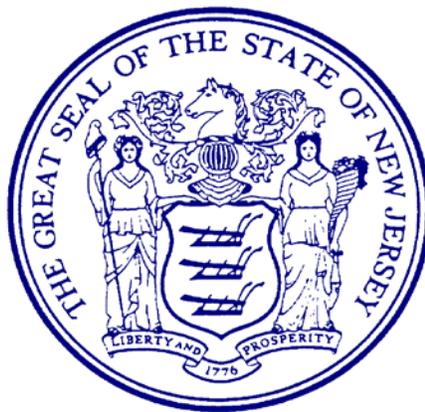


**GOLDEN NUGGET ATLANTIC CITY, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED JUNE 30, 2013**

**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, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED NOVEMBER 1, 2013

Line (a)	Description (b)	Notes	2013 (c)	2012 * (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$5,003	\$3,010
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, \$3,310 ; 2012, \$1,468 ).....	2,3	4,677	4,366
4	Inventories .....	2	2,102	1,867
5	Other Current Assets.....	4	1,386	1,659
6	Total Current Assets.....		13,168	10,902
7	Investments, Advances, and Receivables.....		2,117	1,180
8	Property and Equipment - Gross.....	2,5	160,110	152,854
9	Less: Accumulated Depreciation and Amortization.....	2,5	(14,422)	(4,563)
10	Property and Equipment - Net.....	2,5	145,688	148,291
11	Other Assets.....	6	11,773	11,094
12	Total Assets.....		\$172,746	\$171,467
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$15,256	\$28,136
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	2,8	4,729	2,804
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	7	10,743	7,975
19	Other Current Liabilities.....		8,931	8,777
20	Total Current Liabilities.....		39,659	47,692
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	2,8	12,385	12,377
23	Deferred Credits .....		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies .....	10	0	0
26	Total Liabilities.....		52,044	60,069
27	Stockholders', Partners', or Proprietor's Equity.....		120,702	111,398
28	Total Liabilities and Equity.....		\$172,746	\$171,467

# GOLDEN NUGGET ATLANTIC CITY, LLC

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED NOVEMBER 1, 2013

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$57,080	\$63,492
2	Rooms.....		8,362	8,255
3	Food and Beverage.....		8,555	7,425
4	Other.....		7,532	5,770
5	Total Revenue.....	2	81,529	84,942
6	Less: Promotional Allowances.....	2	22,773	25,749
7	Net Revenue.....		58,756	59,193
	Costs and Expenses:			
8	Cost of Goods and Services.....		60,283	61,631
9	Selling, General, and Administrative.....	2	5,776	5,591
10	Provision for Doubtful Accounts.....		1,363	608
11	Total Costs and Expenses.....		67,422	67,830
12	Gross Operating Profit.....		(8,666)	(8,637)
13	Depreciation and Amortization.....	5	5,644	3,609
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(14,310)	(12,246)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	2,8	(873)	(2,341)
19	CRDA Related Income (Expense) - Net.....	10	(226)	(264)
20	Nonoperating Income (Expense) - Net.....			1
21	Total Other Income (Expenses).....		(1,099)	(2,604)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(15,409)	(14,850)
23	Provision (Credit) for Income Taxes.....			
24	Income (Loss) Before Extraordinary Items.....		(15,409)	(14,850)
25	Extraordinary Items (Net of Income Taxes - 2012, \$0; 2011, \$0 ).....			0
26	Net Income (Loss).....		(\$15,409)	(\$14,850)

15409

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, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED NOVEMBER 1, 2013

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$26,935	\$32,098
2	Rooms.....		4,663	5,016
3	Food and Beverage.....		5,254	4,216
4	Other.....		4,715	3,665
5	Total Revenue.....	2	41,567	44,995
6	Less: Promotional Allowances.....	2	12,138	11,902
7	Net Revenue.....		29,429	33,093
	Costs and Expenses:			
8	Cost of Goods and Services.....		31,602	33,051
9	Selling, General, and Administrative.....	2	3,370	3,289
10	Provision for Doubtful Accounts.....		963	344
11	Total Costs and Expenses.....		35,935	36,684
12	Gross Operating Profit.....		(6,506)	(3,591)
13	Depreciation and Amortization.....	5	2,851	2,218
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(9,357)	(5,809)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	2,8	(450)	(258)
19	CRDA Related Income (Expense) - Net.....	10	(107)	(131)
20	Nonoperating Income (Expense) - Net.....			0
21	Total Other Income (Expenses).....		(557)	(389)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(9,914)	(6,198)
23	Provision (Credit) for Income Taxes.....			0
24	Income (Loss) Before Extraordinary Items.....		(9,914)	(6,198)
	Extraordinary Items (Net of Income Taxes -			
25	2012, \$ 0 ; 2011, \$0 ).....			0
26	Net Income (Loss).....		(\$9,914)	(\$6,198)

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, 2012  
AND THE SIX MONTHS ENDING JUNE 30, 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED NOVEMBER 1, 2013

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2011.....	---	\$36,300	(\$4,080)		\$32,220
2	Net Income (Loss) - 2012.....	---		(24,921)		(24,921)
3	Capital Contributions.....	---	117,466			117,466
4	Capital Withdrawals.....	---				0
5	Partnership Distributions.....	---				0
6	Prior Period Adjustments.....	---				0
7	_____	---				0
8	_____	---				0
9	_____	---				0
10	Balance, December 31, 2012.....	---	153,766	(29,001)	0	124,765
11	Net Income (Loss) - 2013.....	---		(15,409)		(15,409)
12	Capital Contributions.....	---	11,346			11,346
13	Capital Withdrawals.....	---				0
14	Partnership Distributions.....	---				0
15	Prior Period Adjustments.....	---				0
16	_____	---				0
17	_____	---				0
18	_____	---				0
19	Balance, June 30, 2013.....	---	\$165,112	(\$44,410)	\$0	\$120,702

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, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED NOVEMBER 1, 2013

Line (a)	Description (b)	Notes	2013 (c)	2012 * (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$8,316)	(\$8,310)
	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.....		(1,994)	(49,094)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(746)	(807)
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.....		(2,740)	(49,901)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....		(2,051)	
15	Proceeds from Long-Term Debt .....		26,250	25,500
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(25,750)	(64,740)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		11,346	94,028
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		9,795	54,788
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,261)	(3,423)
25	Cash and Cash Equivalents at Beginning of Period.....		6,264	6,433
26	Cash and Cash Equivalents at End of Period.....		\$5,003	\$3,010
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$736	\$1,204
28	Income Taxes.....			

\* Restated to conform with current year

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, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED NOVEMBER 1, 2013

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$15,409)	(\$14,850)
30	Depreciation and Amortization of Property and Equipment...		5,644	3,609
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....		73	2,239
33	Deferred Income Taxes - Current .....			
34	Deferred Income Taxes - Noncurrent .....			
35	(Gain) Loss on Disposition of Property and Equipment.....			
36	(Gain) Loss on CRDA-Related Obligations.....		226	269
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		95	(1,606)
39	(Increase) Decrease in Inventories .....		(415)	(390)
40	(Increase) Decrease in Other Current Assets.....		(319)	(372)
41	(Increase) Decrease in Other Assets.....		(168)	(2,571)
42	Increase (Decrease) in Accounts Payable.....			5,217
43	Increase (Decrease) in Other Current Liabilities .....		1,957	145
44	Increase (Decrease) in Other Liabilities .....			
45	.....			
46	.....			
47	Net Cash Provided (Used) By Operating Activities.....		(\$8,316)	(\$8,310)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$1,994)	(\$52,480)
49	Less: Capital Lease Obligations Incurred.....			3,386
50	Cash Outflows for Property and Equipment.....		(\$1,994)	(\$49,094)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....		0	0
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.....		\$11,346	\$94,028
58	Less: Issuances to Settle Long-Term Debt.....			
59	Consideration in Acquisition of Business Entities.....			
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$11,346	\$94,028

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**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE SIX MONTHS ENDED JUNE 30, 2013  
(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED NOVEMBER 1, 2013

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	78,702	\$4,573	0	\$0
2	Food	151,600	\$2,729	26,511	\$1,588
3	Beverage	383,955	\$1,632	0	\$0
4	Travel	0	\$0	6,251	\$156
5	Bus Program Cash	0	\$0	0	\$0
6	Promotional Gaming Credits	18,226	\$9,113	0	\$0
7	Complimentary Cash Gifts	2,920	\$2,336	0	\$0
8	Entertainment	20,270	\$507	0	\$0
9	Retail & Non-Cash Gifts	140,199	\$1,794	0	\$0
10	Parking	0	\$0	264,579	\$794
11	Other	16,824	\$89	0	\$0
12	Total	812,696	\$22,773	297,341	\$2,538

FOR THE THREE MONTHS ENDED JUNE 30, 2013

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	47,859	\$2,398	0	\$0
2	Food	91,962	\$1,663	12,761	\$764
3	Beverage	197,936	\$841	0	\$0
4	Travel	0	\$0	2,234	\$56
5	Bus Program Cash	0	\$0	0	\$0
6	Promotional Gaming Credits	39,416	\$4,977	0	\$0
7	Complimentary Cash Gifts	5,460	\$1,085	0	\$0
8	Entertainment	13,890	\$347	0	\$0
9	Retail & Non-Cash Gifts	62,040	\$794	0	\$0
10	Parking	0	\$0	136,336	\$409
11	Other	3,857	\$33	0	\$0
12	Total	462,420	\$12,138	151,331	\$1,229

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

# GOLDEN NUGGET ATLANTIC CITY, LL STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2013

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

11/1/2013

\_\_\_\_\_  
Date



\_\_\_\_\_  
Alison Trazzera

\_\_\_\_\_  
Controller  
Title

\_\_\_\_\_  
8150-11  
License Number

On Behalf of:  
GOLDEN NUGGET ATLANTIC CITY, I  
\_\_\_\_\_  
Casino Licensee

# GOLDEN NUGGET ATLANTIC CITY, LLC

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

### 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

#### *Nature of Business*

Golden Nugget Atlantic City, LLC ("GNAC") operates the Golden Nugget Atlantic City hotel and casino in Atlantic City, NJ. We are wholly owned by Fertitta Entertainment Holdings, LLC and are an affiliate of Landry's, Inc., which also owns the Golden Nugget hotels and casinos in Las Vegas and Laughlin, NV. On May 24, 2011, GNAC purchased the assets of Trump Marina Associates, LLC for approximately \$37.7 million.

We had no operations prior to May 24, 2011.

#### *Basis of Presentation*

The accompanying financial statements include the consolidated accounts of Golden Nugget Atlantic City, LLC, and its wholly owned subsidiaries (collectively, the "Company," "we" or "us"). All intercompany accounts and transactions have been eliminated in consolidation. The condensed 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*

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 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"). Cash discounts and other incentives to customers related to gaming play are recorded as a reduction of gross 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 six months ended June 30 is as follows (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Rooms	\$1,669	\$ 1,409	\$3,183	\$ 3,348
Food & Beverage	3,160	2,603	5,516	5,443
Other	<u>1,421</u>	<u>1,191</u>	<u>2,654</u>	<u>1,938</u>
Total	<u>\$6,250</u>	<u>\$ 5,203</u>	<u>\$11,352</u>	<u>\$10,729</u>

#### *Progressive Jackpots*

We maintain a number of progressive slot machines and table games. As wagers are made on the respective progressive games, the amount available to win (to be paid out when the appropriate jackpots are hit) increases. In April 2010, the FASB issued ASU No. 2010-16, "Accruals for Casino Jackpot Liabilities", which clarifies when a casino entity is required to accrue a jackpot liability. ASU No. 2010-16 clarifies that base jackpot liabilities should not be accrued before the jackpot is won, if payment of the jackpot can be avoided. Based on this guidance, we do not record a liability for the progressive jackpots. Jackpots are charged to revenue when won.

## GOLDEN NUGGET ATLANTIC CITY, LLC

### NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

#### *Financial Instruments*

Generally Accepted Accounting Principles (GAAP) establishes a hierarchy for fair value measurements, such that Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market, Level 2 measurements include quoted market prices for identical assets or liabilities in an active market which have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets, and Level 3 measurements include those that are unobservable and of a highly subjective measure.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate the carrying amounts due to their short maturities. The fair value of our long-term debt instruments are estimated based on quoted market prices, where available, or on the amount of future cash flows associated with each instrument, discounted using our current borrowing rate for comparable debt instruments.

#### *Inventories*

Inventories consisting of principally food and beverage, operating supplies and retail items are stated at the lower of cost or market value.

#### *Property and Equipment*

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

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

Interest is capitalized in connection with construction and development activities, and other real estate development projects. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. During the three ending June 30, 2013 and 2012, we capitalized interest costs of approximately \$0 and \$318,000 respectively. During the six months ending June 30, 2013 and 2012, we capitalized interest costs of approximately \$0 and \$1,004,000 respectively.

#### *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 cash or complimentary amenities. We establish a liability 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 Selling, General and Administrative expense, were \$1,182,000 and \$882,000 for the three months ended June 30, 2013 and 2012, respectively and \$1,565,000 and \$1,132,000 for the six months ended June 30, 2013 and 2012, respectively.

# GOLDEN NUGGET ATLANTIC CITY, LLC

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

### *Casino License*

We are subject to regulation and licensing by the New Jersey Division of Gaming Enforcement ("DGE"). We operated under a temporary license issued by the DGE on May 24, 2011 through February 15, 2012. During the formal licensing process, our license was held in trust to be in compliance with the DGE regulations. On February 15, 2012, we received full licensure approval.

### 3. ACCOUNTS RECEIVABLE

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

	<u>2013</u>	<u>2012</u>
Gaming	\$5,169	\$3,433
Allowance	(2,787)	(1,380)
Non-Gaming	2,818	2,401
Allowance	<u>(523)</u>	<u>(88)</u>
Total	<u>\$4,677</u>	<u>\$4,366</u>

### 4. OTHER CURRENT ASSETS

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

	<u>2013</u>	<u>2012</u>
Prepaid Insurance	\$ 150	\$ 218
Prepaid taxes	761	752
Other prepaid	<u>475</u>	<u>689</u>
Total	<u>\$1,386</u>	<u>\$1,659</u>

### 5. PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land	\$ 17,650	\$ 17,650
Buildings and Improvements	94,979	92,629
Furniture, Fixtures, Equipment	44,241	40,840
Construction in Progress	<u>3,240</u>	<u>1,735</u>
Property and Equipment, Gross	160,110	152,854
Accumulated Depreciation	<u>(14,422)</u>	<u>(4,563)</u>
Property and Equipment, Net	<u>\$145,688</u>	<u>\$ 148,291</u>

**GOLDEN NUGGET ATLANTIC CITY, LLC**

**NOTES TO FINANCIAL STATEMENTS  
(UNAUDITED)**

**6. OTHER ASSETS**

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

	<u>2013</u>	<u>2012</u>
Deferred Cost	\$3,562	\$5,148
Software	7,439	5,233
Deposits	<u>771</u>	<u>713</u>
Total	<u>\$11,773</u>	<u>\$11,094</u>

**7. OTHER ACCRUED EXPENSES**

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

	<u>2013</u>	<u>2012</u>
Payroll & related	\$ 5,701	\$ 5,725
Deposits	1,801	1,494
Other	<u>3,241</u>	<u>756</u>
Total	<u>\$10,743</u>	<u>\$ 7,975</u>

**8. LONG TERM DEBT**

On January 6, 2012, we repaid our outstanding term loan and accrued interest for an aggregate \$37.1 million. Our \$10.0 million revolving credit facility and certain equipment loans remain outstanding. In addition, the delayed draw term loan was cancelled and a commitment from an affiliate to provide up to \$20.0 million in additional funding was terminated. The revolving credit facility expires on November 30, 2015 and bears interest at Libor or the bank's base rate, plus a financing spread of 8.5% at June 30, 2013. The facility has a minimum interest rate of 10%. In addition, the credit facility requires a commitment fee on the unfunded portion of the \$10.0 million revolving credit facility. We have granted liens on substantially all real property and personal property as collateral under the credit facility and guarantee the credit facility.

In addition to the credit facility, we have entered into a number of equipment loans for the purchase of gaming hardware and software. These loans have maturities ranging from May 2013 to July 2015 and bear interest at rates ranging from 4.8% to 8.0%. Principal and interest payments are due monthly.

Our debt agreements contain various restrictive covenants including limitations on additional indebtedness, dividend payments and other restricted payments as defined in the agreements. At June 30, 2013, we were in compliance with all such covenants. As of June 30, 2013 we had \$250,000 available borrowing capacity under the revolving credit facility.

	<u>2013</u>	<u>2012</u>
Long-term debt as of June 30 is comprised of the following:		
\$10.0 million revolving credit facility due November 2015	9,750	\$8,500
Various Equipment loans due May 2013-July 2015	<u>7,364</u>	<u>6,681</u>
Total debt	17,114	15,181
Less current portion	<u>(4,729)</u>	<u>(2,804)</u>
Long term debt	<u>\$12,385</u>	<u>\$12,377</u>

## GOLDEN NUGGET ATLANTIC CITY, LLC

### NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

#### 9. 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 expenses of \$1.7 million and \$1.8 million for the three months ended June 30, 2013 and 2012, respectively and \$3.1 million and \$3.6 million for the six months ended June 30, 2013 and 2012, respectively. The plans' sponsors have not provided sufficient information to permit us to determine our share of unfunded vested benefits, if any. However, based on available information, we do not believe that unfunded amounts attributable to our casino operations are material.

We are self-insured up to certain limits for most health care benefits for our non-union employees. The liability for claims filed and estimates of claims incurred but not reported is included in the accrued liabilities caption in the accompanying consolidated balance sheets.

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. For those employees who were previously employed by Trump Marina Associates, LLC, for at least six months, participation in the plan was made available beginning June 1, 2011. 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. We recorded \$25,000 and \$0 charges for matching contributions for the three and six months ended June 30, 2013 and 2012, respectively.

#### 10. 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 as defined in the Act. However, pursuant to contracts with the Casino Reinvestment Development Authority ("CRDA"), the Company pays 1.25% of its gross casino revenues to the CRDA (the "CRDA Payment") to fund qualified investments as defined in the Act and such CRDA Payment entitles the Company to an investment tax credit in an amount equal to twice the amount of the CRDA Payment against the 2.5% investment alternative tax. 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 CRDA. Pursuant to the contract with CRDA, the Company is required to make quarterly deposits with the CRDA to satisfy its investment obligations.

The deposits are recorded at cost less a valuation allowance. The valuation allowance is established by a charge to the statement of income as part of Other Income/(Expense) at the time the obligation is incurred to make the deposit 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. 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.

For the three months ended June 30, 2013 and 2012, the Company charged to Other Income/ (Expense) \$107,000 and \$131,000, respectively, and for the six months ended June 30, 2013 and 2012 the Company charged \$226,000 and \$264,000, respectively, to give effect to the below market interest rates associated with CRDA deposits.

CRDA deposits, net of allowances of \$1,085,000 and \$601,000 respectively, reflected in Investments, Advances, and Receivables on the accompanying consolidated balance sheet as of June 30, 2013 and 2012 are \$2,117,000 and \$1,180,000 respectively.

# GOLDEN NUGGET ATLANTIC CITY, LLC

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

### *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 requires that a public-private partnership be created between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as the Atlantic City Alliance ("ACA"), has been established in the form of a not-for-profit limited liability company, of which we are a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law requires that a \$5.0 million contribution be made to this effort by all casinos prior to 2012 followed by an annual amount of \$30.0 million to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the annual contributions will equate to a percentage representing its gross gaming revenue compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we will expense our pro rata share of the \$155.0 million as incurred. For the three months ended June 30, 2013 and 2012, we incurred expense of \$351,000 and \$261,000, respectively, and for the six months ending June 30, 2013 and 2012, expensed \$703,000 and \$544,000 respectively, for the pro rata share of contribution to the ACA.

### *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.

## 11. TRANSACTIONS WITH AFFILIATES

### *Trademark Licensing Agreement*

We license the Golden Nugget trademark pursuant to a five-year Trademark License Agreement (the "Agreement") from an affiliate, GNLV, Corp., which commenced on May 24, 2011. Under the Agreement, we are granted a nonexclusive license to use the Golden Nugget trademarks and other marks in connection with the marketing and operation of our hotel and casino property. Fees payable under the agreement include license fees of \$250,000 per year and royalty fees equal to 3% of certain non-gaming revenues above \$55.0 million during each year of the license term.

### *Shared Services Agreement*

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

### *Tenant Agreement*

We have entered into certain lease agreements with wholly owned subsidiaries of Landry's wherein they operate restaurants in our casino property and we receive rental payments. Moreover, we routinely enter into certain transactions with affiliated companies. These transactions have been entered into between related parties and are not the result of arm's-length negotiations. Accordingly, the terms of the transactions may have been more or less favorable to us than might have been obtained from unaffiliated third parties. Rental revenue from the Landry's subsidiaries totaled \$186,000 and \$178,000 for the three months ended June 30, 2013 and 2012 respectively, and \$358,000 and \$328,000 for the six months ended June 30, 2013 and 2012, respectively.

## 12. SUBSEQUENT EVENTS

We have evaluated subsequent events through August 14, 2013 which is the date our financial statements were available to be issued.