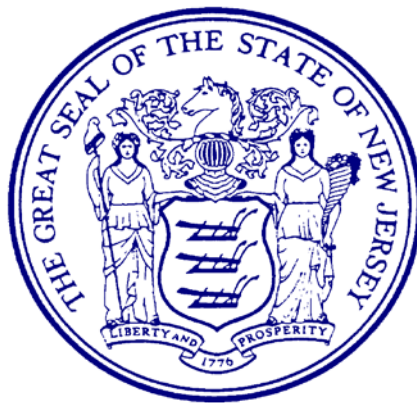


**REVEL ENTERTAINMENT GROUP, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 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 DECEMBER 31, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$16,417	\$40,693
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013: \$1,476, 2012: \$599 ).....	4	14,404	13,250
4	Inventories .....		1,170	1,073
5	Other Current Assets.....	5	7,335	3,296
6	Total Current Assets.....		39,326	58,312
7	Investments, Advances, and Receivables.....	3	2,994	2,855
8	Property and Equipment - Gross.....	3, 6	517,505	1,086,709
9	Less: Accumulated Depreciation and Amortization.....	3, 6	(16,215)	(59,272)
10	Property and Equipment - Net.....	3, 6	501,290	1,027,437
11	Other Assets.....	3, 7	22,226	59,558
12	Total Assets.....		\$565,836	\$1,148,162
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$32,925	\$76,296
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	9	17,283	1,355,804
17	Income Taxes Payable and Accrued.....	13	0	0
18	Other Accrued Expenses.....	8	24,979	39,313
19	Other Current Liabilities.....		7,260	6,253
20	Total Current Liabilities.....		82,447	1,477,666
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	9	383,245	4,511
23	Deferred Credits .....		0	0
24	Other Liabilities.....	11,13	45,268	20,949
25	Commitments and Contingencies.....	11		
26	Total Liabilities.....		510,960	1,503,126
27	Stockholders', Partners', or Proprietor's Equity.....	3	54,876	(354,964)
28	Total Liabilities and Equity.....		\$565,836	\$1,148,162

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 12 MONTHS ENDED 12/31/13 AND THE 9 MONTHS ENDED 12/31/12

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$152,731	\$120,061
2	Rooms.....		47,397	32,944
3	Food and Beverage.....		26,328	16,893
4	Other.....		23,970	26,601
5	Total Revenue.....		250,426	196,499
6	Less: Promotional Allowances.....	3	60,721	43,567
7	Net Revenue.....		189,705	152,932
	Costs and Expenses:			
8	Cost of Goods and Services.....		227,183	204,227
9	Selling, General, and Administrative.....		89,395	59,015
10	Provision for Doubtful Accounts.....		3,366	599
11	Total Costs and Expenses.....		319,944	263,841
12	Gross Operating Profit.....		(130,239)	(110,909)
13	Depreciation and Amortization.....		55,180	57,476
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(185,419)	(168,385)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(73,631)	(112,009)
19	CRDA Related Income (Expense) - Net.....		(1,189)	(1,529)
20	Nonoperating Income (Expense) - Net.....	1,10	678,908	1,795
21	Total Other Income (Expenses).....		604,088	(111,743)
22	Income (Loss) Before Taxes and Extraordinary Items.....		418,669	(280,128)
23	Provision (Credit) for Income Taxes.....	13	12,759	0
24	Income (Loss) Before Extraordinary Items.....		405,910	(280,128)
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0 ).....		0	0
26	Net Income (Loss).....		\$405,910	(\$280,128)

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 3 MONTHS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$38,070	\$24,878
2	Rooms.....		9,748	8,921
3	Food and Beverage.....		5,761	4,502
4	Other.....		5,511	5,661
5	Total Revenue.....		59,090	43,962
6	Less: Promotional Allowances.....	3	16,084	8,015
7	Net Revenue.....		43,006	35,947
	Costs and Expenses:			
8	Cost of Goods and Services.....		49,320	58,705
9	Selling, General, and Administrative.....		14,749	15,730
10	Provision for Doubtful Accounts.....		1,137	406
11	Total Costs and Expenses.....		65,206	74,841
12	Gross Operating Profit.....		(22,200)	(38,894)
13	Depreciation and Amortization.....		7,211	18,309
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(29,411)	(57,203)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		(13,439)	(39,635)
19	CRDA Related Income (Expense) - Net.....		(484)	(317)
20	Nonoperating Income (Expense) - Net.....	1,10	(88)	56
21	Total Other Income (Expenses).....		(14,011)	(39,896)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(43,422)	(97,099)
23	Provision (Credit) for Income Taxes.....	13		0
24	Income (Loss) Before Extraordinary Items.....		(43,422)	(97,099)
	Extraordinary Items (Net of Income Taxes -			
25	20__, \$____; 20__, \$____ ).....		0	0
26	Net Income (Loss).....		(\$43,422)	(\$97,099)

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 TWELVE MONTHS ENDED DECEMBER 31, 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	Accumulated Other Comp Loss (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
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.....								405,910	405,910
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, December 31, 2013 .....		7,894,740	\$1	0	\$0	\$167,740	\$0	(\$112,865)	\$54,876

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 12 MONTHS ENDED 12/31/13 AND THE 9 MONTHS ENDED 12/31/12

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$227,615)	(\$249,369)
	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.....		(20,678)	(73,514)
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.....		(20,678)	(73,514)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		94,325	2,748
14	Payments to Settle Short-Term Debt.....		(259,756)	(2,247)
15	Proceeds from Long-Term Debt .....		431,732	315,917
16	Costs of Issuing Debt.....		(2,517)	(4,808)
17	Payments to Settle Long-Term Debt.....		(76,459)	(113,209)
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) .....		36,692	31,788
22				
23	Net Cash Provided (Used) By Financing Activities.....		224,017	230,189
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(24,276)	(92,694)
25	Cash and Cash Equivalents at Beginning of Period.....		40,693	133,387
26	Cash and Cash Equivalents at End of Period.....		\$16,417	\$40,693
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$10,101	\$40,137
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 12 MONTHS ENDED 12/31/13 AND THE 9 MONTHS ENDED 12/31/12

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$405,910	(\$280,128)
30	Depreciation and Amortization of Property and Equipment.....		54,611	57,476
31	Amortization of Other Assets.....		569	0
32	Amortization of Debt Discount or Premium.....		3,321	8,081
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.....		1,189	1,529
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(1,155)	(9,698)
39	(Increase) Decrease in Inventories .....		(97)	1,526
40	(Increase) Decrease in Other Current Assets.....		(4,038)	(100)
41	(Increase) Decrease in Other Assets.....		8,485	(1,557)
42	Increase (Decrease) in Accounts Payable.....		(46,426)	(58,485)
43	Increase (Decrease) in Other Current Liabilities .....		14,904	10,300
44	Increase (Decrease) in Other Liabilities .....		11,560	20,948
45	Stock based compensation .....		60	739
46	Non-cash reorg expense/fresh start adjustments .....	1, 10	(689,267)	0
47	Net Cash Provided (Used) By Operating Activities.....		(\$227,615)	(\$249,369)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$20,678)	(\$73,514)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$20,678)	(\$73,514)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

**REVEL ENTERTAINMENT GROUP, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	209,891	\$18,493		
2	Food	262,957	4,160	177,666	\$6,330
3	Beverage	2,468,704	5,583	22,087	848
4	Travel	3,136	885	243	251
5	Bus Program Cash				
6	Promotional Gaming Credits	832,505	22,032	110,557	(120)
7	Complimentary Cash Gifts	161	5,907		
8	Entertainment	45,408	3,249	1,486	136
9	Retail & Non-Cash Gifts			51,453	2,764
10	Parking			306,793	920
11	Other *	37,325	412	26,862	1,376
12	Total	3,860,087	\$60,721	697,147	\$12,505

FOR THE THREE MONTHS ENDED DECEMBER 31, 2013

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	55,726	\$3,889		
2	Food	70,057	989	47,590	\$1,642
3	Beverage	545,577	1,154	6,398	215
4	Travel	646	179	23	50
5	Bus Program Cash				
6	Promotional Gaming Credits	188,696	6,652	39,051	(21)
7	Complimentary Cash Gifts	43	2,156		
8	Entertainment	18,626	926	112	31
9	Retail & Non-Cash Gifts			15,753	843
10	Parking			59,992	180
11	Other *	17,372	139	5,576	284
12	Total	896,743	\$16,084	174,495	\$3,224

\* No item in this category (Other) exceeds 5% of total



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

FOR THE QUARTER ENDED DECEMBER 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.

3/31/2014

Date



Theresa Glebocki

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 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”) referred to herein as the “Company.” The Company is currently wholly-owned by Revel AC, Inc. 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).

The Company owns and operates a beachfront casino and entertainment resort in Atlantic City, New Jersey (“Revel”). The Company was not involved in internet gaming operations during 2013.

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.

In the opinion of management, the accompanying unaudited financial statements include all adjustments, which are of a normal recurring nature, necessary to present fairly the Company’s financial position as of December 31, 2013, the results of its operations for the three and twelve month periods ended December 31, 2013, and its cash flows for the twelve month period ended December 31, 2013.

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 period January 1 through May 20, 2013.

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

The Company was required to accrue interest expense during the Chapter 11 Case (as defined below) only to the extent that it was probable that such interest would be paid pursuant to the proceedings. The Company ceased recording contractual interest on the 2011 Term Loan Facility and the Second Lien Notes on March 25, 2013. The Company recorded interest expense under the 2012 Revolver Facility, the December 2012 Term Loan Facility and the DIP Credit Facility. Had the Company recorded interest expense under the terms of its contractual agreements, total interest expense would have been \$93,405 for the year ended December 31, 2013.

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**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);
- 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

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

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

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”).

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.

The accompanying financial statements have been prepared on a going concern basis, which assumes the Company will realize its assets and satisfy its liabilities in the normal course of business. As shown in the accompanying financial statements, during the year ended December 31, 2013 the Company has generated a net loss of \$276 million, excluding the net gain on reorganization and related items and fresh-start accounting adjustments, and has a working capital deficit of \$43.1 million as of December 31, 2013. The Company’s liquidity is impacted by a number of factors, including its operating results and its borrowing capacity under the current credit agreements. The Company’s ability to continue as a going concern is dependent upon, among other things, its ability to comply with the terms of its credit agreements, its ability to maintain adequate cash on hand, and its ability to restructure its operations in order to generate cash from operations and achieve profitability. These conditions raise substantial doubt as to the Company’s ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded assets or the amounts and classification of liabilities and the related effects that may result from the outcome of this uncertainty.

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**3. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany balances and transactions have been eliminated in consolidation.

**Receivables**

Accounts receivable primarily consist of casino, hotel and other receivables which arise in the normal course of business. The Company issues credit in the form of “markers” to approved casino customers who are investigated as to their credit worthiness. An estimated allowance for doubtful accounts is maintained to reduce the receivables to their carrying amount, which approximates fair value. The allowance is estimated based on the specific review of customer accounts, and taking into account factors such as trends and economic and business conditions. The allowance for doubtful accounts was \$1.5 million and \$0.6 million at December 31, 2013 and 2012, respectively.

**Inventory**

Inventory consists primarily of food, beverage and operating supplies, which are valued at the lower of average cost or market values. Cost is determined using the first in, first out method.

**Property and Equipment**

Property and equipment are initially stated at cost. As discussed below in Fresh Start Accounting, the Company adopted fresh-start reporting upon its emergence from chapter 11 on the Consummation Date. In connection with fresh-start reporting, the Company decreased the carrying value of its property and equipment to record property and equipment at its fair value as of the Consummation Date in accordance with ASC 852. 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.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For assets to be held and used, the Company reviews these assets for impairment whenever indicators of impairment exist. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then impairment is measured as the difference between fair value and carrying value, with fair value typically based on a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs. The Company’s impairment assessment for 2013 is currently under review.

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 3. Summary of Significant Accounting Policies (continued)

#### Intangible Assets

The Company amortizes intangible assets over their estimated useful lives, estimated to be nine years. The Company does not have any intangible assets with indefinite lives. Annual amortization expense for the years 2014 through 2018 is estimated to be \$971 per year.

#### Investment in Unconsolidated Subsidiary

The Company holds a 50% interest in an unconsolidated subsidiary. This investment at December 31, 2013 of \$2,794 is included in investments, advances and receivables on the accompanying balance sheets.

The Company evaluates this investment in unconsolidated subsidiary for consolidation under the provisions of ASC 810-10, *Consolidation*. ASC 810-10 requires variable interest entities to be consolidated by the primary beneficiary. The primary beneficiary is the entity that holds the majority of the expected losses or expected residual returns of the variable interest entity. The Company's current investment in subsidiary is not considered a variable interest entity. The Company accounts for its investment in an unconsolidated subsidiary, which it does not control but has the ability to exercise significant influence over the investee's operating and financial policies, using the equity method of accounting. The investment was initially recorded at the Company's cost and is subsequently adjusted for the Company's net earnings in income (loss), additional contributions, and distributions. The Company assesses whether there are any indicators that the value of the Company's investment may be other-than-temporarily impaired. An investment is other-than-temporarily impaired only if management's estimate of the value of the investment is less than the carrying value of the investment and the Company does not expect to recover the value in the near term.

#### Revenue and Promotional Allowances

Gaming revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Hotel, food and beverage, entertainment and other operating revenues are recognized when services are performed. Advance deposits for hotel and convention bookings and advance ticket sales are recorded as customer deposits until services are provided to the customer, at which point revenue is recognized.

The retail value of accommodations, food, beverage, admissions and other services provided to guests on a complimentary basis are included in gross revenues and then deducted as promotional allowances. Promotional allowances also include incentives provided to guests in the form of free slot play. The estimated cost of providing these complimentary to casino patrons is included in the cost of goods and services in the accompanying statements of income, as follows:

	For the Twelve Months ended December 31, 2013	For the Nine Months ended December 31, 2012
Rooms	\$ 5,289	\$ 2,657
Food and beverage	8,794	6,544
Entertainment	4,889	4,658
Other	1,313	1,914
	<u>\$ 20,285</u>	<u>\$ 15,773</u>

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**3. Summary of Significant Accounting Policies (continued)**

**Tenant Income**

The majority of Revel's restaurant and retail venues are operated by third party tenants. We have entered into various lease agreements with these tenants as of December 31, 2013 and 2012 which generally require contingent rental income based on a percentage of the tenant's sales, as well as reimbursement of the tenant's proportional share of common area, real estate taxes, and other operating expenses. For the year ended December 31, 2013 and the year ended December 31, 2012, total contingent rental income was \$7,442 and \$4,648, respectively, and additional rental income for the common area costs was \$2,474 and \$1,644, respectively. Deferred rent liabilities related to tenant allowances received for construction costs are included in other long-term liabilities on the accompanying consolidated balance sheet and are amortized over the related lease terms as an addition to rental income.

**Gaming Taxes**

The Company is subject to taxes based on gross gaming revenues in New Jersey. The gaming taxes are assessed at eight percent, and are included in casino expense in the accompanying statements of income.

**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 December 31, 2013 and 2012, \$2,813 and \$3,034, respectively, was accrued related to resort dollars. These accruals are included in other current liabilities on the accompanying balance sheets.

**Advertising Expenses**

Advertising costs are expensed as incurred. For the three and twelve months ended December 31, 2013 and the three and nine months ended December 31, 2012, total advertising costs, which are included in selling, general and administrative costs in the accompanying statements of income, totaled \$3,244, \$14,615, \$2,449 and \$13,614, respectively.

**Stock-Based Compensation**

Share-based payments to employees, including grants of stock options, are recognized in the Statement of Income based on the fair value of the award on the grant date. All new stock option grants are valued on the date of grant using the Black-Scholes option pricing model.

**Income Taxes**

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and attributable to operating loss and tax credit carryforwards.

Accounting standards regarding income taxes requires a reduction of the carrying amounts of deferred tax assets by a valuation allowance, if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed at each reporting period

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 3. Summary of Significant Accounting Policies (continued)

based on a more-than-likely-than-not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

#### 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 \$167, \$2,461, \$2,162 and \$6,254, respectively, for the three and twelve months ended December 31, 2013 and the three and nine months ended December 31, 2012 are included in interest expense on the accompanying statements of income.

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 twelve months ended December 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 used 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. For the period from August through November 2011, the Company did not apply hedge accounting. As such, changes in fair value of the interest rate cap totaling \$1.5 million for that period were recorded directly in earnings.



**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**3. Summary of Significant Accounting Policies (continued)**

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. Subsequent to electing hedge accounting in November 2011, the Company recorded a loss of \$3.1 million for the year ended December 31, 2012 on this contract and this amount was recognized in other comprehensive loss. Since execution, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective 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.

At December 31, 2012, the interest rate cap with a fair value of \$461 was included on the accompanying consolidated balance sheets. 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 (loss) to current period expense, which is included on the accompanying statements of income for the twelve months ended December 31, 2013.

**Use of Estimates**

The preparation of 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.

**Commitments and Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probably that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

**Self Insurance Reserves**

Self-insurance reserves represent the estimated amounts of claims related to employee health medical costs, workers' compensation and personal injury claims that have occurred in the normal course of business. These reserves are established by management based upon specific review of open claims, with consideration of incurred but not reported claims as of the balance sheet date. The costs of the ultimate disposition of these claims may differ from these reserve amounts.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current financial statement presentation.

**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

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**3. Summary of Significant Accounting Policies (continued)**

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.

As a result of the adoption of fresh-start reporting, the Reorganized Company's post-emergence financial statements are generally not comparable with the financial statements of the Predecessor Company prior to its emergence from bankruptcy, including the historical financial statements included in this report. Due to the adoption of fresh-start reporting, the Predecessor Company and the Reorganized Company financial statements are prepared on different bases of accounting.

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.

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ 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
<b>Current assets:</b>					
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	<u>37,878</u>	<u>5,736</u>		<u>-</u>	<u>43,614</u>
Net property and equipment	1,003,654	-		(492,215)	511,439
Other long-term assets	16,673	1,469	(b)	8,740	26,882
<b>Total Assets</b>	<u>\$ 1,058,205</u>	<u>\$ 7,205</u>		<u>(\$ 483,475)</u>	<u>\$ 581,935</u>
<b>Current liabilities:</b>					
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	<u>1,681,597</u>	<u>(1,575,134)</u>		<u>-</u>	<u>106,463</u>
Long-term debt	-	269,500	(e)	-	269,500
Deferred income tax liability	-	-		12,759	12,759
Other long term liabilities	25,472	-		-	25,472
<b>Total (deficit) equity</b>	<u>(648,864)</u>	<u>1,312,839</u>	(f)	<u>(496,234)</u>	<u>167,741</u>
<b>Total liabilities and (deficit) equity</b>	<u>\$ 1,058,205</u>	<u>\$ 7,205</u>		<u>(\$ 483,475)</u>	<u>\$ 581,935</u>

#### *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.

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 4. Receivables and Patrons' Checks

Receivable and patrons' checks consist of the following:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Casino receivables (net of allowance for doubtful accounts of \$1,421 and \$411)	\$8,029	\$ 5,321
Non-gaming receivables (net of allowance for doubtful accounts of \$21 and \$103)	4,231	4,553
Other receivables (net of allowance for doubtful accounts of \$34 and \$85)	2,144	3,376
	<u>2,144</u>	<u>3,376</u>
Receivables and patrons' checks	<u>\$ 14,404</u>	<u>\$ 13,250</u>

### 5. Other Current Assets

Other current assets consist of the following:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Prepaid insurance	\$ 2,431	\$ 1,697
Prepaid slot license fee	575	610
Other prepaid expenses	4,329	989
	<u>4,329</u>	<u>989</u>
Other current assets	<u>\$ 7,335</u>	<u>\$ 3,296</u>

### 6. Property and Equipment

Property and equipment consist of the following:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 37,193	\$ 23,423
Building and improvements	391,301	736,781
Furniture, fixtures, and equipment	89,011	326,505
Total	517,505	1,086,709
Less accumulated depreciation	16,215	59,272
Property and equipment, net	<u>\$ 501,290</u>	<u>\$ 1,027,437</u>

For the three and twelve months ended December 31, 2013 and the three and nine months ended December 31, 2012, depreciation expense related to property and equipment was \$6,965, \$54,611, \$18,309 and \$57,476, respectively.

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 7. Intangible Assets

As discussed in Note 3, the Company adopted fresh-start reporting upon emergence from Chapter 11 on May 21, 2013. The allocation of the reorganization value assigned a value to our customer relationships and tenant leases at their estimated fair values as of the Consummation Date. As of December 31, 2013, our intangible assets consist of the following:

	<b>2013</b>
Lease related intangibles	\$ 5,640
Customer relationships	3,100
	8,740
Less: accumulated amortization	(569)
Total intangible assets, net	\$ 8,171

Intangible assets are included in Other assets on the accompanying balance sheet. Amortization expense recorded during the twelve months ended December 31, 2013 was \$569.

### 8. Other Accrued Expenses

Other accrued expenses consist of the following:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Accrued payroll and related expenses	\$ 6,791	\$ 10,506
Accrued interest	148	9,763
Accrued insurance reserves	6,716	8,336
Other accrued expenses	11,324	10,708
Total accrued expenses	\$ 24,979	\$ 39,313

### 9. Debt

Debt consisted of the following:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Revolving Credit Facility	\$ 37,732	\$ -
First Lien Term Loan Facility, including PIK interest of \$756	50,756	
Second Lien Term Loan Facility, including PIK interest of \$25,493 and net of discount of \$4,822	294,295	-
2011 Term Loan Facility net of discount of \$9,197	-	1,011,303
Second Lien Notes, including PIK interest of \$74,264 net of discount of \$91,467	-	287,197
2012 Revolver Facility		31,182
Other borrowings	17,745	30,633
	400,528	1,360,315
Less current portion	17,283	1,355,804
Long term debt, net of current portion	\$ 383,245	\$ 4,511

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 9. Debt (continued)

Future minimum payments of long-term debt as of December 31, 2013 are as follows:

2014	\$ 17,283
2015	94,449
2016	2,750
2017	2,750
2018	283,296
Thereafter	-
Total minimum payments	<u>\$ 400,528</u>

### 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 a first lien credit agreement (the "Original First Lien Credit Agreement") providing for a \$75 million first lien revolving credit facility (the "Original Revolving Credit Facility"). On November 8, 2013, the Company amended and restated the Original First Lien Credit Agreement (as further amended from time to time, the "Amended and Restated First Lien Credit Agreement") to provide for, in lieu of the Original Revolving Credit Facility, (i) a \$25 million first lien revolving credit facility (the "Tranche 1 Revolving Credit Facility"), (ii) a \$75 million first lien revolving credit facility (the "Tranche 2 Revolving Credit Facility" and, together with the Tranche 1 Revolving Credit Facility, the "Revolving Credit Facility") and (iii) a \$50 million first lien term loan facility (the "First Lien Term Loan Facility" and, together with the Revolving Credit Facility, the "First Lien Credit Facilities"). The First Lien Credit Facilities are scheduled to mature on June 15, 2015.

On May 21, 2013, the Company also entered into a second lien credit agreement (as amended from time to time, the "Second Lien Credit Agreement" and together with the Amended and Restated First Lien Credit Agreement, the "Credit Agreements") providing for a \$275 million second lien term loan facility (the "Second Lien Term Loan Facility" and together with the First Lien Credit Facilities, the "Credit Facilities"). The Second Lien Term Loan Facility is scheduled to mature on May 21, 2018.

Proceeds under the Original First Lien Credit Agreement and the Second Lien Credit Agreement were used to enable the Company, among other things, to consummate the transactions contemplated by the bankruptcy reorganization plan (including repaying in full all borrowings under, and to terminate, the DIP Credit Agreement), and to pay related fees and expenses. Thereafter, proceeds under the Credit Facilities were used to provide for ongoing working capital requirements of the Company and its subsidiaries (subject to the terms thereof).

The loans under the First Lien Credit Facilities bear interest at a rate per annum which, at the Company's option, can be either: (i) in the case of the Tranche 1 Revolving Credit Facility (and, prior to the amendment and restatement, the Original Revolving Credit Facility), (A) an adjusted base rate (not to be less than 2.00% per annum) plus a margin of 5.00%; or (B)

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 9. Debt (continued)

the Eurodollar rate (not to be less than 1.00% per annum) plus a margin of 6.00%, (ii) in the case of the Tranche 2 Revolving Credit Facility, (A) an adjusted base rate (not to be less than 2.00% per annum) plus a margin of 5.50%; or (B) the Eurodollar rate (not to be less than 1.00% per annum) plus a margin of 6.50% and (iii) in the case of the First Lien Term Loan Facility, (A) an adjusted base rate (not to be less than 2.00% per annum) plus a margin of 8.00%; or (B) the Eurodollar rate (not to be less than 1.00% per annum) plus a margin of 9.00%. Accrued interest on Revolving Credit Facility loans are payable in cash. Accrued interest on First Lien Term Loan Facility loans are payable by increasing the outstanding principal amount of the First Lien Term Loan Facility; provided that, on and after June 30, 2014 and so long as no Event of Default then exists, at the Company's option, interest then accruing may be payable in cash. In addition, the Company will pay (i) a commitment fee of 3.50% per annum on the average daily unused amount of the Tranche 1 Revolving Credit Facility (and, prior to the amendment and restatement, the Original Revolving Credit Facility), (ii) a commitment fee of 3.75% per annum on the average daily unused amount of the Tranche 2 Revolving Credit Facility and (iii) 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 loans under the Second Lien Term Loan Facility bear interest at a rate equal to 14.5% per annum, payable by increasing the outstanding principal amount of the Second Lien Term Loan Facility; provided that, after September 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.

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 Second Lien 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 and a maximum capital expenditure 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.

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**9. 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 December 31, 2012, \$131,182 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) 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



# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 9. 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.

### 10. Other Nonoperating Income (Expense)

Other nonoperating income (expense) for the three and twelve months ended December 31, 2013 and the three and nine months ended December 31, 2012 consists of the following:

	<b>Three Months ended December 31,</b>		<b>Twelve Months ended December 31, 2013</b>	<b>Nine Months ended December 31, 2012</b>
	<b>2013</b>	<b>2012</b>		
Fresh start adjustments (notes 1 and 3)	\$ -	\$ -	\$(483,475)	\$ -
Reorganization income (expense):				
Debt subject to compromise			1,312,839	
Write off original issue discount on debt	-	-	(98,021)	-
Write off deferred financing costs	-	-	(42,076)	-
Other reorganization expense	-	-	(7,395)	-
Termination of interest rate cap	-	-	(3,772)	-
Other nonoperating income	(88)	56	810	1,795
Total other non-operating income (expense)	\$ 88	\$ 56	\$ 678,908	\$ 1,795

### 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.

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 11. Commitments and Contingencies (continued)

The Company 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.

Future minimum lease payments under noncancellable operating leases, excluding the variable fee component under the ESA, as of December 31, 2013, consisted of the following:

2014	\$	20,371
2015		20,279
2016		20,174
2017		20,158
2018		20,158
Thereafter		329,462
Total minimum payments	\$	<u>430,602</u>

During the third quarter of 2012, the Company received an additional real estate tax assessment (the “Assessment”) for the period from September 1, 2012 through December 31, 2012 as a result of the commencement of operations of Revel on April 2, 2012. 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 December 31, 2013 and 2012. The amount of this expense, which totaled \$484 and \$1,189 for the three and twelve months ended December 31, 2013, respectively, was reduced by \$750 for a reimbursement received in August 2013 from the CRDA for a project funded by the Company prior to the opening of Revel. The amount of expense recorded for the three and nine months ended December 31, 2012 was \$317 and \$1,529, 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 provided for ongoing development and consulting arrangements with and payments to the Executives through June 20, 2013, 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 \$0 and \$7,140 was recorded for the three and twelve months ending December 31, 2013, respectively and is included in selling, general and administrative costs on the accompanying statements of income.

Included in long-term liabilities is approximately \$11.7 million of a tax credit received during 2013. As all conditions to retain the credit are not reasonably assured as of the balance sheet date, the recognition of this credit has been deferred.

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

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 11. Commitments and Contingencies (continued)

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 following table presents the assets measured at fair value on a recurring basis by input level in the consolidated balance sheet at December 31, 2013 and 2012:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total December 31, 2013</b>
	<i>(In Thousands)</i>			
<b>Assets</b>				
Derivative/Interest Rate Caps	-	-	-	-
	\$ -	\$ -	\$ -	\$ -
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total December 31, 2012</b>
	<i>(In Thousands)</i>			
<b>Assets</b>				
Derivative/Interest Rate Caps	\$ —	\$ 461	\$ —	\$ 461
	\$ —	\$ 461	\$ —	\$ 461

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.

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 12. Fair Value Measurements (continued)

The fair value measurements relating to our net property and equipment and intangible assets were determined using inputs within Level 2 of the fair value hierarchy.

The Company's objectives in using interest rate derivatives were to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily used interest rate caps as part of its interest rate risk movement strategy. The Company's 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 estimated fair value of the Company's Revolving Credit Facility and First Lien Term Loan Facility on December 31, 2013 approximated their carrying values of \$37.7 million and \$50.8 million, respectively. The estimated fair value of the Company's Second Lien Term Loan Facility on December 31, 2013 was approximately \$217.8 million. 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.

In determining fair value of derivative instruments, the Company considers both the counterparty credit risk and its own credit worthiness. To determine the Company's credit risk, the Company estimates its credit rating by benchmarking the price of outstanding debt to publicly-available comparable data from rating agencies. Using the estimated rating, the Company's credit risk was quantified by reference to publicly-traded debt with a corresponding rating. The Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of December 31, 2013 and 2012.

### 13. Income Taxes

Income tax expense for the year December 31, 2013 and the year ended December 31, 2012 consists of the following components:

	<b>For the year ended December 31, 2013</b>	<b>For the year ended December 31, 2012</b>
Current:		
Federal	\$ -	\$ -
State	-	-
Total current income tax expense	-	-
Deferred:		
Federal	10,932	-
State	1,827	-
Total deferred income tax expense	12,759	-
Total income tax expense	<u>\$ 12,759</u>	<u>\$ -</u>

# Revel Entertainment Group, LLC

## Notes to Financial Statements

(unaudited)

(\$ in thousands)

### 13. Income Taxes (continued)

Total income tax expense (benefit) was different than that computed by applying statutory U.S. Federal income tax rates to (loss) income before income taxes for the year December 31, 2013, and the year ended December 31, 2012 due to the recording of valuation allowances.

The income tax expense recorded the for year ended December 31, 2013 is a result of the Company's adoption of fresh start accounting upon its emergence from Chapter 11 proceedings.

The following table reconciles the statutory federal income tax rate to the actual effective income tax rate for 2013 and 2012:

	<b>For the year ended December 31, 2013</b>	<b>For the year ended December 31, 2012</b>
Percent of pretax loss:		
Loss/preopening loss at statutory rate	35.00%	(35.00%)
Permanent Differences	.65%	.02%
Valuation allowance increase	(32.60%)	34.98%
Total	<u>3.05%</u>	<u>0.0%</u>

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.

The components of the Company's recorded deferred tax assets and deferred tax liabilities at December 31, 2013 and 2012, after taking into consideration the estimated NOL and/or tax basis tax attribute reduction of an estimated \$350 million resulting from the Company's discharge of indebtedness upon emergence from bankruptcy in 2013 are as follows:

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**13. Income Taxes (continued)**

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Deferred tax assets:		
Pre-opening expenses	\$ 20,630	\$ 24,212
Plant, property and equipment	199,735	34,416
NOL carryforwards	256,931	141,012
Contingent Payment rights	20,707	-
Deferred revenue	14,555	-
Accruals	4,516	5,898
Bad debts	1,581	-
Other	716	5,881
Gross deferred tax assets	<u>519,371</u>	<u>211,419</u>
Deferred tax liabilities:		
Intangibles and land	16,097	-
Other	887	1,030
Net deferred tax liabilities	<u>16,984</u>	<u>1,030</u>
Net deferred tax assets	502,387	210,389
Sec 108 tax attribute reduction	<u>(350,327)</u>	<u>-</u>
	152,060	210,389
Valuation allowance	<u>(164,819)</u>	<u>(210,389)</u>
Deferred tax assets (liabilities), net	<u>\$ (12,759)</u>	<u>\$ -</u>

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 historical operating losses and forecasted operating losses. Based on this analysis, the Company has recorded a full valuation allowance against its net deferred tax assets as of December 31, 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.

For income tax reporting, the Company has federal and state net operating loss carryforwards of approximately \$629,000 and \$330,000, respectively, at December 31, 2013 and 2012, which are available to reduce future federal and state taxable income, subject to potential Internal Revenue Code (“IRS”) Section 108 attribute reduction and IRC Section 382 limitations discussed below. Such net operating loss carryforwards begin to expire in 2031.

The Company anticipates that it will realize discharge 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 discharge of indebtedness income, which could require the reduction of certain tax attributes such as net operating losses (NOL’s) and the tax basis of its assets. We have not finalized our assessment of the tax effects of the bankruptcy emergence and this estimate, as well as the Plan’s effect on all tax attributes, is subject to revision, which could be significant. Any such reductions could result in increased future tax liabilities for the Company. Additionally, the future utilization of its NOL carryforwards, if any, may be limited under Section 382.

**Revel Entertainment Group, LLC**  
**Notes to Financial Statements**  
(unaudited)  
(\$ in thousands)

**13. Income Taxes (continued)**

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 December 31, 2013.

The Company files federal and New Jersey income tax returns and the tax years 2013, 2012 and 2011 remain open subject to examination by the tax authorities.

**14. Employee Benefit Plans**

**401(k) Plan**

The Company had a retirement savings plan under Section 401(k) of the Internal Revenue Code covering non-union employees. The plan allowed employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 75% of their income on a pre-tax basis through contributions to the plan. The Company elected to match a portion of participants' contributions on an annual basis as was determined by management. The Company matched participants' contributions in 2012 and for the period January 1 through August 23, 2013. The Company suspended the match on August 23, 2013. For the year ended December 31, 2013 and the year ended December 31, 2012, the Company recorded expense as a result of the amount of the matching contribution to the 401(k) plan in the amounts of \$505 and \$574, respectively.

**Multi-employer Pension Plans**

Approximately 100 of the Company's trade workers, such as painters, carpenters and mechanics, are represented by collective bargaining agreements. The Company contributes to multiemployer pension defined-benefit plans under the terms of these agreements. The Company is obligated to make defined contributions under these plans.

The significant risks of participating in multiemployer plans include, but are not limited to, the following:

- If the Company elects to withdraw from participation in the multi-employer plans, the Company may be required to pay a withdrawal liability based on the underfunded status of the plan as applicable.
- The Company may contribute assets to the multiemployer plan for the benefit of our covered employees that are used to provide benefits to employees of other participating employers.
- The Company may be required to fund additional amounts if other participating employers stop contributing to the multiemployer plan.

Contributions, which are based on hours worked by covered employees, totaled \$2,211 and \$1,375 respectively, for the twelve months ended December 31, 2013 and the nine months ended December 31, 2012. These contributions were not individually significant to any of the respective plans.

# **Revel Entertainment Group, LLC**

## **Notes to Financial Statements**

(unaudited)

(\$ in thousands)

### **15. Subsequent Events**

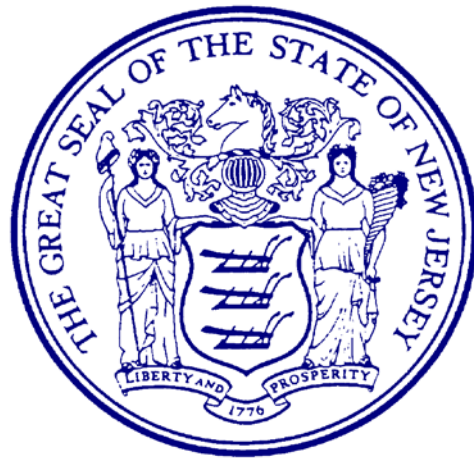
The Company has evaluated subsequent events through the date the financial statements were available to be issued.

On March 6, 2014, the Amended and Restated First Lien Credit Agreement and the Second Lien Credit Agreements were further amended to reduce the minimum liquidity requirement amount defined in the minimum liquidity covenant.



**REVEL ENTERTAINMENT GROUP, LLC  
ANNUAL FILINGS  
FOR THE YEAR ENDED 2013**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

**REVEL ENTERTAINMENT GROUP, LLC**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED 2013**

(UNAUDITED)  
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$7,067		
2	Returned Patrons' Checks.....	2,382		
3	Total Patrons' Checks.....	9,449	\$1,421	\$8,028
4	Hotel Receivables.....	4,588	21	\$4,567
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	1,843		
8	Total Other Receivables.....	1,843	34	\$1,809
9	Totals (Form DGE-205).....	\$15,880	\$1,476	\$14,404

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$3,510
11	Counter Checks Issued.....	142,425
12	Checks Redeemed Prior to Deposit.....	(110,735)
13	Checks Collected Through Deposits.....	(22,255)
14	Checks Transferred to Returned Checks.....	(5,878)
15	Other Adjustments.....	
16	Ending Balance.....	\$7,067
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,421
19	Provision as a Percent of Counter Checks Issued.....	1.0%

As a result of fresh start accounting on May 20, 2013, the allowance as of 12/31/13 represents the reserves recorded from May 21 through December 31, 2013.

# REVEL ENTERTAINMENT GROUP, LLC

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2013

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	613			
2	Slot Machines	59			
3	Administration				
4	Casino Accounting	122			
5	Simulcasting				
6	Other	9			
7	Total - Casino	803	\$21,854	\$0	\$21,854
8	ROOMS	448	11,551		11,551
9	FOOD AND BEVERAGE	694	13,378		13,378
10	GUEST ENTERTAINMENT	175	1,904		1,904
11	MARKETING	177	9,043		9,043
12	OPERATION AND MAINTENANCE	137	7,829		7,829
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	3	444	1,568	2,012
14	Accounting and Auditing	49	2,506	390	2,896
15	Security	247	6,712		6,712
16	Other Administrative and General	59	5,126	276	5,402
17	OTHER OPERATED DEPARTMENTS:				0
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	2,792	\$80,347	\$2,234	\$82,581