

**TROPICANA CASINO AND RESORT
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2016

**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 JUNE 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.....		\$121,966	\$70,790
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, \$7,734 ; 2015, \$9,893		13,931	15,637
4	Inventories		3,324	3,156
5	Other Current Assets.....	3	5,499	11,544
6	Total Current Assets.....		144,720	101,127
7	Investments, Advances, and Receivables.....	4, 7	96,486	137,974
8	Property and Equipment - Gross.....	2	315,509	285,464
9	Less: Accumulated Depreciation and Amortization.....	2	(89,493)	(68,504)
10	Property and Equipment - Net.....	2	226,016	216,960
11	Other Assets.....		176,906	179,092
12	Total Assets.....		\$644,128	\$635,153
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$11,322	\$10,664
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	5	814	814
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	9	35,162	30,069
19	Other Current Liabilities.....	10	8,145	7,822
20	Total Current Liabilities.....		55,443	49,369
	Long-Term Debt:			
21	Due to Affiliates.....	5	77,292	78,825
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		132,735	128,194
27	Stockholders', Partners', or Proprietor's Equity.....		511,393	506,959
28	Total Liabilities and Equity.....		\$644,128	\$635,153

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....		\$151,544	\$143,900
2	Rooms.....		23,515	23,926
3	Food and Beverage.....		16,545	15,941
4	Other.....	8	7,019	6,609
5	Total Revenue.....		198,623	190,376
6	Less: Promotional Allowances.....		41,951	39,585
7	Net Revenue.....		156,672	150,791
	Costs and Expenses:			
8	Casino.....		52,254	51,214
9	Rooms, Food and Beverage.....		17,794	17,111
10	General, Administrative and Other.....	6	69,577	68,854
11	Total Costs and Expenses.....		139,625	137,179
12	Gross Operating Profit.....		17,047	13,612
13	Depreciation and Amortization.....	2	11,221	7,496
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	7	3,399	2,786
15	Other.....		0	0
16	Income (Loss) from Operations.....		2,427	3,330
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(1,749)	(1,303)
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	4	(6,423)	1,794
20	Nonoperating Income (Expense) - Net.....	11	262	215
21	Total Other Income (Expenses).....		(7,910)	706
22	Income (Loss) Before Taxes		(5,483)	4,036
23	Provision (Credit) for Income Taxes.....		0	88
24	Net Income (Loss).....		(\$5,483)	\$3,948

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 JUNE 30, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....		\$78,842	\$77,575
2	Rooms.....		12,902	13,778
3	Food and Beverage.....		8,934	8,597
4	Other.....	8	3,496	3,682
5	Total Revenue.....		104,174	103,632
6	Less: Promotional Allowances.....		22,417	21,292
7	Net Revenue.....		81,757	82,340
	Costs and Expenses:			
8	Casino.....		26,298	25,886
9	Rooms, Food and Beverage.....		9,927	9,632
10	General, Administrative and Other.....	6	35,795	35,600
11	Total Costs and Expenses.....		72,020	71,118
12	Gross Operating Profit.....		9,737	11,222
13	Depreciation and Amortization.....	2	5,794	3,849
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	7	1,698	1,486
15	Other.....		0	0
16	Income (Loss) from Operations.....		2,245	5,887
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(877)	(652)
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....	4	(6,031)	801
20	Nonoperating Income (Expense) - Net.....	11	171	141
21	Total Other Income (Expenses).....		(6,737)	290
22	Income (Loss) Before Taxes		(4,492)	6,177
23	Provision (Credit) for Income Taxes.....		0	88
24	Net Income (Loss).....		(\$4,492)	\$6,089

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TROPICANA CASINO AND RESORT

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 AND THE SIX MONTHS ENDED JUNE 30, 2016

(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, 2014.....						\$282,128		\$220,883	\$503,011
2	Net Income (Loss) - 2015.....							13,865	13,865	
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, 2015.....		0	0	0	0	282,128	0	234,748	516,876
11	Net Income (Loss) - 2016.....							(5,483)	(5,483)	
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, June 30, 2016		0	\$0	0	\$0	\$282,128	\$0	\$229,265	\$511,393

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$16,716	\$20,213
	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.....		(24,179)	(30,996)
5	Proceeds from Disposition of Property and Equipment.....		0	62
6	CRDA Obligations	4	(2,190)	(2,060)
7	Other Investments, Loans and Advances made.....		12,593	12,706
8	Proceeds from Other Investments, Loans, and Advances	4	2,308	259
9	Cash Outflows to Acquire Business Entities.....		0	0
10	Proceeds from Sales and Luxury Tax Credits		1,713	1,713
11	Cash Outflows for Tenant Allowance		(1,000)	0
12	Net Cash Provided (Used) By Investing Activities.....		(10,755)	(18,316)
	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	.....		
22	.....		
23	Net Cash Provided (Used) By Financing Activities.....		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		5,961	1,897
25	Cash and Cash Equivalents at Beginning of Period.....		116,005	68,893
26	Cash and Cash Equivalents at End of Period.....		\$121,966	\$70,790
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....		\$75	\$88

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$5,483)	\$3,948
30	Depreciation and Amortization of Property and Equipment.....	2	11,221	7,496
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		(28)	(26)
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	(40)
36	(Gain) Loss on CRDA-Related Obligations.....	4	6,423	(1,794)
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,158)	1,953
39	(Increase) Decrease in Inventories		(199)	122
40	(Increase) Decrease in Other Current Assets.....		(2,041)	(1,701)
41	(Increase) Decrease in Other Assets.....		(64)	716
42	Increase (Decrease) in Accounts Payable.....		3,353	2,615
43	Increase (Decrease) in Other Current Liabilities		4,692	6,898
44	Increase (Decrease) in Other Liabilities		0	0
45	Loss on Impairment of Intangible Assets		0	26
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$16,716	\$20,213

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$24,179)	(\$30,996)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$24,179)	(\$30,996)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
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.....		\$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 SIX MONTHS ENDED JUNE 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	154,162	\$8,420	0	\$0
2	Food	253,682	4,554	179,432	3,221
3	Beverage	3,305,779	3,932	0	0
4	Travel	0	0	1,257	377
5	Bus Program Cash	1,780	151	0	0
6	Promotional Gaming Credits	311,767	22,811	0	0
7	Complimentary Cash Gifts	405,990	1,952	0	0
8	Entertainment	19,305	112	270	29
9	Retail & Non-Cash Gifts	0	0	252,523	2,500
10	Parking	0	0	304,504	914
11	Other	1,884	19	23,837	238
12	Total	4,454,349	\$41,951	761,823	\$7,279

FOR THE THREE MONTHS ENDED JUNE 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	80,464	\$4,301	0	\$0
2	Food	134,843	2,480	95,035	1,748
3	Beverage	1,689,699	2,014	0	0
4	Travel	0	0	636	191
5	Bus Program Cash	759	92	0	0
6	Promotional Gaming Credits	171,577	12,492	0	0
7	Complimentary Cash Gifts	183,759	966	0	0
8	Entertainment	11,222	62	212	25
9	Retail & Non-Cash Gifts	0	0	140,000	1,387
10	Parking	0	0	158,267	475
11	Other	1,025	10	12,513	125
12	Total	2,273,348	\$22,417	406,663	\$3,951

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

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

FOR THE QUARTER ENDED JUNE 30, 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.

8/15/2016

Date



Christina Broome

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)
(Dollars in Thousands)

OTE 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 Acquisition"). 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 generally accepted accounting principles in the United States ("GAAP") requires 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. Significant estimates incorporated in our consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimated valuation allowance for deferred tax assets, certain tax liabilities, estimated cash flows in assessing the impairment of long-lived assets, intangible assets, New Jersey Casino Reinvestment Development Authority ("CRDA") investments, fair values of acquired assets and liabilities, self-insured liability reserves, customer loyalty program reserves, contingencies, litigation, claims, assessments and loss contingencies. Actual results could differ from these estimates.

Cash and Cash Equivalents

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

Pursuant to N.J.A.C. 13:690-1.3(j) the Company maintains a separate New Jersey bank account to ensure security of funds held in patrons internet gaming accounts. On June 30, 2016 and 2015 the above mentioned account balance was \$1,628 and \$2,934, respectively which included patron's deposits in IGaming accounts of \$383 and \$360, respectively.

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.

TROPICANA ATLANTIC CITY CORP.
DBA TROPICANA CASINO AND RESORT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)
(Dollars in Thousands)

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.

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.

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.

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(Dollars in Thousands)

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.

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 \$1,126 and \$1,093 at June 30, 2016 and 2015, respectively. The Company's accrual for workers compensation and employee health insurance claims was approximately \$6,105 and \$5,340 at June 30, 2016 and 2015, 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 June 30, 2016 and 2015, the Company had \$3,049 and \$1,720, 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. Promotional allowances also include incentives earned in our slot bonus program such as cash, complimentary play, and the estimated retail value of goods and services (such as complimentary rooms and food and beverages). We reward customers, through the use of bonus programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for complimentary play, and to a lesser extent for goods or services.

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

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(Dollars in Thousands)

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 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 IGaming casino revenue to satisfy investment obligations with the CRDA.

Advertising Costs

The Company expenses advertising costs as incurred or the first time the advertising takes place. Advertising expense is generally recognized in General, administrative and other on the Statement of Income and totaled \$5,576 and \$4,429 for the six months ended June 30, 2016 and 2015, 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.

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.

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, Fair Value of Financial Instruments, Income Taxes.

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NOTE 2. PROPERTY AND EQUIPMENT

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

	June 30, 2016	June 30, 2015
Land and land improvements	\$ 68,020	\$ 68,020
Building and improvements	146,754	132,244
Furniture, fixtures and equipment	98,701	78,438
Construction in progress	2,034	6,762
Total property and equipment-gross	<u>315,509</u>	<u>285,464</u>
Less: accumulated depreciation and amortization	<u>(89,493)</u>	<u>(68,504)</u>
Total property and equipment	<u>\$ 226,016</u>	<u>\$ 216,960</u>

Depreciation expense related to property and equipment was \$11,221 and \$7,496 for the six months ended June 30, 2016 and 2015 respectively.

NOTE 3. OTHER CURRENT ASSETS

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

	June 30, 2016	June 30, 2015
Prepaid Insurance	\$ 1,268	\$ 1,277
Prepaid - Taxes & Licenses	1,265	1,326
Current deferred tax asset, net	-	6,826
Other	<u>2,966</u>	<u>2,115</u>
Total other current assets	<u>\$ 5,499</u>	<u>\$ 11,544</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 8 to 39 years. Actual maturities may differ from contractual maturities because of prepayment rights.

Investments consist of the following (in thousands):

	June 30, 2016	June 30, 2015
Investment in bonds-CRDA	\$ 16,418	\$ 16,150
Less unamortized discount	(4,235)	(4,203)
Less valuation allowance	(3,885)	(3,683)
Deposits - CRDA	20,393	33,840
Less valuation allowance	(10,498)	(5,761)
Direct investment - CRDA	1,872	1,769
Less valuation allowance	<u>(1,872)</u>	<u>(1,769)</u>
 Total investments	 <u>\$ 18,193</u>	 <u>\$ 36,343</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. During the year ended December 31, 2015 approximately \$17,115 was submitted for reimbursement, of which \$15,248 was received in 2015, and \$1,867 was received during the six months ended June 30, 2016. For the six months ended June 30, 2016 \$1,168 was submitted for reimbursement.

On April 19, 2016 the CRDA approved an application by the Company to increase the scope of the approved Company project to include additional project elements and amend the CRDA grant agreement related to the Company project to permit an \$8,000 increase in the CRDA fund reservation and corresponding increase in the Approved CRDA Project Funds from \$18,800 to \$26,800 and a rescheduled substantial completion date for the Company project to not later than June 30, 2017. In exchange for the approval, the Company agreed to donate the balance of its CRDA deposits in the amount of approximately \$7,068 to the CRDA pursuant to NJSA 5:12-177. The Company recorded \$5,385 of expense to fully reserve the funds that will be donated to the CRDA per this agreement.

For the six months ended June 30, 2016 and 2015, the Company's reinvestment obligation was \$2,190 and \$2,060 respectively, for the purchase of CRDA bonds. The Company recorded a loss provision of \$6,423 for the six months ended June 30, 2016. The Company recorded a loss provision of \$524, offset by a gain of \$2,318 resulting from the anticipated return of its CRDA deposits for the six months ended June 30, 2015. The loss provision is to recognize the effect of the below market interest rate using the interest rate in effect at June 30, 2016.

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):

	June 30, 2016	June 30, 2015
TE Term Loan Facility; 4.0% due 2020, net of unamortized discount of \$253 and \$312 at June 30, 2016 and 2015, respectively and debt issuance costs of \$779 at June 30, 2016	\$ 78,106	\$ 79,639
Less: current portion	(814)	(814)
Long-term debt	\$ 77,292	\$ 78,825

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

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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 12.0% for 2016.

NJ PILOT Law

On May 27, 2016, New Jersey enacted the Casino Property Tax Stabilization Act (the "NJ PILOT Law") which will exempt Atlantic City casino gaming properties from ad valorem property taxation in exchange for an agreement to make annual payment in lieu of tax payments ("PILOT Payments") to the City of Atlantic City, make certain changes to the NJ Tourism Law and redirect certain IAT payments to assist in the stabilization of Atlantic City finances. Under the PILOT Law, commencing in 2017 and for a period of ten (10) years Atlantic City casino gaming properties will be required to pay a prorated share of PILOT Payments totaling \$120 million based on a formula that accounts for gaming revenues, the number of hotel rooms and the square footage of each casino gaming property. Commencing in 2018 and each year thereafter, the \$120 million base year aggregate payment may either increase to as high as \$165 million (based upon industry gross gaming revenue ("GGR") of between \$3.0 billion and \$3.4 billion) or decrease to a low of \$90 million (based upon industry GGR less than \$1.8 billion) and further taking into account certain non-GGR revenue streams, with the base year \$120 million industry GGR set at between \$2.2 billion and \$2.6 billion. In years in which the industry PILOT Payments do not increase based upon an increase in GGR above the base year or other bracketed amounts, PILOT Payments will increase 2%.

The PILOT Law also provides for the abolishment of the ACA effective as of January 1, 2015 and redirection of the \$30 million in ACA funds paid by the casinos for 2015 and accrued in 2016 under the Tourism District Law to the State of New Jersey for Atlantic City fiscal relief and further payments of \$15 million in 2017, \$10 million in 2018 and \$5 million for each year between 2019 and 2023 to Atlantic City upon approval of a financial plan to be submitted by Atlantic City which is required to set forth specific actions to be taken to improve its financial condition.

In addition, the PILOT Law also provides for IAT payments made by the casino operators which were previously deposited with the CRDA and which have not been pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund such bonds to be allocated to the State of New Jersey for purposes of paying debt service on bonds previously issued by Atlantic City.

Realty Taxes

For the six months ended June 30, 2016 and 2015, the Company recorded, as a component of General, administrative and other, realty tax expense for the land and improvements of \$11,884 and \$13,500 respectively.

Unite Here

In May 2016, UNITE HERE Local 54 and the Company commenced bargaining sessions which continued through June 30, 2016 when a tentative agreement was reached by the parties on a new collective bargaining agreement to extend through February 29, 2020. The terms of the new collective bargaining agreement were ratified by UNITE HERE Local 54 membership on July 14, 2016, and the agreement is pending finalization by the parties.

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.

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NOTE 7. RELATED PARTIES

Advances to affiliates are reflected in Investments, Advances and Receivables. The identity of the affiliate and corresponding balances at June 30, 2016 and 2015 are as follows (in thousands):

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Due from Tropicana Entertainment Inc.	\$ 77,526	\$ 101,337
Due from TEI (ES) LLC	431	244
Due from Centroplex-Baton Rouge	192	50
Due from Evansville	144	-
	<u>\$ 78,293</u>	<u>\$ 101,631</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 Lumiere Hotel ("TEI (ES), LLC"), Centroplex Baton Rouge, and Evansville a fee. TEI (ES) LLC, Centroplex Baton Rouge, and Evansville are wholly owned Subsidiaries of TE. The Company began taking reservations through its call center for Hotel Lumiere and Centroplex Baton Rouge in 2014 and for Evansville in July of 2015. These properties were charged for the services provided.

Various corporate services were provided to the Company in the six months ended June 30, 2016 and 2015 for which a management fee was charged. For the six months ended June 30, 2016 and 2015 the Company recorded a management fee of \$3,399 and \$2,786 respectively.

NOTE 8. LEASES

For the six months ended June 30, 2016 and 2015, the Company recorded, as a component of Other Revenue on the Statements of Income, rental revenue of \$2,746 and \$2,734 respectively.

The future minimum lease payments to be received under non-cancelable operating leases for the six months and years subsequent to June 30, 2016 are as follows (in thousands):

2016	\$ 2,459
2017	4,752
2018	4,162
2019	3,607
2020	2,567
Thereafter	<u>6,195</u>
Total	<u>\$ 23,742</u>

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

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NOTE 9. OTHER ACCRUED EXPENSES

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

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Accrued payroll, taxes, and benefits	\$ 16,332	\$ 12,841
Accrued taxes	4,102	3,912
Insurance reserves	7,231	6,433
Accrued comp liability	3,081	1,744
Other	<u>4,416</u>	<u>5,139</u>
Total other accrued expenses	<u>\$ 35,162</u>	<u>\$ 30,069</u>

NOTE 10. OTHER CURRENT LIABILITIES

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

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Chip liability	\$ 1,961	\$ 1,808
Other	<u>6,184</u>	<u>6,014</u>
Total other current liabilities	<u>\$ 8,145</u>	<u>\$ 7,822</u>

NOTE 11. NON-OPERATING INCOME/EXPENSE

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

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Interest income	\$ 262	\$ 203
Impairment charge	-	(26)
Construction accident related	-	(2)
Proceeds on disposal of asset	<u>-</u>	<u>40</u>
Total non-operating income	<u>\$ 262</u>	<u>\$ 215</u>