,706	46,716	48,803	50,270
Rooms	27,727	31,227	30,593	32,971	34,758	36,138	37,244
Total COGS	562,015	567,583	582,214	614,893	637,056	658,877	678,907
Total Gross Margin	**430,206**	**458,579**	**461,974**	**500,553**	**529,933**	**562,241**	**576,747**
Expenses							
G&A	280,314	288,942	291,948	295,674	300,924	310,981	317,048
D&A	73,187	68,091	50,283	57,483	61,100	64,761	68,466
Reorganization Expense (Income)	(16,909)	-	-	-	-	-	-
Debt Reorganization Cost	-	-	-	-	-	-	-
Income from Operations	**93,614**	**101,546**	**119,743**	**147,396**	**167,909**	**186,499**	**191,233**
EBIDTA	**149,892**	**169,637**	**170,026**	**204,879**	**229,009**	**251,259**	**259,699**
Non-Operating Income (Expenses)							
Interest Income	2,987	10,363	3,860	-	-	-	-
Interest expense							
Interest expense on revolver @5.5%	-	-	(4,416)	(9,916)	(11,000)	(5,500)	-
Interest Expense on other long term debt	(165,280)	(130,144)	(117,731)	(117,613)	(117,495)	(117,377)	(117,258)
Gain on debt refinancing, net	-	-	-	-	-	-	-
Interest Expense, related party	(1,184)	-	-	-	-	-	-
Other non-operating income, net	97	-	(3,041)	(3,193)	(3,353)	(3,520)	(3,696)
Total Non-Operating Income (Expense)	(163,380)	(119,781)	(121,327)	(130,722)	(131,847)	(126,397)	(120,955)
Income (Loss) before taxes,minority int., disc ops., extraord items	**(69,766)**	**(18,235)**	**(1,584)**	**16,674**	**36,062**	**60,102**	**70,279**
Provision for Income Taxes	(13,495)	(6,451)	(555)	5,836	12,622	21,036	24,598
Minority Interests	9,631	5,617	-	-	-	-	-
Income (Loss) from Continuing Operations	(73,630)	(19,069)	(2,139)	22,510	48,683	81,138	94,876
Income (Loss) from Discontinued Operations							
Trump Indiana	158,527	678	-	-	-	-	-
Provision for Income Taxes	(27,050)	56	-	-	-	-	-
Minority Interest	(3,013)	(172)	-	-	-	-	-
Trump Indiana, net of minority interest and taxes	128,554	562	-	-	-	-	-
Income (Loss) from Discontinued Operations	128,554	562	-	-	-	-	-
Income (Loss) before extraordinary items	54,924	(18,507)	(2,139)	22,510	48,683	81,138	94,876
Extraordinary items							
Extraordinary gain on adjustment of debt	196,932	-	-	-	-	-	-
Net Income (Loss)	**251,856**	**(18,507)**	**(2,139)**	**22,510**	**48,683**	**81,138**	**94,876**

Trump Entertainment Resorts Inc. - Consolidated Balance Sheet
Base Case
(in 000s)

	FY05	FY06	FY07E	FY08E	FY09E	FY10E	FY11E
Assets							
Current Assets							
Cash and cash equivalents	228,554	100,007	27,032	(50,279)	(41,695)	(190,201)	(133,102)
Cash and cash equivalents _excluding min cash reserve	202,598	73,549	-	(79,028)	(71,766)	(221,619)	(165,486)
Min cash reserve	25,956	26,458	27,032	28,750	30,072	31,418	32,384
Restricted cash	45,005	27,375	-	-	-	-	-
Accounts receivable, net of allowance	37,128	45,519	43,182	45,926	48,038	50,189	51,732
Gross Accounts Receivable	51,281	58,551	55,545	59,074	61,791	64,558	66,542
Allowances	14,153	13,032	12,363	13,148	13,753	14,369	14,811
Accounts receivable, other	8,612	8,823	8,370	8,902	9,311	9,728	10,027
Inventories	10,716	10,816	10,793	12,156	11,825	13,227	12,578
Beginning Inventory		10,716	10,816	10,793	12,156	11,825	13,227
Plus: Purchases		42,045	42,073	46,069	46,385	50,205	49,621
Less: COGS (assumed Food & Beverage only)		41,945	42,096	44,706	46,716	48,803	50,270
Ending Inventory	10,716	10,816	10,793	12,156	11,825	13,227	12,578
Deferred income taxes	2,289	10,351	10,351	10,351	10,351	10,351	10,351
Other current assets	12,178	13,049	6,414	1,740	2,433	(6,863)	(3,114)
Total current assets	344,482	215,940	106,142	28,796	40,264	(113,568)	(51,528)
Net property and equipment	1,463,142	1,535,852	1,773,069	1,914,211	1,952,895	1,989,111	2,022,852
Purchases		138,431	287,500	198,625	99,784	100,977	102,207
Disposals		-	-	-	-	-	-
Gross PP&E	1,499,557	1,637,988	1,925,488	2,124,113	2,223,897	2,324,874	2,427,081
Accumulated Depreciation	36,415	102,136	152,419	209,902	271,002	335,763	404,229
Depreciation schedule							
Buildings and building improvements (40 years, SL)		24,308	30,417	34,638	36,758	38,904	41,076
Furnitures, fixtures & equipment (10 years, SL)		15,553	19,866	22,845	24,342	25,856	27,390
Land and land improvements (no depreciation)		-	-	-	-	-	-
Excess depreciation relating to reorganization		25,860	-	-	-	-	-
Total depreciation		65,721	50,283	57,483	61,100	64,761	68,466
Other assets:							
Goodwill	238,045	226,480	226,480	226,480	226,480	226,480	226,480
Trademarks	197,000	197,000	197,000	197,000	197,000	197,000	197,000
Intangible assets, net of accumulated amortization	9,345	7,730	6,294	4,858	3,422	1,986	550
Gross Intangible assets	10,517	10,517	10,517	10,517	10,517	10,517	10,517
Accumulated Amortization	1,172	2,787	4,223	5,659	7,095	8,531	9,967
Deferred financing costs, net of accumulated amortization	20,725	17,914	15,283	12,652	10,021	7,390	4,759
Gross Deferred Financing Costs	22,373	22,193	22,193	22,193	22,193	22,193	22,193
Accumulated Amortization	1,648	4,279	6,910	9,541	12,172	14,803	17,434
Other assets, net of reserve	57,024	59,580	64,214	69,208	74,591	80,392	86,645
Gross Other Assets	88,871	95,783	103,233	111,262	119,915	129,241	139,293
Reserve	31,847	36,203	39,019	42,053	45,324	48,849	52,649
Total other assets	522,139	508,704	509,271	510,198	511,514	513,248	515,434
Total Assets	**2,329,763**	**2,260,496**	**2,388,482**	**2,453,205**	**2,504,672**	**2,388,791**	**2,486,758**
Liabilities & Shareholders' Equity							
Liabilities							
Current Liabilities							
Accounts payable	39,136	30,495	31,902	33,693	34,907	36,103	37,200
Accrued payroll and related expenses	26,553	28,099	29,735	31,466	33,298	35,237	37,289
Income taxes payable	36,765	24,904	(555)	-	-	-	-
Partnership distribution payable	3,041	260	3,041	3,193	3,353	3,520	3,696
Accrued interest payable	11,517	13,645	13,584	13,571	13,557	13,543	13,530
Self-insurance reserves	12,398	13,299	14,265	15,302	16,414	17,607	18,887
Other current liabilities	42,748	34,767	34,767	34,767	34,767	34,767	34,767
Current maturities of long-term debt	30,007	11,263	2,458	1,521	1,500	1,500	140,250
Total current liabilities	202,165	156,732	129,198	133,513	137,797	142,278	285,619
Revolver	-	-	160,581	200,000	200,000	-	-
Long-term debt, net of current maturities	1,407,952	1,396,170	1,393,248	1,391,727	1,390,227	1,388,727	1,248,477
Deferred income taxes	144,352	152,414	152,414	152,414	152,414	152,414	152,414
Other long-term liabilities	18,428	17,017	17,017	17,017	17,017	17,017	17,017
Total Other Liabilities	1,570,732	1,565,601	1,723,260	1,761,158	1,759,658	1,558,158	1,417,908
Total Liabilities	1,772,897	1,722,333	1,852,458	1,894,671	1,897,455	1,700,436	1,703,527
Minority interest	129,708	125,395	125,395	125,395	125,395	125,395	125,395
Shareholders' Equity							
Preferred stock, $1 par value; 1,000 shares auth., 0 outstanding	-	-	-	-	-	-	-
Common stock, $.001 par value; 75,000 shares auth., 27,178 & 30,991 iss, out	27	31	31	31	31	31	31
Class B Common stock, $0.001 par value; 1,000 shares auth., 900 outstand.	-	-	-	-	-	-	-
Additional paid in capital	453,659	457,772	457,772	457,772	457,772	457,772	457,772
Accumulated deficit	(26,528)	(45,035)	(47,174)	(24,664)	24,019	105,157	200,033
Total Shareholders' Equity	427,158	412,768	410,629	433,139	481,822	562,960	657,836
Total Liabilities & Shareholders' Equity	**2,329,763**	**2,260,496**	**2,388,482**	**2,453,205**	**2,504,672**	**2,388,791**	**2,486,758**

Trump Entertainment Resorts Inc. - Consolidate Cash Flow Statement

Base Case

(in 000s)

	FY05	FY06	FY07E	FY08E	FY09E	FY10E	FY11E
Cash Flow from Operating Activities							
Net (Loss) Income	251,856	(18,507)	(2,139)	22,510	48,683	81,138	94,876
Adjustments							
Deferred income taxes	8,687	1,930	-	-	-	-	-
Minority interest in net loss	(6,618)	(5,445)	-	-	-	-	-
D&A	78,557	68,091	50,283	57,483	61,100	64,761	68,466
Amortization of deferred financing costs	2,184	2,631	2,631	2,631	2,631	2,631	2,631
Provisions for losses on receivables	3,775	5,168	-	-	-	-	-
Stock-based compensation expense	2,753	5,197	-	-	-	-	-
Valuation allowance -CRDA investments	4,638	4,478	-	-	-	-	-
Compensatory stock warrants	8,000	-	-	-	-	-	-
Non-cash reorganization (income) expense, net	(210,117)	-	-	-	-	-	-
Extraordinary gain on extinguishment of debt	(196,932)	-	-	-	-	-	-
Accretion of discounts on mortgage loan	-	-	-	-	-	-	-
Issuance of debt in satisfaction of accrued interest	-	-	-	-	-	-	-
Loss on sale of assets	-	-	-	-	-	-	-
Other	499	(683)	-	-	-	-	-
Changes in operating assets, liabilities							
(Increase) decrease in receivables	(8,959)	(13,528)	2,790	(3,276)	(2,521)	(2,568)	(1,842)
(Increase) decrease in inventories	734	(100)	23	(1,363)	331	(1,402)	649
(Increase) decrease in other current assets	(716)	(871)	6,635	4,674	(693)	9,296	(3,749)
(Increase) decrease in other assets	727	6,235	(3,198)	(3,558)	(3,947)	(4,365)	(4,817)
Increase (decrease) in due to affiliates, net	(3,305)	-	-	-	-	-	-
Increase (decrease) in accounts payable, accrued expense, other current liabilities	44,520	(26,556)	(21,449)	5,113	4,159	4,327	4,429
Increase (decrease) in accrued interest payable	(4,146)	2,128	(61)	(14)	(14)	(14)	(14)
Increase (decrease) in other long-term liabilities	(2,191)	(1,411)	-	-	-	-	-
Net Cash Flows provided by (used in) operating activities, including disc ops.	**(26,054)**	**28,757**	**35,515**	**84,201**	**109,729**	**153,803**	**160,630**
Cash Flow from Investing Activities							
Purchase of PP&E, net	(97,785)	(128,959)	(287,500)	(198,625)	(99,784)	(100,977)	(102,207)
(Increase) decrease in restricted cash	(45,005)	17,630	27,375	-	-	-	-
Purchase of CRDA investments	(13,422)	(13,269)	-	-	-	-	-
Cash proceeds from sale of Trump Indiana	227,526	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net Cash provided by (used in) investing activities	**71,314**	**(124,598)**	**(260,125)**	**(198,625)**	**(99,784)**	**(100,977)**	**(102,207)**
Cash Flow from Financing Activities							
Borrowings (Paydown) from revolver	-	-	160,581	39,419	-	(200,000)	-
Borrowings from term loan	150,000	-	-	-	-	-	-
Repayments of term loan	(750)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Repayment of other long-term debt	(21,873)	(28,042)	(10,227)	(958)	(21)	-	-
Payment of deferred financing costs	(14,004)	(597)	-	-	-	-	-
Partnership distributions, net	-	(3,020)	2,781	152	160	168	176
Contributed capital from reorganization	55,000	-	-	-	-	-	-
Cash distribution to noteholders and stockholders	(41,120)	-	-	-	-	-	-
Borrowings (repayment) from DIP facility, net	(35,786)	-	-	-	-	-	-
Repayment of long-term debt, subject to compromise	(13,439)	-	-	-	-	-	-
Other	-	453	-	-	-	-	-
Net Cash provided by financing activities (exclude revolver here)	**78,028**	**(32,706)**	**(8,946)**	**(2,306)**	**(1,361)**	**(1,332)**	**(1,324)**
Net Increase (decrease) in cash and cash equivalents	**123,288**	**(128,547)**	**(233,556)**	**(116,730)**	**8,584**	**51,494**	**57,099**
Cash and cash equivalents at beginning of period	105,266	202,598	73,549	-	(79,028)	(71,766)	(221,619)
Cash and cash equivalents at end of period before revolver	**228,554**	**74,051**	**(160,007)**	**(116,730)**	**(70,444)**	**(20,273)**	**(164,520)**
Decrease (increase) in minimum cash reserve	(25,956)	**(502)**	**(574)**	**(1,718)**	**(1,322)**	**(1,347)**	**(966)**
Cash before revolver	**202,598**	**73,549**	**(160,581)**	**(118,448)**	**(71,766)**	**(21,619)**	**(165,486)**
Beginnin balance of revolver	**-**	**-**	**-**	**160,581**	**200,000**	**200,000**	**-**
Increase (decrease) in revolver	**-**	**-**	**160,581**	**39,419**	**-**	**(200,000)**	
Ending balance of revovler	**-**	**-**	**160,581**	**200,000**	**200,000**	**-**	**-**
Max revolver line		**200,000**	**200,000**	**200,000**	**200,000**	**-**	**-**
Cash and cash equivalents at end of period	**202,598**	**73,549**	**-**	**(79,028)**	**(71,766)**	**(221,619)**	**(165,486)**

Part B: Sale of Trump Plaza, Marina Scenario

Trump Entertainment Resorts Inc.
Scenario 4 - Sell Off Plaza, Marina Property

	FY06	FY07E	FY08E	FY09E	FY10E	FY11E
Income Statement						
Revenue						
Taj Mahal						
Gaming	525,400	535,908	589,499	633,711	681,240	715,302
F&B	55,391	56,499	62,149	66,810	71,821	75,412
Rooms	33,631	34,303	39,449	43,394	46,648	48,981
Other	26,078	26,339	27,656	28,485	29,340	30,220
less promotion allowance	(137,800)	(140,556)	(147,584)	(154,963)	(162,711)	(170,847)
Total Net Revenue	502,700	512,493	571,168	617,437	666,337	699,067
COGS						
Taj Mahal						
Gaming	240,690	245,504	265,274	278,833	292,933	307,580
F&B	18,875	19,253	21,178	22,766	24,474	25,698
Rooms	13,428	13,696	15,751	17,326	18,625	19,556
Total COGS	272,993	278,453	302,203	318,925	336,032	352,834
Gross Margin	**229,707**	**234,040**	**268,965**	**298,512**	**330,305**	**346,234**
Operating Expenses						
SG&A (including corporate level)	150,807	144,954	147,297	151,113	161,169	167,994
D&A (including corporate level)	34,100	30,371	34,720	36,905	39,115	41,353
Total Operating Expenses	184,907	175,325	182,017	188,017	200,284	209,347
Operating Margin	**44,800**	**58,715**	**86,948**	**110,495**	**130,021**	**136,886**
EBITDA	**78,900**	**89,086**	**121,668**	**147,399**	**169,136**	**178,240**
EBITDA Margin (on gross net revenue)	*12%*	*14%*	*17%*	*19%*	*20%*	*20%*
Non-Operating Expenses						
Interest Income	10,363	1,960	686	852	236	370
Interest Expense						
Interest Expense on revolver @ 5.5%	-	(920)	(2,372)	(2,962)	(1,510)	-
Interest Expense on other long term debt	(130,144)	(98,810)	(79,772)	(79,654)	(79,536)	(79,418)
Other non-operating Income (expenses), net	-	(3,041)	(3,193)	(3,353)	(3,520)	(3,696)
Total Non-Operating Expenses	(119,781)	(100,812)	(84,651)	(85,117)	(84,331)	(82,744)
Income (Loss) before taxes,minority int., disc ops., extraord items	(74,981)	(42,097)	2,297	25,378	45,690	54,142
Minority Interests	(17,621)	(9,893)	540	5,964	10,737	12,723
Income Tax	(26,243)	(14,734)	804	8,882	15,991	18,950
Income (loss) form Continuing Operations	(31,117)	(17,470)	953	10,532	18,961	22,469
Income (Loss) from Discontinued Operations						
Trump Indiana	678	-	-	-	-	-
Provision for Income Taxes	56	-	-	-	-	-
Minority Interest	(172)	-	-	-	-	-
Trump Indiana, net of minority interest and taxes	562	-	-	-	-	-
Trump Plaza	20,800	28,177	-	-	-	-
Provision for Income Taxes	7,280	9,862	-	-	-	-
Minority Interest	4,888	6,622	-	-	-	-
Trump Plaza, net of minority interest and taxes	8,632	11,693	-	-	-	-
Trump Marina	35,900	41,878	-	-	-	-
Provision for Income Taxes	12,565	14,657	-	-	-	-
Minority Interest	8,437	9,841	-	-	-	-
Trump Marina, net of minority interest and taxes	14,899	17,379	-	-	-	-
Income (Loss) from Discontinued Operations	24,093	29,073	-	-	-	-
One Time Charges						
Net gain (loss) on sale of Trump Plaza, net of proceeds payable to Trump	-	(191,319)	-	-	-	-
Net gain (loss) on sale of Trump Marina, net of proceeds payable to Trump	-	94,675	-	-	-	-
Net Income (Loss)	**(7,025)**	**(85,041)**	**953**	**10,532**	**18,961**	**22,469**

Trump Entertainment Resorts Inc.

Scenario 4 - Sell Off Plaza, Marina Property

	FY06	FY07E	FY08E	FY09E	FY10E	FY11E
Balance Sheet						
Assets						
Current Assets						
Cash and cash equivalents	65,323	13,061	14,375	19,704	(10,282)	25,082
Cash and cash equivalents _excluding min cash reserve	52,513	-	-	4,256	(26,863)	7,684
Min cash reserve	12,810	13,061	14,375	15,448	16,581	17,398
Restricted cash	27,375	-	-	-	-	-
Accounts receivable, net of allowance	45,519	19,591	21,563	23,172	24,871	26,097
Gross Accounts Receivable	58,551	24,799	26,953	28,965	31,089	32,622
Allowances	13,032	5,208	5,391	5,793	6,218	6,524
Accounts receivable, other	8,823	3,797	4,179	4,491	4,821	5,058
Inventories	10,816	10,816	10,816	10,816	10,816	10,816
Beginning Inventory	10,716	10,816	10,816	10,816	10,816	10,816
Plus: Purchases	42,045	19,253	21,178	22,766	24,474	25,698
Less: COGS (assumed Food & Beverage only)	41,945	19,253	21,178	22,766	24,474	25,698
Ending Inventory	10,816	10,816	10,816	10,816	10,816	10,816
Deferred income taxes	10,351	25,085	24,281	15,398	(593)	(19,543)
Other current assets	13,049	13,049	13,049	13,049	13,049	13,049
Total current assets	215,940	85,400	88,263	86,631	42,683	60,560
Net property and equipment	1,535,852	1,104,216	1,228,893	1,252,031	1,273,623	1,293,663
Purchases	138,431	270,901	159,397	60,043	60,708	61,393
Disposals	-	672,166	-	-	-	-
Gross PP&E	1,637,988	1,236,723	1,396,120	1,456,162	1,516,870	1,578,263
Accumulated Depreciation	102,136	132,507	167,227	204,131	243,247	284,600
Depreciation schedule						
Buildings and building improvements (40 years, SL)	24,308	18,521	21,173	22,505	23,853	25,218
Furnitures, fixtures & equipment (10 years, SL)	15,553	11,850	13,547	14,400	15,262	16,135
Land and land improvements (no depreciation)	-	-	-	-	-	-
Excess depreciation relating to reorganization	25,860	-	-	-	-	-
Total depreciation	65,721	30,371	34,720	36,905	39,115	41,353
Other assets:						
Goodwill	226,480	226,480	121,480	121,480	121,480	121,480
Trademarks	197,000	197,000	197,000	197,000	197,000	197,000
Intangible assets, net of accumulated amortization	7,730	6,299	4,868	3,437	2,006	575
Gross Intangible assets	10,517	10,517	10,517	10,517	10,517	10,517
Accumulated Amortization	2,787	4,218	5,649	7,080	8,511	9,942
Deferred financing costs, net of accumulated amortization	17,914	15,283	12,652	10,021	7,390	4,759
Gross Deferred Financing Costs	22,193	22,193	22,193	22,193	22,193	22,193
Accumulated Amortization	4,279	6,910	9,541	12,172	14,803	17,434
Other assets, net of reserve	59,580	48,124	51,867	55,901	60,249	64,935
Gross Other Assets	95,783	77,366	83,383	89,868	96,858	104,391
Reserve	36,203	29,242	31,516	33,967	36,609	39,457
Total other assets	508,704	493,186	387,867	387,839	388,125	388,749
Total Assets	**2,260,496**	**1,682,802**	**1,705,023**	**1,726,501**	**1,704,431**	**1,742,972**
Liabilities & Shareholders' Equity						
Liabilities						
Current Liabilities						
Accounts payable	30,495	15,872	18,132	19,135	20,162	21,170
Accrued payroll and related expenses	28,099	22,301	23,600	24,974	26,428	27,967
Income taxes payable	24,904	-	-	-	-	-
Partnership distribution payable	260	3,041	3,193	3,353	3,520	3,696
Accrued interest payable	13,645	11,401	9,204	9,191	9,177	9,164
Self-insurance reserves	13,299	14,265	15,302	16,414	17,607	18,887
Other current liabilities	34,767	21,005	21,806	22,947	24,149	25,402
Current maturities of long-term debt	11,263	1,500	1,521	1,500	1,500	140,250
Total current liabilities	156,732	89,385	92,758	97,514	102,544	246,535
Revolver	-	33,452	52,798	54,926	-	-
Long-term debt, net of current maturities	1,396,170	950,026	948,505	947,005	945,505	805,255
Deferred income taxes	152,414	149,692	149,222	148,820	148,448	148,055
Other long-term liabilities	17,017	17,017	17,017	17,017	17,017	17,017
Total Other Liabilities	1,565,601	1,150,187	1,167,542	1,167,768	1,110,970	970,327
Total Liabilities	1,722,333	1,239,573	1,260,300	1,265,283	1,213,514	1,216,862
Minority interest	125,395	115,502	116,042	122,006	132,743	145,467
Shareholders' Equity						
Preferred stock, $1 par value; 1,000 shares auth., 0 outstanding	-	-	-	-	-	-
Common stock, $.001 par value; 75,000 shares auth., 27,178 & 30,991 iss, out	31	31	31	31	31	31
Class B Common stock, $0.001 par value; 1,000 shares auth., 900 outstand.	-	-	-	-	-	-
Additional paid in capital	457,772	457,772	457,772	457,772	457,772	457,772
Accumulated deficit	(45,035)	(130,076)	(129,123)	(118,591)	(99,629)	(77,160)
Total Shareholders' Equity	412,768	327,727	328,680	339,212	358,174	380,643
Total Liabilities & Shareholders' Equity	**2,260,496**	**1,682,802**	**1,705,023**	**1,726,501**	**1,704,431**	**1,742,972**

Trump Entertainment Resorts Inc.

Scenario 4 - Sell Off Plaza, Marina Property

	FY06	FY07E	FY08E	FY09E	FY10E	FY11E
Cash Flow Statement						
Cash Flow from Operating Activities						
Net (Loss) Income	(7,025)	(85,041)	953	10,532	18,961	22,469
Adjustments						
Deferred income taxes	1,930	(14,734)	804	8,882	15,991	18,950
Minority interest in net loss	(17,621)	(9,893)	540	5,964	10,737	12,723
D&A	34,100	30,371	34,720	36,905	39,115	41,353
Amortization of deferred financing costs	2,631	2,631	2,631	2,631	2,631	2,631
Provisions for losses on receivables	5,168	2,612	2,875	3,090	3,316	3,480
Stock-based compensation expense	5,197	-	-	-	-	-
Valuation allowance -CRDA investments	4,478	-	-	-	-	-
Compensatory stock warrants	-	-	-	-	-	-
Non-cash reorganization (income) expense, net	-	-	-	-	-	-
Extraordinary gain on extinguishment of debt	-	-	-	-	-	-
Accretion of discounts on mortgage loan	-	-	-	-	-	-
Issuance of debt in satisfaction of accrued interest	-	-	-	-	-	-
Loss on sale of assets	-	96,644	-	-	-	-
Other	(683)	-	-	-	-	-
Changes in operating assets, liabilities						
(Increase) decrease in receivables	(13,528)	30,953	(2,353)	(1,921)	(2,029)	(1,464)
(Increase) decrease in inventories	(100)	-	-	-	-	-
(Increase) decrease in other current assets	(871)	-	-	-	-	-
(Increase) decrease in other assets	6,235	12,887	102,688	(2,603)	(2,917)	(3,255)
Increase (decrease) in due to affiliates, net	-	-	-	-	-	-
Increase (decrease) in accounts payable, accrued expense, other current liabilities	(26,556)	(21,449)	5,397	4,631	4,875	5,079
Increase (decrease) in accrued interest payable	2,128	(2,244)	(2,197)	(14)	(14)	(14)
Increase (decrease) in other long-term liabilities	(1,411)	-	-	-	-	-
Net Cash Flows provided by (used in) operating activities, including disc ops.	**(5,927)**	**42,738**	**146,058**	**68,096**	**90,669**	**101,953**
Cash Flow from Investing Activities						
Purchase of PP&E, net	(128,959)	(270,901)	(159,397)	(60,043)	(60,708)	(61,393)
(Increase) decrease in restricted cash	17,630	27,375	-	-	-	-
Purchase of CRDA investments	(13,269)	-	-	-	-	-
Cash proceeds from sale of Trump Indiana	-	-	-	-	-	-
Sale of Trump Plaza	-	145,140	-	-	-	-
Sale of Trump Marina	-	430,383	-	-	-	-
Net Cash provided by (used in) investing activities	**(124,598)**	**331,996**	**(159,397)**	**(60,043)**	**(60,708)**	**(61,393)**
Cash Flow from Financing Activities						
Borrowings (Paydown) of revolver	-	33,452	19,346	2,128	(54,926)	-
Borrowings from term loan	-	-	-	-	-	-
Repayments of term loan	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Repayment of other long-term debt	(28,042)	(455,907)	-	-	-	-
Payment of deferred financing costs	(597)	-	-	-	-	-
Partnership distributions, net	(3,020)	(3,041)	(3,193)	(3,353)	(3,520)	(3,696)
Contributed capital from reorganization	-	-	-	-	-	-
Cash distribution to noteholders and stockholders	-	-	-	-	-	-
Borrowings (repayment) from DIP facility, net	-	-	-	-	-	-
Repayment of long-term debt, subject to compromise	-	-	-	-	-	-
Other	453	-	-	-	-	-
Net Cash provided by financing activities (exclude revolver)	**(32,706)**	**(460,448)**	**(4,693)**	**(4,853)**	**(5,020)**	**(5,196)**
Net Increase (decrease) in cash and cash equivalents	(163,231)	(85,714)	(18,032)	3,201	24,940	35,364
Cash and cash equivalents at beginning of period	228,554	52,513 #	- #	- #	4,256 #	(26,863)
Cash and cash equivalents before revolver	65,323	(33,201)	(18,032)	3,201	29,196	8,501
Cash and cash equivalents at beginning of period	228,554	52,513	-	-	4,256	(26,863)
Cash and cash equivalents at end of period before revolver	**65,323**	**(33,201)**	**(18,032)**	**3,201**	**29,196**	**8,501**
Decrease (increase) in minimum cash reserve	(12,810)	(251)	(1,314)	(1,073)	(1,133)	(817)
Cash before revolver	**52,513**	**(33,452)**	**(19,346)**	**2,128**	**28,063**	**7,684**
Beginning balance of revolver	**-**	**-**	**33,452**	**52,798**	**54,926**	**-**
Increase (decrease) in revolver	**-** #	**33,452** #	**19,346** #	**2,128** #	**(54,926)** #	**-**
Ending balance of revovler	**-**	**33,452**	**52,798**	**54,926**	**-**	**-**
Max revolver line		**200,000**	**200,000**	**200,000**	**-**	**-**
Cash and cash equivalents at end of period	**52,513**	**-**	**-**	**4,256**	**(26,863)**	**7,684**

Part C: Optimal Capital Structure – Base Case versus Sale of Two Casinos

		Base Case		Sale of 2 Casinos	
	2006	2007		2007	
	Current	Base	Aggressive	Base	Aggressive
EBITDA	169,637	169,637	169,637	89,086	89,086
Coverage ratio	1.30	2.00	3.00	2.00	3.00
Interest Expense	(130,144)	84,819	56,546	44,543	29,695
Interest Rate	9.25%	8.50%	8.50%	8.50%	8.50%
Debt Balance	1,407,433	997,865	665,243	524,034	349,356
Enterprise Value	1,962,695	1,942,483	1,942,483	1,869,546	1,869,546
Cash	100,007	27,032	27,032	13,061	13,061
Minority Interest	125,395	125,395	125,395	115,502	115,502
Net Debt	1,432,821	1,096,228	763,606	626,475	451,797
Equity Value	529,874	971,650	1,304,271	1,358,573	1,533,251
Curent projection for 2007 debt balance		1,395,706	1,395,706	1,395,706	1,395,706
Required reduction via sale, equity financing, debt restructuring, etc.		**397,841**	**730,463**	**871,672**	**1,046,350**
Percent reduction		*29%*	*52%*	*62%*	*75%*

Appendix B: Industry Metrics

Trading Multiple ($ in millions, except per share data)

Company Name	Market Cap	TEV	TEV/LTM Total Rev	TEV/LTM EBITDA	P/LTM Basic EPS	P/Diluted EPS Before Extra	P/Diluted EPS	P/EPS Est. FY	P/EPS Est. FY+1	P/TangBV	P/BV
Ameristar Casinos Inc. (NasdaqNM:ASCA)	1,831	2,613	2.6x	9.5x	30.4x	31.0x	31.0x	22.4x	20.5x	5.1x	4.2x
Boyd Gaming Corp. (NYSE:BYD)	4,172	6,141	2.8x	9.6x	36.2x	26.6x	36.7x	24.2x	21.7x	20.9x	3.8x
Harrah's Entertainment Inc. (NYSE:HET)	15,826	27,168	2.8x	11.1x	29.0x	30.4x	29.7x	21.3x	18.6x	46.7x	2.6x
Isle of Capri Casinos Inc. (NasdaqNM:ISLE)	779	1,885	1.8x	8.1x	24.3x	73.6x	25.6x	237.3x	41.6x	NM	2.6x
Las Vegas Sands Corp. (NYSE:LVS)	30,712	34,387	15.4x	49.1x	69.4x	69.6x	69.6x	52.6x	30.2x	24.1x	14.8x
MGM Mirage (NYSE:MGM)	20,341	32,883	4.6x	13.6x	31.3x	32.8x	32.2x	30.2x	26.1x	9.3x	5.3x
Penn National Gaming Inc. (NasdaqNM:PENN)	3,634	6,314	2.8x	10.1x	11.0x	17.3x	11.3x	22.5x	18.3x	NM	3.9x
Pinnacle Entertainment Inc. (NYSE:PNK)	1,705	2,291	2.6x	13.9x	17.7x	22.7x	18.3x	42.6x	32.7x	2.4x	2.0x
Station Casinos Inc. (NYSE:STN)	4,966	8,318	6.2x	16.3x	45.6x	47.0x	47.0x	40.1x	33.6x	NM	NM
Wynn Resorts Ltd. (NasdaqNM:WYNN)	9,788	11,385	7.9x	38.8x	15.3x	15.4x	15.4x	41.2x	35.6x	6.2x	5.9x
High			15.4x	49.1x	69.4x	73.6x	69.6x	237.3x	41.6x	46.7x	14.8x
Low			1.8x	8.1x	11.0x	15.4x	11.3x	21.3x	18.3x	2.4x	2.0x
Mean			5.0x	18.0x	31.0x	36.6x	31.7x	53.4x	27.9x	16.4x	5.0x
Median			**2.8x**	**12.3x**	**29.7x**	**30.7x**	**30.4x**	**35.1x**	**28.2x**	**9.3x**	**3.9x**
Trump Entertainment Resorts Inc. (NasdaqNM:TRMP)	564	1,997	1.9x	11.5x	NM	NM	NM	66.9x	38.0x	NM	1.4x

Operating Statistics (All data here is in percentage)

	Profitability			Growth					Leverage		ROIC		
Company Name	LTM EBITDA Margin	LTM EBIT Margin	Income Margin	1 Yr Total Rev Growth	1 Yr EBITDA Growth	Income Growth	3 Yr EBITDA Growth	Income Growth	Debt/Total Capital	Debt/LTM EBITDA	Return on Equity	Return on Assets	Return on Capital
Ameristar Casinos Inc. (NasdaqNM:ASCA)	27.41	18.02	5.95	4.05	7.53	(10.14)	10.31	7.75	67.04	3.2x	14.57	7.70	9.08
Boyd Gaming Corp. (NYSE:BYD)	29.32	19.83	5.33	1.46	1.48	(19.25)	40.10	41.83	65.83	3.3x	14.62	6.53	7.87
Harrah's Entertainment Inc. (NYSE:HET)	25.23	17.88	5.54	38.00	35.49	126.65	34.25	22.34	66.38	5.0x	8.93	5.05	6.19
Isle of Capri Casinos Inc. (NasdaqNM:ISLE)	22.05	12.97	3.03	23.32	25.98	372.62	(2.68)	(14.44)	79.06	5.3x	4.06	4.74	5.62
Las Vegas Sands Corp. (NYSE:LVS)	31.29	26.34	19.76	28.49	19.38	55.81	42.88	125.69	66.63	5.9x	23.99	6.69	7.79
MGM Mirage (NYSE:MGM)	33.80	24.68	9.03	17.09	25.06	46.25	30.55	38.56	77.15	5.4x	17.95	5.17	6.83
Penn National Gaming Inc. (NasdaqNM:PENN)	27.97	22.45	14.57	63.94	70.92	170.48	38.60	85.23	75.57	4.5x	29.04	7.24	8.86
Pinnacle Entertainment Inc. (NYSE:PNK)	18.56	10.79	8.65	36.03	73.12	1,155.28	23.85	NM	52.71	4.7x	11.03	4.02	4.69
Station Casinos Inc. (NYSE:STN)	37.99	28.20	8.23	20.76	8.18	(31.92)	21.39	35.46	105.69	6.8x	49.65	7.10	8.06
Wynn Resorts Ltd. (NasdaqNM:WYNN)	20.47	8.22	43.90	98.38	214.91	NM	NM	NM	59.19	8.1x	39.19	1.71	1.91
High	37.99	28.20	43.90	98.38	214.91	1,155.28	42.88	125.69	105.69	8.1x	49.65	7.70	9.08
Low	18.56	8.22	3.03	1.46	1.48	(31.92)	(2.68)	(14.44)	52.71	3.2x	4.06	1.71	1.91
Mean	27.41	18.94	12.40	33.15	48.20	207.31	26.58	42.80	71.52	5.2x	21.30	5.59	6.69
Median	**27.69**	**18.92**	**8.44**	**25.90**	**25.52**	**55.81**	**30.55**	**37.01**	**66.83**	**5.1x**	**16.28**	**5.85**	**7.31**
Trump Entertainment Resorts Inc. (NasdaqNM:TRMP)	16.87	10.23	(1.80)	3.42	9.54	NM	(7.40)	NM	72.34	8.1x	(4.58)	2.86	3.33

Past Transaction Analysis – Small Cap Transaction

#	Announced Date	Target/Issuer	Total Transaction Value ($mm)	Buyers/Investors	Enterprise Value ($mm)	Equity Value ($mm)	Enterprise Value/Revenues (X)	Enterprise Value/EBITDA (X)	Equity Value/LTM Net Income (X)	Equity Value/Book Value (X)	Target Stock Premium % - 1 Day Prior (%)	Consideration Offered	Deal Attitude
1	08-09-2004	Trump Entertainment Resorts Inc. (NasdaqNM:TRMP)	2,239	CSFB Private Equity, DLJ Merchant Banking Partners III, L.P.	2,158	400	1.9x	9.4x	-	-	-	Cash	Friendly
2	09-11-2003	Horseshoe Gaming Holding Corp.	1,474	Harrah's Entertainment Inc. (NYSE:HET)	1,388	915	1.7x	7.8x	12.0x	3.6x	-	Cash	Friendly
3	08-07-2002	Hollywood Casino Corp.	923	Penn National Gaming Inc. (NasdaqNM:PENN)	793	353	1.7x	6.2x	167.4x	-	18.6	Cash	Friendly
4	07-09-2001	Anchor Gaming	1,433	International Game Technology (NYSE:IGT)	1,409	1,022	3.7x	7.3x	-	-	9.8	Common Equity	Friendly
5	10-18-2000	Station Casinos, Inc., Two Missouri Casino Properties	1,135	Ameristar Casinos Inc. (NasdaqNM:ASCA)	1,114	488	3.4x	12.7x	-	-	-	Cash	Friendly
Small Cap (Equity Value <US $1Bn)				Max	2,158	1,022	3.7x	12.7x	167.4x	3.6x	18.6		
				Min	793	353	1.7x	6.2x	12.0x	3.6x	9.8		
				Average	1,372	635	2.5x	8.7x	89.7x	3.6x	14.2		
				Median	**1,388**	**488**	**1.9x**	**7.8x**	**89.7x**	**3.6x**	**14.2**		

Past Transaction Analysis – Mid Cap Transaction

#	Announced Date	Target/Issuer	Total Transaction Value ($mm)	Buyers/Investors	Enterprise Value ($mm)	Equity Value ($mm)	Enterprise Value/Revenues (X)	Enterprise Value/EBITDA (X)	Equity Value/LTM Net Income (X)	Equity Value/Book Value (X)	Target Stock Premium % - 1 Day Prior (%)	Consideration Offered	Deal Attitude
1	04-13-2006	Aztar Corp.	2,810	Wimar Tahoe Corp	2,740	1,967	3.0x	12.1x	41.0x	3.1x	21.8	Cash	Hostile
2	04-03-2006	Aztar Corp.	2,477	Ameristar Casinos Inc. (NasdaqNM:ASCA)	2,407	1,687	2.6x	10.7x	35.0x	2.6x	11.9	Cash	Hostile
3	03-30-2006	Aztar Corp.	2,270	Colony Capital, LLC	2,182	1,471	2.4x	10.0x	26.8x	2.3x	5.0	Cash	Hostile
4	03-20-2006	Kerzner International Ltd.	3,896	Colony Capital, LLC, Goldman Sachs Group, Merchant Banking Division, Istithmar, Providence Equity	3,760	2,974	5.0x	17.5x	47.3x	2.6x	15.1	Cash	Friendly
5	03-13-2006	Aztar Corp.	2,637	Pinnacle Entertainment Inc. (NYSE:PNK)	2,566	1,831	2.8x	11.3x	38.2x	2.9x	66.1	Cash	Hostile
6	10-07-2005	Coral Eurobet Limited	3,837	Gala Coral Group Ltd.	3,837	3,837	-	-	-	-	-	Cash	Friendly
7	11-03-2004	Argosy Gaming Co.	2,254	Penn National Gaming Inc. (NasdaqNM:PENN)	2,190	1,448	2.2x	8.2x	25.3x	4.1x	16.4	Cash, Debt Assumption	Friendly
Mid Cap (US$ 1 Bn<Equity Value <US $5 Bn)				Max	3,837	3,837	5.0x	17.5x	47.3x	4.1x	66.1		
				Min	2,182	1,448	2.2x	8.2x	25.3x	2.3x	5.0		
				Average	2,812	2,174	3.0x	11.6x	35.6x	2.9x	22.7		
				Median	**2,566**	**1,831**	**2.7x**	**11.0x**	**36.6x**	**2.7x**	**15.8**		

Past Transaction Analysis – Large Cap Transaction

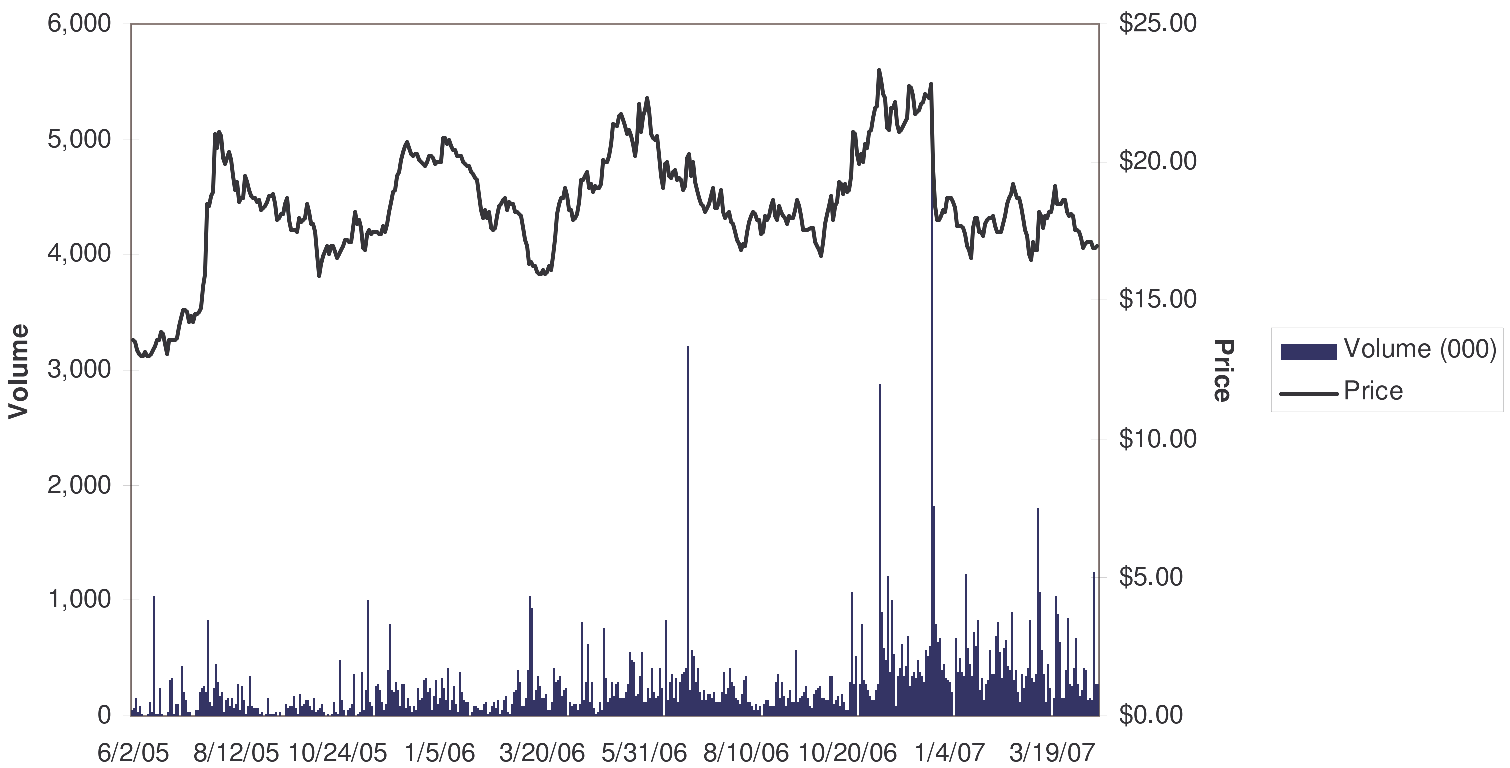
#	Announced Date	Target/Issuer	Total Transaction Value ($mm)	Buyers/Investors	Enterprise Value ($mm)	Equity Value ($mm)	Enterprise Value/Revenues (X)	Enterprise Value/EBITDA (X)	Equity Value/LTM Net Income (X)	Equity Value/Book Value (X)	Target Stock Premium % - 1 Day Prior (%)	Consideration Offered	Deal Attitude
1	12-02-2006	Station Casinos Inc. (NYSE:STN)	8,733	Colony Capital, LLC	8,638	5,154	6.8x	18.0x	40.0x	-	30.3	Cash	Friendly
2	10-02-2006	Harrah's Entertainment Inc. (NYSE:HET)	27,892	Apollo Investment Fund V, L.P., Apollo Investment Fund VI, L.P., Apollo Management, L.P., TPG, TPG Partners V, L.P.	27,221	16,747	2.9x	11.2x	41.1x	2.8x	35.5	Cash	Hostile
3	01-10-2006	GTECH Holdings Corp.	5,408	Lottomatica SpA (CM:LTO)	5,098	4,648	4.3x	10.9x	23.2x	7.3x	4.5	Cash	Friendly
4	07-14-2004	Caesars Entertainment Inc.	10,224	Harrah's Entertainment Inc. (NYSE:HET)	9,573	5,681	2.1x	8.8x	61.8x	1.7x	22.2	Elections	Friendly
Large Cap (Equity Value > US $5 Bn)				Max	27,221	16,747	6.8x	18.0x	61.8x	7.3x	35.48		
				Min	5,098	4,648	2.1x	8.8x	23.2x	1.7x	4.48		
				Average	12,632	8,057	4.0x	12.2x	41.5x	3.9x	23.1		
				Median	**9,105**	**5,417**	**3.6x**	**11.0x**	**40.6x**	**2.8x**	**26.22**		

Past Transaction Analysis - < $2B Market Cap

Announced Date	Target/Issuer	Total Transaction Value ($mm)	Buyers/Investors	Enterprise Value ($mm)	Equity Value ($mm)	Enterprise Value/Revenues (X)	Enterprise Value/EBITDA (X)	Equity Value/LTM Net Income (X)	Equity Value/Book Value (X)	Target Stock Premium % - 1 Day Prior (%)	Consideration Offered	Deal Attitude
08/09/2004	Trump Entertainment Resorts Inc. (NasdaqNM:TR	2,239	CSFB Private Equity, DLJ Merchant Banking Partners III, L.P.	2,158	400	1.9x	9.4x	-	-	-	Cash	Friendly
09/11/2003	Horseshoe Gaming Holding Corp.	1,474	Harrah's Entertainment Inc. (NYSE:HET)	1,388	915	1.7x	7.8x	12.0x	3.6x	-	Cash	Friendly
08/07/2002	Hollywood Casino Corp.	923	Penn National Gaming Inc. (NasdaqNM:PENN)	793	353	1.7x	6.2x	167.4x	-	18.6	Cash	Friendly
07/09/2001	Anchor Gaming	1,433	International Game Technology (NYSE:IGT)	1,409	1,022	3.7x	7.3x	-	-	9.8	Common Equity	Friendly
10/18/2000	Station Casinos, Inc., Two Missouri Casino Properties	1,135	Ameristar Casinos Inc. (NasdaqNM:ASCA)	1,114	488	3.4x	12.7x	-	-	-	Cash	Friendly
04/13/2006	Aztar Corp.	2,810	Wimar Tahoe Corp	2,740	1,967	3.0x	12.1x	41.0x	3.1x	21.8	Cash	Hostile
04/03/2006	Aztar Corp.	2,477	Ameristar Casinos Inc. (NasdaqNM:ASCA)	2,407	1,687	2.6x	10.7x	35.0x	2.6x	11.9	Cash	Hostile
03/30/2006	Aztar Corp.	2,270	Colony Capital, LLC	2,182	1,471	2.4x	10.0x	26.8x	2.3x	5.0	Cash	Hostile
03/13/2006	Aztar Corp.	2,637	Pinnacle Entertainment Inc. (NYSE:PNK)	2,566	1,831	2.8x	11.3x	38.2x	2.9x	66.1	Cash	Hostile
11/03/2004	Argosy Gaming Co.	2,254	Penn National Gaming Inc. (NasdaqNM:PENN)	2,190	1,448	2.2x	8.2x	25.3x	4.1x	16.4	Cash, Debt Assumption	Friendly
Mid Cap (US Equity Value <US $2B)			Max	2,740	1,967	3.0x	12.7x	41.0x	4.1x	66.1		
			Min	2,182	1,448	2.2x	6.2x	25.3x	2.3x	5.0		

Stock Price Trading History

Stock Price History Since Emergence from Bankruptcy



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