REVEL ENTERTAINMENT GROUP, LLC
QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 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 JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Amended 8/18/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$16,282	$74,814
2	Short-Term Investments			0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013: $2,455, 2012: $117)	4	12,953	15,280
4	Inventories	3	1,096	3,846
5	Other Current Assets	5	9,123	6,968
6	Total Current Assets		39,454	100,908
7	Investments, Advances, and Receivables	3	3,000	2,876
8	Property and Equipment - Gross	3, 6	514,631	1,058,289
9	Less: Accumulated Depreciation and Amortization	3, 6	(2,255)	(20,978)
10	Property and Equipment - Net	3, 6	512,376	1,037,311
11	Other Assets	3	23,780	53,830
12	Total Assets		$578,610	$1,194,925
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$39,168	$104,612
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External	8	22,656	22,874
17	Income Taxes Payable and Accrued	11	0	0
18	Other Accrued Expenses	7	36,894	36,118
19	Other Current Liabilities		7,670	13,623
20	Total Current Liabilities		106,388	177,227
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	8	296,336	1,165,630
23	Deferred Credits		0	0
24	Other Liabilities		33,874	15,994
25	Commitments and Contingencies	10		
26	Total Liabilities		436,598	1,358,851
27	Stockholders', Partners', or Proprietor's Equity	3	142,012	(163,926)
28	Total Liabilities and Equity		$578,610	$1,194,925

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 6 MONTHS ENDED 6/30/13 AND THE 3 MONTHS ENDED 6/30/12

(UNAUDITED)
($ IN THOUSANDS)

Amended 8/18/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$56,832	$41,654
2	Rooms		24,018	9,804
3	Food and Beverage		12,299	4,669
4	Other		8,246	9,737
5	Total Revenue		101,395	65,864
6	Less: Promotional Allowances	3	21,397	10,813
7	Net Revenue		79,998	55,051
	Costs and Expenses:			
8	Cost of Goods and Services		118,610	65,543
9	Selling, General, and Administrative		44,036	24,568
10	Provision for Doubtful Accounts		1,878	117
11	Total Costs and Expenses		164,524	90,228
12	Gross Operating Profit		(84,526)	(35,177)
13	Depreciation and Amortization		40,730	19,182
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		(125,256)	(54,359)
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External		(47,871)	(35,049)
19	CRDA Related Income (Expense) - Net		29	(531)
20	Nonoperating Income (Expense) - Net	1,9	678,903	26
21	Total Other Income (Expenses)		631,061	(35,554)
22	Income (Loss) Before Taxes and Extraordinary Items		505,805	(89,913)
23	Provision (Credit) for Income Taxes	12	12,759	0
24	Income (Loss) Before Extraordinary Items		493,046	(89,913)
	Extraordinary Items (Net of Income Taxes -			
25	20__, $0; 20__, $0)		0	0
26	Net Income (Loss)		$493,046	($89,913)

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 JUNE 30, 2013 AND JUNE 30, 2012

(UNAUDITED)

($ IN THOUSANDS)

Amended 8/18/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$30,282	$41,654
2	Rooms		14,046	9,804
3	Food and Beverage		7,145	4,669
4	Other		4,416	9,737
5	Total Revenue		55,889	65,864
6	Less: Promotional Allowances	3	13,200	10,813
7	Net Revenue		42,689	55,051
	Costs and Expenses:			
8	Cost of Goods and Services		63,970	65,543
9	Selling, General, and Administrative		20,667	24,568
10	Provision for Doubtful Accounts		1,799	117
11	Total Costs and Expenses		86,436	90,228
12	Gross Operating Profit		(43,747)	(35,177)
13	Depreciation and Amortization		20,887	19,182
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		(64,634)	(54,359)
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External		(8,432)	(35,049)
19	CRDA Related Income (Expense) - Net		364	(531)
20	Nonoperating Income (Expense) - Net	1,9	823,451	26
21	Total Other Income (Expenses)		815,383	(35,554)
22	Income (Loss) Before Taxes and Extraordinary Items		750,749	(89,913)
23	Provision (Credit) for Income Taxes	12	12,759	0
24	Income (Loss) Before Extraordinary Items		737,990	(89,913)
	Extraordinary Items (Net of Income Taxes -			
25	20__, $_____; 20__, $________)		0	0
26	Net Income (Loss)		$737,990	($89,913)

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 NINE MONTHS ENDED DECEMBER 31, 2012 AND SIX MONTHS ENDED JUNE 30, 2013

(UNAUDITED)

($ IN THOUSANDS)

Amended 8/18/2014

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, March 31, 2012..................**		26,858,824				$103,699	($1,551)	($175,404)	($73,256)
2	Net Income (Loss) - 4/1-12/31/12..								(280,128)	(280,128)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....................................									0
5	Prior Period Adjustments..............									0
6	Other Comprehensive loss							(2,319)		(2,319)
7	Stock based compensation						739			739
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)								493,046	493,046
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....................................									0
14	Prior Period Adjustments..............									0
15	Stock Based Compensation						60			60
16	Other Comprehensive Loss							3,870		3,870
17	Elimination of deficit- Fresh Start		(26,858,824)				(104,498)		(63,243)	(167,741)
18	Capitalization 5/21/13		7,894,740	1			167,740			167,741
19	**Balance, June 30, 2013 ....**		7,894,740	$1	0	$0	$167,740	$0	($25,729)	$142,012

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 6 MONTHS ENDED 6/30/13 AND THE 3 MONTHS ENDED 6/30/12

(UNAUDITED)
($ IN THOUSANDS)

Amended 8/18/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		($148,440)	($95,632)
	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		(17,804)	(23,565)
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		(17,804)	(23,565)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		93,946	
14	Payments to Settle Short-Term Debt		(255,418)	(1,437)
15	Proceeds from Long-Term Debt		293,000	54,454
16	Costs of Issuing Debt		(1,488)	(2,200)
17	Payments to Settle Long-Term Debt		(3,084)	(544)
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)		14,877	10,351
22				
23	Net Cash Provided (Used) By Financing Activities		141,833	60,624
24	Net Increase (Decrease) in Cash and Cash Equivalents		(24,411)	(58,573)
25	Cash and Cash Equivalents at Beginning of Period		40,693	133,387
26	Cash and Cash Equivalents at End of Period		$16,282	$74,814

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)		$8,220	$19,336
28	Income Taxes		$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
STATEMENTS OF CASH FLOWS

FOR THE 6 MONTHS ENDED 6/30/13 AND THE 3 MONTHS ENDED 6/30/12

(UNAUDITED)

($ IN THOUSANDS)

Amended 8/18/2014

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$493,046	($89,913)
30	Depreciation and Amortization of Property and Equipment		40,650	19,182
31	Amortization of Other Assets		80	
32	Amortization of Debt Discount or Premium		2,767	2,602
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent		12,759	
35	(Gain) Loss on Disposition of Property and Equipment			
36	(Gain) Loss on CRDA-Related Obligations		(29)	531
37	(Gain) Loss from Other Investment Activities			
38	(Increase) Decrease in Receivables and Patrons' Checks		296	(11,728)
39	(Increase) Decrease in Inventories		(23)	(1,247)
40	(Increase) Decrease in Other Current Assets		(5,827)	(3,771)
41	(Increase) Decrease in Other Assets		7,604	3,193
42	Increase (Decrease) in Accounts Payable		(37,951)	(30,380)
43	Increase (Decrease) in Other Current Liabilities		27,227	(1,000)
44	Increase (Decrease) in Other Liabilities		167	15,994
45	Stock based compensation		60	905
46	Non-cash reorg exp/fresh start adjustments	1, 9	(689,266)	0
47	Net Cash Provided (Used) By Operating Activities		($148,440)	($95,632)

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		($17,804)	($23,565)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($17,804)	($23,565)
	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 SIX MONTHS ENDED JUNE 30, 2013
(UNAUDITED)
($ IN THOUSANDS)

Amended 8/18/2014

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	76,040	$8,939		
2	Food	106,369	1,895	71,987	2,378
3	Beverage	1,111,203	2,600	8,461	342
4	Travel	1,359	446	210	106
5	Bus Program Cash				
6	Promotional Gaming Credits	314,439	5,814	7,194	(45)
7	Complimentary Cash Gifts	45	948		
8	Entertainment	7,679	630	1,326	96
9	Retail & Non-Cash Gifts			20,569	1,023
10	Parking			113,270	339
11	Other	5,539	125	14,266	614
12	Total	1,622,673	$21,397	237,283	$4,853

FOR THE THREE MONTHS ENDED JUNE 30, 2013

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	47,251	$5,515		
2	Food	61,646	998	45,190	1,338
3	Beverage	595,989	1,406	4,466	203
4	Travel	738	241	207	77
5	Bus Program Cash				
6	Promotional Gaming Credits	186,799	3,856	7,194	(45)
7	Complimentary Cash Gifts	17	550		
8	Entertainment	6,477	563	271	28
9	Retail & Non-Cash Gifts			14,654	734
10	Parking			56,448	169
11	Other	3,162	71	9,227	339
12	Total	902,079	$13,200	137,657	$2,843

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

FOR THE QUARTER ENDED JUNE 30, 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.

8/15/2013
Date

Theresa Glebocki

Interim CFO
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." On May 21, 2013 (the "Effective Date"), the Debtors (as defined below) emerged from Chapter 11 by consummating their restructuring through a series of transactions contemplated by the Plan (as defined below) and the Plan became effective pursuant to its terms. On the Effective Date each holder of a Term Loan Credit Agreement Claim (as defined below) received its pro rata share of 100% of the new equity interests of reorganized Revel AC, Inc. in exchange for the full and final satisfaction, settlement, release, and discharge of the Term Loan Credit Agreement Claims (subject to dilution by a management incentive plan). Revel Entertainment is indirectly owned and controlled by Revel AC, Inc.

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.

From the filing on the Petition Date to the Consummation Date (note 2), the Company operated as a debtor-in possession under the jurisdiction of the Bankruptcy Court. Accordingly, the financial statements for periods from the Petition Date through the Consummation Date were prepared in accordance with Topic 852 – "Reorganizations" of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ("ASC 852"), which requires the reporting of pre-petition liabilities subject to compromise on the balance sheet at an estimate of the amount ultimately allowable by the Bankruptcy Court. ASC 852 also requires separate reporting of certain expenses relating to the Debtors' Chapter 11 Cases as reorganization items.

The following table summarizes the net (gain) loss on reorganization and related items and fresh-start accounting adjustments for the six months ended June 30, 2013. These amounts are preliminary and are subject to further adjustment pending the receipt of the final appraisal and determination of the fair value of assets and liabilities at the reorganization date.

Cancellation of indebtedness income	($ 1,312,839)
Professional fees	7,395
Deferred financing costs	42,076
Discounts on cancelled indebtness	98,021
Revaluation of assets and liabilities in connection with fresh start accounting	483,475
	($ 681,872)

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

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

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);
- 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

($ in thousands)

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

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").

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.

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.

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. On May 21, 2013 the Plan became effective and the Debtors officially emerged from bankruptcy.

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 June 30, 2013 of $2,794 is included in investments, advances and receivables on the accompanying balance sheets.

3. Summary of Significant Accounting Policies (continued)

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 June 30, 2013 and 2012, $2,638 and $1,547, respectively, was accrued related to resort dollars earned under this program, which is included in other current liabilities on the accompanying balance sheets.

Advertising Expenses

Advertising costs are expensed as incurred. For the three and six months ended June 30, 2013 and the three months ended June 30, 2012, total advertising costs, which are included in selling, general and administrative costs in the accompanying statements of income, totaled $3,440, $4,551 and $6,927, respectively.

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, $2,212 and $2,008, respectively, for the three and six months ended June 30, 2013 and the three months ended June 30, 2012 are included in interest expense on the accompanying consolidated statements of operations.

As a result of the Chapter 11 Cases, the balance of deferred financing costs related to the 2012 Credit Agreements, totaling $42,076 as of March 25, 2013, was 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 six months ended June 30, 2013 (see note 9).

Derivative Instruments and Hedging Activities

In August 2011, the Company executed an interest rate cap to hedge its interest rate risk. 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 six months ended June 30, 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.

3. Summary of Significant Accounting Policies (continued)

Fresh Start Accounting

In accordance with ASC 852, the Company adopted fresh start accounting upon emergence from Chapter 11. ASC 852 requires the provisions of fresh start accounting to be applied when the following criteria: (i) the reorganization value of the assets of the emerging entity immediately before the date of confirmation was less than the total of all post-petition liabilities and allowed claims, and (ii) the holders of the voting shares of the Company's stock which existed immediately prior to the confirmation received less than 50 percent of the voting shares of the emerging entity. Under ASC 852, application of fresh start accounting is required on the date on which a plan of reorganization is confirmed by a bankruptcy court, but provides that fresh start accounting should not be applied until all material conditions to the plan of reorganization are satisfied. All material conditions to the Plan of Reorganization were satisfied as of May 21, 2013.

Under fresh start accounting, an emerging entity must allocate its reorganization value to its assets, in conformity with procedures specified by FASB ASC 805, "Business Combinations." The Company's reorganization value, as set forth in the Plan which was approved by the Bankruptcy Court, was estimated to be between $400 million and $500 million, using a variety of financial analyses, including selected publicly traded companies' analyses, selected transaction analyses and a discounted cash flow analysis. The Company used a reorganization value of $438 million for financial reporting purposes. The Company engaged an independent appraiser to assist in the allocation of reorganization value to our assets and liabilities as of the Consummation Date. The adoption of fresh start accounting adjustments resulted in the adjustments to the Company's balance sheet as of May 21, 2013, as shown on the following table.

($ in thousands)

3. Summary of Significant Accounting Policies (continued)

	Predecessor Company May 21, 2013	Effects of the Plan of Reorganization		Fresh Start adjustments		Reorganized Company May 21, 2013
Current assets:						
Cash and cash equivalents	$ 14,680	$ 5,736	(a)	$ -		$ 20,416
Accounts receivable, net	10,813	-		-		10,813
Other current assets	12,385	-		-		12,385
Total current assets	37,878	5,736		-		43,614
Net property and equipment	1,003,654	-		(492,215)	(g)	511,439
Other long-term assets	16,673	1,469	(b)	8,740	(h)	26,882
Total Assets	$ 1,058,205	$ 7,205		($ 483,475)		$ 581,935
Current liabilities:						
Accounts payable and accrued expenses	$ 127,125	$ (20,662)	(c)	$ -		$ 106,463
Accrued interest payable	1,252	(1,252)	(c)	-		-
Current maturities of long-term debt	240,381	(240,381)	(c)	-		-
Liabilities subject to compromise	1,312,839	(1,312,839)	(d)	-		-
Total current liabilities	1,681,597	(1,575,134)		-		106,463
Long-term debt	-	269,500	(e)	-		269,500
Deferred income tax liability	-	-		12,759	(i)	12,759
Other long term liabilities	25,472	-		-		25,472
Total (deficit) equity	(648,864)	1,312,839	(f)	(496,234)	(j)	167,741
Total liabilities and (deficit) equity	$ 1,058,205	$ 7,205		($ 483,475)		$ 581,935

Adjustments to Record the Effect of the Plan of Reorganization:

(a) Represents net proceeds from issuance of Second Lien Term Loan, less amounts used to pay off December 2012 Term Loan, December 2012 Revolver Loan and DIP Revolver.
(b) Represents loan origination fees on Second Lien Term Loan.
(c) Represents payment of principal plus accrued interest and fees on December 2012 Term Loan, December 2012 Revolver Loan and DIP Revolver.
(d) Represents the cancellation of debt as of the Consummation Date
(e) Represents Second Lien Term Loan, net of original issue discount.
(f) Represents cancellation of debt income of $1,312,839

Fresh Start Accounting adjustments:

(g) Represents the reduction in the carrying value of property and equipment to its estimated fair value as of the Consummation Date.
(h) Represents the estimated fair value of intangible assets as of the Consummation Date.
(i) Represents income tax liability related to increase in the book value of land resulting from Fresh Start valuation.
(j) Represents the adjustment to equity to reflect the value of the Company as of the Consummation Date.

($ in thousands)

4. Receivables and Patrons' Checks

Receivable and patrons' checks consist of the following:

	June 30, 2013	June 30, 2012
Casino receivables (net of allowance for doubtful accounts of $1,169 and $117)	$ 6,063	$ 5,510
Non-gaming receivables (net of allowance for doubtful accounts of $208 and $-0-)	3,631	7,330
Other receivables (net of allowance for doubtful accounts of $1,078 and $-0-)	3,259	2,440
Receivables and patrons' checks	$ 12,953	$ 15,280

5. Other Current Assets

Other current assets consist of the following:

	June 30, 2013	June 30, 2012
Prepaid insurance	$ 1,868	$ 1,587
Prepaid slot license fee	1,184	1,220
Prepaid entertainment fees	530	2,857
Other prepaid expenses	5,541	1,304
Other current assets	$ 9,123	$ 6,968

6. Property and Equipment

Property and equipment consist of the following:

	June 30, 2013	June 30, 2012
Land and improvements	$ 37,193	$ 2,546
Building and improvements	389,320	758,437
Furniture, fixtures, and equipment	88,118	124,451
Construction in progress	-	172,855
Total	514,631	1,058,289
Less accumulated depreciation	2,255	20,978
Property and equipment, net	$ 512,376	$ 1,037,311

For the three and six months ended June 30, 2013 and the three months ended June 30, 2012, depreciation expense related to property and equipment was $20,807, $40,650 and $19,182, respectively.

($ in thousands)

7. Other Accrued Expenses

Other accrued expenses consist of the following:

	June 30,	
	2013	2012
Accrued payroll and related expenses	$ 11,174	$ 10,976
Accrued interest	10	9,899
Real estate taxes payable	2,284	7,124
Accrued insurance reserves	7,603	2,881
Other accrued expenses	15,823	5,238
Total accrued expenses	$ 36,894	$ 36,118

8. Debt

Debt consisted of the following:

	June 30,	
	2013	2012
Revolving Credit Facility	$ 21,000	$ -
Term Loan Facility, net of discount of $5,376	274,057	-
2011Term Loan Facility net of discount of $10,320	-	889,680
Second Lien Notes, net of discount of $95,822	-	261,404
Other borrowings	23,935	37,420
	318,992	1,188,504
Less current portion	22,656	22,874
Long term debt, net of current portion	$ 296,336	$1,165,630

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.

2013 First Lien Revolving Credit Facility and Second Lien Term Loan Facility

On May 21, 2013, the Company entered into (i) a first lien credit agreement (as amended from time to time, the "First Lien Credit Agreement") providing for a $75 million first lien four-year revolving credit facility (the "Revolving Credit Facility") and (ii) a second lien credit agreement (as amended from time to time, the "Second Lien Credit Agreement" and together with the Revolving Credit Agreement, the "Credit Agreements") providing for a $275 million second lien five-year term loan facility (the "Term Loan Facility" and together with the Revolving Credit Facility, the "Credit Facilities"). Proceeds under the Credit Agreements were used to enable the Company, among other things, to consummate the transactions

8. Debt (continued)

contemplated by the bankruptcy reorganization plan (including repaying in full all borrowings under, and to terminate, the DIP Credit Agreement), to pay related fees and expenses and, thereafter, to provide for ongoing working capital requirements of the Company and its subsidiaries (subject to the terms thereof).

The loans under the Revolving Credit Facility bear interest at a rate per annum which, at the Company's option, can be either: (i) an adjusted base rate (not to be less than 2.00% per annum) plus a margin of 5.00%; or (ii) the Eurodollar rate (not to be less than 1.00% per annum) plus a margin of 6.00%. The loans under the Term Loan Facility bear interest at a rate equal to 14.5% per annum, payable by increasing the outstanding principal amount of the Term Loan Facility; provided that, after June 30, 2014 and so long as no Event of Default then exists, at the Company's option, loans for any interest period may bear interest payable in cash at a rate equal to 12.5% per annum. In addition, the Company will pay a commitment fee of 3.50% per annum on the average daily unused amount of the Revolving Credit 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.

All borrowings under each Credit Facility are required to be repaid on the final maturity date of such facility. The Credit Facilities are subject to mandatory prepayments in the event of certain asset sales, debt issuances, casualty events (subject to a reinvestment option so long as certain conditions are met), special events and extraordinary events. The Credit Facilities are also subject to annual mandatory prepayments in the amount of 75% of excess cash flow (as defined therein) from the prior year. Prepayment amounts under the Revolving Credit Facility are applied to the prepayment of loans thereunder or, if no loans are then outstanding, are deposited into a collateral account (and the revolving commitment is reduced by such amount). Certain prepayments under the Term Loan Facility are subject to prepayment premiums.

Obligations under the Credit Facilities are guaranteed by the subsidiaries of Company. The obligations and guarantees under the Credit Facilities are secured by security interests in substantially all of the assets of the Company and the subsidiary guarantors, subject to certain exceptions set forth in the definitive documentation for the Credit Facilities.

The Credit Agreements require the Company to maintain compliance with certain financial covenants including a minimum liquidity covenant, a maximum capital expenditure covenant, commencing in 2014, a minimum EBITDA covenant, and commencing in 2015, a consolidated leverage ratio covenant and a consolidated interest coverage ratio covenant (in each case, as defined therein). In addition, the Credit Agreements restrict the ability of the Company or its subsidiaries to, among other things, (a) incur additional indebtedness, (b) pay dividends, prepay indebtedness or purchase or issue capital stock, (c) encumber assets, (d) enter into business combinations or divest assets, (e) alter business plans or projects, (f) enter into new lines of business, and (g) make investments or loans, subject in each case to certain exceptions or excluded amounts.

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"). 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 a result of the Plan (note 2), which became effective on May 21, 2013, the Term Loan Credit Agreement Claims received 100% of the new common equity in the reorganized Debtors, subject to a management equity incentive plan.

8. Debt (continued)

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.

As a result of the Plan (note 2), which became effective on May 21, 2013, the 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.

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"). As of June 30, 2012, $6,349 was outstanding under the Revolver, which included a $1,900 irrevocable letter of credit drawn as collateral for workers' compensation claims.

As a result of the Plan (note 2), which became effective on May 21, 2013, the 2012 Credit Agreement Claims were repaid in full in cash by proceeds of the DIP Credit Agreement (as defined below).

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 was to 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 could be made available for the issuance of letters of credit.

Borrowings under the DIP Revolving Facility were subject to 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

($ in thousands)

8. Debt (continued)

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.

In connection with the consummation of the Plan on May 21, 2013, the DIP Credit Agreement was terminated and all borrowings were repaid in full using the proceeds from the Credit Agreements.

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 Nonoperating Income (Expense)

Other nonoperating income (expense) for the three months and six ended June 30, 2013 and 2012 consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Fresh start adjustments (notes 1 and 3)	$ (483,475)	$ -	$ (483,475)	$ -
Reorganization expense:				
Debt subject to compromise	1,312,839	-	1,312,839	-
Write off original issue discount on debt	-	-	(98,021)	-
Write off deferred financing costs	-	-	(42,076)	-
Other reorganization expense	(6,702)	-	(7,395)	-
Termination of interest rate cap	-	-	(3,772)	-
Other nonoperating income	789	26	803	26
Total other non-operating income (expense)	$ 823,451	$ 26	$ 678,903	$ 26

10. 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.

10. Commitments and Contingencies (continued)

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 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 through 2015.

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 June 30, 2013 and 2012 totaling $1,864 and $531, respectively.

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, the former President and Chief Executive Officer of the Company, 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 $6,260 and $7,140 was recorded for the three months and six ending June 30, 2013, respectively and is included in selling, general and administrative costs on the accompanying statements 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.

11. 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.

11. Fair Value Measurements (continued)

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.

The estimated fair value of the Company's Revolving Credit Facility on June 30, 2013 approximated its carrying value of $21,000. The estimated fair value of the Company's Term Loan Facility on June 30, 2013 was approximately $272,000. The Company estimates the fair value of its long-term debt using a combination of quoted market prices and expected future payments discounted at risk-adjusted rates. The fair value of long-term debt is considered a Level 2 measurement within the fair value hierarchy.

12. 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 June 30, 2013 and 2012. 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 June 30, 2013.

For income tax reporting, the Company has federal and state net operating loss carryforwards of approximately $345,200 at December 31, 2012, which are 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.

The Company anticipates that it will realize "cancellation of indebtedness" income for tax purposes as a result of the restructuring of its debt in the Chapter 11 Cases. The Company is currently evaluating the impact of this, which could require the reduction of 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.

13. Subsequent Events

On August 9, 2013, the Credit Agreements were amended to reduce the threshold under the minimum liquidity covenant, as defined in the Agreements.