REVEL ENTERTAINMENT GROUP, LLC
QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2013

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

REVEL ENTERTAINMENT GROUP, LLC
BALANCE SHEETS

AS OF MARCH 31, 2013

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 5/15/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$14,699	
2	Short-Term Investments		0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, $656)	4	11,321	
4	Inventories		1,024	
5	Other Current Assets	5	5,842	
6	Total Current Assets		32,886	0
7	Investments, Advances, and Receivables	3	2,852	
8	Property and Equipment - Gross	6	1,091,135	
9	Less: Accumulated Depreciation and Amortization	6	(79,116)	
10	Property and Equipment - Net	6	1,012,019	0
11	Other Assets		14,047	
12	Total Assets		$1,061,804	$0
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$55,256	
14	Notes Payable		0	
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	
16	External	8	226,336	
17	Income Taxes Payable and Accrued	13	0	
18	Other Accrued Expenses	7	30,383	
19	Other Current Liabilities		8,503	
20	Total Current Liabilities		320,478	0
	Long-Term Debt:			
21	Due to Affiliates			
22	External	8	4,090	
23	Deferred Credits			
24	Other Liabilities	9	1,333,236	
25	Commitments and Contingencies	11		
26	Total Liabilities		1,657,804	0
27	Stockholders', Partners', or Proprietor's Equity		(596,000)	
28	Total Liabilities and Equity		$1,061,804	$0

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 5/15/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$26,550	
2	Rooms		9,972	
3	Food and Beverage		5,154	
4	Other		3,830	
5	Total Revenue		45,506	0
6	Less: Promotional Allowances		8,197	
7	Net Revenue		37,309	0
	Costs and Expenses:			
8	Cost of Goods and Services		54,640	
9	Selling, General, and Administrative		23,369	
10	Provision for Doubtful Accounts		79	
11	Total Costs and Expenses		78,088	0
12	Gross Operating Profit	3	(40,779)	0
13	Depreciation and Amortization	6	19,843	
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	
15	Other		0	
16	Income (Loss) from Operations		(60,622)	0
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	
18	Interest Expense - External	8	(39,439)	
19	CRDA Related Income (Expense) - Net	11	(335)	
20	Nonoperating Income (Expense) - Net	10	(144,548)	
21	Total Other Income (Expenses)		(184,322)	0
22	Income (Loss) Before Taxes and Extraordinary Items		(244,944)	0
23	Provision (Credit) for Income Taxes	13	0	
24	Income (Loss) Before Extraordinary Items		(244,944)	0
25	Extraordinary Items (Net of Income Taxes - 2013, $0; 20__)		0	
26	Net Income (Loss)		($244,944)	$0

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 5/15/2014

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	Accumulated Other Comp Loss (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2011..........**									$0
2	Net Income (Loss) - 2012.............								(455,532)	(455,532)
3	Contribution to Paid-in-Capital.....									0
4	Dividends....................................									0
5	Prior Period Adjustments..............									0
6	Other Comprehensive loss							(3,870)		(3,870)
7	Stock based compensation		26,858,824				104,438			104,438
8										0
9										0
10	**Balance, December 31, 2012..........**		26,858,824	0	0	0	104,438	(3,870)	(455,532)	(354,964)
11	Net Income (Loss) - 2013.............								(244,944)	(244,944)
12	Contribution to Paid-in-Capital.....									0
13	Dividends....................................									0
14	Prior Period Adjustments..............									0
15	Other comprehensive loss							3,870		3,870
16	Stock based compensation						38			38
17										0
18										0
19	**Balance, March 31, 2013 ....**		26,858,824	$0	0	$0	$104,476	$0	($700,476)	($596,000)

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 5/15/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		($79,647)	$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		(4,425)	0
5	Proceeds from Disposition of Property and Equipment			
6	CRDA Obligations			
7	Other Investments, Loans and Advances made			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities		(4,425)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		57,700	
14	Payments to Settle Short-Term Debt		(9,501)	
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt			
17	Payments to Settle Long-Term Debt		(564)	
18	Cash Proceeds from Issuing Stock or Capital Contributions		0	0
19	Purchases of Treasury Stock			
20	Payments of Dividends or Capital Withdrawals			
21	Non-cash interest expense (PIK)		10,443	
22				
23	Net Cash Provided (Used) By Financing Activities		58,078	0
24	Net Increase (Decrease) in Cash and Cash Equivalents		(25,994)	0
25	Cash and Cash Equivalents at Beginning of Period		40,693	
26	Cash and Cash Equivalents at End of Period		$14,699	$0

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)		$4,208	
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.

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

($ IN THOUSANDS)

AMENDED 5/15/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($244,944)	
30	Depreciation and Amortization of Property and Equipment		19,843	
31	Amortization of Other Assets		2,175	
32	Amortization of Debt Discount or Premium		2,643	
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment			
36	(Gain) Loss on CRDA-Related Obligations		335	
37	(Gain) Loss from Other Investment Activities			
38	(Increase) Decrease in Receivables and Patrons' Checks		1,929	
39	(Increase) Decrease in Inventories		49	
40	(Increase) Decrease in Other Current Assets		(2,546)	
41	(Increase) Decrease in Other Assets		4,800	
42	Increase (Decrease) in Accounts Payable		(25,753)	
43	Increase (Decrease) in Other Current Liabilities		(6,686)	
44	Increase (Decrease) in Other Liabilities		(551)	
45	Stock based compensation		38	
46	Reorganization exp/liabilities subj to compromis		169,021	
47	Net Cash Provided (Used) By Operating Activities		($79,647)	$0

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($4,425)	
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($4,425)	$0
	ACQUISITION OF BUSINESS ENTITIES:			
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
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
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.

REVEL ENTERTAINMENT GROUP, LLC
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2013
(UNAUDITED)
($ IN THOUSANDS)

AMENDED 5/15/2014

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	28,789	$3,424		
2	Food	44,723	897	26,797	$1,040
3	Beverage	515,214	1,194	3,995	139
4	Travel	621	205	3	29
5	Bus Program Cash				
6	Promotional Gaming Credits	127,640	1,958		
7	Complimentary Cash Gifts	28	398		
8	Entertainment	1,202	67	1,055	68
9	Retail & Non-Cash Gifts			5,915	289
10	Parking			56,822	170
11	Other *	2,377	54	5,039	275
12	Total	720,594	$8,197	99,626	$2,010

FOR THE THREE MONTHS ENDED MARCH 31, 2012

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	0	$0	0	$0

*No item in this category (Other) exceeds 5%.

REVEL ENTERTAINMENT GROUP, LLC
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2013

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division'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.S.A. 5:12-84a(1)-(5) during the quarter.

5/15/2013
Date

Theresa Glebocki

Vice President of Finance
Title

4954-11
License Number

On Behalf of:

REVEL ENTERTAINMENT GROUP, LLC
Casino Licensee

Revel Entertainment Group, LLC
Notes to Financial Statements
(unaudited)

($ in thousands)

1. Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Revel Entertainment Group LLC ("Revel Entertainment") and its wholly-owned subsidiaries NB Acquisition, LLC ("NBA") and SI, LLC, collectively referred to herein as the "Company." The Company is currently wholly-owned and controlled by Revel Group, LLC and Revel AC Employee, LLC, an affiliate of Revel Group, LLC, an entity controlled by Kevin DeSanctis, the Company's sole and beneficial owner and former President and Chief Executive Officer.

The Company's purpose is to develop, own and operate a beachfront casino and entertainment resort in Atlantic City, New Jersey ("Revel").

On March 26, 2012, the Company was granted its gaming license by the New Jersey Casino Control Commission ("CCC") and on April 2, 2012 Revel opened to the public.

The accompanying unaudited financial statements are prepared in accordance with the financial reporting regulations of the New Jersey Division of Gaming Enforcement ("DGE"), and as such, certain information and disclosures have been omitted for items that have not changed significantly from the filing of the Quarterly Report for the fourth quarter. These financial statements should be read in conjunction with the financial statements and notes included in the Company's December 31, 2012 Quarterly Report, as filed with the DGE.

2. Proceedings under Chapter 11 of the Bankruptcy Code

In early 2013, the Company and its advisors engaged in extensive negotiations and discussions with a steering committee of the Company's key creditors (the "Steering Committee"), JPMorgan Chase Bank, N.A. (the "Administrative Agent"), in its capacities as administrative agent, collateral agent and disbursement agent under the Term Loan Credit Agreement (as defined below) and in its capacities as administrative agent and collateral agent under the 2012 Credit Agreement (as defined below), and their respective advisors regarding the terms of a potential restructuring of the Company's obligations under its 2012 Credit Agreement, the Term Loan Credit Agreement and the indenture (the "Indenture") governing the Second Lien Notes (as defined below). After good faith, arm's length negotiations, the Company reached an agreement with the Steering Committee and Administrative Agent with respect to a consensual restructuring on the terms set forth in the Plan.

On February 19, 2013, the Company entered into a Restructuring Support Agreement, which was amended on March 8, 2013, March 13, 2013 and March 22, 2013 (as amended, the "Restructuring Support Agreement"), with the Administrative Agent, holders of a majority of outstanding claims under the 2012 Credit Agreement (as defined below) (the "2012 Credit Agreement Claims"), holders of a majority of outstanding claims under the Term Loan Credit Agreement (the "Term Loan Credit Agreement Claims"), and holders of a majority of outstanding claims under the Indenture governing the Second Lien Notes (the "Second Lien Note Claims") (collectively, the "Consenting Debtholders"). The Restructuring Support Agreement provides for the implementation of a prepackaged plan of reorganization (the "Plan") through an expedited Chapter 11 process. The Consenting Debtholders represented a sufficient amount of claims and number of creditors necessary to approve the Plan pursuant to the applicable provisions of the Bankruptcy Code (as defined below). Prior to commencing a solicitation of certain creditors' votes to approve the Plan (the "Solicitation"), the Company, the Steering Committee and the Administrative Agent finalized the Plan in a manner consistent with the Restructuring Support Agreement, which generally provides for the following treatment of claims, subject to approval by the Bankruptcy Court (as defined below) and emergence from Chapter 11 (as discussed below):

- 2012 Credit Agreement Claims will be repaid in full in cash by proceeds of the DIP Credit Agreement (as defined below);

2. Proceedings under Chapter 11 of the Bankruptcy Code (continued)

- Term Loan Credit Agreement Claims will receive 100% of the new common equity in the reorganized Debtors, subject to a management equity incentive plan;
- Second Lien Note Claims will retain their contingent right to receive up to $70 million of proceeds that are remitted to a separate escrow account through the Economic Redevelopment and Growth Grant program, which would be non-recourse as against the Company;
- Allowed general unsecured claims will be unimpaired and either paid (i) in the ordinary course of business, (ii) on the effective date of the Plan or (iii) when such claim is no longer disputed and allowed; and
- Holders of the Company's existing common stock and warrants would not receive or retain any property under the Plan.

In light of the consensual restructuring resolution set forth in the Restructuring Support Agreement, the Company determined not to make the February 19, 2013 interest payment due under the Term Loan Credit Agreement in order to conserve cash for operational expenses.

Pursuant to the Restructuring Support Agreement, the Consenting Debtholders agreed to support the Plan, provided that the Company was successful in taking the steps necessary to meet various agreed upon milestones.

Prepackaged Plan of Reorganization and Solicitation

On March 13, 2013, the Debtors commenced a solicitation of votes for the prepackaged Plan. The voting deadline for 2012 Credit Agreement Claims and Term Loan Credit Agreement Claims was March 20, 2013, and the voting deadline for Second Lien Note Claims was April 10, 2013. The Plan was accepted by (a) lenders holding approximately $143.9 million (or 100% of those who voted) in aggregate amount of the borrowings under the 2012 Credit Agreement and (b) lenders holding approximately $862.5 million (or 100% of those who voted) in aggregate amount of the borrowings under the Term Loan Credit Agreement and (c) approximately $254.0 million (or 100% of those who voted) in aggregate amount of the Second Lien Notes issued under the Indenture governing the Second Lien Notes.

On March 25, 2013 (the "Petition Date"), the Company, together with Revel AC, Revel AC, LLC, and Revel Atlantic City, LLC (collectively, the "Debtors") commenced cases (collectively, the "Chapter 11 Cases") in the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court") seeking reorganization relief under the provisions of Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). As part of the Cases, the Debtors also filed with the Bankruptcy Court their Joint Plan of Reorganization (the "Plan") and accompanying disclosure statement of the same date (the "Disclosure Statement").

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

In connection with the Chapter 11 Cases, the Debtors received interim and final approval on March 27, 2013 and April 18, 2013, respectively, from the Bankruptcy Court for authority to enter into a $250 million senior secured superpriority debtor in possession credit agreement (as amended, restated, supplemented, or otherwise modified from time to time, the "DIP Credit Agreement") among Revel AC, as the borrower, the other Debtors, as guarantors, the lenders party thereto (the "DIP Facility Lenders") and JPMorgan Chase Bank, N.A., in its capacities as administrative agent, collateral agent and issuing bank. See Note 8 for a description of the DIP Credit Agreement.

($ in thousands)

2. Proceedings under Chapter 11 of the Bankruptcy Code (continued)

In addition, the Debtors received interim and final approval from the Bankruptcy Court on March 27, 2013 and April 18, 2013, respectively, of various motions intended to preserve ordinary-course business operations and streamline the administration of the Chapter 11 Cases, including, among other things, satisfying prepetition obligations to employees, customers, taxing authorities, and trade creditors in the ordinary course of business.

The accompanying financial statements have been prepared on a going concern basis, which assumes that Revel Entertainment will realize its assets and satisfy its liabilities in the normal course of business.

On May 13, 2013, the Bankruptcy Court confirmed the Debtors' Plan, subject to satisfaction of the conditions of effectiveness, including approval of the CCC and DGE. On May 15, 2013 the CCC and DGE approved the Plan, including the issuance of new equity interests, the extinguishment of any rights in connection with the previous equity interests and the approval of a material debt transaction. The Company expects to emerge from Chapter 11 before the end of May 2013.

3. Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Building and improvements	10 through 40 years
Land improvements	5 through 15 years
Furniture, fixtures and equipment	3 through 7 years

Costs related to improvements are capitalized, while costs of repairs and maintenance are charged to expense as incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are eliminated from the respective accounts and any resulting gain or loss is included in operations.

Investment in Unconsolidated Subsidiary

The Company holds a 50% interest in an unconsolidated subsidiary. This investment at March 31, 2013 of $2,643 is included in investments, advances and receivables on the accompanying balance sheet.

Revel Card Liability

Our player's program allows customers to accumulate certain point-based rewards based on the volume of both their gaming and non-gaming activity. Revel guests may earn "resort dollars" redeemable for complimentary rooms, food, beverage, retail, parking, spa and nightlife. Resort dollars accumulate over time and may be redeemed at the customer's discretion under the terms of the program. Resort dollars are forfeited if a customer does not redeem earned rewards over a specified period of time. As a result of the ability of the customer to accumulate resort dollars, we accrue the associated expense, after giving effect to estimated forfeitures, as they are earned. At March 31, 2013, $3,657 was accrued related to resort dollars earned under this program, which is included in other current liabilities on the accompanying balance sheet.

3. Summary of Significant Accounting Policies (continued)

Advertising Expenses

Advertising costs are expensed as incurred. For the three months ended March 31, 2013, total advertising costs, which are included in selling, general and administrative costs in the accompanying statement of income, totaled $1,111.

Deferred Financing Costs

Costs incurred in connection with the debt financings were capitalized and were being amortized over the expected life of the loan. Total amortization of deferred financing fees in the amounts of $2,176 for the three months ended March 31, 2013, respectively, is included in interest expense on the accompanying consolidated statement of operations.

As a result of the Chapter 11 Cases, the balance of deferred financing costs totaling $42,076 as of March 25, 2013 were written off as reorganization expense in accordance with the applicable accounting guidance provided in ASC Topic 852; this expense is included in other nonoperating expense on the accompanying Statement of Income for the three months ended March 31, 2013 (see note 10).

Derivative Instruments and Hedging Activities

As required by ASC 815, *Derivatives and Hedging*, the Company records all derivatives on the consolidated balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the earnings effect of the hedged forecasted transactions in a cash flow hedge. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income, outside of earnings, and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings. The Company uses a variety of methods and assumptions based on market conditions and risks existing at each balance sheet date to determine the approximate fair values of our cash flow hedges.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest rate risk management strategy.

Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an upfront premium. In August 2011, the Company executed an interest rate cap to hedge its interest rate risk.

From the time of designation as a cash flow hedge in November 2011, the effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Since execution, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective

($ in thousands)

3. Summary of Significant Accounting Policies (continued)

portion of the change in fair value of the derivatives is recognized directly in earnings. Since the designation of the interest rate cap as a hedge, the Company determined there was no hedge ineffectiveness required to be recorded in earnings subsequent to the November 2011 designation as a cash flow hedge.

The interest rate cap agreement was terminated in March 2013; the proceeds from the termination of the interest rate cap of $550 were returned to the Company. The termination of the agreement resulted in the reclassification of $3,772 that had previously been recognized in accumulated other comprehensive income to current period expense, which is included in other nonoperating expense on the accompanying Statement of Income for the three months ended March 31, 2013.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 and assumptions.

4. Receivables and Patrons' Checks

Receivable and patrons' checks consist of the following:

	March 31, 2013
Casino receivables (net of allowance for doubtful accounts of $455)	$ 5,874
Non-gaming receivables (net of allowance for doubtful accounts of $103)	2,752
Other receivables (net of allowance for doubtful accounts of $98)	2,695
Receivables and patrons' checks	$ 11,321

5. Other Current Assets

Other current assets consist of the following:

	March 31, 2013
Prepaid insurance	$ 402
Prepaid slot license fee	305
Prepaid entertainment fees	1,013
Prepaid consulting fees	1,393
Other prepaid expenses	2,729
Other current assets	$ 5,842

($ in thousands)

6. Property and Equipment

Property and equipment consist of the following:

	March 31, 2013
Land and improvements	$ 23,423
Building and improvements	737,140
Furniture, fixtures, and equipment	327,534
Construction in progress	3,038
Total	1,091,135
Less accumulated depreciation	79,116
Property and equipment, net	$1,012,019

For the three months ended March 31, 2013 depreciation and amortization expense related to property and equipment was $19,843.

7. Other Accrued Expenses

Other accrued expenses consist of the following:

	March 31, 2013
Accrued payroll and related expenses	$ 7,787
Accrued interest	441
Accrued insurance reserves	7,248
Other accrued expenses	14,907
Total accrued expenses	$ 30,383

8. Debt

Debt consisted of the following as of March 31, 2013:

	March 31, 2013
December 2012 Term Loan Facility	$ 125,000
2012 Revolver Facility	67,161
DIP Revolving Facility	12,220
Other borrowings	26,045
	230,426
Less current portion	226,336
Long term debt, net of current portion	$ 4,090

8. Debt (continued)

Chapter 11 Proceeding

As discussed in note 2, on the Petition Date, the Debtors commenced the Chapter 11 Cases in Bankruptcy Court seeking reorganization under the Bankruptcy Code. The filing of the Chapter 11 Cases created an event of default under the 2012 Credit Agreement (as defined below), the Term Loan Credit Agreement (as defined below) and the Indenture governing the Second Lien Notes (as defined below). The ability of the creditors of the Debtors to seek remedies to enforce their rights under the credit facilities and notes is stayed as a result of the filing of the Chapter 11 Cases, and the creditors' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

As a result of the Chapter 11 Cases as discussed in note 2, the outstanding balances under the Company's 2011 Term Loan Facility (including accrued interest payable), Incremental Facility and the Second Lien Notes was reclassified to liabilities subject to compromise, which is included in other liabilities on the accompanying balance sheet (see note 9).

2011 Term Loan Facility

On February 17, 2011, the Company entered into the credit agreement governing the $850,000 first lien term loan facility (the "Term Loan Facility") (as amended from time to time, the "Term Loan Credit Agreement").

The loans under the Term Loan Facility bear interest at a rate per annum which, at the Company's option, can be either: (i) a base rate plus a margin of 6.50%; or (ii) the Eurodollar rate (not to be less than 1.50% per annum) plus a margin of 7.50%. For the period February 7, 2011 through December 31, 2012, the Company elected to incur interest under the Term Loan Facility at the Eurodollar rate, or 9% per annum.

All borrowings under the Term Loan Facility are required to be repaid on the final maturity date of such facility. The Term Loan Facility will amortize in quarterly installments of 0.25% of the original principal of the term loan, with the first quarterly installment due on September 30, 2012.

Obligations under the Term Loan Facility are guaranteed by the Company. The obligations and guarantees under the Term Loan Facility are secured by a first priority security interest in substantially all of the Company's assets (other than the proceeds of the Second Lien Notes (as defined below)), subject to certain exceptions set forth in the definitive documentation for the Term Loan Facility.

The Term Loan Credit Agreement requires the Company to maintain compliance with certain financial covenants commencing in fiscal 2013, including, a consolidated leverage ratio covenant, a consolidated interest coverage ratio covenant, and a minimum EBITDA covenant (in each case, as defined therein), subject to the terms provided in the credit agreement governing the Term Loan Credit Agreement. In addition, the Term Loan Credit Agreement restricts the Company's ability to, among other things, (a) incur additional indebtedness, (b) pay dividends, prepay subordinated indebtedness or purchase capital stock, (c) encumber assets, (d) enter into business combinations or divest assets and (e) make investments or loans, subject in each case to certain exceptions or excluded amounts.

Incremental Facility

On May 3, 2012 the Company entered into amendments to the Term Loan Credit Agreement which provided for an additional $50,000 of term loan commitments. As of December 31, 2012, $50,000 had been drawn under this amendment.

8. Debt (continued)

On December 20, 2012, the Company entered into a third amendment to the Term Loan Credit Agreement, which, among other things, permitted the December 2012 Term Loan Facility (discussed below) and an increase of $25,000 in revolving credit agreements under the 2012 Credit Agreement (defined below).

Units, Second Lien Notes and Warrants

Also on February 17, 2011, concurrently with the closing under the Term Loan Facility, the Company issued 152,200 units (the “Units”), each consisting of a Warrant to purchase 1,000 shares of Common Stock, subject to certain adjustments, and $2 principal amount of the Second Lien Notes at a price equal to 97.5% of the face value of the Second Lien Notes in a transaction exempt from registration under the Securities Act of 1933, as amended.

Interest on the Second Lien Notes is payable semi-annually in arrears on March 15 and September 15 of each year. All interest on the Notes through the interest payment period ending September 15, 2013 will be payable by increasing the outstanding principal amount of the Second Lien Notes or issuing additional Second Lien Notes (“PIK Interest”). For the interest payment period ending March 15, 2014, interest on the Second Lien Notes will be payable, at the sole option of the Company, in cash or PIK Interest or a combination thereof. After the interest payment period ending March 15, 2014, all interest on the Notes will be payable in cash. The Second Lien Notes will mature on March 15, 2018.

The Company accounted for the Warrants in accordance with the applicable accounting guidance provided in ASC Topic 815. Accordingly, the Warrants have been classified as equity instruments. At issuance, the Company estimated the fair value of the Warrants utilizing a Black-Scholes option pricing model using Level 3 inputs. The estimated fair value of the Warrants on the issuance date was approximately $100,000. In accordance with ASC Topic 815, the Warrants were recorded on the date of issuance by allocating the proceeds from the Second Lien Notes under a relative fair value approach. As a result of such approach, the Warrants were recorded at $97,500 on the accompanying consolidated balance sheet.

2012 Revolver Facility and December 2012 Term Loan Facility

On May 3, 2012, the Company entered into a revolving credit facility (the “Revolver Facility”) under the Revolving Credit Agreement (as amended from time to time, the “2012 Credit Agreement”). On August 22, 2012 and December 20, 2012, the Company entered into amendments to the 2012 Credit Agreement, which increased the Revolver Facility commitments to $125 million, and in December 2012, established a new $125 million term loan facility (the “December 2012 Term Loan Facility”, collectively with the original Term Loan Facility, the “Term Loan Facilities”).

The loans under the Revolver Facility are denominated in U.S. dollars and bear interest at a rate per annum which, at the Company’s option, can be either: (i) a base rate (subject to a floor of 2%) plus a margin of 6.50%; or (ii) the Eurodollar rate (subject to a floor of 1%) plus a margin of 7.50%. Borrowings under the December 2012 Term Loan Facility bear interest at a rate per annum which, at the Company’s option, can be either: (i) a base rate (subject to a floor of 2%) plus a margin of 8.00%; or (ii) the Eurodollar rate (subject to a floor of 1%) plus a margin of 9.00%.

All borrowings under the Revolver Facility are required to be repaid by May 22, 2015. Borrowings under the December 2012 Term Loan Facility will amortize in quarterly installments of 0.25% of the original principal of the term loan.

Obligations under the 2012 Credit Agreement are guaranteed by the Company’s wholly owned subsidiaries. The Company’s obligations under the 2012 Credit Agreement and the guarantees thereof are generally secured by a first priority or “first out” security interest in substantially all of the Company’s assets (other than funds constituting proceeds of the 2011 Term Loan Credit Agreement), subject to certain exceptions set forth in the definitive documentation for the 2012 Credit Agreement.

8. Debt (continued)

As of March 31, 2013, $67,161 was outstanding under the Revolver, which includes a $1,900 irrevocable letter of credit drawn as collateral for workers' compensation claims.

DIP Credit Agreement

In connection with the Chapter 11 Cases, the Debtors received interim and final approval on March 27, 2013 and April 18, 2013, respectively, from the Bankruptcy Court for authority to enter into a $250 million senior secured superpriority debtor in possession credit agreement (as amended, restated, supplemented, or otherwise modified from time to time, the "DIP Credit Agreement") among Revel AC, as the borrower, the other Debtors, as guarantors, the lenders party thereto (the "DIP Facility Lenders") and JPMorgan Chase Bank, N.A., in its capacities as administrative agent, collateral agent and issuing bank. The DIP Credit Agreement provides for (i) a $125 million revolving loan (the "DIP Revolving Facility") and (ii) and a $125 million term loan. On March 27, 2013, the Debtors entered into the DIP Credit Agreement. The proceeds of the DIP Credit Agreement will be used by Revel AC to (a) repay outstanding indebtedness under the credit agreement, dated as of May 3, 2012, by and among Revel AC, as borrower, the guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., in its capacities as administrative agent, collateral agent and issuing bank, and J.P. Morgan Securities LLC, as sole lead arranger and sole bookrunner, over time; (b) pay certain reasonable fees and expenses associated with the transactions contemplated by the DIP Credit Agreement, (c) pay certain professional fees in connection with the Chapter 11 Cases; (d) provide ongoing working capital requirements and pay other fees, costs and expenses relating to the Chapter 11 Cases, in accordance with certain DIP Credit Agreement documents; and (e) fund certain capital expenditures. A portion of the DIP Revolving Facility may be made available for the issuance of letters of credit.

Borrowings under the DIP Revolving Facility will bear interest, at Revel AC's option, (i) at the Base Rate (as defined in the DIP Credit Agreement) plus a margin of 6.50% per annum or (ii) at the Adjusted LIBOR Rate (as defined in the DIP Credit Agreement) plus a margin of 7.50% per annum. Borrowings under the DIP Term Loan will bear interest, at Revel AC's option, (i) at the Base Rate plus a margin of 8.00% per annum or (ii) at the Adjusted LIBOR Rate plus a margin of 9.00% per annum. In addition, Revel AC will pay a commitment fee of 4.00% per annum on the average daily unused amount of the DIP Revolving Facility, and a letter of credit fronting fee of 0.25% per annum on the average daily amount of outstanding letters of credit and any letter of credit disbursements that have not yet been reimbursed.

The Debtors' obligations under the DIP Credit Agreement are secured by (i) a first priority lien on all of the assets of the Debtors, including a pledge of all of the equity interests of each of its domestic subsidiaries, and (ii) a superpriority administrative claim in each of the Cases, in each case subject to certain agreed upon exceptions.

The DIP Credit Agreement contains various representations, warranties and covenants by the Debtors that are customary for transactions of this nature, including reporting requirements and maintenance of financial covenants. Revel AC is also required to make certain mandatory prepayments under the DIP Credit Agreement.

The Debtors' obligations under the DIP Credit Agreement may be accelerated following certain events of default, including a breach by the Debtors of the representations, warranties or covenants made in the DIP Credit Agreement, the conversion of any of the Cases to a case under Chapter 7 of the Bankruptcy Code or the appointment of a trustee pursuant to Chapter 11 of the Bankruptcy Code.

The loans under the DIP Credit Agreement will mature on the earlier of (a) May 30, 2013, subject to extension to allow for the receipt of any Gaming Approvals (as defined in the DIP Credit Agreement) required in order to allow the Acceptable Reorganization Plan (as defined in the DIP Credit Agreement) to become effective, but in no event later than June 15, 2013, (b) April 22, 2013 (in the case of the DIP Revolving Facility) or April 15, 2013 (in the case of the DIP Term Loan) if the Bankruptcy Court has not entered a final order in form and substance reasonably satisfactory to the lenders by the end of such

($ in thousands)

8. Debt (continued)

date, (c) the effective date of the Acceptable Reorganization Plan that is confirmed by the Bankruptcy Court and (d) the acceleration of any loans and the termination of the revolving commitments in accordance with the terms of the DIP Credit Agreement.

Other Borrowings

The Company acquired approximately 2,300 slot machines and other equipment under financing arrangements, for use in the casino operation. These financing arrangements, with various manufacturers, are payable in installments over varying time periods for the next three years.

9. Other Liabilities

	March 31, 2013
Liabilities subject to compromise:	
Term Loan Facility	$ 895,500
Accrued interest	28,232
Second Lien Notes	389,107
Other long term liabilities	20,397
Total Other Liabilities	$ 1,333,236

As a result of the Chapter 11 Cases as discussed in note 2, the outstanding balances under the Company's 2011 Term Loan Facility (including accrued interest payable), Incremental Facility and the Second Lien Notes was reclassified to liabilities subject to compromise. All unamortized original issue discounts on the Term Loan Facility and Second Lien Notes were also written off as a result of the Chapter 11 Cases (see note 10).

10. Other Nonoperating Income (Expense)

Other nonoperating income (expense) for the three months ended March 31, 2013 consists of the following:

	Three Months ended March 31, 2013
Reorganization expense:	
Write off original issue discount on debt	$ (98,021)
Write off deferred financing costs	(42,076)
Other reorganization expense	(693)
Termination of interest rate cap	(3,772)
Other nonoperating income	14
Total other nonoperating income (expense)	$ (144,548)

11. Commitments and Contingencies

In February 2011, the Company entered into an Energy Services Agreement (the "ESA") with ACR Energy Partners, LLC ("ACR") pursuant to which the Company has continued to engage ACR to design and construct a central utility plan (the "CUP") on land leased from the Company that will supply the Company with all of its thermal energy (hot and chilled water) and electricity needs for Revel. The term of the ESA is for a period of 20 years commencing on the date that Revel is commercially open to the public (or April 2, 2012). Obligations under the ESA contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the ESA are currently estimated at approximately $20,200 per annum. The variable fee component under the ESA is based upon pre-negotiated rates.

The Company, through its subsidiary NBA, is party to a ground lease (the "Ground Lease") for ACR to lease the land on which the CUP is located. The initial term of the Ground Lease commenced on April 8, 2011 and expires with the expiration of the ESA (April 1, 2032). Fixed rent under the Ground Lease is $198 annually, payable to the Company in equal monthly installments.

During the third quarter of 2012, the Company received an additional real estate tax assessment (the "Assessment") for the period from June 1, 2012 through December 31, 2012 as a result of the commencement of operations of Revel on April 2, 2102. The total amount of tax associated with the Assessment initially was $10,400 for 2012, but was subsequently reduced to $4,200 during the three months ended December 31, 2012. The Company has filed an appeal of the Assessment. The Company reached agreement with the City of Atlantic City which resulted in a reversal of the Assessment in April 2013 in exchange for the Company's agreement to not appeal its tax assessments for the years 2011 and 2012.

The New Jersey Casino Control Act provides, among other things, for an assessment of licensee equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Under the terms of an agreement with the CRDA, the Company has agreed to donate the first four years of deposits to the CRDA. As a result, the Company has recorded a full reserve for its CRDA obligations as of March 31, 2013 totaling $1,864.

On March 13, 2013, the Company entered into an executive transition agreement (as amended on March 19, 2013, the "Executive Transition Agreement") with Kevin DeSanctis and Michael Garrity, the former Chief Investment Officer of the Company. The Executive Transition Agreement provides for ongoing development and consulting arrangements with and payments to the Executives, who resigned from their positions with the Company on March 22, 2013. The total expense associated with the Executive Transition Agreement is approximately $7,140, of which $880 was recorded for the three months ending March 31, 2013 and is included in selling, general and administrative costs on the accompanying statement of income.

From time to time, the Company is a party to various claims and lawsuits arising in the normal course of business, including the construction and development of Revel. Legal proceedings of this nature are inherently unpredictable and substantial losses sometimes result. As a consequence, the Company may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its financial position, results of operations, or cash flows. The Company is of the opinion that these litigations or claims will not have a material negative effect on its consolidated financial position, results of operations, or cash flows.

12. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures,* establishes a valuation hierarchy of the inputs used to measure fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the Company's own assumptions.

An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and long-term debt. The Company considers the carrying amount of cash, accounts receivable, accounts payable, and accrued liabilities to approximate their fair values because of the short period of time between the origination of such instruments and the expected realization, or because of their current market rates of interest.

As a result of the Chapter 11 Cases discussed in Note 2, the Company has determined that it is not practical to disclose the estimated fair value of its Term Loan Facility, Second Lien Notes and Revolver Facility.

13. Income Taxes

Deferred tax assets and liabilities are provided for the effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the balance sheet. These temporary differences result in taxable or deductible amounts in future years.

A valuation allowance is recorded if it is more likely than not that a net deferred tax asset will not be realized. In assessing its need for a valuation allowance, the Company considered all available positive and negative evidence including its status as a start-up entity with pre-opening losses and forecasted operating losses for 2012. Based on this analysis, the Company has recorded a full valuation allowance on its net deferred tax assets as of March 31, 2013. The Company will continue to reassess its valuation allowance on a quarterly basis and if future evidence allows for a partial or full release of the valuation allowance a tax benefit will be recorded accordingly in the subsequent period.

Uncertain tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the appropriate year such tax positions are claimed, including any related interest or penalties. The Company did not have any recorded uncertain tax positions as of March 31, 2013.

For income tax reporting, the Company has federal and state net operating loss carryforwards of approximately $345,200 available to reduce future federal and state taxable income. Such net operating loss carryforwards begin to expire in 2031.

The Company files federal and New Jersey income tax returns and the tax years 2012 and 2011 remain open subject to examination by the tax authorities.

13. Income Taxes (continued)

If the Company's debt is reduced or restructures as a result of the Chapter 11 Cases, the Company anticipates that it would realized "cancellation of indebtedness" income for tax purposes, and as a result, the Company could be required to reduce certain tax attributes such as net operating losses (NOL's) and the tax basis of its assets. Any such reductions could result in increased future tax liabilities for the Company. Additionally, the future utilization of its NOL's, if any, may be limited under Section 382 of the Internal Revenue Code.