

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

**FOR THE QUARTER ENDED DECEMBER 2017**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# GOLDEN NUGGET ATLANTIC CITY, LLC

## BALANCE SHEETS

AS OF DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 15, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$15,944	\$15,850
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, \$1,353 ; 2016, \$1,232 .....	4	7,453	5,460
4	Inventories .....	2	2,292	2,230
5	Other Current Assets.....	5	1,410	1,262
6	Total Current Assets.....		27,099	24,802
7	Investments, Advances, and Receivables.....	12,11	640	1,676
8	Property and Equipment - Gross.....	6	180,801	175,750
9	Less: Accumulated Depreciation and Amortization.....		(56,947)	(49,394)
10	Property and Equipment - Net.....		123,854	126,356
11	Other Assets.....	7	8,493	9,837
12	Total Assets.....		\$160,086	\$162,671
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$7,854	\$8,336
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	9	500	500
17	Income Taxes Payable and Accrued.....	10	787	0
18	Other Accrued Expenses.....	8	24,993	26,852
19	Other Current Liabilities.....	8	18,799	7,835
20	Total Current Liabilities.....		52,933	43,523
	Long-Term Debt:			
21	Due to Affiliates.....	9	6,463	6,463
22	External.....	9	0	7,550
23	Deferred Credits .....	10	4,196	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		63,592	57,536
27	Stockholders', Partners', or Proprietor's Equity.....		96,494	105,135
28	Total Liabilities and Equity.....		\$160,086	\$162,671

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 TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 15, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino.....		\$248,999	\$228,276
2	Rooms.....		16,949	16,855
3	Food and Beverage.....		30,671	31,884
4	Other.....		19,423	18,046
5	Total Revenue.....	2	316,042	295,061
6	Less: Promotional Allowances.....	2	81,927	76,107
7	Net Revenue.....		234,115	218,954
	Costs and Expenses:			
8	Casino.....	2	101,445	94,375
9	Rooms, Food and Beverage.....		38,149	37,728
10	General, Administrative and Other.....	2	54,470	57,892
11	Total Costs and Expenses.....		194,064	189,995
12	Gross Operating Profit.....		40,051	28,959
13	Depreciation and Amortization.....		9,082	11,558
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	13,12	1,354	6,343
16	Income (Loss) from Operations.....		29,615	11,058
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(221)	(331)
19	CRDA Related Income (Expense) - Net.....	12,11	(3,735)	(1,370)
20	Nonoperating Income (Expense) - Net.....		15	16
21	Total Other Income (Expenses).....		(3,941)	(1,685)
22	Income (Loss) Before Taxes .....		25,674	9,373
23	Provision (Credit) for Income Taxes.....	10	4,982	0
24	Income (Loss) Before Extraordinary Items.....		20,692	9,373
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0 ).....			
26	Net Income (Loss).....		\$20,692	\$9,373

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 DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 15, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino.....	2	\$61,920	\$56,397
2	Rooms.....		3,649	3,798
3	Food and Beverage.....		6,980	7,406
4	Other.....		4,664	4,862
5	Total Revenue.....	2	77,213	72,463
6	Less: Promotional Allowances.....	2	19,652	19,012
7	Net Revenue.....		57,561	53,451
	Costs and Expenses:			
8	Casino.....	2	25,987	23,232
9	Rooms, Food and Beverage.....		9,386	9,959
10	General, Administrative and Other.....	2	11,905	15,842
11	Total Costs and Expenses.....		47,278	49,033
12	Gross Operating Profit.....		10,283	4,418
13	Depreciation and Amortization.....		2,113	2,896
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	13,12	0	6,155
16	Income (Loss) from Operations.....		8,170	(4,633)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(26)	(102)
19	CRDA Related Income (Expense) - Net.....	12,11	(1,603)	(710)
20	Nonoperating Income (Expense) - Net.....		9	11
21	Total Other Income (Expenses).....		(1,620)	(801)
22	Income (Loss) Before Taxes .....		6,550	(5,434)
23	Provision (Credit) for Income Taxes.....	10	4,982	0
24	Income (Loss) Before Extraordinary Items.....		1,568	(5,434)
25	Extraordinary Items (Net of Income Taxes - 20__, \$____; 20__, \$_____ ).....			
26	Net Income (Loss).....		\$1,568	(\$5,434)

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

# GOLDEN NUGGET ATLANTIC CITY, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016  
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 15, 2018

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	_____ _____ _____ (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2015.....		\$157,837	(\$52,625)		\$105,212
2	Net Income (Loss) - 2016.....			9,373		9,373
3	Capital Contributions.....		(9,450)			(9,450)
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2016.....		148,387	(43,252)	0	105,135
11	Net Income (Loss) - 2017.....			20,692		20,692
12	Capital Contributions.....		(29,333)			(29,333)
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, December 31, 2017.....		\$119,054	(\$22,560)	\$0	\$96,494

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 TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 15, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$44,378	\$21,461
	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.....		(5,508)	(8,412)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(1,893)	68
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.....		(7,401)	(8,344)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....		(500)	110
15	Proceeds from Long-Term Debt .....		56,475	53,550
16	Costs of Issuing Debt.....			0
17	Payments to Settle Long-Term Debt.....		(63,525)	(50,994)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		(29,333)	(9,450)
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	.....			
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(36,883)	(6,784)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		94	6,333
25	Cash and Cash Equivalents at Beginning of Period.....		15,850	9,517
26	Cash and Cash Equivalents at End of Period.....		\$15,944	\$15,850
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$163	\$145
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 TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 15, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$20,692	\$9,373
30	Depreciation and Amortization of Property and Equipment.....		9,082	11,558
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....		(4,492)	151
33	Deferred Income Taxes - Current .....		818	
34	Deferred Income Taxes - Noncurrent .....		4,195	
35	(Gain) Loss on Disposition of Property and Equipment.....			
36	(Gain) Loss on CRDA-Related Obligations.....		2,929	1,370
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(1,993)	(1,136)
39	(Increase) Decrease in Inventories .....		(62)	(26)
40	(Increase) Decrease in Other Current Assets.....		(148)	425
41	(Increase) Decrease in Other Assets.....		4,763	15
42	Increase (Decrease) in Accounts Payable.....		8,594	(269)
43	Increase (Decrease) in Other Current Liabilities .....			
44	Increase (Decrease) in Other Liabilities .....			
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$44,378	\$21,461

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$5,508)	(\$8,412)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$5,508)	(\$8,412)
	<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.....		(\$29,333)	(\$9,450)
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.....		(\$29,333)	(\$9,450)

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

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017  
(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	241,897	\$11,655	0	\$0
2	Food	572,804	10,312	113,737	6,824
3	Beverage	1,462,889	6,217	0	0
4	Travel	0	0	14,454	361
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	293,033	34,584	0	0
7	Complimentary Cash Gifts	222,056	11,769	0	0
8	Entertainment	42,935	1,075	0	0
9	Retail & Non-Cash Gifts	431,911	5,527	0	0
10	Parking	0	0	994,004	2,982
11	Other	315,349	788	0	0
12	Total	3,582,874	\$81,927	1,122,195	\$10,167

\*\* Revised YTD PGCS number of recipients & dollar amount include Sep'16-Mar'17 adjustments

\*\*\* \$5.5M in PGCS are for RSI 55,989 \$5,503

Platform as recorded in DGE 101&105  
and DGE 170; These are not recorded  
in GNAC's income statement.

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	54,758	\$2,516	0	\$0
2	Food	142,133	2,558	26,126	1,568
3	Beverage	333,541	1,417	0	0
4	Travel	0	0	1,961	49
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	68,084	8,414	0	0
7	Complimentary Cash Gifts	53,121	2,816	0	0
8	Entertainment	11,358	285	0	0
9	Retail & Non-Cash Gifts	114,837	1,470	0	0
10	Parking	0	0	256,164	768
11	Other	70,318	176	0	0
12	Total	848,150	\$19,652	284,251	\$2,385

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

\*\*PGCS number of recipients & dollar amount include Sep'16-Mar'17 adjustments

\*\*\* \$2.8M in PGCS are for RSI 36,016 \$2,843

Platform as recorded in DGE 101&105  
and DGE 170; These are not recorded  
in GNAC's income statement.



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

FOR THE QUARTER ENDED DECEMBER 2017

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

4/6/2018

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

Amended May 15, 2018

### *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, New Jersey and online gambling operations. Previously, we were wholly owned by Fertitta Entertainment Holdings, LLC. In November 2017, all of our member interests were conveyed into Golden Nugget, Inc. (“GNI”), which is a national, diversified, restaurant, hospitality, entertainment and gaming company principally engaged in the ownership and operation of full service restaurants and Golden Nugget gaming facilities.

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 twelve months ended December 31 is as follows (in thousands):

	<u>Three Months Ended December 31</u>		<u>Twelve Months Ended December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Rooms	\$ 1,596	\$ 1,651	\$ 7,390	\$ 7,920

Food and beverage	3,427	3,591	14,247	14,545
Other	<u>1,552</u>	<u>1,208</u>	<u>5,896</u>	<u>4,442</u>
Total	<u>\$ 6,575</u>	<u>\$ 6,450</u>	<u>\$ 27,533</u>	<u>\$ 26,907</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 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. We did not capitalize any interest costs for the years ended December 31, 2017 and 2016.

### *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 \$2.0 for the three months ended December 31, 2017 and 2016, respectively, and \$9.8 million and \$8.5 million for the twelve months ended December 31, 2017 and 2016, respectively.

### **3. CASH & CASH EQUIVALENTS**

Pursuant to N.J.A.C 13:69 1.3(j) we maintain a separate New Jersey bank account to ensure security of funds held in patrons' internet gaming accounts. On December 31, 2017, the above mentioned account balance was \$1,169,000 and patron deposits in internet gaming accounts were \$1,158,000.

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

	<u>2017</u>	<u>2016</u>
Unrestricted cash	\$ 14,775	\$ 15,015
Restricted cash internet accounts	<u>1,169</u>	<u>835</u>
Total	<u>\$ 15,944</u>	<u>\$ 15,850</u>

### **4. ACCOUNTS RECEIVABLE**

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

	<u>2017</u>	<u>2016</u>
Gaming	\$ 5,394	\$ 5,565
Allowance	(1,464)	(1,331)
Non-Gaming	3,575	1,268
Allowance hotel	<u>(52)</u>	<u>(42)</u>
Total	<u>\$ 7,453</u>	<u>\$ 5,460</u>

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

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

	<u>2017</u>	<u>2016</u>
Prepaid insurance	\$ 195	\$ 199
Prepaid taxes	586	835
Other prepaid	<u>629</u>	<u>228</u>
Total	<u>\$ 1,410</u>	<u>\$ 1,262</u>

## 6. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 17,650	\$ 17,650
Buildings and improvements	105,329	101,413
Furniture, fixtures, equipment	<u>57,822</u>	<u>56,687</u>
Property and equipment, gross	180,801	175,750
Accumulated depreciation	<u>(56,947)</u>	<u>(49,394)</u>
Property and equipment, net	<u>\$ 123,854</u>	<u>\$ 126,356</u>

## 7. OTHER ASSETS

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

	<u>2017</u>	<u>2016</u>
Deferred cost	\$ 3,215	\$ 2,858
Software	4,670	6,100
Deposits	<u>608</u>	<u>879</u>
Total	<u>\$ 8,493</u>	<u>\$ 9,837</u>

## 8. OTHER ACCRUED EXPENSES & LIABILITIES

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

	<u>2017</u>	<u>2016</u>
Payroll and related	\$ 5,719	\$ 11,677
Deposits	768	602
Other	<u>18,506</u>	<u>14,573</u>
Total accrued expenses	<u>\$ 24,993</u>	<u>\$ 26,852</u>

  

	<u>2017</u>	<u>2016</u>
Gaming	\$ 1,467	\$ 1,059
Other	<u>13,136</u>	<u>6,776</u>
Total accrued and other current liabilities	<u>\$ 14,603</u>	<u>\$ 7,835</u>

## 9. LONG TERM DEBT

On December 15, 2015, we entered into a new \$10.0 million revolving credit facility with a maturity date of December 15, 2016. In November 2016, we amended the facility extending the maturity date to December 15, 2019, among other things. Interest under the facility was at LIBOR plus 2.5% or the bank's base interest rate and required a commitment fee on the unfunded portion of the revolving credit facility. The credit facility was terminated in November 2017 in conjunction with our merger into GNI.

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

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

	<u>2017</u>	<u>2016</u>
\$10.0 Million revolving credit facility, due December 2019	\$ -	\$ 7,050
Various equipment loans	500	1,000
Note payable – affiliate	<u>6,463</u>	<u>6,463</u>
Total Debt	6,963	14,513
Less Current Portion	<u>(500)</u>	<u>(500)</u>
Long term debt	<u>\$ 6,463</u>	<u>\$ 14,013</u>

## 10. INCOME TAXES

In November 2017, we merged into GNI, which is a member of Fertitta Entertainment Inc. (FEI), an affiliated group (as defined by the Internal Revenue Code). As such, we will be included in the federal consolidated income tax return of FEI and have executed a tax sharing agreement with FEI. The purpose of the agreement is to establish a method for allocating the consolidated tax liability of the affiliated group among its members. Under the tax sharing agreement, we calculate our income tax provision on a separate return basis and we are obligated to settle any income tax liability with FEI. We expect to fully utilize our deferred tax liabilities. We file a federal consolidated income tax with FEI, which has adequate future income to utilize all group members' tax attributes.

An analysis of the provision for income taxes for the year ended December 31, 2017 is as follows (in thousands):

	<u>2017</u>
Current income taxes.....	\$ 787
Deferred income taxes.....	6,226
Total expense.....	<u>\$ 7,013</u>

Our effective tax rate for the year ended December 31, 2017 differs from the federal statutory rate as follows:

	<u>2017</u>
Statutory rate.....	35.0%
Other business tax credit.....	(0.2%)
State income tax, net of federal tax benefit.....	3.5%
Cummulative effect of change in ownership .....	(11.0%)
Total.....	<u>27.3%</u>

Deferred income tax assets and liabilities as of December 31, 2017 are comprised of the following (in thousands):

	<u>2017</u>
Deferred tax assets:	
Accruals and other.....	\$ 3,984
AMT credit, FICA credit carryforwards, and other.....	62
	<u>4,046</u>
Deferred tax liabilities—property and other.....	(14,437)
Net deferred tax liability.....	<u>\$ (10,391)</u>

We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material adverse effect on our financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded. It is our policy to accrue penalties and interest, if any, related to unrecognized tax benefits in income tax expense.

## 11. EMPLOYEE BENEFIT PLAN

Certain of our employees are covered by union-sponsored, collective bargained, multi-employer health and welfare and defined benefit pension plans. We recorded plan related expenses of \$2.3 million and \$3.1 million for the three months ended December 31, 2017 and 2016, respectively, and \$9.0 million and \$7.9 million for the twelve months ended December 31, 2017 and 2016, respectively.

We sponsor a retirement savings plan under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plan is available to certain employees with at least six months of service. The plan allows eligible employees to defer, within prescribed limits, a percentage of their income on a 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 twelve months ended December 31, 2017 and 2016 were immaterial.

## 12. 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.

For the three months ended December 31, 2017 and 2016, we charged to general and administrative expense \$1.1 million and \$0.7 million, respectively, and for the twelve months ended December 31, 2017 and 2016, we charged \$3.7 million and \$1.1 million, respectively, to give effect to the below market interest rates associated with CRDA deposits.

In 2016, we were approved to use up to \$4.2 million of CRDA deposits ("Approved CRDA Project Funds") for certain capital expenditures. We also received \$0.8 million of the Approved CRDA Project Funds during year ended December 31, 2017.

CRDA deposits and investments in CRDA Bonds, net of allowances of \$9.9 million and \$7.1 million, reflected in non-current assets on the accompanying consolidated balance sheets as of December 31, 2017 and December 31, 2016, are \$0.5 million and \$1.7 million, respectively.

#### *Atlantic City Tourism District*

As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the "Tourism District") be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law allowed the CRDA the ability to enter into a five year public-private partnership with the casinos in Atlantic City to jointly revitalize the Tourism District through the utilization of funding from annual assessments paid by each business within the district.



### *Atlantic City Alliance (“ACA”)*

The ACA was established in the form of a not-for-profit limited liability company, of which we were a member, for the purpose of supporting the marketing of Atlantic City as a year round seaside and marina resort destination. We were required, along with the other Atlantic City casinos, as members of the ACA, to provide funding to the ACA through direct contributions. A \$5.0 million contribution was required to be made by all casinos prior to 2012 followed by an annual amount of \$30.0 million to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the annual contributions equated to a percentage representing its gross gaming revenue compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we expensed our pro rata share of the \$155.0 million as incurred. For our pro rata share of contributions to the ACA, we incurred expenses of \$1.1 million and \$2.1 million, respectively, for the three and twelve months ended December 31, 2016.

In June 2016, the State of New Jersey passed legislation known as the PILOT bill which requires casino properties for the next 10 years, starting January 1, 2017, to make payments in lieu of property taxes based on a statutory formula. An additional part of that bill requires the casinos to make, in lieu of paying the ACA, annual payments to the state starting retroactively in 2015 through 2022 based on a similar formula. For our contribution to the state, we incurred expenses of \$0.3 million and \$1.3 million for the three and twelve months ended December 31, 2017, respectively. Our payments to the ACA for 2015 and 2016 have been credited against our obligation to the state for 2015 and 2016 as the ACA has been disbanded.

### *Farley State Marina Leases*

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

Rent expense was \$0.1 million for both the three months ended December 31, 2017 and 2016, and \$0.5 million for both the twelve months ended December 31, 2017 and 2016.

### *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.

## **13. TRANSACTIONS WITH AFFILIATES**

### *Trademark Licensing Agreement*

We previously licensed the Golden Nugget trademark pursuant to a five-year Trademark License Agreement (the “Agreement”) from an affiliate, which commenced on May 24, 2011. Under the Agreement, we were 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 included license fees of \$0.3 million per year and royalty fees equal to 3% of certain non-gaming revenues above \$55.0 million during each year of the license term. In 2016, the Agreement was amended and the license fees were increased to \$2.0 million per year. In conjunction with our merger into GNI, the Agreement was terminated. For the years ended December 31, 2017 and 2016, we expensed \$1.4 million and \$2.0 million related to this agreement, respectively.

### *Shared Services Agreement*

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

its proportional share. We expensed \$0.2 million and \$2.5 million under the agreement for the years ended December 31, 2017 and 2016, respectively.

*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 and \$0.2 million for the three months ended December 31, 2017 and 2016, respectively, and \$0.5 million and \$0.8 million for the twelve months ended December 31, 2017 and 2016, respectively.

**14. STOCKHOLDER'S EQUITY**

During the twelve months ended December 31, 2017, we made dividend payments totaling \$29.0 million.

**15. SUBSEQUENT EVENTS**

We have evaluated subsequent events through May 15, 2018, which is the date our financial statements were available to be issued.

**GOLDEN NUGGET ATLANTIC CITY LLC**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

(UNAUDITED)  
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$3,925		
2	Returned Patrons' Checks.....	1,469		
3	Total Patrons' Checks.....	5,394	\$1,302	\$4,092
4	Hotel Receivables.....	1,435	51	\$1,384
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....			
7	Other Accounts and Notes Receivables.....	1,977		
8	Total Other Receivables.....	1,977		\$1,977
9	Totals (Form DGE-205).....	\$8,806	\$1,353	\$7,453

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$4,212
11	Counter Checks Issued.....	115,805
12	Checks Redeemed Prior to Deposit.....	(112,548)
13	Checks Collected Through Deposits.....	(21,319)
14	Checks Transferred to Returned Checks.....	
15	Other Adjustments.....	17,775
16	Ending Balance.....	\$3,925
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,666
19	Provision as a Percent of Counter Checks Issued.....	1.4%

# GOLDEN NUGGET ATLANTIC CITY LLC

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2017

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	554			
2	Slot Machines	54			
3	Administration	1			
4	Casino Accounting	9			
5	Simulcasting	0			
6	Other	69			
7	Total - Casino	687	\$25,362		\$25,362
8	ROOMS	179	4,757		4,757
9	FOOD AND BEVERAGE	596	15,728		15,728
10	GUEST ENTERTAINMENT	185	2,018		2,018
11	MARKETING	67	5,140		5,140
12	OPERATION AND MAINTENANCE	104	5,102		5,102
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	8	3,258		3,258
14	Accounting and Auditing	17	797		797
15	Security	127	3,212		3,212
16	Other Administrative and General	105	3,459		3,459
	OTHER OPERATED DEPARTMENTS:				
17	Valet	57	965		965
18	Retail	42	689		689
19	Pool/Spa	24	670		670
20	Marina	4	87		87
21					
22					
23	TOTALS - ALL DEPARTMENTS (1)	2,202	\$71,244	\$0	\$71,244