WILLKIE FARR & GALLAGHER

New York
Washington, DC
London
Paris

June 5, 1991

Trump Taj Mahal Funding, Inc.
as nominee for Trump Taj Mahal Associates
1000 The Boardwalk
Atlantic City, N.J. 08401

Trump Taj Mahal Associates
1000 The Boardwalk
Atlantic City, N.J. 08401

Gentlemen:

In connection with the Prospectus and Solicitation of Plan Acceptances (the "Prospectus") of Trump Taj Mahal Associates (the "Partnership") and Trump Taj Mahal Funding, Inc. dated June 5, 1991, you have requested our opinion as to the material U.S. Federal income tax considerations pertinent to a holder of a Series A Bond (a "Holder") upon consummation of the proposed Debtors' Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code (the "Plan"). (Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Prospectus).

In rendering this opinion, we have reviewed the Prospectus, the Amended Partnership Agreement, the Plan and such other documents as we deem relevant.

We have made inquiry as to the underlying facts which we consider to be relevant to the conclusions set forth in this letter. The opinion expressed in this letter is based upon certain factual representations as set forth in the Prospectus, the Amended Partnership Agreement and the Plan. We have no reason to believe that these representations and facts are not true, but have not independently attempted to verify them.

The opinion contained herein assumes that the Partnership will be operated in accordance with the Amended Partnership Agreement and the applicable provisions of the New Jersey Uniform Partnership Act under which it has been organized, and that all transactions will take place as described in the

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Prospectus and that the New Bonds will be serviced in accordance with their terms.

The opinion expressed herein is based upon the Internal Revenue Code of 1986, as amended (the "Code"), regulations, rulings and decisions in effect as of the date of this letter and upon proposed regulations, all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision. Any such change may adversely affect or make no longer accurate the opinion expressed herein. We note in this connection the possible issuance of regulations as described under "Risk Factors -- Certain Federal Income Tax Considerations" in the Prospectus.

The transactions to be undertaken as described in the Plan present a number of issues of law and of mixed fact and law as to which there is no controlling authority under current law. Due to the lack of definitive judicial or administrative authority, substantial uncertainties exist with respect to many of the tax consequences of the Plan as discussed herein and as to which we are unable to render an unqualified legal opinion. The principal Federal income tax issues as to which we are unable to render an unqualified legal opinion are as follows:

1. Classification of the Old Bonds and New Bonds as debt or equity;

2. Whether the Company or the Partnership is the sole obligor on the Old Bonds and the New Bonds;

3. The treatment of the exchange of the Old Bonds for New Bonds and Partnership interests under Section 108 and Section 721 of the Code including the correct method of allocating a Holder's adjusted basis in the Old Bonds to the portion exchanged for a Partnership interest and to the portion exchanged for New Bonds;

4. The treatment of the New Bonds delivered in payment of the Additional Amount under the Proposed Treasury Regulations dealing with original issue discount;

5. The tax effect of the potential acquisition of the Additional Partnership Interest by TTMI to TTMI and TM/GP;

6. The tax effect of the potential acquisition of the Foreclosure Partnership Interest by TM/GP to the Partnership and TM/GP;

7. The tax effect of the potential acquisition of the Earned Reversionary Interest by TTMI to the Partnership and TM/GP; and

8. The applicability of certain "high yield discount obligation" rules provided under Section 163(e) and Section 163(i) of the Code.

We believe it is more likely than not that the New Bonds will be treated as debt of the Partnership for federal income tax purposes, as discussed below. In each of the other above instances, we believe that there is substantial authority for the positions which the Partnership and the Company intend to take, as described more fully below, but because of the lack of controlling decisional or regulatory authority, we are unable to provide legal assurance that the probabilities are more likely than not that such positions will be upheld if they are litigated. The substantial authority standard is an objective standard involving an analysis of the law and application of the law to relevant facts and is less stringent than the "more likely than not" standard (the standard that is met when there is a greater than 50% likelihood of the position being upheld). There is substantial authority for the tax treatment of an item only if the weight of the authority supporting the treatment is substantial in relation to the weight of the authority supporting contrary treatment, taking all relevant authorities into account. There may be substantial authority for more than one position with respect to the same item. No rulings have been or will be requested from the Internal Revenue Service (the "Service") concerning any of the tax matters described herein. In addition, the Service or a court may disagree with part or all of our opinion. Finally, certain of the tax issues material to the income tax consequences of the transactions described in the Prospectus turn on questions of factual characterization that may be controverted by the Service and other issues involve areas of the tax law which due to the ambiguity or the lack of legal authority make the applicability of such law uncertain and as to which we can offer limited guidance. For these reasons, there can be no assurance that the Service will not challenge the positions taken by the Partnership, the Company, or both, with respect to any of the issues addressed herein or that a court would not sustain such a challenge.

We have not acted on behalf of any individual Holder or Holding or TM/GP. Our opinion expressly does not address all aspects of Federal income taxation that may be relevant to a particular Holder in light of its personal investment circumstances or to certain types of Holders subject to special treatment under the Federal income tax laws (for example, life insurance companies, tax-exempt organizations, foreign corporations and individuals

who are not citizens or residents of the United States) and does not discuss any aspect of state, local or foreign taxation. Each Holder of Series A Bonds ("Old Bonds"), therefore, should seek, and must depend upon, the advice of his own tax counsel as to the tax consequences to such Holder upon consummation of the Plan.

The discussion with respect to exchanging Holders is limited to those Holders who hold the Old Bonds as "capital assets" and who will hold the New Bonds, Class A and Class B stock as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code").

Our opinion and belief as to each of the matters discussed is as set forth below.

1. Classification Of The Bonds.

The interrelated determinations of whether a given instrument represents debt or equity for Federal income tax purposes and, in the case of debt, whether the obligor in form will be treated as the obligor for Federal income tax purposes are inherently factual in nature and no single characteristic or factor is determinative.

There is no one characteristic which can be said to be decisive in the determination of whether an obligation should be treated for Federal income tax purposes as debt or equity. See, John Kelly Co. v. Comm'r, 326 U.S. 521, 530 (1945). Although different courts have used a number of factors to resolve the determination of whether an instrument represents debt or equity, each case must be decided on its own facts. Among the factors which various courts have used are the following: (1) the names given to the certificates evidencing the indebtedness; (2) the presence or absence of a fixed maturity date; (3) the source of payments; (4) the right to enforce payment of principal and interest; (5) participation in management flowing as a result; (6) the relative position of the contribution with respect to other creditors; (7) the intent of the parties; (8) thin or adequate capitalization; (9) identity of interest between creditor and shareholder; (10) source of interest payments; (11) the ability of the corporation to obtain loans from outside lending institutions; (12) the extent to which the advance was used to acquire capital assets; and (13) the failure of the debtor to repay on the due date or to seek a postponement. See, e.g., Selfe v. U.S., 778 F.2d 769, 773 n. 9 (11th Cir. 1985).

Among the factors examined in determining the identity of the true obligor for Federal income tax purposes where another party guarantees or otherwise provides credit support to the nominal obligor are the economic independence and substance of the nominal obligor and the ability of the nominal obligor to service interest and principal on the debt from its cash flows. See, Plantation Patterns v. Comm'r, 29 T.C.M. 817 (1970), aff'd, 462 F.2d 712 (5th Cir. 1972), cert. denied, 409 U.S. 1076 (1972); Revenue Ruling 79-4, 1979-1 C.B. 150; Selfe v. U.S., 778 F.2d 769 (11th Cir. 1985); Comm'r v. Bollinger, 108 S.Ct. 1173 (1988); Aiken Industries Inc. v. Comm'r, 56 T.C. 925 (1971); Revenue Ruling 84-152, 1984-2 C.B. 381; and Revenue Ruling 84-153, 1984-2 C.B. 383. Because of the arguably high debt to equity ratios, the lack of certainty regarding the ultimate payment of the Bonds, the formal issuance of the Bonds by the Company rather than the Partnership, and the lack of a written nominee or agency agreement in respect of the Old Bonds evidencing the nominee relationship that in fact and substance existed, a conclusion that the Old Bonds and New Bonds are solely the debt of the Partnership for Federal income tax purposes is not free from doubt. However, to conclude that the Company rather than the Partnership is the true debtor for Federal income tax purposes would be to disregard totally the economic substance of the transaction and would permit possible abuses by taxpayers seeking to claim a tax-free exchange of debt under the corporate recapitalization rules where no Code provision provides for tax-free exchanges of partnership debt obligations.

Based on the above factors and authorities, the identical terms of the Partnership Note and the Old Bonds before the consummation of the Plan, the identical terms of the Partnership Note and the New Bonds upon consummation of the Plan, the nominal equity capitalization of the Company, the Nominee Agreement between the Company and the Partnership and the fact that at all times the assets of the Partnership have been the ultimate and only source of payment on the Old Bonds and will continue to be the ultimate and only source of payment on the New Bonds, it is our opinion that it is more likely than not that the Old Bonds are debt and the New Bonds are solely the debt of the Partnership for Federal income tax purposes at all times relevant to the Plan and other transactions contemplated herein.

Moreover, in our opinion it is more likely than not that the Partnership is a general partnership for income tax purposes based in part on the position that the Old Bonds and the New Bonds are not equity interests in the Partnership.

Due to the inherently factual nature of these determinations, however, there can be no assurance that the Service will not

challenge these conclusions or that a court would not sustain such a challenge. If the Service were to challenge successfully the Company's and the Partnership's positions, such challenge could result in the characterization of (i) the Partnership as a publicly-traded partnership, which would result in it being treated as a corporation for Federal income tax purposes, and (ii) the New Bonds as preferred equity interests in the Company, or possibly the Partnership, as to which no interest deduction could be claimed. Such challenge could also affect, among other items, (i) the amount and timing of income, gain or loss recognized by exchanging Holders upon the exchange of Old Bonds for Equity Interests and New Bonds, (ii) the amount, timing and character of income, gain or loss to be recognized by Holders of the New Bonds in the future, (iii) the amount of income recognized by the Company and/or the Partnership and/or the existing partners as a result of the exchange, and (iv) the ability of the Company and/or the Partnership to deduct interest in respect of the New Bonds and the amount of such deductions in the future. Thus, if the New Bonds are treated as solely the debt of the Company and the Partnership Note is not regarded as bearing OID, the Company's OID deductions would offset the interest received on the Partnership Note except as limited by the "high yield" limitations discussed below at "11. Potential Application of High Yield Debt Obligation Rules," but the Partnership's interest deductions would be reduced, possibly increasing the tax liability, or reducing the tax losses, of the Partnership, and the Holders may not have a taxable exchange upon consummation of the Plan. If the New Bonds are treated as preferred equity interests of either the Company (or the Partnership), there would be no interest deduction with regard to such interest, and double taxation would result from corporate tax being imposed on the taxable income of the Partnership or the Company, as the case may be (thus reducing net cash flow), and the amounts derived by the Holders would be treated as distributions by the Company (or the Partnership) taxable as dividends to the extent of the Company's (or the Partnership's) earnings and profits and thereafter as return of capital, or as capital gain to the extent distributions exceed a Holder's basis in the interest.

Except where specifically noted to the contrary, the following discussion assumes that at the time of the consummation of the Plan, the Old Bonds and the New Bonds (including the New Bonds delivered in payment of the November 15, 1990 interest payment and in payment of the Additional Amount) will be treated as debt of the Partnership for Federal income tax purposes and not as equity of the Partnership, or debt of, or equity interests in, the Company.

2. Exchange Of Old Bonds For New Bonds and Partnership Interests and Partnership Interests For Class A and Class B Stock

A. Contribution of Part of the Old Bonds For the Equity Interest. While the conclusions are not free from doubt due to the lack of definitive authority, it is our opinion that there is substantial authority for concluding that for Federal income tax purposes upon consummation of the Plan: i) Holders will receive New Bonds and Partnership interests constituting the Equity Interest in exchange for their Old Bonds, and ii) that each Holder's Partnership interest is received in a tax-free transaction under Section 721 of the Code in exchange for an amount of the principal of the Old Bond equal to the difference between the adjusted issue price of the Old Bond and the fair market value of the New Bond. A Holder's adjusted basis in the Equity Interest would equal the portion of its adjusted basis in the Old Bond allocated to the Equity Interest (see "B. Taxable Exchange of Old Bonds for New Bonds; Basis and Holding Period, below) and the Holder's ultimate share of liabilities of the Partnership, which share is then assumed by Holding (see "C. Exchange of Partnership Interests for Class A and Class B Stock; Basis and Holding Period", below). The holding period for the Equity Interest will include the Holder's holding period for the Old Bonds.

Immediately thereafter, Holders will then be treated for Federal income tax purposes as having contributed their Partnership interests to Holding in exchange for shares of Class A Stock and Class B Stock in Holding. Holding will then immediately contribute the Partnership interests to TM/GP in exchange for 100% of the Common Stock in TM/GP. Except where specifically stated to the contrary, the following discussion assumes such treatment will obtain. It is possible these positions in respect of the exchange of Old Bonds for Partnership interests will be adversely affected by regulations described below which are not yet issued by the Internal Revenue Service, the effect of which would cause the receipt of the Partnership interests to be taxable. See "10.B. Tax Consequences to the Company and the Partnership - Possible New Regulations." If taxable, the adjusted basis of the Equity Interest would be based on its fair market value and the holding period would commence the day after the Exchange Date.

B. Taxable Exchange of Old Bonds for New Bonds; Basis and Holding Period. The exchange of a portion of the Old Bonds for New Bonds will be taxable to the Holders. The amount of gain or loss recognized by a Holder will depend on the fair market value of the New Bonds and the portion of the Holder's adjusted basis in the Old Bonds allocated to the New Bonds.

The correct method of allocating an exchanging Holder's basis in each of its Old Bonds to the Partnership interest and the New Bonds for the purpose of determining gain (or loss) upon the receipt of the New Bond is uncertain. One alternative, which is supported by Subchapter K basis principles based on what is contributed, would be to treat the Partnership interest as having a substituted basis equal to the excess, if any, of the basis of the Old Bond over the fair market value of the New Bond (which amount is then increased to reflect the share of Partnership liabilities), and the remainder of the basis being in the Old Bond immediately before it is exchanged for the New Bond to determine gain or loss on the Bond exchange. Another alternative, which is supported by the Treasury Regulations promulgated under Section 61, would be to allocate the basis of the Old Bond between the Partnership interest and New Bond based upon their relative fair market values. Under this alternative, a Holder will have a substituted basis in the Partnership interest equal to the product of (i) its basis in its Old Bond multiplied by (ii) the fair market value of the Partnership interest divided by the aggregate fair market value of the Partnership interest and the New Bond, plus the Holder's share of Partnership liabilities. Such Holder will under this alternative recognize gain (or loss) on the exchange of New Bonds for Old Bonds equal to the amount by which the fair market value of the New Bond exceeds (or is less than) the product of (a) its basis in its Old Bond multiplied by (b) the fair market value of the New Bond divided by the aggregate fair market value of the Partnership interest and the New Bond. While there is no authority resolving the point, in our opinion the better view is that the first alternative should control the allocation of basis of the Old Bond because it is consistent with a tax free exchange under Code Section 721.

Gain or loss on the exchange of Old Bonds for New Bonds will be capital gain or loss (subject to the market discount rules. discussed below) and will be long-term capital gain or loss if the Old Bond was held by such Holder for more than one year.

Each Holder's initial adjusted basis for the New Bonds will be their fair market value and the holding period for the New Bonds will commence on the day after the exchange.

C. <u>Exchange of Partnership Interests For Class A and Class B Stock; Basis and Holding Period</u>. Upon consummation of the Plan, Holders of Old Bonds will be treated for Federal income tax purposes as exchanging their Old Bonds for New Bonds and Partnership interests. Immediately after the exchange, such Holders will be deemed to have contributed their Partnership interests to Holding in exchange for Class A and Class B Stock simultaneously with a contribution by Donald J. Trump of 50% of the Common Stock of Trump Corp. in exchange for Class C Stock

of Holding. We think this contribution will qualify for nonrecognition treatment under Section 351 of the Code so that Holders will not recognize gain or loss on the contribution of their interests in the Partnership for Class A and Class B stock. Holders will have an aggregate basis in their Class A and Class B Stock equal to their basis in the contributed Partnership interests, minus the share of Partnership liabilities assumed by Holding, allocated to the Class A and Class B Stock in proportion to their relative fair market values. The holding period for the Class A and Class B Stock will include the holding period of the Partnership interests (derived from that for the Old Bonds). Holders will be required to notify Holding of their basis in the Partnership interest transferred to Holding in exchange for the Holding Class A and Class B Stock. Such basis will affect future gain or loss recognized by TM/GP in respect of the Partnership interest.

D. Accrued Interest On Old Bonds. The Partnership and the Company intend to take the position that upon consummation of the Plan, the Partnership will pay the November 15, 1990 interest payment due on the Old Bonds to Holders of Old Bonds by delivering New Bonds with an aggregate principal amount equal to the aggregate principal amount of the Old Bonds plus the November 15, 1990 interest payment (the "Accrued Interest Amount"). Holders must agree to accept the New Bonds in payment of the Accrued Interest Amount as part of the Plan. Additionally, the Partnership and the Company intend to take the position that the payment of a principal amount of New Bonds equal to $.057897 per day for the period from and including April 1, 1991 through and including the Effective Date (the "Additional Bond Amount") for each $1,000 principal amount of Old Bonds held by a Holder should be treated as additional accrued and unpaid interest on the Old Bonds for the period from November 15, 1990 to the Effective Date. Accordingly, an exchanging Holder using the cash method of accounting for Federal income tax purposes will recognize interest income to the extent of the fair market value of the portion of the New Bond received in payment of the Accrued Interest Amount and the Additional Bond Amount. A Holder of Old Bonds using the accrual method of accounting for Federal income tax purposes will not recognize interest income upon receipt of the New Bonds, as such Holder will have already accrued and recognized the Accrued Interest Amount and will accrue and recognize the Additional Bond Amount for its taxable year which includes the Effective Date. A holder who has not continued to accrue interest since November 15, 1990 will recognize interest income to the extent of the fair market value of the New Bonds attributable to the Additional Bond Amount. The amount of such Holder's gain or loss on the exchange of the Old Bonds will be determined as described

above. We are of the opinion that such treatment will result to Holders.

3. Original Issue Discount On New Bonds and New Bonds Delivered in Payment Of The Additional Amount

A. General. Holders will be required to accrue a significant amount of original issue discount over the term of the New Bonds based in part on the difference between the fair market value of the New Bonds on issuance and their face amount due at maturity. As a result, the amount of reportable interest income will exceed the amount of cash interest received.

The Service has proposed regulations dealing with the inclusion of original issue discount ("OID") in income by holders of debt instruments (the "Proposed Regulations"). The Proposed Regulations are ambiguous and inconsistent in certain respects. As a result, the proper treatment of payments on the New Bonds and the New Bonds delivered in payment of the Additional Amount under these Proposed Regulations is uncertain. The positions described below are subject to change due to the promulgation of final regulations, upon further clarification from the Service or otherwise. No assurance can be given that the Service will agree with the interpretations of the Proposed Regulations discussed below or that the final Treasury Regulations will not differ materially from the Proposed Regulations. Holders are urged to consult their own tax advisors concerning the application of the Proposed Regulations or subsequent versions thereof to the New Bonds and the New Bonds delivered in payment of the Additional Amount.

B. Stated Redemption Price At Maturity. Generally, a debt instrument will be issued with OID if the "stated redemption price at maturity" of such debt instrument exceeds its "issue price" by more than a statutory de minimis amount. An instrument's stated redemption price at maturity includes all payments required to be made over the term of the instrument other than payments of "qualified periodic interest," defined as interest payments required to be made at fixed, periodic intervals of one year or less. Upon consummation of the Plan, interest on the New Bonds will be paid commencing November 15, 1991, after which time interest will be paid on the New Bonds on May 15 and November 15 of each year until maturity. All interest payments on the New Bonds will be made partly in cash and partly through delivering additional New Bonds. Assuming the New Bonds are issued before November 15, 1991, the minimum cash interest payable on the New Bonds will constitute qualified periodic interest and will not be included in the New Bonds' stated redemption price at maturity, although the amount of all non-cash payments during the term will be so included.

Such non-cash payments, together with all fixed payments to be made at various times will be taken into account in determining the yield to maturity of the New Bonds. Therefore, under the rules discussed below, the amount of interest required to be reported by Holders as interest for tax purposes will exceed the periodic cash payments received.

The Proposed Regulations do not expressly address the proper treatment of debt instruments, such as the New Bonds and the New Bonds delivered in payment of the Additional Amount (which is the excess of the fixed rate of 11.35% over the Annual Mandatory Cash Interest Amount) that provide for the payment of interest in additional debt instruments. Although the law is uncertain, in our view it is reasonable, and consistent with the current practice of others, for the Company and the Partnership to take the position that for the purpose of applying the Proposed Regulations to the New Bonds, each New Bond and all additional New Bonds issued with respect to such New Bond comprise a single debt instrument. On this basis, the stated redemption price at maturity of each New Bond will be the sum of all payments with respect to such New Bond, including all payments with respect to the New Bonds issued thereunder, except for payments treated as qualified periodic interest payments. There can be no assurances that the Service will not challenge such position or that a court would not sustain such a challenge. The alternative position would be to treat each issuance of additional New Bonds as a separate class of bonds which has a different issue price and amount of OID from the New Bonds.

C. Issue Price of New Bonds. Where a debt instrument is issued in exchange for property and the debt instrument is part of an issue which trades on an established securities market, its issue price generally will be its fair market value as determined as of the first date after the issue date that the debt instrument is traded on an established securities market. Accordingly, the issue price of a New Bond should be equal to the fair market value of the New Bond, as determined by its trading price as of the first date after the issue date that the New Bond is traded on an established securities market. The stated redemption price at maturity of the New Bond, as discussed above, will exceed such issue price because, among other reasons, interest on the New Bonds will be paid in part by the delivery of additional New Bonds. Therefore, the New Bonds will be deemed to be issued with OID in the amount of the excess of such New Bonds' stated redemption price at maturity (calculated under the rules discussed above) over the fair market value of the New Bonds as determined by their initial trading price immediately after the exchange.

D. Issue Price of New Bonds Delivered in Payment of the Additional Amount. As noted above in "B. Stated Redemption Price at Maturity", the Proposed Regulations do not expressly address the proper treatment of a debt instrument such as a New Bond delivered in payment of the Additional Amount. One approach discussed above would be to treat the New Bonds delivered in payment of the Additional Amount and all amounts payable thereunder as included in the stated redemption price at maturity of the underlying New Bonds. An alternative approach would be to treat such additional New Bonds as contingent interest payments on the underlying New Bonds, includible in income by Holders of New Bonds upon receipt in an amount equal to the fair market value of such additional New Bonds. The Company and the Partnership intend to take the position that the New Bonds delivered in payment of the Additional Amount and all amounts payable thereunder are included in the stated redemption price at maturity of the underlying New Bonds. Under the Company's and Partnership's intended treatment, the adjusted issue price (and the basis) of each New Bond will be allocated between the New Bond and the additional New Bonds issued with respect to such New Bond on the basis of the relative principal amounts of each instrument. Although we think this approach is reasonable for the reasons discussed above, in the absence of express authority there can be no assurance that the Service will not challenge such treatment.

E. Investment Unit Considerations. Upon confirmation of the Plan, Holders will receive New Bonds issued by the Company and a Partnership interest in the Partnership in exchange for their Old Bonds (which Partnership interest is then contributed to Holding for Class A and Class B Stock). The Company and the Partnership will take the position that either the Partnership interest issued in satisfaction of a portion of each Old Bond and each New Bond issued in exchange for such Old Bond do not in the aggregate constitute an investment unit, as that term is defined under Code Section 1273(c)(2), and, therefore, that the aggregate issue price for such investment unit need not be allocated between the New Bond and the Partnership interest or that the issue price of the Partnership interest determined as part of an investment unit is relevant only for purposes of determining the issue price of a debt instrument so issued.

Whether the investment unit rule applies or not, as discussed above in "C. Issue Price of New Bonds", the issue price of the New Bonds will be their fair market value as of the first date after their issue date that the New Bonds are traded on an established securities market.

The "issue price" of the Partnership interest and the relevance thereof, if any in this case, is less than clear under current law. The "investment unit" provisions of Proposed Regulation § 1.1273-2 do not state what the issue price of the property other than the debt instrument is where the new debt is publicly traded but the other property is not traded. Moreover, neither Code Section 1273 nor the Proposed Regulations address the circumstances where the other property is obtained by a contribution to the capital of a partnership subject to the rules of Code Section 721 and the substituted basis rules of Code Section 722. While there is no direct authority clarifying the interplay of these rules and their application to the receipt of the New Bonds, we believe there is substantial authority for the position that a New Bond will have an issue price as described above in "C. Issue Price of New Bonds" and a Partnership interest issued to a Holder will have an initial adjusted basis equal to the Holder's adjusted basis in that portion of the adjusted basis of the Old Bond deemed satisfied as described above in "2. B. Taxable Exchange of Old Bonds for New Bonds, Basis and Holding Period", plus such Holder's allocable share of Partnership liabilities.

F. Holder's Treatment Of OID On The New Bonds And New Bonds Delivered in Payment of the Additional Amount. The OID rules require that a constant rate of interest for a New Bond (the "yield to maturity") be determined, based on semi-annual compounding of interest. The amount of OID to be accrued by the Holder of a New Bond is then calculated for each six-month period (an "accrual period") from the date of issuance until the stated maturity date by applying the yield to maturity first to the issue price of the New Bond for the initial accrual period, and then to its "adjusted issue price" (the initial issue price plus accrued OID included in prior periods) for each subsequent accrual period and subtracting the sum of any qualified periodic interest payments received by a Holder during the accrual period. Although the matter is not free from doubt, in accordance with the treatment described in "B. Stated Redemption Price At Maturity", above, we believe the yield to maturity of the New Bonds will be computed as if each New Bond and each additional New Bond delivered with respect thereto comprise a single debt instrument. The amount of OID determined under this procedure for an accrual period is then allocated ratably to each day within the accrual period (the "daily portion") and the Holder of the New Bond is required to report as gross income the sum of the daily portions for the number of days during the taxable year in which he is a Holder. Once so included, however, no further income need be reported by the Holders upon receipt of payment from the Company of the accrued OID, whether in the form of cash or additional New Bonds.

G. Treatment of 14% Payment. Although the matter is not free from doubt, in our opinion there is substantial authority, based solely on the Proposed Regulations, for the Company and the Partnership to take the position that in the event that the Partnership pays any portion of the 14% Payment, such payment will be treated for Federal income tax purposes as a contingent payment under Proposed Regulation § 1.1275-4(e) to the extent such payment is made with respect to outstanding New Bonds. Therefore, under currently Proposed Regulations (which may be changed in the future) the 14% Payment will be treated entirely as an interest payment includable in income by Holders of outstanding New Bonds and deductible by the Partnership in the taxable year in which it becomes fixed, which in general will be the taxable year in which the 14% Payment is paid. To the extent all or any portion of the 14% Payment is made to Holders of New Bonds which have been previously redeemed at par by the Partnership, the amount of the 14% Payment received by a Holder with respect to a redeemed New Bond may be treated as an additional payment in redemption of the New Bond, and will either increase the gain or decrease the loss recognized by such Holder by reason of the redemption, or, less likely, as contingent interest. See "8. Sale, Exchange or Redemption of New Bonds and New Bonds Delivered In Payment Of The Additional Amount." It is possible that the Service may seek to recharacterize the 14% Payment as a payment other than interest by the Partnership and as a payment by Holding to the Class B Shareholders, which may or may not be treated as a dividend. Depending upon such treatment, Class B shareholders could recognize either ordinary income or capital gain or loss. See "9. Sale, Exchange or Redemption of Class A or Class B Stock".

4. Treatment of Acquisition of Additional Partnership Interest by TTMI

The Partnership Agreement allows TTMI, under certain circumstances, either by voluntary contribution or by causing the Partnership to obtain a recourse borrowing to cause the Partnership to pay to the holders of New Bonds all or a portion of the 14% Payment. Upon payment to the Holders of all or a portion of the 14% Payment, TTMI shall acquire an additional Partnership interest (the "Additional Partnership Interest") in an amount equal to the product of (i) 60% of the total outstanding Partnership interests (measured after taking into account the issuance of the Additional Partnership Interest), multiplied by (ii) the sum (the "Adjustment Factor") of (a) the portion (expressed as a fraction) of the 14% Payments made with respect to all New Bonds outstanding on the Final Payment Date or previously Redeemed multiplied by a fraction, the numerator of which is the aggregate principal amount of New Bonds outstanding on the Final Payment Date or previously Redeemed

and the denominator of which is the aggregate principal amount of all New Bonds issued pursuant to the Indenture whether or not outstanding, plus (b) a fraction, the numerator of which is the aggregate principal amount of New Bonds purchased (but not Redeemed) and delivered to the Company for cancellation prior to the Final Payment Date and the denominator of which is the aggregate principal amount of all New Bonds issued pursuant to the Indenture whether or not outstanding. Upon the acquisition of the Additional Partnership Interest by TTMI, the Applicable Percentage of each of the Partners (immediately before the issuance of the Additional Partnership Interest) shall be adjusted to reflect their relative share of 100 minus the product of 60 multiplied by the Adjustment Factor to which shall be added, in the case of TTMI, the product of 60 multiplied by the Adjustment Factor. With respect to TM/GP and Trump Corp. whose Applicable Percentage is reduced, their shares of the liabilities of the Partnership will be reduced proportionately and accordingly, each such Partner will be treated for Federal income tax purposes as receiving a deemed cash distribution in an amount equal to the reduction in such Partner's share of Partnership liabilities. This deemed cash distribution will reduce the basis of each such Partner in its Partnership interest, and result in taxable gain being recognized to the extent required by Code Section 751 and otherwise to the extent the distribution exceeds such basis.

5. Tax Treatment In The Event of Foreclosure Upon Certain Security Interests

A. Further Contingent Interest. In the event the creditors that hold a security interest in the capital stock of TTMI and Trump Corp. foreclose on such interest, the interest rate on the New Bonds will increase to 14% per annum, payable in cash. Under currently Proposed Regulations (which may be changed in the future), the increase in interest will be treated for Federal income tax purposes as a contingent payment of interest includable in income upon receipt by holders of outstanding New Bonds and deductible by the Partnership in the taxable year in which it becomes fixed.

B. Increase in TM/GP's Partnership Interest. In the event of foreclosure by such creditors, TTMI's Partnership interest will be reduced by a redemption of part of its interest (the "Foreclosure Partnership Interest") and TM/GP's increased as a result of the redemption such that TM/GP will own up to 59.994% of the Partnership.

While the matter is not free from doubt, the Partnership expects to treat the reduction of TTMI's interest as a non-taxable distribution in partial liquidation of its interest

(to the extent of basis therein) except to the extent required by Code Section 751 which does not result in income to TM/GP. However, it is possible that TTMI would be treated as having sold a portion of its Partnership interest to TM/GP for an amount equal to the greater of (i) the value of the Foreclosure Partnership interest or (ii) the share of Partnership liabilities allocable to the Foreclosure Partnership Interest, and that TTMI will recognize gain (or loss) equal to the difference between its basis in the transferred Partnership interest and the greater of the value thereof or the amount of Partnership liabilities assumed by TM/GP and that TM/GP would be treated as receiving income equal to the value received over the debt assumed. In such event, TTMI will claim a deduction in an amount equal to the net fair market value of the Partnership interest so acquired by TM/GP. TM/GP will increase its basis in its Partnership interest by the additional amount of Partnership liabilities assumed and the amount, if any, taken into income.

6. Acquisition of Earned Reversionary Interest by TTMI Upon Foreclosure and Maturity of Bonds

In the event the Partnership shall have acquired the Foreclosure Partnership Interest as described above, and all New Bonds which are outstanding on the Final Payment Date are paid and retired, TTMI shall acquire an additional Partnership interest (the "Earned Reversionary Interest") equal to the product of (i) 10% of the total outstanding Partnership interests and (ii) a fraction, the numerator of which is the principal amount of New Bonds with respect to which interest has been paid in cash only at the rate of 11.35% per annum multiplied by the number of years for which interest has been paid in cash at such rate per annum prior to the foreclosure event and the denominator of which is the aggregate principal amount of all New Bonds issued pursuant to the Indenture whether or not then outstanding. Upon the acquisition of the Earned Reversionary Interest by TTMI, the Applicable Percentage of each of the Partners (immediately before the issuance of the Earned Reversionary Interest) shall be adjusted to reflect their relative share of 100 minus the Earned Reversionary Interest, to which shall be added, in the case of TTMI, the Earned Reversionary Interest. With respect to Partners whose Applicable Percentage is reduced, their shares of the liabilities of the Partnership will be reduced proportionately and accordingly, each such Partner will be treated for Federal income tax purposes as receiving a deemed cash distribution in an amount equal to the reduction in such Partner's share of Partnership liabilities. This deemed cash distribution will reduce the basis of each such Partner in its Partnership interest, and result in taxable gain being recognized to the

extent required by Code Section 751 and otherwise to the extent the distribution exceeds such basis.

7. Market Discount On New Bonds

The Code generally requires holders of "market discount bonds," as defined below, to treat as ordinary income any gain realized on the disposition of such bonds to the extent of the market discount accrued during the holder's period of ownership. The accrued market discount generally equals a ratable portion of the amount of the bond's market discount, based on the number of days the taxpayer has held the bond at the time of such disposition, as a percentage of the number of days from the date the taxpayer acquired the bond to its date of maturity. A "market discount bond" is a debt obligation purchased at a market discount, subject to a statutory de minimis exception. For this purpose, a purchase at a market discount includes a purchase at or after the original issue at a price below the stated redemption price at maturity. Therefore, Holders who purchased Old Bonds after the original date of their issuance for a purchase price which is less than their stated redemption price at maturity may realize ordinary income upon the exchange of the Old Bonds for New Bonds and Partnership interests. These market discount rules will also apply to subsequent purchasers of New Bonds.

8. Sale, Exchange Or Redemption Of New Bonds and New Bonds Delivered In Payment Of The Additional Amount

In general, subject to the market discount rules discussed above, the sale, exchange or redemption of the New Bonds (including New Bonds delivered in payment of the Additional Amount) will result in capital gain or loss equal to the difference between the amount realized and the Holder's adjusted tax basis in the New Bonds immediately before such sale, exchange or redemption. For a discussion of the determination of a Holder's initial tax basis in the New Bonds and New Bonds delivered in payment of the Additional Amount, see "2. **Exchange** Of Old Bonds For New Bonds and Partnership Interests", above.

In addition, under the position which the Company and the Partnership will take with respect to the tax treatment of the New Bonds delivered in payment of the Additional Amount, the sale or disposition of such New Bonds by a Holder will be treated for purposes of the OID rules as a partial pro rata disposition of the underlying New Bond. Accordingly, each New Bond delivered in payment of the Additional Amount will have an amount of OID associated with it that bears the same relation to the OID of the underlying New Bond as the stated principal

amount of the New Bond delivered in payment of the Additional Amount bears to the stated principal amount of the underlying New Bond. See "3. D. Issue Price of New Bonds Delivered in Payment of the Additional Amount," above.

9. Sale, Exchange or Redemption of Class A or Class B Stock

Immediately after the exchange of Old Bonds for New Bonds and Partnership interests, the Holders will contribute the Partnership interests for Shares of Class A and Class B Stock in Holding. The subsequent sale, exchange or redemption of the Class A or Class B Stock by a Holder will result in gain or loss equal to the difference between the amount realized and the Holder's adjusted tax basis in the Class A or Class B Stock. Such gain or loss would be long term capital gain or loss if the Class A or Class B Stock was held as a capital asset by such Holder for more than one year, except that pursuant to Code Section 108(e)(7)(E) it is possible that gain on the disposition of the Class A and Class B Stock by a Holder and on the disposition of the Partnership interest by TM/GP will be recaptured as ordinary income to the extent of prior bad debt deductions or ordinary losses in respect of the Old Bonds. Under certain circumstances, either all or a portion of the proceeds of a redemption of shares of Class A or Class B Stock could be taxable to Holders as a dividend. For a discussion of the determination of a Holder's initial tax basis in the Class A and Class B Stock, see "2. C. Exchange of Partnership Interests for Class A and Class B Stock; Basis and Holding Period", above.

10. Tax Consequences to the Company and the Partnership

A. Recognition of COI Income By the Partnership. Generally, a taxpayer recognizes cancellation of indebtedness ("COI") income upon satisfaction of its outstanding indebtedness for less than its principal amount. In the case of a debt for debt exchange such as that effected by the Plan, the amount of COI income is, in general, the excess of the adjusted issue price of the indebtedness satisfied over the sum of the issue price of the new indebtedness of the issuer and the fair market value of any other property issued therefor. However, based on Section 721 of the Code, the legislative history for the Bankruptcy Tax Act of 1980, analogous but not controlling case law and non-authoritative private letter rulings issued by the Service to other taxpayers, in our opinion there is substantial authority for the Company and the Partnership to take the position that the Partnership interests were issued by the Partnership in satisfaction of a portion of the Old Bonds equal to the difference between the adjusted issue price of the Old Bonds and the fair market value of the New Bonds (less the

portion thereof attributable to the Accrued Interest Amount), and that the Partnership and the existing partners will not recognize any COI income by reason of the exchange. There can be no assurance that the Service will not challenge this position, or that a court would not uphold such a challenge.

B. Possible New Regulations. The Service recently issued proposed regulations under Section 108(e)(4), effective for transactions occurring on or after March 21, 1991. In the preamble to these regulations, the Service announced its intention to issue regulations providing for the recognition of income in certain non-recognition transactions, including those governed by Section 721 of the Code. The scope, content, applicability, ultimate effective date of the regulations and statutory basis for, and validity of any such regulations are not clear from this preamble, which itself is not a ruling or regulation of any authority. On May 16, 1991, the Service issued Notice 91-15, 1991-22 I.R.B. 1, which states in part, "Except to the extent described above, the preamble to proposed section 1.108-2 and this notice do not affect the treatment of transactions in which debtor and creditor interests are combined. Until further guidance is issued, such transactions will be treated in accordance with current law. Thus, in general, the transfer of partnership debt to a partnership in exchange for a partnership interest is not within the scope of the preamble." Any further clarification of this matter must await the issuance of the proposed regulations. However, it is possible that these regulations when issued will have the effect of causing the Partnership to be treated as acquiring the Old Bonds and satisfying the Old Bonds to the extent of the fair market value of the Partnership interests and New Bonds issued to the holders, which could result in the recognition of substantial COI income by the Partnership. It is also possible that such regulations will cause a holder of an Old Bond to have a taxable event upon the exchange of a portion of the Old Bond for the Partnership Interest. In the event the Service were successful in challenging the Partnership and the Company on their position or if the regulations referenced in the preamble, when issued, are applicable to the exchange of a portion of the Old Bonds for the Partnership interest, the Partnership and the current partners could recognize substantial COI income upon consummation of the Plan because the adjusted issue price of the Old Bonds may substantially exceed the sum of the issue price of the New Bonds and the fair market value of the Partnership interests, but for the exception discussed below.

C. Exception To COI Recognition. In general, Section 108 of the Code provides an exception to the recognition of COI income for taxpayers who are insolvent (to the extent of the insolvency) or who are debtors in a bankruptcy proceeding under Title 11 of the Bankruptcy Code at the time of the debt discharge. Instead of recognizing COI income, such taxpayers must reduce certain tax attributes such as net operating losses and carryovers, investment tax credit carryovers, capital losses and carryovers, the basis of depreciable and nondepreciable property of the taxpayer and foreign tax credit carryovers in that order to the extent of the debt discharged unless the taxpayer elects to reduce its basis in depreciable property first. In the case of a partnership, the rules of exclusion and reduction of tax attributes are applied at the partner level, and not the partnership level. An insolvent or bankrupt partner must reduce its basis in its partnership interest as a tax attribute under these rules. In such case, although not certain, it is possible that under future regulations to be issued the partnership may have to make a corresponding reduction in the basis of partnership property attributable to such partner's interest in the partnership.

Therefore, if the Service were to challenge successfully the position of the Company and the Partnership, the Partnership could recognize the COI income caused by the debt discharge effected by the Plan, and such COI income could be allocated to the current partners of the Partnership. The treatment of such income and the availability of any exclusion would depend upon the individual circumstances of each partner. Because the partners of the Partnership prior to the exchange will be debtors under Title 11 of the Bankruptcy Code at the time of the debt discharge to the Partnership, such partners would reduce their basis in their Partnership interests and, if required by law, the Partnership will elect to reduce the depreciable basis of the Partnership property if necessary to avoid recognizing COI to the Partnership and its partners, thus decreasing future depreciation deductions of the Partnership which could be used to offset operating income of the Partnership in future years. Because neither the Holders nor TM/GP will be a partner prior to the exchange, neither the Holders nor TM/GP would be allocated any COI income generated by the exchange.

11. Potential Application of High Yield Debt Obligation Rules

Certain rules provided in Sections 163(e) and 163(i) of the Code limit in certain instances the ability of a corporate issuer to deduct OID with respect to its "applicable high yield debt obligations." These rules are inapplicable, however, to

partnerships and S Corporations. Accordingly, if the Company's and Partnership's position that the Partnership is the sole obligor of the New Bonds is respected, the ability of the Partnership to deduct amounts attributable to OID on the New Bonds and New Bonds delivered in payment of the Additional Amount should not be limited.

12. Tax Consequences To Holders Of Subcontractors' Claims

Under the terms of the Plan, a nominee of the holders of Subcontractors' Claims will purchase, prior to the Effective Date of the Plan, Old Bonds in the principal amount of $20,000,000 with funds provided by the Partnership, which funds shall be paid as a settlement payment for the benefit of the holders of Subcontractors' Claims. On the Effective Date, the nominee will exchange the Old Bonds on behalf of the holders of Subcontractors' Claims, and each such holder will receive its pro rata share of the distributions under the Plan in respect of the $20,000,000 in principal amount of the Old Bonds held by the nominee.

The tax consequences of the Plan to holders of Subcontractors' Claims will depend upon the method of accounting used by such holder for Federal income tax purposes. A cash method holder will recognize ordinary income equal to its pro rata share of the funds provided to the nominee by the Partnership. An accrual method holder will have a basis in its Subcontractors' Claim equal to the amount it previously accrued as income, minus the amount of any loss deduction previously taken on its Federal income tax return. Therefore, an accrual method holder will recognize gain or loss as a result of the consummation of the Plan equal to the amount by which its pro rata share of the funds provided to the nominee of the Subcontractors by the Partnership and used to buy Old Bonds exceeds (or is less than) its basis in its Subcontractors' Claim.

A holder of a Subcontractors' Claim will have a basis in its Old Bonds equal to its pro rata share of the cash provided to the nominee by the Partnership and used to buy Old Bonds. The Federal income tax consequences to a holder of a Subcontractors' Claim as a result of the exchange of the Old Bonds for New Bonds, Class A Stock and Class B Stock will be as described above for holders of Old Bonds.

This opinion is limited to the foregoing conclusion pertaining to the Prospectus. We express no opinion as to any other matters of law or facts not specifically addressed herein.

We hereby consent to being named as tax counsel for the Company and the Partnership in the Registration Statement and any amendments thereto, under the caption "Certain Federal Income Tax Considerations" in the Prospectus, to the filing of this opinion as an exhibit to said Registration Statement and to the use of this opinion in connection with the registration of the New Bonds, Class A Stock and Class B Stock.

Very truly yours,

Willkie Farr & Gallagher

Willkie Farr & Gallagher

WILLKIE FARR & GALLAGHER

New York
Washington, DC
London
Paris

January 10, 1992

Trump's Castle Funding, Inc.
as nominee for Trump's Castle
Associates Limited Partnership
Brigantine Boulevard and Huron Avenue
Atlantic City, N.J. 08401

Trump's Castle Associates Limited Partnership
Brigantine Boulevard and Huron Avenue
Atlantic City, N.J. 08401

Gentlemen:

In connection with the Prospectus and Solicitation of Plan Acceptances (the "Prospectus") of Trump's Castle Associates Limited Partnership (the "Partnership") and Trump's Castle Funding, Inc. dated January 10, 1992, you have requested our opinion as to the material U.S. Federal income tax considerations pertinent to a holder of a Series A-1 Bond or a Series A-2 Bond (a "Holder") upon consummation of the proposed Debtors' Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code (the "Plan"). (Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Prospectus).

In rendering this opinion, we have reviewed the Prospectus, the Amended Partnership Agreement, the Plan, the Financial Forecast, the Appraisal, the Supplemental Letter and such other documents as we deem relevant.

We have made inquiry as to the underlying facts which we consider to be relevant to the conclusions set forth in this letter. The opinion expressed in this letter is based upon certain factual representations as set forth in the Prospectus, the Amended Partnership Agreement, the Plan, the Financial Forecast, the Appraisal and the Supplemental Letter. We have no reason to believe that these representations and facts are not true, but have not independently attempted to verify them.

The opinion contained herein assumes that the Partnership will be operated in accordance with the Amended Partnership

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Agreement and the applicable provisions of the New Jersey Uniform Limited Partnership Act under which it has been organized, and that all transactions will take place as described in the Prospectus, that the factual circumstances prevailing on the Effective Date of the Plan are not materially different from those as of the date of the Appraisal and Supplemental Letter and as of the date hereof, and that the New Bonds will be serviced in accordance with their terms.

The opinion expressed herein is based upon the Internal Revenue Code of 1986, as amended (the "Code"), regulations, rulings and decisions in effect as of the date of this letter and upon proposed regulations, all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision. Any such change may adversely affect or make no longer accurate the opinion expressed herein. We note in this connection the possible issuance of regulations as described under "Risk Factors -- Certain Federal Income Tax Considerations" in the Prospectus.

No rulings have been or will be requested from the Internal Revenue Service (the "Service") concerning any of the tax matters described herein. In addition, the Service or a court may disagree with part or all of our opinion. Finally, certain of the tax issues material to the income tax consequences of the transactions described in the Prospectus turn on questions of factual characterization that may be controverted by the Service and other issues involve areas of the tax law which due to the ambiguity or the lack of legal authority make the applicability of such law uncertain and as to which we can offer limited guidance. For these reasons, there can be no assurance that the Service will not challenge the positions taken by the Partnership, the Company, or both, with respect to any of the issues addressed herein or that a court would not sustain such a challenge.

We have not acted on behalf of any individual Holder or TC/GP. Our opinion expressly does not address all aspects of Federal income taxation that may be relevant to a particular Holder in light of its personal investment circumstances or to certain types of Holders subject to special treatment under the Federal income tax laws (for example, life insurance companies, tax-exempt organizations, foreign corporations and individuals who are not citizens or residents of the United States) and does not discuss any aspect of state, local or foreign taxation. Each Holder of Series A-1 Bonds and Series A-2 Bonds ("Old Bonds"), therefore, should seek, and must depend upon, the advice of his own tax counsel as to the tax consequences to such Holder upon consummation of the Plan.

The discussion with respect to exchanging Holders is limited to those Holders who hold the Old Bonds as "capital assets" and who will hold the Units as "capital assets" (generally, property held for investment) within the meaning of Code Section 1221.

The transactions to be undertaken as described in the Plan present a number of issues of law and of mixed fact and law as to which there is no controlling authority under current law. Due to the lack of definitive judicial or administrative authority, substantial uncertainties exist with respect to many of the tax consequences of the Plan as discussed herein. There are no issues as to which we are unable to render an unqualified legal opinion. The principal Federal income tax issues as to which we have rendered an opinion, but are unable to render an unqualified legal opinion are as follows:

1. Classification of the Old Bonds and New Bonds as debt or equity;

2. Whether the Company or the Partnership is the sole obligor on the Old Bonds and the New Bonds;

3. The treatment of the exchange of the Old Bonds for New Bonds and Partnership interests under Section 108 and Section 721 of the Code including the correct method of allocating a Holder's adjusted basis in the Old Bonds to the portion exchanged for its share of the Equity Interest and to the portion exchanged for New Bonds;

4. The treatment of the New Bonds delivered in payment of the Additional Amount under the Proposed Regulations dealing with original issue discount;

5. The treatment of the Units under the Proposed Regulations dealing with original issue discount;

6. The tax effect of the potential acquisition of the Additional Partnership Interest by Donald J. Trump to Donald J. Trump and TC/GP; and

7. The applicability of certain "high yield discount obligation" rules provided under Section 163(e) and Section 163(i) of the Code.

The foregoing issues are those as to which there is significant uncertainty as to the tax results, as discussed more fully below. We believe it is more likely than not that the New Bonds will be treated as debt of the Partnership for federal

income tax purposes, as discussed below. In each of the other above instances, we believe that there is substantial authority for the positions which the Partnership and the Company intend to take, as described more fully below, but because of the lack of controlling decisional or regulatory authority, we are unable to provide legal assurance that the probabilities are more likely than not that such positions will be upheld if they are litigated. The substantial authority standard is an objective standard involving an analysis of the law and application of the law to relevant facts and is less stringent than the "more likely than not" standard (the standard that is met when there is a greater than 50% likelihood of the position being upheld). There is substantial authority for the tax treatment of an item only if the weight of the authority supporting the treatment is substantial in relation to the weight of the authority supporting contrary treatment, taking all relevant authorities into account. There may be substantial authority for more than one position with respect to the same item. An underpayment of tax resulting from a return position which meets the substantial authority standard will not be subject to the accuracy-related penalty of Code Section 6662.

Our opinion and belief as to each of the matters discussed is as set forth below.

1. Classification Of The Old Bonds And The New Bonds.

The interrelated determinations of whether a given instrument represents debt or equity for Federal income tax purposes and, in the case of debt, whether the obligor in form will be treated as the obligor for Federal income tax purposes are inherently factual in nature and no single characteristic or factor is determinative.

Due to the inherently factual nature of this determination, there can be no assurance that the Service will not challenge the position of the Company and the Partnership that the New Bonds are debt as opposed to equity, or that a court will not sustain such a challenge. If the Service were to challenge this position successfully, the Partnership could be characterized as a publicly traded partnership, which would result in it being treated as an association subject to taxation as a corporation for federal, state and local income tax purposes. Such a characterization and the loss of the deduction with respect to interest paid on the New Bonds would adversely affect the Partnership's cash flow and its ability to service its contractual obligations under the New Indenture with respect to the New Bonds, and in all likelihood would result in a default within the terms of the New Indenture.

Holders should be aware that the financial projections included in the Prospectus as Annex B assume the New Bonds will be treated as debt of the Partnership, and would be inaccurate in the event of an adverse determination on this point.

There is no one characteristic which can be said to be decisive in the determination of whether an obligation should be treated for Federal income tax purposes as debt or equity. See, John Kelly Co. v. Comm'r, 326 U.S. 521, 530 (1945). Although different courts have used a number of factors to resolve the determination of whether an instrument represents debt or equity, each case must be decided on its own facts. Among the factors which various courts have used are the following: (1) the names given to the certificates evidencing the indebtedness; (2) the presence or absence of a fixed maturity date; (3) the source of payments; (4) the right to enforce payment of principal and interest; (5) participation in management flowing as a result; (6) the relative position of the contribution with respect to other creditors; (7) the intent of the parties; (8) thin or adequate capitalization; (9) identity of interest between creditor and shareholder; (10) source of interest payments; (11) the ability of the corporation to obtain loans from outside lending institutions; (12) the extent to which the advance was used to acquire capital assets; and (13) the failure of the debtor to repay on the due date or to seek a postponement. See, e.g., Selfe v. U.S., 778 F.2d 769, 773 n. 9 (11th Cir. 1985).

Factors which would indicate the New Bonds should be characterized as equity are as follows: 1) the coupling of the New Bonds to the Common Stock results in an indirect participation in management of the debt issuer for Holders of the New Bonds and a class of creditors of the Partnership being indirect equity holders unless TC/GP sells the Equity Interest or the New Bonds are redeemed in their entirety; 2) the Partnership has a limited ability to obtain loans from outside lending institutions; 3) the high debt to equity ratio of the Partnership; and 4) the lack of certainty as to repayment of the New Bonds. However, factors which indicate that the New Bonds should be treated as debt are as follows: 1) the certificates are denominated as debt and have the formal indicia of debt such as a fixed maturity date, stated interest and the right to enforce payment of principal and interest; 2) based on the Appraisal and the Supplemental Letter, the New Bonds will be secured by adequate collateral and the New Bonds will not be subordinated to the claims of general creditors of the Partnership; 3) the intent of the parties as evidenced by the terms of the New Indenture and the Plan is clearly to create debt and not equity; 4) the New Bonds will not be held proportionately to the interests in the Partnership and the

values of the New Bonds and the Common Stock may ultimately be realized in separate sales of each under certain circumstances, and 5) the Financial Forecast and the Appraisal that indicate that the New Bonds will, and the Holders and their financial advisors expect, the New Bonds to be serviced in accordance with their terms. Furthermore, the participation in management is caused by the contribution of the Holders of the Equity Interest to TC/GP and the subsequent coupling of the Common Stock received by the Holders to the New Bonds, and not by reason of any right directly attributable to the New Bonds. Based upon these factors, the assumption that all transactions will take place as described in this Prospectus and that the New Bonds will be serviced in accordance with their terms, the Appraisal and the Supplemental Letter and the Financial Forecast for the Partnership and the Company, and the assumption that the factual circumstances prevailing on the Effective Date of the Plan are not materially different from those as of the date of the Appraisal and Supplemental Letter and as of the date hereof, we believe that it is more likely than not that the New Bonds will be treated as debt and not equity for Federal income tax purposes.

Among the factors examined in determining the identity of the true obligor for Federal income tax purposes where another party guarantees or otherwise provides credit support to the nominal obligor are the economic independence and substance of the nominal obligor and the ability of the nominal obligor to service interest and principal on the debt from its cash flows. See, Plantation Patterns v. Comm'r, 29 T.C.M. 817 (1970), aff'd, 462 F.2d 712 (5th Cir. 1972), cert. denied, 409 U.S. 1076 (1972); Revenue Ruling 79-4, 1979-1 C.B. 150; Selfe v. U.S., 778 F.2d 769 (11th Cir. 1985); Comm'r v. Bollinger, 108 S.Ct. 1173 (1988); Aiken Industries Inc. v. Comm'r, 56 T.C. 925 (1971); Revenue Ruling 84-152, 1984-2 C.B. 381; and Revenue Ruling 84-153, 1984-2 C.B. 383. Because of the arguably high debt to equity ratios, the lack of certainty regarding the ultimate payment of the New Bonds, the formal issuance of the Old Bonds and the New Bonds by the Company rather than the Partnership, and the lack of a written nominee or agency agreement in respect of the Old Bonds evidencing the nominee relationship that in fact and substance existed, a conclusion that the Old Bonds and New Bonds are solely the debt of the Partnership for Federal income tax purposes is not free from doubt. However, to conclude that the Company rather than the Partnership is the true debtor for Federal income tax purposes would be to disregard totally the economic substance of the transaction and would permit possible abuses by taxpayers seeking to claim a tax-free exchange of debt under the corporate recapitalization rules where no Code provision provides for tax-free exchanges of partnership debt obligations.

Based on the above factors and authorities, the identical terms of the Partnership Note and the Old Bonds before the consummation of the Plan, the identical terms of the New Partnership Note and the New Bonds upon consummation of the Plan, the nominal equity capitalization of the Company, the Nominee Agreement between the Company and the Partnership and the fact that at all times the assets of the Partnership have been the ultimate and only source of payment on the Old Bonds and will continue to be the ultimate and only source of payment on the New Bonds, it is our opinion that it is more likely than not that the Old Bonds are debt and the New Bonds are solely the debt of the Partnership for Federal income tax purposes at all times relevant to the Plan and other transactions contemplated herein.

Moreover, in our opinion there is substantial authority for the position that the Partnership is a general partnership for income tax purposes based in part on the position that the Old Bonds and the New Bonds are not equity interests in the Partnership.

Due to the inherently factual nature of these determinations, however, there can be no assurance that the Service will not challenge these conclusions or that a court would not sustain such a challenge. If the Service were to challenge successfully the Company's and the Partnership's positions, such challenge could result in the characterization of (i) the Partnership as a publicly-traded partnership, which, as discussed above, would result in it being treated as a corporation for Federal income tax purposes, and (ii) the New Bonds as preferred equity interests in the Company, or possibly the Partnership, as to which no interest deduction could be claimed. Such challenge could also affect, among other items, (i) the amount and timing of income, gain or loss recognized by exchanging Holders upon the exchange of Old Bonds for Partnership interests constituting the Equity Interest and New Bonds, (ii) the amount, timing and character of income, gain or loss to be recognized by Holders of the New Bonds in the future, (iii) the amount of income recognized by the Company and/or the Partnership and/or the existing partners as a result of the exchange, and (iv) the ability of the Company and/or the Partnership to deduct interest in respect of the New Bonds and the amount of such deductions in the future. Thus, if the Bonds are treated as solely the debt of the Company and the New Partnership Note is not regarded as bearing OID, the Company's OID deductions would offset the interest received on the New Partnership Note except as limited by the "high yield" limitations discussed below at "11. Potential Application of High Yield Debt Obligation Rules," but the Partnership's interest deductions would be reduced, possibly increasing the

tax liability, or reducing the tax losses, of the Partnership, and the Holders may not have a taxable exchange of Old Bonds for New Bonds upon consummation of the Plan. If the New Bonds are treated as preferred equity interests of either the Company or the Partnership, there would be no interest deduction with regard to such interest, and the amounts derived by the Holders would be treated as distributions by the Company (or the Partnership) taxable as dividends to the extent of the Company's (or the Partnership's) earnings and profits and thereafter as return of capital, or as capital gain to the extent distributions exceed a Holder's basis in the interest.

Except where specifically noted to the contrary, the following discussion assumes that at the time of the consummation of the Plan, the Old Bonds and the New Bonds (including the New Bonds delivered in payment of the Bond Carryforward Amount, the Effective Date Amount and the Additional Amount) will be treated as debt of the Partnership for Federal income tax purposes and not as equity of the Partnership, or debt of, or equity interests in, the Company.

2. Exchange Of Old Bonds For New Bonds and Partnership Interests and Partnership Interests For Common Stock

A. Contribution of Part of the Old Bonds For the Equity Interest. While the conclusions are not free from doubt due to the lack of definitive authority, it is our opinion that there is substantial authority for concluding that for Federal income tax purposes upon consummation of the Plan: i) Holders will receive New Bonds and Partnership interests constituting the Equity Interest in exchange for their Old Bonds, and ii) that each Holder's Partnership interest is received in a tax-free transaction under Section 721 of the Code in exchange for an amount of the Old Bond equal to the difference between the adjusted issue price of the Old Bond plus accrued and unpaid interest on the Old Bond in excess of the Prefiling Payment and the Effective Date Amount and the fair market value of the New Bond. A Holder's adjusted basis in the Equity Interest would equal the portion of its adjusted basis in the Old Bond allocated to the Equity Interest (see "B. Taxable Exchange of Old Bonds for New Bonds; Basis and Holding Period", below) and the Holder's ultimate share of liabilities of the Partnership, which share is then assumed by TC/GP (see "C. Exchange of Partnership Interests for Common Stock; Basis and Holding Period", below). The holding period for the Equity Interest will include the Holder's holding period for the Old Bonds.

Immediately thereafter, Holders will then be treated for Federal income tax purposes as having contributed their Partnership interests to TC/GP in exchange for shares of Common

Stock in TC/GP. Except where specifically stated to the contrary, the following discussion assumes such treatment will be obtained. It is possible these positions in respect of the exchange of Old Bonds for Partnership interests will be adversely affected by regulations described below which are not yet issued by the Service, the effect of which would cause the receipt of the Partnership interests to be taxable. See "10.B. Tax Consequences to the Company and the Partnership - Possible New Regulations." If taxable, the adjusted basis of the Equity Interest would be based on its fair market value and the holding period would commence the day after the Effective Date.

B. Taxable Exchange of Old Bonds for New Bonds; Basis and Holding Period. The exchange of a portion of the Old Bonds for New Bonds will be taxable to the Holders. The amount of gain or loss recognized by a Holder will depend on the fair market value of the New Bonds and the portion of the Holder's adjusted basis in the Old Bonds allocated to the New Bonds.

The correct method of allocating an exchanging Holder's basis in each of its Old Bonds to the Partnership interest and the New Bonds for the purpose of determining gain (or loss) upon the receipt of the New Bond is uncertain. One alternative, which is supported by Subchapter K basis principles based on what is contributed, would be to treat the Partnership interest as having a substituted basis equal to the excess, if any, of the basis of the Old Bond (including accrued but unpaid interst for an accrual method taxpayer) over the fair market value of the New Bond (which basis is then increased to reflect the share of Partnership liabilities plus, in the case of a cash method taxpayer, the fair market value of the Partnership interest, if any, received as interest on the Old Bond), and the remainder of the basis being in the Old Bond immediately before it is exchanged for the New Bond to determine gain or loss on the bond exchange. A second alternative, which is supported by the Treasury Regulations promulgated under Section 61, would be to allocate the basis of the Old Bond between the Partnership interest and New Bond based upon their relative fair market values. Under this alternative, a Holder will have a substituted basis in the Partnership interest equal to the product of (i) its basis in its Old Bond (including accrued but unpaid interest for an accrual method taxpayer) multiplied by (ii) the fair market value of the Partnership interest divided by the aggregate fair market value of the Partnership interest and the New Bond, plus the Holder's share of Partnership liabilities, plus, in the case of a cash method taxpayer, the fair market value of the Partnership interest, if any, received as interest on the Old Bond. Such Holder will, under this alternative, recognize gain (or loss) on the exchange of Old Bonds for New Bonds equal to the amount by which the fair

market value of the New Bond exceeds (or is less than) the product of (a) its basis in its Old Bond multiplied by (b) the fair market value of the New Bond divided by the aggregate fair market value of the Partnership interest and the New Bond. While there is no authority resolving the point, in our opinion the better view is that the first alternative should control the allocation of basis of the Old Bond because it is consistent with a tax free exchange under Code Section 721. Gain or loss on the exchange of Old Bonds for New Bonds will be capital gain or loss (subject to the market discount rules discussed below) and will be long-term capital gain or loss if the Old Bond was held by such Holder for more than one year.

Each Holder's initial adjusted basis for the New Bonds will be their fair market value and the holding period for the New Bonds will commence on the day after the exchange. See "3.C. Issue Price of New Bonds and Investment Unit Considerations."

We express no opinion as to the method of determining the basis of the New Bond and of the Common Stock for subsequent purchasers of Units.

C. Exchange of Partnership Interests For Common Stock; Basis and Holding Period. Immediately after the exchange of Old Bonds for New Bonds and Partnership interests, such Holders of New Bonds and Partnership interests will be deemed to have contributed their Partnership interests to TC/GP in exchange for Common Stock. We believe this contribution will qualify for nonrecognition treatment under Section 351 of the Code so that Holders will not recognize gain or loss on the contribution of their interests in the Partnership for Common stock. Holders will have an aggregate basis in their Common Stock equal to their basis in the contributed Partnership interests, minus the share of Partnership liabilities assumed or taken subject to by TC/GP. The holding period for the Common Stock will include the holding period of the Partnership interests (derived from that for the Old Bonds). Holders will be required to notify TC/GP of their basis in the Partnership interest transferred to TC/GP in exchange for the Common Stock. Such basis will affect future gain or loss recognized by TC/GP in respect of the Partnership interest.

D. Accrued Interest On Old Bonds. The Partnership and the Company intend to take the position that upon consummation of the Plan, to the extent the Holders receive the Prefiling Payment and the Effective Date Amount in cash, such cash payment represents a partial payment by the Partnership of accrued and unpaid interest on the Old Bonds. To the extent the Prefiling Payment and the Effective Date Amount are not paid in cash, Holders will receive an additional New Bond for

each $1,000 of the Bond Carryforward Amount and Effective Date Amount. Holders of Old Bonds must agree to accept the New Bonds in payment of the Bond Carryforward Amount and Effective Date Amount as part of the Plan. Accordingly, an exchanging Holder using the cash method of accounting for Federal income tax purposes will recognize interest income to the extent of the cash and the fair market value of the portion of the New Bond received in payment of the Bond Carryforward Amount and the Effective Date Amount. A Holder of Old Bonds using the accrual method of accounting for Federal income tax purposes will not recognize interest income upon receipt of the cash and New Bonds, to the extent such Holder has already accrued and recognized interest on the Old Bonds since December 15, 1990. A Holder who has not continued to accrue interest since December 15, 1990 will recognize interest income to the extent of the cash and the fair market value of the New Bonds attributable to the accrued and unpaid interest. It is also possible that such Holders would have to recognize interest income equal to the fair market value of the portion of the Partnership interest received in exchange for accrued and unpaid interest on the Old Bonds in excess of the Prefiling Payment and the Effective Date Amount. The amount of such Holder's gain or loss on the exchange of the Old Bonds will be determined as described above.

3. Original Issue Discount On New Bonds and New Bonds Delivered in Payment Of The Additional Amount

A. General. Holders of New Bonds, even though held as part of a Unit, will be required to accrue a significant amount of original issue discount ("OID") over the term of the New Bonds based in part on the difference between the fair market value of the New Bonds on issuance and their face amount due at maturity. As a result, the amount of reportable interest income will exceed the amount of cash interest received in each accrual period.

The Service has proposed regulations dealing with the inclusion of OID in income by holders of debt instruments (the "Proposed Regulations"). The Proposed Regulations are ambiguous and inconsistent in certain respects. As a result, the proper treatment of payments on the New Bonds and the New Bonds delivered in payment of the Additional Amount under these Proposed Regulations is uncertain. The positions described below are subject to change due to the promulgation of final regulations, upon further clarification from the Service or otherwise. No assurance can be given that the Service will agree with the interpretations of the Proposed Regulations discussed below or that the final Treasury Regulations will not differ materially from the Proposed Regulations. Holders are

urged to consult their own tax advisors concerning the application of the Proposed Regulations or subsequent versions thereof to the New Bonds and the New Bonds delivered in payment of the Additional Amount.

B. Stated Redemption Price At Maturity. Generally, a debt instrument will be issued with OID if the "stated redemption price at maturity" of such debt instrument exceeds its "issue price" by more than a statutory *de minimis* amount. An instrument's stated redemption price at maturity includes all payments required to be made over the term of the instrument other than payments of "qualified periodic interest," defined as interest payments required to be made at fixed, periodic intervals of one year or less. Upon consummation of the Plan, interest on the New Bonds will be paid commencing August 15, 1992, after which time interest will be paid on the New Bonds on February 15 and August 15 of each year until maturity. It is expected that all interest payments on the New Bonds during 1992, 1993 and 1994 will be made partly in cash and partly through delivering additional New Bonds. Assuming the New Bonds are issued after February 15, 1992 and before August 15, 1992, the minimum cash interest payable at the rate of 5% on the New Bonds will constitute qualified periodic interest and will not be included in the New Bonds' stated redemption price at maturity. The amount of all cash interest payments which do not constitute qualified periodic interest and the amount of all non-cash payments during the term will be so included. Such cash and non-cash payments, together with all fixed payments to be made at various times will be taken into account in determining the yield to maturity of the New Bonds. Therefore, under the rules discussed below, the amount of interest required to be reported by Holders as interest for tax purposes will exceed the periodic cash payments received.

The Proposed Regulations do not expressly address the proper treatment of debt instruments, such as the New Bonds and the New Bonds delivered in payment of the Additional Amount (which is the excess of the fixed rate of 9.5% over the Mandatory Cash Amount) that provide for the payment of interest in additional debt instruments. Although the law is uncertain, in our view it is reasonable, and consistent with the current practice of others, for the Company and the Partnership to take the position that for the purpose of applying the Proposed Regulations to the New Bonds, each New Bond and all additional New Bonds issued with respect to such New Bond comprise a single debt instrument. On this basis, the stated redemption price at maturity of each New Bond will be the sum of all payments with respect to such New Bond, including all payments with respect to the New Bonds issued thereunder, except for payments treated as qualified periodic interest payments.

There can be no assurances that the Service will not challenge such position or that a court would not sustain such a challenge. The alternative position would be to treat each issuance of additional New Bonds as a separate class of bonds which has a different issue price and amount of OID from the New Bonds.

C. Issue Price of New Bonds and Investment Unit Considerations. Upon confirmation of the Plan, Holders of Old Bonds will receive New Bonds issued by the Company and a Partnership interest in the Partnership in exchange for their Old Bonds (which Partnership interest will then be contributed to TC/GP for Common Stock). The Company and the Partnership will take the position that the Partnership interest issued in satisfaction of a portion of each Old Bond and each New Bond issued in exchange for such Old Bond in the aggregate constitute an investment unit, as that term is defined under Code Section 1273(c)(2). Under Code Section 1273(c)(2)(B), the aggregate issue price for such investment unit should be allocated between the New Bond and the Partnership interest on the basis of relative fair market values.

Under Code Section 1273(c)(2)(A), the issue price of an investment unit is determined as if the investment unit were a debt instrument. Under the Proposed Regulations, where a debt instrument is issued in exchange for property and the debt instrument is part of an issue which trades on an established securities market, its issue price is generally its fair market value as determined on the first date after the issue date that the debt instrument is traded on an established securities market. Where a debt instrument not subject to the above rule is issued in exchange for stock or securities which are part of an issue which trades on an established securities market, under the Proposed Regulations, the issue price of the debt instrument generally will be the fair market value of the stock or securities determined as of the issue date of the debt instrument. The Proposed Regulations do not state what the issue price of an investment unit should be where the debt portion of the investment unit will publicly trade as part of a stapled unit and the property portion of the investment unit will not be directly publicly traded, but will indirectly be traded as part of the Unit. While the matter is not free from doubt, because the trading price of a Unit immediately after the exchange will indicate the aggregate value of the New Bond and the Common Stock, but not necessarily the aggregate value of the New Bond and the Partnership interest, we believe the better view is that the issue price of the investment unit should be equal to the fair market value of the Unit, as determined by its initial trading price.

Although Code Section 1273(c)(2)(B) states that the issue price of the investment unit must be allocated to the elements comprising the investment unit on the basis of relative fair market values, the investment unit provisions of Proposed Regulation §§ 1.1273-2 do not state what the issue price of either the property other than the debt instrument or the debt instrument is where the new debt is publicly traded as part of a stapled unit and the other property is not directly traded, but is traded indirectly as part of the stapled unit. While there is no direct authority clarifying the interplay of these rules and their application to the receipt of the New Bonds as part of a Unit, we believe the Partnership and the Company have substantial authority to take the position that the issue price of the Unit should be allocated between the New Bond and Partnership interest based on the fair market values of both elements of a Unit. In the absence of a separate trading market for either element, the Partnership has obtained the Appraisal and Supplemental Letter which indicate that the total fair market value of the Unit should be allocated 3.06% to the Common Stock and 96.94% to the New Bonds. While the Proposed Regulations do not expressly authorize this methodology of allocation, it is entirely consistent with, and seeks to implement, the general rule of allocation of the issue price of the Unit to the elements of the Unit based on their fair market values. We express no view as to the proper proportions of such allocation but believe the methodology is reasonable under the Proposed Regulations in the absence of express authority on this point. The Internal Revenue Service is not bound to such method or proportions and could seek to establish other proportions which would increase or decrease the amount of original issue discount in respect of the New Bonds and the amount of basis ascribable to the Common Stock.

The stated redemption price at maturity of the New Bond, as discussed above, will exceed such issue price because, among other reasons, only a portion of the interest payable on the New Bonds will constitute qualified periodic interest payments. Therefore, the New Bonds will probably be deemed to be issued with OID in the amount of the excess of such New Bonds' stated redemption price at maturity (calculated under the rules discussed above) over the issue price of the New Bonds as determined above.

Because the investment unit rules are relevant only to the determination of the amount of OID with respect to the New Bonds, the Partnership and the Company intend to take the position that a Partnership interest issued to a Holder of Old Bonds will have an initial adjusted basis equal to the Holder's adjusted basis in that portion of the adjusted basis of the Old Bond exchanged therefore as described above in "2.B. Taxable

Exchange of Old Bonds for New Bonds; Basis and Holding Period," plus such Holder's allocable share of Partnership liabilities.

D. Issue Price of New Bonds Delivered in Payment of the Additional Amount. As noted above in "3.B. Stated Redemption Price at Maturity," the Proposed Regulations do not expressly address the proper treatment of a debt instrument such as a New Bond delivered in payment of the Additional Amount. One approach discussed above would be to treat the New Bonds delivered in payment of the Additional Amount and all amounts payable thereunder as included in the stated redemption price at maturity of the underlying New Bonds. A second approach would be to treat such additional New Bonds as contingent interest payments on the underlying New Bonds, includible in income by holders of New Bonds upon receipt in an amount equal to the fair market value of such additional New Bonds. A third approach would to treat such additional New Bonds as being issued subject to the put or call rules that can shorten the maturity of a debt instrument and result in a deemed reissuance for OID purposes, as discussed below in "3.E. Treatment of the Partnership's Option to Redeem the New Bonds." Under the Proposed Regulations, it would be difficult to justify using the second or third approach because the New Bonds delivered in payment of the Additional Amount do not technically meet the definitions or examples in the Proposed Regulations with respect to contingent payments or put or call options. Therefore, the Company and the Partnership intend to take the position that the New Bonds delivered in payment of the Additional Amount and all amounts payable thereunder are included in the stated redemption price at maturity of the underlying New Bonds. Under the Company's and Partnership's intended treatment, the adjusted issue price (and the basis) of each New Bond will be allocated between the New Bond and the additional New Bonds issued with respect to such New Bond on the basis of the relative principal amounts of each instrument. Although we believe that this approach is reasonable for the reasons discussed above and is consistent with the principles underlying the Proposed Regulations, in the absence of express authority there can be no assurance that the Service will not challenge such treatment. If the Service were successful in challenging the Company and the Partnership's intended treatment, New Bonds delivered in payment of the Additional Amount might not be deemed to be fungible with New Bonds issued on the Effective Date for trading purposes.

E. Treatment of the Partnership's Option To Redeem the New Bonds. Under the Proposed Regulations, if a debt instrument contains a call option which is not separately tradeable and if by using the date of exercise of the call as the maturity date and the exercise price as the stated redemption price at

maturity, the yield of the debt instrument is lower than it would be if the call option were not exercised, then the issuer will be deemed to exercise the call option for purposes of calculating the yield on the debt instrument. The New Bonds will contain a call option with an exercise price which varies depending upon the date of the exercise. Because the issue price of the New Bonds will not be known until the date of the exchange, it is not possible to predict whether or not the Partnership will be deemed to exercise the call option and at which price. If the call option were deemed to be exercised, the New Bonds would be deemed to have the call date as their maturity date and a stated redemption price at maturity equal to the exercise price of the call presumed exercised. If the call option were not subsequently exercised by the Partnership, the New Bonds would be treated as if the call option were exercised, and a new debt instrument issued on the date of exercise for an amount equal to the call option exercise price, and additional OID could result if the stated redemption price at maturity exceeds this new issue price. This process could be repeated for each call date which passes without exercise of the call. If no call is exercised, the total amount of OID would be the same over the entire term of the New Bonds, but the amount of annual inclusions of income for any taxable year could vary from the amount that would be reportable if the deemed exercise rule does not apply. The remainder of this discussion assumes that the Partnership will not be deemed to exercise the call option although no assurances can be given in this regard until the date of the exchange.

F. Holder's Treatment of OID on the New Bonds and New Bonds Delivered in Payment of the Additional Amount. The OID rules require that a constant rate of interest for a New Bond (the "yield to maturity") be determined, based on semi-annual compounding of interest. The amount of OID to be accrued by the Holder of a New Bond is then calculated for each six-month period (an "accrual period") from the date of issuance until the stated maturity date by applying the yield to maturity first to the issue price of the New Bond for the initial accrual period, and then to its "adjusted issue price" (the initial issue price plus accrued OID included in prior periods) for each subsequent accrual period and subtracting the sum of any qualified periodic interest payments received by a Holder of the New Bond during the accrual period. Although the matter is not free from doubt, in accordance with the treatment described under "3.B. Stated Redemption Price at Maturity" and "3.D. Issue Price of New Bonds Delivered in Payment of the Additional Amount" above, we believe the yield to maturity of the New Bonds will be computed as if each New Bond and each additional New Bond delivered with respect thereto comprise a single debt instrument. The amount of OID determined under

this procedure for an accrual period is then allocated ratably to each day within the accrual period (the "daily portion") and the Holder of the New Bond is required to report as gross income the sum of the daily portions for the number of days during the taxable year in which he is a holder. Once so included, however, no further income need be reported by the Holders of New Bonds upon receipt of payment from the Company of the accrued OID, whether in the form of cash or additional New Bonds.

Under the terms of the New Indenture and the Plan, the Additional Amount payable with respect to the New Bonds by the Partnership may in some instances be paid in cash and in some instances be paid in the form of an additional New Bond. As stated above under "3.D. Issue Price of New Bonds Delivered in Payment of the Additional Amount", it is possible that the Service might take the position that the New Bonds delivered in payment of the Additional Amount should be treated as either contingent interest or as issued pursuant to an option held by either the holder of the underlying New Bond or the Partnership and the Company. The Service might also take the position that the payment of cash instead of the issuance of additional New Bonds in payment of the Additional Amount should cause a recomputation of the amount and accrual of OID with respect to the underlying New Bond with respect to which the payment of the Additional Amount was made. While we believe that such alternative treatments are inconsistent with the Proposed Regulations, in the absence of express authority, there can be no assurances that the Service might not challenge the Company's and the Partnership's position. If the Service were successful on this point, the payment of cash instead of New Bonds in payment of the Additional Amount might result in either capital gain or ordinary income recognition by a Holder receiving such cash, and/or the recomputation of the amount and accrual of original issue discount with respect to the underlying New Bond.

4. Treatment of Required Open Market Purchases By the Partnership

The terms of the New Indenture provide that, under certain circumstances, the Partnership is required to purchase New Bonds at the then prevailing market price by making market purchases of Units and returning the Common Stock acquired through the purchase to TC/GP, which shall retire the stock. The tax treatment to the selling holder shall be as described under "8. Sale, Exchange or Redemption of New Bonds and New Bonds Delivered in Payment of the Additional Amount" and "9. Sale, Exchange or Redemption of Common Stock," below. The retirement of the New Bonds so purchased shall result in a

reduction of Partnership liabilities and a deemed distribution to the Partners under Code Section 752 to the extent their share of Partnership liabilities is reduced. It is possible that the open market purchases will result in cancellation of indebtedness income ("COI income") to the Partnership under Code Section 108 if the Partnership buys the New Bonds at a market price which is less than the adjusted issue price of the New Bonds on the date of the repurchase. In such event, the COI income will be allocated to the Partners of the Partnership, and will at least partially offset the effect on their basis caused by the Section 752 deemed distribution. The distribution of the Common Stock by the Partnership to TC/GP will be treated as a non-liquidating distribution of partnership property which will reduce the basis of TC/GP's interest in the Partnership by the basis to TC/GP of the Common Stock.

Under Notice 89-37, 1989-1 C.B. 679, the Service announced its intention to prescribe regulations addressing situations in which the acquisition (or mere ownership) by a partnership of stock in one of its corporate partners results in avoidance of the repeal of the General Utilities doctrine. The Notice states in part that the regulations to be issued will provide that a partnership distribution to a corporate partner of the stock of such corporation should be characterized as a redemption of the corporate partner's stock with property consisting of its partnership interest, and that therefore, Section 311(b), rather than the general nonrecognition rule of Section 731(a), will be applicable whenever a partner receives a distribution of its own stock. The result is that under Section 311(b), gain (but not loss) will be recognized with respect to the partner's partnership interest. The Notice states that these circumstances are present to the extent the corporate partner, in substance, relinquishes an interest in appreciated property in exchange for an interest in its stock. The Notice also states that the regulations will provide that gain will be recognized at the time of, and to the extent that, any transaction or series of transactions has the economic effect of an exchange by a corporate partner of its interest in appreciated property for an interest in its stock owned or acquired by the partnership. The result is that such transaction or series of transactions are treated as a deemed redemption of the corporate partner's stock. Under the Notice, transactions in which the deemed redemption rule may apply include, but are not limited to, partnership purchases of a corporate partner's stock, disproportionate distributions and amendments to the partnership agreement.

TC/GP will never acquire or dispose of appreciated property in connection with such open market purchases, nor will the

Partnership hold the stock of TC/GP for any appreciable length of time under the terms of the Partnership Agreement and the Plan. The distribution of Common Stock acquired by the Partnership as a result of an open market purchase is treated as a Section 707 guaranteed payment under the terms of the Partnership Agreement, and not as a distribution under Section 731. Therefore, we do not believe that these regulations, when issued, should apply to open market purchases of Units, because open market purchases permitted under the Plan do not present the type of abusive situations contemplated by the Notice. However, because of the broad language of the Notice, it is possible that the regulations, when issued, may apply to open market purchases of New Bonds by the Partnership and the Company which may result in gain recognition by TC/GP.

5. Treatment of Acquisition of Additional Partnership Interest by Donald J. Trump

The Partnership Agreement allows Donald J. Trump, under certain circumstances to cause the Partnership to exercise its option to call the New Bonds at exercise prices which vary depending upon the date of the exercise. In such case, under the Indenture and the Amended Partnership Agreement, Donald J. Trump shall acquire for a nominal price an additional partnership interest (the "Additional Partnership Interest") the amount of which depends upon the date and the exercise price. Upon the acquisition of the Additional Partnership Interest by Donald J. Trump, the Partnership Percentage of each of the Partners (immediately before the issuance of the Additional Partnership Interest) shall be adjusted to reflect the exercise of the option and reduction of TC/GP's Equity Interest. With respect to Partners whose Partnership Percentage is reduced, their shares of the liabilities of the Partnership will be reduced proportionately and accordingly, each such Partner will be treated for Federal income tax purposes as receiving a deemed cash distribution in an amount equal to the reduction in such Partner's share of Partnership liabilities. This deemed cash distribution will reduce the basis of each such Partner in its Partnership interest, and result in taxable gain being recognized to the extent required by Code Section 751 and otherwise to the extent the distribution exceeds such basis.

While the matter is not free from doubt, the Partnership expects to treat the reduction of TC/GP's interest as a non-taxable distribution in partial liquidation of TC/GP's interest (to the extent of basis therein), which does not result in income to TC/GP except to the extent required by Section 751 of the Code. However, it is possible that TC/GP would be treated as having sold a portion of its Partnership

interest to Donald J. Trump for an amount equal to the greater of (i) the value of the Additional Partnership Interest or (ii) the share of Partnership liabilities allocable to the Additional Partnership Interest plus the cash paid to TC/GP by Donald J. Trump, and that TC/GP will recognize gain (or loss) equal to the difference between its basis in the transferred Partnership interest and the greater of the value thereof or the amount of Partnership liabilities assumed by Donald J. Trump and that Donald J. Trump would be treated as receiving income equal to the value received over the debt assumed. Donald J. Trump will increase his basis in its Partnership interest by the additional amount of Partnership liabilities assumed and the amount, if any, taken into income.

6. Treatment of Common Stock Issued With New Bonds In Payment Of Additional Amount

Under the terms of the Partnership Agreement and the New Indenture, if the Partnership issues New Bonds in payment of interest comprising the Additional Amount, TC/GP shall declare a pro rata stock dividend on its Common Stock and deliver to the Partnership one whole share of Common Stock for each $1,000 principal amount of New Bonds to be issued. The Common Stock will then be coupled with the New Bonds issued in payment of such interest. The receipt of the stock dividend by Holders of Units will probably be a non-taxable stock dividend under Section 305. Holders will be required to allocate their basis in the Common Stock with respect to which the distribution is made between such Common Stock and the stock dividend received in proportion to the fair market values of each on the distribution date. We express no opinion on the correct method of valuation of new Common Stock so received for purposes of such allocation.

7. Market Discount on New Bonds

The Code generally requires holders of "market discount bonds," as defined below, to treat as ordinary income any gain realized on the disposition of such bonds to the extent of the market discount accrued during the holder's period of ownership. The accrued market discount generally equals a ratable portion of the amount of the bond's market discount, based on the number of days the taxpayer has held the bond at the time of such disposition, as a percentage of the number of days from the date the taxpayer acquired the bond to its date of maturity. A "market discount bond" is a debt obligation purchased at a market discount, subject to a statutory _de minimis_ exception. For this purpose, a purchase at a market discount includes a purchase at or after the original issue at a price below the stated redemption price at maturity. Therefore, Holders who

purchased Old Bonds after the original date of their issuance for a purchase price which is less than their stated redemption price at maturity may realize ordinary income upon exchange of the Old Bonds for New Bonds and Partnership interests. These market discount rules will also apply to subsequent purchasers of Units. We express no opinion as to the method of determining the amount of market discount by subsequent purchasers of Units.

8. Sale, Exchange or Redemption of New Bonds and New Bonds Delivered in Payment of the Additional Amount

In general, subject to the market discount rules discussed above, the sale, exchange or redemption of the New Bonds (including New Bonds delivered in payment of the Additional Amount) will result in capital gain or loss equal to the difference between the amount realized and the Holder's adjusted tax basis in the New Bonds immediately before such sale, exchange or redemption. For a discussion of the determination of a Holder's initial tax basis in the New Bonds, see "2.B. Taxable Exchange Of Old Bonds For New Bonds; Basis and Holding Period," above.

In addition, under the position which the Company and Partnership will take with respect to the tax treatment of the New Bonds delivered in payment of the Additional Amount, the sale or disposition of such New Bonds by a Holder thereof will be treated for purposes of the OID rules as a partial pro rata disposition of the underlying New Bond. Accordingly, each New Bond delivered in payment of the Additional Amount will have an amount of OID associated with it that bears the same relation to the OID of the underlying New Bond as the stated principal amount of the New Bond delivered in payment of the Additional Amount bears to the stated principal amount of the underlying New Bond. See "3.D. Issue Price of New Bonds Delivered in Payment of the Additional Amount," above.

9. Sale, Exchange or Redemption of Common Stock

Immediately after the exchange of Old Bonds for New Bonds and Partnership interests, the Holders thereof will contribute the Partnership interests for shares of Common Stock in TC/GP. The subsequent sale of the Common Stock by a Holder as a result of a sale of a Unit will result in gain or loss equal to the difference between the amount realized and the Holder's adjusted tax basis in the Common Stock. Such gain or loss would be long term capital gain or loss if the Common Stock held as part of a Unit was held as a capital asset by such Holder for more than one year, except that pursuant to Code Section 108(e)(7)(E), it is possible that gain on the

disposition of the Common Stock by a Holder will be recaptured as ordinary income to the extent of prior bad debt deductions or ordinary losses claimed for tax purposes in respect of the Old Bonds. It is possible that open market purchases by the Partnership of Units and the subsequent distribution of the Common Stock portion of such Units to TC/GP by the Partnership may be treated as a redemption of Common Stock, any gain on which could be taxable to Holders who sold their Units in the marketplace as a dividend, under certain circumstances. We express no opinion on whether or not such open market purchases could be treated as a redemption of the Common Stock. For a discussion of the determination of a holder's initial tax basis in the Common Stock, see "2.C. Exchange of Partnership Interests for Common Stock; Basis and Holding Period."

10. Tax Consequences To The Company And The Partnership

A. Recognition of COI Income By the Partnership. Generally, a taxpayer recognizes COI income upon satisfaction of its outstanding indebtedness for less than its principal amount. In the case of a debt for debt exchange such as that effected by the Plan, the amount of COI income is, in general, the excess of the adjusted issue price (including accrued but unpaid interest) of the indebtedness satisfied over the sum of the issue price of the new indebtedness of the issuer and the fair market value of any other property issued therefor. However, based on Section 721 of the Code, the legislative history for the Bankruptcy Tax Act of 1980, analagous but non-controlling case law and non-authoritative private letter rulings issued by the Service to other taxpayers, in our opinion there is substantial authority for the Company and the Partnership to take the position that the Partnership interests were issued by the Partnership in exchange for the portion of the Old Bonds equal to the difference between the adjusted issue price of the Old Bonds including accrued but unpaid interest and the fair market value of the New Bonds (less the portion thereof attributable to the payment of interest on the Old Bonds as part of the Effective Date Amount and Bond Carryforward Amount), and that the Partnership and the existing partners will not recognize any COI income by reason of the exchange. There can be no assurance that the Service will not challenge this position, or that a court would not uphold such a challenge.

B. Exception to COI Recognition. In general, Section 108 of the Code provides an exception to the recognition of COI income for taxpayers who are insolvent (to the extent of the insolvency) or who are debtors in a bankruptcy proceeding under Chapter 11 of the Bankruptcy Code at the time of the debt discharge. Instead of recognizing COI income, such taxpayers

must reduce certain tax attributes such as net operating losses and carryovers, investment tax credit carryovers, capital losses and carryovers, the basis of depreciable and nondepreciable property of the taxpayer and foreign tax credit carryovers in that order to the extent of the debt discharged, unless that taxpayer elects to reduce its basis in depreciable property first. In the case of a partnership, the rules of exclusion and reduction of tax attributes are applied at the partner, and not the partnership level. An insolvent or bankrupt partner must reduce its basis in its partnership interest as a tax attribute under these rules. In such case, although not certain it is possible under future regulations to be issued that the partnership may have to make a corresponding reduction in the basis of partnership property attributable to such partner's interest in the partnership.

Therefore, if the Service were to successfully challenge the position of the Company and the Partnership, the Partnership would recognize the COI income caused by the debt discharge effected by the Plan, which income will be allocated to the current partners of the Partnership. The treatment of such income and the availability of any exclusion would depend upon the individual circumstances of each partner. Because neither the Holders nor TC/GP will be a partner prior to the exchange, neither the Holders nor TC/GP would be allocated any COI income generated by the exchange.

C. Possible New Regulations. The Service recently issued proposed regulations under Code Section 108(e)(4) dealing with acquisitions of debt by persons related to the issuer, effective for transactions occurring on or after March 21, 1991. In the preamble to these regulations, the Service announced its intention to issue regulations, to be effective as of March 21, 1991, providing for the recognition of income in certain non-recognition transactions, including those governed by Section 721 of the Code. The scope, content, applicability, ultimate effective date of the regulations and statutory basis for, and validity of, any such regulations are far from clear from this preamble, which itself is not a ruling or a regulation of any authority. On May 16, 1991, the Service issued Notice 91-15, 1991-22 I.R.B. 1, which states in part, "Except to the extent described above, the preamble to proposed section 1.108-2 and this notice do not affect the treatment of transactions in which debtor and creditor interests are combined. Until further guidance is issued, such transactions will be treated in accordance with current law. Thus, in general, the transfer of partnership debt to a partnership in exchange for a partnership interest is not within the scope of the preamble." Any further clarification of this matter must await the issuance of the proposed regulations. However, on

December 19, 1991, the Service informally announced its intention to issue regulations in 1992 addressing the issue of whether and when a partnership interest for debt exemption shall be applicable. It is possible that these regulations when issued will have the effect of causing the Partnership to be treated as acquiring the Old Bonds and satisfying the Old Bonds to the extent of the fair market value of the Partnership interests and New Bonds issued to the Holders, which could result in the recognition of substantial COI income by the Partnership. It is also possible that such regulations will cause a Holder of an Old Bonds to have a taxable event upon the exchange of a portion of the Old Bond for the Partnership interest. In the event the Service were successful in challenging the Partnership or the Company on their position or the proposed regulations when issued are applicable to the exchange of a portion of the Old Bonds for the Partnership interest, the Partnership and the current partners could recognize substantial COI income upon confirmation of the Plan because the adjusted issue price of the Old Bonds may substantially exceed the sum of the issue price of the New Bonds and the fair market value of the Partnership interests.

11. Potential Application of High Yield Debt Obligation Rules

Certain rules provided in Sections 163(e) and 163(i) of the Code limit in certain instances the ability of a corporate issuer to deduct OID with respect to its "applicable high yield debt obligations." These rules are inapplicable, however, to partnerships and S Corporations. Accordingly, if the Company's and Partnership's position that the Partnership is the sole obligor of the New Bonds is respected, the ability of the Partnership to deduct amounts attributable to OID on the New Bonds and New Bonds delivered in payment of the Additional Amount should not be limited.

The "issue price" of the Partnership interest and the relevance thereof, if any in this case, is less than clear under current law. The "investment unit" provisions of Proposed Regulation § 1.1273-2 do not state what the issue price of the property other than the debt instrument is where the new debt is publicly traded but the other property is not traded. Moreover, neither Code Section 1273 nor the Proposed Regulations address the circumstances where the other property is obtained by a contribution to the capital of a partnership subject to the rules of Code Section 721 and the substituted basis rules of Code Section 722. While there is no direct authority clarifying the interplay of these rules and their application to the receipt of the New Bonds, we believe there is substantial authority for the position that a New Bond will have an issue price as described above in "3.C. Issue Price of

New Bonds and investment unit considerations" and a Partnership interest issued to a Holder will have an initial adjusted basis equal to the Holder's adjusted basis in that portion of the adjusted basis of the Old Bond deemed satisfied as described above in "2. B. Taxable Exchange of Old Bonds for New Bonds, Basis and Holding Period", plus such Holder's allocable share of Partnership liabilities.

We hereby consent to being named as tax counsel for the Company and the Partnership in the Registration Statement and any amendments thereto, under the caption "Certain Federal Income Tax Considerations" in the Prospectus, to the filing of this opinion as an exhibit to said Registration Statement and to the use of this opinion in connection with the registration of the New Bonds and Common Stock.

Very truly yours,

Willkie Farr & Gallagher

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