

**TRUMP TAJ MAHAL ASSOCIATES, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED JUNE 30, 2016**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## BALANCE SHEETS

AS OF JUNE 30, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)  | Notes       | 2016<br>(c) | 2015<br>(d) |
|-------------|---|-------------|-------------|-------------|
|             | <u>ASSETS:</u>  |             |             |             |
|             | Current Assets:   |             |             |             |
| 1           | Cash and Cash Equivalents.....  | 2, 5        | \$11,992    | \$15,382    |
| 2           | Short-Term Investments.....   |             | 0           | 0           |
| 3           | Receivables and Patrons' Checks (Net of Allowance for<br>Doubtful Accounts - 2016, \$832; 2015, \$5,930)..... | 2, 5        | 5,893       | 4,803       |
| 4           | Inventories .....   |             | 1,333       | 1,008       |
| 5           | Other Current Assets.....   | 6           | 8,690       | 8,881       |
| 6           | Total Current Assets.....   |             | 27,908      | 30,074      |
| 7           | Investments, Advances, and Receivables.....   | 8, 9        | 11,060      | 9,713       |
| 8           | Property and Equipment - Gross.....   | 2, 5        | 143,881     | 180,993     |
| 9           | Less: Accumulated Depreciation and Amortization.....  | 2, 5        | (2,373)     | (35,835)    |
| 10          | Property and Equipment - Net.....   | 2, 5        | 141,508     | 145,158     |
| 11          | Other Assets.....   | 2, 5        | 16,251      | 10,276      |
| 12          | Total Assets.....   |             | \$196,727   | \$195,221   |
|             | <u>LIABILITIES AND EQUITY:</u>  |             |             |             |
|             | Current Liabilities:  |             |             |             |
| 13          | Accounts Payable.....   | 2, 5        | \$1,917     | \$13,166    |
| 14          | Notes Payable.....  |             | 0           | 0           |
|             | Current Portion of Long-Term Debt:  |             |             |             |
| 15          | Due to Affiliates.....  | 2, 3, 5, 9  | 0           | 226,517     |
| 16          | External.....   | 3           | 0           | 489         |
| 17          | Income Taxes Payable and Accrued.....   | 4           | 0           | 0           |
| 18          | Other Accrued Expenses.....   | 2, 5, 8, 10 | 9,306       | 75,265      |
| 19          | Other Current Liabilities.....  | 2, 5, 6     | 47,924      | 10,409      |
| 20          | Total Current Liabilities.....  |             | 59,147      | 325,846     |
|             | Long-Term Debt:   |             |             |             |
| 21          | Due to Affiliates.....  |             | 0           | 0           |
| 22          | External.....   |             | 0           | 0           |
| 23          | Deferred Credits .....  |             | 0           | 0           |
| 24          | Other Liabilities.....  |             | 0           | 0           |
| 25          | Commitments and Contingencies.....  |             | 0           | 0           |
| 26          | Total Liabilities.....  |             | 59,147      | 325,846     |
| 27          | Stockholders', Partners', or Proprietor's Equity.....   | 2, 5        | 137,580     | (130,625)   |
| 28          | Total Liabilities and Equity.....   |             | \$196,727   | \$195,221   |

\* Amounts indicated with an asterisk have been restated to conform to the current presentation.

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

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)                           | Notes | 2016<br>(c) | 2015<br>(d) |
|-------------|--|-------|-------------|-------------|
|             | Revenue:                                     |       |             |             |
| 1           | Casino.....                                  |       | \$84,239    | \$87,143    |
| 2           | Rooms.....                                   |       | 18,771      | 18,597      |
| 3           | Food and Beverage.....                       |       | 8,272       | 9,520       |
| 4           | Other.....                                   |       | 3,877       | 4,182       |
| 5           | Total Revenue.....                           |       | 115,159     | 119,442     |
| 6           | Less: Promotional Allowances.....            |       | 31,628      | 39,681      |
| 7           | Net Revenue.....                             |       | 83,531      | 79,761      |
|             | Costs and Expenses:                          |       |             |             |
| 8           | Casino.....                                  |       | 28,518      | 28,370      |
| 9           | Rooms, Food and Beverage.....                |       | 17,864      | 20,267      |
| 10          | General, Administrative and Other.....       | 6     | 35,069      | 40,759      |
| 11          | Total Costs and Expenses.....                |       | 81,451      | 89,396      |
| 12          | Gross Operating Profit.....                  |       | 2,080       | (9,635)     |
| 13          | Depreciation and Amortization.....           |       | 3,130       | 5,038       |
|             | Charges from Affiliates Other than Interest: |       |             |             |
| 14          | Management Fees.....                         | 1, 6  | 1,083       | 0           |
| 15          | Other.....                                   | 6     | 14          | 3,447       |
| 16          | Income (Loss) from Operations.....           |       | (2,147)     | (18,120)    |
|             | Other Income (Expenses):                     |       |             |             |
| 17          | Interest Expense - Affiliates.....           |       | 0           | 0           |
| 18          | Interest Expense - External.....             | 2     | (83)        | (616)       |
| 19          | CRDA Related Income (Expense) - Net.....     | 8     | (664)       | (271)       |
| 20          | Nonoperating Income (Expense) - Net.....     | 5, 7  | 294,868     | (20,851)    |
| 21          | Total Other Income (Expenses).....           |       | 294,121     | (21,738)    |
| 22          | Income (Loss) Before Taxes .....             |       | 291,974     | (39,858)    |
| 23          | Provision (Credit) for Income Taxes.....     | 4     | 0           | 0           |
| 24          | Net Income (Loss).....                       |       | \$291,974   | (\$39,858)  |

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)                           | Notes | 2016<br>(c) | 2015<br>(d) |
|-------------|--|-------|-------------|-------------|
|             | Revenue:                                     |       |             |             |
| 1           | Casino.....                                  |       | \$46,756    | \$48,666    |
| 2           | Rooms.....                                   |       | 10,711      | 10,693      |
| 3           | Food and Beverage.....                       |       | 4,614       | 5,574       |
| 4           | Other.....                                   |       | 1,929       | 2,458       |
| 5           | Total Revenue.....                           |       | 64,010      | 67,391      |
| 6           | Less: Promotional Allowances.....            |       | 17,139      | 22,797      |
| 7           | Net Revenue.....                             |       | 46,871      | 44,594      |
|             | Costs and Expenses:                          |       |             |             |
| 8           | Casino.....                                  |       | 14,914      | 14,561      |
| 9           | Rooms, Food and Beverage.....                |       | 9,453       | 11,081      |
| 10          | General, Administrative and Other.....       | 6     | 15,827      | 19,854      |
| 11          | Total Costs and Expenses.....                |       | 40,194      | 45,496      |
| 12          | Gross Operating Profit.....                  |       | 6,677       | (902)       |
| 13          | Depreciation and Amortization.....           |       | 1,991       | 2,534       |
|             | Charges from Affiliates Other than Interest: |       |             |             |
| 14          | Management Fees.....                         | 1, 6  | 1,083       | 0           |
| 15          | Other.....                                   | 6     | 14          | 1,751       |
| 16          | Income (Loss) from Operations.....           |       | 3,589       | (5,187)     |
|             | Other Income (Expenses):                     |       |             |             |
| 17          | Interest Expense - Affiliates.....           |       | 0           | 0           |
| 18          | Interest Expense - External.....             | 2     | (1)         | (213)       |
| 19          | CRDA Related Income (Expense) - Net.....     | 8     | (507)       | (207)       |
| 20          | Nonoperating Income (Expense) - Net.....     | 5, 7  | 36          | (20,903)    |
| 21          | Total Other Income (Expenses).....           |       | (472)       | (21,323)    |
| 22          | Income (Loss) Before Taxes .....             |       | 3,117       | (26,510)    |
| 23          | Provision (Credit) for Income Taxes.....     | 4     | 0           | 0           |
| 24          | Net Income (Loss).....                       |       | \$3,117     | (\$26,510)  |

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015  
AND THE SIX MONTHS ENDED JUNE 30, 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)               | Notes | Contributed<br>Capital<br>(c) | Accumulated<br>Earnings<br>(Deficit)<br>(d) | (e) | Total<br>Equity<br>(Deficit)<br>(f) |
|-------------|----------------------------------|-------|-------------------------------|---|-----|-------------------------------------|
| 1           | Balance, December 31, 2014.....  |       | \$160,090                     | (\$250,857)                                 |     | (\$90,767)                          |
| 2           | Net Loss - 2015.....             |       |                               | (56,999)                                    |     | (56,999)                            |
| 3           | Capital Contributions.....       |       |                               |   |     | 0                                   |
| 4           | Capital Withdrawals.....         |       |                               |   |     | 0                                   |
| 5           | Partnership Distributions.....   |       |                               |   |     | 0                                   |
| 6           | Prior Period Adjustments.....    |       |                               |   |     | 0                                   |
| 7           | Equitization of Intercompany     |       | (6,628)                       |   |     | (6,628)                             |
| 8           |                                  |       |                               |   |     | 0                                   |
| 9           |                                  |       |                               |   |     | 0                                   |
| 10          | Balance, December 31, 2015.....  |       | 153,462                       | (307,856)                                   | 0   | (154,394)                           |
| 11          | Net Income 1/1/16 - 2/29/16..... | 2, 5  |                               | 290,504                                     |     | 290,504                             |
| 12          | Capital Contributions.....       |       |                               |   |     | 0                                   |
| 13          | Capital Withdrawals.....         |       |                               |   |     | 0                                   |
| 14          | Partnership Distributions.....   |       |                               |   |     | 0                                   |
| 15          | Prior Period Adjustments.....    |       |                               |   |     | 0                                   |
| 16          | Elimination Predecessor Deficit  | 5     | (17,352)                      | 17,352                                      |     | 0                                   |
| 17          | Net Income 3/1/16 - 6/30/16      |       |                               | 1,470                                       |     | 1,470                               |
| 18          |                                  |       |                               |   |     | 0                                   |
| 19          | Balance, June 30, 2016.....      |       | \$136,110                     | \$1,470                                     | \$0 | \$137,580                           |

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)   | Notes | 2016<br>(c) | 2015<br>(d) |
|-------------|--|-------|-------------|-------------|
| 1           | CASH PROVIDED (USED) BY OPERATING ACTIVITIES..               |       | \$9,190     | (\$5,821)   |
|             | CASH FLOWS FROM INVESTING ACTIVITIES:                        |       |             |             |
| 2           | Purchase of Short-Term Investments .....                     |       | 0           | 0           |
| 3           | Proceeds from the Sale of Short-Term Investments .....       |       | 0           | 0           |
| 4           | Cash Outflows for Property and Equipment.....                |       | (9,476)     | (159)       |
| 5           | Proceeds from Disposition of Property and Equipment.....     |       | 0           | 0           |
| 6           | CRDA Obligations .....                                       | 8     | (936)       | (1,016)     |
| 7           | Other Investments, Loans and Advances made.....              |       | 0           | 0           |
| 8           | Proceeds from Other Investments, Loans, and Advances .....   |       | 0           | 0           |
| 9           | Cash Outflows to Acquire Business Entities.....              |       | 0           | 0           |
| 10          | Proceeds from CRDA Investments .....                         |       | 8           | 253         |
| 11          | .....  |       | 0           | 0           |
| 12          | Net Cash Provided (Used) By Investing Activities.....        |       | (10,404)    | (922)       |
|             | CASH FLOWS FROM FINANCING ACTIVITIES:                        |       |             |             |
| 13          | Proceeds from Short-Term Debt .....                          |       | 0           | 0           |
| 14          | Payments to Settle Short-Term Debt.....                      |       | 0           | 0           |
| 15          | Proceeds from Long-Term Debt .....                           |       | 0           | 0           |
| 16          | Costs of Issuing Debt.....                                   |       | 0           | 0           |
| 17          | Payments to Settle Long-Term Debt.....                       | 3     | (135)       | (513)       |
| 18          | Cash Proceeds from Issuing Stock or Capital Contributions... |       | 0           | 0           |
| 19          | Purchases of Treasury Stock.....                             |       | 0           | 0           |
| 20          | Payments of Dividends or Capital Withdrawals.....            |       | 0           | 0           |
| 21          | Borrowings/(Repayments) of Grid Note Payable .....           | 3     | 0           | 9,645       |
| 22          | .....  |       | 0           | 0           |
| 23          | Net Cash Provided (Used) By Financing Activities.....        |       | (135)       | 9,132       |
| 24          | Net Increase (Decrease) in Cash and Cash Equivalents.....    |       | (1,349)     | 2,389       |
| 25          | Cash and Cash Equivalents at Beginning of Period.....        |       | 13,341      | 12,993      |
| 26          | Cash and Cash Equivalents at End of Period.....              |       | \$11,992    | \$15,382    |
|             | CASH PAID DURING PERIOD FOR:                                 |       |             |             |
| 27          | Interest (Net of Amount Capitalized).....                    | 3     | \$1,700     | \$416       |
| 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.

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)   | Notes   | 2016<br>(c) | 2015<br>(d) |
|-------------|--|---------|-------------|-------------|
|             | <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |         |             |             |
| 29          | Net Income (Loss).....                                       |         | \$291,974   | (\$39,858)  |
| 30          | Depreciation and Amortization of Property and Equipment..... |         | 3,130       | 5,038       |
| 31          | Amortization of Other Assets.....                            |         | 0           | 0           |
| 32          | Amortization of Debt Discount or Premium.....                |         | 0           | 0           |
| 33          | Deferred Income Taxes - Current .....                        |         | 0           | 0           |
| 34          | Deferred Income Taxes - Noncurrent .....                     |         | 0           | 0           |
| 35          | (Gain) Loss on Disposition of Property and Equipment.....    |         | 0           | 0           |
| 36          | (Gain) Loss on CRDA-Related Obligations.....                 | 8       | 664         | 271         |
| 37          | (Gain) Loss from Other Investment Activities.....            |         | 0           | 0           |
| 38          | (Increase) Decrease in Receivables and Patrons' Checks ..... |         | (1,787)     | (470)       |
| 39          | (Increase) Decrease in Inventories .....                     |         | (177)       | (180)       |
| 40          | (Increase) Decrease in Other Current Assets.....             |         | (5,227)     | (2,436)     |
| 41          | (Increase) Decrease in Other Assets.....                     |         | (191)       | 5           |
| 42          | Increase (Decrease) in Accounts Payable.....                 |         | (16,789)    | (812)       |
| 43          | Increase (Decrease) in Other Current Liabilities .....       |         | 32,393      | 32,621      |
| 44          | Increase (Decrease) in Other Liabilities .....               |         | 0           | 0           |
| 45          | Non-Cash Reorganization Gain .....                           | 2, 5, 7 | (294,800)   | 0           |
| 46          |  |         | 0           | 0           |
| 47          | Net Cash Provided (Used) By Operating Activities.....        |         | \$9,190     | (\$5,821)   |

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

|    |  |  |           |         |
|----|--|--|-----------|---------|
|    | <b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>                  |  |           |         |
| 48 | Additions to Property and Equipment.....                       |  | (\$9,476) | (\$159) |
| 49 | Less: Capital Lease Obligations Incurred.....                  |  | 0         | 0       |
| 50 | Cash Outflows for Property and Equipment.....                  |  | (\$9,476) | (\$159) |
|    | <b>ACQUISITION OF BUSINESS ENTITIES:</b>                       |  |           |         |
| 51 | Property and Equipment Acquired.....                           |  | \$0       | \$0     |
| 52 | Goodwill Acquired.....   |  | 0         | 0       |
| 53 | Other Assets Acquired - net .....                              |  | 0         | 0       |
| 54 | Long-Term Debt Assumed.....                                    |  | 0         | 0       |
| 55 | Issuance of Stock or Capital Invested.....                     |  | 0         | 0       |
| 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.

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE SIX MONTHS ENDED JUNE 30, 2016  
(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)         | Promotional Allowances         |                         | Promotional Expenses           |                         |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|             |                            | Number of<br>Recipients<br>(c) | Dollar<br>Amount<br>(d) | Number of<br>Recipients<br>(e) | Dollar<br>Amount<br>(f) |
| 1           | Rooms                      | 149,259                        | \$11,214                |                                |                         |
| 2           | Food                       | 101,882                        | 2,703                   | 75,969                         | 1,533                   |
| 3           | Beverage                   | 429,998                        | 2,499                   |                                |                         |
| 4           | Travel                     |                                |                         | 1,265                          | 378                     |
| 5           | Bus Program Cash           |                                |                         |                                |                         |
| 6           | Promotional Gaming Credits | 374,982                        | 13,003                  |                                |                         |
| 7           | Complimentary Cash Gifts   | 21,182                         | 1,468                   |                                |                         |
| 8           | Entertainment              | 7,481                          | 326                     | 436                            | 27                      |
| 9           | Retail & Non-Cash Gifts    | 18,271                         | 319                     | 49,865                         | 2,102                   |
| 10          | Parking                    |                                |                         | 115,300                        | 346                     |
| 11          | Other                      | 1,771                          | 96                      | 5,373                          | 161                     |
| 12          | Total                      | 1,104,826                      | \$31,628                | 248,208                        | \$4,547                 |

FOR THE THREE MONTHS ENDED JUNE 30, 2016

| Line<br>(a) | Description<br>(b)         | Promotional Allowances         |                         | Promotional Expenses           |                         |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|             |                            | Number of<br>Recipients<br>(c) | Dollar<br>Amount<br>(d) | Number of<br>Recipients<br>(e) | Dollar<br>Amount<br>(f) |
| 1           | Rooms                      | 81,730                         | \$6,013                 |                                |                         |
| 2           | Food                       | 55,170                         | 1,537                   | 40,698                         | 807                     |
| 3           | Beverage                   | 232,986                        | 1,359                   |                                |                         |
| 4           | Travel                     |                                |                         | 768                            | 229                     |
| 5           | Bus Program Cash           |                                |                         |                                |                         |
| 6           | Promotional Gaming Credits | 205,748                        | 7,534                   |                                |                         |
| 7           | Complimentary Cash Gifts   | 8,585                          | 424                     |                                |                         |
| 8           | Entertainment              | 1,616                          | 107                     | 186                            | 10                      |
| 9           | Retail & Non-Cash Gifts    | 8,972                          | 136                     | 28,531                         | 1,258                   |
| 10          | Parking                    |                                |                         | 66,768                         | 200                     |
| 11          | Other                      | 970                            | 29                      | 3,078                          | 87                      |
| 12          | Total                      | 595,777                        | \$17,139                | 140,029                        | \$2,591                 |

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



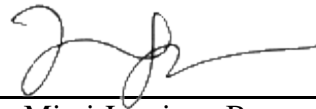
**TRUMP TAJ MAHAL ASSOCIATES, LLC  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2016

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.

8/15/2016

Date



Mimi Jennings-Benvenuti

Director of Finance

Title

004526-35

License Number

On Behalf of:

TRUMP TAJ MAHAL ASSOCIATES, LLC

Casino Licensee

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(unaudited)  
(in thousands)

**1. GENERAL**

*Organization*

Trump Taj Mahal Associates, LLC (“Taj Associates” or the “Company”), a New Jersey limited liability corporation, is wholly-owned by Trump Entertainment Resorts Holdings, L.P. (“TER Holdings”), a Delaware limited partnership. TER Holdings is a wholly-owned subsidiary of Trump Entertainment Resorts, Inc. (“TER”), a Delaware corporation. TER is a wholly-owned subsidiary of IEH Investments I LLC, a subsidiary of Icahn Enterprises, LP.

Taj Associates owns and operates the Trump Taj Mahal Casino Resort (the “Trump Taj Mahal”), an Atlantic City, New Jersey hotel, casino and convention center complex. Taj Associates derives its revenue primarily from casino operations, room rentals, food and beverage sales, and entertainment revenue. The Company is not currently involved in internet gaming operations. The casino industry in Atlantic City is seasonal in nature with the peak season being the spring and summer months.

*Tropicana Entertainment Management Agreement*

On March 2, 2016, Trump Taj Mahal Associates, LLC and TEI Management Services LLC (“TEI”) filed a joint petition with the Division of Gaming Enforcement for approval of a management agreement dated March 1, 2016, by and between Taj Associates, TEI and IEH Investments I LLC. The petition was approved by the DGE on April 13, 2016, the management agreement became effective and the Company is now managed by TEI, a subsidiary of Tropicana Entertainment Inc., which owns and operates eight casinos, including Tropicana in Atlantic City.

*Chapter 11 Proceedings*

On September 9, 2014 (the “Petition Date”), TER and its subsidiaries, including Taj Associates (collectively, the “Debtors”), filed voluntary Chapter 11 petitions in the United States Bankruptcy Court for the District of Delaware in Wilmington, Delaware (the “Bankruptcy Court”), seeking relief under the provisions of Chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors’ Chapter 11 cases were jointly administered under the caption In re: Trump Entertainment Resorts, Inc., et al., Debtors, Chapter 11 Case Nos.14-12103 through 14-12110 (KG) (collectively, the “Chapter 11 Case”).

On March 12, 2015, the Bankruptcy Court entered an order (the “Confirmation Order”) confirming the Debtors’ Third Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code As Modified (as amended, modified or supplemented from time to time, the “Plan”). The overall purpose of the Plan was to provide for the restructuring of the Debtors’ liabilities in a manner designed to maximize recovery to stakeholders, to enhance the financial viability of the Reorganized Debtors and, most importantly, to preserve the Debtors’ businesses and operations on a go-forward basis.

On February 26, 2016, the Effective Date of the Plan (the “Effective Date”) occurred and the transactions contemplated by the Plan were consummated. The following is a summary of transactions that occurred pursuant to the Plan. This summary only highlights certain of the substantive provisions of the Plan and is not intended to be a complete description of, or a substitute for a full and complete reading of, the Plan. This summary is qualified in its entirety by reference to the full text of the Plan.

Pursuant to the Plan, on the Effective Date, the following occurred:

- The existing pre-petition senior secured debt under the Amended and Restated Credit Agreement (as defined below) in the amount of \$285,590 held by Icahn Partners LP and related entities (the “First Lien Lenders”), was extinguished and converted into 100% of TER’s New Common Stock (as defined in the Plan). The First Lien Lenders waived any deficiency claims on account of that debt, and further waived any administrative or priority claims they may have had with respect to

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(unaudited)  
(in thousands)

- that debt. As a result of the above, IEH Investments I LLC, a subsidiary of Icahn Enterprises, LP, became the 100% owner of reorganized TER.
- TER entered into a new Credit Agreement (the “Credit Agreement”) with IEH Investments I LLC as Initial Lender (the “Lender”) and Icahn Agency Services, LLC, as Collateral Agent and Administrative Agent. Per the Credit Agreement, the Lender agreed to provide up to \$91,613 in new term loans (the “Exit Financing”), consisting of (a) a new senior secured revolving credit facility (the “Revolving Loan”) in the aggregate principal amount of \$40,000 (the “Revolving Loan Commitments”), and (b) a new term loan exit facility in the aggregate principal amount of \$16,000 plus \$35,613, the aggregate amount of the DIP Facility outstanding on the Effective Date (the “Term Loan”).
  - The funding of the Distribution Trust (as defined in the Plan) with \$3,500 for the benefit of holders of Allowed General Unsecured Claims (as defined in the Plan).
  - Payments of administrative, priority and secured claims were made (or will be made) in accordance with the Plan.
  - A new Board of Directors of TER was appointed as of the Effective Date.

As the transactions described above were not consummated until February 26, 2016, they are not reflected in the historical financial statements of the predecessor company for periods prior to that date.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Basis of Presentation*

The accompanying financial statements have been prepared pursuant to the rules and regulations of the Casino Control Commission of the State of New Jersey (the “CCC”) and the New Jersey Division of Gaming Enforcement (the “DGE”). Accordingly, certain information and note disclosures normally included in the financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s December 31, 2015 Quarterly Report as filed with the CCC and DGE.

In preparing the accompanying financial statements, the Company has reviewed, as determined necessary by the Company’s management, events that have occurred after June 30, 2016.

The accompanying financial statements have been prepared without audit. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary to present fairly the financial position, the results of operations, and cash flows for the periods presented, have been made.

### *Accounting Impact of Chapter 11 Case*

From the filing on the Petition Date to the Effective Date, the predecessor company operated as a debtor-in-possession under the jurisdiction of the Bankruptcy Court. Accordingly, the financial statements for the periods from the Petition Date through the Effective Date were prepared in accordance with Topic 852 – “Reorganizations” of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) (“ASC 852”) and on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. Following the Effective Date of the Plan, the ability of the Company to continue as a going concern is contingent upon, among other things, (i) the ability of the Company to generate cash from operations and to maintain adequate cash on hand, and (ii) the Company’s ability to regain lost business and to achieve profitability. There can be no assurance that the Company will be able to successfully achieve these objectives in order to continue as a going concern. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

Liabilities subject to compromise in the Balance Sheet as of June 30, 2015 related to certain of the

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liabilities of the Debtors incurred prior to the Petition Date. In accordance with ASC 852, liabilities subject to compromise are recorded at the estimated amount that is expected to be allowed as pre-petition claims in the Chapter 11 Case, even if they may be settled for lesser amounts in the future. Adjustments may result from negotiations, actions of the Bankruptcy Court, further developments with respect to disputed claims, rejection of executory contracts and unexpired leases, proofs of claim, implementation of a plan of reorganization or other events.

Liabilities subject to compromise consisted of the following:

|                                    | Predecessor<br>Company |
|------------------------------------|------------------------|
|                                    | <u>June 30, 2015</u>   |
| Accounts payable                   | \$ 7,114               |
| Other current liabilities          | 2,384                  |
| Other accrued expenses             | 38,933                 |
| Current portion LT debt affiliates | <u>226,517</u>         |
| Total                              | <u>\$ 274,948</u>      |

All post-petition liabilities have been, and continue to be, satisfied in the ordinary course of business.

The Company was required to accrue interest expense during the Chapter 11 Case only to the extent that it was probable that such interest would be paid pursuant to the proceedings. Given that the Plan did not provide for recovery of interest expense related to the Amended and Restated Credit Agreement (as defined), the Company ceased recording contractual interest expense on the 12% Revolving Grid Note on September 9, 2014, the Petition Date. If the Company had recorded interest expense under its pre-petition contractual agreements, total interest expense during the three and six months ended June 30, 2015 would have been \$7,007 and \$13,837, respectively.

The following table summarizes the net gain on reorganization and related items and fresh-start adjustments:

|  | For the Six Months<br>Ended<br><u>June 30, 2016</u> |
|--|---|
| Cancellation of indebtedness income  | \$ 227,384  |
| Revaluation of assets and liabilities in connection with fresh-start reporting | 19,849  |
| Cancellation of pre-petition liabilities income                                | 48,047  |
| Other  | <u>(480)</u>  |
| Total gain on reorganization and fresh-start adjustments                       | <u>\$ 294,800</u>                                   |

Upon emergence from Chapter 11, we adopted fresh-start reporting in accordance with ASC 852. Under fresh-start reporting, a new entity was deemed to have been created for financial reporting purposes and the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values. The term "Predecessor Company" refers to TER and its subsidiaries for periods prior to and including February 26, 2016 and the new "Reorganized Company" refers to TER and its subsidiaries for periods on and subsequent to February 26, 2016. Since the Effective Date was within several days of February month end, TER and its subsidiaries used the convenience date of February 29, 2016 as the Effective Date for purposes of closing the books of the Predecessor Company.

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

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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.

Cash and Cash Equivalents

The Company considers cash and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition and Allowance for Doubtful Accounts

The majority of the Company’s revenue is derived from gaming activities. As gaming revenues are primarily generated from cash transactions, the Company’s revenues do not typically require the use of estimates. Gaming revenues represent the difference between amounts of gaming wins and losses. Revenues from hotel and other services are recognized at the time the related services are performed. The Company extends credit on a discretionary basis to certain qualified patrons. Credit limits are established for approved casino customers following investigations of creditworthiness. The Company maintains an allowance for doubtful accounts based on a specific review of customer accounts as well as a review of the history of write-offs of returned markers. Accounts are written off when it is determined that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. Management believes that the reserve recorded is reasonable; however, these estimates could change based on the actual collection experience with each returned marker.

As discussed in Note 5, the Company adopted fresh-start reporting upon its emergence from Chapter 11 on the Effective Date, which required the Company to record its accounts receivable at net realizable value. As of the Effective Date, the net realizable value of accounts receivable was determined to be the carrying amount, net of previously established allowances for doubtful accounts. Therefore, previously established allowances for doubtful accounts were eliminated as of the Effective Date.

**3. DEBT**

|   | June 30, |            |
|---|----------|------------|
|   | 2016     | 2015       |
| 12% Revolving Grid Note - TER Holdings, subject to compromise,<br>due December 31, 2015, interest due and payable monthly | \$ -     | \$ 226,517 |
| Capitalized lease obligations, payments due through 2015,<br>secured by equipment financed, interest at 12%               | -        | 10         |
| Other debt (financed slot machines)   | -        | 479        |
| Total debt  | \$ -     | \$ 227,006 |

Predecessor Company

12% Revolving Grid Note

On July 16, 2010, the Company entered into an Amended and Restated Revolving Grid Note (“12% Grid Note”) with TER Holdings. Pursuant to the 12% Grid Note, the Company agreed to repay up to \$250,000 of advances made by TER Holdings, including any accrued unpaid interest on outstanding advances thereon. As disclosed in Note 2 (Accounting Impact of Chapter 11 Case), the Company ceased recording interest on the 12% Grid Note as of September 9, 2014, the Petition Date.

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*Event of Default*

As discussed in Note 1, on September 9, 2014, the Debtors filed voluntary Chapter 11 petitions in the Bankruptcy Court seeking relief under the provisions of Chapter 11 of the Bankruptcy Code. The filing of the Chapter 11 Case constituted an event of default and therefore triggered repayment obligations under the Amended and Restated Credit Agreement (as defined). As a result, all indebtedness outstanding became automatically due and payable. Under the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most pending litigation, are stayed and other contractual obligations against the Debtors generally may not be enforced. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities were subject to settlement under the Plan. As described below, the Company guaranteed the indebtedness under the Amended and Restated Credit Agreement, therefore, the Company has classified its intercompany indebtedness within current liabilities in the accompanying Balance Sheet as of June 30, 2015.

*Guarantees*

Taj Associates, along with Trump Plaza Associates LLC (“Plaza Associates”) and Trump Marina Associates LLC (“Marina Associates”) guaranteed TER Holdings’ Amended and Restated Credit Agreement (the “Amended and Restated Credit Agreement”) on a joint and several basis. The Amended and Restated Credit Agreement is secured by substantially all of the assets of TER Holdings, Plaza Associates and Taj Associates on a priority basis. At June 30, 2015, TER Holdings had outstanding borrowings of \$285,590 under the Amended and Restated Credit Agreement, all of which were accelerated as a result of the filing of the Chapter 11 Case.

*DIP Facility*

On January 30, 2015, the Bankruptcy Court entered an order which authorized the Debtors’ to obtain post-petition financing through an agreement between the Debtors as borrowers, IEH Investments I LLC as initial lender, and Icahn Agency Services, LLC as collateral agent and administrative agent (the “DIP Agreement”). The DIP Agreement, as amended, provided for the Debtors to draw term loans (the “DIP Term Loans”) at an interest rate equal to 10% per annum, with accrued and unpaid interest automatically capitalized and added to the outstanding principal. The total outstanding balance of the DIP Term Loans as of February 26, 2016 was \$35,613, which included \$2,139 of PIK Interest.

Taj Associates, along with Plaza Associates and Marina Associates, guaranteed all amounts outstanding under the DIP Agreement on a joint and several basis. The DIP Agreement was secured by substantially all of the assets of TER Holdings and its subsidiaries, including Taj Associates, on a priority basis. The indebtedness under the DIP Agreement was repaid through term loans made on the Effective Date under the new Credit Agreement described below.

*Reorganized Company*  
*New Credit Agreement*

Upon emergence from bankruptcy, TER entered into the Credit Agreement with IEH Investments I LLC as Lender and Icahn Agency Services, LLC, as Collateral Agent and Administrative Agent. Per the Credit Agreement, the Lender agreed to provide up to \$91,613 in Exit Financing consisting of (a) a Revolving Loan in the aggregate principal amount of \$40,000, and (b) a Term Loan in the aggregate principal amount of \$16,000 plus \$35,613, the aggregate amount outstanding under the DIP Agreement on the Effective Date.

On April 28, 2016, the Independent Directors of the Board of Directors of TER approved an amendment to the Credit Agreement which increased the amount of the Revolving Loan Commitments by \$10,000, from \$40,000 to \$50,000.

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Interest on both the Term Loan and the Revolving Loan is calculated at a rate of 8% per annum, with accrued and unpaid interest automatically capitalized and added to the outstanding principal of each of the respective loans.

TER's outstanding balance of the Term Loan as of June 30, 2016 is \$52,921 which includes \$1,436 of PIK interest. TER received Revolving Loan draws of \$23,463 on March 2, 2016, \$5,142 on March 4, 2016 and \$3,000 on June 1, 2016. The outstanding balance of the Revolving Loan as of June 30, 2016 is \$32,408 which includes \$803 of PIK Interest.

#### **4. INCOME TAXES**

##### *Federal Income Taxes*

The accompanying financial statements do not include a provision for federal income taxes since the Company is a division of TER Holdings, which is taxed as a partnership for federal income tax purposes. Therefore, the Company's income and losses are allocated and reported for federal income tax purposes by TER Holdings' partners.

##### *State Income Taxes*

Under the New Jersey Casino Control Act (the "Act"), the Company is required to file New Jersey corporation business tax returns. At December 31, 2015, the Company had state net operating loss carryforwards of \$609,000 available to offset future taxable income. The New Jersey state net operating loss carryforwards expire from 2029 through 2035.

There was no state income tax provision during the three and six months ended June 30, 2016 and 2015.

At December 31, 2015, the Company had unrecognized tax benefits of approximately \$525. The Company's unrecognized tax benefits would not affect its effective tax rate, if recognized.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties as a component of income tax expense. The Company did not recognize any interest associated with uncertain tax positions during the three and six months ended June 30, 2016 and 2015.

##### *State Income Tax Audits*

Tax years 2011 through 2015 remain subject to examination by state tax authorities.

##### *Potential Chapter 11 Case Implications*

The Company's debt was restructured as a result of the Chapter 11 Case. The Company anticipates that it would recognize "cancellation of indebtedness" income and as a result, the Company could be required to reduce certain tax attributes such as NOLs and the tax basis of its assets. Any such reduction could result in increased future tax liabilities for the Company.

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**5. FRESH START REPORTING**

We adopted fresh-start reporting upon our emergence from Chapter 11 on the Effective Date in accordance with ASC 852. We were required to apply the fresh-start reporting provisions of ASC 852 to our financial statements because (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) holders of existing voting shares of TER's common stock immediately before confirmation (i.e. the holders of shares of the common stock of the Predecessor Company that were issued and outstanding prior to the commencement of the Chapter 11 proceedings) received less than 50 percent of the voting shares of the emerging entity. Under ASC 852, application of fresh-start reporting is required on the date on which a plan of reorganization is confirmed by a bankruptcy court, but ASC 852 further provides that fresh-start reporting should not be applied until all material conditions to the plan of reorganization are satisfied. All material conditions to the Plan were satisfied as of February 26, 2016 or shortly thereafter.

Fresh-start reporting required us to adjust the historical cost bases of our assets and liabilities to their fair value as determined by the reorganization value of the Debtors as set forth in the Plan. For purposes of the Plan, the range of reorganization value of the Reorganized Debtors was estimated to be between \$170,000 and \$207,000 by using a variety of analyses and methodologies, including comparable public company analysis, transaction multiple analysis and discounted cash flow analysis. The reorganization value has been allocated among Reorganized TER's net assets in conformity with procedures specified by ASC 805 – "Business Combinations" ("ASC 805"). TER engaged an independent valuation firm to assist us in the allocation of reorganization value to our assets and liabilities. The independent valuation firm's report is complete and currently under review by the Company's external auditors. We have used the valuation firm's analysis to make fresh-start adjustments to the accompanying financial statements as of the Effective Date.



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The adoption of fresh-start reporting resulted in the following adjustments to Taj Associates' balance sheet as of February 26, 2016:

|   | Predecessor<br>Company<br>February 26, 2016 | Effects of the<br>Plan of<br>Reorganization | Fresh-start<br>Adjustments | Reorganized<br>Company<br>February 26, 2016 |
|---|---|---|----------------------------|---|
| <b>Current assets:</b>                        |   |   |                            |   |
| Cash and cash equivalents                     | \$ 13,787                                   | \$ 45 (a)                                   | \$ -                       | \$ 13,832                                   |
| Accounts receivable, net                      | 4,355                                       | (45) (b)                                    | -                          | 4,310                                       |
| Other current assets                          | 3,868                                       | (75) (b)                                    | -                          | 3,793                                       |
| Total current assets                          | <u>22,010</u>                               | <u>(75)</u>                                 | <u>-</u>                   | <u>21,935</u>                               |
| Net property and equipment                    | 121,185                                     | -   | 13,615 (e)                 | 134,800                                     |
| <b>Other long-term assets:</b>                |   |   |                            |   |
| Intangible assets                             | 7,500                                       | -   | 6,234 (f)                  | 13,734                                      |
| Other assets, net                             | 13,389                                      | (50) (b)                                    | -                          | 13,339                                      |
| <b>Total assets</b>                           | <b><u>\$ 164,084</u></b>                    | <b><u>\$ (125)</u></b>                      | <b><u>\$ 19,849</u></b>    | <b><u>\$ 183,808</u></b>                    |
| <b>Current liabilities:</b>                   |   |   |                            |   |
| Accounts payable and accrued expenses         | \$ 93,622                                   | \$ (47,692) (c)                             | \$ -                       | \$ 45,930                                   |
| Accrued interest payable                      | 1,681                                       | -   | -                          | 1,681                                       |
| Current maturities of long-term debt          | 227,471                                     | (227,384) (d)                               | -                          | 87  |
| Total current liabilities                     | <u>322,774</u>                              | <u>(275,076)</u>                            | <u>-</u>                   | <u>47,698</u>                               |
| Total (deficit) equity                        | (158,690)                                   | 274,951 (g)                                 | 19,849 (g)                 | 136,110                                     |
| <b>Total liabilities and (deficit) equity</b> | <b><u>\$ 164,084</u></b>                    | <b><u>\$ (125)</u></b>                      | <b><u>\$ 19,849</u></b>    | <b><u>\$ 183,808</u></b>                    |

Adjustments to Record the Effects of the Plan of Reorganization and Fresh-Start Reporting

- (a) This adjustment represents elimination of outstanding check liability related to unclaimed property.  
(b) These adjustments are related to the reduction of various assets based on contract cure settlements and pre-petition liability set-offs.  
(c) These adjustments represent the elimination of pre-petition liabilities netted with court approved claim payments made on or shortly after the Effective Date.  
(d) Extinguishment of 12% Grid Note with TER Holdings.  
(e) This adjustment represents the increase in carrying value to record property and equipment at its estimated fair value as of the Effective Date.  
(f) This adjustment represents the increase in the estimated fair value of intangible assets related to trademarks as of the Effective Date.  
(g) These adjustments to equity reflect the capitalization of the Reorganized Company and related fresh-start reporting adjustments on the Effective Date.

Fresh-Start Reporting Adjustments

The determination of fair value of assets and liabilities is subject to significant estimation and assumptions and there can be no assurances that the estimates, assumptions and values reflected in the valuations will be realized and actual results could vary materially. TER engaged an independent valuation firm to assist us in the allocation of reorganization value to our assets and liabilities. The independent valuation firm's report is currently under review by the Company's external auditors.

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**6. TRANSACTIONS WITH AFFILIATES**

The Company engages in certain transactions with TER Holdings, Plaza Associates and Marina Associates, all of which are affiliates. Amounts due (from)/to affiliates are as follows:

|                   | June 30,         |                   |
|-------------------|------------------|-------------------|
|                   | 2016             | 2015              |
| Plaza Associates  | \$ 87            | \$ (4,801)        |
| Marina Associates | 14               | (1,365)           |
| TER Holdings      | 34,500           | 448               |
| Total             | <u>\$ 34,601</u> | <u>\$ (5,718)</u> |

Taj Associates engages in various transactions with related casino entities that are affiliates of TER. These transactions are charged at cost or normal selling price in the case of retail items and include, but are not limited to, certain shared professional fees, insurance, and payroll costs.

Trump Taj Mahal Associates Administration, a separate division of Taj Associates (“Trump Administration”) provided certain shared services to Taj Associates and Plaza Associates. Amounts allocated from Trump Administration to Taj Associates are included in Other Charges from Affiliates on the accompanying 2015 Statement of Income. There were no expenses allocated to Trump Plaza Associates for the six months ended June 30, 2015, as Trump Plaza was closed for business effective September 16, 2014. Effective January 1, 2015, Trump Administration’s expenses were allocated entirely to Taj Associates. Effective January 1, 2016, Trump Administration employees and all related payroll and operating expenses were transferred to Taj Associates. As a result, all expenses are included in Taj Associates’ financials and are no longer reported as Charges from Affiliates in the accompanying 2016 Statements of Income.

Transactions with TER Holdings consist primarily of borrowings in order to satisfy outstanding real estate taxes from 2014 and 2016.

**Related Party Transactions**

As discussed in Note 1, the management agreement between Taj Associates, TEI and IEH Investments I LLC became effective on April 13, 2016. As such, Taj Associates remits payment to TEI for the management fee and other related expenses. These expenses are included in Charges from Affiliates in the accompanying 2016 Statements of Income.

**7. NON-OPERATING INCOME (EXPENSE)**

Non-operating income (expense) for the three and six months ended June 30 consists of the following:

|                                   | Three months ended June 30, |                    | Six months ended June 30, |                    |
|-----------------------------------|-----------------------------|--------------------|---------------------------|--------------------|
|                                   | 2016                        | 2015               | 2016                      | 2015               |
| Interest Income                   | \$ 66                       | \$ 64              | \$ 128                    | \$ 146             |
| Debt Extinguishment               | -                           | -                  | 227,384                   | -                  |
| Reorganization income             | -                           | -                  | 47,567                    | -                  |
| Fresh-start reporting adjustments | -                           | -                  | 19,849                    | -                  |
| Contract Settlement               | -                           | (20,598)           | -                         | (20,598)           |
| Other                             | (30)                        | (369)              | (60)                      | (399)              |
| Total                             | <u>\$ 36</u>                | <u>\$ (20,903)</u> | <u>\$ 294,868</u>         | <u>\$ (20,851)</u> |

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**8. COMMITMENTS & CONTINGENCIES**

*Chapter 11 Case*

On September 9, 2014 (the “Petition Date”), TER and its subsidiaries (collectively, the “Debtors”), filed voluntary Chapter 11 petitions in the United States Bankruptcy Court for the District of Delaware in Wilmington, Delaware (the “Bankruptcy Court”), seeking relief under the provisions of Chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors’ Chapter 11 cases were jointly administered under the caption In re: Trump Entertainment Resorts, Inc., et al., Debtors, Chapter 11 Case Nos.14-12103 through 14-12110 (KG) (collectively, the “Chapter 11 Case”). See Note 1 for additional information.

*Unfair Labor Practice Charges*

On October 17, 2014, the Delaware Bankruptcy Court approved the Debtors’ motion to (i) reject the collective bargaining agreement with UNITE HERE Local 54 (“Local 54” or the “Union”) and (ii) implement modified terms of a new collective bargaining agreement (the “CBA Order”). The Union’s attempts to overturn the CBA Order have failed and all available appeals have been exhausted. The Union has filed multiple unfair labor practice charges (“ULPs”) with the National Labor Relations Board (“NLRB”) challenging many of the Company’s operational actions taken before and after the CBA Order. These ULPs name both Trump Taj Mahal and multiple Icahn Enterprises entities as employers, alleging the existence of a joint employer relationship. The Company has been advised that NLRB’s General Counsel intends to issue a Complaint alleging that the Company has committed a number of unfair labor practices and that the Complaint will also allege the existence of a joint employer relationship between the Company and a number of Icahn Enterprises entities. While the NLRB’s Regional Director also dismissed a number of the Union’s charges, the Union has appealed those dismissals to the General Counsel in Washington.

The Company intends to vigorously defend itself against the charges asserted by Local 54. The Company cannot predict what action the NLRB may ultimately take with regard to these matters or the impact on the Company of any such action.

*Legal Proceedings*

*Superstorm Sandy*

During late October 2012, an unusual mix of a hurricane and winter storm (“Superstorm Sandy”) caused widespread property damage and flooding to numerous regions along the Eastern United States. On October 27, 2012, in anticipation of Superstorm Sandy, the Governor of New Jersey ordered the closure of all businesses and the evacuation of Atlantic City, New Jersey. On October 28, 2012, the DGE ordered the temporary suspension of all twelve Atlantic City gaming licenses. The DGE vacated its order on November 2, 2012. Trump Taj Mahal closed to the public on October 28, 2012. Although Superstorm Sandy made landfall in close proximity to Atlantic City, Trump Taj Mahal sustained minor physical damage and was able to reopen on November 2, 2012. The Company’s results of operations were negatively impacted due to the closure and the extensive damage sustained within its primary feeder markets in the Mid-Atlantic Region.

The Company filed a claim for approximately \$9,600 with its insurance carriers relating to losses incurred through March 31, 2013 in connection with Superstorm Sandy. The Company has also calculated the adverse impact that it believes the storm had on its results of operations subsequent to March 31, 2013 for further submission to the insurance carriers. While the Company has insurance that covers losses related to property damage and business interruptions, losses sustained may either be subject to significant deductibles or unfavorable coverage interpretation by the insurance carriers, or a combination of both. No payment has been received to date, nor have the carriers approved our claim.

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As a result, on October 29, 2015, TER and its subsidiaries (including the Company) filed a lawsuit in the Superior Court of New Jersey–Atlantic County against the two insurance carriers for benefits under the insurance policies, as a result of Superstorm Sandy, which have not been paid. The lawsuit alleges Breach of Contract and Breach of Implied Covenant of Good Faith and Fair Dealing (“Bad Faith Claims”) against both insurance carriers. TER is seeking compensatory damages, consequential damages, pre-judgment interest and post-judgment interest, cost of suit, attorneys’ fees and such other relief as the court may deem equitable and just. The case is currently proceeding on the breach of contract claims only as the Bad Faith Claims have been severed and any discovery relating to same has been stayed pending the outcome of defendant insurers’ interlocutory appeal. Discovery is ongoing at this time.

*Other Legal Proceedings*

In addition, Taj Associates and certain of its employees are involved from time to time in various legal proceedings incidental to the Company’s business. While any proceeding or litigation contains an element of uncertainty, management believes that the final outcomes of these matters are not likely to have a material adverse effect on the Company’s results of operations or financial condition. In general, the Company has agreed to indemnify such persons, and its directors, against any and all losses, claims, damages, expenses (including reasonable costs, disbursements and counsel fees) and liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) incurred by them in said legal proceedings absent a showing of such persons’ gross negligence or malfeasance.

*Casino License Resubmission*

The Company is subject to regulation and licensing by the CCC and the DGE. The Company’s casino license must be renewed periodically, is not transferable, is dependent upon the financial stability of the Company and can be revoked at any time. Due to the uncertainty of any license renewal application, there can be no assurance that the license will be renewed if the Company were to request a renewal.

In June 2007, the CCC renewed the Company’s license to operate Trump Taj Mahal for the following five-year period through June 2012. During 2012, the Company and certain individuals resubmitted the required documentation supporting a renewal of their qualification and licensure and were authorized to continue to operate while the DGE performed its investigations. The DGE completed its resubmission investigation of the Company and certain individuals and determined that no information was revealed that would affect the Company’s casino license. Upon revocation, suspension for more than 120 days, or failure to renew the casino license, the Casino Control Act provides for the mandatory appointment of a conservator to take possession of the hotel and casino’s business and property, subject to all valid liens, claims and encumbrances.

*Casino Reinvestment Development Authority Obligations*

As required by the provisions of the Act, a casino licensee must pay an investment alternative tax of 2.5% of its gross land-based casino revenues as defined in the New Jersey Casino Control Act. However, pursuant to a contract with the CRDA, the Company pays 1.25% of its gross land-based casino revenues to the CRDA (the “CRDA Payment”) to fund qualified investments as defined in the Casino Control Act and such CRDA Payment entitles the Company to an investment tax credit in an amount equal to twice the amount of the CRDA Payment against the 2.5% investment alternative tax. Qualified investments may include the purchase of bonds issued by the CRDA at a below market rate of interest, direct investment in projects or donation of funds to projects as determined by the CRDA.

According to the Act, funds on deposit with the CRDA are invested by the CRDA and the resulting interest income is shared two-thirds to the casino and one-third to the CRDA. Further, the Act requires that CRDA bonds be issued at statutory rates established at two-thirds of the average rate of the Bond Buyer Weekly 25 Revenue Bond Index for bonds available for purchase during the last 26 weeks preceding the date the CRDA issues its bond. The Company records charges to expense equal to one-third of its obligation to

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reflect the lower return on investment at the date the obligation arises. Pursuant to the contract with the CRDA, the Company is required to make quarterly deposits with the CRDA to satisfy its investment obligations.

For the six months ended June 30, 2016 and 2015, the Company charged to operations \$664 and \$271, respectively, to reflect reductions in the estimated net realizable value of certain CRDA deposits due to certain transactions and to give effect to the below market interest rates associated with CRDA deposits and bonds.

As described below, commencing on the effective date of the Casino Property Tax Stabilization Act, future CRDA Payments that have not been pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund such bonds, will be allocated to the City of Atlantic City for the purposes of paying debt service on bonds issued by the City of Atlantic City.

*Atlantic City Tourism District*

In February 2011, as part of the State of New Jersey's plan to revitalize Atlantic City's casino and tourism industries, a law was enacted requiring the creation of a tourism district (the "Tourism District") to be administered and managed by the CRDA. The Tourism District includes each of the Atlantic City casino properties, along with certain other tourism related areas of Atlantic City. The law requires, among other things, the creation of a public-private partnership between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the "ACA"), was established in the form of a not-for-profit corporation, of which the Company is a member. The public-private partnership established between the ACA and the CRDA is for an initial term of five years. Its general purpose is to revitalize and market the Tourism District. The law requires the casinos to make an annual contribution of \$30,000 commencing January 1, 2012 for a term of five years. Each casino's portion of the annual contributions will equate to the percentage representing its gross gaming revenue for the prior calendar quarter compared to the aggregate gross gaming revenues for that period for all casinos. During the three and six months ended June 30, 2016, the Company recognized expense of \$571 and \$1,074, respectively, related to its portion of the \$30,000 contribution for 2016. During the three and six months ended June 30, 2015, the Company recognized expense of \$540 and \$1,161, respectively, related to its portion of the \$30,000 contribution for 2015. The 2015 payments have been held by the ACA pending the anticipated enactment of the Casino Property Tax Stabilization Act described below.

*NJ PILOT Law*

On May 27, 2016, New Jersey enacted the Casino Property Tax Stabilization Act (the "PILOT Law") which will exempt Atlantic City casino gaming properties from ad valorem property taxation in exchange for an agreement to make annual payment in lieu of tax payments ("PILOT Payments") to the City of Atlantic City, make certain changes to the NJ Tourism Law and redirect certain CRDA Payments to assist in the stabilization of Atlantic City finances. Under the PILOT Law, commencing in 2017 and for a period of ten (10) years, Atlantic City casino gaming properties will be required to pay a prorated share of PILOT Payments totaling \$120,000 based on a formula that accounts for gaming revenues, the number of hotel rooms and the square footage of each casino gaming property. Commencing in 2018 and each year thereafter, the \$120,000 base year aggregate payment may either increase to as high as \$165,000 (based upon industry gross gaming revenue ("GGR") of between \$3.0 billion and \$3.4 billion) or decrease to a low of \$90,000 (based upon industry GGR less than \$1.8 billion) and further taking into account certain non-GGR revenue streams, with the base year \$120,000 industry GGR set at between \$2.2 billion and \$2.6 billion. In years in which the industry PILOT Payments do not increase based upon an increase in GGR above the base year or other bracketed amounts, PILOT Payments will increase 2%.

The PILOT Law also provides for the abolishment of the ACA effective as of January 1, 2015 and redirection of the \$30,000 in ACA funds paid by the casinos for 2015 and accrued in 2016 under the Tourism District Law to the State of New Jersey for Atlantic City fiscal relief and further payments of \$15,000 in 2017, \$10,000 in 2018 and \$5,000 for each year between 2019 and 2023 to Atlantic City upon

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approval of a financial plan to be submitted by Atlantic City which is required to set forth specific actions to be taken to improve its financial condition.

In addition, the PILOT Law also provides for CRDA Payments made by the casino operators which were previously deposited with the CRDA and which have not been pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund such bonds to be allocated to the State of New Jersey for purposes of paying debt service on bonds previously issued by the City of Atlantic City.

**9. FAIR VALUE MEASUREMENTS**

ASC Topic 820 – “Fair Value Measurements and Disclosures” (“ASC 820”) establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices 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 reporting entity’s own assumptions.

*Balances Measured at Fair Value on a recurring basis*

|                         | June 30, 2016 |         |         |           | June 30, 2015 |         |         |          |
|-------------------------|---------------|---------|---------|-----------|---------------|---------|---------|----------|
|                         | Balance       | Level 1 | Level 2 | Level 3   | Balance       | Level 1 | Level 2 | Level 3  |
| CRDA bonds and deposits | \$ 11,060     | -       | -       | \$ 11,060 | \$ 9,713      | -       | -       | \$ 9,713 |

The amounts recorded related to CRDA bonds and deposits are classified within Investments, Advances and Receivables, net on the Balance Sheets as of June 30, 2016 and 2015. CRDA investments are discussed further in Note 8.

*Balances Disclosed at Fair Value*

The carrying amounts of financial instruments included in current assets and current liabilities approximate their fair values due to their short-term nature. The carrying amounts of CRDA bonds and deposits approximate their fair value as a result of allowances established to give effect to below-market interest rates.

Due to the intercompany nature of the 12% Grid Note, the fair value at June 30, 2015 cannot be calculated. The Company’s other long-term debt was not significant at June 30, 2016 and 2015.

**10. PROPERTY TAXES**

*Property Tax Expense*

Property tax expense of \$4,232 and \$13,818 is recorded within General, Administrative and Other Expenses on the accompanying Statements of Income for the six months ended June 30, 2016 and 2015. For the three months ended June 30, 2016 and 2015, property tax expense was (\$177) and \$6,909, respectively.

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2014 Property Tax Assessment Settlement

As previously disclosed, during early 2014, Taj Associates and Plaza Associates had agreed in principle with the City of Atlantic City (the "City") with respect to reductions to the real estate assessed values related to Trump Taj Mahal and Trump Plaza for 2014 and 2015. Under the terms of a draft settlement agreement, the City reduced the aggregate real estate assessed values for the 2014 and 2015 tax years to \$825,000 for Trump Taj Mahal and \$210,000 for Trump Plaza. Taj Associates and Plaza Associates would have been precluded by the terms of the draft settlement agreement from appealing or otherwise contesting such assessments for 2014 and 2015, provided that the City did not complete a city-wide real property revaluation for the 2015 tax year and/or the assessments for Trump Taj Mahal and Trump Plaza were consistent with the amounts the City assessed. The reduced assessed values were to become effective as of the beginning of the 2014 tax year.

The Company did not and will not enter into the above settlement agreement with the City, due in part to the significant and unanticipated increase in the 2014 property tax rate and also due to other material provisions of the proposed agreement. As a result, the Company's appeal of the 2014 real estate assessments is still pending.

2015 Property Tax Assessment Reduction

In February 2015, the Company received its Notices of Property Tax Assessments for 2015 from the Atlantic City Assessor, which reduced the aggregate real estate assessed values to \$500,000 for Trump Taj Mahal. However, the Company appealed this assessment and that appeal is still pending.

2016 Property Tax Assessment Reduction

In February 2016, the Company received its Notices of Property Tax Assessments for 2016 from the Atlantic City Assessor, which further reduced the aggregate real estate assessed values to \$225,000 for Trump Taj Mahal. The Company has also appealed this assessment.

**11. SUBSEQUENT EVENTS**

Local 54 Labor Action

Taj Mahal commenced bargaining sessions with Local 54 in June 2016 in an effort to reach an agreement on a new collective bargaining contract. Local 54 rejected the Company's contract offer and elected to strike Taj Mahal effective July 1, 2016. The strike has continued through the date of this report filing.

Announcement of Taj Mahal Closure

On August 5, 2016, pursuant to the Federal Worker Adjustment and Retraining Notification Act and the New Jersey Millville Dallas Airmotive Plant Job Loss Notification Act (collectively "WARN Acts"), the Company notified its employees that the Taj Mahal would cease operations on October 10, 2016 and that all employees would be permanently terminated with an expected separation date of October 10, 2016. As a result, the entire facility will be closed and Taj Mahal will cease all operations on October 10, 2016.