

**GOLDEN NUGGET ATLANTIC CITY, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2012

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

GOLDEN NUGGET ATLANTIC CITY, LLC

BALANCE SHEETS

AS OF JUNE 30, 2012 AND 2011 *

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED SEPTEMBER 5, 2012

Line (a)	Description (b)	Notes	2012 (c)	2011 * (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$3,010	\$38,390
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, \$1,468 ; 2011, \$ 40).....	3,4	4,366	2,127
4	Inventories	3	1,867	744
5	Other Current Assets.....	5	1,659	1,865
6	Total Current Assets.....		10,902	43,126
7	Investments, Advances, and Receivables.....		1,180	119
8	Property and Equipment - Gross.....	3,6	152,854	45,029
9	Less: Accumulated Depreciation and Amortization.....		(4,563)	(77)
10	Property and Equipment - Net.....		148,291	44,952
11	Other Assets.....	3,7	11,094	8,258
12	Total Assets.....		\$171,467	\$96,455
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$33,183	\$7,899
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	9	2,804	1,090
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	8	10,359	8,053
19	Other Current Liabilities.....		1,346	517
20	Total Current Liabilities.....		47,692	17,559
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	9	12,377	42,021
23	Deferred Credits		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	10	0	0
26	Total Liabilities.....		60,069	59,580
27	Stockholders', Partners', or Proprietor's Equity.....		111,398	36,875
28	Total Liabilities and Equity.....		\$171,467	\$96,455

* Golden Nugget Atlantic City, LLC began operations on May 24, 2011

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

GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 *

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 * (d)
	Revenue:			
1	Casino.....		\$63,492	\$13,985
2	Rooms.....		8,255	1,867
3	Food and Beverage.....		7,425	1,783
4	Other.....		5,770	832
5	Total Revenue.....	3	84,942	18,467
6	Less: Promotional Allowances.....	3	25,749	4,677
7	Net Revenue.....		59,193	13,790
	Costs and Expenses:			
8	Cost of Goods and Services.....		61,631	11,451
9	Selling, General, and Administrative.....	3	5,591	1,175
10	Provision for Doubtful Accounts.....		608	40
11	Total Costs and Expenses.....		67,830	12,666
12	Gross Operating Profit.....		(8,637)	1,124
13	Depreciation and Amortization.....		3,609	77
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(12,246)	1,047
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	3,9	(2,341)	(570)
19	CRDA Related Income (Expense) - Net.....	3	(264)	(59)
20	Nonoperating Income (Expense) - Net.....		1	1,457
21	Total Other Income (Expenses).....		(2,604)	828
22	Income (Loss) Before Taxes and Extraordinary Items.....		(14,850)	1,875
23	Provision (Credit) for Income Taxes.....			
24	Income (Loss) Before Extraordinary Items.....		(14,850)	1,875
25	Extraordinary Items (Net of Income Taxes - 2012, \$0; 2011, \$0).....			0
26	Net Income (Loss).....		(\$14,850)	\$1,875

* Golden Nugget Atlantic City, LLC began operations on May 24, 2011

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GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2012 AND 2011 *

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 * (d)
	Revenue:			
1	Casino.....		\$32,098	\$13,985
2	Rooms.....		5,016	1,867
3	Food and Beverage.....		4,216	1,783
4	Other.....		3,665	832
5	Total Revenue.....	3	44,995	18,467
6	Less: Promotional Allowances.....	3	11,902	4,677
7	Net Revenue.....		33,093	13,790
	Costs and Expenses:			
8	Cost of Goods and Services.....		33,051	11,451
9	Selling, General, and Administrative.....	3	3,289	1,175
10	Provision for Doubtful Accounts.....		344	40
11	Total Costs and Expenses.....		36,684	12,666
12	Gross Operating Profit.....		(3,591)	1,124
13	Depreciation and Amortization.....		2,218	77
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(5,809)	1,047
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	3,9	(258)	(570)
19	CRDA Related Income (Expense) - Net.....	3	(131)	(59)
20	Nonoperating Income (Expense) - Net.....		0	1,457
21	Total Other Income (Expenses).....		(389)	828
22	Income (Loss) Before Taxes and Extraordinary Items.....		(6,198)	1,875
23	Provision (Credit) for Income Taxes.....			0
24	Income (Loss) Before Extraordinary Items.....		(6,198)	1,875
	Extraordinary Items (Net of Income Taxes -			
25	2012, \$ 0 ; 2011, \$0).....			0
26	Net Income (Loss).....		(\$6,198)	\$1,875

* Golden Nugget Atlantic City, LLC began operations on May 24, 2011

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

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

GOLDEN NUGGET ATLANTIC CITY, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE PERIOD MAY 24 THROUGH DECEMBER 31, 2011 *
AND THE SIX MONTHS ENDED JUNE 30, 2012

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2010.....		\$0			\$0
2	Net Income (Loss) 5/24-12/31.....			(4,080)		(4,080)
3	Capital Contributions.....		36,300			36,300
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2011.....		36,300	(4,080)	0	32,220
11	Net Income (Loss) - 2012.....			(14,850)		(14,850)
12	Capital Contributions.....		94,028			94,028
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, June 30, 2012.....		\$130,328	(\$18,930)	\$0	\$111,398

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

GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE, 2012 AND 2011 *

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED SEPTEMBER 5, 2012

Line (a)	Description (b)	Notes	2012 (c)	2011 * (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$8,310)	\$8,424
	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.....		(49,094)	(6,725)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(807)	(178)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	(33,544)
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(49,901)	(40,447)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			39,750
16	Costs of Issuing Debt.....			(4,337)
17	Payments to Settle Long-Term Debt.....		(39,240)	
18	Cash Proceeds from Issuing Stock or Capital Contributions...		94,028	35,000
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		54,788	70,413
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(3,423)	38,390
25	Cash and Cash Equivalents at Beginning of Period.....		6,433	
26	Cash and Cash Equivalents at End of Period.....		\$3,010	\$38,390
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$1,204	\$314
28	Income Taxes.....			

The accompanying notes are an integral part of the financial statements.
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GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE, 2012 AND 2011 *

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 * (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$14,850)	\$1,875
30	Depreciation and Amortization of Property and Equipment.....		3,609	77
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....		2,239	97
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....			
36	(Gain) Loss on CRDA-Related Obligations.....		269	59
37	(Gain) Loss from Other Investment Activities.....			(1,453)
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,606)	(2,127)
39	(Increase) Decrease in Inventories		(390)	(449)
40	(Increase) Decrease in Other Current Assets.....		(372)	(1,222)
41	(Increase) Decrease in Other Assets.....		(2,571)	(158)
42	Increase (Decrease) in Accounts Payable.....		5,217	7,726
43	Increase (Decrease) in Other Current Liabilities		145	3,999
44	Increase (Decrease) in Other Liabilities			
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$8,310)	\$8,424

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$52,480)	(\$7,029)
49	Less: Capital Lease Obligations Incurred.....		3,386	304
50	Cash Outflows for Property and Equipment.....		(\$49,094)	(\$6,725)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			(\$38,000)
52	Goodwill Acquired.....			
53	Other Assets Acquired - net		(807)	4,456
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		(\$807)	(\$33,544)
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$94,028	\$35,000
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.....		\$94,028	\$35,000

* Golden Nugget Atlantic City, LLC began operations on May 24, 2011

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

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

GOLDEN NUGGET ATLANTIC CITY, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(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	60,526	\$4,256	0	\$0
2	Food	133,483	2,382	20,027	1,200
3	Beverage	347,653	1,477	0	0
4	Travel	0	0	2,079	52
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	232,871	11,832	0	0
7	Complimentary Cash Gifts	47,226	3,779	0	0
8	Entertainment	12,192	306	0	0
9	Retail & Non-Cash Gifts	129,412	1,638	0	0
10	Parking	0	0	237,846	714
11	Other	14,386	79	0	0
12	Total	977,749	\$25,749	259,952	\$1,966

FOR THE THREE MONTHS ENDED JUNE 30, 2012

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	29,971	\$2,298	0	\$0
2	Food	63,905	1,141	11,061	662
3	Beverage	172,485	733	0	0
4	Travel	0	0	1,122	28
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	108,900	5,445	0	0
7	Complimentary Cash Gifts	14,912	1,193	0	0
8	Entertainment	11,256	282	0	0
9	Retail & Non-Cash Gifts	58,944	755	0	0
10	Parking	0	0	104,678	314
11	Other	4,696	55	0	0
12	Total	465,069	\$11,902	116,861	\$1,004

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

**GOLDEN NUGGET ATLANTIC CITY, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2012

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.

9/5/2012

Date



Keith Crede

Vice President Finance

Title

6939-11

License Number

On Behalf of:

GOLDEN NUGGET ATLANTIC CITY, LLC

Casino Licensee

GOLDEN NUGGET ATLANTIC CITY, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

FOOTNOTES 2, 3 AND 9 AMENDED
SEPTEMBER 5, 2012

Nature of Business

Golden Nugget Atlantic City, LLC (“GNAC”) operates the Golden Nugget Atlantic City hotel and casino in Atlantic City, NJ. We are wholly owned by Fertitta Entertainment Holdings, LLC and are an affiliate of Landry’s, Inc., which also owns the Golden Nugget hotels and casinos in Las Vegas and Laughlin, NV. On May 24, 2011, GNAC purchased the assets of Trump Marina Associates, LLC for approximately \$37.7 million. Unless otherwise stated, all dollars are in thousands.

We had no operations prior to May 24, 2011.

Principles of Consolidation

The accompanying financial statements include the consolidated accounts of GNAC and its wholly owned subsidiaries (collectively, the “Company,” “we” or “us”). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The condensed consolidated financial statements included herein have been prepared without audit and pursuant to the rules and regulations of the New Jersey Division of Gaming Enforcement. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair presentation of the results for interim periods have been made. Estimates are used for, but not limited to, the assessment of recoverability of long lived assets; costs to settle unpaid claims and the redemptions of cash back points. Actual results could differ from those estimates. These condensed unaudited consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2011.

2. ACQUISITION OF THE ASSETS OF TRUMP MARINA ASSOCIATES, LLC

On May 24, 2011, GNAC purchased the assets of Trump Marina Associates, LLC for approximately \$37.7 million in cash, plus the assumption of certain additional working capital liabilities in order to expand the Golden Nugget name into the second largest gaming market in America. The purchase price and planned capital improvements were funded by a \$36.5 million first lien term loan due in 2016, a \$10.0 million revolving credit facility due in 2015 and a \$36.3 million capital contribution. An additional \$20.0 million delayed draw term loan due in 2016 was available as needed.

An additional capital contribution of \$94.0 million was made during the six months ended June 30, 2012.

A summary of assets acquired and liabilities assumed in the acquisition is set forth below:

Estimated fair value of assets acquired	
Current assets.....	\$ 5,716
Property and equipment.....	38,000
Other long term assets.....	214
Total assets acquired.....	<u>43,930</u>
Estimated fair value of liabilities assumed	
Current liabilities.....	<u>(4,746)</u>
Total liabilities assumed.....	<u>(4,746)</u>
Gain on purchase.....	(1,453)
Allocated purchase price.....	37,731
Less: Cash acquired.....	<u>(4,187)</u>
Net cash paid.....	<u>\$ 33,544</u>

GOLDEN NUGGET ATLANTIC CITY, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Based on the purchase price allocation it was determined that the fair values of the net assets acquired exceeded the purchase price by \$1.5 million, which we have recorded as a bargain purchase gain included in other, net within our consolidated statement of income for the period ended December 31, 2011.

The acquisition was accounted for in accordance with ASC Topic 805, Business Combinations (“ASC 805”). Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date.

Under ASC 805, acquisition related costs (i.e., advisory, legal, valuation and other professional fees) are not included as a component of consideration transferred, but are accounted for as expenses in the periods in which the costs are incurred. For the three and six months ended June 30, 2012, no acquisition related costs were incurred.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

We consider investments with original maturities of ninety days or less to be cash or cash equivalents. We place our cash primarily in checking and money market accounts with financial institutions, which, at times, have exceeded federally insured limits.

Accounts Receivable

Trade receivables consist primarily of casino and hotel receivables, net of an allowance for doubtful accounts. Accounts are written off when management deems the account to be uncollectible. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions.

Financial Instruments

Generally Accepted Accounting Principles (GAAP) establishes a hierarchy for fair value measurements, such that Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market, Level 2 measurements include quoted market prices for identical assets or liabilities in an active market which have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets, and Level 3 measurements include those that are unobservable and of a highly subjective measure.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate the carrying amounts due to their short maturities. The fair value of our long-term debt instruments are estimated based on quoted market prices, where available, or on the amount of future cash flows associated with each instrument, discounted using our current borrowing rate for comparable debt instruments.

Inventories

Inventories consisting of principally food and beverage, operating supplies and retail items are stated at the lower of cost or market value.

Property and Equipment

Property and equipment purchased subsequent to the acquisition are recorded at cost. Depreciation expense is computed utilizing the straight-line method over the estimated useful lives of the depreciable assets, as follows: buildings and improvements — 40 years; equipment — 5 to 10 years; furniture, fixtures and leasehold improvements — 5 to 20 years; and automobiles and limousines — 4 to 5 years.

Costs of major improvements are capitalized; costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on dispositions of property and equipment are recognized in the consolidated statements of operations when incurred.

GOLDEN NUGGET ATLANTIC CITY, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Interest is capitalized in connection with construction and development activities, and other real estate development projects. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. During the three and six months ending June 30, 2012, we capitalized interest expense of approximately \$318,000 and \$1,004,000 respectively.

Indefinite Lived Intangible Assets and Long-Lived Assets

We have an indefinite-lived intangible asset related to our gaming license. We test it for impairment at least annually. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The recoverability of assets that are to be held and used is measured by comparison of the estimated future undiscounted cash flows associated with the asset to the carrying value of that asset. If such assets are considered to be impaired, an impairment charge is recorded for the amount that the carrying value of the asset exceeds the fair value.

Debt Issuance Costs

Debt issuance costs represent fees, commissions and other closing costs incurred in connection with the issuance of our \$66.5 million credit facility. Deferred financing costs are amortized over the term of the credit facility. In association with the payoff of \$36.5 million in debt approximately \$2 million in deferred financing costs were expensed in the first quarter. Additionally, deferred financing costs of \$96,000 and \$192,000 were expensed in the three and six months ending June 30, 2012, respectively.

Progressive Liability

We maintain a number of progressive slot machines and table games. As wagers are made on the respective progressive games, the amount available to win (to be paid out when the appropriate jackpots are hit) increases. In April 2010, the FASB issued ASU No. 2010-16, "Accruals for Casino Jackpot Liabilities", which clarifies when a casino entity is required to accrue a jackpot liability. ASU No. 2010-16 clarifies that base jackpot liabilities should not be accrued before the jackpot is won, if payment of the jackpot can be avoided. Based on this guidance, we do not record a liability for the progressive jackpots.

Slot Player Club Liability

We have established promotional slot and player clubs to encourage repeat business from frequent and active slot machine customers and table games patrons. Members earn points based on gaming activity and such points can be redeemed for cash or complimentary amenities. We have established a liability, and reduced revenue, for unredeemed cash-back points based upon historical redemption experience.

Self-Insurance Liability

We maintain large deductible insurance policies related to workers compensation, general liability and certain employee medical claims. Predetermined loss limits have been arranged with insurance companies to limit our per occurrence cash outlay. Accrued liabilities include estimated costs to settle unpaid claims and estimated incurred but not reported claims using actuarial methodologies.

Revenue Recognition and Promotional Allowances

Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs ("casino front money") and for chips in the customer's possession ("outstanding chip liability"). Cash discounts and other incentives to customers related to gaming play are recorded as a reduction of gross gaming revenue as promotional allowances. Hotel, food and beverage, entertainment and other operating revenues are recognized as services are performed. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances.

GOLDEN NUGGET ATLANTIC CITY, LLC

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

The estimated cost of providing such promotional allowances for the three and six months ended June 30, 2012 is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	2012	2011	2012	2011
Rooms	\$1,409	\$ 529	\$ 3,348	\$ 529
Food & Beverage	2,603	1,326	5,443	1,326
Other	<u>1,191</u>	<u>75</u>	<u>1,938</u>	<u>75</u>
Total	<u>\$5,203</u>	<u>\$1,930</u>	<u>\$10,729</u>	<u>\$1,930</u>

Sales Taxes

Our policy is to present sales taxes on a net basis.

Advertising Costs

Costs for advertising are expensed as incurred during such year. Advertising costs, included in Selling, General and Administrative expense, were \$882,000 and \$1,132,000 for the three and six months ended June 30, 2012.

Casino License Renewal

We are subject to regulation and licensing by the New Jersey Division of Gaming Enforcement (“DGE”). We operated under a temporary license issued by the DGE on May 24, 2011. During the formal licensing process, our license was held in trust to be in compliance with the DGE regulations. On February 15, 2012, we received full licensure approval.

Income Taxes

We are a single member Limited Liability Corporation and as such, our tax results are filed in consolidation with our owner.

Casino Reinvestment Development Authority Obligation

As required by the provisions of the New Jersey Casino Control Act (the “Act”), a casino licensee must pay an investment alternative tax of 2.5% of its gross casino revenues as defined in the Act. However, pursuant to contracts with the Casino Reinvestment Development Authority (“CRDA”), the Company pays 1.25% of its gross casino revenues to the CRDA (the “CRDA Payment”) to fund qualified investments as defined in the 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 CRDA. Pursuant to the contract with CRDA, the Company is required to make quarterly deposits with the CRDA to satisfy its investment obligations.

The deposits are recorded at cost less a valuation allowance. The valuation allowance is established by a charge to the statement of income as part of Other Income/(Expense) at the time the obligation is incurred to make the deposit unless there is an agreement with the CRDA for a return of the deposit at full face value. If the CRDA deposits are used to purchase CRDA bonds, the valuation allowance is transferred to the bonds as a discount, which is amortized to interest income using the interest method. If the CRDA deposits are used to make other investments, the valuation allowance is transferred to those investments and remains a valuation allowance. The CRDA bonds are classified as held-to-maturity securities and are carried at amortized cost less a valuation allowance.

For the three and six months ended June 30, 2012, the Company charged to Other Income/ (Expense) \$131,000 and \$265,000 to give effect to the below market interest rates associated with CRDA deposits.

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CRDA deposits, net of allowances of \$601,000, reflected in Investments, Advances, and Receivables on the accompanying consolidated balance sheet as of June 30, 2012 are \$1,180,000.

Recently Issued and Adopted Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This ASU clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This guidance is effective for interim and annual periods beginning on or after December 15, 2011, applied prospectively. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In September, 2011, the FASB issued ASU No. 2011-09, "Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80)." The amendments in this ASU require that employers provide, on an annual basis, additional separate disclosures for all individually significant multiemployer pension plans and multiemployer other postretirement benefit plans. The revisions do not change the current recognition and measurement guidance for an employer's participation in a multiemployer plan. The ASU is effective for fiscal years ending after December 15, 2012 for nonpublic entities. Early adoption is permitted and retrospective application is required. We are currently reviewing the effects of ASU No. 2011-9. The adoption of this guidance will require us to provide additional disclosures, but we believe it will not have a material impact on our consolidated financial statements.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30 consisted of the following (in thousands):

	<u>2012</u>	<u>2011</u>
Gaming	\$3,433	\$1,627
Allowance	(1,380)	(36)
Non-Gaming	2,401	540
Allowance	<u>(88)</u>	<u>(4)</u>
Total	<u>\$4,366</u>	<u>\$2,127</u>

5. OTHER CURRENT ASSETS

Other current assets as of June 30 consisted of the following (in thousands):

	<u>2012</u>	<u>2011</u>
Prepaid Insurance	\$ 218	\$ 175
Prepaid taxes	752	702
Other prepaid	<u>689</u>	<u>988</u>
Total	<u>\$1,659</u>	<u>\$1,865</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consisted of the following (in thousands):

	<u>2012</u>	<u>2011</u>
Land	\$ 17,650	\$17,770
Buildings and Improvements	92,629	19,039
Furniture, Fixtures, Equipment	40,840	2,310
Construction in Progress	<u>1,735</u>	<u>5,910</u>
Property and Equipment, Gross	152,854	45,029
Accumulated Depreciation	<u>(4,563)</u>	<u>(77)</u>
Property and Equipment, Net	<u>\$148,291</u>	<u>\$44,952</u>

7. OTHER ASSETS

Other assets as of June 30 consisted of the following (in thousands):

	<u>2012</u>	<u>2011</u>
Deferred Cost	\$5,148	\$4,503
Software	5,233	3,057
Deposits	<u>713</u>	<u>698</u>
Total	<u>\$11,094</u>	<u>\$8,258</u>

8. OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30 consisted of the following (in thousands):

	<u>2012</u>	<u>2011</u>
Payroll & related	\$ 5,725	\$5,557
Floating Deposits	3,878	1,072
Other	<u>756</u>	<u>1,424</u>
Total	<u>\$10,359</u>	<u>\$8,053</u>

9. LONG TERM DEBT

On January 6, 2012, we repaid our outstanding term loan and accrued interest for an aggregate \$37.1 million. Our \$10.0 million revolving credit facility and certain equipment loans remain outstanding. In addition, the delayed draw term loan was cancelled and a commitment from an affiliate to provide up to \$20.0 million in additional funding was terminated. The revolving credit facility expires on November 30, 2015 and bears interest at Libor or the bank's base rate, plus a financing spread of 8.5% at June 30, 2012. In addition, the credit facility requires a commitment fee on the unfunded

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portion of the \$10.0 million revolving credit facility. We have granted liens on substantially all real property and personal property as collateral under the credit facility and guarantee the credit facility.

In addition to the credit facility, we have entered into a number of equipment loans for the purchase of gaming hardware and software. These loans have maturities ranging from May 2013 to July 2015 and bear interest at rates ranging from 4.8% to 8.0%. Principal and interest payments are due monthly.

Our debt agreements contain various restrictive covenants including limitations on additional indebtedness, dividend payments and other restricted payments as defined in the agreements. At June 30, 2012, we were in compliance with all such covenants. As of June 30, 2012 we had approximately \$1.5m available borrowing capacity under the revolving credit facility.

Long-term debt as of June 30 is comprised of the following:	<u>2012</u>	<u>2011</u>
\$36.5 million Term loan, LIBOR +8.5% due May 2016	\$ 0	\$36,500
\$10.0 million revolving credit facility due November 2015	8,500	3,250
Various Equipment loans due May 2013-July 2014	<u>6,681</u>	<u>3,361</u>
Total debt	15,181	43,111
Less current portion	<u>(2,804)</u>	<u>(1,090)</u>
Long term debt	<u>\$12,377</u>	<u>\$42,021</u>

10. COMMITMENTS AND CONTINGENCIES

Leases

We have a non-cancelable operating lease with a non-affiliate that covers the land, building and marina adjacent to our property, which expires in 2014. Other lease commitments also include operating equipment used in daily operations. Rent expense was \$125,000 and \$250,000 for the three and six months ended June 30, 2012.

Employee Benefits

Certain of our employees are covered by union-sponsored, collective bargained, multi-employer health and welfare and defined benefit pension plans. We recorded expenses of \$1.8 million and \$3.6 million for the three and six months ended June 30, 2012. The plans' sponsors have not provided sufficient information to permit us to determine our share of unfunded vested benefits, if any. However, based on available information, we do not believe that unfunded amounts attributable to our casino operations are material.

We are self-insured up to certain limits for most health care benefits for our non-union employees. The liability for claims filed and estimates of claims incurred but not reported is included in the Other Accrued Expenses caption in the accompanying consolidated balance sheets.

We sponsor a retirement savings plan under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plan is available to certain employees with at least six months of service. For those employees who were previously employed by Trump Marina Associates, LLC, for at least six months, participation in the plan was made available beginning June 1, 2011. The plan allows eligible employees to defer, within prescribed limits, a percentage of their income on a pre-tax basis through contributions to the plan. We match on a discretionary basis, subject to a vesting schedule. We recorded no charges for matching contributions for the three and six months ended June 30, 2012.

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Atlantic City Tourism District

As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the "Tourism District") be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law requires that a public-private partnership be created 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"), has been established in the form of a not-for-profit limited liability company, of which we are a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law requires that a \$5.0 million contribution be made to this effort by all casinos prior to 2012 followed by an annual amount of \$30.0 million to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the annual contributions will equate to a percentage representing its gross gaming revenue for the prior calendar year compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we will expense our pro rata share of the \$155.0 million as incurred. For the three and six months ended June 30, 2012, we incurred expense of \$261,000 and \$544,000 for the pro rata share of contribution to the ACA.

General Litigation

We are subject to legal proceedings and claims that arise in the ordinary course of business. We do not believe that the outcome of any of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

11. TRANSACTIONS WITH AFFILIATES

Trademark Licensing Agreement

We license the Golden Nugget trademark pursuant to a five-year Trademark License Agreement (the "Agreement") from an affiliate, GNLV, Corp., which commenced on May 24, 2011. Under the Agreement, we are granted a nonexclusive license to use the Golden Nugget trademarks and other marks in connection with the marketing and operation of our hotel and casino property. Fees payable under the agreement include license fees of \$250,000 per year and royalty fees equal to 3% of certain non-gaming revenues during each year of the license term.

Shared Services Agreement

We have entered into a Shared Services Agreement (SSA) with an affiliate, Landry's, Inc. ("Landry's"). Pursuant to the SSA, the parties agree to cooperatively develop and implement joint programs for the procurement and implementation of certain products and services including insurance and risk management, legal, information technology, entertainment, general purchasing, financial planning and accounting, human resources and employee benefit administration, marketing, strategic and tactical business planning, retail and executive management. The SSA provides for the reimbursement of expenses if either party incurs costs in excess of its proportional share.

Tenant Agreement

We have entered into certain lease agreements with wholly owned subsidiaries of Landry's wherein they operate restaurants in our casino property and we receive rental payments. Moreover, we routinely enter into certain transactions with affiliated companies. These transactions have been entered into between related parties and are not the result of arm's-length negotiations. Accordingly, the terms of the transactions may have been more or less favorable to us than might have been obtained from unaffiliated third parties. Rental revenue from the Landry's subsidiaries totaled \$178,000 and \$328,000 for the three and six months ended June 30, 2012.

During 2011, pursuant to our credit facility, Landry's pre-funded \$7.0 million in restricted cash to be used for the construction costs of restaurants on our property. During the three and six months ended June 30, 2012, an additional \$0 and \$1.0 million, respectively, was pre-funded. Upon completion, the restaurants and their associated leasehold improvements will be owned and operated by Landry's, pursuant to a lease agreement with us.