

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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TRUMPS CASTLE FUNDING INC

CIK: **770618** | IRS No.: **112739201** | State of Incorporation: **NJ** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-09029** | Film No.: **94527829**
SIC: **7990** Miscellaneous amusement & recreation

Mailing Address	Business Address
<i>BRIGANTINE BLVD & HURON AVE</i>	<i>BRIGANTINE BLVD & HURON AVE</i>
<i>ATLANTIC CITY NJ 08401</i>	<i>ATLANTIC CITY NJ 08401</i>
	<i>6094418640</i>

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 1994

Commission File No. 1-9029

TRUMP'S CASTLE FUNDING, INC.

(Exact name of registrant as specified in its charter)

NEW JERSEY

11-2739203

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

HURON AVENUE & BRIGANTINE BOULEVARD
ATLANTIC CITY, NEW JERSEY

08401

(Address of principal executive offices)

(Zip Code)

609-441-8679

Registrant's telephone number, including area code

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by checkmark whether the Registrant has filed all documents

and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X No

As of May 13, 1994, there were 200 shares of Trump's Castle Funding, Inc.'s common stock outstanding.

TRUMP'S CASTLE ASSOCIATES AND SUBSIDIARY

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TRUMP'S CASTLE ASSOCIATES AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(in thousands)

ASSETS	March 31, 1994 (unaudited)	December 31 1993
CURRENT ASSETS:		
Cash and temporary investments	\$18,359	\$20,439
Receivables, net	10,634	9,654
Due from affiliates, net	1,054	615
Inventories	2,470	2,315
Other current assets	3,267	3,515
Total current assets	35,784	36,538
PROPERTY AND EQUIPMENT, NET	331,694	334,354
OTHER ASSETS	3,431	5,043
Total assets	\$370,909	\$375,935
LIABILITIES AND CAPITAL		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$26,605	\$34,229
Accrued interest payable	8,852	234
Total current liabilities	35,457	34,463
MORTGAGE NOTES, due 2003 net of unamortized discount of \$39,149 and \$39,589	202,992	202,552
PIK NOTES, due 2005, net of unamortized discount of \$8,145 and		

\$8,256 and includes \$913 of PIK interest payable through March 31, 1994	43,266	42,242
OTHER BORROWINGS	65,000	65,000
Total liabilities	346,715	344,257
CAPITAL	24,194	31,678
Total liabilities and capital	\$370,909	\$375,935

The accompanying note to consolidated financial statements is an integral part of these consolidated balance sheets.

TRUMP'S CASTLE ASSOCIATES AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)
(in thousands)

	For the Three Months Ended March 31	
	1994	1993
REVENUES:		
Gaming	\$61,782	\$56,325
Rooms	3,923	3,812
Food and beverage	6,268	6,788
Other	1,565	1,507
Gross Revenues	73,538	68,432
Less- Promotional allowances	7,209	6,910
Net Revenues	66,329	61,522
COSTS AND EXPENSES:		
Gaming	37,766	36,041
Rooms	630	761

Food and beverage	2,750	3,759
General and administrative	18,277	13,951
Depreciation and amortization	3,591	4,660
	63,014	59,172
Income from operations	3,315	2,350
INTEREST INCOME	147	134
INTEREST EXPENSE	(10,946)	(11,230)
Net Loss	(\$7,484)	(\$8,746)

The accompanying note to consolidated financial statements is an integral part of these consolidated statements.

TRUMP'S CASTLE ASSOCIATES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 1994
(unaudited)
(in thousands)

	Partners' Capital	Partners' Deficit	Total
Balance at December 31, 1993	73,395	(41,717)	31,678
Net loss	-	(7,484)	(7,484)
Balance at March 31, 1994	\$73,395	(\$49,201)	\$24,194

The accompanying note to consolidated financial statements
is an integral part of these consolidated statements.

TRUMP'S CASTLE ASSOCIATES AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(in thousands)

	For The Three Months Ended March 31	
	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(\$7,484)	(\$8,746)
Adjustments to reconcile net profit (loss) to net cash flows provided by (used in) operating activities		
Noncash charges-		
Depreciation and amortization	3,591	4,660
Accretion of bond discount	551	2,433
Provision for losses on receivables	2,388	306
Valuation adjustment of CRDA investments	291	264
	(663)	(1,083)
(Increase) decrease in receivables, net	(3,807)	963
(Increase) decrease in inventories	(155)	127
Decrease in other current assets	183	1,132
Decrease in other assets	2,089	315
Increase (decrease) in current liabilities	1,907	(2,116)
Net cash flows used in operating activities	(\$446)	(\$662)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(\$931)	(\$3,683)
Purchase of CRDA investments	(703)	(654)
Net cash flows used in investing		

activities	(1,634)	(4,337)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Distributions to TC\GP, INC.		(179)
Net decrease in cash and cash equivalents	(2,080)	(5,178)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,439	23,610
CASH AND CASH EQUIVALENTS AT MARCH 31	\$18,359	\$18,432
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$857	\$10,786

The accompanying note to consolidated financial statements is an integral part of these consolidated statements.

TRUMP'S CASTLE ASSOCIATES AND SUBSIDIARY
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Note to Trump's Castle's 10-Q

The accompanying consolidated financial statements include those of Trump's Castle Associates, a New Jersey general partnership (the "Partnership") and its wholly owned subsidiary, Trump's Castle Funding, Inc., a New Jersey Corporation (the "Company"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

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

The accompanying financial statements have been prepared by the Partnership pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in the financial statements prepared in conformity with generally accepted accounting principles have been omitted.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1993 filed with the Securities and Exchange Commission.

The results of operations for the three month period ended March 31, 1994 are not necessarily indicative of the operating results to be attained for any other period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

Results of Operations for the Three Month Period Ended March 31, 1994 and March 31, 1993.

The Partnership's net revenues (gross revenues less promotional expenses) for the three months ended March 31, 1994 and 1993 totaled approximately \$66.3 million and \$61.5 million, respectively, representing a \$4.8 million (7.8%) increase. Gaming revenues were approximately \$61.8 million for the three months ended March 31, 1994 and \$56.3 million for the comparable period in 1993.

Gaming revenue is comprised of table game win and slot machine win. For the three months ended March 31, 1994 and 1993, table game win at Trump's Castle approximated \$22.9 million and \$17.0 million, respectively. During these periods, dollars wagered on table games totalled approximately \$111.2 million with a win percentage of 20.1% in 1994 and \$116.7 million with a win percentage of 14.6% in 1993. In late 1993, Trump's Castle commenced a shift in marketing strategy which included the attraction of international table game patrons. On January 1, 1994 Trump's Castle won in excess of \$6.0 million from four such patrons (See below).

For the three months ended March 31, 1994 and 1993, table game credit extended to customers was approximately 31.0% and 26.3% of overall table play, respectively.

For the three months ended March 31, 1994 and 1993, slot win at Trump's Castle approximated \$38.9 million and \$39.3 million, respectively. Dollars wagered on slot machines totaled approximately \$427.6 million and \$420.2 million for the three months ended March 31, 1994 and 1993, respectively, with a win percentage of 9.1% in 1994 and 9.4% in 1993, respectively.

In the aggregate, nongaming revenues at Trump's Castle did not vary significantly for the three months ended March 31, 1994 when compared to the same period in 1993.

Gaming costs and expenses increased for the three months ended March 31, 1994 by \$1.7 million. This increase is due to a \$2 million bad debt reserve recorded in the first quarter of 1994, net of a variety of other cost reductions. The \$2 million bad debt reserve was recorded against a \$4 million receivable relating to the January 1, 1994 gaming loss by four international patrons.

The decrease in food and beverage operating expenses is primarily attributable to a variety of cost reduction measures and an improvement in the operational efficiency of all food and beverage outlets. In addition, a reduction in food and beverage

business volume enabled Trump's Castle to reduce certain variable expenses.

General and administrative expenses increased approximately \$4.3 million for the quarter ended March 31, 1994 as compared to the prior year. The increase was primarily attributable to a \$2 million contribution to a marina beautification project and \$1.8 million of real estate taxes incurred in the first quarter of 1994. (During the first quarter of 1993, Trump's Castle was the beneficiary of real estate tax credits that virtually eliminated the real estate tax expense for the quarter).

For the three months ended March 31, 1994, depreciation and amortization decreased \$1.1 million over the comparable period in 1993, primarily as a result of the impact of fully depreciated assets.

Interest expense decreased for the three month period ended March 31, 1994 by approximately \$.3 million as a result of the recapitalization on December 28, 1993.

Inflation. There was no significant impact on the

Partnership's operations as a result of inflation during the three months ended March 31, 1994 and 1993.

Liquidity and Capital Resources. Upon consummation of the Recapitalization in December 1993 (see Item 5. Other Information), the Partnership had a working capital surplus of \$2.1 million including \$20.4 million of cash and temporary investments.

The effect of the Recapitalization on the Partnership's capital structure has been to increase the Partnership's weighted average cost of debt from approximately 9.43% to approximately 11.74%. The increase in the weighted average cost of debt capital will be offset, at least initially, by an approximately \$23 million decrease in the principal amount of the Partnership's outstanding indebtedness and by a reduction in the cash required to meet the Partnership's debt service obligations in the near future. As a result of the Recapitalization, the Partnership's consolidated indebtedness has been reduced from \$381 million to \$358 million. The pay-in-kind feature of the PIK Notes could, however, result in an additional \$130 million of indebtedness over the next ten years, assuming all accrued interest on the PIK Notes is paid in additional PIK Notes. It is projected that the Partnership will require approximately \$31.4 million in 1994 and \$36.1 million in 1995 in operating cash flow to meet its debt service obligations. If necessary, the Partnership may seek to obtain a credit facility of up to \$10 million in principal amount to fund any shortfall in cash available to meet debt service obligations.

Management believes, based upon its current level of operations, that although the Partnership is highly leveraged, it will continue to have the ability to pay interest on its indebtedness and to pay other liabilities with funds from operations for the foreseeable future. However, there can be no assurance to that effect. In the event that circumstances change, the Partnership may seek to obtain a working capital facility of up to \$10 million, although there can be no assurance that such financing will be available on terms acceptable to the Partnership.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

The Partnership and certain affiliated entities are involved in various legal proceedings. Reference is made to the description contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1993, and in the Company's Quarterly Report on Form 10-Q for the fiscal quarters ended September 30, 1993 and June 30, 1993.

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to Vote of Security Holders.

None

Item 5. Other Information.

On December 28, 1993, the Partnership and Funding consummated the first step in the Recapitalization, an exchange offer (the "Exchange Offer") pursuant to which each \$1,000 principal amount of Bonds accepted for exchange was exchanged for \$750 principal amount of Funding's 11-3/4% Mortgage Notes due 2003 (the "Mortgage Notes"), \$120 principal amount of Funding's Increasing Rate Subordinated Pay-in-Kind Notes due 2005 (the "PIK Notes") and a cash payment of \$6.19, plus accrued interest to the date of exchange. The 3.8% of Bonds not validly tendered in the Exchange Offer were defeased, and pursuant to their terms, called for redemption at a price equal to 75% of the principal amount thereof, plus accrued interest to the date of redemption.

On December 28, 1993, Funding issued, through a private placement, \$27 million principal amount of its 11-1/2% Series A Senior Secured Notes due 2000 (the "Series A Notes"). The net proceeds from the sale of the Series A Notes were used by the Partnership (i) to fund the

redemption of the Bonds not exchanged in the Exchange Offer and (ii) to repay a portion of the Partnership's outstanding indebtedness. Pursuant to the terms of a Registration Rights Agreement with the purchasers of the Series A Notes, Funding and the Partnership have filed a registration statement with the Securities and Exchange Commission (the "SEC") for the issuance of \$27 million principal amount of Funding's 11-1/2% Series B Senior Secured Notes (the "Series B Notes") in exchange for the \$27 million outstanding principal amount of the Series A Notes. The Series B Notes have terms which are virtually identical to those of the Series A Notes. There can be no assurance that such offering will be consummated.

On December 30, 1993, the second step in the Recapitalization was consummated, a merger (the "Merger") of Trump's Castle Holding, Inc. ("Holding"), a Delaware corporation wholly owned by the Partnership, with and into TC/GP. Pursuant to the terms of the Merger, each holder of TC/GP Common Stock, other than those who exercised their statutory appraisal rights, received \$35 principal amount of PIK Notes for each share of TC/GP Common Stock. The Partnership, as the holder of all of the outstanding common stock of Holding immediately prior to consummation of the Merger, acquired all of the outstanding common stock of TC/GP as a result of the Merger. Upon consummation of the Merger, the Partnership distributed all of the TC/GP common stock to Trump, and the partnership agreement of the Partnership was amended and restated to alter certain governance procedures and to otherwise reflect the Recapitalization.

As a result of the Recapitalization, TC/GP has a 37.5% interest in the Partnership, Trump has a 61.5% interest in the Partnership, TCHI has a 1% interest in the Partnership and Trump is the beneficial owner of 100% of the common equity interests in the Partnership (subject to the Litigation Warrants). Also as a consequence of the Recapitalization, the principal amount of the Partnership's debt has been reduced, and, initially, the Partnership's cash charges have been reduced.

Upon consummation of the Recapitalization, Funding's

outstanding debt consisted of the \$27 million principal amount outstanding of its Senior Notes, the approximately \$242 million principal amount outstanding of its Mortgage Notes (which are subordinated to the Senior Notes) and the approximately \$50 million principal amount outstanding of its PIK Notes (which are subordinated to both the Senior Notes and the

Mortgage Notes). Funding has also guaranteed the Midlantic Term Loan (as defined below).

In addition, upon consummation of the Recapitalization, the Partnership had outstanding approximately \$358 million principal amount of indebtedness, including a term loan due to Midlantic National Bank, which had an aggregate principal amount outstanding of \$38 million as of December 31, 1993 (the "Midlantic Term Loan").

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

None

(b) The Company filed the following Current Reports on Form 8-K:

None

SIGNATURE

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

TRUMP'S CASTLE FUNDING, INC.

(Registrant)

By: /s/ Robert E. Schaffhauser

Robert E. Schaffhauser
Assistant Treasurer
(Duly Authorized Officer and
Chief Accounting Officer)

Date: May 13, 1994