TRUMP ENTERTAINMENT RESORTS, INC.
Form 10-K
March 19, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

TRUMP ENTERTAINMENT RESORTS, INC.

TRUMP ENTERTAINMENT RESORTS HOLDINGS, L.P.

TRUMP ENTERTAINMENT RESORTS FUNDING, INC.

(Exact name of registrants as specified in their charters)

Delaware	**1-13794**	**13-3818402**
Delaware	**33-90786**	**13-3818407**
Delaware	**33-90786-01**	**13-3818405**
(State or other jurisdiction of incorporation or organization)	**(Commission File Numbers)**	**(I.R.S. Employer Identification No.)**

15 South Pennsylvania Avenue

Atlantic City, New Jersey 08401

(609) 449-5866

(Address, including zip code, and telephone number, including area code, of principal executive offices)

N/A

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Trump Entertainment Resorts, Inc.	**Common Stock, par value $0.001 per share**	**None**
Trump Entertainment Resorts Holdings, L.P.	**None**	**None**
Trump Entertainment Resorts Funding, Inc.	**None**	**None**

Indicate by check mark if each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Trump Entertainment Resorts, Inc.	Yes ¨ No x
Trump Entertainment Resorts Holdings, L.P.	Yes x No ¨
Trump Entertainment Resorts Funding, Inc.	Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Trump Entertainment Resorts, Inc.

Large Accelerated Filer ¨	Accelerated Filer ¨	Non-Accelerated Filer ¨	Smaller Reporting Company x

Trump Entertainment Resorts Holdings, L.P.

Large Accelerated Filer ¨	Accelerated Filer ¨	Non-Accelerated Filer x	Smaller Reporting Company ¨

Trump Entertainment Resorts Funding, Inc.

Large Accelerated Filer ¨	Accelerated Filer ¨	Non-Accelerated Filer x	Smaller Reporting Company ¨

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

The aggregate market value of the voting and non-voting common equity of Trump Entertainment Resorts, Inc. held by non-affiliates as of June 30, 2009 was approximately $5,051,878, based upon the closing price of $0.17 for the common stock on the OTC Bulletin Board on that date. The aggregate market value of the voting and non-voting common equity of Trump Entertainment Resorts Funding, Inc. held by non-affiliates as of June 30, 2009 was $0. The common stock of Trump Entertainment Resorts, Inc. traded on the Nasdaq Global Market (formerly, the Nasdaq National Market System) from September 20, 2005 through February 26, 2009 under the ticker symbol TRMP.

Indicate by check mark whether the registrants have filed all documents and reports required to be filed by Section 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 March 18, 2010, there were 31,270,345 shares of common stock and 900 shares of class B common stock of Trump Entertainment Resorts, Inc. outstanding. As of March 18, 2010, there were 100 shares of common stock of Trump Entertainment Resorts Funding, Inc. outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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PART I

Item 1. Business

In this Report, TER means Trump Entertainment Resorts, Inc., a Delaware corporation. The words Company, we, us, our and similar terms collectively refer to TER and its subsidiaries, including, but not limited to, Trump Entertainment Resorts Holdings, L.P., a Delaware limited partnership of which TER is the sole general partner and an indirect limited partner (TER Holdings), and Trump Entertainment Resorts Funding, Inc., a Delaware corporation wholly-owned by TER Holdings (TER Funding).

We are the successors to Trump Hotels & Casino Resorts, Inc., a Delaware corporation formed in 1995 (THCR), and its subsidiaries.

Recent Events

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

The Debtors continue to operate their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court.

As debtors-in-possession, the Debtors are authorized to continue to operate as ongoing businesses, and may pay all debts and honor all obligations arising in the ordinary course of their businesses after the Petition Date. However, the Debtors may not pay creditors on account of obligations arising before the Petition Date or engage in transactions outside the ordinary course of business without approval of the Bankruptcy Court, after notice and an opportunity for a hearing.

Under the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most litigation pending against the Debtors, are stayed. Other pre-petition contractual obligations against the Debtors generally may not be enforced. Absent an order of the Bankruptcy Court providing otherwise, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization to be voted upon by creditors and other stakeholders, and approved by the Bankruptcy Court.

The Debtors have received approval from the Bankruptcy Court of their first day motions, which were filed as part of the Chapter 11 Case. Among other first day relief, the Debtors received approval to continue wage and salary payments and other benefits to employees as well as certain related pre-petition obligations; to continue to honor customer programs as well as certain related pre-petition customer obligations; and to pay certain pre-petition trade claims held by critical vendors. The Debtors intend to continue to pay vendors and suppliers in the ordinary course of business for goods and services delivered post-petition.

Under the priority scheme established by the Bankruptcy Code, certain post-petition and secured or priority pre-petition liabilities need to be satisfied before general unsecured creditors and holders of the Debtors equity are entitled to receive any distribution. No assurance can be given as to what values, if any, will be ascribed in the bankruptcy proceedings to the claims and interests of each of these constituencies. Additionally, no assurance can be given as to whether, when or in what form, unsecured creditors and holders of the Debtors equity may receive a distribution on such claims or interests.

Under the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this Report, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under the Bankruptcy Code.

For the duration of the Chapter 11 Case, our business is subject to the risks and uncertainties of bankruptcy. For example, the Chapter 11 Case could adversely affect our relationships with customers, suppliers and employees which, in turn, could adversely affect the going concern value of our business and of our assets. At this time, it is not possible to predict with certainty the effect of the Chapter 11 Case on our business or various creditors, or when we will emerge from bankruptcy. Our future results depend upon our confirming and successfully implementing, on a timely basis, a plan of reorganization. See Item 1A. Risk Factors.

The filing of the Chapter 11 Case constituted an event of default or otherwise triggered repayment obligations under the indenture governing the $1.25 billion 8.5% Senior Secured Notes due 2015 (the Senior Notes) issued by TER Holdings and TER Funding and the Company s $493 million senior secured term loan agreement (the 2007 Credit Agreement). As a result, all indebtedness outstanding under the Senior Notes and the 2007 Credit Agreement became automatically due and payable, subject to an automatic stay of any action to collect, assert or recover a claim against the Debtors and the application of applicable bankruptcy law.

On August 3, 2009, the Debtors filed their joint chapter 11 plan of reorganization with the Bankruptcy Court (as thereafter amended, the Original Debtors Plan) and the Disclosure Statement relating thereto (the Original Debtors Disclosure Statement). Following the termination of the Purchase Agreement, dated August 3, 2009 (as thereafter amended as of October 5, 2009), among TER, TER Holdings, BNAC, Inc. and Donald J. Trump (Mr. Trump) by Mr. Trump on November 16, 2009, and subsequent negotiations with their principal creditor constituencies, the Debtors decided to withdraw the Original Debtors Plan. Further, the Debtors decided to endorse and become co-proponents of the plan of reorganization proposed by the ad hoc committee (the Ad Hoc Committee) of the holders of the Senior Notes filed on August 11, 2009, and thereafter amended (the AHC Plan) and the Disclosure Statement relating thereto (the AHC Disclosure Statement). On December 24, 2009, the Debtors and the Ad Hoc Committee filed with the Bankruptcy Court a revised AHC Plan and revised AHC Disclosure Statement (as thereafter amended on January 5, 2010, the Debtors/AHC Plan and Debtors/AHC Disclosure Statement , respectively), reflecting the Debtors support of and co-proponent role with respect to such plan. On January 5, 2010, Beal Bank (formerly, Beal Bank S.S.B.) and Beal Bank of Nevada (together, Beal Bank) and Icahn Partners, L.P. and certain of its affiliates (Icahn Partners) filed a fourth amended joint plan of reorganization with the Bankruptcy Court (as thereafter amended on February 23, 2010, the Beal/Icahn Plan) and the Disclosure Statement relating thereto (the Beal/Icahn Disclosure Statement).

The following is a summary of the matters to occur pursuant to the Debtors/AHC Plan. This summary only highlights certain of the substantive provisions of the Debtors/AHC Plan and is not intended to be a complete description of, or a substitute for a full and complete reading of, the Debtors/AHC Plan. This summary is qualified in its entirety by reference to the full text of the Debtors/AHC Plan.

The key terms of the Debtors/AHC Plan are as follows:

- a capital contribution of $225 million in new equity capital (in exchange for 70% of the new common stock in the reorganized Company) in the form of a rights offering to holders of the Senior Notes and general unsecured claims backstopped by members of the Ad Hoc Committee of the holders of the Senior Notes (the Backstop Parties) (who will receive 20% of the new common stock in the reorganized Company as a backstop fee in consideration for their agreement to provide such backstop);

- $125 million repayment of the 2007 Credit Agreement and reinstatement of the balance of the loan on modified terms;

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- 5% of the new common stock in the reorganized Company and warrants to purchase up to an additional 5% of such new common stock will be issued to Mr. Trump or his affiliates, which warrants will be exercisable for five years commencing on the effective date of the Debtors/AHC Plan at a price per share equivalent to the $1.25 billion principal amount of the Senior Notes plus all interest accrued thereon as of the petition date divided by the total number of shares of new common stock to be outstanding on the effective date;

- a pro rata distribution of 5% of the new common stock in the reorganized Company to holders of Senior Notes and general unsecured claims; and

- no recovery for old equity.

The following is a summary of the matters to occur pursuant to the Beal/Icahn Plan. This summary only highlights certain of the substantive provisions of the Beal/Icahn Plan and is not intended to be a complete description of, or a substitute for a full and complete reading of, the Beal/Icahn Plan. This summary is qualified in its entirety by reference to the full text of the Beal/Icahn Plan.

On February 18, 2010, Beal Bank and Icahn Partners filed a notice that the conditions to the rights offering under the Beal/Icahn Plan were not met, and therefore, it would not be consummated.

The key terms of the Beal/Icahn Plan are as follows:

- because the conditions were not met and the rights offering is not being consummated, Beal Bank and Icahn Partners will receive new equity in satisfaction of their claims under the 2007 Credit Agreement;

- a new $45 million debtor in possession facility is being offered to the Debtors by Icahn Partners to be entered into following the confirmation date, on terms and conditions reasonably acceptable to the Debtors and Icahn Partners, which will be converted into new equity in the reorganized Debtors;

- a capital contribution of $80 million will be made by Icahn Partners on the effective date for new equity in the reorganized Debtors; and

- no recovery for holders of the Senior Notes, general unsecured claims or old equity.

Both the Debtors/AHC Plan and the Beal/Icahn Plan provide that administrative expense claims and priority claims will be paid in full.

On February 23, 2010, a hearing before the Bankruptcy Court began for the confirmation of a plan of reorganization for the Chapter 11 Case. Both the Debtors/AHC Plan and the Beal/Icahn Plan are subject to confirmation by the Bankruptcy Court and customary closing conditions, including approval of the New Jersey Casino Control Commission.

On March 2, 2010, the Debtors and certain holders of the Senior Notes entered into a commitment letter providing for a $45 million senior secured debtor in possession notes facility (the DIP Facility). The borrowings under the DIP Facility would be conditioned upon confirmation of the Debtors/AHC Plan and would accrue interest on the outstanding principal amount thereof at a rate per annum equal to 10% payable on the earlier of the termination date or the date on which an event of default occurs. The maturity date of the DIP Facility would be the earliest of (a) six months from the closing date (or five months after the closing date if that certain Amended and Restated Backstop Agreement, dated December 11, 2009, among the Company and the Backstop Parties is not amended to extend the termination provisions thereunder), (b) the effective date of the Debtors/AHC Plan, (c) the date of confirmation of a plan of reorganization other than the Debtors/AHC Plan and (d) the acceleration of the loans and termination of the commitments. The borrowers would be subject to certain affirmative covenants as well as negative covenants. There are no financing or commitment fees required under the DIP Facility. This financing will help enable the Debtors to meet their anticipated expenses during their non-peak winter season.

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On March 2, 2010, the Debtors filed a motion for entry of an order authorizing the incurrence of post-petition indebtedness with priority over administrative expenses and secured by liens on property of the estates pursuant to the DIP Facility, and approving the DIP Facility.

On March 10, 2010, the hearing before the Bankruptcy Court concluded and the outcome is pending the decision of the Bankruptcy Court. On March 24, 2010, the Bankruptcy Court will hear oral arguments regarding certain motions regarding the recharacterization of certain payments previously made to Beal Bank, certain amendments to the current cash collateral order and the Company entering into the DIP Facility.

Nasdaq Delisting. On February 17, 2009, TER received a notification from the Nasdaq Stock Market (Nasdaq) indicating that the Nasdaq staff had determined, in accordance with Nasdaq Marketplace Rules 4300, 4450(f) and IM-4300, that TER s common stock, par value $0.001 per share (TER Common Stock) would be delisted from Nasdaq in light of the filing of the Chapter 11 Case, concerns about the residual equity interest of the existing listed security holders and concerns about TER s ability to sustain compliance with all of Nasdaq s listing requirements. Nasdaq trading in TER Common Stock was suspended on February 26, 2009. On March 13, 2009, Nasdaq filed a Form 25 with the SEC to complete the delisting. The delisting became effective at the opening of the trading session on March 23, 2009.

Donald J. Trump s Abandonment of Limited Partnership Interests in TER Holdings. By letter dated February 13, 2009, Mr. Trump notified TER that he had abandoned any and all of his 23.5% direct limited partnership interest in TER Holdings and relinquished any and all rights under the Fourth Amended and Restated Agreement of Limited Partnership of TER Holdings (the Partnership Agreement) or otherwise with respect to TER Holdings and Mr. Trump s limited partnership interest.

Resignation of Mr. Trump and Ivanka M. Trump. Pursuant to written letters of resignation dated February 13, 2009, Donald J. Trump and Ivanka M. Trump resigned as members of the Board of Directors of TER (the Board). Mr. Trump served as Chairman of the Board.

The Company

General. We own and operate three casino hotel properties in Atlantic City, New Jersey: Trump Taj Mahal Casino Resort (Trump Taj Mahal); Trump Plaza Hotel and Casino (Trump Plaza); and Trump Marina Hotel Casino (Trump Marina).

The following is a summary of our casino properties at December 31, 2009:

Casino Property	2009 Net Revenues (000s)	Number of Rooms/ Suites	Approximate Number of Gaming Tables	Approximate Number of Slot Machines
Trump Taj Mahal	$ 439,635	2,010	204	2,996
Trump Plaza	196,727	906	71	1,808
Trump Marina	155,787	728	71	1,815
Total	$ 792,149	3,644	346	6,619

Investor Information

We are a public company and are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, we file periodic reports and other information with the Securities and Exchange Commission (the SEC). Such reports and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (*http://www.sec.gov*) that contains reports, proxy and information statements and other information regarding us and other issuers that file electronically.

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Our website address is *http://www.trumpcasinos.com*. We make available, without charge, through our website, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are filed with or furnished to the SEC. References in this document to our website are not and should not be considered part of this Report, and the information on our website is not incorporated by reference in this Report.

Our Corporate Governance Guidelines, Code of Business Conduct, Code of Ethics for Principal Officers and Directors, and the charters of our Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Executive Committee, are available free of charge on our website under the Corporate Governance section in the Investor Relations section.

In addition, we intend to use our website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Such disclosures will be included on our website in the Investor Relations sections. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 about the disclosures contained in this Report are attached hereto and available on our website.

Business and Marketing Strategy

The Atlantic City destination gaming market has been substantially impacted by the national economic downturn. We have implemented the following initiatives to cope with this difficult economic period marked by record-low consumer confidence and the current competitive environment, while simultaneously making strategic investments in our business to improve our market position in the long-term.

We have targeted several initiatives that we believe will enhance our ongoing efforts to retain existing customers, increase trip frequency and acquire new customers. They are:

Revenue and yield management: We have placed significant emphasis on increasing cash revenue at our properties and managing our mix of cash and complimentary customers to yield the most profit from our overnight guests. Our efforts have focused on increasing hotel occupancy and revenue per available room, launching a new interactive marketing campaign and websites to appeal to the growing number of customers utilizing the internet to plan and reserve travel arrangements.

Cost containment: We have taken aggressive steps to streamline our operational expenses while building a corporate structure that reflects the size and structure of our business. Additionally, we have strategically realigned our operating structure to appropriately function within current business volumes during the economic downturn. These initiatives have resulted in significant cost savings at the property and corporate levels.

Marketing: Our overall marketing plan to unite our properties in order to be able to attract and retain customers based on increased offerings in our loyalty rewards program and available amenities included the successful launch of our cornerstone marketing program, TrumpONE. TrumpONE allows guests to earn and redeem complimentaries at each of our properties and, therefore, has substantially increased the range of options available to guests while also consolidating our databases for more effective consumer marketing efforts. We have completed the consolidation of our direct marketing, advertising and public relations functions in order to more effectively market our properties as a unified enterprise.

Customer service: As a result of our belief that providing a memorable, positive experience for our customers is a fundamental necessity of our business, we launched several customer service and satisfaction programs over the past three years designed to train and measure employees on simple service behaviors that can create a superior hospitality experience.

Capitalizing on facility innovation: Over the past several years, we engaged in a retheming and expansion capital program to make various improvements at our facilities, including the construction of the Chairman Tower at Trump Taj Mahal, the renovation of all hotel rooms at each of our properties and the retheming of our gaming floors at Trump Taj Mahal and Trump Plaza. We continue to utilize these enhancements as a basis for our marketing and advertising efforts. For more information on facility enhancements, see *Casino Properties* below.

Additionally, we have developable land at each of our casino properties, including:

- 11.4 acres at Trump Taj Mahal, including 3.5 unique acres on the Steel Pier;
- 3.5 acres at Trump Plaza; and
- 2 acres at Trump Marina, in addition to the capacity to build atop portions of the existing facility.

Casino Properties

Trump Taj Mahal Casino Resort. Trump Taj Mahal, located on the northern end of Atlantic City s boardwalk (the Boardwalk), is located on 39.4 acres and features the new, 782-room Chairman Tower which includes 66 suites and 8 penthouse suites and the original 1,228-room hotel tower, which includes 243 suites and 7 penthouse suites. Trump Taj Mahal also features 16 dining locations, including Il Mulino New York, 5 cocktail lounges, and approximately 143,000 square feet of ballroom, meeting room and pre-function area space. The property also features approximately 162,000 square feet of recently renovated gaming space that includes approximately 204 table games (including poker tables), approximately 2,996 slot machines, a high-end gaming salon, an approximately 12,500 square-foot Poker, Keno and Race Simulcasting room and an Asian-themed table game area offering popular Asian table games. Trump Taj Mahal also features the following: an approximately 20,000 square foot multi-purpose entertainment complex known as the Xanadu Theater, with seating capacity for up to approximately 1,200 people, which can be used as a theater, concert hall, boxing arena or exhibition hall; the Casbah nightclub; the Mark G. Etess Arena, featuring approximately 63,000 square feet of exhibition and entertainment space which can accommodate over 5,000 people; and a health club, spa and fitness center with an indoor pool. Trump Taj Mahal also has a parking garage for approximately 6,750 cars, a 6 bay bus terminal and a roof-top helipad.

Trump Plaza Hotel and Casino. Trump Plaza is located at the center of the Boardwalk at the end of the Atlantic City Expressway (the main highway into the city) covering 10.9 acres with direct access to Boardwalk Hall (an entertainment and sporting venue owned and operated by the New Jersey Sports and Exposition Authority that can accommodate up to approximately 13,000 people). Trump Plaza features approximately 906 hotel rooms, including 140 suites, approximately 87,000 square feet of casino space with approximately 1,808 slot machines and approximately 71 table games. Amenities include approximately 18,000 square feet of conference space, an approximately 750-seat cabaret theater, two cocktail lounges, eleven dining locations, a players club, health spa, an indoor pool, a seasonal beach bar and restaurant and retail outlets. Trump Plaza s parking garage can accommodate 13 buses and approximately 2,700 cars.

Trump Marina Hotel Casino. Trump Marina covers approximately 14 acres in Atlantic City s marina district, overlooks the Senator Frank S. Farley State Marina and features a 27-story hotel with 728 guest rooms, including 157 suites, 97 of which are luxury suites. The casino offers approximately 79,000 square feet of gaming space, approximately 1,815 slot machines, approximately 71 table games and approximately 30,500 square feet of convention, ballroom and meeting space. Trump Marina also features an approximately 500-seat cabaret-style theater, a nightclub, a seasonal deck featuring dining and entertainment, four retail outlets, 8 dining locations, a cocktail lounge, players, club and a recreation deck with a health spa, outdoor pool, tennis courts, basketball courts, jogging track and a pool side snack bar. To facilitate access to the property, Trump Marina has a nine-story parking garage capable of accommodating approximately 3,000 cars. Trump Marina also has an 11 bay bus terminal and a roof-top helipad.

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Competition

Atlantic City Market. The Atlantic City market primarily serves the New York-Philadelphia-Baltimore-Washington, D.C. corridor with nearly 30 million adults living within a three-hour driving radius. The Atlantic City market is the second largest gaming market in the United States, after Las Vegas. In 2009, the casinos in the Atlantic City market generated $3.9 billion in casino revenue. Our three casinos combined represent approximately 21% of the gaming positions and hotel rooms in the Atlantic City market and generate approximately 21% of the market gaming revenue.

Competition in Atlantic City is intense and continues to increase. Currently, the 11 casino hotels located in Atlantic City, including our three properties, compete with each other on the basis of customer service, quality and extent of amenities and promotional offers. For this reason, we and our competitors require substantial capital expenditures to compete effectively. Certain of our existing competitors in Atlantic City have recently completed significant room expansion projects and added other new amenities to their facilities. During early 2009, we completed the construction of the Chairman Tower, a 782-room hotel tower at the Taj Mahal, to remain competitive with these facilities.

Revel Entertainment Group (Revel) continues development on its approximate $2 billion mega resort located on a 20-acre, oceanfront site next to the Showboat Casino Hotel. During 2009, Revel announced that it would slow construction on the project until it secured long-term financing. Revel continues to seek financing for completion of the project and estimates that it could take up to 20 months to complete the project once it secures such financing. At this time we cannot ascertain when and if Revel s project will be completed.

We believe that there are several other sites on the Boardwalk, in the marina district and possibly at Bader Field, a former airport located in Atlantic City, if that area is zoned for gaming, where casino hotels could be built in the future. Additionally, various applications for casino licenses have been filed and announcements with respect thereto have been made from time to time in these areas. Future developments and expansions could have a material adverse effect on our business and operations.

We cannot ascertain at this time the effects that any new projects could have on the Atlantic City gaming market. However, the added strength of these competitors and resulting economies-of-scale could diminish our market share in the market in which we compete.

Pennsylvania. In July 2004, the Pennsylvania legislature enacted the Race Horse Development and Gaming Act which authorizes the 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 (two in Philadelphia, one in Pittsburgh and two elsewhere, each with up to 5,000 slot machines) and two at established resorts (each with up to 500 slot machines). Three of the racetrack sites, Pocono Downs, Parx Casino and Chester Downs and three slot parlors, two in Philadelphia and one in Bethlehem, are located in our market area. Slot machine operations commenced in late 2006 at the racetracks and in May 2009 at the slot parlor in Bethlehem. As of early 2010, approximately 12,000 slot machines were operating at these locations. One of the Philadelphia slot parlors commenced construction in October 2009 and is expected to open in mid-2010 with approximately 1,700 slot machines. In February 2010, Wynn Resorts announced that it had entered into a letter of intent to develop and operate the other Philadelphia facility. The transaction is contingent on approval from Pennsylvania gaming regulators.

In January 2010, table game legislation was signed into Pennsylvania law which allows up to 250 table games at each of the twelve larger authorized casinos and up to 50 table games at each of the remaining two smaller authorized casinos. Pennsylvania gaming regulators expect that table games will become operational by mid-2010.

When fully operational, the Philadelphia area locations could operate up to 15,000 slot machines and 750 table games. Competition from the Pennsylvania area casinos that are currently operational has adversely impacted Atlantic City casinos, including our casinos. We believe that the recently enacted table game legislation and the potential opening of additional casinos could further adversely impact Atlantic City casinos, including our casinos.

New York. Pursuant to legislation enacted in 2001, the Division of the Lottery of the State of New York is authorized to permit the installation of video lottery terminals (VLTs) at various horse racing facilities in New York. During 2004, VLT operations commenced at four upstate and western New York racetracks and at a racetrack in Sullivan County, which operates 1,500 VLTs and is considerably closer (approximately 95 miles) to Manhattan. The VLT facility at Yonkers Raceway opened in late 2006 and now operates 5,300 VLTs. The State of New York continues to seek bids for a license to operate a new casino at the Aqueduct Racetrack in Queens, New York. Additionally, at various times there have been discussions about allowing VLTs at the Belmont racetrack. These locations are less than fifteen miles from Manhattan.

The 2001 legislation also authorized the Governor of New York to negotiate compacts authorizing the operation of up to six Native American casino facilities including slot machine gaming. A compact negotiated in 2002 authorized three such facilities located in the western part of New York and outside of our primary market area. The remaining three Native American casinos, if developed, are required by law to be located in either Sullivan County or Ulster County, adjoining counties approximately 100 miles northwest of Manhattan. Competition from the VLT facilities at Aqueduct Racetrack and Yonkers Raceway and from potential Native American casinos as may be authorized and operated in Sullivan or Ulster County could adversely impact Atlantic City casinos, including our casinos.

Meadowlands Racino. In April 2004, the Atlantic City casinos executed an agreement with the New Jersey Sports and Exposition Authority (NJSEA) which owns and operates two of the four New Jersey horse race tracks, including the Meadowlands race track. The agreement provides that annual payments made by the casinos to the NJSEA in each of 2004 through 2008 in order to subsidize horse racing would serve as consideration for a moratorium on the conduct of casino gaming, including VLTs at any New Jersey race track until January 2009.

In August 2008, the Atlantic City casinos executed a new agreement with the NJSEA (the 2008 NJSEA Subsidy Agreement). The 2008 NJSEA Subsidy Agreement provides that substantial annual payments made by the casinos to the NJSEA in 2008 through 2011 in order to subsidize horse racing would establish a moratorium on the conduct of casino gaming, including VLTs at any New Jersey race track until December 31, 2011.

Maryland. In November 2008, Maryland voters passed a referendum to allow 15,000 slot machines at five locations across that state. As of early 2010, the State of Maryland has awarded licenses for three of the five locations. The three operators which were awarded the licenses plan to operate a total of approximately 7,050 slot machines. The State of Maryland has indicated it is targeting to have the first slot parlors open by 2011. In January 2010, a bill was introduced for a November referendum to legalize table games. Customers from the Baltimore-Washington D.C. area are not a significant contributor to our revenues currently; however, we believe additional competition in the Northeastern United States could have an adverse effect on our business.

Delaware. We compete with Delaware primarily for gaming customers from the Southern New Jersey, Southern Pennsylvania and Delaware regions. During August 2009, the U.S. Court of Appeals for The Third Circuit declared that a plan to allow sports betting by the State of Delaware violated federal law and that any sports betting at Delaware s three casinos must be limited to three-game or more parlay bets on professional football games. During January 2010, a bill was signed into law that allows table games at each of the three casinos. It is expected that table games will become operational by mid-2010. While Atlantic City s casinos currently offer table games, we currently are not permitted to offer sports betting. We believe the introduction of table games and sports betting in Delaware could have an adverse effect on our business.

Native American Tribes. Our properties also face considerable competition from casino facilities operated by federally recognized Native American tribes, such as Foxwoods Resort Casino in Ledyard, Connecticut and Mohegan Sun Casino Resort in Uncasville, Connecticut. Both of these properties recently completed expansion

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projects. Pursuant to the Indian Gaming Regulatory Act (the IGRA), which was passed by Congress in 1988, 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. Under the IGRA, Native American tribes enjoy comparative freedom from regulation and taxation of gaming operations, which provides them with an advantage over their competitors, including our properties.

In addition, Native American nations have sought or are seeking federal recognition, land and gaming compacts in New York, Pennsylvania, Connecticut and other states near Atlantic City. If successful, additional casinos built in or near this portion of the United States could have a material adverse effect on the business and operations of our properties.

There could be further competition in our markets as a result of the upgrading or expansion of facilities by existing market participants, the entrance of new gaming participants into a market or legislative changes. We expect each market in which we participate, both current and prospective, to be highly competitive.

Regulatory and Licensing

Gaming Regulation. The gaming industry is highly regulated, and we must maintain our casino licenses and pay gaming taxes to continue our gaming operations. Each of our casinos is subject to extensive regulation under the statutes and regulations of the State of New Jersey. During June 2007, the New Jersey Casino Control Commission (the CCC) renewed our licenses to operate Trump Taj Mahal, Trump Plaza and Trump Marina until June 2012. Also, since February 2004, we have been a registered publicly traded corporation with the Nevada Gaming Control Board (the NGCB) under the Nevada Gaming Control Act and are subject to the licensing and regulatory control of the Nevada Gaming Commission, the NGCB and the Clark County Liquor and Gaming Licensing Board. These statutes and regulations generally concern the financial stability of the casino licensee, the good character of the owners, managers and employees and of other persons with financial interests in the gaming operations (including those with certain ownership levels of a casino licensee s securities) and the procedures and controls which govern those gaming operations. A more detailed description of New Jersey and Nevada laws and regulations to which we are subject is contained in Exhibit 99.1 to this Report and is incorporated by reference herein. Gaming operations that we may undertake in the future in other jurisdictions will also subject us and such operations to regulations by such other jurisdictions.

Other Regulation. In addition to gaming regulations, our business is subject to various other federal, state and local laws and regulations, including but not limited to, restrictions and conditions concerning taxation, treasury regulations, building code and land use requirements, environmental matters and local licenses and permits.

United States Department of Treasury (DOT) regulations require casinos to report currency transactions involving more than $10,000 per patron per gaming day. Treasury Financial Crimes Enforcement Network regulations further require casinos to report certain gaming patron transactions involving suspicious activity. We have established internal control procedures to comply with these DOT regulations, including: (i) computer exception reporting; (ii) review of currency and suspicious activity transactions and reporting by committees comprised of casino operations, marketing and administration executives; (iii) internal audit testing of DOT regulation compliance; (iv) training employees to comply with DOT regulations; and (v) a disciplinary program for employee violations.

Pursuant to the provisions of the New Jersey Casino Control Act, we must either obtain investment tax credits in an amount equivalent to 1.25% of our gross casino revenues, as defined in the New Jersey Casino Control Act, or pay an alternative tax of 2.5% of our gross casino revenues. Investment tax credits may be obtained by making qualified investments, or by depositing funds which may be converted to bonds by the Casino Reinvestment Development Authority (CRDA). Certain of our subsidiaries are required to make quarterly deposits with the CRDA to satisfy their investment obligations.

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We believe that all required licenses, permits and other approvals necessary to conduct our business have been obtained for our operations in the State of New Jersey and elsewhere. Material changes in these laws or regulations or in the interpretation of the same by courts or administrative agencies could adversely affect our company, including its operating results.

Smoking Ban. On January 9, 2006, the New Jersey Legislature adopted 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. The law permits smoking within the perimeter of casino and casino simulcasting areas, and permits 20% of hotel guest rooms to be designated as smoking rooms.

On April 15, 2007, an ordinance in Atlantic City became effective which extended smoking restrictions under the New Jersey Smoke-Free Air Act. This ordinance mandated that casinos restrict smoking to designated areas of up to 25% of the casino floor. During April 2008, Atlantic City s City Council unanimously approved an amendment to the ordinance, banning smoking entirely on all casino gaming floors and casino simulcasting areas, but allowing smoking in separately exhausted, non-gaming, smoking lounges. The amendment to the ordinance became effective on October 15, 2008, however, on October 27, 2008, Atlantic City s City Council voted to postpone the full smoking ban for at least one year due to, among other things, the weakened economy and increased competition in adjoining states. The postponement of the full smoking ban became effective on November 16, 2008. In December 2009, Atlantic City s City Council announced that it would not consider a full smoking ban in casinos until at least the end of 2011.

We believe that these bans on smoking within indoor public places and for casino and casino simulcasting areas have adversely affected the Atlantic City casinos, including our casinos.

In addition, bills are pending in the New Jersey Senate and Assembly which, if enacted, would repeal the gaming area exemption from the smoking ban provided for in the New Jersey Smoke-Free Air Act. This proposed ban on smoking in the casino and casino simulcasting areas could adversely affect the Atlantic City casinos, including our casinos.

CAFRA Agreement. Trump Taj Mahal received a permit under the Coastal Area Facilities Review Act (CAFRA) (which is included as a condition of the Trump Taj Mahal s casino license) that initially required Trump Taj Mahal to begin construction of certain improvements on the Steel Pier by October 1992, which improvements were to be completed within 18 months of the commencement of construction. Trump Taj Mahal initially proposed a concept to improve the Steel Pier, the estimated cost of which was $30 million. Such concept was approved by the New Jersey Department of Environmental Protection, the agency which administers CAFRA. In March 1993, Taj Associates obtained a modification of its CAFRA permit providing for an extension of the required commencement and completion dates of the improvements to the Steel Pier for one year, which has been renewed annually, based upon an interim use of the Steel Pier as an amusement park. The pier sublease, pursuant to which Trump Taj Mahal leases the Steel Pier to an amusement park operator, terminates on December 31, 2010. The conditions of the CAFRA permit renewal thereafter are under discussion with the New Jersey Department of Environmental Protection.

Employees and Labor Relations

Number of Employees. The table below sets forth the approximate number of our full-time equivalent employees working at our properties as of December 31, 2009:

Property	**Number of Full-Time Equivalent Employees**
Trump Taj Mahal	2,800
Trump Plaza	1,500
Trump Marina	1,200
Total	5,500

Collective Bargaining Agreements. Certain of our casino hotel employees are subject to collective bargaining agreements. Approximately 2,893 of our employees are covered by a collective bargaining agreement with Local 54, UNITE-HEREIU (Hotel Employees and Restaurant Employees International Union) which is effective September 15, 2009 and expires on September 15, 2011. Approximately 185 of our employees are covered by a collective bargaining agreement with the International Union of Operating Engineers, Local 68 which was effective May 1, 2006 and expires on April 30, 2011. Approximately 70 of our employees are covered by a collective bargaining agreement with the United Brotherhood of Carpenters and Joiners of America, Local 623 which was effective May 1, 2006 and expires on April 30, 2011. Approximately 18 of our employees are covered by a collective bargaining agreement with the International Union of Painters & Allied Trades, District Council 711 which was effective May 1, 2006 and expires on April 30, 2011. Approximately 30 of our employees are covered by a collective bargaining agreement with the International Alliance of Theatrical Stage Employees, Local 917 which was effective July 1, 2006 and expires on June 30, 2011. Approximately 8 of our employees are covered by a collective bargaining agreement with the International Brotherhood of Teamsters, Local 331 which was effective March 1, 2008 and expires on March 31, 2011. A certification election requesting representation by the United Auto Workers for dealers at Trump Plaza occurred on March 31, 2007. The majority of dealers elected to be represented by the United Auto Workers. Objections were filed by the Company contesting the outcome of the election. The objections are currently being considered by the U.S. Court of Appeals for The District of Columbia Circuit and the election results have yet to be certified. A certification election requesting representation by the United Auto Workers for dealers at Trump Marina was held on May 11, 2007. The majority of dealers elected not to be represented by the United Auto Workers. United Auto Workers filed objections to the election. On February 17, 2009, the National Labor Relations Board in Washington, D.C. ruled that another election should be held. On March 6, 2009, the Company filed a petition with the U.S. Court of Appeals for The District of Columbia Circuit for further review of the unfair labor practices. The election is being held in abeyance until the unfair labor practices petition is remedied. We believe that we have established productive and professional relationships with all of our collective bargaining partners as well as our represented and unrepresented employees.

Licensing Requirements. Certain of our employees are required to be licensed by, or registered with, the CCC, depending upon the nature of their employment. Casino employees are subject to more stringent licensing requirements than non-casino employees, and are required to meet applicable standards pertaining to such matters as financial responsibility, good character, ability, casino training, experience and in-state residency. These regulations have resulted in significant competition for eligible employees.

Seasonality

Our cash flows from operating activities are seasonal in nature. Spring and summer are traditionally the peak seasons for our properties, with autumn and winter being non-peak seasons. Consequently, our operating results for the quarters ending in March and December are not historically as profitable as the quarters ending in June and September. Any excess cash flow achieved from operations during peak seasons is used to subsidize non-peak seasons. Performance in non-peak seasons is usually dependent on favorable weather and a long-weekend holiday calendar. In the event that we are unable to generate excess cash flows in one or more peak seasons, we may not be able to subsidize non-peak seasons, if necessary.

Item 1A. Risk Factors

Our business is subject to a number of risks. You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this annual report. The risks set out below are not the only risks we face. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected.

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Chapter 11 Case.

On February 17, 2009, TER and certain of its direct and indirect subsidiaries (collectively, the Debtors) filed for protection under the Bankruptcy Code and commenced the Chapter 11 Case. During the Chapter 11 Case, our operations are subject to the risks and uncertainties associated with bankruptcy, including, but not limited to, the following:

- Difficulties of operating our properties while attempting to reorganize our business in bankruptcy may make it more difficult to maintain and promote our facilities and attract customers to our facilities.

- Our vendors and service providers may require stricter terms and conditions.

- Substantial costs for professional fees and other expenses.

- Adverse affect on our ability to maintain our gaming licenses.

- Inability to continue to grow our business through acquisitions and restrictions on our ability to pursue other business strategies. Among other things, the Bankruptcy Code limits our ability to incur additional indebtedness, make investments, sell assets, consolidate, merge or sell or otherwise dispose of all or substantially all of our assets or grant liens. These restrictions may place us at a competitive disadvantage.

- Adverse affect on our ability to maintain, expand, develop and remodel our properties.

- Transactions by the Debtors outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond timely to certain events or take advantage of certain opportunities.

- We may not be able to obtain Bankruptcy Court approval or such approval may be delayed with respect to actions we may seek to undertake in the Chapter 11 Case.

- We may be unable to retain and motivate key executives and employees through the process of reorganization, and we may have difficulty attracting new employees. In addition, so long as the Chapter 11 Case continues, our senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations.

- We may need to obtain additional financing to fund our operations and capital expenditures. There can be no assurance as to our ability to obtain sufficient financing. We are currently financing our operations during our reorganization using cash on hand. We have signed a commitment letter with certain of the holders of Senior Notes to provide a $45 million DIP Facility. Borrowings under the DIP Facility will be conditioned upon confirmation of the Debtors/AHC Plan and Bankruptcy Court approval. If the Debtors/AHC Plan is confirmed by the Bankruptcy Court, we will receive $100 million in available funds upon emergence to fund our operations and capital expenditures, as well as to repay any borrowings under the DIP Facility. Under the Beal/Icahn Plan, upon a final confirmation order, Icahn Partners would provide us with a $45 million debtor in possession loan. Such debtor in possession loan would, on the effective date, convert to new equity in the reorganized Debtors. In addition, Icahn Partners has agreed to make an equity contribution of $80 million on the effective date in exchange for new equity in the reorganized Debtors. The challenges of obtaining financing are exacerbated by adverse conditions in the general economy and the tightening in the credit markets, making it more difficult for us to obtain financing.

There can be no assurance that we will be able to successfully execute, confirm and consummate one or more plans of reorganization with respect to the Chapter 11 Case that are acceptable to the Bankruptcy Court and the Debtors creditors and other parties in interest.

Even assuming a successful emergence from chapter 11, there can be no assurance as to the overall long-term viability of our business.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise in accordance with the Bankruptcy Code, pre-petition liabilities and post-petition liabilities must be satisfied in full before shareholders are entitled to receive any distribution or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of a plan of reorganization. It should be noted that under either the Debtors/AHC Plan or the Beal/Icahn Plan, there will be no distribution to stockholders. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 Case to each of these constituencies or what types or amounts of distributions, if any, they would receive. If certain requirements of the Bankruptcy Code are met, a plan of reorganization can be confirmed notwithstanding its rejection by equity holders and notwithstanding the fact that equity holders do not receive or retain any property on account of their equity interests under the plan of reorganization. Presently, we do not believe that there will be any meaningful recovery, or any recovery at all, for holders of TER Common Stock.

Our audited consolidated financial statements have been prepared assuming that we will continue as a going concern. However, the report of our independent registered public accounting firm on the financial statements of the Company as of and for the year ended December 31, 2009 includes an explanatory paragraph describing the existence of substantial doubt about the ability of our Company to continue as a going concern.

Our ability to continue as a going concern is contingent upon, among other things: (1) our ability to generate cash from operations and to maintain adequate cash on hand; (2) the resolution of the uncertainty as to the amount of claims that will be allowed; (3) our ability to confirm a plan of reorganization under the Bankruptcy Code and obtain any debt and equity financing which may be required to emerge from bankruptcy protection; and (4) our ability to achieve profitability.

Nasdaq Deslisting.

Effective February 26, 2009, Nasdaq delisted TER Common Stock from trading. Negative implications may be associated with the delisting, including potential loss in confidence in our Company by suppliers, customers and employees and the loss of institutional investor interest in TER Common Stock as a result of the delisting.

Current conditions in the global markets and general economic pressures may adversely affect consumer spending and our business and results of operations.

Our performance depends on the impact of economic conditions on levels of consumer spending. As a result of the present weak economic conditions in the United States, Europe and much of the rest of the world, the uncertainty over the duration of such weakness and the prospects for recovery, consumers are continuing to curb discretionary spending, which is having an effect on our business. An extended duration or deterioration in current economic conditions could have a further material adverse impact on our financial condition and results of operations.

To operate our business and ultimately to restructure our capital structure, we will require a significant amount of cash.

Our ability to satisfy our obligations and fund capital expenditures will depend on our ability to generate cash in the future, which is, in part, subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control. The risk is heightened by the fact that our current operations are in a single market. While additional cash for operations and capital expenditures will be provided under either plan of reorganization, we cannot assure you that our business will generate sufficient cash flow from operations or that future financing will be available to us in an amount sufficient to enable us to operate our business and restructure our business. These challenges are exacerbated by adverse conditions in the general economy and the tightening in the credit market. Our Chapter 11 Case makes it more difficult for us to obtain financing or generate cash.

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Our industry is intensely competitive.

The gaming industry is highly competitive and is expected to become more competitive in the future. New entrants to the Atlantic City market have announced plans to develop casinos in the future. We also face competition from other forms of legalized gaming, such as state sponsored lotteries, racetracks, off-track wagering and video lottery and video poker terminals. In addition, online gaming, despite its illegality in the United States, is a growing sector in the gaming industry. We are unable to assess the impact that online gaming will have on our operations in the future and there is no assurance that the impact will not be materially adverse.

The filing of the Chapter 11 Case may have an adverse impact on our ability to compete.

Our success could depend upon the success of our strategic capital expenditure plan.

Many of our existing competitors in Atlantic City have recently completed significant development projects. We have completed a strategic capital expenditure plan at each of our properties, which included the construction of the Chairman Tower at Trump Taj Mahal. From time to time, capital expenditures, such as room refurbishments, amenity upgrades and new gaming equipment, are necessary to enhance the competitiveness of our properties. Our ability to successfully compete will also be dependent upon our ability to develop and implement effective marketing campaigns. To the extent we are unable to successfully develop and implement these types of marketing initiatives, we may not be successful in competing in our markets.

Gaming is a regulated industry and changes in the law could have a material adverse effect on our operations. See Business Regulatory and Licensing.

Gaming in New Jersey is regulated extensively by federal and state regulatory bodies, including the New Jersey Casino Control Commission (the CCC) and state and federal taxing, law enforcement and liquor control agencies. We and several of our officers and other qualifiers have received the licenses, permits and authorizations required to operate our properties. Failure to maintain or obtain the requisite casino licenses would have a material adverse effect on our business.

During June 2007, the CCC renewed our licenses to operate Trump Taj Mahal, Trump Plaza and Trump Marina until June 2012.

If new gaming regulations are adopted in the jurisdictions in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals have been introduced by the legislature of New Jersey that, if enacted, could adversely affect the tax, regulatory, operations or other aspects of the gaming industry and our financial performance. Legislation of this type may be enacted in the future.

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

In July 2004, the Pennsylvania legislature enacted the Race Horse Development and Gaming Act which authorizes the 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 (two in Philadelphia, one in Pittsburgh and two elsewhere, each with up to 5,000 slot machines) and two at established resorts (each with up to 500 slot machines). Three of the racetrack sites, Pocono Downs, Parx Casino and Chester Downs and three slot parlors, two in Philadelphia and one in Bethlehem, are located in our market area. Slot machine operations commenced in late 2006 at the racetracks and in May 2009 at the slot parlor in Bethlehem. As of early 2010, approximately 12,000 slot machines were operating at these locations. One of the Philadelphia slot parlors commenced construction in October 2009 and is expected to open in mid-2010 with approximately 1,700 slot machines. In February 2010, Wynn Resorts announced that it had entered into a letter of intent to develop and operate the other Philadelphia facility. The transaction is contingent on approval from Pennsylvania gaming regulators.

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In January 2010, table game legislation was signed into Pennsylvania law which allows up to 250 table games at each of the twelve larger authorized casinos and up to 50 table games at each of the remaining two smaller authorized casinos. Pennsylvania gaming regulators expect that table games will become operational by mid-2010.

In 2001, the New York Legislature authorized the installation of VLTs at various horse racing facilities in New York. The VLT facility at Yonkers Raceway opened in late 2006 and now operates 5,300 VLTs. The State of New York continues to seek bids for a license to operate a new casino at the Aqueduct Racetrack in Queens, New York. Additionally, at various times there have been discussions about allowing VLTs at the Belmont racetrack. These locations are less than fifteen miles from Manhattan. The 2001 legislation also authorized the Governor of New York to negotiate compacts authorizing the operation of up to six Native American casino facilities, including slot machines. Three have now been located in the western part of New York and outside of our primary market area but the remaining three, if approved and developed, are required by law to be located in either Sullivan or Ulster County, adjoining counties, which are approximately 100 miles northwest of Manhattan. Competition from the VLT facilities at Aqueduct Racetrack and Yonkers Raceway and from potential Native American casinos as may be authorized and operated in Sullivan or Ulster County could adversely impact Atlantic City casinos, including our casinos.

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

Other enacted legislation, including local anti-smoking regulations, may have an adverse impact on our operations.

On January 9, 2006, the New Jersey Legislature adopted 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. The law permits smoking within the perimeter of casino and casino simulcasting areas, and permits 20% of hotel guest rooms to be designated as smoking rooms.

On April 15, 2007, an ordinance in Atlantic City became effective which extended smoking restrictions under the New Jersey Smoke-Free Air Act. This ordinance mandated that casinos restrict smoking to designated areas of up to 25% of the casino floor. During April 2008, Atlantic City s City Council unanimously approved an amendment to the ordinance, banning smoking entirely on all casino gaming floors and casino simulcasting areas, but allowing smoking in separately exhausted, non-gaming, smoking lounges. The amendment to the ordinance became effective on October 15, 2008, however, on October 27, 2008, Atlantic City s City Council voted to postpone the full smoking ban for at least one year due to, among other things, the weakened economy and increased competition in adjoining states. The postponement of the full smoking ban became effective on November 16, 2008. In December 2009, Atlantic City s City Council announced that it would not consider a full smoking ban in casinos until at least the end of 2011.

In addition, bills are pending in the New Jersey Senate and Assembly which, if enacted, would repeal the gaming area exemption from the smoking ban provided for in the New Jersey Smoke-Free Air Act. This proposed ban on smoking in the casino and casino simulcasting areas could adversely affect the Atlantic City casinos, including our casinos.

We might not be successful in pursuing additional gaming ventures in existing or emerging gaming markets.

We are continuously looking to grow our business and diversify our cash flow by actively pursuing opportunities to capitalize on the Trump brand and expand our asset base in additional gaming markets.

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Competition for gaming opportunities that are or are expected to become available in additional jurisdictions is expected to be intense, and many of our known or anticipated competitors for available gaming licenses have greater resources and economies of scale than we do. We can not assure you that we will be successful in pursuing additional gaming ventures or developing additional gaming facilities.

Our business is subject to a variety of other risks and uncertainties.

In addition to the risk factors described above, our financial condition and results of operations could be affected by many events that are beyond our control, such as:

- capital market conditions that could (i) affect our ability to raise capital and access capital markets and (ii) raise our financing costs in connection with refinancing debt or pursuing other alternatives;
- war, future acts of terrorism and their impact on capital markets, the economy, consumer behavior and operating expenses;
- competition from existing and potential new competitors in Atlantic City and other markets (including online gaming), which is likely to increase over the next several years;
- regulatory changes;
- state tax law changes that increase our tax liability; and
- other risks described from time to time in periodic reports filed by us with the SEC.

Occurrence of any of these risks could materially adversely affect our operations and financial condition.

Changes in the cost of electricity and other energy could affect our business.

We are a large consumer of electricity and other energy. Accordingly, increases in energy costs, may have a negative impact on our operating results. Additionally, higher energy and gasoline prices which affect our customers may result in reduced visitation to our resorts and may have an adverse effect on our business.

Our cash flows from operating activities are seasonal in nature.

Spring and summer are traditionally the peak seasons for our properties, while autumn and winter are non-peak seasons. Consequently, in the past, our operating results for the quarters ending in March and December have not been as strong as for the quarters ending in June and September. Excess cash from operations during peak seasons is used, in part, to subsidize operations during non-peak seasons. Performance in non-peak seasons is usually dependent on favorable weather and the long-weekend holiday calendar. In the event that we are unable to generate excess cash in one or more peak seasons, we may not be able to subsidize operations during non-peak seasons, if necessary, which would have an adverse effect on our business.

Item 1B. Unresolved Staff Comments

Not applicable.

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Item 2. Properties

See Item 1. Business Casino Properties for a brief description of the location and general character of each of our properties.

General. Substantially all of the real and personal property (other than cash) of each of our properties, including their respective hotel and casino facilities and the parcels of land on which they are situated, secure our indebtedness under the 2007 Credit Agreement and Senior Notes on a first and second priority basis, respectively. Each of our properties has financed or leased and, from time to time, may finance or lease its acquisition of furniture, fixtures and equipment, including slot machines. The lien in favor of any such lender or lessor may be superior to the liens securing the indebtedness owing under the 2007 Credit Agreement and the Senior Notes.

Each of our properties leases space to various retailers and food and beverage outlets in their respective facilities.

The following table lists our significant land holdings:

	Total Approximate Acreage			
Property	**Owned**	**Leased**	**Utilized**	**Available for Development**
Trump Taj Mahal (including Steel Pier)	39.4		28.0	11.4
Trump Plaza	9.4	1.5	7.4	3.5
Trump Marina	14.0		12.0	2.0

Trump Taj Mahal. We currently own approximately 39.4 acres of land that comprise the Trump Taj Mahal site, including the 24.5 acres on which the facility is situated and 11.4 acres of land suitable for development. The Trump Taj Mahal site includes the Steel Pier comprised of approximately 3.5 acres and related property located on the opposite side of the Boardwalk from Trump Taj Mahal. We currently lease the Steel Pier to an amusement park operator pursuant to a lease agreement which we and the operator have mutually agreed to extend until December 2010. Excluded from the table is an off-site warehouse location located on 18.0 acres.

Trump Plaza. We own and lease approximately 10.9 acres of land, including several parcels of land in and around Atlantic City. We lease one of four parcels of land on which Trump Plaza is situated from Plaza Hotel Management Company (PHMC) pursuant to a non-renewable ground lease expiring in December 2078 (the PHMC Lease). We are responsible for the payment of fixed rent, as well as all other costs and expenses with respect to the use, operation and ownership of the leased tract and the improvements thereon, or which may in the future be located thereon, including, but not limited to, all maintenance and repair costs, insurance premiums, real estate taxes, assessments and utility charges. The improvements located on the leased tract are owned by us through the duration of the term of the PHMC Lease, and upon the expiration of the term of the PHMC Lease (for any reason), ownership of such improvements will then shift to PHMC. We have the option to purchase the leased parcel at certain times during the term of such PHMC Lease under certain circumstances.

We also lease, pursuant to the PHMC Lease, an approximately 11,800 square foot parcel of land located near the intersection of Mississippi and Pacific Avenues and own a 5,750 square foot parcel of land adjacent to it.

We also own five parcels of land, aggregating approximately 43,300 square feet, and lease one parcel consisting of approximately 3,125 square feet. All of such parcels are contiguous and are located along Atlantic Avenue, on the same block as Trump Plaza s garage. These parcels of land are used for signage and surface parking.

Trump Marina. We own Trump Marina s hotel and casino facility and the approximate 14.0-acre, triangular-shaped parcel of land on which it is situated, including 2.0 acres suitable for development. We also own an employee parking lot located on Route 30, approximately two miles from Trump Marina, which can accommodate approximately 1,000 cars. In addition, pursuant to a long-term lease between Trump Marina and the State of New Jersey, Trump Marina leases the Senator Frank S. Farley State Marina. The marina features approximately 640 boat slips.

Trump Tower, New York. We lease office space in Trump Tower located in New York, New York for general, executive and administrative purposes pursuant to a lease, dated November 1, 1996, as amended, with Trump Tower Commercial, LLC, an entity owned by Donald J. Trump. The Trump Tower lease expires on August 31, 2010.

Item 3. Legal Proceedings

As discussed in Item 1 above, on February 17, 2009, the Debtors filed voluntary petitions seeking relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The cases are being jointly administered under the caption *In re: TCI 2 Holdings, LLC, et al Debtors, Chapter 11 Case Nos.: 09-13654 through 09-12656 and 09-13658 through 09-13664 (JWH)* (the Chapter 11 Case). The Debtors continue to operate their business as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. As of the date of the filing of the Chapter 11 Case, virtually all pending litigation against the Debtors (including the actions described below) is stayed as to the Debtors, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, also subject to certain exceptions, to recover on pre-petition claims against the Debtors. At this time it is not possible to predict the outcome of the Chapter 11 Case or its effect on our business or the actions described below.

Pequot Tribe Litigation On May 28, 2003, one of our indirect subsidiaries, Trump Entertainment Resorts Development Company, LLC (TER Development), filed a complaint against, among others, the Paucatuck Eastern Pequot Indian Tribal Nation (the Pequot Tribe) and Eastern Capital Development, Inc. (ECD) in the Superior Court of New London, Connecticut. In that complaint, TER Development alleged fraud, breach of contract, conspiracy, violation of the Connecticut Unfair Trade Practices Act and intentional interference with contractual relations by ECD in connection with certain contractual arrangements between TER Development and the Pequot Tribe. Pursuant to such arrangements, TER Development had agreed, among other things, to support the efforts of the Pequot Tribe to obtain federal recognition, and together they had agreed to exercise commercially reasonable efforts to pursue the operation of a tribal gaming facility to be managed by TER Development. In the complaint, TER Development seeks, among other things, compensatory and punitive damages, attorney fees and a finding by the court that ECD has interfered with TER Development s business relationship with the tribe and that certain members of the Pequot Tribe Tribal Counsel are in default under the aforementioned contractual arrangements in the sum of approximately $10 million. On October 12, 2005, the Bureau of Indian Affairs, U.S. Department of Interior (BIA) denied the application of the Pequot Tribe for federal recognition, a prerequisite for developing a gaming facility. In October 2007, the parties entered into a settlement of the litigation pursuant to which TER Development would receive certain payments upon the opening of any casino by the Pequot Tribe. At this time, the Pequot Tribe is not federally recognized and there can be no assurance that it will ever be recognized or open a casino.

Power Plant Litigation On December 30, 2004, TER Development filed a complaint (the Power Plant Litigation) against Richard T. Fields, Coastal Development, LLC, Power Plant Entertainment, LLC, Native American Development, LLC, Joseph S. Weinberg and The Cordish Company (collectively, the Power Plant Group) in the Circuit Court of the 17th Judicial District for Broward County, Florida (the State Court), in which TER Development alleged that Power Plant Entertainment, LLC improperly obtained certain agreements with the Seminole Tribe of Florida for development of gaming facilities in Hollywood and Tampa, Florida. TER Development has asserted claims for fraud, breach of fiduciary duty, conspiracy, violation of the Florida Deceptive and Unfair Trade Practices Act and interference with prospective business relationship as a result of the Power Plant Group s actions. On April 17, 2008, the trial court ruled on the defendants numerous motions for summary judgment. The court denied the defendants motions as to TER Development s claims against all defendants for fraud and conspiracy. The trial court granted the defendants motions for summary judgment as to TER Development s claims for breach of fiduciary duty, aiding and abetting a breach of fiduciary duty, interference with prospective business relationship and the claims under the Florida Deceptive and Unfair Trade Practices Act. The defendants seek no relief against TER Development other than claims for attorney s fees and costs in the event that they prevail at trial.

On June 25, 2009, the Power Plant Group filed a motion with the Bankruptcy Court seeking to lift the automatic stay to recommence the Power Plant Litigation. On August 21, 2009, the Bankruptcy Court entered an order authorizing the parties to file a report as to the status of the proceedings. The Bankruptcy Court also ruled that the Power Plant Group s attorney fee claims and abuse of process claims were prepetition claims (although any unaccrued malicious prosecution claims are not). Several defendants, who admit making a decision not to file proof of claims in Bankruptcy Court, have appealed the Bankruptcy Court s ruling. In addition, as discussed below under Trump Marina , one of the defendants, Coastal Development, LLC and its affiliate, Coastal Marina, LLC, have filed an adversary complaint against the Debtors alleging claims arising from a failed prepetition settlement of the Power Plant Litigation. At the request of the Power Plant Defendants, on October 5, 2009, the State Court lifted the stay on the Power Plant Litigation and has scheduled the case to be tried during the three month trial period commencing September 27, 2010.

Trump Marina As described in Note 3 to our consolidated financial statements, on May 28, 2008, Trump Marina Associates, LLC (Seller) entered into the Marina Agreement to sell Trump Marina (the Property) to Coastal Marina, LLC (Buyer), an affiliate of Coastal Development, LLC (Coastal). Upon entering into the Marina Agreement, Buyer placed into escrow a $15.0 million deposit toward the purchase price (the Original Marina Deposit). On October 28, 2008, the parties entered into an amendment to the Marina Agreement (the Marina Amendment) to modify certain terms and conditions of the Marina Agreement, including, but not limited to providing that Seller could terminate the Marina Agreement if the transaction did not close by May 28, 2009 and that the Original Marina Deposit held in escrow, together with any interest earned thereon, was released to Seller immediately and an additional $2.0 million deposit was placed in escrow (the Additional Marina Deposit) for a total deposit towards the purchase price of $17.0 million. Coastal failed to consummate the transaction within the time provided under the Marina Amendment. On June 1, 2009, Seller delivered notice to Coastal that the Marina Agreement, as amended by the Marina Amendment, was terminated. Seller also delivered notice to the escrow agent requesting release of the Additional Marina Deposit to Seller. On July 28, 2009, Buyer and Coastal filed an Adversary Complaint with the Bankruptcy Court, claiming they were fraudulently induced to enter the Marina Agreement, that the agreement was breached, and that these and other related claims gave rise to a right to the return of the Initial Marina Deposit, the Additional Marina Deposit, damages and other relief. On October 21, 2009, Buyer and Coastal filed an Amended Complaint adding Donald J. Trump and other parties as defendants, and adding additional allegations to the existing claims. We believe these claims are without merit.

2005 Chapter 11 Cases We previously emerged from reorganization proceedings under the Bankruptcy Code (the 2005 Chapter 11 Case) on May 20, 2005 (the 2005 Effective Date). The 2005 Chapter 11 Case was voluntarily commenced by our predecessor company, Trump Hotels & Casino Resorts, Inc. (THCR). Effective as of March 17, 2009, the Bankruptcy Court ordered that all of the remaining open cases pertaining to the 2005 Chapter 11 Case be closed.

On July 18, 2005, the Bankruptcy Court considered a motion brought by a certain group of persons alleging that they had held shares of common stock of THCR on the record date for distributions under the Plan of Reorganization related to the 2005 Chapter 11 Case (the 2005 Plan) (and who subsequently sold their shares prior to the distribution date) but did not receive any distributions under the 2005 Plan, which they believe were wrongly made to the beneficial holders of our stock on the distribution date. The movants had sought an order compelling us to make distributions to them under the 2005 Plan. After additional briefing and a court hearing with respect to the issue on October 8, 2005, the Bankruptcy Court denied the movants motion on February 17, 2006. The movants filed an appeal from the judgment entered in the Bankruptcy Court in favor of THCR. The

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movants appealed this motion to the United States District Court for the district of New Jersey. During April 2007, the United States District Court reversed the Bankruptcy Court s denial and remanded the case back to the Bankruptcy Court for further consideration. In May 2007, we filed a notice of appeal to the United States Court of Appeals for the Third Circuit. By order dated November 5, 2008, the Court of Appeals affirmed the District Court s order. While on remand in the Bankruptcy Court for further consideration in light of the District Court s order, we filed a voluntary petition in the Bankruptcy Court on February 17, 2009, seeking relief under the provisions of chapter 11 of the Bankruptcy Code. As a result, the matter has been stayed pending the resolution of our bankruptcy proceedings. The Bankruptcy Court has ordered the movants act accordingly in the Chapter 11 Case with regard to their alleged claims.

New Jersey State Income Taxes From 2002 through 2006, state income taxes for our New Jersey operations were computed under the alternative minimum assessment method. We believe our New Jersey partnerships are exempt from these taxes and, as such, have not remitted payments of the amounts provided. The New Jersey Division of Taxation has issued an assessment to collect the unpaid taxes for the tax years 2002 and 2003. At December 31, 2009, we have accrued $30.9 million for taxes and interest relating to this alternative minimum tax assessment for 2002 and 2003, as well as the open years 2004 through 2006. We are currently in discussions with the New Jersey Division of Taxation regarding settlement of these assessments.

Other Litigation In addition to the foregoing, we and certain of our employees are involved from time to time in other legal proceedings arising in the ordinary course of our business. While any proceeding or litigation contains an element of uncertainty, we believe that the final outcomes of these other matters are not likely to have a material adverse effect on our results of operations or financial condition. In general, we have agreed to indemnify certain of our key executives and directors against any and all losses, claims, damages, expenses (including reasonable costs, disbursements and counsel fees) and liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) incurred by them in any legal proceedings absent a showing of such persons gross negligence or malfeasance.

Item 4. Removed and Reserved

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PART II

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters

TER Common Stock. From September 20, 2005 to February 26, 2009, TER Common Stock traded on the Nasdaq Global Market (formerly, the Nasdaq National Market System) under the ticker symbol TRMP. On February 26, 2009, TER Common Stock was delisted from the Nasdaq Stock Market in light of, among other things, the filing of the Chapter 11 Case. The Company s common stock currently trades on the OTC Bulletin Board under the symbol TRMPQ.

The following table reflects the high and low sales prices, rounded to the nearest penny, of TER Common Stock as reported by the Nasdaq Global Market and the OTC Bulletin Board, as applicable, for each quarterly period in 2008 and 2009 and the subsequent interim quarterly period (through March 18, 2010).

	High	Low
2008:		
First Quarter	$ 4.80	$ 2.90
Second Quarter	$ 3.89	$ 1.76
Third Quarter	$ 2.20	$ 1.04
Fourth Quarter	$ 1.25	$ 0.17
2009:		
First Quarter	$ 0.57	$ 0.02
Second Quarter	$ 0.28	$ 0.07
Third Quarter	$ 0.28	$ 0.10
Fourth Quarter	$ 0.18	$ 0.07
2010:		
First Quarter (through March 18, 2010)	$ 0.20	$ 0.05

Holders. As of March 18, 2010, there were approximately 2,646 holders of record of TER Common Stock.

Nine hundred shares of TER class B common stock are also issued and outstanding. No established trading market exists for our class B common stock and the class B common stock is not permitted to receive any dividends or distributions (other than certain distributions upon liquidation) with respect to our equity. All of the 900 shares of TER class B common stock were owned by Mr. Trump. The 900 shares of class B common stock had the voting equivalency of 9,377,484 shares of TER Common Stock and represented the shares of TER Common Stock issuable upon exchange of Mr. Trump and his affiliate s limited partnership interest in TER Holdings pursuant to the Third Amended and Restated Exchange and Registration Rights Agreement among TER, TER Holdings, Mr. Trump and Trump Casinos, Inc. By letter dated February 13, 2009, Mr. Trump notified TER that he had abandoned any and all of his (but not his affiliate s) 23.5% direct limited partnership interest in TER Holdings and relinquished any and all rights under the Fourth Amended and Restated Agreement of Limited Partnership of TER Holdings (the Partnership Agreement) or otherwise with respect to TER Holdings and Mr. Trump s limited partnership interest. Accordingly, after giving effect to such abandonment, the 900 shares of class B common stock would now have the voting equivalency of 1,407 shares of TER Common Stock.

Dividends. We have never paid a dividend on TER Common Stock and do not anticipate paying one in the foreseeable future.

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Equity Compensation Plan Information

The following table summarizes information regarding our equity compensation plans as of December 31, 2009. All outstanding awards relate to TER Common Stock.

	Equity Compensation Plan Information		
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by security holders	300,000(1)	$ 17.75	2,910,661(2)
Equity compensation plans not approved by security holders			
Total	300,000	$ 17.75	2,910,661

(1) Options granted under our 2005 Incentive Award Plan.
(2) Excludes 300,000 securities to be issued upon the exercise of outstanding options.

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Item 6. Selected Financial Data

The following table sets forth certain of our historical financial information for the years ended December 31, 2009, 2008, 2007 and 2006 and the period from May 20, 2005 through December 31, 2005 (TER) and for the period from January 1, 2005 through May 19, 2005 (Predecessor Company). All financial information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto referenced elsewhere in this Form 10-K.

	TER					Predecessor Company
	Year Ended December 31,				May 20, 2005 through December 31,	January 1, 2005 through May 19,
(In thousands, except share and per share data)	**2009**	**2008**	**2007**	**2006**	**2005**	**2005**
Revenues:						
Gaming	$ 801,397	$ 936,761	$ 1,021,625	$ 1,079,245	$ 663,140	$ 398,409
Rooms	93,299	87,336	83,733	77,836	48,257	26,360
Food and beverage	99,364	111,857	118,959	122,611	77,806	44,198
Other	42,893	44,251	46,019	43,370	26,833	12,809
	1,036,953	1,180,205	1,270,336	1,323,062	816,036	481,776
Less promotional allowances	(244,804)	(272,197)	(282,101)	(296,783)	(188,254)	(117,337)
Net revenues	792,149	908,008	988,235	1,026,279	627,782	364,439
Costs and expenses:						
Operating costs, excluding items detailed below	738,767	813,664	845,727	856,578	538,383	303,849
Goodwill and other asset impairment charges	556,733	207,687	277,880			
Depreciation and amortization	52,137	63,024	65,632	68,091	37,434	35,753
Reorganization expense (income) and related costs	37,518	1,443			9,058	(25,967)
Income from settlement of property tax appeals			(30,705)			
	1,385,155	1,085,818	1,158,534	924,669	584,875	313,635
(Loss) income from operations	(593,006)	(177,810)	(170,299)	101,610	42,907	50,804
Non-operating income (expense):						
Interest income	1,558	4,565	7,553	10,299	2,151	836
Interest expense	(131,900)	(132,516)	(131,034)	(130,144)	(79,602)	(85,678)
Income related to termination of Marina Agreement	15,196					
Loss on early extinguishment of debt			(4,127)			
Interest expense related party						(1,184)
	(115,146)	(127,951)	(127,608)	(119,845)	(77,451)	(86,026)
Loss before income taxes, discontinued operations and extraordinary item	(708,152)	(305,761)	(297,907)	(18,235)	(34,544)	(35,222)
Income tax benefit (provision)	8,324	12,510	48,975	(6,451)	(11,421)	(2,074)
Loss from continuing operations	(699,828)	(293,251)	(248,932)	(24,686)	(45,965)	(37,296)
Income from discontinued operations:						
Trump Indiana, net of income taxes		2,070		734	12,819	118,748
Income from discontinued operations		2,070		734	12,819	118,748
(Loss) income before extraordinary item	(699,828)	(291,181)	(248,932)	(23,952)	(33,146)	81,452
Extraordinary gain on extinguishment of debt						196,932
Net (loss) income	(699,828)	(291,181)	(248,932)	(23,952)	(33,146)	278,384
	165,890	58,978	60,251	5,445	6,618	

Less: Net loss attributable to the noncontrolling interest						
Net (loss) income attributable to Trump Entertainment Resorts, Inc.	$ (533,938)	$ (232,203)	$ (188,681)	$ (18,507)	$ (26,528)	$ 278,384
Earnings per share:						
Net (loss) income per share attributable to Trump Entertainment Resorts, Inc. common shareholders basic and diluted:						
Continuing operations	$ (16.85)	$ (7.37)	$ (6.07)	$ (0.62)	$ (1.19)	$ (1.25)
Discontinued operations		0.04		0.02	0.32	3.97
Extraordinary gain on extinguishment of debt						6.59
Basic and diluted net (loss) income per share	$ (16.85)	$ (7.33)	$ (6.07)	$ (0.60)	$ (0.87)	$ 9.31
Weighted Average Shares Outstanding:						
Basic and diluted	31,691,463	31,674,980	31,086,918	30,920,616	30,533,041	29,904,764
Balance Sheet Data (at end of period):						
Cash and cash equivalents	$ 66,084	$ 86,183	$ 121,309	$ 100,007	$ 228,554	
Property and equipment	1,134,027	1,707,403	1,630,453	1,535,057	1,463,142	
Total assets	1,396,769	2,047,379	2,228,880	2,260,496	2,329,763	
Total debt, including current maturities	1,740,033	1,743,850	1,643,774	1,407,433	1,437,959	
Noncontrolling interests	(159,639)	6,925	64,892	125,395	129,708	
Total (deficit) equity	(691,678)	7,704	291,260	538,163	556,866	

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements

This Report contains statements that we believe are, or may be considered to be, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as may, will, expect, intend, estimate, foresee, project, anticipate, believe, plans, forecasts, continue or could or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC, or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct and there can be no assurance that the forward-looking statements contained in this Report, including with respect to the ultimate impact of the events occurring during the reorganization process, will be realized. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions, that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in the section entitled Risk Factors of this Report. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management s opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Report.

Overview

We own and operate the Trump Taj Mahal Casino Resort, Trump Plaza Hotel and Casino and the Trump Marina Hotel Casino in Atlantic City, New Jersey.

Financial Condition

Liquidity and Capital Resources

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

We intend to maintain business operations through the reorganization process. On February 20, 2009, the Company obtained Bankruptcy Court approval to pay its vendors in the ordinary course of business. Our liquidity and capital resources, however, are significantly affected by the Chapter 11 Case. Our bankruptcy proceedings have resulted in various restrictions on our activities, limitations on financing and a need to obtain Bankruptcy Court approval for various matters. As a result of the filing of the Chapter 11 Case, the Debtors are not permitted to make any payments on pre-petition liabilities without prior Bankruptcy Court approval. However, the Debtors have been granted relief in order to continue wage and salary payments and other benefits to employees as well as other related pre-petition obligations; to continue to honor customer programs as well as certain related pre-petition customer obligations; and to pay certain pre-petition trade claims held by critical vendors. Under the priority schedule established by the Bankruptcy Code, certain post-petition and pre-petition liabilities need to be satisfied before general unsecured creditors and equity holders are entitled to receive any distribution. At this time, it is not possible to predict with certainty the effect of the Chapter 11 Case on our business or various creditors, or when we will emerge from these proceedings. Our future results depend upon our confirming and successfully implementing, on a timely basis, a plan of reorganization. The continuation of the Chapter 11 Case, particularly if a plan of reorganization is not timely consummated, could further adversely affect our operations. See Item 1. Business Chapter 11 Proceedings and Item 1A. Risk Factors .

The filing of the Chapter 11 Case constituted an event of default and therefore triggered repayment obligations under the $493.3 million senior secured facility entered into by the Company on December 21, 2007 (the 2007 Credit Agreement) and the $1,250.0 million of Senior Secured Notes issued by TER Holdings and its wholly owned finance subsidiary, Trump Entertainment Resorts Funding, Inc. (TER Funding) on May 20, 2005 (the Senior Notes). As a result, all indebtedness outstanding under the Senior Notes and the 2007 Credit Agreement became automatically due and payable. Under the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most pending litigation, are stayed and other contractual obligations against the Debtors generally may not be enforced. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization to be approved by the Bankruptcy Court. Consequently, the Company has classified the indebtedness under the Senior Notes and the 2007 Credit Agreement within current liabilities in its Consolidated Balance Sheets.

On February 23 2009, the Bankruptcy Court entered an order approving on an interim basis the terms pursuant to which the Debtors are permitted to use the cash collateral under the 2007 Credit Agreement. Such use was permitted in exchange for certain protections afforded to the lenders under the 2007 Credit Agreement.

As described in Note 1 to our Consolidated Financial Statements, on December 24, 2009 as amended on January 5, 2010, the Debtors and the Ad Hoc Committee filed with the Bankruptcy Court the Debtors/AHC Plan and the disclosure statement relating thereto (the Debtors/AHC Disclosure Statement). On January 5, 2010, Beal Bank and Icahn Partners filed with the Bankruptcy Court the Beal/Icahn Plan and the disclosure statement relating thereto (the Beal/Icahn Disclosure Statement). See Item 1 for more information on the Debtors/AHC Plan and the Beal/Icahn Plan.

As also described in Item 1, on March 2, 2010, the Debtors and certain holders of the Senior Notes entered into a commitment letter providing for a $45 million senior secured debtor in possession notes facility (the DIP Facility). In addition, pursuant to the terms of the Beal/Icahn Plan, Icahn Partners would provide a $45 million debtor in possession facility upon receiving a final confirmation order of the Beal/Icahn Plan. See Item 1 for more information on the DIP Facility and the terms of the facility offered pursuant to the Beal/Icahn Plan.

General. Cash flows from the operating activities of our casino properties constitute our primary source of liquidity. We may need to obtain additional financing to meet all of our liquidity requirements and other obligations. Currently, our liquidity and cash flow is affected by a variety of factors, many of which are outside of our control, including the current economic conditions, the tightened credit markets, as well as the downturn in the Atlantic City gaming market, regulatory issues, competition, and other general business conditions. We cannot assure you that we will possess sufficient income and liquidity to fund our operations and capital expenditures. There can be no assurance as to our ability to obtain sufficient financing and meet our obligations. We are currently financing our operations during our reorganization using our cash on hand. We have signed a commitment letter with certain of the holders of Senior Notes to provide a $45 million DIP Facility. Borrowings under the DIP Facility will be conditioned upon confirmation of the Debtors/AHC Plan and Bankruptcy Court approval. If the Debtors/AHC Plan is confirmed by the Bankruptcy Court, we will receive $100 million in available funds upon emergence to fund our operations and capital expenditures, as well as to repay any borrowings under the DIP Facility. Under the Beal/Icahn Plan, upon confirmation, Icahn Partners would provide us with a $45 million debtor in possession loan. Such debtor in possession loan would, on the effective date, convert to new equity in the reorganized Debtors. In addition, Icahn Partners has agreed to make an equity contribution of $80 million on the effective date in exchange for new equity in the reorganized Debtors. The challenges of obtaining financing are exacerbated by adverse conditions in the general economy and the current credit market. These conditions and our Chapter 11 Case make it more difficult for us to obtain financing.

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We are operating in an extremely challenging business environment. Cash flows provided by operating activities were $11.7 million during 2009 compared to $0.3 million during 2008. A significant decrease in gaming revenues due to increased competition and the weakened economy along with the substantial reorganization fees paid in connection with our reorganization were more than offset by lower cash paid for interest and changes in working capital requirements.

Cash flows used in investing activities were $26.4 million during 2009 compared to $128.0 million during 2008. Investing activities during 2009 include (i) capital expenditures of $26.8 million, of which approximately $17.5 million related to the completion of the Chairman Tower at the Taj Mahal and (ii) the receipt of proceeds from the Casino Reinvestment Development Authority (CRDA) totaling $8.2 million for qualifying expenditures to construct the Chairman Tower and certain other CRDA investments. Investing activities during 2008 include (i) capital expenditures of $179.0 million, of which approximately $133.0 million related to the construction of the Chairman Tower, (ii) a decrease in restricted cash reflecting the use of proceeds from borrowings which were restricted for expenditures associated with the construction of the Chairman Tower, (iii) capitalized interest of $8.5 million, (iv) the receipt of proceeds from the CRDA totaling $11.9 million for qualifying expenditures to construct the Chairman Tower and (v) a $15.2 million cash deposit received in connection with the October 28, 2008 amendment to the Asset Purchase Agreement for the sale of Trump Marina.

Our 2009 cash flows used in financing activities included the repayment of $4.9 million of our outstanding term loan and $0.4 million of payments related to capital lease obligations. During 2008, our cash flows provided by financing activities were $92.5 million. We borrowed the remaining $100.0 million available under our 2007 Credit Agreement, repaid $4.5 million of our outstanding term loan and $1.7 million of our capital lease obligations. We also made partnership distributions to Mr. Trump totaling $1.3 million.

At December 31, 2009, we had $66.1 million in cash and cash equivalents. There was a $483.8 million term loan outstanding under our 2007 Credit Agreement. We also had $1,249.0 million of Senior Notes outstanding. The filing of the Chapter 11 Case constituted an event of default or otherwise triggered repayment obligations under the Senior Notes and the 2007 Credit Agreement. As a result, all indebtedness outstanding under the Senior Notes and the 2007 Credit Agreement became automatically due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Debtors and the application of applicable bankruptcy law.

Our ability to meet our operating and debt service obligations depends on a number of factors, including our existing cash on hand and cash flows generated by our operating subsidiaries. There can be no assurance that other sources of funds will be available to us, or if available, at terms favorable to us.

TER has minimal operations, except for its ownership of TER Holdings and its subsidiaries. TER depends on the receipt of sufficient funds from its subsidiaries to meet its financial obligations. The ability of our subsidiaries to make payments to TER Holdings may also be restricted by the New Jersey Casino Control Commission.

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Contractual obligations, as of December 31, 2009, mature as follows (in millions):

	One year and less	2-3 years	3-5 years	After 5 years	Total
Long-term debt	$ 1,732.8	$	$	$	$ 1,732.8
Interest on long-term debt (1)	149.5				149.5
Services Agreement (2)	2.0	4.0			6.0
Capital leases	1.5	2.4	1.6	10.3	15.8
Operating leases	12.1	10.7	7.1	87.0	116.9
2008 NJSEA Subsidy Agreement (3)	6.2	1.5			7.7
Total	$ 1,904.1	$ 18.6	$ 8.7	$ 97.3	$ 2,028.7

In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities. See Note 8 to our Consolidated Financial Statements.

(1) We were in default under the terms of the indenture governing the Senior Notes and the 2007 Credit Agreement as of December 31, 2009 (see Note 7 to the Consolidated Financial Statements). As a result, all indebtedness outstanding under the Senior Notes and the 2007 Credit Agreement was automatically due and payable. Interest on long-term debt reflects amounts accrued as of December 31, 2009.

(2) Represents obligations under a services agreement with Mr. Trump.

(3) Represents estimated amounts due under the 2008 NJSEA Subsidy Agreement as discussed in Note 18 to the Consolidated Financial Statements.

Off Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interest, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us.

Results of Operations

The following analyses compare our results of operations for: (1) the year ended December 31, 2009 with our results of operations for the year ended December 31, 2008 and (2) the year ended December 31, 2008 with our results of operations for the year ended December 31, 2007. Our primary business activities are conducted by Trump Taj Mahal, Trump Plaza and Trump Marina.

Basis of Presentation. The consolidated financial statements have been prepared in accordance with Topic 852 Reorganizations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (ASC 852) and on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. The ability of the Company, both during and after the Chapter 11 Case, to continue as a going concern is contingent upon, among other things, (i) the ability of the Company to generate cash from operations and to maintain adequate cash on hand; (ii) the resolution of the uncertainty as to the amount of claims that will be allowed; (iii) the ability of the Company to confirm a plan of reorganization under the Bankruptcy Code and obtain any debt and equity financing which may be required to emerge from bankruptcy protection; and (iv) the Company s ability to achieve profitability. There can be no assurance that the Company will be able to successfully achieve these objectives in order to continue as a going concern. The consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

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Results of Operations for the Years Ended December 31, 2009 and 2008

The following table includes selected data of our casino properties and should be read with the following discussion of our results of operations.

	Year Ended December 31, 2009	2008
	(in millions)	
Gaming revenues		
Trump Taj Mahal	$ 441.1	$ 476.7
Trump Plaza	199.8	258.8
Trump Marina	160.5	201.3
Total	$ 801.4	$ 936.8
Net revenues		
Trump Taj Mahal	$ 439.6	$ 460.7
Trump Plaza	196.7	252.8
Trump Marina	155.8	194.5
Total	$ 792.1	$ 908.0
Income (loss) from operations		
Trump Taj Mahal	$ 22.2	$ (42.7)
Trump Plaza	(357.6)	4.4
Trump Marina	(208.1)	(62.0)
Corporate and other	(49.5)	(77.5)
Total	$ (593.0)	$ (177.8)
Depreciation and amortization		
Trump Taj Mahal	$ 40.7	$ 36.7
Trump Plaza	9.6	18.9
Trump Marina	1.7	6.8
Corporate and other	0.1	0.7
Total	$ 52.1	$ 63.1
Intangible and other asset impairment charges		
Trump Taj Mahal	$ 3.7	$ 90.3
Trump Plaza	347.8	5.4
Trump Marina	205.2	63.6
Corporate and other		48.4
Total	$ 556.7	$ 207.7
Reorganization expense		
Trump Taj Mahal	$ 4.6	$
Trump Plaza	2.3	
Corporate and other	30.6	1.4
Total	$ 37.5	$ 1.4

Our operating results during 2009 were affected by various factors including the continuing effects of gaming competition in Pennsylvania and New York and continued weakness in the economy.

Gross Gaming Revenues During 2009, the Atlantic City market experienced a decrease in gross gaming revenues for the third consecutive year. For the year ended December 31, 2009, gross gaming revenues in the Atlantic City market (as reported to the CCC) decreased 13.2% due to a 13.1% decrease in slot revenues and a

13.5% decrease in table game revenues compared to the year ended December 31, 2008. For the year ended December 31, 2009, we experienced a 14.5% decrease in overall gross gaming revenues comprised of a 14.0% decrease in slot revenues and a 15.5% decrease in table game revenues compared to the prior year.

Impairment Charges We review our indefinite-lived intangible assets for impairment annually as of October 1, or more frequently if events or circumstances indicate that the value of intangible assets might be impaired. As a result of the negative effects of the aforementioned factors on our operating results, we recognized intangible asset impairment charges totaling $20.5 million and $162.7 million during the years ended December 31, 2009 and 2008, respectively.

We review our long-lived assets for impairment when events or circumstances indicate that the carrying value of such assets might not be recoverable. Based upon the results of our testing, we recorded impairment charges totaling $536.2 million related to Trump Plaza s and Trump Marina s long-lived assets during the year ended December 31, 2009. During the year ended December 31, 2008, we recognized a $45.0 million estimated loss on disposal to record Trump Marina s long-lived assets at their estimated fair value less costs to sell in connection with entering into the Marina Amendment.

A discussion of each of our properties operating results for the year ended December 31, 2009 compared to December 31, 2008 follows:

Trump Taj Mahal Net revenues decreased $21.1 million principally due to a $35.6 million decrease in gaming revenues partially offset by a $5.5 million decrease in gaming promotional offers and a $9.0 million increase in cash rooms, food and beverage and other revenue. The decrease in gaming revenues was due to a $21.3 million decrease in slot revenue and a $14.3 million decrease in table games and other gaming revenue. The decrease in slot revenue resulted from an 8.6% decrease in slot handle. Table games revenue decreased due to both a decrease in table game play and hold percentage.

Before consideration of $4.6 million of non-cash reorganization expense during 2009 and intangible asset impairment charges during 2009 and 2008, income from operations decreased $17.1 million due to the decrease in net revenues partially offset by a $4.0 million decrease in operating costs and expenses. Total operating costs and expenses decreased principally due to: a $5.5 million decrease in electricity and thermal energy costs; a $4.7 million decrease in gaming taxes; a $3.5 million decrease in promotional expenses; a $3.5 million decrease in advertising costs; and a $2.4 million decrease in marketing and entertainment costs. These decreases were partially offset by: a $4.9 million increase in property taxes, resulting from the assessment of the Chairman Tower; a $4.0 million increase in depreciation expense, principally due to depreciation expense associated with the Chairman Tower; a $2.7 million increase in expense recognized in association with the New Jersey Sports and Exposition Authority subsidy agreement; a $2.1 million increase in benefit costs and a $1.5 million increase in insurance costs.

Trump Plaza Net revenues decreased $56.1 million principally due to a $59.0 million decrease in gaming revenues and a $3.9 million decrease in cash rooms, food and beverage and other revenue partially offset by a $6.8 million decrease in gaming promotional offers. The decrease in gaming revenues was due to a $35.0 million decrease in slot revenue and a $24.0 million decrease in table games revenue. The decrease in slot revenue was principally due to a 20.4% decrease in slot handle. Table games revenue decreased due to a 20.0% decrease in table game play and a significant decrease in hold percentage.

Before consideration of non-cash impairment charges and $2.3 million of non-cash reorganization expense, income from operations decreased $17.3 million as the $56.1 million decrease in net revenues was partially offset by a $38.8 million decrease in operating costs and expenses. The decline in operating expenses was primarily attributable to: a $9.3 million decrease in depreciation expense due to the long-lived asset impairment charges recorded during the second quarter of 2009; an $8.1 million decrease in payroll and related costs; a $5.8 million decrease in gaming taxes due to lower gaming revenues; a $4.8 million decrease in marketing and entertainment expenses; a $4.0 million decrease in general and administrative expenses; a $3.4 million decrease in utility costs; and a $2.9 million decrease in costs of food, beverage and other sales.

Trump Marina Net revenues decreased $38.7 million principally due to a $40.8 million decrease in gaming revenues and a $4.4 million decrease in cash rooms, food and beverage and other revenue partially offset by a $6.5 million decrease in gaming promotional offers. Gaming revenues decreased due to a $29.4 million decrease in slot revenue and an $11.4 million decrease in table games revenue. The decrease in slot revenue was principally due to a 20.7% decrease in slot handle. Table games revenue decreased due to a 26.5% decrease in table game play partially offset by an increase in hold percentage.

Before consideration of non-cash impairment charges, income from operations decreased $4.5 million due to the decrease in net revenues partially offset by a $34.2 million decrease in operating costs and expenses. The decrease in operating expenses was principally due to: a $7.3 million decrease in promotional expenses; a $6.9 million decrease in payroll and related costs; a $5.1 million decrease in depreciation expense principally due to the long-lived asset impairment charges recorded during the second quarter of 2009; a $4.0 million decrease in gaming taxes; a $3.4 million decrease in marketing and entertainment costs; a $3.1 million decrease in utility costs; a $2.9 million decrease in cost of goods sold; and a $1.8 million decrease in general and administrative expenses.

Corporate and Other Corporate and other expenses excluding reorganization expenses in 2009 and 2008 and transaction costs and intangible asset impairment charges associated with the Marina Agreement in 2008, decreased $3.5 million principally due to decreases in legal fees, stock-based compensation expense and payroll and related costs partially offset by an increase in insurance costs.

Interest Income Interest income was $1.6 million during 2009 compared to $4.6 million during 2008 due to lower average invested cash and cash equivalents and interest rates.

Interest Expense Interest expense was $131.9 million during 2009 compared to $132.5 million during 2008. Given the unlikelihood of any recovery of interest expense related to the Senior Notes in connection with our reorganization, we ceased recording contractual interest expense on the Senior Notes on October 7, 2009, the date on which the Bankruptcy Court approved both the Original Debtors Disclosure Statement and the AHC Disclosure Statement. The lower interest expense recognized on the outstanding principal amount of Senior Notes of approximately $24.8 million was partially offset by (i) higher average borrowings outstanding under the 2007 Credit Agreement, (ii) a 2% increase in the interest rate on amounts outstanding under the 2007 Credit Agreement due to the event of default, (iii) an $8.5 million decrease in capitalized interest as a result of the completion of the Chairman Tower and (iv) the accrual of default interest related to the past due interest payments on the Senior Notes through October 7, 2009.

Provision for Income Taxes We recorded an income tax benefit related to our continuing operations of $8.3 million and $12.5 million during 2009 and 2008, respectively, reflecting the impact of a reduction in our net deferred tax liabilities as a result of intangible asset impairment charges and the portion of the long-lived asset impairment charges relating to land.

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Results of Operations for the Years Ended December 31, 2008 and 2007

The following table includes selected data of our casino properties and should be read with the following discussion of our results of operations.

	Year Ended December 31, 2008	2007
	(in millions)	
Gaming revenues		
Trump Taj Mahal	$ 476.7	$ 504.1
Trump Plaza	258.8	277.8
Trump Marina	201.3	239.7
Total	$ 936.8	$ 1,021.6
Net revenues		
Trump Taj Mahal	$ 460.7	$ 489.5
Trump Plaza	252.8	267.7
Trump Marina	194.5	231.0
Total	$ 908.0	$ 988.2
Income (loss) from operations		
Trump Taj Mahal	$ (42.7)	$ 50.6
Trump Plaza	4.4	(15.6)
Trump Marina	(62.0)	(146.9)
Corporate and other	(77.5)	(58.4)
Total	$ (177.8)	$ (170.3)
Depreciation and amortization		
Trump Taj Mahal	$ 36.7	$ 29.3
Trump Plaza	18.9	19.3
Trump Marina	6.8	16.6
Corporate and other	0.7	0.5
Total	$ 63.1	$ 65.7
Intangible and other asset impairment charges		
Trump Taj Mahal	$ 90.3	$ 30.5
Trump Plaza	5.4	56.7
Trump Marina	63.6	162.1
Corporate and other	48.4	28.6
Total	$ 207.7	$ 277.9
Income from property tax settlement, net of legal fees		
Trump Taj Mahal	$	$ 3.6
Trump Plaza		22.6
Trump Marina		2.6
Total	$	$ 28.8

Our operating results during 2008 compared to 2007 were affected by various factors including the continuing effects of gaming competition in Pennsylvania and New York, a further weakening of the economy, higher fuel costs for a portion of 2008 and smoking restrictions under state and local legislation.

Gross Gaming Revenues During 2008, the Atlantic City market experienced a decrease in gross gaming revenues for the second consecutive year. Gross gaming revenues as reported to the CCC decreased 7.6% overall,

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while slot revenues decreased 9.6% compared to the year ended December 31, 2007. During the year ended December 31, 2008, we experienced an 8.0% decrease in overall gross gaming revenue and a 10.0% decrease in slot revenue at our three properties compared to the prior year.

Smoking Restrictions On April 15, 2007, an ordinance in Atlantic City became effective which extended smoking restrictions under the New Jersey Smoke-Free Air Act. This ordinance mandated that casinos restrict smoking to designated areas of up to 25% of the casino floor. During April 2008, Atlantic City s City Council unanimously approved an amendment to the ordinance, banning smoking entirely on all casino gaming floors and casino simulcasting areas, but allowing smoking in separately exhausted, non-gaming, smoking lounges. The amendment to the ordinance became effective on October 15, 2008, however, on October 27, 2008, Atlantic City s City Council voted to postpone the full smoking ban for at least one year due to, among other things, the weakened economy and increased competition in adjoining states. The postponement of the full smoking ban became effective on November 16, 2008.

While we are unable to quantify the impact of the smoking restrictions, we believe these smoking restrictions have negatively impacted our gaming revenues and income from operations as our competition in adjacent states continues to permit smoking. Although we constructed a smoking lounge on the casino floor at each of our properties as permitted by the ordinance, we believe our gaming revenues and income from operations were negatively affected by the smoking ban that was in effect and that a future complete ban on smoking in casino and casino simulcasting areas could further adversely affect our results.

Impairment Charges As a result of the negative effects of the aforementioned factors on our operating results, we recognized goodwill and other intangible asset impairment charges totaling $162.7 million and $186.6 million during the years ended December 31, 2008 and 2007, respectively.

During the year ended December 31, 2008, we recognized a $45.0 million estimated loss on disposal to record Trump Marina s long-lived assets at their estimated fair value less costs to sell in connection with entering into the Marina Amendment. During the year ended December 31, 2007, we recorded an asset impairment charge of $91.3 million to reflect Trump Marina s long-lived assets at their estimated fair value.

Real Property Revaluation During the year ended December 31, 2008, as a result of Atlantic City s first overall real property revaluation since 1978, real estate tax expense decreased $4.1 million due to an overall decline in the tax rate applied to the assessed value of each of our properties.

A discussion of each of our properties operating results for the year ended December 31, 2008 compared to December 31, 2007 follows:

Trump Taj Mahal Net revenues decreased $28.8 million due to a $27.4 million decrease in gaming revenues and a $4.1 million increase in gaming promotional allowances partially offset by a $2.7 million increase in cash rooms, food and beverage and other revenue. The decrease in gaming revenues was primarily due to (i) a $23.8 million decrease in slot revenue resulting from an 11% decline in volume and (ii) a $3.6 million decrease in table games and other gaming revenue.

Income from operations before non-cash intangible asset impairment charges decreased $33.5 million due to the decrease in net revenues and a $4.7 million increase in operating costs and expenses. Increases in operating costs and expenses were principally due to: a $7.4 million increase in depreciation expense, principally due to the significant projects completed during 2007, the opening of the Chairman Tower during 2008 and new slot machine inventory on the casino floor; a $6.7 million increase in provisions for doubtful accounts; the absence of $3.6 million of income recognized in connection with the 2007 settlement of property tax appeals with the City of Atlantic City (the City); a $1.8 million increase in utility costs, due to higher rates and the Chairman Tower; and a $1.8 million increase in advertising costs. These increases were partially offset by: a $3.8 million decrease in gaming taxes and other regulatory fees; a $3.6 million decrease in payroll and related costs; a $1.9 million decrease in promotional expenses, primarily due to the absence of TrumpONE implementation costs incurred during 2007; a $1.8 million decrease in insurance costs; a $1.7 million decrease in food and beverage costs; a $1.4 million decrease in marketing and entertainment costs; a $1.2 million reversal of provisions related to CRDA investments upon the receipt of grant proceeds from the Atlantic City Expansion Fund (ACEF), which were funded by certain of our CRDA deposits; and a $1.0 million decrease in property tax expense resulting from Atlantic City s 2008 real estate revaluation.

Trump Plaza Net revenues decreased $14.9 million primarily due to a $19.0 million decrease in gaming revenues partially offset by a $5.1 million decrease in promotional allowances. The decrease in gaming revenues reflects an $18.9 million or 9.7% decrease in slot revenues. The lower promotional allowances reflect a decrease in promotional coin offers corresponding to the lower gaming revenues.

Before consideration of non-cash intangible asset impairment charges and $22.6 million of income, net of legal fees, from the settlement of property tax appeals with the City, income from operations decreased $8.7 million as the lower net revenues were partially offset by a $6.2 million decrease in operating expenses. The decrease in operating expenses was primarily attributable to: a $2.7 million decrease in gaming taxes and fees; a $2.4 million decrease in property taxes resulting from Atlantic City s real estate revaluation; a $2.4 million decrease in provisions related to CRDA investments, primarily due to the receipt of grant proceeds from the ACEF, which were funded by certain of our CRDA deposits; and a $1.2 million decrease in insurance costs. These decreases were partially offset by a $1.8 million increase in payroll and related costs due to annual merit increases and higher medical and union benefits and a $1.1 million increase in utility costs.

Trump Marina Net revenues during the year ended December 31, 2008 decreased $36.5 million principally due to a $38.4 million decline in gaming revenues. The decrease in gaming revenues was primarily due to a $29.4 million decrease in slot revenue resulting from an 18.1% decline in volume and a $9.0 million decrease in table games and other gaming revenue due to a 13.8% decrease in table play.

Income from operations before intangible asset impairment charges and $2.6 million of income, net of legal fees, from the settlement of property tax appeals with the City, decreased $11.0 million due to the decrease in net revenues partially offset by a $25.5 million decrease in operating costs and expenses. Operating costs and expenses decreased due to: a $9.8 million decrease in depreciation and amortization expense as Trump Marina s long-lived assets which were classified as held for sale were no longer depreciated in accordance with Accounting Standards Codification Topic 360 Property, Plant and Equipment (ASC 360); a $4.5 million decrease in gaming taxes and regulatory fees; a $3.9 million decrease in promotional expenses; a $2.4 million decrease in payroll and related costs; a $1.5 million decrease in food costs; a $1.2 million decrease in advertising costs; and a $1.1 million decrease in provisions related to CRDA investments, primarily due to the receipt of grant proceeds from the ACEF, which were funded by certain of our CRDA deposits.

Corporate and Other Corporate and other expenses, before consideration of intangible asset impairment charges and $5.3 million in transaction costs incurred in connection with the Marina Agreement, decreased $6.0 million to $23.8 million principally due to a $2.7 million decrease in payroll and related costs, a $1.0 million decrease in professional fees, primarily due to expenses incurred during 2007 in connection with our strategic review, and a $1.5 million reduction in severance costs.

Interest Income Interest income was $4.6 million during the year ended December 31, 2008 compared to $7.6 million during the year ended December 31, 2007 principally due to lower balances of average invested cash and cash equivalents on hand during the period.

Interest Expense Interest expense during the year ended December 31, 2008 increased $1.5 million due to higher outstanding borrowings under the 2007 Credit Facility partially offset by a $4.3 million increase in capitalized interest principally associated with the construction of the Chairman Tower at the Taj Mahal. Capitalized interest was $8.5 million and $4.2 million during the years ended December 31, 2008 and 2007, respectively.

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Provision for Income Taxes Our provision for income taxes related to our continuing operations in 2008 includes a deferred tax benefit of $12.5 million. Our provision for income taxes related to our continuing operations in 2007 includes a deferred tax benefit of $49.3 million, a non-cash charge in lieu of taxes of $0.2 million and a current tax provision of $0.1 million.

Critical Accounting Estimates

General Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require our management to make estimates and assumptions about the effects of matters that are inherently uncertain. Of our accounting estimates, we believe the following may involve a higher degree of judgment and complexity.

Intangible Assets We have approximately $35.1 million of intangible assets recorded on our balance sheet at December 31, 2009. We regularly evaluate our businesses for potential impairment indicators. Additionally, we perform impairment testing at least annually or more frequently if indicators of impairment exist. Our judgments regarding the existence of impairment indicators are based on, among other things, pending sales of assets, the regulatory and competitive status, operational performance of each of our businesses and financial market valuations of conditions surrounding our business entities and the gaming industry. Future events, such as the failure to meet or exceed our operating plans, increased competition, the enactment of increased gaming or tax rates or changes in market valuations could significantly impact our judgments and any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Over the past three years, our results have been negatively impacted by, among other things, increasing regional competition, a weakening economy and a partial smoking ban in Atlantic City.

During 2009, based upon the results of our impairment testing, we determined that trademarks relating to Trump Plaza and Trump Taj Mahal were impaired. As a result, we recognized intangible asset impairment charges totaling $20.5 million, of which $3.7 million related to Trump Taj Mahal trademarks and $16.8 million related to Trump Plaza trademarks.

During 2008, in connection with our goodwill and other intangible asset impairment testing, we determined that goodwill relating to Trump Taj Mahal and TER and trademarks relating to Trump Taj Mahal, Trump Plaza and Trump Marina were impaired. As a result, we recognized non-cash goodwill and other intangible asset impairment charges totaling $162.7 million, of which $90.3 million related to Trump Taj Mahal, $48.4 million related to TER, $18.6 million related to Trump Marina and $5.4 million related to Trump Plaza.

During 2007, we determined that goodwill associated with TER, Trump Marina and Trump Plaza was impaired. We recorded a non-cash goodwill impairment charge of $80.6 million, of which $28.6 million related to TER, $35.1 million related to Trump Marina and $16.9 million related to Trump Plaza. In addition, we determined that certain of our other intangible assets were impaired. We recorded non-cash other intangible asset impairment charges, principally relating to our trademarks, totaling $106.0 million, of which $30.5 million, $35.7 million and $39.8 million related to Trump Taj Mahal, Trump Marina and Trump Plaza, respectively.

The impairment test procedures performed require us to make comprehensive estimates of the future cash flows of our reporting units and intangible assets. Due to uncertainties associated with such estimates, actual results could differ from such estimates. A continuation of the previously mentioned conditions may result in the determination that some or all of our remaining intangible assets have become impaired, which could result in additional impairment charges in the future.

Property and Equipment Our operations are capital intensive and we make capital investments at each of our properties in the form of maintenance capital and, from time to time, expansion and product enhancement capital. At December 31, 2009, we have approximately $1,134.0 million of net property and equipment recorded on our balance sheet. We depreciate our assets on a straight-line basis over their estimated useful lives. The estimates of the useful lives are based on the nature of the assets as well as our current operating strategy. Future events such as property expansions, new competition and new regulations, could result in a change in the manner in which we use certain assets requiring a change in the estimated useful lives of such assets.

Due to certain events and circumstances, including the continuing negative effects of regional competition on our results and the termination of the Marina Agreement, we performed impairment testing related to our long-lived assets in accordance with ASC 360 during the second quarter of 2009. We recorded long-lived asset impairment charges totaling $536.2 million, of which $331.0 million related to Trump Plaza and $205.2 million related to Trump Marina. In addition, in connection with our impairment testing, we reduced the estimated remaining useful life of Trump Plaza s building to 20 years. A long-lived asset impairment charge was not recognized with respect to Trump Taj Mahal as the estimated undiscounted future cash flows expected to be generated by its long-lived asset group were greater than the carrying value of its assets. However, based upon current market conditions and management s estimates, the carrying value of Trump Taj Mahal s long-lived assets may exceed their fair value.

During 2008, in connection with the Marina Amendment, an estimated loss on disposal of $45.0 million was recognized to reflect Trump Marina s assets held for sale at their estimated fair value less costs to sell.

During 2007, we recorded an asset impairment charge totaling $91.3 million related to Trump Marina s long-lived assets. Additionally, we reduced the remaining estimated useful life of Trump Marina s building to 20 years in connection with our impairment test.

In assessing the recoverability of the carrying value of property and equipment, we must make assumptions regarding estimated future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record additional impairment charges for these assets.

Trump ONE Liability Our unified player s program, Trump ONE, allows customers to accumulate certain point-based rewards based on the volume of their gaming activity. Trump ONE customers may earn comp dollars redeemable for complimentary food, beverage and retail items and cash-back points which are redeemable in cash. Comp dollars and cash-back points accumulate over time and may be redeemed at the customer s discretion under the terms of the program. Comp dollars and cash-back points are forfeited if a customer does not redeem earned rewards over a specified period of time. As a result of the ability of the customer to accumulate comp dollars and cash-back points, we accrue the associated expense, after giving effect to estimated forfeitures, as they are earned. At December 31, 2009, $2.3 million was accrued related to comp dollars and $1.0 million was accrued related to cash-back points earned under this program. Our accruals could be significantly affected if estimated forfeitures vary from historical levels or changes occur in the cost of providing complimentary food, beverage and retail items under the Trump ONE program. Management reviews our accruals for adequacy at the end of each reporting period.

Insurance Accruals Our insurance policies for employee health, workers compensation and general patron liabilities have significant deductible levels on an individual claim basis. We accrue a liability for known workers compensation and general patron liabilities based upon a review of individual claims. Additionally, we accrue an amount for incurred but not reported claims based on our historical experience and other factors. Our employee health insurance benefit accrual is based on our historical claims experience rate including an estimated lag factor. These accruals involve complex estimates and could be significantly affected should current claims vary from historical levels. Management reviews our insurance accruals for adequacy at the end of each reporting period.

Income Taxes We are subject to income taxes in the United States and in several states. We account for income taxes, including our current, deferred and non-cash charge in lieu of tax provisions in accordance with ASC 740 Income Taxes. The calculation of our income tax provision is complex and requires the use of estimates. Management reviews our provision for income taxes at the end of each reporting period. Additionally, our income tax returns are subject to examination by various taxing authorities. We regularly assess the potential outcomes of these examinations in determining the adequacy of our provision for income taxes and our income tax liabilities. Inherent in our determination of any necessary reserves are assumptions based on past experiences and judgments about potential actions by taxing authorities. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental. We believe we have adequately provided for any reasonable and foreseeable outcome related to uncertain tax matters. When actual results of tax examinations differ from our estimates, we adjust the income tax provision in the period in which the examination issues are settled.

Inflation

There was no significant impact on operations as a result of inflation during 2009, 2008 or 2007.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, foreign currency exchange rates and commodity rates. Our primary exposure to market risk is interest rate risk associated with our long-term debt. We attempt to manage our interest rate risk by managing the mix of our long-term fixed rate and variable rate borrowings.

The following table provides information about our debt obligations that are sensitive to changes in interest rates. The following table also presents principal cash flows and related weighted average interest rates by expected maturity date of our debt obligations, except capitalized lease obligations.

(Dollars in millions)	2010	2011	2012	2013	2014	Therafter	Total
Fixed rate debt maturities	$ 1,249.0	$	$	$	$	$	$ 1,249.0
Average interest rate	8.50%						
Variable rate debt maturities	$ 483.8	$	$	$	$	$	$ 483.8
Average interest rate	8.20%						

As previously discussed, on February 17, 2009, the Company and certain of its subsidiaries filed the Chapter 11 Case. The filing of the Chapter 11 Case constituted an event of default and therefore triggered repayment obligations under the Senior Notes and 2007 Credit Agreement. As a result, all indebtedness outstanding under the Senior Notes and the 2007 Credit Agreement (which has a cross-default provision with the Senior Notes) became automatically due and payable. Under the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most pending litigation, are stayed and other contractual obligations against the Debtors generally may not be enforced. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization to be approved by the Bankruptcy Court. Consequently, the Company has classified the indebtedness under the Senior Notes and the 2007 Credit Agreement within current liabilities in its Consolidated Balance Sheet as of December 31, 2009.

In addition, until such time as no event of default exists, (i) the interest rate on the Senior Notes increases by an additional 1% per annum in excess of the 8.5% interest rate on any overdue principal or interest relating to the Senior Notes (as of December 31, 2009, we were past due on our December 1, 2008, June 1, 2009 and December 1, 2009 interest payments) and (ii) the interest rate under the 2007 Credit Agreement increases by an additional 2% in excess of the otherwise applicable interest rate on amounts outstanding under the 2007 Credit Agreement.

We currently have no outstanding interest rate swaps. From time to time, we enter into interest rate swap agreements to change the proportion of fixed to variable rate debt within parameters established by management. In accordance with these parameters, the agreements are used to manage interest rate risks and cost inherent in our debt portfolio.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements are included in this Report:

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Trump Entertainment Resorts, Inc.

We have audited the accompanying consolidated balance sheets of Trump Entertainment Resorts, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders equity (deficit) and cash flows for each of the years ended December 31, 2009, 2008 and 2007. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trump Entertainment Resorts, Inc. as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Notes 1 and 2, the Company has experienced increased competition, incurred significant recurring losses from operations, has defaulted on loan obligations, and has filed a voluntary petition seeking to reorganize under chapter 11 of the federal bankruptcy laws. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania

March 19, 2010

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Trump Entertainment Resorts Holdings, L.P.

We have audited the accompanying consolidated balance sheets of Trump Entertainment Resorts Holdings, L.P. (Holdings) as of December 31, 2009 and 2008, and the related consolidated statements of operations, partners capital (deficit) and cash flows for each of the years ended December 31, 2009, 2008 and 2007. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and schedule are the responsibility of Holdings management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Holdings internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Holdings internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trump Entertainment Resorts Holdings, L.P. as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that Holdings will continue as a going concern. As more fully described in Notes 1 and 2, Holdings has experienced increased competition, incurred significant recurring losses from operations, has defaulted on loan obligations, and has filed a voluntary petition seeking to reorganize under chapter 11 of the federal bankruptcy laws. These conditions raise substantial doubt about Holdings ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania

March 19, 2010

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TRUMP ENTERTAINMENT RESORTS, INC.

DEBTOR IN POSSESSION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	December 31, 2009	December 31, 2008		
Current assets:				
Cash and cash equivalents	$ 66,084	$ 86,183		
Accounts receivable, net of allowance for doubtful accounts of $39,791 and $25,695, respectively	31,890	38,579		
Accounts receivable, other	5,136	5,162		
Property taxes receivable	3,981	3,983		
Inventories	5,033	5,938		
Deferred income taxes	2,293	13,809		
Other current assets	17,431	16,863		
Total current assets	131,848	170,517		
Net property and equipment	1,134,027	1,707,403		
Other assets:				
Restricted cash		2,807		
Deferred financing costs, net of accumulated amortization of $0 and $6,854, respectively		14,902		
Trademarks	32,712	53,212		
Intangible assets, net of accumulated amortization of $5,116 and $4,109 , respectively	2,401	3,408		
Property taxes receivable	12,585	15,760		
Other assets, net of reserve of $33,092 and $32,479, respectively	83,196	79,370		
Total other assets	130,894	169,459		
Total assets	$ 1,396,769	$ 2,047,379		
Current liabilities:				
Current maturities of long-term debt	$ 661	$ 1,737,926		
Accounts payable	28,887	36,714		
Accrued payroll and related expenses	22,358	22,856		
Income taxes payable	8,348	8,248		
Accrued interest payable	11,310	71,450		
Self-insurance reserves	17,290	14,234		
Other current liabilities	30,903	47,877		
Total current liabilities	119,757	1,939,305		
Liabilities subject to compromise				
Notes Payable	$181,889	$181,889	$–	$–
Common stock warrant liability	166,398	–	–	166,398

There were no transfers of assets or liabilities between Level 1 and Level 2 and no transfers in or out of Level 3 during the three month period ended March 31, 2012.

Note 7. Other Current Assets

Other current assets at March 31, 2012 and December 31, 2011 include the following:

		March 31, 2012		December 31, 2011
Advances to investigator sites	$	758,296	$	758,296
Deposits for future investigator grants		264,578		–
Raw materials for ThermoDox® registration batches		149,187		163,561
Franchise taxes receivable		4,076		39,104
Other current assets		2,523		765
Total	$	1,178,660	$	961,726

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Note 8. Other Accrued Liabilities

Other accrued liabilities at March 31, 2012 and December 31, 2011 include the following:

	March 31, 2012	December 31, 2011
Amounts due to Contract Research Organizations and other contractual agreements	$ 2,260,411	$ 1,234,875
Accrued payroll and related benefits	225,187	632,425
Accrued professional fees	88,075	137,400
Other	37,584	27,234
Total	$ 2,611,257	$ 2,031,934

Note 9. Note Payable

In October 2009, the Company financed $288,200 of lab equipment through a capital lease. This lease obligation has thirty monthly payments of $11,654 through April 2012. During the first three months of 2012, the Company has made principal and interest payments totaling $34,962. The outstanding lease obligation is $22,931 as of March 31, 2012.

In November 2011, the Company financed $144,448 of lab equipment through a capital lease. This lease obligation has thirty monthly payments of $5,651 through February 2014. During the first three months of 2012, the Company made principal and interest payments totaling $16,953. The outstanding lease obligation is $112,617 as of March 31, 2012. See Note 12 to the financial statements.

Note 10. Stock Based Compensation

Stock Options Plans

The Company has long-term compensation plans that permit the granting of incentive awards in the form of stock options. Generally, the terms of these plans require that the exercise price of the options may not be less than the fair market value of Celsion's common stock on the date the options are granted. Options granted generally vest over various time frames or upon milestone accomplishments. The Company's options generally expire ten years from the date of the grant.

In 2007, the Company adopted the Celsion Corporation 2007 Stock Incentive Plan (the "2007 Plan") under which 1,000,000 shares were authorized for issuance. The purpose of the 2007 Plan is to promote the long-term growth and profitability of the Company by providing incentives to improve stockholder value and enable the Company to attract, retain and reward the best available persons for positions of substantial responsibility. The 2007 Plan permits the granting of equity awards in the form of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, phantom stock, and performance awards, or in any combination of the foregoing. At the Annual Meeting of Stockholders of Celsion held on June 25, 2010, the stockholders approved an amendment to the Plan. The only material difference between the existing Plan and the amended Plan was the number of shares of common stock available for issuance under the amended Plan which was increased by 1,000,000 to a total of 2,000,000 shares.

Prior to the adoption of the 2007 Plan, the Company adopted two stock plans for directors, officers and employees (one in 2001 and another in 2004) under which 666,667 shares were reserved for future issuance under each of these plans. As these plans have been superseded by the 2007 Plan, any options previously granted which expire, forfeit, or cancel under these plans will be rolled into the 2007 Plan.

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option pricing model. The Black-Scholes model was originally developed for use in estimating the fair value of traded options, which have different characteristics from Celsion's stock options. The model is also sensitive to changes in assumptions, which can materially affect the fair value estimate.

The Company used the following assumptions for determining the fair value of options granted under the Black-Scholes option pricing model:

	Three months ended March 31, 2012		Three months ended March 31, 2011	
Risk-free interest rate	2.97	%	2.72% - 2.84	%
Expected volatility	80.8% - 81.3	%	80.7% -81.1	%
Expected life (in years)	6.0 – 6.3		6	
Expected forfeiture rate	7.5	%	0.0	%
Expected dividend yield	0.0	%	0.0	%

Expected volatilities utilized in the model are based on historical volatility of the Company’s stock price. The risk free interest rate is derived from values assigned to U.S. Treasury bonds as published in the Wall Street Journal in effect at the time of grant. The model incorporates exercise, pre-vesting and post-vesting forfeiture assumptions based on analysis of historical data. The expected life of the fiscal 2012 and 2011 grants was generated using the simplified method as allowed under Securities and Exchange Commission Staff Accounting Bulletin No. 107.

Total compensation cost related to employee stock options and restricted stock awards amounted to $305,127 and $326,877 for the three months ended March 31, 2012 and 2011, respectively. No compensation cost related to share-based payments arrangements was capitalized as part of the cost of any asset as of March 31, 2012 or 2011.

As of March 31, 2012, there was $2.0 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 2.1 years. The weighted average grant-date fair value was $1.46 and $2.49 per share for the options granted during the three months ended March 31, 2012 and 2011, respectively. The weighted average grant-date fair value was $2.09 and $2.94 for the restricted stock awards granted during the three months ended March 31, 2012 and 2011, respectively.

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A summary of the Company's stock option and restricted stock awards for three month period ended March 31, 2012 is as follows:

Equity Awards	Stock Options: Options Outstanding	Stock Options: Weighted Average Exercise Price	Restricted Stock Awards: Non-vested Restricted Stock Outstanding	Restricted Stock Awards: Weighted Average Grant Date Fair Value	Weighted Average Contractual Terms of Equity Awards (in years)
Equity awards outstanding at December 31, 2011	3,113,144	$ 3.75	54,867	$ 3.16	
Equity awards granted	269,388	$ 2.07	1,500	$ 2.09	
Equity awards exercised	–	–	–	–	
Equity awards forfeited, cancelled or expired	(61,835)	$ 6.27	–	–	
Equity awards outstanding at March 31, 2012	3,320,697	$ 3.71	56,367	$ 3.13	6.6
Aggregate intrinsic value of outstanding awards at March 31, 2012	$ 1,102,125		$ 176,364		
Equity awards exercisable at March 31, 2012	2,214,163	$ 4.04			5.61
Aggregate intrinsic value of awards exercisable at March 31, 2012	$ 492,154				

Collectively, for all the stock option plans as of March 31, 2012, there were a total of 3,455,721 shares reserved, which were comprised of 3,377,064 equity awards granted and 78,657 equity awards still available for future issuance.

Note 11. Warrants

Common Stock Warrant Liability

In September 2009, the Company closed a registered direct offering with a select group of institutional investors that raised gross proceeds of $7.1 million and net proceeds of $6.3 million. In connection with this registered direct offering, the Company issued 2,018,153 shares of its common stock and warrants to purchase 1,009,076 shares of common stock. The warrants have an exercise price of $5.24 per share and are exercisable at any time on or after the six month anniversary of the date of issuance and on or prior to 66 months after the date of issuance. Under the terms of the warrants, upon certain transactions, including a merger, tender offer or sale of all or substantially all of the assets of the Company, each warrant holder may elect to receive a cash payment in exchange for the warrant, in an amount determined by application of the Black-Scholes option valuation model. Accordingly, pursuant to ASC 815.40, Derivative Instruments and Hedging - Contracts in Entity's Own Equity, the warrants are recorded as a liability and then marked to market each period through the Statement of Operations in other income or expense. At the end of each subsequent quarter, the Company will revalue the fair value of the warrants and the change in fair value will be recorded as a change to the warrant liability and the difference will be recorded through the Statement of Operations in other income or expense.

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The fair value of the warrants at March 31, 2012 and December 31, 2011 was $88,798 and $166,397, respectively, calculated using the Black-Scholes option-pricing model with the following assumptions:

	March 31, 2012	December 31, 2011
Risk-free interest rate	1.04%	0.83%
Expected volatility	60.0%	75.17%
Expected life (in years)	1.5	1.6
Expected forfeiture rate	0.0%	0.0%
Expected dividend yield	0.00%	0.00%

As a result of this adjustment, the Company recorded a non-cash benefit of $77,600 in the three months ended March 31, 2012. The following is a summary of the changes in the common stock warrant liability for the three months ended March 31, 2012:

Beginning balance, January 1, 2012	$ 166,398
Issuances	-
Gain from the adjustment for the change in fair value included in net loss	(77,600)
Ending balance, March 31, 2012	$ 88,798

Common Stock Warrants

As a result of equity financings in 2009 through 2011, the Company had 11,598,617 warrants outstanding and exercisable as of March 31, 2012. The warrants had a weighted average exercise price of $3.15 and a weighted average remaining contractual term of 4.7 years.

Note 12. Contingent Liabilities and Commitments

In July 2011, the Company executed a lease (the “Lease”) with Brandywine Operating Partnership, L.P. (Brandywine), a Delaware limited partnership for a 10,870 square foot premises located in Lawrenceville, New Jersey. In October 2011, the Company relocated its offices to Lawrenceville, New Jersey from Columbia, Maryland. The lease has a term of 66 months and provides for 6 months rent free, with the first monthly rent payment of approximately $23,000 due in April 2012. Also, as required by the Lease, the Company provided Brandywine with an irrevocable and unconditional standby letter of credit for $250,000, which the Company secured with an escrow deposit at its banking institution of this same amount. The standby letter of credit will be reduced by $50,000 on each of the 19th, 31st and 43rd months from the initial term, with the remaining $100,000 amount remaining until the Lease Term has expired.

Following is a summary of the future minimum payments required under leases that have initial or remaining lease terms of one year or more as of March 31, 2012:

	Capital Leases	Operating Leases
For the year ending March 31:		
2013	$ 91,125	$ 277,185
2014	62,166	282,620
2015	–	288,055
2016	–	293,490
Thereafter	–	298,925

Total minimum lease payments		153,291	$	1,440,275
Less amounts of lease payments that represent interest		17,743		
Present value of future minimum capital lease payments		135,548		
Less current obligations under capital leases		78,407		
	$	57,141		

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Note 13. Licensing Transaction

On December 5, 2008, we entered into a development, product supply and commercialization agreement with Yakult Honsha Co. (the Yakult Agreement) under which Yakult was granted the exclusive right to commercialize and market ThermoDox® for the Japanese market. We were paid a $2.5 million up-front licensing fee and may receive additional payments from Yakult upon receipt of marketing approval by the Japanese Ministry of Health, Labor and Welfare as well as upon the achievement of certain levels of sales and approval for new indications. Under the Yakult Agreement, we will receive double digit escalating royalties on the sale of ThermoDox® in Japan, when and if any such sales occur and we also will be the exclusive supplier of ThermoDox® to Yakult. Concurrent with a convertible preferred stock equity financing in January 2011, we amended the Yakult Agreement to provide for up to $4.0 million in accelerated partial payments to us on a drug approval milestone. The terms of the Yakult Agreement provided for the payment to us of $2.0 million upon the closing of the preferred equity financing. The second $2.0 million was conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT study, which has not been resumed. In consideration of the $2.0 million accelerated milestone payment from Yakult, we have agreed to reduce future drug approval milestone payments by approximately twenty percent (20%). All other milestone payments are unaffected.

Note 14. Subsequent Event

On May 7, 2012 the Company announced the signing of a long term commercial supply agreement with Zhejiang Hisun Pharmaceutical Co. Ltd. (Hisun) for the production of ThermoDox® in the China territory. Per the terms of the agreement, Hisun will be responsible for providing all of the technical and regulatory support services, including the costs of all technical transfer, registrational and bioequivalence studies, technical transfer costs, Celsion consultative support costs and the purchase of any necessary equipment and additional facility costs necessary to support capacity requirements for the manufacture of ThermoDox®. Celsion will repay Hisun for the aggregate amount of these development costs and fees commencing on the successful completion of three registrational batches of ThermoDox®. Hisun is also obligated to certain performance requirements under the agreement. The agreement will initially be limited to a percentage of the production requirements of ThermoDox® in the China territory with Hisun retaining an option for additional global supply after local regulatory approval in the China territory. In addition, Hisun will collaborate with Celsion around the regulatory approval activities for ThermoDox® with the China State Food and Drug Administration (SFDA).

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

Statements and terms such as "expect", "anticipate", "estimate", "plan", "believe" and words of similar import regarding c expectations as to the development and effectiveness of our technologies, the potential demand for our products, and other aspects of our present and future business operations, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our industry, business and operations, we cannot guarantee that actual results will not differ materially from our expectations. In evaluating such forward-looking statements, readers should specifically consider the various factors contained in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2011, which factors include, without limitation, unforeseen changes in the course of research and development activities and in clinical trials; possible changes in cost and timing of development and testing, capital structure, and other financial items; changes in approaches to medical treatment; introduction of new products by others; possible acquisitions of other technologies, assets or businesses; and possible actions by customers, suppliers, competitors and regulatory authorities. These and other risks and uncertainties could cause actual results to differ materially from those indicated by forward-looking statements.

The discussion of risks and uncertainties set forth in this Quarterly Report on Form 10-Q and in our most recent Annual Report on Form 10-K/A, as well as in other filings with the SEC, is not necessarily a complete or exhaustive list of all risks facing the Company at any particular point in time. We operate in a highly competitive, highly regulated and rapidly changing environment and our business is constantly evolving. Therefore, it is likely that new risks will emerge, and that the nature and elements of existing risks will change, over time. It is not possible for management to predict all such risk factors or changes therein, or to assess either the impact of all such risk factors on our business or the extent to which any individual risk factor, combination of factors, or new or altered factors, may cause results to differ materially from those contained in any forward-looking statement. We disclaim any obligation to revise or update any forward-looking statement that may be made from time to time by us or on our behalf.

Strategic and Clinical Overview

Celsion Corporation is an innovative oncology drug development company focused on the development of treatments for those suffering with difficult to treat forms of cancer. We are working to develop and commercialize more efficient and effective, targeted chemotherapeutic oncology drugs based on our proprietary heat-activated liposomal technology. The promise of this drug technology is to maximize efficacy while minimizing side-effects common to cancer treatments.

Our lead product ThermoDox® is being evaluated in a Phase III clinical trial for primary liver cancer (the HEAT study), Phase II clinical trial for colorectal liver metastasis (CRLM) and a Phase I/II clinical trial for recurrent chest wall breast cancer. ThermoDox® is a liposomal encapsulation of doxorubicin, an approved and frequently used oncology drug for the treatment of a wide range of cancers. Localized heat at mild hyperthermia temperatures (greater than 40 degrees Celsius) releases the encapsulated doxorubicin from the liposome enabling high concentrations of doxorubicin to be deposited preferentially in and around the targeted tumor.

The U.S. Food and Drug Administration (FDA) has granted our pivotal Phase III HEAT study for ThermoDox®, in combination with radiofrequency ablation, a Special Protocol Assessment and has designated it as a Fast Track Development Program. We have received written guidance from the FDA stating that, assuming the results of our ongoing studies are adequate, we may submit our New Drug Application (NDA) for ThermoDox® pursuant to Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act. A 505(b)(2) NDA provides that some of the information from the reports required for marketing approval may come from studies that the applicant does not own or for which the applicant does not have a legal right of reference and permits a manufacturer to obtain marketing approval for a drug without needing to conduct or obtain a right of reference for all of the required studies. The availability of Section 505(b)(2) and the designation of ThermoDox® as a Fast Track Development Program may provide us with an expedited pathway to approval. There can be no assurance, however, that the results of our ongoing studies will be adequate to obtain approval of ThermoDox® under Section 505(b)(2). Drug research and development is an inherently uncertain process and there is a high risk of failure at every stage prior to approval and the timing and the outcome of clinical results is extremely difficult to predict. Clinical development successes and failures can have a disproportionate positive or negative impact on our scientific and medical prospects, financial prospects, financial condition, and market value.

In December 2011, the European Medicines Agency (EMA) provided written, scientific advice confirming that the HEAT study is acceptable as a basis for submission of a marketing authorization application (MAA). Based on feedback and guidance received from the EMA, we expect that future results demonstrating a convincing magnitude of improvement in progression-free survival, the study's primary endpoint, along with a favorable benefit-risk ratio in the HEAT study, would be sufficient as the primary basis for registration of ThermoDox® in Europe. The EMA also supported our manufacturing strategy and technology transfer protocols, which will allow us to establish multiple manufacturing sites to support commercialization of ThermoDox® outside the United States. In March of 2011, we announced that the European Commission granted orphan drug designation for ThermoDox® in primary liver cancer, which provides assistance and incentives, including ten years of marketing exclusivity subsequent to product approval, in support of product candidates intended for the treatment of a life-threatening or chronically debilitating condition affecting no more than five in 10,000 persons in the European Union. ThermoDox® also holds orphan drug designation in the U.S.

We have also demonstrated the feasibility for a product pipeline of cancer drugs that employ our heat activated liposomal technology in combination with known chemotherapeutics, including docetaxel and carboplatin. We believe that our technology can improve efficacy and safety of anticancer agents whose mechanism of action and safety profile are well understood by the medical and regulatory communities. Our approach provides a comparatively cost effective, low risk approval pathway. An element of our business strategy is to pursue, as resources permit, the research and development of a range of product candidates for a variety of indications. This is intended to allow us to diversify the risks associated with our research and development expenditures. To the extent we are unable to maintain a broad range of product candidates, our dependence on the success of one or a few product candidates would increase. Additionally, we had formed a joint research agreement with Philips Healthcare, a division of Royal Philips Electronics, to evaluate the combination of Philips' high intensity focused ultrasound (HIFU) with ThermoDox® to determine the potential of this combination to treat a broad range of cancers. This agreement is in the process of renewal. For certain markets, we may seek licensing partners to share in the development and commercialization costs. We will also evaluate licensing cancer products from third parties for cancer treatments to expand our product pipeline.

In 2005, the Company made a strategic decision to divest its medical device business. The Company sold this medical device business to Boston Scientific Corporation (BSC) in 2007 for net aggregate payments of $43 million, receiving $13 million in 2007 and $15 million in each of 2008 and 2009. In addition, the Company repurchased approximately 2.7 millions share of Celsion stock held by BSC. Since this divesture, we have dedicated our efforts and resources to the development and commercialization of innovative cancer drugs including tumor-targeting treatments using focused heat energy in combination with heat-activated drug delivery systems. To support our research and development, we have raised gross proceeds of approximately $67.6 million in equity financings in the years 2009 through 2011.

On December 5, 2008, we entered into a development, product supply and commercialization agreement with Yakult Honsha Co. (the Yakult Agreement) under which Yakult was granted the exclusive right to commercialize and market ThermoDox® for the Japanese market. We were paid a $2.5 million up-front licensing fee and may receive additional payments from Yakult upon receipt of marketing approval by the Japanese Ministry of Health, Labor and Welfare as well as upon the achievement of certain levels of sales and approval for new indications. Under the Yakult Agreement, we will receive double digit escalating royalties on the sale of ThermoDox® in Japan, when and if any such sales occur and we also will be the exclusive supplier of ThermoDox® to Yakult. Concurrent with a convertible preferred stock equity financing in January 2011, we amended the Yakult Agreement to provide for up to $4.0 million in accelerated partial payments to us on a drug approval milestone. The terms of the Yakult Agreement provided for the payment to us of $2.0 million upon the closing of the preferred equity financing. The second $2.0 million was conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT study, which has not resumed. In consideration of the $2.0 million accelerated milestone payment from Yakult, we have agreed to reduce future drug approval milestone payments by approximately twenty percent (20%). All other milestone payments are unaffected.

On July 11, 2011, after reviewing data from 535 randomized patients enrolled in our pivotal Phase III HEAT study, the Data Monitoring Committee (DMC) for this trial unanimously recommended that the trial continue to enroll patients at all clinical sites, except those in Japan, with the goal of reaching enrollment of 600 patients, as required by the study protocol. The DMC maintained its recommendation to continue withholding enrollment of additional patients in Japan pending certain guidance from the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan. The recommendation followed a review of safety data from 18 Japanese patients enrolled in the study, when compared to patient data from the rest of the Phase III trial. As a part of its commitment to the PMDA, the DMC independently assesses patients randomized at Japanese sites. The DMC continues to review safety and efficacy data in accordance with the PMDA in Japan and the DMC’s charter, however there can be no assurance that the DMC will permit resumption of patient enrollment in Japan or at all nor can there be any assurance that we will receive the second $2.0 million payment from Yakult pursuant to the amended Yakult Agreement.

On August 3, 2011, we announced that we had reached our preplanned enrollment objective of 600 patients in the pivotal Phase III HEAT study. The target enrollment figure is designed to ensure that the study's primary end point, progression-free survival, can be achieved with adequate statistical power and is one of two triggers for an interim efficacy analysis by the study's DMC. The second trigger was the occurrence of 190 progression-free survival (PFS) events in the study population. We met the second trigger of 190 PFS events in the third quarter of 2011 which allowed us to conduct a planned interim analysis in the fourth quarter of 2011. On November 28, 2011, we announced that the independent DMC for the HEAT study completed a pre-planned interim analysis for safety, efficacy and futility and unanimously recommended that the study continue to its final analysis as planned. The DMC evaluated data from 613 patients in its review, which was conducted following realization of 219 PFS events within the study population. A total of 380 events of progression are required to reach the planned final analysis of the study, which is projected to occur in late 2012.

Consistent with our global regulatory strategy, we are continuing to enroll patients in the HEAT Study in order to randomize at least 200 patients in the People's Republic of China (PRC), a requirement for registrational filing in the PRC which was completed and announced on April 23, 2012. The HEAT study has already enrolled a sufficient number to support registrational filings in South Korea and Taiwan, two important markets for ThermoDox®. Continued enrollment also has the potential to improve the timeline of the final data read out, though we cannot guarantee such a result.

In January 2012, we announced the enrollment of our first patient in the randomized Phase II study of ThermoDox® in combination with radiofrequency ablation for the treatment of colorectal liver metastases (the ABLATE Study). The ABLATE Study is expected to enroll up to 88 patients with colorectal cancer metastasized to the liver. Patients will be randomized to receive either RFA plus ThermoDox® or RFA alone for the treatment of their liver tumors. The primary study endpoint is based on one year local tumor recurrence, with secondary endpoints of time to progression and overall survival.

On May 7, 2012 the Company announced the signing of a long term commercial supply agreement with Zhejiang Hisun Pharmaceutical Co. Ltd. (Hisun) for the production of ThermoDox® in the China territory. Per the terms of the agreement, Hisun will be responsible for providing all of the technical and regulatory support services, including the costs of all technical transfer, registrational and bioequivalence studies, technical transfer costs, Celsion consultative support costs and the purchase of any necessary equipment and additional facility costs necessary to support capacity requirements for the manufacture of ThermoDox®. Celsion will repay Hisun for the aggregate amount of these development costs and fees commencing on the successful completion of three registrational batches of ThermoDox®. The batches are expected to be successfully delivered in mid 2013, and repayment of the development costs will occur at any time on or prior to the fourth year anniversary of the signing of the agreement, which in total is expected to be approximately $2.0 million. Hisun is also obligated to certain performance requirements under the agreement. The agreement will initially be limited to a percentage of the production requirements of ThermoDox® in the China territory with Hisun retaining an option for additional global supply after local regulatory approval in the China territory. In addition, Hisun will collaborate with Celsion around the regulatory approval activities for ThermoDox® with the China State Food and Drug Administration (SFDA).

Our current business strategy includes the possibility of entering into collaborative arrangements with third parties to complete the development and commercialization of our product candidates. In the event that third parties take over the clinical trial process for one or more of our product candidates, the estimated completion date would largely be under the control of that third party rather than us. We cannot forecast with any degree of certainty which proprietary products or indications, if any, will be subject to future collaborative arrangements, in whole or in part, and how such arrangements would affect our development plan or capital requirements. We may also apply for subsidies, grants, or government or agency-sponsored studies that could reduce our development costs.

As a result of the uncertainties discussed above, among others, we are unable to estimate the duration and completion costs of our research and development projects or when, if ever, and to what extent we will receive cash inflows from the commercialization and sale of a product. Our inability to complete our research and development projects in a timely manner or our failure to enter into collaborative agreements when appropriate could significantly increase our capital requirements and could adversely impact our liquidity. While our estimated future capital requirements are uncertain and could increase or decrease as a result of many factors, including the extent to which we choose to advance our research, development and clinical trials, or if we are in a position to pursue manufacturing or commercialization activities, it is clear we will need significant additional capital to develop our product candidates through clinical development, manufacturing, and commercialization. We do not know whether we will be able to access additional capital when needed or on terms favorable to us or our stockholders. Our inability to raise additional capital, or to do so on terms reasonably acceptable to us, would jeopardize the future success of our business.

As a clinical stage biopharmaceutical company, our business and our ability to execute our strategy to achieve our corporate goals are subject to numerous risks and uncertainties. Material risks and uncertainties relating to our business and our industry are described in " Item 1A. Risk Factors" under "Part II: Other Information" included herein.

FINANCIAL REVIEW FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

Results of Operations

Our net loss was $6.2 million, or $0.19 per basic and diluted share, for the three months ended March 31, 2012 compared to $3.8 million, or $0.28 per basic and diluted share, for the same period of 2011. As of March 31, 2012, we had $24.6 million in cash and short-term investments.

	Three Months Ended March 31, ($ amounts in 000's)		Change	
	2012	2011	$	%
Licensing Revenue:	$ –	$ 2,000	$ (2,000)	(100)%
Operating Expenses:				
Clinical Research	$ 3,509	$ 3,450	$ (59)	(1.7)%
Chemistry, Manufacturing and Controls	1,184	899	(285)	(31.7)%
Research and development	4,693	4,349	(344)	(7.9)%
General and administrative	1,570	1,215	(355)	(29.2)%
Total operating expenses	$ 6,263	$ 5,564	$ (699)	(12.6)%
Loss from operations	$ (6,263)	$ (3,564)	$ (2,699)	(75.7)%

Comparison of the three months ended March 31, 2012 and 2011

Licensing Revenue

In the first quarter of 2011, we recognized $2.0 million in licensing revenue in relation to the amendment of our development, product supply and commercialization agreement for ThermoDox® with Yakult Honsha Co. Concurrent with a convertible preferred stock equity financing in January 2011, we amended the Yakult Agreement to provide for up to $4.0 million in accelerated partial payments to us on a drug approval milestone. The terms of the Yakult Agreement provided for the payment to us of $2.0 million upon the closing of the preferred equity financing. The second $2.0 million was conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT study, which has not been resumed. In consideration of the $2.0 million accelerated milestone payment from Yakult, we have agreed to reduce future drug approval milestone payments by approximately twenty percent (20%). All other milestone payments are unaffected. We had no licensing revenue in the first quarter of 2012.

Research and Development Expenses

Research and development (R&D) expenses increased $0.4 million from $4.3 million in the first quarter of 2011 to $4.7 million in the same period of 2012. Costs associated with the Heat study decreased to $2.5 million in the first quarter of 2012 compared to $2.7 million in the same period of 2011. Costs associated with our recurrent chest wall breast cancer clinical trial remained relatively unchanged at $0.1 million in the first quarter of 2012 compared to the same period of 2011. Costs associated with the start up of our colorectal liver metastases trial were $0.1 million in the first quarter of 2012. Costs associated with the production of ThermoDox® increased to $1.2 million in the first quarter of 2012 compared to $0.9 million in the same period of 2011 primarily due to ongoing progress towards developing our commercial manufacturing capabilities for ThermoDox®.

General and Administrative Expenses

General and administrative (G&A) expenses increased to $1.6 million in the first quarter of 2012 compared to $1.2 million in the same period of 2011. This increase is largely the result of an increase in professional fees and personnel costs in the first quarter of 2012 compared to the same period of 2011. We continue to carefully monitor operating costs and focus our financial resources on completing enrollment and patient follow-up in the Phase III HEAT study.

Other Expense and Income

A warrant liability was incurred as a result of warrants we issued in a public offering in September 2009. This liability is calculated at its fair market value using the Black-Scholes option-pricing model and is adjusted at the end of each quarter. For the first quarter of 2012, we recorded a non cash gain of $77,600 based on the change in the fair value of the warrants from the end of the prior quarter compared to recording a non cash gain of $168,311 in the same period of 2011.

In connection with the shares of preferred stock we issued in a January 2011 preferred stock offering, we incurred interest charges of approximately $0.4 million in the first three months of 2011. All of the outstanding shares of preferred stock mandatorily converted into common stock in August 2011.

Financial Condition, Liquidity and Capital Resources

Since inception, excluding the net aggregate payments received from Boston Scientific of $43 million through the divestiture of our medical device business in 2007 (which we received in installments of $13 million in 2007 and $15 million in each of 2008 and 2009), we have incurred significant losses and negative cash flows from operations. We have financed our operations primarily through the net proceeds we received in this divesture, subsequent sales of equity and amounts received under our product licensing agreement with Yakult. The process of developing and commercializing ThermoDox® requires significant research and development work and clinical trial studies, as well as significant manufacturing and process development efforts. We expect these activities, together with our general and administrative expenses to result in significant operating losses for the foreseeable future. Our expenses have significantly and regularly exceeded our revenues, and we had an accumulated deficit of $130 million at March 31, 2012.

As of March 31, 2012, we had total current assets of $25.8 million (including cash and short term investments of $24.6 million) and current liabilities of $6.4 million, resulting in working capital of $19.4 million. At December 31, 2011, we had total current assets of $31.5 million (including cash and short term investments of $30.5 million) and current liabilities of $6.2 million, resulting in working capital of $25.3 million.

We will require additional capital to develop our product candidates through clinical development, manufacturing, and commercialization. We may seek additional capital through further public or private equity offerings, debt financing, additional strategic alliance and licensing arrangements, collaborative arrangements or some combination of these alternatives. If we raise additional funds through the issuance of equity securities, stockholders will likely experience dilution and the equity securities may have rights, preferences, or privileges senior to those of the holders of our common stock. If we raise funds through the issuance of debt securities, those securities would have rights, preferences, and privileges senior to those of our common stock. If we seek strategic alliances, licenses, or other alternative arrangements, such as arrangements with collaborative partners or others, we may need to relinquish rights to certain of our existing or future technologies, product candidates, or products which we would otherwise seek to develop or commercialize on our own, or to license the rights to our technologies, product candidates, or products on terms that are not favorable to us.

The overall status of the economic climate could also result in the terms of any equity offering, debt financing, or alliance, license, or other arrangement being even less favorable to us and our stockholders than if the overall economic climate were stronger. In addition, we may continue to seek government sponsored research collaborations and grants.

If adequate funds are not available through either the capital markets, strategic alliances, or collaborators, we may be required to delay, reduce the scope of or eliminate our research, development or clinical programs or our manufacturing or commercialization efforts, effect additional changes to our facilities or personnel or obtain funds through other arrangements that may require us to relinquish some of our assets or rights to certain of our existing or future technologies, product candidates or products on terms not favorable to us. Our inability to raise additional capital, or to do so on terms reasonably acceptable to us, may have a negative effect on our business, results of operations and financial condition.

Off-Balance Sheet Arrangements and Contractual Obligations

We have no off-balance sheet financing arrangements other than in connection with our operating leases, which are disclosed in the contractual commitments table in our Form 10-K/A for the year ended December 31, 2011.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK .

The primary objective of our investment activities is to preserve our capital until it is required to fund operations while at the same time maximizing the income we receive from our investments without significantly increasing risk. Our cash flow and earnings are subject to fluctuations due to changes in interest rates in our investment portfolio. We maintain a portfolio of various issuers, types, and maturities. These securities are classified as available-for-sale and, consequently, are recorded on the balance sheet at fair value with unrealized gains or losses reported as a component of accumulated other comprehensive income (loss) included in stockholders' equity.

Item 4. CONTROLS AND PROCEDURES

We have carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of March 31, 2012, which is the end of the period covered by this report, our disclosure controls and procedures are effective at the reasonable assurance level in alerting them in a timely manner to material information required to be included in our periodic reports with the Securities and Exchange Commission.

There were no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 of the Securities Exchange Act of 1934, as amended, that occurred during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II: OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

The following is a summary of the risk factors, uncertainties and assumptions that we believe are most relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ significantly from anticipated or historical results and our forward-looking statements. Additional risks that we currently believe are immaterial may also impair our business operations. Investors should carefully consider the risks described below before making an investment decision, and you should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. Moreover, we operate in a competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all of these factors on our business, financial condition or results of operations. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. The description provided in this Item 1A includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K/A for the year ended December 31, 2011. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K/A for the year ended December 31, 2011, including our consolidated financial statements and related notes, and our other filings made from time to time with the Securities and Exchange Commission.

RISKS RELATING TO OUR BUSINESS

We have a history of significant losses from continuing operations and expect to continue such losses for the foreseeable future.

Since Celsion’s inception, our expenses have substantially exceeded our revenues, resulting in continuing losses and an accumulated deficit of $130 million at March 31, 2012. For the quarter ended March 31, 2012, we incurred a net loss of $6.2 million. Because we presently have no product revenues and we are committed to continuing our product research, development and commercialization programs, we will continue to experience significant operating losses unless and until we complete the development of ThermoDox® and other new products and these products have been clinically tested, approved by the FDA and successfully marketed.

Drug development is an inherently uncertain process with a high risk of failure at every stage of development.

We have a number of drug candidates in research and development ranging from the early discovery research phase through preclinical testing and clinical trials. Preclinical testing and clinical trials are long, expensive and highly uncertain processes and failure can unexpectedly occur at any stage of clinical development. It will take us several years to complete clinical studies. The start or end of a clinical study is often delayed or halted due to changing regulatory requirements, manufacturing challenges, required clinical trial administrative actions, slower than anticipated patient enrollment, changing standards of care, availability or prevalence of use of a comparator drug or required prior therapy, clinical outcomes or our own financial constraints. The failure of one or more of our drug candidates could have a material adverse effect on our business, financial condition and results of operations.

If we do not obtain or maintain FDA and international regulatory approvals for our drug candidates on a timely basis, or at all, or if the terms of any approval impose significant restrictions or limitations on use, we will be unable to sell those products and our business, results of operations and financial condition will be negatively affected.

To obtain regulatory approvals from the FDA and international regulatory agencies, we must conduct clinical trials demonstrating that our products are safe and effective. We may need to amend ongoing trials or the FDA and/or international regulatory agencies may require us to perform additional trials beyond those we planned. This process generally takes a number of years and requires the expenditure of substantial resources. The time required for completing testing and obtaining approvals is uncertain, and the FDA and foreign regulatory agencies have substantial discretion, at any phase of development, to terminate clinical studies, require additional clinical development or other testing, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls. In addition, undesirable side effects caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restricted label or the delay or denial of regulatory approval by regulatory authorities. Even if we receive regulatory approval of a product, the approval may limit the indicated uses for which the drug may be marketed. The failure to obtain timely regulatory approval of product candidates, any product marketing limitations or a product withdrawal would negatively impact our business, results of operations and financial condition.

We do not expect to generate significant revenue for the foreseeable future.

We have devoted our resources to developing a new generation of products and will not be able to market these products until we have completed clinical testing and obtain all necessary governmental approvals. In addition, our products are still in various stages of development and testing and cannot be marketed until we have completed clinical testing and obtained necessary governmental approval. Accordingly, our revenue sources are, and will remain, extremely limited until and if our products are clinically tested, approved by the FDA and successfully marketed. We currently only have one collaboration partner, Yakult Honsha Co., under a development, product supply and commercialization agreement, which was amended in January 2011, under which we may receive certain milestone payments as well as royalties on the sale of ThermoDox® in Japan, when and if any such sales occur. We cannot guarantee that any of our products will be successfully tested, approved by the FDA or marketed, successfully or otherwise, at any time in the foreseeable future or at all.

We will need to raise substantial additional capital to fund our planned future operations, and we may be unable to secure such capital without dilutive financing transactions. If we are not able to raise additional capital, we may not be able to complete the development, testing and commercialization of our product candidates.

As of March 31, 2012, we had approximately $24.6 million in cash, cash equivalents and short-term investments. To complete the development and commercialization of our products, we will need to raise substantial amounts of additional capital to fund our operations. We do not have any committed sources of financing and cannot assure you that alternate funding will be available in a timely manner, on acceptable terms or at all. We may need to pursue dilutive equity financings, such as the issuance of shares of common stock, convertible debt or other convertible or exercisable securities. Such dilutive equity financings would dilute the percentage ownership of our current common stockholders and could significantly lower the market value of our common stock. In addition, a financing could result in the issuance of new securities that may have rights, preferences or privileges senior to those of our existing stockholders.

If we cannot raise additional capital, we may be required to delay, reduce or eliminate certain aspects of our operations or attempt to obtain funds through unfavorable arrangements with partners or others that may force us to relinquish rights to certain of our technologies, products or potential markets or that could impose onerous financial or other terms. Furthermore, if we cannot fund our ongoing development and other operating requirements, particularly those associated with our obligations to conduct clinical trials under our licensing agreements, we will be in breach of these licensing agreements and could therefore lose our license rights, which could have material adverse effects on our business.

We have no internal sales or marketing capability. If we are unable to create sales, marketing and distribution capabilities or enter into alliances with others possessing such capabilities to perform these functions, we will not be able to commercialize our products successfully.

We currently have no sales, marketing or distribution capabilities. We intend to market our products, if and when such products are approved for commercialization by the FDA, EMA, and other important territories worldwide, either directly or through other strategic alliances and distribution arrangements with third parties. If we decide to market our products directly, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and with supporting distribution, administration and compliance capabilities. If we rely on third parties with such capabilities to market our products, we will need to establish and maintain partnership arrangements, and there can be no assurance that we will be able to enter into third-party marketing or distribution arrangements on acceptable terms or at all. To the extent that we do enter into such arrangements, we will be dependent on our marketing and distribution partners. In entering into third-party marketing or distribution arrangements, we expect to incur significant additional expense and there can be no assurance that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance for our products and services.

Our business depends on license agreements with third parties to permit us to use patented technologies. The loss of any of our rights under these agreements could impair our ability to develop and market our products.

Our success will depend, in a substantial part, on our ability to maintain our rights under license agreements granting us rights to use patented technologies. We have entered into license agreements with Duke University, under which we have exclusive rights to commercialize medical treatment products and procedures based on Duke's thermo-sensitive liposome technology. The Duke University license agreement contains a license fee, royalty and/or research support provisions, testing and regulatory milestones, and other performance requirements that we must meet by certain deadlines. If we breach these or other provisions of the license and research agreements, we may lose our ability to use the subject technology, as well as compensation for our efforts in developing or exploiting the technology. Any such loss of rights and access to technology could have a material adverse effect on our business.

Further, we cannot guarantee that any patent or other technology rights licensed to us by others will not be challenged or circumvented successfully by third parties, or that the rights granted will provide adequate protection. We may be required to alter any of our potential products or processes, or enter into a license and pay licensing fees to a third party or cease certain activities. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternate technology. If a license is not available on commercially reasonable terms or at all, our business, results of operations, and financial condition could be significantly harmed and we may be prevented from developing and commercializing the product. Litigation, which could result in substantial costs, may also be necessary to enforce any patents issued to or licensed by us or to determine the scope and validity of others' claimed proprietary rights.

We rely on trade secret protection and other unpatented proprietary rights for important proprietary technologies, and any loss of such rights could harm our business, results of operations and financial condition.

We rely on trade secrets and confidential information that we seek to protect, in part, by confidentiality agreements with our corporate partners, collaborators, employees and consultants. We cannot assure you that these agreements are adequate to protect our trade secrets and confidential information or will not be breached or, if breached, we will have adequate remedies. Furthermore, others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to our trade secrets or disclose such technology.

Our products may infringe patent rights of others, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages or limit our ability to commercialize our products.

Our commercial success depends on our ability to operate without infringing the patents and other proprietary rights of third parties. There may be third party patents that relate to our products and technology. We may unintentionally infringe upon valid patent rights of third parties. Although we currently are not involved in any material litigation involving patents, a third party patent holder may assert a claim of patent infringement against us in the future. Alternatively, we may initiate litigation against the third party patent holder to request that a court declare that we are not infringing the third party's patent and/or that the third party's patent is invalid or unenforceable. If a claim of infringement is asserted against us and is successful, and therefore we are found to infringe, we could be required to pay damages for infringement, including treble damages if it is determined that we knew or became aware of such a patent and we failed to exercise due care in determining whether or not we infringed the patent. If we have supplied infringing products to third parties or have licensed third parties to manufacture, use or market infringing products, we may be obligated to indemnify these third parties for damages they may be required to pay to the patent holder and for any losses they may sustain. We can also be prevented from selling or commercializing any of our products that use the infringing technology in the future, unless we obtain a license from such third party. A license may not be available from such third party on commercially reasonable terms, or may not be available at all. Any modification to include a non-infringing technology may not be possible or if possible may be difficult or time-consuming to develop, and require revalidation, which could delay our ability to commercialize our products. Any infringement action asserted against us, even if we are ultimately successful in defending against such action, would likely delay the regulatory approval process of our products, harm our competitive position, be expensive and require the time and attention of our key management and technical personnel.

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We rely on third parties to conduct all of our clinical trials. If these third parties are unable to carry out their contractual duties in a manner that is consistent with our expectations, comply with budgets and other financial obligations or meet expected deadlines, we may not receive certain development milestone payments or be able to obtain regulatory approval for or commercialize our product candidates in a timely or cost-effective manner.

We rely, and expect to continue to rely, on third-party clinical research organizations to conduct our clinical trials. Because we do not conduct our own clinical trials, we must rely on the efforts of others and cannot always control or predict accurately the timing of such trials, the costs associated with such trials or the procedures that are followed for such trials. We do not expect to significantly increase our personnel in the foreseeable future and may continue to rely on third parties to conduct all of our future clinical trials. If these third parties are unable to carry out their contractual duties or obligations in a manner that is consistent with our expectations or meet expected deadlines, if they do not carry out the trials in accordance with budgeted amounts, if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical protocols or for other reasons, or if they fail to maintain compliance with applicable government regulations and standards, our clinical trials may be extended, delayed or terminated or may become significantly expensive, we may not receive development milestone payments when expected or at all, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates.

Our business is subject to numerous and evolving state, federal and foreign regulations and we may not be able to secure the government approvals needed to develop and market our products.

Our research and development activities, pre-clinical tests and clinical trials, and ultimately the manufacturing, marketing and labeling of our products, are all subject to extensive regulation by the FDA and foreign regulatory agencies. Pre-clinical testing and clinical trial requirements and the regulatory approval process typically take years and require the expenditure of substantial resources. Additional government regulation may be established that could prevent or delay regulatory approval of our product candidates. Delays or rejections in obtaining regulatory approvals would adversely affect our ability to commercialize any product candidates and our ability to generate product revenues or royalties.

The FDA and foreign regulatory agencies require that the safety and efficacy of product candidates be supported through adequate and well-controlled clinical trials. If the results of pivotal clinical trials do not establish the safety and efficacy of our product candidates to the satisfaction of the FDA and other foreign regulatory agencies, we will not receive the approvals necessary to market such product candidates. Even if regulatory approval of a product candidate is granted, the approval may include significant limitations on the indicated uses for which the product may be marketed.

We are subject to the periodic inspection of our clinical trials, facilities, procedures and operations and/or the testing of our products by the FDA to determine whether our systems and processes, or those of our vendors and suppliers, are in compliance with FDA regulations. Following such inspections, the FDA may issue notices on Form 483 and warning letters that could cause us to modify certain activities identified during the inspection. A Form 483 notice is generally issued at the conclusion of an FDA inspection and lists conditions the FDA inspectors believe may violate FDA regulations. FDA guidelines specify that a warning letter is issued only for violations of “regulatory significance” for which the failure to adequately and promptly achieve correction may be expected to result in an enforcement action.

Failure to comply with FDA and other governmental regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the FDA's review of product applications, enforcement actions, injunctions and criminal prosecution. Under certain circumstances, the FDA also has the authority to revoke previously granted product approvals. Although we have internal compliance programs, if these programs do not meet regulatory agency standards or if our compliance is deemed deficient in any significant way, it could have a material adverse effect on the Company.

We are also subject to recordkeeping and reporting regulations. These regulations require, among other things, the reporting to the FDA of adverse events alleged to have been associated with the use of a product or in connection with certain product failures.

Labeling and promotional activities also are regulated by the FDA. We must also comply with record keeping requirements as well as requirements to report certain adverse events involving our products. The FDA can impose other post-marketing controls on us as well as our products including, but not limited to, restrictions on sale and use, through the approval process, regulations and otherwise.

Many states in which we do, or in the future, may do business, or in which our products may be sold, impose licensing, labeling or certification requirements that are in addition to those imposed by the FDA. There can be no assurance that one or more states will not impose regulations or requirements that have a material adverse effect on our ability to sell our products.

In many of the foreign countries in which we may do business or in which our products may be sold, we will be subject to regulation by national governments and supranational agencies as well as by local agencies affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. There can be no assurance that one or more countries or agencies will not impose regulations or requirements that could have a material adverse effect on our ability to sell our products.

Legislative and regulatory changes affecting the healthcare industry could adversely affect our business.

Political, economic and regulatory influences are subjecting the healthcare industry to potential fundamental changes that could substantially affect our results of operations. There have been a number of government and private sector initiatives during the last few years to limit the growth of healthcare costs, including price regulation, competitive pricing, coverage and payment policies, comparative effectiveness of therapies, technology assessments and managed-care arrangements. It is uncertain whether or when any legislative proposals will be adopted or what actions federal, state, or private payers for health care treatment and services may take in response to any healthcare reform proposals or legislation. We cannot predict the effect healthcare reforms may have on our business and we can offer no assurances that any of these reforms will not have a material adverse effect on our business. These actual and potential changes are causing the marketplace to put increased emphasis on the delivery of more cost-effective treatments. In addition, uncertainty remains regarding proposed significant reforms to the U.S. healthcare system.

The success of our products may be harmed if the government, private health insurers and other third-party payors do not provide sufficient coverage or reimbursement.

Our ability to commercialize our new cancer treatment systems successfully will depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available from government health administration authorities, private health insurers and other third-party payers. The reimbursement status of newly approved medical products is subject to significant uncertainty. We cannot guarantee that adequate third-party insurance coverage will be available for us to establish and maintain price levels sufficient for us to realize an appropriate return on our investment in developing new therapies. Government, private health insurers and other third-party payers are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new therapeutic products approved for marketing by the FDA. Accordingly, even if coverage and reimbursement are provided by government, private health insurers and third-party payers for uses of our products, market acceptance of these products would be adversely affected if the reimbursement available proves to be unprofitable for health care providers.

Our products may not achieve sufficient acceptance by the medical community to sustain our business.

Our cancer treatment development projects using ThermoDox® plus RFA or microwave heating, are currently in clinical trials. Any or all of these projects may prove not to be effective in practice. If testing and clinical practice do not confirm the safety and efficacy of our product candidates or, even if further testing and practice produce positive results but the medical community does not view these new forms of treatment as effective and desirable, our efforts to market our new products may fail, with material adverse consequences to our business.

The commercial potential of a drug candidate in development is difficult to predict. If the market size for a new drug is significantly smaller than we anticipate, it could significantly and negatively impact our revenue, results of operations and financial condition.

It is very difficult to estimate the commercial potential of product candidates due to important factors such as safety and efficacy compared to other available treatments, including potential generic drug alternatives with similar efficacy profiles, changing standards of care, third party payer reimbursement standards, patient and physician preferences, the availability of competitive alternatives that may emerge either during the long drug development process or after commercial introduction, and the availability of generic versions of our successful product candidates following approval by government health authorities based on the expiration of regulatory exclusivity or our inability to prevent generic versions from coming to market by asserting our patents. If due to one or more of these risks the market potential for a drug candidate is lower than we anticipated, it could significantly and negatively impact the revenue potential for such drug candidate and would adversely affect our business, financial condition and results of operations.

Technologies for the treatment of cancer are subject to rapid change, and the development of treatment strategies that are more effective than our technologies could render our technologies obsolete.

Various methods for treating cancer currently are, and in the future are expected to be, the subject of extensive research and development. Many possible treatments that are being researched, if successfully developed, may not require, or may supplant, the use of our technologies. The successful development and acceptance of any one or more of these alternative forms of treatment could render our technology obsolete as a cancer treatment method.

We may not be able to hire or retain key officers or employees that we need to implement our business strategy and develop our products and business.

Our success depends significantly on the continued contributions of our executive officers, scientific and technical personnel and consultants, and on our ability to attract additional personnel as we seek to implement our business strategy and develop our products and businesses. During our operating history, we have assigned many essential responsibilities to a relatively small number of individuals. However, as our business and the demands on our key employees expand, we have been, and will continue to be, required to recruit additional qualified employees. The competition for such qualified personnel is intense, and the loss of services of certain key personnel or our inability to attract additional personnel to fill critical positions could adversely affect our business. Further, we do not carry “key man” insurance on any of our personnel. Therefore, loss of the services of key personnel would not be ameliorated by the receipt of the proceeds from such insurance.

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Our success will depend in part on our ability to grow and diversify, which in turn will require that we manage and control our growth effectively.

Our business strategy contemplates growth and diversification. Our ability to manage growth effectively will require that we continue to expend funds to improve our operational, financial and management controls, reporting systems and procedures. In addition, we must effectively expand, train and manage our employees. We will be unable to manage our business effectively if we are unable to alleviate the strain on resources caused by growth in a timely and successful manner. There can be no assurance that we will be able to manage our growth and a failure to do so could have a material adverse effect on our business.

We face intense competition and the failure to compete effectively could adversely affect our ability to develop and market our products.

There are many companies and other institutions engaged in research and development of various technologies for cancer treatment products that seek treatment outcomes similar to those that we are pursuing. We believe that the level of interest by others in investigating the potential of possible competitive treatments and alternative technologies will continue and may increase. Potential competitors engaged in all areas of cancer treatment research in the United States and other countries include, among others, major pharmaceutical, specialized technology companies, and universities and other research institutions. Most of our current and potential competitors have substantially greater financial, technical, human and other resources, and may also have far greater experience than do we, both in pre-clinical testing and human clinical trials of new products and in obtaining FDA and other regulatory approvals. One or more of these companies or institutions could succeed in developing products or other technologies that are more effective than the products and technologies that we have been or are developing, or which would render our technology and products obsolete and non-competitive. Furthermore, if we are permitted to commence commercial sales of any of our products, we will also be competing, with respect to manufacturing efficiency and marketing, with companies having substantially greater resources and experience in these areas.

We may be subject to significant product liability claims and litigation.

Our business exposes us to potential product liability risks inherent in the testing, manufacturing and marketing of human therapeutic products. We presently have product liability insurance limited to $10 million per incident and $10 million annually. If we were to be subject to a claim in excess of this coverage or to a claim not covered by our insurance and the claim succeeded, we would be required to pay the claim with our own limited resources, which could have a severe adverse effect on our business. Whether or not we are ultimately successful in any product liability litigation, such litigation would harm the business by diverting the attention and resources of our management, consuming substantial amounts of our financial resources and by damaging our reputation. Additionally, we may not be able to maintain our product liability insurance at an acceptable cost, if at all.

RISKS RELATED TO OUR COMMON STOCK

The market price of our common stock has been, and may continue to be, volatile and fluctuate significantly, which could result in substantially losses for investors and subject us to securities class action litigation.

The trading price for our common stock has been, and we expect it to continue to be, volatile. The price at which our common stock trades depends upon a number of factors, including our historical and anticipated operating results, our financial situation, announcements of technological innovations or new products by us or our competitors, our ability or inability to raise the additional capital we may need and the terms on which we raise it, and general market and economic conditions. Some of these factors are beyond our control. Broad market fluctuations may lower the market price of our common stock and affect the volume of trading in our stock, regardless of our financial condition, results of operations, business or prospects. Our common stock had a high price of $4.23 and a low price of $1.69 in the 52-week period ended December 31, 2011 and a high price of $2.22 and a low price of $1.64 in the first quarter of 2012. Among the factors that may cause the market price of our common stock to fluctuate are the risks described in this “Risk Factors” section and other factors, including:

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- fluctuations in our quarterly operating results or the operating results of our competitors;
- variance in our financial performance from the expectations of investors;
- changes in the estimation of the future size and growth rate of our markets;
- changes in accounting principles or changes in interpretations of existing principles, which could affect our financial results;
- failure of our products to achieve or maintain market acceptance or commercial success;
- conditions and trends in the markets we serve;
- changes in general economic, industry and market conditions;
- success of competitive products and services;
- changes in market valuations or earnings of our competitors;
- changes in our pricing policies or the pricing policies of our competitors;
- announcements of significant new products, contracts, acquisitions or strategic alliances by us or our competitors;
- changes in legislation or regulatory policies, practices, or actions;
- the commencement or outcome of litigation involving our company, our general industry or both;
- recruitment or departure of key personnel;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- actual or expected sales of our common stock by our stockholders; and
- the trading volume of our common stock.

In addition, the stock market in general, the NASDAQ Capital Market and the market for pharmaceutical companies in particular, may experience a loss of investor confidence. Such loss of investor confidence may result in extreme price and volume fluctuations in our common stock that are unrelated or disproportionate to the operating performance of our business, financial condition or results of operations. These broad market and industry factors may materially harm the market price of our common stock and expose us to securities class action litigation. Such litigation, even if unsuccessful, could be costly to defend and divert management’s attention and resources, which could further materially harm our financial condition and results of operations.

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We may be unable to maintain compliance with NASDAQ Marketplace Rules which could cause our common stock to be delisted from The NASDAQ Capital Market. This could result in the lack of a market for our common stock, cause a decrease in the value of an investment in us, and adversely affect our business, financial condition and results of operations.

In April 2011 we received notice from The NASDAQ Listing Qualifications Department that we were not in compliance with the minimum Market Value of Listed Securities (MVLS) requirement for continued listing on The NASDAQ Capital Market, as set forth in NASDAQ Listing Rule 5550(b)(2) (the Rule), which requires a listed company to maintain a minimum MVLS of $35 million. On May 10, 2011, we received a letter from NASDAQ stating that our MVLS had been $35 million or greater for the previous ten consecutive business days (from April 26, 2011 to May 9, 2011) and that we had regained compliance with the Rule.

We cannot guarantee that our MVLS will remain at or above $35 million and if our MVLS again drops below $35 million, the stock could become subject to delisting again. If our common stock is delisted, trading of the stock will most likely take place on an over-the-counter market established for unlisted securities, such as the Pink Sheets or the OTC Bulletin Board. An investor is likely to find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock on an over-the-counter market, and many investors may not buy or sell our common stock due to difficulty in accessing over-the-counter markets, or due to policies preventing them from trading in securities not listed on a national exchange or other reasons. In addition, as a delisted security, our common stock would be subject to SEC rules regarding “penny stock,” which impose additional disclosure requirements on broker-dealers. The regulations relating to penny stocks, coupled with the typically higher cost per trade to investors in penny stocks due to factors such as broker commissions generally representing a higher percentage of the price of a penny stock than of a higher priced stock, would further limit the ability and willingness of investors to trade in our common stock. For these reasons and others, delisting would adversely affect the liquidity, trading volume and price of our common stock, causing the value of an investment in us to decrease and having an adverse effect on our business, financial condition and results of operations, including our ability to attract and retain qualified executives and employees and to raise capital.

Adverse capital and credit market conditions could affect our liquidity.

Adverse capital and credit market conditions could affect our ability to meet liquidity needs, as well as our access to capital and cost of capital. The capital and credit markets have experienced extreme volatility and disruption in recent years. Our results of operations, financial condition, cash flows and capital position could be materially adversely affected by continued disruptions in the capital and credit markets.

We have not paid dividends on our common stock in the past and do not intend to do so for the foreseeable future.

We have never paid cash dividends on our common stock. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future for holders of our common stock

Anti-takeover provisions in our charter documents and Delaware law could prevent or delay a change in control.

Our Certificate of Incorporation and Bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable by authorizing the issuance of "blank check" preferred stock. This preferred stock may be issued by our board of directors on such terms as it determines, without further stockholder approval. Therefore, our board of directors may issue such preferred stock on terms unfavorable to a potential bidder in the event that our board of directors opposes a merger or acquisition. In addition, our classified board of directors may discourage such transactions by increasing the amount of time necessary to obtain majority representation on our board of directors. We also have implemented a stockholder rights plan and distributed to our stockholders one right per share of our common stock. When these rights become exercisable, each right entitles their holders to purchase one ten-thousandth (1/10,000) of a share of our Series C Junior Participating Preferred Stock at a price of $66.90 per one ten-thousandth (1/10,000) share. If any person or group acquires more than 15% of our common stock, the holders of rights (other than the person or group crossing the 15% threshold) will be able to receive, upon the exercise of their rights and in lieu of the Series C Junior Participating Preferred Stock, the number of shares of our common stock (or the number of shares of stock of any company into which we are merged) having a value equal to twice the exercise price of their rights in exchange for the $66.90 exercise price. Because these rights may substantially dilute stock ownership by a person or group seeking to take us over without the approval of our board of directors, our rights plan could make it more difficult for a person or group to take us over (or acquire significant ownership interest in us) without negotiating with our board of directors regarding such a transaction. Certain other provisions of our Bylaws and of Delaware law may also discourage, delay or prevent a third party from acquiring or merging with us, even if such action were beneficial to some, or even a majority, of our stockholders.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. [Removed and Reserved].

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith)
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith)
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith)
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31. 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Balance Sheets,

(ii) the unaudited Statements of Operations, (iii) the unaudited Statements of Comprehensive Loss, (iv) the unaudited Statements of Cash Flows, (v) the unaudited Statements of Change in Stockholders' Equity (Deficit), and (vi) Notes to Financial Statements.

*Exhibit 32.1 is being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act, except as otherwise stated in such filing.

**Exhibit 101 is being furnished and, in accordance with Rule 406T of Regulation S-T, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act.

SIGNATURES

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.

May 15, 2012

CELSION CORPORATION

Registrant

By:	/s/ Michael H. Tardugno Michael H. Tardugno President and Chief Executive Officer
By:	/s/ Gregory Weaver Gregory Weaver Senior Vice President and Chief Financial Officer

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