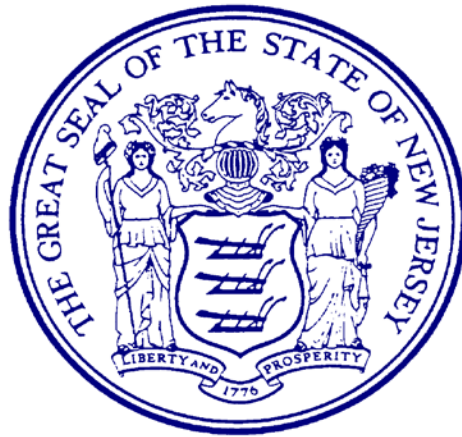


**TROPICANA CASINO AND RESORT  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# TROPICANA CASINO AND RESORT BALANCE SHEETS

AS OF SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$104,222	\$72,469
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2015, \$9,862; 2014, \$10,625).....		12,883	20,398
4	Inventories .....		2,920	3,163
5	Other Current Assets.....	3	10,890	4,165
6	Total Current Assets.....		130,915	100,195
7	Investments, Advances, and Receivables.....	4,7	124,319	158,636
8	Property and Equipment - Gross.....	2	290,200	247,328
9	Less: Accumulated Depreciation and Amortization.....	2	(73,312)	(58,764)
10	Property and Equipment - Net.....	2	216,888	188,564
11	Other Assets.....		179,013	4,338
12	Total Assets.....		\$651,135	\$451,733
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$10,406	\$9,405
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	5	814	800
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	9	29,871	23,836
19	Other Current Liabilities.....	10	5,531	6,670
20	Total Current Liabilities.....		46,622	40,711
	Long-Term Debt:			
21	Due to Affiliates.....	5	78,637	78,025
22	External.....		0	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		125,259	118,736
27	Stockholders', Partners', or Proprietor's Equity.....		525,876	332,997
28	Total Liabilities and Equity.....		\$651,135	\$451,733

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

# TROPICANA CASINO AND RESORT STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	Revenue:			
1	Casino.....		\$231,640	\$221,942
2	Rooms.....		42,548	41,713
3	Food and Beverage.....		26,006	26,365
4	Other.....		10,777	9,548
5	Total Revenue.....		310,971	299,568
6	Less: Promotional Allowances.....		63,926	66,026
7	Net Revenue.....		247,045	233,542
	Costs and Expenses:			
8	Casino.....		79,065	78,484
9	Rooms, Food and Beverage.....		27,927	26,764
10	General, Administrative and Other.....	6	100,371	68,120
11	Total Costs and Expenses.....		207,363	173,368
12	Gross Operating Profit.....		39,682	60,174
13	Depreciation and Amortization.....	2	12,578	10,576
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	7	4,258	4,786
15	Other.....		0	0
16	Income (Loss) from Operations.....		22,846	44,812
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(2,193)	(2,706)
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	4	1,989	(1,193)
20	Nonoperating Income (Expense) - Net.....	11	311	1,794
21	Total Other Income (Expenses).....		107	(2,105)
22	Income (Loss) Before Taxes and Extraordinary Items.....		22,953	42,707
23	Provision (Credit) for Income Taxes.....	12	88	63
24	Income (Loss) Before Extraordinary Items.....		22,865	42,644
25	Extraordinary Items (Net of Income Taxes - 2015, \$0; 2014, \$0 ).....			
26	Net Income (Loss).....		\$22,865	\$42,644

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

# TROPICANA CASINO AND RESORT STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	Revenue:			
1	Casino.....		\$87,740	\$84,363
2	Rooms.....		18,622	18,285
3	Food and Beverage.....		10,065	10,267
4	Other.....		4,168	3,807
5	Total Revenue.....		120,595	116,722
6	Less: Promotional Allowances.....		24,341	24,017
7	Net Revenue.....		96,254	92,705
	Costs and Expenses:			
8	Casino.....		27,851	27,580
9	Rooms, Food and Beverage.....		10,816	10,688
10	General, Administrative and Other.....	6	31,517	35,951
11	Total Costs and Expenses.....		70,184	74,219
12	Gross Operating Profit.....		26,070	18,486
13	Depreciation and Amortization.....	2	5,082	3,599
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	7	1,472	1,224
15	Other.....		0	0
16	Income (Loss) from Operations.....		19,516	13,663
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(890)	(884)
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	4	195	(439)
20	Nonoperating Income (Expense) - Net.....	11	96	(918)
21	Total Other Income (Expenses).....		(599)	(2,241)
22	Income (Loss) Before Taxes and Extraordinary Items.....		18,917	11,422
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		18,917	11,422
25	Extraordinary Items (Net of Income Taxes - 2015, \$0; 2014, \$0 ).....		0	0
26	Net Income (Loss).....		\$18,917	\$11,422

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

# TROPICANA CASINO AND RESORT

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2013.....						\$282,128		\$8,225	\$290,353
2	Net Income (Loss) - 2013.....							212,658	212,658	
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	.....									0
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2014.....		0	0	0	0	282,128	0	220,883	503,011
11	Net Income (Loss) - 2014.....							22,865	22,865	
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	.....									0
16	.....									0
17	.....									0
18	.....									0
19	Balance, September 30, 2015 .....		0	\$0	0	\$0	\$282,128	\$0	\$243,748	\$525,876

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

# TROPICANA CASINO AND RESORT STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 12/4/2015

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$44,431	\$53,056
	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.....		(36,165)	(12,914)
5	Proceeds from Disposition of Property and Equipment.....		70	9
6	CRDA Obligations .....	4	(3,289)	(3,052)
7	Other Investments, Loans and Advances made.....	4,7	17,713	(90,466)
8	Proceeds from Other Investments, Loans, and Advances .....	4	10,131	3,006
9	Cash Outflows to Acquire Business Entities.....		0	0
10	Proceeds from Sales and Luxury Tax Credits .....		2,570	2,538
11	Cash Outflows for Tenant Allowance .....		(132)	0
12	Net Cash Provided (Used) By Investing Activities.....		(9,102)	(100,879)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt .....		0	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
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	Forgiveness of Short and Long Term Debt .....		0	0
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		35,329	(47,823)
25	Cash and Cash Equivalents at Beginning of Period.....		68,893	120,292
26	Cash and Cash Equivalents at End of Period.....		\$104,222	\$72,469
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....	12	\$146	\$95

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

# TROPICANA CASINO AND RESORT STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 12/4/2015

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$22,865	\$42,644
30	Depreciation and Amortization of Property and Equipment...	2	12,578	10,576
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		(26)	(24)
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....	11	(49)	625
36	(Gain) Loss on CRDA-Related Obligations.....	4,7	(1,989)	1,193
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		4,706	(8,220)
39	(Increase) Decrease in Inventories .....		358	(250)
40	(Increase) Decrease in Other Current Assets.....		(1,047)	(1,105)
41	(Increase) Decrease in Other Assets.....		873	562
42	Increase (Decrease) in Accounts Payable.....		1,727	4,517
43	Increase (Decrease) in Other Current Liabilities .....		4,409	2,538
44	Increase (Decrease) in Other Liabilities .....		0	0
45	Loss on Impairment of Intangible Assets .....	11	26	0
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$44,431	\$53,056

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$36,165)	(\$12,914)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$36,165)	(\$12,914)
	<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.

**TROPICANA CASINO AND RESORT  
SCHEDULE OF PROMOTIONAL  
EXPENSES AND ALLOWANCES**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015  
(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	235,362	\$12,939	0	\$0
2	Food	336,303	7,842	160,990	3,754
3	Beverage	5,214,779	6,127	0	0
4	Travel	0	0	2,344	703
5	Bus Program Cash	2,247	272	0	0
6	Promotional Gaming Credits	592,205	35,898	0	0
7	Complimentary Cash Gifts	403,926	655	0	0
8	Entertainment	47,845	162	314	46
9	Retail & Non-Cash Gifts	0	0	272,707	2,688
10	Parking	0	0	478,115	1,434
11	Other	3,023	31	51,151	511
12	Total	6,835,690	\$63,926	965,621	\$9,136

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	88,431	\$4,779	0	\$0
2	Food	136,005	\$3,248	65,273	\$1,559
3	Beverage	1,958,723	\$2,246	0	\$0
4	Travel	0	\$0	896	\$269
5	Bus Program Cash	816	\$104	0	\$0
6	Promotional Gaming Credits	196,856	\$12,782	0	\$0
7	Complimentary Cash Gifts	208,209	\$1,107	0	\$0
8	Entertainment	31,110	\$66	108	\$20
9	Retail & Non-Cash Gifts	0	\$0	106,113	\$1,048
10	Parking	0	\$0	177,120	\$531
11	Other	917	\$9	19,451	\$194
12	Total	2,621,067	\$24,341	368,961	\$3,621

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



# TROPICANA CASINO AND RESORT STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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.

12/8/2015

Date



Vice President - Finance

Title

7571-11

License Number

On Behalf of:

TROPICANA CASINO AND RESORT

Casino Licensee

**TROPICANA ATLANTIC CITY CORP.**  
**DBA TROPICANA CASINO AND RESORT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION**

**Basis of Presentation**

The consolidated financial statements include the accounts of Tropicana Atlantic City Corp. ("the Company") and its wholly-owned subsidiary Tropicana AC Sub Corp. ("TAC Sub"), after elimination of all significant intercompany accounts and transactions.

The Company operates a casino hotel in Atlantic City, New Jersey ("the Property") and is a wholly owned subsidiary of Tropicana Entertainment, Inc. ("TE").

On March 8, 2010 ("the Acquisition Date"), the Tropicana Casino & Resort was acquired along with the other assets of Adamar of New Jersey, Inc. by TE. The newly acquired company was formed as Tropicana Atlantic City Corp, a New Jersey corporation. Tropicana Atlantic City Corp. formed a wholly owned subsidiary, TAC Sub, a New Jersey corporation. The new corporations were formed in accordance with the terms of the Amended and Restated Purchase agreement that was approved by the United States Bankruptcy Court, District of New Jersey, on November 4, 2009 and the New Jersey Casino Control Commission ("NJCCC") on November 19, 2009.

In November 2013, the Company received authorization from the New Jersey Division of Gaming Enforcement to commence continuous, 24-hour Internet gaming ("IGaming") on its online gaming site, *TropicanaCasino.com*. Tropicana Atlantic City Online showcases a variety of slot game options and classic casino table games. Players have the opportunity to participate in community jackpots and to be rewarded with both on-property and online incentives and have the chance to participate in a variety of promotions. All participants must be 21 or older and physically located in the State of New Jersey to play.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash, cash on hand in the casino cages, money market funds and highly liquid investments with original maturities of three months or less.

Pursuant to N.J.A.C. 13:690-1.3(j) the Property maintains a separate New Jersey bank account to ensure security of funds held in patrons internet gaming accounts. On September 30, 2015 the above mentioned account balance was \$2,507 which included patron's deposits in IGaming accounts of \$399.

**Receivables**

Receivables consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts. Receivables are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. An estimated allowance for doubtful accounts is maintained to reduce the Company's receivables to their expected realization, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Recoveries of accounts previously written off are recorded when received.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalent accounts maintained in financial institutions and accounts receivable. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 or with the Securities Investor Protection Corporation up to \$500,000.

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**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**  
**(Unaudited)**  
**(Dollars in Thousands)**

Concentration of credit risk, with respect to casino receivables, is limited through the Company's credit evaluation process. The Company issues markers to approved casino customers following credit checks and investigation of credit worthiness.

### **Inventories**

Inventories, which consist primarily of food, beverage, uniforms and operating supplies, are stated at the lower of cost or market value. Costs are determined using the average cost method.

### **Property and equipment**

Property and equipment under business combination guidance is stated at fair value as of the acquisition date. Property and equipment acquired subsequent to the acquisition date is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets or, for capital leases and leasehold improvements, over the shorter of the asset's useful life or the term of the lease. Gains or losses on disposals of assets are recognized as incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are expensed as incurred.

The Company must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered a maintenance expense or a capital asset is a matter of judgment. In contrast to normal repair and maintenance costs that are expensed when incurred, items the Company classifies as maintenance capital are expenditures necessary to keep its existing properties at their current levels and are typically replacement items due to the normal wear and tear of its properties and equipment as a result of use and age. The Company's depreciation expense is highly dependent on the assumptions it makes about its assets' estimated useful lives. The Company determines the estimated useful lives based on its experience with similar assets, engineering studies and its estimate of the usage of the asset. Whenever events or circumstances occur that change the estimated useful life of an asset, the Company accounts for the change prospectively.

### **CRDA Investment**

The New Jersey Casino Reinvestment Development Authority ("CRDA") deposits are carried at fair value. The CRDA deposits are recorded at fair value and are used to purchase CRDA bonds that carry below market interest rates unless an alternative investment is approved. A valuation allowance is established, unless there is an agreement with the CRDA for a return of the deposit at full face value, by a charge to the statement of operations. 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 any adjustments for other than temporary impairments. The average interest rate on the CRDA investment was 0.60% and 0.67% for the nine months ended September 30, 2015 and 2014, respectively.

### **Leasing Costs**

Leasing costs are capitalized as incurred and amortized evenly, as a reduction to rental income, over the related lease terms. Leasing costs consist primarily of tenant allowances, which are incentives provided to tenants whereby the Company agrees to pay certain amounts toward tenant leasehold improvements or other tenant development costs. Leasing costs are included in Other Assets on the balance sheet.

### **Valuation of Long-Lived Assets**

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances warrant such a review. The carrying value of a long-lived or amortizable intangible asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

**TROPICANA ATLANTIC CITY CORP.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**  
**(Unaudited)**  
**(Dollars in Thousands)**

### **Intangible Assets**

The Company's definite life intangible assets include customer lists and favorable lease agreements. Intangible assets with a definite life are amortized over their useful life, which is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Management periodically assesses the amortization period of intangible assets with definite lives based upon estimated future cash flows from related operations.

### **Self-Insurance Reserves**

The Company is self-insured up to certain stop loss amounts for employee health coverage, workers' compensation and general liability claims. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported as estimated by management with the assistance of a third party. In estimating these accruals, historical loss experience is considered and judgments are made about the expected levels of costs per claim. The Company believes its estimates of future liability are reasonable based upon its methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimates for these liabilities. The Company continually monitors changes in claim type and incident and evaluates the insurance accrual, making necessary adjustments based on the evaluation of these qualitative data points. The Company's accrual for general liability claims was approximately \$1,157 and \$1,288 at September 30, 2015 and 2014, respectively. The Company's accrual for workers compensation and employee health insurance claims was approximately \$5,117 and \$4,387 at September 30, 2015 and 2014, respectively.

### **Customer Loyalty Program**

The Company provides certain customer loyalty programs (the "Programs") at its casino, which allow customers to redeem points earned from their gaming activity for cash, food, beverage, rooms or merchandise. Under the Programs, customers are able to accumulate points that may be redeemed in the future, subject to certain limitations and the terms of the Programs. The Company records a liability for the estimated cost of the outstanding points under the Programs that it believes will ultimately be redeemed. The estimated cost of the outstanding points under the Programs is calculated based on estimates and assumptions regarding marginal costs of the goods and services, redemption rates and the mix of goods and services for which the points are expected to be redeemed. For points that may be redeemed for cash, the Company accrues this cost (after consideration of estimated redemption rates) as they are earned, which is included in promotional allowances. For points that may only be redeemed for goods or services but cannot be redeemed for cash, the Company estimates the cost and accrues for this expense as the points are earned from gaming play, which is recorded as casino operating costs and expenses. At September 30, 2015 and 2014, the Company had \$2,117 and \$1,875, respectively, accrued for the estimated cost of anticipated redemptions under the Programs.

### **Revenue Recognition and Promotional Allowances**

Casino revenue represents the difference between wins and losses from gaming activities. Room, food and beverage and other operating revenues are recognized at the time the goods or services are provided. The Company collects taxes from customers at the point of sale on transactions subject to sales and other taxes. Revenues are recorded net of any taxes collected. The majority of our casino revenue is counted in the form of cash and chips and, therefore, is not subject to any significant or complex estimation. The retail value of rooms, food and beverage and other services provided to customers on a complimentary basis is included in gross revenues and then deducted as promotional allowances.

### **Internet Gaming Operations**

On November 21, 2013 the Company commenced online gaming operations with Gamesys Limited ("Gamesys") as our exclusive internet provider. The Company currently offers two online gaming brands *TropicanaCasino.com* and *VirginCasino.com*. IGaming casino revenues represent the difference between wins and losses from online gaming activities and are recognized net of internet revenues from the Virgin Casino site as a component of Casino Revenue in the Statements of Income. Progressive jackpots are accrued on IGaming progressive games when earned and recorded on the Statements of Income as a component of Casino Revenue. The Company makes cash promotional offers to certain of its IGaming customers, including cash rebates as part of loyalty programs

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generally based on an individual's level of gaming play. These costs are classified as promotional allowances.

The State of New Jersey imposes an annual tax of 15% on IGaming gross revenue. These taxes along with expenses for software & licensing fees, royalty fees and payment processing fees are recorded as a component of Casino Costs and Expenses. Certain legal, marketing, advertising and administrative fees associated with the setup and ongoing support of IGaming are reflected in General, Administrative and Other on the Statements of Income.

An Internet Gaming Permit Fee of \$250 along with a Responsible Internet Gaming Fee of \$250 is required annually. These fees are treated as prepaid expenses and are written off over the year. IGaming licensees are also required to invest an additional 2.5% of gross casino revenue to satisfy investment obligations with the CRDA.

#### **Advertising Costs**

Costs for advertising are expensed as incurred. Advertising costs for the nine months ended September 30, 2015 and 2014 were \$6,434 and \$5,803 respectively.

#### **Income taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that included the enactment date. Future tax benefits are recognized to the extent that realization of those benefits is considered more likely than not, and a valuation allowance is established for deferred tax assets which do not meet this threshold.

#### **Fair Value of Financial Instruments**

As defined under GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

#### **Disclosures Not Presented**

In accordance with the Division of Gaming Enforcement Financial Reporting guidelines, the Company has elected not to include certain disclosures which have not changed significantly since the most recent Annual Report filing. Accordingly, the following disclosures have been omitted: Retirement Plans, Intangible Assets, Fair Value of Financial Instruments and Deferred Tax Assets.

#### **Recently Issued Accounting Standards**

A variety of proposed or otherwise potential accounting standards are currently under consideration by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, the Company has not yet determined the effect, if any, that the implementation of such proposed standards has on our financial statements.

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**NOTE 2. PROPERTY AND EQUIPMENT**

Property and Equipment consists of the following (in thousands):

	September 30, 2015	September 30, 2014
Land and land improvements	\$ 68,020	\$ 68,020
Building and improvements	137,954	107,814
Furniture, fixtures and equipment	83,128	58,727
Construction in progress	1,098	12,767
Total property and equipment-gross	<u>290,200</u>	<u>247,328</u>
Less: accumulated depreciation and amortization	<u>(73,312)</u>	<u>(58,764)</u>
Total property and equipment	<u>\$ 216,888</u>	<u>\$ 188,564</u>

Depreciation expense related to property and equipment was \$12,578 and 10,576 for the nine months ended September 30, 2015 and 2014 respectively.

**NOTE 3. OTHER CURRENT ASSETS**

Other Current Assets consists of the following (in thousands):

	September 30, 2015	September 30, 2014
Prepaid Insurance	\$ 596	\$ 746
Prepaid - Taxes & Licenses	1,927	1,527
Current deferred tax asset, net	6,826	0
Other	<u>1,541</u>	<u>1,892</u>
Total other current assets	<u>\$ 10,890</u>	<u>\$ 4,165</u>

**NOTE 4. INVESTMENTS**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues and 2.5% on IGaming gross revenue in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues and 5% on IGaming gross revenue. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-thirds of market value.

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The CRDA bonds have various contractual maturities that range from 9 to 40 years. Actual maturities may differ from contractual maturities because of prepayment rights.

Investments consist of the following (in thousands):

	September 30, 2015	September 30, 2014
Investment in bonds-CRDA	\$ 16,599	\$ 16,435
Less unamortized discount	(4,323)	(4,362)
Less valuation allowance	(3,683)	(3,482)
Deposits - CRDA	24,472	31,710
Less valuation allowance	(5,238)	(7,868)
Direct investment - CRDA	1,045	1,002
Less valuation allowance	<u>(1,045)</u>	<u>(1,002)</u>
 Total investments	 <u>\$ 27,827</u>	 <u>\$ 32,433</u>

In September 2014, the Company commenced work on a multi-phase construction project. The expansion project includes the addition of a state of the art fitness center, multi-million dollar boardwalk façade sound and light show, a 434 room hotel tower refurbishment and the renovation of the north tower casino floor. The Company has an agreement with the CRDA for approximately \$18,800 in funding in connection with this expansion project. In the nine months ended September 30, 2015 approximately \$13,019 was submitted for reimbursement, of which \$9,872 has been received.

For the nine months ended September 30, 2015 and 2014, the Company's reinvestment obligation was \$3,289 and \$3,052 respectively, for the purchase of CRDA bonds. The Company recorded a loss provision of \$1,065, offset by a gain of \$3,054 resulting from the anticipated return of its CRDA deposits for the nine months ended September 30, 2015. The Company recorded a loss provision of \$1,193 for the nine months ended September 30, 2014. The loss provision is to recognize the effect of the below market interest rate using the interest rate in effect at September 30, 2015.

**NOTE 5. DEBT**

TE has long-term debt where the Company is a guarantor and substantially all of the Company's property and equipment is pledged as collateral. As a result, a portion of TE's debt and unamortized debt discount is allocated to the Company based on total asset valuation.

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The Company's allocated portion of TE's long-term debt consisted of the following (in thousands):

	September 30, 2015	September 30, 2014
TE Term Loan Facility; 4.0% due 2020, net of unamortized discount of \$297 and \$350 at September 30, 2015 and 2014, respectively	\$ 79,451	\$ 78,825
Less: current portion	(814)	(800)
Long-term debt	<u>\$ 78,637</u>	<u>\$ 78,025</u>

On November 27, 2013, TE entered into (i) a senior secured first lien term loan facility in an aggregate principal amount of \$300 million, issued at a discount of 0.5% (the "Term Loan Facility") and (ii) a senior secured first lien revolving credit facility in an aggregate principal amount of \$15 million (the "Revolving Facility" and, together with the Term Loan Facility, the "Credit Facilities"). Commencing on December 31, 2013, the Term Loan Facility will amortize in equal quarterly installments in an amount of \$750, with any remaining balance payable on the final maturity date of the Term Loan Facility, which is November 27, 2020. Amounts under the Revolving Facility are available to be borrowed and re-borrowed until its termination on November 27, 2018. TE allocates its debt and unamortized debt discount to its subsidiaries based on the portion of collateralized assets at each subsidiary.

**NOTE 6. COMMITMENTS AND CONTINGENCIES**

Licensing

On November 10, 2010, the Company was granted its plenary casino license by the NJCCC.

The State of New Jersey imposes an annual tax of 8% on gross casino revenue and commencing with the operations of IGaming, an annual tax of 15% on IGaming gross revenue. Pursuant to legislation adopted in 1984, casino license holders or IGaming permit holders are required to invest an additional 1.25% percent of gross casino revenue and 2.5% of IGaming gross revenue for the purchase of bonds to be issued by the CRDA or to make other approved investments equal to that amount; and in the event the investment requirement is not met, the casino licensee is subject to a tax of 2.5% percent on gross casino revenue and 5% on gross IGaming revenue. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase and published by a national bond index at the time of the CRDA bond issuance.

2011 Legislation

On February 1, 2011, New Jersey enacted legislation (the "Tourism District Bill") that delegates redevelopment authority and creation of a master plan to the CRDA and allowed the CRDA the ability to enter into a five year public private partnership with the casinos in Atlantic City that have formed the Atlantic City Alliance ("ACA") to jointly market the city. The legislation obligates the Atlantic City casinos either through the ACA or, if not a member of the ACA, through individual assessments, to provide funding for the Tourism District Bill in the aggregate amount of \$30.0 million annually through 2016. Each Atlantic City casino's proportionate share of the assessment will be based on the gross revenue generated in the preceding fiscal year. The Company estimates its portions of these industry obligations to be approximately 11.5% for 2015.



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Tax Appeal Settlement

In January 2013, the Company settled outstanding real estate tax appeals with the City of Atlantic City. The settlement involves the tax years 2008 through 2012 and also covers negotiated real estate assessments for 2013 and 2014. Under the terms of the settlement, the Company was to receive a \$49.5 million refund in the form of credits against annual real estate tax bills beginning in 2013 and ending in 2017. The credits were to be front-loaded in 2013 and 2014 so that after the credits are applied, the Company paid \$1,750 in taxes and utilized \$16,044 of credits as a reduction to operating expenses in the year ended December 31, 2013. In addition, the Company expensed \$4,065 in professional fees related to this settlement in the year ended December 31, 2013. In January 2014, the Company received \$31,725 in cash as payment to satisfy future credits.

For the nine months ended September 30, 2015 and 2014, the Company recorded, as a component of General, Administrative and Other, realty tax expense for the land and improvements of \$15,106 and \$17,287 respectively.

Other

The Company is a party to various claims, legal actions and complaints arising in the ordinary course of business or asserted by way of defense or counter-claim in actions filed by the Company. Management believes that its defenses are substantial in each of these matters, and the Company's legal posture can be successfully defended or satisfactorily settled without material adverse effect on its consolidated financial position, results of operations or cash flows.

**NOTE 7. RELATED PARTIES**

Advances to affiliates are reflected in Investments, Advances and Receivables. The identity of the affiliate and corresponding balances at September 30, 2015 and 2014 are as follows (in thousands):

	September 30, <u>2015</u>	September 30, <u>2014</u>
Due from Tropicana Entertainment Inc.	\$ 96,122	\$ 126,062
Due from TEI (ES) LLC	274	136
Due from Centroplex-Baton Rouge	73	-
Due from Evansville	<u>23</u>	<u>5</u>
	<u>\$ 96,492</u>	<u>\$ 126,203</u>

Transactions with TE include activity principally related to TE's Term Loan Facility, joint insurance programs, federal income tax filings, and other administrative services. The Company operates a Reservation Call Center for which it charges the Hotel Lumiere (TEI (ES) LLC) and Centroplex Baton Rouge a fee. TEI (ES) LLC and Centroplex Baton Rouge are wholly owned Subsidiaries of TE. Various corporate services were provided to the Company for which a management fee was charged. For the nine months ended September 30, 2015 and 2014 the Company recorded a management fee of \$4,258 and \$4,786 respectively. In April 2014, September 2014 and July 2015, the Company began taking reservations through its call center for Hotel Lumiere, Centroplex Baton Rouge and Evansville respectively. The Company charged TEI (ES), LLC, Centroplex Baton Rouge and Evansville for the services provided.

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**NOTE 8. LEASES**

For the nine months ended September 30, 2015 and 2014 the Company recorded rental revenue of \$4,838 and \$5,160 respectively.

The future minimum lease payments to be received under non-cancelable operating leases for the nine months and years subsequent to September 30, 2015 are as follows (in thousands):

2015	\$ 1,240
2016	4,921
2017	4,757
2018	4,136
2019	3,788
Thereafter	<u>8,322</u>
Total	<u>\$ 27,164</u>

The above minimum rental income does not include contingent rental income or common area maintenance costs contained within certain rental operating leases.

**NOTE 9. OTHER ACCRUED EXPENSES**

Other Accrued Expenses consists of the following (in thousands):

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Accrued payroll, taxes, and benefits	\$ 13,916	\$ 10,263
Accrued progressive liability	659	1,100
Insurance reserves	6,274	5,675
Accrued ACA Fees	2,700	-
Other	<u>6,322</u>	<u>6,798</u>
Total other accrued expenses	<u>\$ 29,871</u>	<u>\$ 23,836</u>

**NOTE 10. OTHER CURRENT LIABILITIES**

Other Current Liabilities consists of the following (in thousands):

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Chip liability	\$ 1,766	\$ 1,669
Other	<u>3,765</u>	<u>5,001</u>
Total other current liabilities	<u>\$ 5,531</u>	<u>\$ 6,670</u>

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**NOTE 11. NON-OPERATING INCOME/EXPENSE**

Non-operating Income/(Expense) consists of the following (in thousands):

	September 30, 2015	September 30 2014
Interest income	\$ 290	\$ 1,551
Impairment charge	(26)	-
Construction accident related	(2)	(66)
Insurance Proceeds	-	1,250
Proceeds (Loss) on disposal of asset	49	(941)
Total non-operating income	<u>\$ 311</u>	<u>\$ 1,794</u>

**NOTE 12. INCOME TAXES**

The provision for income taxes for the nine months ended September 30, 2015 and 2014 is comprised of (in thousands):

	September 30, 2015	September 30 2014
<u>CURRENT:</u>		
Federal	\$ -	\$ -
State	88	63
Total Current	88	63
<u>DEFERRED:</u>		
Federal	-	-
State	-	-
Total Deferred	-	-
Total Taxes	<u>\$ 88</u>	<u>\$ 63</u>