

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

FOR THE QUARTER ENDED JUNE 30, 2018

**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 JUNE 30, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$14,245	\$16,025
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, \$1,298 ; 2017, \$1,189).....	4	7,928	6,150
4	Inventories	2	2,460	3,154
5	Other Current Assets.....	5	2,686	1,870
6	Total Current Assets.....		27,319	27,199
7	Investments, Advances, and Receivables.....	12,11	640	1,155
8	Property and Equipment - Gross.....	6	185,446	180,500
9	Less: Accumulated Depreciation and Amortization.....		(60,623)	(53,732)
10	Property and Equipment - Net.....		124,823	126,768
11	Other Assets.....	7	8,238	9,440
12	Total Assets.....		\$161,020	\$164,562
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,155	\$7,276
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	9	250	500
17	Income Taxes Payable and Accrued.....	10	4,501	0
18	Other Accrued Expenses.....	8	27,626	23,183
19	Other Current Liabilities.....		6,734	8,369
20	Total Current Liabilities.....		47,266	39,328
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	6,463
22	External.....	9	0	3,900
23	Deferred Credits	10	4,196	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		51,462	49,691
27	Stockholders', Partners', or Proprietor's Equity.....		109,558	114,871
28	Total Liabilities and Equity.....		\$161,020	\$164,562

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

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

GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....	2	\$93,033	\$80,407 *
2	Rooms.....		7,938	8,062
3	Food and Beverage.....		13,918	14,247
4	Other.....		8,857	8,693
5	Net Revenue.....	2	123,746	111,409 *
	Costs and Expenses:			
6	Casino.....	2	53,364	49,114
7	Rooms, Food and Beverage.....	2	17,550	17,881
8	General, Administrative and Other.....	2	28,611	27,450
9	Total Costs and Expenses.....		99,525	94,445
10	Gross Operating Profit.....		24,221	16,964
11	Depreciation and Amortization.....		4,221	4,874
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	13,12	0	708
14	Income (Loss) from Operations.....		20,000	11,382
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		(5)	(155)
17	CRDA Related Income (Expense) - Net.....	12,11	(1,978)	(993)
18	Nonoperating Income (Expense) - Net.....		6	2
19	Total Other Income (Expenses).....		(1,977)	(1,146)
20	Income (Loss) Before Taxes		18,023	10,236
21	Provision (Credit) for Income Taxes.....	10	4,959	0
22	Net Income (Loss).....		\$13,064	\$10,236

* Prior year balances changed to conform with current year presentation.

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 JUNE 30, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....	2	\$48,749	\$41,792 *
2	Rooms.....		4,444	4,564
3	Food and Beverage.....		7,707	7,645
4	Other.....		5,182	4,944
5	Net Revenue.....	2	66,082	58,945 *
	Costs and Expenses:			
6	Casino.....	2	27,468	24,372
7	Rooms, Food and Beverage.....	2	9,300	9,662
8	General, Administrative and Other.....	2	15,102	14,141
9	Total Costs and Expenses.....		51,870	48,175
10	Gross Operating Profit.....		14,212	10,770
11	Depreciation and Amortization.....		2,139	2,242
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	12,12	0	624
14	Income (Loss) from Operations.....		12,073	7,904
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		(2)	(85)
17	CRDA Related Income (Expense) - Net.....	12,11	(1,037)	(513)
18	Nonoperating Income (Expense) - Net.....		6	2
19	Total Other Income (Expenses).....		(1,033)	(596)
20	Income (Loss) Before Taxes		11,040	7,308
21	Provision (Credit) for Income Taxes.....		3,043	0
22	Net Income (Loss).....		\$7,997	\$7,308

* Prior year balances changed to conform with current year presentation.

The accompanying notes are an integral part of the financial statements.
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GOLDEN NUGGET ATLANTIC CITY, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017
AND THE SIX MONTHS ENDED JUNE 30, 2018

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2016.....		\$148,387	(\$43,252)		\$105,135
2	Net Income (Loss) - 2017.....			20,692		20,692
3	Capital Contributions.....		(29,333)			(29,333)
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2017.....		119,054	(22,560)	0	96,494
11	Net Income (Loss) - 2018.....			13,064		13,064
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, June 30, 2018.....		\$119,054	(\$9,496)	\$0	\$109,558

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 SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$11,080	\$9,549
	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.....		(4,651)	(4,751)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(1,415)	(473)
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.....		(6,066)	(5,224)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....		(250)	(250)
15	Proceeds from Long-Term Debt			42,775
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(6,463)	(46,175)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	(500)
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....		(6,713)	(4,150)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,699)	175
25	Cash and Cash Equivalents at Beginning of Period.....		15,944	15,850
26	Cash and Cash Equivalents at End of Period.....		\$14,245	\$16,025
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$7	\$126
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 SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$13,064	\$10,236
30	Depreciation and Amortization of Property and Equipment.....		4,221	4,874
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		3,714	0
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....			
36	(Gain) Loss on CRDA-Related Obligations.....		1,415	993
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(475)	(690)
39	(Increase) Decrease in Inventories		(167)	(924)
40	(Increase) Decrease in Other Current Assets.....		(1,277)	(607)
41	(Increase) Decrease in Other Assets.....		(284)	(139)
42	Increase (Decrease) in Accounts Payable.....		(9,131)	(4,194)
43	Increase (Decrease) in Other Current Liabilities			
44	Increase (Decrease) in Other Liabilities			
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$11,080	\$9,549

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$4,651)	(\$4,751)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$4,651)	(\$4,751)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....			(\$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.....		\$0	(\$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 SIX MONTHS ENDED JUNE 30, 2018
(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	112,797	\$5,622	0	\$0
2	Food	271,978	4,896	55,239	3,313
3	Beverage	768,291	3,265	0	0
4	Travel	0	0	4,316	108
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	146,904	17,464	0	0
7	Complimentary Cash Gifts	130,734	6,929	0	0
8	Entertainment	10,596	265	0	0
9	Retail & Non-Cash Gifts	214,648	2,747	0	0
10	Parking	0	0	607,297	1,823
11	Other	133,855	334	0	0
12	Total	1,789,803	\$41,522	666,852	\$5,244

**\$5.4 M in PGCS are for RIS/Betfair 54453 \$5,351
Platforms as recorded in DGE 101&105 in GNAC's Income Statement

FOR THE THREE MONTHS ENDED JUNE 30, 2018

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	60,374	\$3,137	0	\$0
2	Food	142,666	2,568	29,678	1,780
3	Beverage	414,462	1,761	0	0
4	Travel	0	0	2,152	54
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	81,336	9,243	0	0
7	Complimentary Cash Gifts	67,222	3,563	0	0
8	Entertainment	9,092	227	0	0
9	Retail & Non-Cash Gifts	109,175	1,397	0	0
10	Parking	0	0	345,628	1,038
11	Other	67,233	168	0	0
12	Total	951,559	\$22,064	377,459	\$2,872

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

**\$2.6 M in PGCS are for RIS/Betfair 23027 \$2,572

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

FOR THE QUARTER ENDED JUNE 30, 2018

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.

9/27/2018

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

Nature of Business

Golden Nugget Atlantic City, LLC (“GNAC”, the “Company”, “we”, “our” or “us”) is the subsidiary of Golden Nugget, LLC, a Delaware LLC. GNAC is the holder of the gaming license issued by the state of New Jersey and operates the Golden Nugget Atlantic City Hotel and Casino in Atlantic City, New Jersey and online gambling operations. Previously, Golden Nugget, LLC was wholly owned by Fertitta Entertainment Holdings, LLC. In November 2017, all of our member interests were conveyed into Golden Nugget, LLC, a Nevada LLC (“GNI” or “Parent”), 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 GNAC. 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 promotional allowances and 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 internet gaming revenue.

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 from casino revenue as promotional allowances.

We previously recorded promotional allowances in a separate line item within net gaming revenue. As part of adopting the new accounting standard related to revenue recognition, ASU 2014-09, *Revenue from Contracts with Customers*, promotional allowances will no longer be presented separately. Since we are a nonpublic entity, we are not required to adopt the new accounting standard related to revenue

recognition until January 1, 2019 for annual reporting periods and January 1, 2020 for interim reporting periods. However, we have updated the presentation of promotional allowances in the required filings with the New Jersey Division of Gaming Enforcement to be more consistent with the new requirements. The final adoption of this new accounting standard may require us to make additional adjustments and other reclassifications within the revenue and expense categories on our statement of operations.

The estimated cost of providing promotional allowances for the six months ended June 30 is as follows (in thousands):

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Rooms	\$ 2,007	\$ 1,958	\$ 3,598	\$ 3,586
Food and beverage	3,910	3,467	7,369	6,858
Other	<u>1,336</u>	<u>1,414</u>	<u>2,453</u>	<u>2,673</u>
Total	<u>\$ 7,253</u>	<u>\$ 6,839</u>	<u>\$13,420</u>	<u>\$13,117</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.

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.

Insurance Liability

We maintain large deductible insurance policies related to property, 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 \$2.5 million and \$2.5 for the three months ended June 30, 2018 and 2017, respectively, and \$5.2 million and \$4.8 million for the six months ended June 30, 2018 and 2017, 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 June 30, 2018, the above mentioned account balance was \$1,158,000 and patron deposits in internet gaming accounts were \$1,660,000.

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

	<u>2018</u>	<u>2017</u>
Unrestricted cash	\$ 12,585	\$ 15,035
Restricted cash internet accounts	<u>1,660</u>	<u>990</u>
Total	<u>\$ 14,245</u>	<u>\$ 16,025</u>

4. ACCOUNTS RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Gaming	\$ 5,410	\$ 5,987
Allowance	(1,550)	(1,326)
Non-Gaming	4,126	1,524
Allowance hotel	<u>(58)</u>	<u>(35)</u>
Total	<u>\$ 7,928</u>	<u>\$ 6,150</u>

5. OTHER CURRENT ASSETS

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

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ 49	\$ 120
Prepaid taxes	825	929
Other prepaid	<u>1,812</u>	<u>821</u>
Total	<u>\$ 2,686</u>	<u>\$ 1,870</u>

6. PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 17,650	\$ 17,650
Buildings and improvements	109,007	106,265
Furniture, fixtures, equipment	<u>58,789</u>	<u>56,585</u>
Property and equipment, gross	185,446	180,500
Accumulated depreciation	<u>(60,623)</u>	<u>(53,732)</u>
Property and equipment, net	<u>\$ 124,823</u>	<u>\$ 126,768</u>

7. OTHER ASSETS

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

	<u>2018</u>	<u>2017</u>
Deferred cost	\$ 3,215	\$ 2,858
Software	4,181	5,564
Deposits	<u>842</u>	<u>1,018</u>
Total	<u>\$ 8,238</u>	<u>\$ 9,440</u>

8. OTHER ACCRUED EXPENSES & LIABILITIES

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

	<u>2018</u>	<u>2017</u>
Payroll and related	\$ 5,542	\$ 6,717
Deposits	1,599	1,513

Other	<u>20,485</u>	<u>14,953</u>
Total accrued expenses	<u>\$ 27,626</u>	<u>\$ 23,183</u>
	<u>2018</u>	<u>2017</u>
Gaming	\$ 3,193	\$ 2,620
Other	<u>3,541</u>	<u>5,749</u>
Total accrued and other current liabilities	<u>\$ 6,734</u>	<u>\$ 8,369</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.

We previously entered into a related party note payable of \$6.5 million. The note bore interest at 1.0% and was due on demand with interest paid annually or capitalized to the outstanding balance as additional principal at our option. The note was paid in February 2018.

Total debt as of June 30 is comprised of the following (in thousands):

	<u>2018</u>	<u>2017</u>
\$10.0 Million revolving credit facility	\$ -	\$ 3,650
Various equipment loans	250	750
Note payable – affiliate	<u>-</u>	<u>6,463</u>
Total Debt	250	10,863
Less Current Portion	<u>(250)</u>	<u>(500)</u>
Long term debt	<u>\$ -</u>	<u>\$ 10,363</u>

10. INCOME TAXES

In November 2017, our member interests were conveyed into GNI. We are now a member of FEI, an affiliated group (as defined by the Internal Revenue Code) and, as such, will be included in the federal consolidated income tax return of FEI and subsidiaries as of the date of the conveyance. We 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 with FEI, we calculate our income tax provision on a separate return basis.

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. There were no material changes in unrecognized benefits for the six months ended June 30, 2018. It is reasonably possible that the amount of unrecognized tax benefits with respect to our uncertain tax positions could significantly increase or decrease within 12 months. However, based on the current status of examinations, it is not possible to estimate the future impact if any, to recorded uncertain tax positions at June 30, 2018. 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 \$2.2 million and \$2.1 million for the three months ended June 30, 2018 and 2017, respectively, and \$4.3 million and \$4.3 million for the six months ended June 30, 2018 and 2017, respectively.

We sponsor a qualified defined contribution retirement plan (401(k) Plan) covering our non-union employees. The 401(k) Plan is available to certain employees with at least three months of service. The plan allows eligible employees to contribute, subject to Internal Revenue Service limitations on total annual contributions, up to 75% of their base compensation as defined in the 401(k) Plan, to various investment funds. We may match at our discretion, within prescribed limits, a portion of eligible employees' contributions. Matching contributions for both the six months ended June 30, 2018 and 2017 were immaterial. Employee contributions vest immediately while our contributions vest 20% annually beginning in the participant's second year of eligibility.

12. COMMITMENTS AND CONTINGENCIES

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 June 30, 2018 and 2017, we charged to general and administrative expense \$1.0 million and \$.05 million, respectively, and for the six months ended June 30, 2018 and 2017, we charged \$2.0 million and \$1.0 million, respectively, to give effect to the below market interest rates associated with CRDA deposits.

We were approved to use up to \$4.2million of CRDA deposits (“Approved CRDA Project Funds”) for certain capital expenditures. Approximately \$0.9 million of Approved CRDA Project Funds were reimbursed to us during six months ended June 30, 2017.

CRDA deposits and investments in CRDA Bonds, net of allowances of \$11.4 million and \$8.0 million, reflected in non-current assets on the accompanying consolidated balance sheets as of June 30, 2018 and 2017, are \$0.6 million and \$1.1 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 PILOT Program

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 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 \$0.4 million and \$0.6 million for the six months ended June 30, 2018 and June 30, 2017, respectively.

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 June 30, 2018 and 2017, and \$0.3 million for both the six months ended June 30, 2018 and 2017.

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. 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.

Shared Services Agreement

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

Tenant Agreement

We have entered into certain lease agreements with wholly owned subsidiaries of Landry's wherein they operate restaurants in our casino property and we receive rental payments. Moreover, we routinely enter into certain transactions with affiliated companies. These transactions have been entered into between related parties and are not the result of arm's-length negotiations. Accordingly, the terms of the transactions may have been more or less favorable to us than might have been obtained from unaffiliated third parties. Rental revenue from the affiliates totaled \$0.1 million and \$0.1 million for the three months ended June 30, 2018 and 2017, respectively, and \$0.3 million for both the six months ended June 30, 2018 and 2017.

14. STOCKHOLDER'S EQUITY

During the six months ended June 30, 2017, we made dividend payments totaling \$0.5million. During the six months ended June 30, 2018, we made no dividend payments.

15. SUBSEQUENT EVENTS

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