GOLDEN NUGGET ATLANTIC CITY, LLC

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 2017

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 MARCH 31, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	3	$15,418	$10,728
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, $1,230 ; 2016, $1,397	4	5,326	3,505
4	Inventories	2	2,632	2,748
5	Other Current Assets	5,6	1,238	1,356
6	Total Current Assets		24,614	18,337
7	Investments, Advances, and Receivables	11,12	986	3,524
8	Property and Equipment - Gross	6,7	177,540	169,437
9	Less: Accumulated Depreciation and Amortization		(51,758)	(41,491)
10	Property and Equipment - Net		125,782	127,946
11	Other Assets	7,8	9,699	10,771
12	Total Assets		$161,081	$160,578
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$7,059	$8,549
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External	9,10	625	0
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	8,9	27,319	23,671
19	Other Current Liabilities	8,9	8,178	14,106
20	Total Current Liabilities		43,181	46,326
	Long-Term Debt:			
21	Due to Affiliates	9,10	6,463	6,463
22	External	9	3,875	0
23	Deferred Credits		0	0
24	Other Liabilities		0	0
25	Commitments and Contingencies		0	0
26	Total Liabilities		53,519	52,789
27	Stockholders', Partners', or Proprietor's Equity		107,562	107,789
28	Total Liabilities and Equity		$161,081	$160,578

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 THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino		$58,017	$53,541
2	Rooms		3,499	3,558
3	Food and Beverage		6,602	6,762
4	Other		3,750	3,254
5	Total Revenue	2,3	71,868	67,115
6	Less: Promotional Allowances	2,3	19,402	16,473
7	Net Revenue		52,466	50,642
	Costs and Expenses:			
8	Casino	2,3	24,743	22,273
9	Rooms, Food and Beverage		8,219	8,631
10	General, Administrative and Other	2,3	13,308	13,028
11	Total Costs and Expenses		46,270	43,932
12	Gross Operating Profit		6,196	6,710
13	Depreciation and Amortization		2,632	2,851
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	12	85	0
16	Income (Loss) from Operations		3,479	3,859
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External		(71)	(78)
19	CRDA Related Income (Expense) - Net	11,12	(480)	(204)
20	Nonoperating Income (Expense) - Net		0	0
21	Total Other Income (Expenses)		(551)	(282)
22	Income (Loss) Before Taxes		2,928	3,577
23	Provision (Credit) for Income Taxes		0	0
24	Net Income (Loss)		$2,928	$3,577

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 TWELVE MONTHS ENDED DECEMBER 31, 2016
AND THE THREE MONTHS ENDED MARCH 31, 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	________ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2015..........**		$157,837	($52,625)		$105,212
2	Net Income (Loss) - 2016..........			9,373		9,373
3	Capital Contributions................		(9,450)			(9,450)
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	________________					0
8	________________					0
9	________________					0
10	**Balance, December 31, 2016..........**		148,387	(43,252)	0	105,135
11	Net Income (Loss) - 2017..........			2,928		2,928
12	Capital Contributions................		(501)			(501)
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	________________					0
17	________________					0
18	________________					0
19	**Balance, March 31, 2017...............**		$147,886	($40,324)	$0	$107,562

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 THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$5,199	$10,311
	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..........................		(1,790)	(2,101)
5	Proceeds from Disposition of Property and Equipment..........			
6	CRDA Obligations		210	(614)
7	Other Investments, Loans and Advances made.......................			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities..........................		0	0
10	....			
11	....			
12	Net Cash Provided (Used) By Investing Activities....................		(1,580)	(2,715)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt......................................		(125)	(890)
15	Proceeds from Long-Term Debt		19,050	12,300
16	Costs of Issuing Debt..			0
17	Payments to Settle Long-Term Debt......................................		(22,475)	(16,795)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		(501)	(1,000)
19	Purchases of Treasury Stock..			
20	Payments of Dividends or Capital Withdrawals......................			
21	....			
22	....			
23	Net Cash Provided (Used) By Financing Activities..................		(4,051)	(6,385)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(432)	1,211
25	Cash and Cash Equivalents at Beginning of Period..................		15,850	9,517
26	Cash and Cash Equivalents at End of Period............................		$15,418	$10,728

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$46	$68
28	Income Taxes..			

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

GOLDEN NUGGET ATLANTIC CITY, LLC
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$2,928	$3,577
30	Depreciation and Amortization of Property and Equipment		2,632	2,851
31	Amortization of Other Assets			
32	Amortization of Debt Discount or Premium			29
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		480	205
37	(Gain) Loss from Other Investment Activities			
38	(Increase) Decrease in Receivables and Patrons' Checks		134	819
39	(Increase) Decrease in Inventories		(403)	(544)
40	(Increase) Decrease in Other Current Assets		24	331
41	(Increase) Decrease in Other Assets		(130)	8
42	Increase (Decrease) in Accounts Payable		(466)	3,035
43	Increase (Decrease) in Other Current Liabilities			
44	Increase (Decrease) in Other Liabilities			
45				
46				
47	Net Cash Provided (Used) By Operating Activities		$5,199	$10,311

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($1,790)	($2,101)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($1,790)	($2,101)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired		$0	$0
52	Goodwill Acquired			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed			
55	Issuance of Stock or Capital Invested			
56	Cash Outflows to Acquire Business Entities		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions		($501)	($1,000)
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		($501)	($1,000)

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 THREE MONTHS ENDED MARCH 31, 2017
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	56,394	$2,568	0	$0
2	Food	129,117	2,325	26,696	1,601
3	Beverage	378,733	1,610	0	0
4	Travel	0	0	4,613	115
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	69,133	8,209	0	0
7	Complimentary Cash Gifts	58,497	3,100	0	0
8	Entertainment	7,306	183	0	0
9	Retail & Non-Cash Gifts	96,439	1,234	0	0
10	Parking	0	0	226,323	679
11	Other	69,600	173	0	0
12	Total	865,218	$19,402	257,632	$2,395

FOR THE THREE MONTHS ENDED MARCH 31, 2017

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	56,394	$2,568	0	$0
2	Food	129,117	2,325	26,696	1,601
3	Beverage	378,733	1,610	0	0
4	Travel	0	0	4,613	115
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	69,133	8,209	0	0
7	Complimentary Cash Gifts	58,497	3,100	0	0
8	Entertainment	7,306	183	0	0
9	Retail & Non-Cash Gifts	96,439	1,234	0	0
10	Parking	0	0	226,323	679
11	Other	69,600	173	0	0
12	Total	865,218	$19,402	257,632	$2,395

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

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

FOR THE QUARTER ENDED MARCH 2017

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.

5/15/2017
Date

Michael Rodriguez

Vice President of Finance
Title

9254-11
License Number

On Behalf of:

GOLDEN NUGGET ATLANTIC CITY, LLC
Casino Licensee

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

Golden Nugget, LLC is the parent of Golden Nugget Atlantic City, LLC (“GNAC”). GNAC operates the Golden Nugget Atlantic City Hotel and Casino in Atlantic City, NJ and online gambling operations. We are wholly owned by Fertitta Entertainment Holdings, LLC and are an affiliate of the Golden Nugget, Inc., which owns Hotels and Casinos in Las Vegas and Laughlin, Nevada, and Lake Charles, Louisiana, Golden Nugget Biloxi, Inc., which owns the Golden Nugget Hotel and Casino in Biloxi, Mississippi and Landry’s, Inc., which operates restaurants, hospitality and entertainment venues.

Unless otherwise stated, all dollars are in thousands.

Basis of Presentation

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

Use of Estimates

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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”). Casino revenues are recognized net of certain sales incentives. We record sales incentives as a reduction of revenue.

Internet gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs. We report 100% of casino wins as revenue and our service provider’s share is reported in costs and expenses. Free play and other incentives to customers related to internet gaming play are recorded as a reduction of gross internet 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.

The estimated cost of providing such promotional allowances for the three months ended March 31 is as follows (in thousands):

	Three Months Ended March 31	
	2017	2016
Rooms	$ 1,628	$ 1,717

Food and beverage	3,391	3,089
Other	1,437	848
Total	$ 6,456	$ 5,654

Financial Instruments

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 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.

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 months ended March 31, 2017 and 2016, we capitalized no interest cost.

Debt Issuance Costs

Debt issuance costs represent fees, commissions and other closing costs incurred in connection with the issuance of our revolving credit facility. Debt issuance costs are amortized over the term of the facility.

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 complimentary amenities. We establish a liability, and reduce revenue, for unredeemed 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.

Advertising Costs

Costs for advertising are expensed as incurred during such year. Advertising costs, included in casino, food and beverage, and general and administrative expense, were $2.3 for both the three months ended March 31, 2017 and 2016, respectively.

3. CASH & CASH EQUIVALENTS

Pursuant to N.J.A.C 13:69 1.3(j) we maintain a separate New Jersey bank account to ensure security of funds held in patrons' internet gaming accounts. On March 31, 2017 the above mentioned account balance was 860,000 and patron deposits in internet gaming accounts were $709,000.

Cash as of March 31 consisted of the following (in thousands):

	2017	2016
Unrestricted cash	$ 8,572	$ 8,580
Restricted cash internet accounts	6,846	2,148
Total	$ 15,418	$ 10,728

4. ACCOUNTS RECEIVABLE

Accounts receivable as of March 31 consisted of the following (in thousands):

	2017	2016
Gaming	$ 5,286	$ 4,329
Allowance	(1,304)	(1,572)
Non-Gaming	1,392	815
Allowance hotel	(48)	(67)
Total	$ 5,326	$ 3,505

5. OTHER CURRENT ASSETS

Other current assets as of March 31 consisted of the following (in thousands):

	2017	2016
Prepaid insurance	$ 153	$ 354
Prepaid taxes	528	505
Other prepaid	557	497
Total	$ 1,238	$ 1,356

6. PROPERTY AND EQUIPMENT

Property and equipment as of March 31 consisted of the following (in thousands):

	2017	2016
Land	$ 17,650	$ 17,650
Buildings and improvements	103,540	98,079
Furniture, fixtures, equipment	56,350	52,824
Construction in progress	-	884
Property and equipment, gross	177,540	169,437
Accumulated depreciation	(51,758)	(41,491)
Property and equipment, net	$ 125,782	$ 127,946

7. OTHER ASSETS

Other assets as of March 31 consisted of the following (in thousands):

	2017	2016
Deferred cost	$ 2,858	$ 2,952
Software	5,832	6,904
Deposits	1,009	915
Total	$ 9,699	$ 10,771

8. OTHER ACCRUED EXPENSES & LIABILITIES

Other accrued expenses and liabilities as of March 31 consisted of the following (in thousands):

	2017	2016
Payroll and related	$ 9,143	$ 9,577
Deposits	1,735	1,462
Other	16,441	12,632
Total accrued expenses	$ 27,319	$ 23,671

	2017	2016
Gaming	$ 2,551	$ 1,943
Other	5,627	12,163
Total accrued and other current liabilities	$ 8,178	$ 14,106

9. LONG TERM DEBT

On December 15, 2015, we entered into a new $10.0 million revolving credit facility with a maturity date of December 15, 2016. In November 2016, we amended the facility extending the maturity date to December 15, 2019, among other things. The credit facility bears interest at a rate of LIBOR plus 2.5% or the bank's base interest rate and requires a commitment fee on the unfunded portion of the revolving credit facility. We have granted liens on substantially all real property and personal property as collateral under the credit facility and guaranteed the credit facility.

In addition to the credit facility, we have entered into an equipment loan for the purchase of gaming hardware and software. This loan matures in October 2018 and bears interest at a rate of 3.25%, with principal and interest payments due quarterly.

We entered into a related party note payable of $7.4 million. During the year ended December 31, 2015, we made payments totaling $1.0 million on the note. The note bears interest at 1.0% and is due on demand with interest paid annually or capitalized to the outstanding balance as additional principal at our option.

Our debt agreement contains various restrictive covenants including limitations on additional indebtedness, dividend payments and other restricted payments as defined in the agreements. At March 31, 2017, we were in compliance with all such covenants and had $6.4 million capacity under the revolving credit facility.

Total debt as of March 31 is comprised of the following (in thousands):

	2017	2016
$10.0 Million revolving credit facility, due December 2019	$ 3,625	$ -
Various equipment loans	875	-
Note payable – affiliate	6,463	6,463
Total Debt	10,963	6,463
Less Current Portion	(625)	-
Long term debt	$ 10,338	$ 6,463

10. EMPLOYEE BENEFIT PLAN

Certain of our employees are covered by union-sponsored, collective bargained, multi-employer health and welfare and defined benefit pension plans. We recorded plan related expenses of $2.2 million and $2.1 million for the three months ended March 31, 2017 and 2016, respectively.

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. The plan allows eligible employees to defer, within prescribed limits, a percentage of their income on a pretax basis through contributions to the plan. We match on a discretionary basis, subject to a vesting schedule. Matching contributions for both the three months ended March 31, 2017 and 2016 were immaterial.

11. COMMITMENTS AND CONTINGENCIES

In early December 2015, we received a report of suspicious activity regarding credit cards that had been legitimately used in our operations. We quickly initiated an investigation and hired a leading cyber security firm to examine our payment card systems, implemented advanced payment processing solutions, and have been working with the payment card networks and law enforcement. Findings from the investigation completed in early 2016 showed that criminal attackers were able to install a program on payment card processing devices at certain of our retail outlets, spas and banquets. The program was designed to search for data from the magnetic stripe of payment cards that had been swiped (cardholder name, card number, expiration date and internal verification code) as the data was being routed through affected systems. We were affected during the period from May 4, 2014 through December 3, 2015. We continue to evaluate cybersecurity policies and practices to mitigate the risk of future incidents, although actions have been taken to prevent similar type attacks. Expenses incurred to date related to this incident have not been material. It is reasonably possible that we may incur additional expenses or losses in connection with the incident; however, at this time we are unable to reasonably estimate any such additional expenses or losses.

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 and 5% of internet gaming revenues as defined in the Act. However, pursuant to contracts with the Casino Reinvestment Development Authority (“CRDA”), we pay 1.25% of our gross casino revenues and 2.5% of internet gaming revenues to the CRDA (the “CRDA Payment”) to fund qualified investments as defined in the Act and such CRDA Payment entitles us to an investment tax credit in an amount equal to twice the amount of the CRDA Payment against the investment alternative taxes. 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. Pursuant to the contract with the CRDA, we are required to make quarterly deposits with the CRDA to satisfy our investment obligations.

The deposits are recorded at cost less a valuation allowance. The valuation allowance is established at the time the obligation is incurred by a charge to the statement of operations as part of general and administrative expense 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.

As the financial condition of Atlantic City has deteriorated and multiple casinos have closed, we determined that the collectability of our CRDA investment was highly uncertain. A number of legislative proposals have circulated which could also adversely impact the value of this investment.

For the three months ended March 31, 2017 and 2016, we charged to general and administrative expense $0.5 million and $0.2 million, respectively, to give effect to the below market interest rates associated with CRDA deposits.

We were approved to use up to $4.2 million of CRDA deposits ("Approved CRDA Project Funds") for certain capital expenditures. Approximately $0.8 million of the Approved CRDA Project Funds were reimbursed to us during the three months ended March 31, 2017. We also received $2.7 million of the Approved CRDA Project Funds during year ended December 31, 2016.

CRDA deposits and investments in CRDA Bonds, net of allowances of $7.5 million and $5.9 million, reflected in non-current assets on the accompanying consolidated balance sheets as of March 31, 2017 and 2016, are $1.0 million and $3.5 million, respectively.

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 allowed the CRDA the ability to enter into a five year public-private partnership with the casinos in Atlantic City to jointly revitalize the Tourism District through the utilization of funding from annual assessments paid by each business within the district.

Atlantic City Alliance ("ACA")

The ACA was established in the form of a not-for-profit limited liability company, of which we were a member, for the purpose of supporting the marketing of Atlantic City as a year round seaside and marina resort destination. We were required, along with the other Atlantic City casinos, as members of the ACA, to provide funding to the ACA through direct contributions. A $5.0 million contribution was required to be made 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 equated to a percentage representing its gross gaming revenue compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we expensed our pro rata share of the $155.0 million as incurred. For our pro rata share of contributions to the ACA, we incurred expenses of $0.6 million for the three months ended March 31, 2016.

In June 2016, the State of New Jersey passed legislation known as the PILOT bill which requires casino properties for the next 10 years, starting January 1, 2017, to make payments in lieu of property taxes based on a statutory formula. An additional part of that bill requires the casinos to make, in lieu of paying the ACA, annual payments to the state starting retroactively in 2015 through 2022 based on a similar formula. . For our contribution to the state, we incurred expenses of $0.3 million for the three months ended March 31, 2017. Our payments to the ACA for 2015 and 2016 have been credited against our obligation to the state for 2015 and 2016 as the ACA has been disbanded.

Farley State Marina Leases

We have a non-cancelable operating lease that covers the land, building and marina adjacent to our property, which expires in 2020. Other lease commitments also include operating equipment used in daily operations.

Rent expense was $0.1 million for both the three months ended March 31, 2017 and 2016, respectively.

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.

12. 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 $0.3 million per year and royalty fees equal to 3% of certain non-gaming revenues above $55.0 million during each year of the license term. In 2016, the Agreement was amended and the license fees were increased to $2.0 million per year.

Shared Services Agreement

We have entered into Shared Services Agreements (SSA's) with affiliates, Landry's, Inc. ("Landry's") and Fertitta Entertainment, Inc. ("Fertitta"). Pursuant to the SSA's, 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's provide 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 $0.1 million for both the three months ended March 31, 2017 and 2016, respectively.

13. STOCKHOLDER'S EQUITY

During the three months ended March 31, 2017, we made dividend payments totaling $0.5 million.

14. SUBSEQUENT EVENTS

We have evaluated subsequent events through May 15, 2017, which is the date our financial statements were available to be issued.