

**TROPICANA CASINO AND RESORT  
QUARTERLY REPORT**

**FOR THE PERIOD MARCH 8 TO DECEMBER 31, 2010**

**SUBMITTED TO THE  
DIVISION OF GAMING ENFORCEMENT  
OF THE  
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# TROPICANA CASINO AND RESORT BALANCE SHEETS

FOR THE PERIOD MARCH 8, 2010 THROUGH DECEMBER 31, 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$89,027	\$0
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2010, \$9,068 ; 2009, \$0).....		19,762	0
4	Inventories .....	1	2,631	0
5	Other Current Assets.....	9	3,854	0
6	Total Current Assets.....		115,274	0
7	Investments, Advances, and Receivables.....	10,13	33,271	0
8	Property and Equipment - Gross.....	1,2	195,797	0
9	Less: Accumulated Depreciation and Amortization.....	2	(14,181)	0
10	Property and Equipment - Net.....		181,616	0
11	Other Assets.....	1,15	9,028	0
12	Total Assets.....		\$339,189	\$0
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$9,769	\$0
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	3,13	39	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	11	22,948	0
19	Other Current Liabilities.....		5,051	0
20	Total Current Liabilities.....		37,807	0
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	3,13	131	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....	6,12	4,531	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		42,469	0
27	Stockholders', Partners', or Proprietor's Equity.....		296,720	0
28	Total Liabilities and Equity.....		\$339,189	\$0

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# TROPICANA CASINO AND RESORT STATEMENTS OF INCOME

FOR THE PERIOD MARCH 8, 2010 THROUGH DECEMBER 31, 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....	1	\$243,401	\$0
2	Rooms.....		56,363	0
3	Food and Beverage.....		34,540	0
4	Other.....		14,909	0
5	Total Revenue.....		349,213	0
6	Less: Promotional Allowances.....		91,782	0
7	Net Revenue.....		257,431	0
	Costs and Expenses:			
8	Cost of Goods and Services.....	6	179,491	0
9	Selling, General, and Administrative.....	6	44,323	0
10	Provision for Doubtful Accounts.....		2,220	0
11	Total Costs and Expenses.....		226,034	0
12	Gross Operating Profit.....		31,397	0
13	Depreciation and Amortization.....		14,570	0
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	6	0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		16,827	0
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	3	(11)	0
19	CRDA Related Income (Expense) - Net.....	1,5	(906)	0
20	Nonoperating Income (Expense) - Net.....	14	(187)	0
21	Total Other Income (Expenses).....		(1,104)	0
22	Income (Loss) Before Taxes and Extraordinary Items.....		15,723	0
23	Provision (Credit) for Income Taxes.....	7,2	1,131	0
24	Income (Loss) Before Extraordinary Items.....		14,592	0
25	Extraordinary Items (Net of Income Taxes - 2010, \$0; 2009, \$0).....		0	
26	Net Income (Loss).....		\$14,592	\$0

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TROPICANA CASINO AND RESORT

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....	1	\$73,647	\$0
2	Rooms.....		14,792	0
3	Food and Beverage.....		9,298	0
4	Other.....		4,620	0
5	Total Revenue.....		102,357	0
6	Less: Promotional Allowances.....		28,327	0
7	Net Revenue.....		74,030	0
	Costs and Expenses:			
8	Cost of Goods and Services.....	6	53,297	0
9	Selling, General, and Administrative.....	6	13,538	0
10	Provision for Doubtful Accounts.....		807	0
11	Total Costs and Expenses.....		67,642	0
12	Gross Operating Profit.....		6,388	0
13	Depreciation and Amortization.....		4,482	0
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	6	0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		1,906	0
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	3	(3)	0
19	CRDA Related Income (Expense) - Net.....	1,5	(299)	0
20	Nonoperating Income (Expense) - Net.....	14	505	0
21	Total Other Income (Expenses).....		203	0
22	Income (Loss) Before Taxes and Extraordinary Items.....		2,109	0
23	Provision (Credit) for Income Taxes.....		14	0
24	Income (Loss) Before Extraordinary Items.....		2,095	0
25	Extraordinary Items (Net of Income Taxes - 2010, \$0; 2009, \$0).....	2,7	0	0
26	Net Income (Loss).....		\$2,095	\$0

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TROPICANA CASINO AND RESORT

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE PERIOD MARCH 8, 2010 THROUGH DECEMBER 31, 2010

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2008.....									\$0
2	Net Income (Loss) - 2009.....									0
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6										0
7										0
8										0
9										0
10	Balance, December 31, 2009.....		0	0	0	0	0	0	0	0
11	Net Income (Loss) - 3/8 to 12/31..							14,592		14,592
12	Contribution to Paid-in-Capital.....					282,128				282,128
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, December 31, 2010 .....		0	\$0	0	\$0	\$282,128	\$0	\$14,592	\$296,720

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TROPICANA CASINO AND RESORT

## STATEMENTS OF CASH FLOWS

FOR THE PERIOD MARCH 8, 2010 THROUGH DECEMBER 31, 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$39,414	\$0
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....			
3	Proceeds from the Sale of Short-Term Investments .....			
4	Cash Outflows for Property and Equipment.....		(9,067)	0
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		(3,197)	0
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....		553	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	Proceeds from Sales and Luxury Tax Credits .....		3,352	0
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(8,359)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(42)	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	.....			
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(42)	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		31,013	0
25	Cash and Cash Equivalents at Beginning of Period.....		58,014	0
26	Cash and Cash Equivalents at End of Period.....		\$89,027	\$0
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$11	\$0
28	Income Taxes.....			

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TROPICANA CASINO AND RESORT STATEMENTS OF CASH FLOWS

FOR THE PERIOD MARCH 8, 2010 THROUGH DECEMBER 31, 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$14,592	\$0
30	Depreciation and Amortization of Property and Equipment.....		14,181	0
31	Amortization of Other Assets.....		389	0
32	Amortization of Debt Discount or Premium.....		(51)	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	0
36	(Gain) Loss on CRDA-Related Obligations.....		906	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(4,223)	0
39	(Increase) Decrease in Inventories .....		(822)	0
40	(Increase) Decrease in Other Current Assets.....		1,831	0
41	(Increase) Decrease in Other Assets.....		544	0
42	Increase (Decrease) in Accounts Payable.....		518	0
43	Increase (Decrease) in Other Current Liabilities .....		7,018	0
44	Increase (Decrease) in Other Liabilities .....		4,531	0
45	.....		0	0
46	.....		0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$39,414	\$0

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$9,067)	\$0
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$9,067)	\$0
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TROPICANA CASINO AND RESORT STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE PERIOD MARCH 8 TO DECEMBER 31, 2010

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

4/1/2011

Date



Christina Broome

Vice President, Finance

Title

7571-11

License Number

On Behalf of:

TROPICANA CASINO AND RESORT

Casino Licensee



**TROPICANA ATLANTIC CITY CORP.**  
**DBA TROPICANA CASINO AND RESORT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD MARCH 8, 2010 THROUGH DECEMBER 31, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The consolidated financial statements include the accounts of Tropicana Atlantic City Corp. ("the Company") and its wholly-owned subsidiary Tropicana AC Sub Corp. ("TAC Sub"), after elimination of all significant intercompany accounts and transactions.

The Company operates a casino hotel in Atlantic City, New Jersey ("the Property") and is a wholly owned subsidiary of Tropicana Entertainment, Inc. ("TE").

On March 8, 2010 ("the Acquisition Date"), the Tropicana Casino & Resort was acquired along with the other assets of Adamar of New Jersey, Inc. by TE. The newly acquired company was formed as Tropicana Atlantic City Corp, a Delaware corporation.

Tropicana Atlantic City Corp. formed a wholly owned subsidiary, TAC Sub, a New Jersey corporation. The new corporations were formed in accordance with the terms of the Amended and Restated Purchase agreement that was approved by the United States Bankruptcy Court, District of New Jersey, on November 4, 2009 and the New Jersey Casino Control Commission ("NJCCC") on November 19, 2009.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Acquisition by Tropicana Entertainment, Inc.**

On March 8, 2010, TE acquired certain assets of Tropicana Casino and Resort from the lenders who made a Credit Bid to acquire those assets from the Trustee. The lenders transferred those assets to TE in exchange for the issuance of shares of TE's common stock. In accordance with ASC 805, the consideration transferred to acquire the Company was measured at the fair value of the assets acquired and the liabilities assumed as of the Acquisition Date. The fair value of the net assets acquired were determined by TE's management after input from an independent third party valuation expert.

During the finalization of the purchase price allocation The Company eliminated the original deferred income taxes and goodwill which were recorded on the Acquisition Date. TE's allocation of the fair value of assets and liabilities of the Company is as follows:

MARCH 8, 2010

Cash	\$ 58,014,000
Other current assets	23,386,000
Property and equipment	189,451,000
Investments	30,952,000
Intangible assets	6,600,000
Other noncurrent assets	3,639,000
Accounts payable	(8,765,000)
Other accrued expenses	(17,094,000)
Current portion of long-term debt	(37,000)
Other current liabilities	(3,854,000)
Long-term debt, net of current portion	<u>(164,000)</u>
Total purchase price	<u>\$ 282,128,000</u>

Current assets and liabilities are current in nature and have been carried at fair value. Property and equipment were valued based on management's estimates and assumptions including variations of the income approach, the cost approach, and the market approach. Real property such as land, land improvements, and buildings were predominately valued using a combination of the income approach as well as the cost approach where appropriate. Personal property such as gaming equipment and tracking systems were predominately valued using the market approach. Where no market data was readily available, the cost approach was utilized. For intangible assets, the income approach was utilized for the favorable lease interests. For the player relationship intangible asset, insufficient cash flow was projected in order to utilize the income approach; therefore, the cost approach was used to establish fair value. Investments consist of CRDA deposits and were carried at cost less a valuation allowance, which approximates fair value.

#### **Cash and Cash Equivalents**

Highly liquid investments purchased with an original maturity of three months or less are classified as cash equivalents. These instruments are stated at cost, which approximates fair value because of their short maturity.

#### **Fresh-Start Reporting**

The adoption of fresh-start reporting results in a new reporting entity. Under fresh-start reporting, all assets and liabilities are recorded at their estimated fair values and the predecessor's accumulated deficit is eliminated. In adopting fresh-start reporting, the Company was required to determine its enterprise value, which represents the fair value of the entity before considering its interest bearing debt.

#### **Inventories**

Inventories, which consist primarily of food, beverage, uniforms and operating supplies, are stated at the lower of cost or market value. Costs are determined using the average cost method.

**Advertising Costs**

Costs for advertising are expensed as incurred. Advertising costs were \$4,924,000 in 2010.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments in excess of \$100,000 which are all invested in the same financial institution, investments and trade accounts receivable. Concentration of credit risk, with respect to casino receivables, is limited through the Company's credit evaluation process. The Company issues markers to approved casino customers following credit checks and investigation of credit worthiness.

**Property and equipment**

Property and equipment under business combination guidance is stated at fair value as of the Acquisition Date. Property and equipment acquired subsequent to the Acquisition Date are stated at cost (Refer to Note 2). Maintenance and repairs are charged to operations when incurred. Renewals and betterments which significantly extend the useful lives of existing property and equipment are capitalized. During construction, the Company capitalizes interest and other direct and indirect costs, which are primarily property taxes, insurance costs, outside legal costs and the compensation costs of project personnel devoted exclusively to managing the project. Interest is capitalized monthly by applying the effective interest rate on certain borrowings to the average balance of expenditures. No interest was capitalized during the year ended December 31, 2010. Gains or losses on dispositions of property and equipment are reflected in earnings as realized.

Depreciation is computed on the straight-line basis over the estimated useful lives (building and improvements - 3 to 40 years; equipment, furniture and fixtures - 3 to 15 years).

Leasehold improvements are amortized over the lower of the estimated useful life of the improvement or the term of the related lease.

**CRDA Investment**

The Casino Reinvestment Development Authority ("CRDA") deposits are carried at cost less a valuation allowance because they have to be used to purchase CRDA bonds that carry below market interest rates unless an alternative investment is approved. The valuation allowance is established by a charge to the Statement of Operations as part of general and administrative expense at the time the obligation is incurred to make the deposit unless there is an agreement with the CRDA for a return of the deposit at full face value. If the CRDA deposits are used to purchase CRDA bonds, the valuation allowance is transferred to the bonds as a discount, which is amortized to interest income using the interest method. If the CRDA deposits are used to make other investments, the valuation allowance is transferred to those investments and remains a valuation allowance. The CRDA bonds are classified as held-to-maturity securities and are carried at amortized cost less a valuation allowance. The average interest rate on the CRDA investment was 0.8% for 2010.

### **Leasing Costs**

Leasing costs are capitalized as incurred and amortized evenly, as a reduction to rental income, over the related lease terms. Leasing costs consist primarily of tenant allowances, which are incentives provided to tenants whereby the Company agrees to pay certain amounts toward tenant leasehold improvements or other tenant development costs. Leasing costs also include lease acquisition costs, which consist primarily of leasing agent fees and legal fees incurred by the Company. Leasing costs are included in Other Assets on the Balance Sheet.

### **Valuation of Long-Lived Assets**

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances warrant such a review. The carrying value of a long-lived or amortizable intangible asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

### **Intangible Assets**

Our definite life intangible assets include customer lists and favorable lease agreements. Intangible assets with a definite life are amortized over their useful life, which is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Management periodically assesses the amortization period of intangible assets with definite lives based upon estimated future cash flows from related operations.

### **Revenue Recognition**

Casino revenue consists of the net win from gaming activities, which is the difference between gaming wins and losses. Other revenue consists of revenue from many various sources such as entertainment, telephone, commissions and surcharges, hotel services and rental income. These revenues are recognized at the time the goods and services are provided. The Company collects taxes from customers at the point of sale on transaction subject to sales and other taxes. Revenues are recorded net of any taxes collected. The Company makes cash promotional offers to certain of its customers, including cash rebates as part of loyalty programs generally based on an individual's level of gaming play. These costs are classified as promotional allowances. For the year ended December 31, 2010, the total casino revenue was \$243,401,000 which is comprised of \$78,001,000 for games revenue and \$165,400,000 for slot revenue. Estimated payouts for progressive slot machine balances are recorded as liabilities in the accompanying financial statements.

### **Subsequent Event**

The Company evaluated its December 31, 2010 financial statements for subsequent events for recognition or disclosure through March 31, 2011, the date the financial statements were available to be issued.

## Income taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

## NOTE 2. PROPERTY AND EQUIPMENT

Property and Equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 68,020,000	\$ -
Building and improvements	96,176,000	-
Furniture, fixtures and equipment	29,751,000	-
Construction in progress	<u>1,850,000</u>	<u>-</u>
Total property and equipment-gross	195,797,000	-
Less: accumulated depreciation and amortization	<u>(14,181,000)</u>	<u>-</u>
Total property and equipment	<u>\$ 181,616,000</u>	<u>\$ -</u>

Depreciation expense related to property and equipment was \$14,181,000 in 2010.

## NOTE 3. LONG-TERM DEBT

The Company's long-term debt with third parties consisted of the following:

	<u>2010</u>	<u>2009</u>
Contract payable; 7.2% matures 2014	\$ 170,000	\$ -
Less: current portion	<u>(39,000)</u>	<u>-</u>
Total long-term debt	<u>\$ 131,000</u>	<u>\$ -</u>

The aggregate fixed maturities for all long-term debt are:

2011	\$ 39,000
2012	42,000
2013	45,000
2014	<u>44,000</u>
Total	<u>\$ 170,000</u>

**NOTE 4. LEASE OBLIGATIONS**

Minimum future lease obligations on non-cancelable leases at December 31, 2010 are:

<u>YEAR</u>	
2011	\$ 215,000
2012	<u>53,000</u>
Total	<u>\$ 268,000</u>

Rental expenses under operating leases for 2010 amounted to \$477,000

**NOTE 5. COMMITMENTS AND CONTINGENCIES**

Licensing

On March 3, 2010, the Company was granted an interim casino authorization by the NJCCC. On November 10, 2010, the Company was granted an initial one-year casino license by the NJCCC.

The Company is a party to various claims, legal actions and complaints arising in the ordinary course of business or asserted by way of defense or counter-claim in actions filed by the Company. Management believes that its defenses are substantial in each of these matters, and the Company's legal posture can be successfully defended or satisfactorily settled without material adverse effect on its consolidated financial position, results of operations or cash flows.

For 2010, the annual realty tax expense for the land and improvements was \$19,090,000 based on a tax rate of \$1.847 per \$100 of assessed value. Realty taxes for subsequent years and for any expansion or improvements of the facilities may vary significantly depending on assessed values and the tax rate in effect at such future time.

The NJCCC imposes an annual tax of eight percent on gross casino revenue. Pursuant to legislation adopted in 1984, casino licensees are required to invest an additional one and one-quarter percent of gross casino revenue for the purchase of bonds to be issued by the CRDA or make other approved investments equal to that amount; in the event the investment requirement is not met, the casino licensee is subject to a tax of two and one-half percent on gross casino revenue. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase and published by a national bond index at the time of the CRDA bond issuance. The Company's reinvestment obligation for 2010 was \$3,197,000 for the purchase of CRDA bonds. In 2010 the Company recorded a loss provision of \$906,000. The loss provision is to recognize the effect of the below market interest rate using the interest rate in effect at December 31, 2010.

The Company has separate insurance policies that provide coverage for general liability and workers compensation claims. The Company's accrual for general liability claims within the retention level was approximately \$758,000 at December

31, 2010. The Company's accrual for workers compensation claims was approximately \$1,344,000 at December 31, 2010.

#### **NJSEA Subsidy Agreement**

Effective August 14, 2008, the casinos located in Atlantic City ("Casinos"), including Tropicana AC, executed a new subsidy agreement with the New Jersey Sports and Exposition Authority ("NJSEA") for the benefit of the horse racing industry of \$30 million annually for a three-year period ("2008 NJSEA Subsidy Agreement"). In addition, the NJ Commission adopted regulations effective September 22, 2008 that established procedures by which the casinos may implement the promotional gaming credit tax deduction. The 2008 NJSEA Subsidy Agreement provides that the Casinos will pay the NJSEA \$90,000,000 to be used solely for purse enhancements, breeder's purses and expenses to establish off-track wagering facilities which it incurs through 2011. The payments will be made in eleven installments from September 29, 2008 through November 15, 2011 and will total \$30.0 million in 2010 and \$7.5 million in 2011. Each Casino will pay a share equal to a percentage representing the gross gaming revenue it reported for the prior calendar year compared to that reported by all Casinos for that year. The Company estimates its portion of this industry obligation is approximately 7.9%.

The 2008 NJSEA Subsidy Agreement also provides that the NJSEA, all other entities which receive any portion of the payments and affiliates of either shall not operate, conduct, maintain or permit any casino gaming, including video lottery gaming, in any New Jersey location other than Atlantic City prior to 2012 and that the Casinos may bring an action in New Jersey Superior Court against any entity that does so to enforce this prohibition by specific performance.

The 2008 NJSEA Subsidy Agreement further provides that if, prior to 2012, any such statewide public question is approved by New Jersey voters or any New Jersey legislation is enacted or other New Jersey governmental action is taken authorizing such gaming or any such gaming is actually operated, conducted or maintained, then the Casinos shall make no further payments to NJSEA and, in certain circumstances, NJSEA shall return some or all of the payments it previously received from the Casinos.

#### **New Legislation**

On February 1, 2011, the Governor of New Jersey signed two pieces of legislation, effective on that date, S-11 (Tourism District) and S-12 (Deregulation). The overall intent of the Tourism District bill among other things delegates redevelopment authority and creation of a master plan with the CRDA and allows the CRDA the ability to enter into a 5 year public private partnership with the Casino Industry that has formed the Atlantic City Alliance ("ACA") to jointly market the City. Through this legislation the casinos are required to contribute \$5 million prior to 2012. Thereafter, the legislation obligates the casinos either through the ACA or if not a member of the ACA through individual assessments, to provide funding for the Tourism District in the aggregate amount of \$30 million annually over the next five years. Each casino's proportionate share of the assessment will be based on the casino's gross revenue generated in the preceding fiscal year. The Property estimates its portions of these industry obligations to be approximately 8.4%.

The second bill, S-12, removes duplicative and onerous functions that both the NJCCC and the Division of Gaming Enforcement ("DGE") currently require the casinos to perform. Reforms in technology, internal controls, licensing and licensing requirements are among the many sections that are being amended in the New Jersey Casino Control Act which is expected to provide the industry significant cost savings and make it more competitive in the market. However it is too premature to quantify these savings as the regulations at this time are still being drafted.

**NOTE 6. RELATED PARTIES**

Transactions with TE included activity principally related to joint insurance programs, federal income tax filings, and other administrative services.

TE provided various services to the Company in 2010 for which a management fee was not charged.

Due to affiliates is reflected in Other Liabilities. The identity of the affiliate and corresponding balance at December 31, 2010 is:

	<u>2010</u>	<u>2009</u>
Due to Tropicana Entertainment, Inc.	\$4,531,000	\$ -

For the period ended December 31, 2010, the Company incurred charges from affiliates which are indicated in the accompanying Statements of Income as Cost of Goods and Services and Selling, General, and Administrative. The nature of the charges and dollar amounts are as follows:

	<u>2010</u>	<u>2009</u>
<u>COST OF GOODS AND SERVICES</u>		
Property Insurance	\$ 1,802,000	\$ -
Workman's Compensation Insurance	<u>210,000</u>	<u>-</u>
Total	<u>\$ 2,012,000</u>	<u>\$ -</u>
<u>SELLING, GENERAL AND ADMINISTRATIVE</u>		
General Insurance	\$ 601,000	\$ -
Professional Fees	460,000	-
Workman's Compensation Insurance	<u>210,000</u>	<u>-</u>
Total	<u>\$ 1,271,000</u>	<u>\$ -</u>



**NOTE 7. INCOME TAXES**

The provision/(benefit) for income taxes is comprised of:

	<u>2010</u>	<u>2009</u>
Current:		
Federal	\$ 680,000	\$ -
State	<u>451,000</u>	<u>-</u>
	<u>1,131,000</u>	<u>-</u>
Deferred:		
Federal	-	-
State	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>\$ 1,131,000</u>	<u>\$ -</u>

As discussed in Note 1, the Sale was consummated and became effective on March 8, 2010.

The Company accounts for Income Taxes under ASC Topic 740, Income Taxes ("ASC 740"). ASC 740 provides guidance on classification, interest and penalties, accounting in interim periods, disclosures and transition. A tax position is recognized if it meets a "more likely than not" threshold, and is measured at the largest amount of benefit that is greater than 50% likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. There was no material changes in our tax liabilities recorded under ASC 740 since December 31, 2010.

General business credits are taken as a reduction of the provision for income taxes during the year such credits become available. The following table provides a reconciliation between amounts determined by applying the statutory federal income tax rate to pretax income and the (provision)/benefit for income taxes:

	<u>2010</u>	<u>2009</u>
Benefit/(provision)at statutory rate	\$ 5,503,000	\$ -
(Increase)/decrease in tax resulting from:		
Valuation Allowance/		
Nondeductible business expense	(5,447,000)	-
State income taxes, net	1,073,000	-
Other items	<u>2,000</u>	<u>-</u>
Total	<u>\$ 1,131,000</u>	<u>\$ -</u>

The income tax effects of loss carryforwards, tax credit carryforwards and temporary differences between financial and income tax reporting that give rise to the deferred income tax assets and liabilities at December 31, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Receivables	\$ 3,704,000	\$ -
Accrued compensation	2,083,000	-
Net Operating Loss Carryforward	39,480,000	-
Reserve accrued liabilities	1,353,000	-
Property and Equipment	168,840,000	-
Other	<u>2,801,000</u>	<u>-</u>
Gross deferred tax assets	218,261,000	-
Less Valuation Allowance	<u>(216,687,000)</u>	<u>-</u>
Total deferred tax asset	1,574,000	
Deductible prepaids	<u>(1,574,000)</u>	<u>-</u>
Gross deferred tax liabilities	<u>(1,574,000)</u>	<u>-</u>
Net deferred tax liabilities	<u>\$ -</u>	<u>\$ -</u>

The Company has federal net operating loss carryforwards pursuant to the acquisition of Adamar. Internal Revenue Code Section 382 ("Section 382") places certain limitation on the annual amount of net operating loss carryforwards that can be utilized when a change of ownership occurs. The Company believes its acquisition of Adamar was a change in ownership pursuant to Section 382. As a result of the annual limitation, the net operating loss carryforward amount available to be used in future periods is approximately \$112.8 million and will begin to expire in 2027 and forward. As of December 31, 2010, The Company could not determine it was more likely than not to utilize its net operating loss carryforwards before expiration and has established a full valuation allowance.

Accounting for uncertainty in income taxes prescribes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The accounting standards also require that the tax positions be assessed using a two step process. A tax position is recognized if it meets a "more likely than not" threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. The Company has not accrued interest or penalties as of December 31, 2010.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

	2010
Gross unrecognized tax benefit at March 8, 2010	-
Gross increases-Prior period tax positions	-
Gross decreased-Prior period tax positions	-
Gross increases-Current period tax positions	-
Settlements with taxing authorities	-
Lapse in statutes of limitations	-
Gross unrecognized tax benefits at December 31, 2010	-

**NOTE 8. RETIREMENT PLANS**

The Company has a defined contribution plan that covers substantially all employees who are not covered by a collective bargaining unit. The plan allows employees, at their discretion, to make contributions of their before-tax earnings to the plan up to an annual maximum amount. In September 2010, the Company ceased matching 50% of the employee contributions that were based on up to 6% of employees before tax earning. Compensation expense during 2010 with regard to Company matching contributions was \$452,000.

The Company makes contributions based on hours worked, as specified in six union agreements, to union administered, multiemployer, defined contribution pension plans. Contributions to these plans during 2010 amounted to \$2,799,000.

**NOTE 9. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

At December 31, 2010, Prepaid Expenses and Other Current Assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Pre-paid Insurance	\$ 913,000	-
Other	<u>2,941,000</u>	<u>-</u>
Total	<u>\$ 3,854,000</u>	<u>\$ -</u>

**NOTE 10. INVESTMENTS, ADVANCES, AND RECEIVABLES**

At December 31, 2010, Investments, Advances, and Receivables consisted of the following:

	<u>2010</u>	<u>2009</u>
CRDA investments	\$ <u>33,271,000</u>	\$ <u>-</u>
Total	<u>\$ 33,271,000</u>	<u>\$ -</u>

**NOTE 11. OTHER ACCRUED EXPENSES**

At December 31, 2010, Other Accrued Expenses consisted of the following:

	<u>2010</u>	<u>2009</u>
Accrued payroll taxes and benefits	\$ 11,175,000	\$ -
Accrued progressive slot win	1,634,000	-
Other	<u>10,139,000</u>	<u>-</u>
Total	<u>\$ 22,948,000</u>	<u>\$ -</u>

**NOTE 12. OTHER LIABILITIES**

At December 31, 2010, Other Liabilities consisted of the following:

	<u>2010</u>	<u>2009</u>
Due to affiliates	\$ <u>4,531,000</u>	\$ <u>-</u>
Total	<u>\$ 4,531,000</u>	<u>\$ -</u>

**NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table presents (in thousands) the carrying amounts and estimated fair values of the Company's financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

	<u>2010</u>		<u>2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Investments	\$ 33,271	\$ 33,271	\$ -	\$ -
<u>Liabilities</u>				
Current portion of long-term debt	39	39	-	-
Long-term debt	131	131	-	-

The carrying amounts shown in the table are included, if applicable, in the Consolidated Balance Sheets under the indicated captions. All of the Company's financial instruments are held or issued for purposes other than trading.

Investments consisted of deposits with the CRDA, CRDA bonds that bear interest at two-thirds of market rates resulting in a fair value lower than cost and other CRDA investments (primarily loans). The carrying amounts of these deposits, bonds and other investments are presented net of a valuation allowance and in the case of the bonds an unamortized discount that result in an approximation of fair values.

**NOTE 14. NON-OPERATING INCOME/(EXPENSE)**

For the period ending December 31, 2010, Non-operating Income/(Expense) consisted of the following:

	<u>2010</u>	<u>2009</u>
Interest income	\$ 564,000	\$ -
License Denial/Reorganization expense	(457,000)	-
Construction Accident Related	<u>(294,000)</u>	<u>-</u>
Total	<u>\$ (187,000)</u>	<u>\$ -</u>

**NOTE 15. INTANGIBLE ASSETS**

The Company's intangible assets consisted of the following:

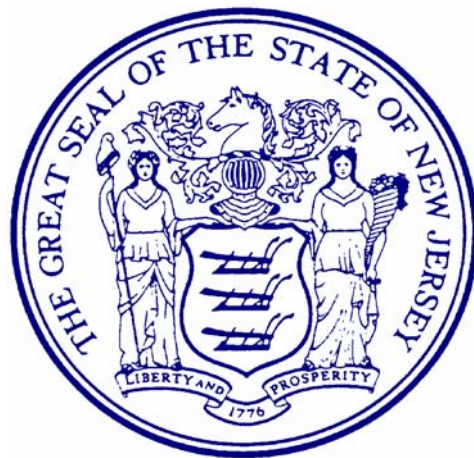
	<u>2010</u>	<u>2009</u>
Favorable leases	\$ 5,200,000	\$ -
Customer lists	<u>1,400,000</u>	<u>-</u>
Total intangible assets	\$ 6,600,000	\$ -
Less: accumulated amortization		
Favorable leases	(765,000)	-
Customer lists	<u>(389,000)</u>	<u>-</u>
Total accumulated amortization	\$ (1,154,000)	-
Intangible assets, net	<u>\$ 5,446,000</u>	<u>\$ -</u>

Customer lists represent the value associated with customers enrolled in our customer loyalty programs and are being amortized to amortization expense on a straight-line basis over three years. Favorable lease arrangements are being amortized to tenant income on a straight-line basis over the terms of the various leases.

**TROPICANA CASINO AND RESORT  
ANNUAL FILINGS**

**FOR THE PERIOD MARCH 8, 2010 TO DECEMBER 31, 2010**

**SUBMITTED TO THE  
DIVISION OF GAMING ENFORCEMENT  
OF THE  
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

**TROPICANA CASINO AND RESORT**  
**SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
 FOR THE PERIOD MARCH 8, 2010 TO DECEMBER 31, 2010

(UNAUDITED)  
 (\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$9,381		
2	Returned Patrons' Checks.....	11,616		
3	Total Patrons' Checks.....	20,997	\$8,233	\$12,764
4	Hotel Receivables.....	3,636	277	\$3,359
	Other Receivables:			
5	Receivables Due from Officers and Employees....	5		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	4,192		
8	Total Other Receivables.....	4,197	558	\$3,639
9	Totals (Form CCC-205).....	\$28,830	\$9,068	\$19,762

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$4,455
11	Counter Checks Issued.....	123,756
12	Checks Redeemed Prior to Deposit.....	(93,715)
13	Checks Collected Through Deposits.....	(21,830)
14	Checks Transferred to Returned Checks.....	(3,285)
15	Other Adjustments.....	-
16	Ending Balance.....	\$9,381
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$2,220
19	Provision as a Percent of Counter Checks Issued.....	1.8%

# TROPICANA CASINO AND RESORT EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2010 (SALARIES & WAGES ARE 1/1/10 TO 12/31/10)

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	787			
2	Slot Machines	96			
3	Administration	12			
4	Casino Accounting	145			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	1,040	\$23,446	\$0	\$23,446
8	ROOMS	393	9,975	0	9,975
9	FOOD AND BEVERAGE	720	13,333	0	13,333
10	GUEST ENTERTAINMENT	164	2,332	0	2,332
11	MARKETING	123	6,420	0	6,420
12	OPERATION AND MAINTENANCE	198	6,892	0	6,892
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	13	1,730	0	1,730
14	Accounting and Auditing	40	1,581	0	1,581
15	Security	162	4,503	0	4,503
16	Other Administrative and General	40	1,751	0	1,751
	OTHER OPERATED DEPARTMENTS:				
17	Communications	17	394	0	394
18	Transportation	79	1,381	0	1,381
19	Hotel Sales	6	333	0	333
20	IT	16	926	0	926
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,011	\$74,997	\$0	\$74,997



# TROPICANA CASINO & RESORT

## ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2010

Line

CASINO WIN:

1.	Table and Other Games.....	\$ 94,899,480
2.	Slot Machines .....	205,543,345
3.	Total Casino Win.....	300,442,825
4.	Adjustments.....	
5.	Gross Revenue (line 3 plus line 4).....	300,442,825
6.	Deduction for Eligible Promotional Gaming Credits.....	24,543,054
7.	Taxable Gross Revenue (line 5 minus line 6).....	275,899,771
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....	22,071,982
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years .....	22,442
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....	22,094,424

Under penalties of perjury, I declare that I have examined this Annual Gross Revenue Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/15/11

**Date**



**Jeff Bohrer**

Casino Controller 7488-11