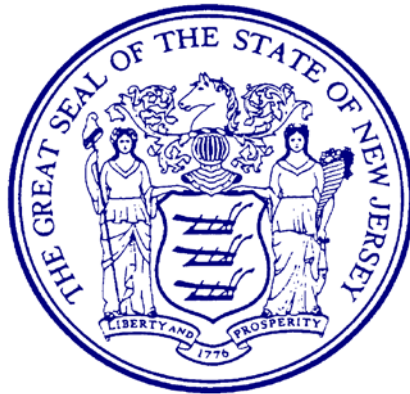


**TRUMP TAJ MAHAL ASSOCIATES, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED JUNE 30, 2014**

**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, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	1	\$18,749	\$19,614
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2014, \$7,450; 2013, \$7,182).....		7,783	17,092
4	Inventories .....		1,068	948
5	Other Current Assets.....		6,060	3,548
6	Total Current Assets.....		33,660	41,202
7	Investments, Advances, and Receivables.....	7 & 8	7,849	23,596
8	Property and Equipment - Gross.....		384,830	382,978
9	Less: Accumulated Depreciation and Amortization.....		(75,057)	(57,345)
10	Property and Equipment - Net.....		309,773	325,633
11	Other Assets.....		11,091	11,601
12	Total Assets.....		\$362,373	\$402,032
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$11,129	\$10,307
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	2	848	893
17	Income Taxes Payable and Accrued.....	4	0	0
18	Other Accrued Expenses.....		14,636	15,128
19	Other Current Liabilities.....	3 & 5	22,593	17,491
20	Total Current Liabilities.....		49,206	43,819
	Long-Term Debt:			
21	Due to Affiliates.....	2 & 8	226,355	208,998
22	External.....	2	5,446	6,294
23	Deferred Credits .....		0	0
24	Other Liabilities.....		0	7,838
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		281,007	266,949
27	Stockholders', Partners', or Proprietor's Equity.....		81,366	135,083
28	Total Liabilities and Equity.....		\$362,373	\$402,032

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, 2014 AND 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$108,228	\$127,972
2	Rooms.....		22,398	22,608
3	Food and Beverage.....		13,708	17,196
4	Other.....		5,210	5,799
5	Total Revenue.....		149,544	173,575
6	Less: Promotional Allowances.....		41,069	45,515
7	Net Revenue.....		108,475	128,060
	Costs and Expenses:			
8	Casino.....		33,832	40,159 *
9	Rooms, Food and Beverage.....		27,477	30,155 *
10	General, Administrative and Other.....		48,560	45,138 *
11	Total Costs and Expenses.....		109,869	115,452
12	Gross Operating Profit.....		(1,394)	12,608
13	Depreciation and Amortization.....		8,826	8,743
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	5	3,641	3,003 *
16	Income (Loss) from Operations.....		(13,861)	862
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	2	(13,426)	(12,834)
18	Interest Expense - External.....	2	(380)	(434)
19	CRDA Related Income (Expense) - Net.....	7	(8,267)	(520)
20	Nonoperating Income (Expense) - Net.....	6	169	278
21	Total Other Income (Expenses).....		(21,904)	(13,510)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(35,765)	(12,648)
23	Provision (Credit) for Income Taxes.....	4	0	0
24	Income (Loss) Before Extraordinary Items.....		(35,765)	(12,648)
25	Extraordinary Items (Net of Income Taxes - 2014, \$0; 2013, \$0).....			0
26	Net Income (Loss).....		(\$35,765)	(\$12,648)

\* 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 THREE MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$58,528	\$65,067
2	Rooms.....		12,247	12,080
3	Food and Beverage.....		7,449	9,094
4	Other.....		2,914	3,164
5	Total Revenue.....		81,138	89,405
6	Less: Promotional Allowances.....		22,338	23,336
7	Net Revenue.....		58,800	66,069
	Costs and Expenses:			
8	Casino.....		17,304	20,692 *
9	Rooms, Food and Beverage.....		14,516	15,888 *
10	General, Administrative and Other.....		25,181	23,732 *
11	Total Costs and Expenses.....		57,001	60,312
12	Gross Operating Profit.....		1,799	5,757
13	Depreciation and Amortization.....		4,399	4,408
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	5	1,863	1,481 *
16	Income (Loss) from Operations.....		(4,463)	(132)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	2	(6,777)	(6,441)
18	Interest Expense - External.....	2	(186)	(216)
19	CRDA Related Income (Expense) - Net.....	7	(251)	(271)
20	Nonoperating Income (Expense) - Net.....	6	86	128
21	Total Other Income (Expenses).....		(7,128)	(6,800)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(11,591)	(6,932)
23	Provision (Credit) for Income Taxes.....	4	0	0
24	Income (Loss) Before Extraordinary Items.....		(11,591)	(6,932)
	Extraordinary Items (Net of Income Taxes -			
25	2014, \$0; 2013, \$0).....			
26	Net Income (Loss).....		(\$11,591)	(\$6,932)

\* 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 CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013  
AND THE SIX MONTHS ENDED JUNE 30, 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2012.....		\$160,092	(\$12,361)		\$147,731
2	Net Income (Loss) - 2013.....			(30,600)		(30,600)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2013.....		160,092	(42,961)	0	117,131
11	Net Income (Loss) - 2014.....			(35,765)		(35,765)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, June 30, 2014.....		\$160,092	(\$78,726)	\$0	\$81,366

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, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$13,987)	\$8,772
	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.....		(498)	(2,631)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		(1,393)	(1,469)
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 .....	7	9,870	0
11				
12	Net Cash Provided (Used) By Investing Activities.....		7,979	(4,100)
	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 .....	2	0	1,760
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....	2	(427)	(161)
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 .....	2	6,084	(6,589)
22				
23	Net Cash Provided (Used) By Financing Activities.....		5,657	(4,990)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(351)	(318)
25	Cash and Cash Equivalents at Beginning of Period.....		19,100	19,932
26	Cash and Cash Equivalents at End of Period.....		\$18,749	\$19,614
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....	2	\$13,788	\$12,856
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, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$35,765)	(\$12,648)
30	Depreciation and Amortization of Property and Equipment.....		8,826	8,743
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.....		(8)	0
36	(Gain) Loss on CRDA-Related Obligations.....	7	8,267	520
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		213	7,718
39	(Increase) Decrease in Inventories .....		(12)	81
40	(Increase) Decrease in Other Current Assets.....		(781)	(1,009)
41	(Increase) Decrease in Other Assets.....		(623)	1,123
42	Increase (Decrease) in Accounts Payable.....		2,252	509
43	Increase (Decrease) in Other Current Liabilities .....		3,644	(526)
44	Increase (Decrease) in Other Liabilities .....		0	4,890
45	Income from Property Tax Settlement .....		0	(629)
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$13,987)	\$8,772

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$498)	(\$2,631)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$498)	(\$2,631)
	<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.  
Valid comparisons cannot be made without using information contained in the notes.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2014  
(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	181,513	\$13,327		
2	Food	144,464	4,388	26,706	1,295
3	Beverage	580,050	3,444		
4	Travel			3,046	1,157
5	Bus Program Cash				
6	Promotional Gaming Credits	1,155,235	15,801		
7	Complimentary Cash Gifts	34,652	3,182		
8	Entertainment	6,693	242	37	54
9	Retail & Non-Cash Gifts	18,049	542	30,039	1,576
10	Parking			100,034	300
11	Other	2,074	143	6,159	203
12	Total	2,122,730	\$41,069	166,021	\$4,585

FOR THE THREE MONTHS ENDED JUNE 30, 2014

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	98,227	\$7,180		
2	Food	69,603	2,323	12,388	640
3	Beverage	324,315	1,906		
4	Travel			892	364
5	Bus Program Cash				
6	Promotional Gaming Credits	640,807	8,808		
7	Complimentary Cash Gifts	18,099	1,522		
8	Entertainment	6,693	242	27	35
9	Retail & Non-Cash Gifts	8,473	288	16,937	921
10	Parking			52,396	157
11	Other	988	69	2,679	97
12	Total	1,167,205	\$22,338	85,319	\$2,214

\*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, 2014

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.

8/15/2014

Date



Daniel McFadden

Chief Financial Officer

Title

7167-11

License Number

On Behalf of:

TRUMP TAJ MAHAL ASSOCIATES, LLC

Casino Licensee

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

**NOTE 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.

Taj Associates owns and operates the Trump Taj Mahal Casino Resort (the “Taj Mahal”), an Atlantic City, New Jersey hotel, casino and convention center complex. Taj Associates derives its revenue primarily from casino operations, room rental, food and beverage sales, and entertainment revenue. The casino industry in Atlantic City is seasonal in nature with the peak season being the spring and summer months.

*Recent Operations and Liquidity*

The Company’s results of operations and cash flows for the first seven months of 2014 have been adversely affected, and did not meet management’s projections, due to a variety of factors, including extremely cold winter weather and frequent snowstorms in the Mid-Atlantic United States, increased utility costs, intense competition in our market and surrounding markets, and current economic conditions. The Company’s business is also highly dependent upon discretionary spending by visitors to its casino properties. These conditions, along with the steady decline in consumer spending and gaming revenues in Atlantic City and at the Company’s casino properties over the last few years, have adversely affected the Company’s financial condition and liquidity.

If the Company is unable to achieve significant revenue increases and improvements in its operating results, the Company will have difficulty funding its operations and meeting its payment obligations, unless the Company is able to obtain additional sources of liquidity or restructure its business and/or its indebtedness and other obligations. There can be no assurance that the Company will achieve such revenue increases or that it will be successful in obtaining additional sources of liquidity.

*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, 2013 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, 2014.

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.

*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.

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

Cash and cash equivalents include the following:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Unrestricted cash and cash equivalents	\$ 13,063	\$ 19,614
Restricted cash - internet gaming patron accounts	425	-
Restricted cash - other	5,261	-
Total	<u>\$ 18,749</u>	<u>\$ 19,614</u>

Cash and cash equivalents at June 30, 2014 included restricted cash related to patron deposits associated with the Company's internet gaming operations. Pursuant to New Jersey Administrative Code ("N.J.A.C") 13:69O-1.3(j), the Company maintains a separate New Jersey bank account to ensure security of funds held in patrons' internet gaming accounts. On June 30, 2014, the balance in such bank account was \$1,264 and patron deposits in internet gaming accounts were \$425.

Cash and cash equivalents at June 30, 2014 also included restricted cash of \$5,261 of interest bearing cash representing a portion of the unused net proceeds received in connection with the donation of certain of its Casino Reinvestment Development Authority ("CRDA") deposits as further disclosed in Note 7. The net proceeds must be reinvested in TER Holdings' casino properties or used to repay borrowings outstanding under TER Holdings' Amended and Restated Credit Agreement.

**NOTE 2 - DEBT**

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
12% Revolving Grid Note - TER Holdings, due December 31, 2015, interest due and payable monthly	\$ 226,355	\$ 208,998
Capitalized lease obligations, payments due through 2028, secured by equipment financed, interest at 8.5% to 12.0%	5,339	5,510
Other long-term debt (financed slot machines)	955	1,677
	<u>232,649</u>	<u>216,185</u>
Less: current maturities	(848)	(893)
Long-term debt, net of current maturities	<u>\$ 231,801</u>	<u>\$ 215,292</u>

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.

Guarantees

Taj Associates, along with Trump Plaza Associates LLC ("Plaza Associates") and Trump Marina Associates LLC ("Marina Associates") guarantees TER Holdings' 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, 2014, TER Holdings had outstanding borrowings of \$285,590 under the Amended and Restated Credit Agreement.

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

Forbearance Agreement

TER Holdings (as borrower), TER (as general partner) and certain subsidiaries of TER, including Plaza Associates and Taj Associates (as guarantors) (collectively, the “Loan Parties”) and the lenders and agent under the Amended and Restated Credit Agreement entered into a Forbearance Agreement, dated as of June 28, 2014 (the “Forbearance Agreement”). Under the terms of the Forbearance Agreement, the lenders and agent agreed to temporarily forbear from exercising or enforcing any and all rights, powers and remedies available to them under the Amended and Restated Credit Agreement with respect to certain specified Defaults and Events of Default, each as defined in the Amended and Restated Credit Agreement (“Designated Defaults”) until the earliest of (i) August 18, 2014, (ii) the date, if any, on which TER Holdings fails to pay any principal or interest under the Amended and Restated Credit Agreement when due, and (iii) the date, if any, on which the Loan Parties become subject to petitions for relief under the Bankruptcy Code (such date, the “Termination Date”).

The parties to the Forbearance Agreement are currently negotiating an amendment to the Forbearance Agreement which would expand the definition of Designated Defaults to cover certain additional events of default that have occurred or are expected to occur and to amend the August 18, 2014 date to instead refer to a subsequent date.

**NOTE 3 - ONLINE GAMING OPERATIONS AGREEMENT**

On June 24, 2013, (the “Effective Date”), Taj Associates entered into an Online Gaming Operations Agreement (the “Agreement”) with Fertitta Acquisitionsco LLC, doing business as Ultimate Gaming (“UG”). Pursuant to the Agreement, UG hosts, manages, operates and supports internet gambling games in the State of New Jersey (the “Ultimate Gaming Service”) under Taj Associates’ internet gaming permit. Under the Agreement, in exchange for providing the Ultimate Gaming Service, UG receives a percentage of the gross online gaming revenues after the deduction of certain player-related costs, gaming taxes and CRDA investment alternative obligations.

On October 16, 2013, the DGE issued an internet gaming permit to Taj Associates which authorizes the Company to conduct internet gaming in the State of New Jersey. The permit expires on October 16, 2014 and is renewable annually.

Internet gaming in the State of New Jersey commenced on November 26, 2013 after a five-day test period which began on November 21, 2013. Taj Associates’ share of internet gaming revenues is recognized within Casino revenues (net of amounts due to UG). Expenses related to internet gaming are reflected in Casino costs and expenses, net of amounts reimbursed by UG to Taj Associates. Revenues and expenses associated with internet gaming during the three and six months ended June 30, 2014 were not material to the Company’s financial statements.

On the Effective Date, UG paid Taj Associates \$8,000 representing a revenue advancement fee under the Agreement. Such amount was recorded as deferred income and is recognized as gaming revenue when earned. Deferred income is included within Other Current Liabilities on the June 30, 2014 Balance Sheet.

**NOTE 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.

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

*State Income Taxes*

Under the New Jersey Casino Control Act, the Company is required to file New Jersey corporation business tax returns. At December 31, 2013, the Company had state net operating loss carryforwards of approximately \$436,000 available to offset future taxable income. The New Jersey state net operating loss carryforwards expire from 2014 through 2033.

There was no state income tax provision during the three and six months ended June 30, 2014 and 2013.

At June 30, 2014, the Company had unrecognized tax benefits of approximately \$851. 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, 2014 and 2013.

*Federal and State Income Tax Audits*

Tax years 2010 through 2013 remain subject to examination by federal tax authorities. Tax years 2009 through 2013 remain subject to examination by state tax authorities.

**NOTE 5 - 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:

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
Plaza Associates	\$ (2,261)	\$ (1,848)
Marina Associates	(1,229)	(837)
TER Holdings	400	3,929
Total	\$ (3,090)	\$ 1,244

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, advertising and payroll costs.

Trump Taj Mahal Associates Administration, a separate division of Taj Associates ("Trump Administration") provides certain shared services to Taj Associates and Plaza Associates. Trump Administration allocated expenses associated with such services to Plaza Associates totaling \$1,075 and \$1,112 during the six months ended June 30, 2014 and 2013, respectively. Plaza Associates reimburses Trump Administration for these allocated expenses.

**NOTE 6 – NON-OPERATING INCOME (EXPENSE)**

Non-operating income (expense) includes interest income of \$169 and \$278 for the six months ended June 30, 2014 and 2013, respectively.

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(unaudited)  
(in thousands)

**NOTE 7 - COMMITMENTS & CONTINGENCIES**

*Trump AC Casino Marks, LLC Lawsuit*

On August 7, 2014, TER was served a complaint and an order to show cause in an action filed on behalf of Trump AC Casino Marks, LLC (“Trump AC”) against TER, TER Holdings, Taj Associates, Plaza Associates, Marina Associates (collectively, the “Licensee Entities”) and Icahn Agency Services, LLC (“IAS”), the administrative agent under TER Holdings’ Amended and Restated Credit Agreement, in the Superior Court of New Jersey, Chancery Division, Atlantic County. Trump AC (as successor-in-interest to Donald J. Trump and Ivanka Trump) alleges various breaches (primarily relating to the condition of Trump Plaza) under the Second Amended and Restated Trademark License Agreement entered into between the Licensee Entities and Donald J. Trump and Ivanka Trump on July 16, 2010 (the “Trademark License Agreement”).

The complaint and order to show cause, among other things, seek a mandatory injunction to compel the Trump Entities to cure the alleged breaches under the Trademark License Agreement or, in the alternative, a declaratory judgment that the Trademark License Agreement has already terminated by reason of the alleged breaches. Among other relief demanded, the complaint and order to show cause seek (i) the termination of the Trademark License Agreement; (ii) the prohibition of the Trump Entities from further use of the “Trump” name and trademark; (iii) the removal of the “Trump” name and brand from the Trump Plaza and Trump Taj Mahal and (iv) the payment of Trump AC’s legal costs and expenses associated with enforcing its rights under the Trademark License Agreement.

In the event that the Trademark License Agreement terminates or expires for any reason, or an injunction or similar order is granted against any of the Licensee Entities, such event would constitute an event of default under TER Holdings’ Amended and Restated Credit Agreement. The Licensee Entities have not yet responded to the complaint and intend to dispute Trump AC’s allegations.

*Attorney’s Charging Lien*

In connection with legal proceedings brought by the Company to challenge the City of Atlantic City’s real property tax assessments for the Company’s casino property for the periods 2008 through 2012, which (as previously disclosed) were settled during 2012, the Company became obligated to make payments with respect to legal fees owed to the New Jersey law firm that served as counsel to the Company in such proceedings and the related settlement negotiations. At the time of the settlement, the law firm filed documents with the Tax Court by which they asserted an attorney’s charging lien with respect to the settlement proceeds. On August 5, 2014, the law firm filed a motion with the tax court to enforce its alleged attorney’s charging lien and issue judgment and a writ of execution in its favor. The Company is in the process of reviewing this motion and has not yet responded to the motion.

*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.

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
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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.

In June 2007, the CCC renewed the Company's license to operate the 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 Casino Control 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. In addition, the Company must pay an investment alternative tax of 2.5% of the gross casino revenues related to its internet gaming operations.

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 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, 2014 and 2013, the Company charged to operations \$8,267 and \$520, respectively, to reflect reductions in the estimated net realizable value of certain CRDA deposits and to give effect to the below market interest rates associated with CRDA deposits and bonds.

In 1995, the CRDA passed a resolution establishing a Donation Credit Policy to serve as a guide regarding donations made by casino licensees from their available CRDA Payments. During March 2014, and in conformance with that policy, the Company requested that the CRDA approve a cash-back credit in the amount of \$9,870 in exchange for a donation of \$29,563 of gross deposits previously made by Trump Taj Mahal to the CRDA Atlantic City Housing and Community Development Fund and the Atlantic City Tourism District and Community Development Fund (the "CRDA Transaction"). By resolution dated March 18, 2014, the CRDA approved the CRDA Transaction.

On April 23, 2014, the Company received \$9,870 from the CRDA representing the cash-back donation credit. The Company recognized \$7,800 of expense during 2014 to record the deposits donated at their net realizable value.

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*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, 2014, the Company recognized \$625 and \$1,179, respectively, of expense related to its portion of the \$30,000 contribution to be made during 2014. During the three and six months ended June 30, 2013, the Company recognized \$608 and \$1,280, respectively, of expense related to its portion of the \$30,000 contribution made during 2013.

**NOTE 8 – 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*

	<u>June 30, 2014</u>				<u>June 30, 2013</u>			
	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CRDA bonds and deposits	\$ 7,849	—	\$ 7,849	—	\$23,596	—	\$23,596	—

The fair value measurements relating to our CRDA bonds and deposits were determined using inputs within Level 2 of ASC 820’s hierarchy. CRDA assets are discussed in Note 7.

*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 investments approximate their fair value as a result of allowances established to give effect to below-market interest rates.



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The estimated fair values of other financial instruments are as follows:

<b>June 30, 2014</b>				
	<b>Amount</b>	<b>Carrying</b>	<b>Estimated</b>	<b>Fair Value</b>
	<b>Outstanding</b>	<b>Value</b>	<b>Fair Value</b>	<b>Heirarchy</b>
12% Grid Note	\$ 226,355	\$ 226,355	\$ 226,355	Level 2

<b>June 30, 2013</b>				
	<b>Amount</b>	<b>Carrying</b>	<b>Estimated</b>	<b>Fair Value</b>
	<b>Outstanding</b>	<b>Value</b>	<b>Fair Value</b>	<b>Heirarchy</b>
12% Grid Note	\$ 208,998	\$ 208,998	\$ 208,998	Level 2

The carrying amount of the Grid Note approximates its fair value. The Company's other long-term debt was not significant at June 30, 2014 and 2013.

**NOTE 9 – PROPERTY TAXES**

*2013 and 2014 Property Tax Increases*

Property taxes reflected within General, Administrative and Other expenses for the three and six months ended June 30, 2014 include the effect of an expected increase in the 2014 property tax rate of approximately 30%, which is retroactive to January 1, 2014.

Property taxes for the three and six months ended June 30, 2013 include the effect of a 17.5% increase in the 2013 property tax rate, which was retroactive to January 1, 2013.

*2014 and 2015 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 tax assessments 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 tax assessments for the 2014 and 2015 tax years to \$825.0 million for Trump Taj Mahal and \$210.0 million for Trump Plaza. Taj Associates and Plaza Associates would have been precluded 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 assessments were to become effective as of the beginning of the 2014 tax year. The Company paid its second quarter property taxes based upon the reduced assessments.

The Company will not enter into the settlement agreement with the City, due in part to the aforementioned significant, and unanticipated, increase in the 2014 property tax rate.

*2014 Third Quarter Property Taxes*

The Company has determined that rather than paying its third quarter property taxes when due, it would be beneficial to utilize such funds for other business purposes. Accordingly, the Company intends to defer payment of such property taxes indefinitely.

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
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**NOTE 10 – EVACUATION AND CLOSURE OF FACILITIES**

*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 is in the process of calculating the adverse impact that it believes the storm has had on its results of operations subsequent to March 31, 2013 for 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. There can be no assurance that the carriers will agree with our claim and accordingly, may not pay any or part of the claim.