

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

**FOR THE QUARTER ENDED SEPTEMBER 2016**

**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 SEPTEMBER 30, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$10,953	\$7,740
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, \$ 1,369 ; 2015, \$2,500 .....	4	5,165	4,773
4	Inventories .....	2	2,287	1,537
5	Other Current Assets.....	5,6	1,341	960
6	Total Current Assets.....		19,746	15,010
7	Investments, Advances, and Receivables.....	11,12	1,753	3,735
8	Property and Equipment - Gross.....	6,7	174,767	165,735
9	Less: Accumulated Depreciation and Amortization.....		(46,767)	(36,369)
10	Property and Equipment - Net.....		128,000	129,366
11	Other Assets.....	7,8	10,037	11,465
12	Total Assets.....		\$159,536	\$159,576
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$9,563	\$10,524
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	9,10	100	1,286
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	8,9	22,733	18,737
19	Other Current Liabilities.....	8,9	9,109	13,432
20	Total Current Liabilities.....		41,505	43,979
	Long-Term Debt:			
21	Due to Affiliates.....	9,10	6,463	6,463
22	External.....		0	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		47,968	50,442
27	Stockholders', Partners', or Proprietor's Equity.....		111,568	109,134
28	Total Liabilities and Equity.....		\$159,536	\$159,576

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 NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 3/28/2018

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....		\$171,879	\$164,454
2	Rooms.....		13,057	13,496
3	Food and Beverage.....		24,477	24,470
4	Other.....		13,184	13,209
5	Total Revenue.....	2,3	222,597	215,629
6	Less: Promotional Allowances.....	2,3	57,096	54,599
7	Net Revenue.....		165,501	161,030
	Costs and Expenses:			
8	Casino.....	2,3	71,144	69,167
9	Rooms, Food and Beverage.....		27,769	29,616
10	General, Administrative and Other.....	2,3	42,050	41,275
11	Total Costs and Expenses.....		140,963	140,058
12	Gross Operating Profit.....		24,538	20,972
13	Depreciation and Amortization.....		8,662	8,274
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		187	0
16	Income (Loss) from Operations.....		15,689	12,698
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	9,10	(228)	(278)
19	CRDA Related Income (Expense) - Net.....	11,12	(660)	(633)
20	Nonoperating Income (Expense) - Net.....		5	3
21	Total Other Income (Expenses).....		(883)	(908)
22	Income (Loss) Before Taxes .....		14,806	11,790
23	Provision (Credit) for Income Taxes.....		0	0
24	Net Income (Loss).....		\$14,806	\$11,790

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 SEPTEMBER 30, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Amended 3/28/2018

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....	2,3	\$64,102	\$60,686
2	Rooms.....		5,300	5,172
3	Food and Beverage.....		10,263	10,068
4	Other.....		5,710	5,507
5	Total Revenue.....	2,3	85,375	81,433
6	Less: Promotional Allowances.....	2,3	22,714	20,806
7	Net Revenue.....		62,661	60,627
	Costs and Expenses:			
8	Casino.....	2,3	26,281	24,857
9	Rooms, Food and Beverage.....		9,753	11,656
10	General, Administrative and Other.....	2,3	15,409	14,996
11	Total Costs and Expenses.....		51,443	51,509
12	Gross Operating Profit.....		11,218	9,118
13	Depreciation and Amortization.....		2,911	2,780
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		187	0
16	Income (Loss) from Operations.....		8,120	6,338
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	9,10	(69)	(68)
19	CRDA Related Income (Expense) - Net.....	11,12	(249)	(228)
20	Nonoperating Income (Expense) - Net.....		5	1
21	Total Other Income (Expenses).....		(313)	(295)
22	Income (Loss) Before Taxes .....		7,807	6,043
23	Provision (Credit) for Income Taxes.....		0	0
24	Net Income (Loss).....		\$7,807	\$6,043

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, 2015  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2014.....</b>		\$177,837	(\$61,993)		\$115,844
2	Net Income (Loss) - 2015.....			9,368		9,368
3	Capital Contributions.....		(20,000)			(20,000)
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	<b>Balance, December 31, 2015.....</b>		157,837	(52,625)	0	105,212
11	Net Income (Loss) - 2016.....			14,806		14,806
12	Capital Contributions.....		(8,450)			(8,450)
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	<b>Balance, September 30, 2016.....</b>		\$149,387	(\$37,819)	\$0	\$111,568

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 NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$21,898	\$26,898
	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.....		(7,430)	(2,798)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		702	(1,938)
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.....		(6,728)	(4,736)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....		(890)	(1,292)
15	Proceeds from Long-Term Debt .....		33,850	23,000
16	Costs of Issuing Debt.....			0
17	Payments to Settle Long-Term Debt.....		(38,244)	(27,250)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		(8,450)	(18,500)
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	.....			
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(13,734)	(24,042)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		1,436	(1,880)
25	Cash and Cash Equivalents at Beginning of Period.....		9,517	9,620
26	Cash and Cash Equivalents at End of Period.....		\$10,953	\$7,740
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$108	\$144
28	Income Taxes.....			

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 NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$14,806	\$11,790
30	Depreciation and Amortization of Property and Equipment.....		8,662	8,274
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....		99	109
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.....		660	633
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(841)	(860)
39	(Increase) Decrease in Inventories .....		(83)	(6)
40	(Increase) Decrease in Other Current Assets.....		346	641
41	(Increase) Decrease in Other Assets.....		135	(598)
42	Increase (Decrease) in Accounts Payable.....		(1,886)	6,915
43	Increase (Decrease) in Other Current Liabilities .....			
44	Increase (Decrease) in Other Liabilities .....			
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$21,898	\$26,898

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$7,430)	(\$2,798)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$7,430)	(\$2,798)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		(\$8,450)	(\$18,500)
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.....		(\$8,450)	(\$18,500)

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

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016  
(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	198,576	\$9,703	0	\$0
2	Food	423,894	7,630	81,738	4,905
3	Beverage	1,084,365	4,609	0	0
4	Travel	0	0	12,124	303
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	302,031	23,244	0	0
7	Complimentary Cash Gifts	219,671	7,261	0	0
8	Entertainment	21,888	547	0	0
9	Retail & Non-Cash Gifts	274,641	3,516	0	0
10	Parking	0	0	770,034	2,310
11	Other	234,439	586	0	0
12	Total	2,759,505	\$57,096	863,895	\$7,518

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	78,173	\$3,881	0	\$0
2	Food	171,123	3,080	31,489	1,890
3	Beverage	429,118	1,824	0	0
4	Travel	0	0	5,328	133
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	112,695	9,401	0	0
7	Complimentary Cash Gifts	50,544	2,679	0	0
8	Entertainment	11,903	298	0	0
9	Retail & Non-Cash Gifts	102,211	1,308	0	0
10	Parking	0	0	301,759	905
11	Other	97,436	243	0	0
12	Total	1,053,203	\$22,714	338,577	\$2,928

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



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

FOR THE QUARTER ENDED SEPTEMBER 2016

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

11/14/2016

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. 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.

In 2013, we established online gambling operations offering various casino table games and slots to internet customers.

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 and nine months ended September 30 is as follows (in thousands):

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Rooms	\$ 2,507	\$ 2,458	\$ 6,268	\$ 6,080
Food and beverage	4,389	3,945	10,953	10,127
Other	<u>1,319</u>	<u>1,546</u>	<u>3,235</u>	<u>4,038</u>
Total	<u>\$ 8,215</u>	<u>\$ 7,949</u>	<u>\$ 20,456</u>	<u>\$ 20,245</u>

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

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

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 nine months ended September 30, 2016 and 2015 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 million and \$2.6 for the three months ended September 30, 2016 and 2015, respectively, and \$6.5 million and \$7.4 million for the nine months ended September 30, 2016 and 2015, 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 September 30, 2016 the above mentioned account balance was \$543,000 and patron deposits in internet gaming accounts were \$421,000.

Cash as of September 30 consisted of the following (in thousands):

	<u>2016</u>	<u>2015</u>
Unrestricted cash	\$ 10,410	\$ 7,420
Restricted cash internet accounts	<u>543</u>	<u>320</u>
Total	<u>\$ 10,953</u>	<u>\$ 7,740</u>

### **4. ACCOUNTS RECEIVABLE**

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

	<u>2016</u>	<u>2015</u>
Gaming	\$ 5,363	\$ 6,619
Allowance	(1,337)	(2,474)
Non-Gaming	1,172	653
Allowance hotel	<u>(33)</u>	<u>(25)</u>
Total	<u>\$ 5,165</u>	<u>\$ 4,773</u>

### **5. OTHER CURRENT ASSETS**

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

	<u>2016</u>	<u>2015</u>
--	-------------	-------------

Prepaid insurance	\$ 222	\$ 111
Prepaid taxes	609	600
Other prepaid	<u>510</u>	<u>249</u>
Total	<u>\$ 1,341</u>	<u>\$ 960</u>

## 6. PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land	\$ 17,650	\$ 17,650
Buildings and improvements	100,295	97,338
Furniture, fixtures, equipment	54,312	50,400
Construction in progress	<u>2,510</u>	<u>347</u>
Property and equipment, gross	174,767	165,735
Accumulated depreciation	<u>(46,767)</u>	<u>(36,369)</u>
Property and equipment, net	<u>\$ 128,000</u>	<u>\$ 129,366</u>

## 7. OTHER ASSETS

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

	<u>2016</u>	<u>2015</u>
Deferred cost	\$ 2,894	\$ 2,968
Software	6,368	7,351
Deposits	<u>775</u>	<u>1,146</u>
Total	<u>\$ 10,037</u>	<u>\$ 11,465</u>

## 8. OTHER

### ACCRUED EXPENSES & LIABILITIES

Other accrued expenses and liabilities as of September 30 consisted of the following (in thousands):

	<u>2016</u>	<u>2015</u>
Payroll and related	\$ 7,750	\$ 7,896
Deposits	1,016	858
Other	<u>13,967</u>	<u>9,983</u>
Total accrued expenses	<u>\$ 22,733</u>	<u>\$ 18,737</u>

  

	<u>2016</u>	<u>2015</u>
Gaming	\$ 1,240	\$ 1,301

Other	<u>7,869</u>	<u>12,131</u>
Total accrued and other current liabilities	<u>\$ 9,109</u>	<u>\$ 13,432</u>

## 9. LONG TERM DEBT

On December 15, 2015, we entered into a new \$10.0 million revolving credit facility which expires on December 15, 2016 and bears interest at a rate of LIBOR plus 2.5%. In addition, the credit facility requires a commitment fee on the unfunded portion of the \$10 million 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. The facility replaced our previous revolving credit facility, which matured on December 15, 2015.

In addition to the credit facility, we entered into equipment loans for the purchase of gaming hardware and software. As of September 30, 2016, all of the loans had been repaid.

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 revolving credit facility agreement contains various restrictive covenants including limitations on additional indebtedness, dividend payments and other restricted payments as defined in the agreement. At September 30, 2016, we were in compliance with all such covenants and had \$9.9 million in borrowing capacity under the revolving credit facility.

Total debt as of September 30 is comprised of the following:

	<u>2016</u>	<u>2015</u>
\$10.0 Million revolving credit facility, due December 2016	\$ 100	\$ 250
Various equipment loans	-	1,036
Note payable – affiliate	<u>6,463</u>	<u>6,463</u>
Total Debt	6,563	7,749
Less Current Portion	<u>(100)</u>	<u>(1,286)</u>
Long term debt	<u>\$ 6,463</u>	<u>\$ 6,463</u>

## **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 \$0.7 million and \$2.3 million for both the three months ended September 30, 2016 and 2015, respectively, and \$4.8 million and \$6.3 million for the nine months ended September 30, 2016 and 2015, respectively. The plans' sponsors have not provided sufficient information to permit us to determine our share of unfunded vested benefits, if any. However, based on available information, we do not believe that unfunded amounts attributable to our casino operations are material.

We 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 pre-tax basis through contributions to the plan. We match on a discretionary basis, subject to a vesting schedule. Matching contributions for both the three and nine months ended September 30, 2016 and 2015 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 5.0% 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. Therefore, we recorded a \$1.0 million impairment charge to general and administrative expense in the fourth quarter of 2015.

For the three and nine months ended September 30, 2016, we charged to general and administrative expense \$0.3 million and \$0.7 million, respectively, and \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2015, respectively, to give effect to the below market interest rates associated with CRDA deposits.

We were approved to use up to \$3.8 million of CRDA deposits ("Approved CRDA Project Funds") for certain capital expenditures. Approximately \$2.7 million of the Approved CRDA Project Funds were reimbursed to us during the three months ended September 30, 2016.

CRDA deposits and investments in CRDA Bonds, net of allowances of \$6.4 million and \$5.7 million, reflected in non-current assets on the accompanying consolidated balance sheets as of September 30, 2016 and December 31, 2015, are \$1.7 million and \$3.1 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 has been established in the form of a not-for-profit limited liability company, of which we are a member, for the purpose of supporting the marketing of Atlantic City as a year round seaside and marina resort destination. We are 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 will equate 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 expense 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 \$0.7 million and \$0.6 million for the three months ended September 30, 2016 and 2015, respectively, and \$2.0 million for both the nine months ended September 30, 2016 and 2015.

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. Our payment to the ACA for 2015 will be credited against our obligation to the state for 2015 as the ACA will be 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 \$0.4 million both for the nine months ended September 30, 2016 and 2015.

#### *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.

#### *Shared Services Agreement*

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

#### *Tenant Agreement*

We have entered into certain lease agreements with wholly owned subsidiaries of Landry's wherein they operate restaurants in our casino property and we receive rental payments. Moreover, we routinely enter into certain transactions with affiliated companies. These transactions have been entered into between related parties and are not the result of arm's-length negotiations. Accordingly, the terms of the transactions may have been more or less favorable to us than might have been obtained from unaffiliated third parties. Rental revenue from the Landry's subsidiaries totaled \$0.1 million for both the three months ended September 30, 2016 and 2015, and \$0.4 million for both the nine months ended September 30, 2016 and 2015.

## **13. STOCKHOLDER'S EQUITY**

During the nine months ended September 30, 2016, we made dividend payments totaling \$8.5 million. During the year ended December 31, 2015, we made dividend payments totaling \$20.0 million.

## **14. SUBSEQUENT EVENTS**

We have evaluated subsequent events through **November 14**, 2016, which is the date our financial statements were available to be issued.