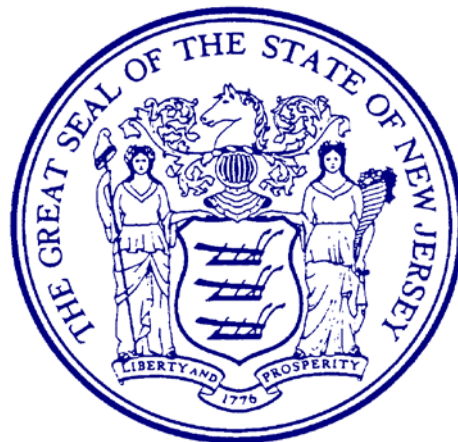


**TRUMP TAJ MAHAL ASSOCIATES, LLC  
QUARTERLY REPORT**

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

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## BALANCE SHEETS

AS OF SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$21,772	\$21,692
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, \$8,114; 2012, \$5,251).....	3 & 5	14,331	28,068
4	Inventories .....		1,049	1,010
5	Other Current Assets.....		3,323	3,621
6	Total Current Assets.....		40,475	54,391
7	Investments, Advances, and Receivables.....	9 & 10	24,230	22,115
8	Property and Equipment - Gross.....		383,798	380,710
9	Less: Accumulated Depreciation and Amortization.....		(61,779)	(44,209)
10	Property and Equipment - Net.....		322,019	336,501
11	Other Assets.....	5	11,469	46,454
12	Total Assets.....		\$398,193	\$459,461
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$10,747	\$9,665
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	2	854	157
17	Income Taxes Payable and Accrued.....	6	0	0
18	Other Accrued Expenses.....		13,683	14,887
19	Other Current Liabilities.....	7 & 12	18,246	37,003
20	Total Current Liabilities.....		43,530	61,712
	Long-Term Debt:			
21	Due to Affiliates.....	2 & 10	210,400	223,556
22	External.....	2	6,075	5,469
23	Deferred Credits .....	6	0	32
24	Other Liabilities.....	12	6,417	5,871
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		266,422	296,640
27	Stockholders', Partners', or Proprietor's Equity.....		131,771	162,821
28	Total Liabilities and Equity.....		\$398,193	\$459,461

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

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$202,648	\$239,111
2	Rooms.....		37,605	42,761
3	Food and Beverage.....		27,441	35,160
4	Other.....		10,207	11,097
5	Total Revenue.....		277,901	328,129
6	Less: Promotional Allowances.....		74,027	94,052
7	Net Revenue.....		203,874	234,077
	Costs and Expenses:			
8	Cost of Goods and Services.....		150,015	170,987
9	Selling, General, and Administrative.....	3	31,203	16,270
10	Provision for Doubtful Accounts.....		1,024	811
11	Total Costs and Expenses.....		182,242	188,068
12	Gross Operating Profit.....		21,632	46,009
13	Depreciation and Amortization.....		13,161	12,860
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	7	4,091	5,362
16	Income (Loss) from Operations.....		4,380	27,787
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	2	(19,222)	(20,515)
18	Interest Expense - External.....	2	(667)	(648)
19	CRDA Related Income (Expense) - Net.....	9	(837)	(995)
20	Nonoperating Income (Expense) - Net.....	4, 5 & 8	386	2,061
21	Total Other Income (Expenses).....		(20,340)	(20,097)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(15,960)	7,690
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(15,960)	7,690
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0).....		0	0
26	Net Income (Loss).....		(\$15,960)	\$7,690

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$74,676	\$88,461
2	Rooms.....		14,997	16,537
3	Food and Beverage.....		10,245	12,474
4	Other.....		4,408	4,026
5	Total Revenue.....		104,326	121,498
6	Less: Promotional Allowances.....		28,512	34,611
7	Net Revenue.....		75,814	86,887
	Costs and Expenses:			
8	Cost of Goods and Services.....		54,024	58,337
9	Selling, General, and Administrative.....		12,235	11,341
10	Provision for Doubtful Accounts.....		299	494
11	Total Costs and Expenses.....		66,558	70,172
12	Gross Operating Profit.....		9,256	16,715
13	Depreciation and Amortization.....		4,418	4,300
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	7	1,320	1,470
16	Income (Loss) from Operations.....		3,518	10,945
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	2	(6,388)	(6,962)
18	Interest Expense - External.....	2	(233)	(258)
19	CRDA Related Income (Expense) - Net.....	9	(317)	(372)
20	Nonoperating Income (Expense) - Net.....	8	108	354
21	Total Other Income (Expenses).....		(6,830)	(7,238)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(3,312)	3,707
23	Provision (Credit) for Income Taxes.....		0	0
24	Income (Loss) Before Extraordinary Items.....		(3,312)	3,707
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0).....		0	0
26	Net Income (Loss).....		(\$3,312)	\$3,707

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2011.....		\$160,092	(\$4,961)		\$155,131
2	Net Income (Loss) - 2012.....			(7,400)		(7,400)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2012.....		160,092	(12,361)	0	147,731
11	Net Income (Loss) - 2013.....			(15,960)		(15,960)
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, September 30, 2013.....		\$160,092	(\$28,321)	\$0	\$131,771

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$11,390	\$1,556
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....		0	0
3	Proceeds from the Sale of Short-Term Investments .....		0	0
4	Cash Outflows for Property and Equipment.....		(3,413)	(4,644)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....	9	(2,291)	(2,863)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances .....		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		0	0
11	Proceeds from sale of warehouse .....	4	0	1,949
12	Net Cash Provided (Used) By Investing Activities.....		(5,704)	(5,558)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt .....	2	1,760	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....	2	(419)	(342)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Borrowings/(Repayments) of Grid Note Payable .....	2	(5,187)	(1,973)
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(3,846)	(2,315)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		1,840	(6,317)
25	Cash and Cash Equivalents at Beginning of Period.....		19,932	28,009
26	Cash and Cash Equivalents at End of Period.....		\$21,772	\$21,692
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....	2	\$19,810	\$18,767
28	Income Taxes.....	6	\$0	\$701

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

# TRUMP TAJ MAHAL ASSOCIATES, LLC

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$15,960)	\$7,690
30	Depreciation and Amortization of Property and Equipment.....		13,161	12,860
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		(40)	(84)
36	(Gain) Loss on CRDA-Related Obligations.....	9	837	995
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		10,522	94
39	(Increase) Decrease in Inventories .....		(21)	351
40	(Increase) Decrease in Other Current Assets.....		(782)	272
41	(Increase) Decrease in Other Assets.....		1,126	(959)
42	Increase (Decrease) in Accounts Payable.....		949	382
43	Increase (Decrease) in Other Current Liabilities .....	12	(913)	(744)
44	Increase (Decrease) in Other Liabilities .....	12	3,140	(3,642)
45	Asset Impairment Charge .....	4	0	1,100
46	Income from Property Tax Settlement .....	3	(629)	(16,759)
47	Net Cash Provided (Used) By Operating Activities.....		\$11,390	\$1,556

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$3,413)	(\$4,644)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$3,413)	(\$4,644)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013  
(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	301,969	\$22,246	0	\$0
2	Food	293,079	8,243	46,424	2,341
3	Beverage	1,104,842	6,607	0	0
4	Travel	0	0	9,172	3,614
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	2,124,316	28,171	0	0
7	Complimentary Cash Gifts	64,545	6,640	0	0
8	Entertainment	19,779	1,077	107	80
9	Retail & Non-Cash Gifts	32,614	863	95,112	2,674
10	Parking	0	0	230,324	691
11	Other	4,480	180	10,393	485
12	Total	3,945,624	\$74,027	391,532	\$9,885

FOR THE THREE MONTHS ENDED SEPTEMBER 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	120,715	\$8,627		
2	Food	114,452	3,404	17,371	929
3	Beverage	349,966	2,208		
4	Travel			3,823	1,492
5	Bus Program Cash				
6	Promotional Gaming Credits	804,584	10,494		
7	Complimentary Cash Gifts	22,356	2,595		
8	Entertainment	16,489	806	55	49
9	Retail & Non-Cash Gifts	13,205	365	43,662	1,282
10	Parking			79,423	238
11	Other	1,663	13	3,630	203
12	Total	1,443,430	\$28,512	147,964	\$4,193

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



**TRUMP TAJ MAHAL ASSOCIATES, LLC  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 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.

11/15/2013

Date



Daniel McFadden

Vice President of Finance

Title

7167-11

License Number

On Behalf of:

TRUMP TAJ MAHAL ASSOCIATES, LLC

Casino Licensee

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(unaudited)  
(in thousands)

**NOTE 1 – GENERAL**

*Organization and Operations*

Trump Taj Mahal Associates LLC (“Taj Associates” or the “Company”), a New Jersey limited liability corporation is wholly owned by Trump Entertainment Resorts Holdings, L.P. (“TER Holdings”), a Delaware limited partnership. TER Holdings is a wholly-owned subsidiary of Trump Entertainment Resorts, Inc. (“TER”), a Delaware corporation.

Taj Associates owns and operates the Trump Taj Mahal Casino Resort (the “Taj Mahal”), an Atlantic City, New Jersey hotel, casino and convention center complex. Taj Associates derives its revenue primarily from casino operations, room rental, food and beverage sales, and entertainment revenue. The casino industry in Atlantic City is seasonal in nature with the peak season being the spring and summer months.

*Basis of Presentation*

The accompanying financial statements have been prepared pursuant to the rules and regulations of the Casino Control Commission of the State of New Jersey (the “CCC”) and the New Jersey Division of Gaming Enforcement (the “DGE”). Accordingly, certain information and note disclosures normally included in the financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s December 31, 2012 Quarterly Report as filed with the CCC and DGE.

In preparing the accompanying financial statements, the Company has reviewed, as determined necessary by the Company’s management, events that have occurred after September 30, 2013.

The accompanying financial statements have been prepared without audit. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary to present fairly the financial position, the results of operations, and cash flows for the periods presented, have been made.

**NOTE 2 - DEBT**

	<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>
12% Revolving Grid Note - TER Holdings, due December 31, 2015, interest due and payable monthly	\$ 210,400	\$ 223,556
Capitalized lease obligations, payments due through 2028, secured by equipment financed, interest at 8.5% to 12.0%	5,470	5,626
Other long-term debt (financed slot equipment)	1,459	-
	217,329	229,182
Less: current maturities	(854)	(157)
Long-term debt, net of current maturities	\$ 216,475	\$ 229,025

*12% Revolving Grid Note*

On July 16, 2010, the Company entered into an Amended and Restated Revolving Grid Note (“12% Grid Note”) with TER Holdings. Pursuant to the 12% Grid Note, the Company agreed to repay up to \$250,000

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(unaudited)  
(in thousands)

of advances made by TER Holdings, including any accrued unpaid interest on outstanding advances thereon.

Guarantees

Taj Associates, along with Trump Plaza Associates LLC (“Plaza Associates”) and Trump Marina Associates LLC (“Marina Associates”) guarantees TER Holdings’ Amended and Restated Credit Agreement on a joint and several basis. The Amended and Restated Credit Agreement is secured by substantially all of the assets of TER Holdings, Plaza Associates and Taj Associates on a priority basis. At September 30, 2013, TER had outstanding borrowings of \$288,189 under the Amended and Restated Credit Agreement.

**NOTE 3 – CITY OF ATLANTIC CITY REAL ESTATE TAXES**

2012 Settlement

During June 2012, TER settled with the City of Atlantic City (the “City”) with respect to its challenges to the real estate tax assessments for its casino properties for the tax years 2008 through 2012. The settlement terms were set forth in the Settlement Agreement entered into as of June 13, 2012 among TER’s subsidiaries, Taj Associates, Plaza Associates and Marina Associates, along with Golden Nugget Atlantic City, LLC, which purchased the former Trump Marina Hotel Casino from TER during 2011, and the City. Under the original settlement terms, the City agreed to provide TER with a credit for previously paid real estate taxes in the total amount of \$54,000, to be applied against future real estate tax payments of Taj Associates as follows: \$15,000 in 2013; \$9,000 per year in each of 2014, 2015 and 2016; and \$12,000 in 2017 (“Settlement Agreement”). The Settlement Agreement provided that the City would have the option to issue a cash refund to the Company at any time for the unused portion of the credit. As part of the settlement, Taj Associates and Plaza Associates agreed to pay real estate taxes for 2012 based upon the City’s 2012 assessments. In addition, the City confirmed its intention to assess Trump Taj Mahal Casino Resort at \$1.0 billion for tax year 2013 (a 40% reduction from the 2012 assessment) and Trump Plaza Hotel Casino at \$250.0 million for tax year 2013 (a 66% reduction from the 2012 assessment), and the Company agreed not to challenge such 2013 assessments.

On October 17, 2012, TER and the City entered into an amendment to the Settlement Agreement whereby the City agreed that, upon (and subject to) completion of a successful offering by the City of its tax appeal refunding bonds, the City would, as permitted by the Settlement Agreement, pay to TER, from the proceeds of the offering, the amount of \$50,500 in cash within five days of the City’s receipt of the proceeds, in lieu of the five-year credit provided for in the original Settlement Agreement. TER agreed to accept such payment in full satisfaction of amounts due under the Settlement Agreement.

On December 14, 2012, TER and the City agreed to further amend the settlement terms. Under the revised terms, the City agreed that the City would pay TER \$35,500 in cash upon receipt of proceeds from the City’s bond offering, and that TER will be entitled to real estate tax credits in the aggregate amount of \$15,000, to be applied against real estate tax payments for 2013 of Taj Associates as follows: \$5,000 for the first quarter of 2013; \$3,400 for each of the second and third quarters of 2013; and \$3,200 for the fourth quarter of 2013. TER agreed to accept such payment and credits in lieu of, and in full satisfaction of, the City’s obligations under the Settlement Agreement, as previously amended. On December 20, 2012, the City made the \$35,500 payment to TER.

Taj Associates’ allocated portion of the present value of the revised settlement, net of estimated legal fees and other expenses, was recorded as a reduction to Selling, General and Administrative Expenses during the quarter ended June 30, 2012 and was estimated to be \$16,759. This estimate was subsequently revised to \$17,808 during the fourth quarter of 2012. In addition, the nine months ended September 30, 2013

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(unaudited)  
(in thousands)

includes a credit of \$629 due to a reduction in estimated legal fees associated with the Settlement Agreement.

2013 Tax Increase

Selling, general and administrative expenses on the statements of income for the nine months ended September 30, 2013 include the effect of a 17.5% increase in the 2013 property tax rate as compared to 2012.

**NOTE 4 - SALE OF OFF-SITE WAREHOUSE**

On May 8, 2012, Taj Associates completed the sale of its off-site warehouse (the “EHT Property”) located in Egg Harbor Township, New Jersey to Schoffer Enterprises, LLC pursuant to the terms of an Agreement of Sale dated as of February 6, 2012.

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 360 – “Property and Equipment”, during the first quarter of 2012, the Company recorded a non-cash asset impairment charge of \$1,100 to record the EHT Property at its fair value less costs to sell. Such amount is reflected in Nonoperating Income in the statement of income for the nine months ended September 30, 2012.

**NOTE 5 – INCOME RELATED TO UTILITY AGREEMENTS**

On February 27, 2012, the Company entered into various agreements with one of its utility providers. In consideration for entering into the agreements, the Company received \$1,090 in cash and will receive rate reduction credits totaling approximately \$1,960 which are being applied against invoices for services provided in equal monthly increments of \$35 through October 2016. The Company recognized \$2,649 of income, net of related expenses, in connection with entering into these agreements. Such amount is reflected in Nonoperating Income in the statement of income during the nine months ended September 30, 2012.

**NOTE 6 - INCOME TAXES**

Federal Income Taxes

The accompanying financial statements do not include a provision for federal income taxes since the Company is a division of TER Holdings, which is taxed as a partnership for federal income tax purposes. Therefore, the Company’s income and losses are allocated and reported for federal income tax purposes by TER Holdings’ partners.

State Income Taxes

Under the New Jersey Casino Control Act, the Company is required to file New Jersey corporation business tax returns. At December 31, 2012, the Company had state net operating loss carryforwards of approximately \$394,000 available to offset future taxable income. The New Jersey state net operating loss carryforwards expire from 2013 through 2032.

There was no state income tax provision during the three and nine months ended September 30, 2013 and 2012.

At September 30, 2013, the Company had unrecognized tax benefits of approximately \$880. The

**TRUMP TAJ MAHAL ASSOCIATES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(unaudited)  
(in thousands)

Company's unrecognized tax benefits would not affect its effective tax rate, if recognized.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties as a component of income tax expense. The Company did not recognize any interest associated with uncertain tax positions during the three and nine months ended September 30, 2013 and 2012.

Federal and State Income Tax Audits

Tax years 2009 through 2012 remain subject to examination by federal and state tax authorities.

Chapter 11 Case Implications

On July 16, 2010, TER Holdings realized cancellation of indebtedness income which is excludable for tax purposes due to its bankruptcy proceedings. As a result, TER Holdings' partners reduced certain tax attributes such as net operating losses and the tax basis of assets. The reduction of certain tax attributes could result in increased future tax liabilities for TER Holdings' partners. The Company is also reviewing the technical merits of a potential tax reporting position as a result of the restructuring and related transactions that may result in a substantial additional step-up in the tax basis of the Company's assets.

**NOTE 7 - TRANSACTIONS WITH AFFILIATES**

The Company engages in certain transactions with TER Holdings, Plaza Associates and Marina Associates, all of which are affiliates. Amounts due to/(from) affiliates are as follows:

	<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>
Plaza Associates	\$ (1,779)	\$ (1,065)
Marina Associates	(1,195)	(831)
TER Holdings	3,960	23,008
Total	\$ 986	\$ 21,112

Taj Associates engages in various transactions with related casino entities that are affiliates of TER. These transactions are charged at cost or normal selling price in the case of retail items and include, but are not limited to, certain shared professional fees, insurance, advertising and payroll costs.

Trump Taj Mahal Associates Administration, a separate division of Taj Associates ("Trump Administration") provides certain shared services to Taj Associates, Plaza Associates and Marina Associates. Trump Administration allocated expenses associated with such services to Plaza Associates and Marina Associates totaling \$1,940 and \$2,796 during the nine months ended September 30, 2013 and 2012, respectively. Plaza Associates and Marina Associates reimburse Trump Administration for these allocated expenses.

On May 24, 2011, TER and Marina Associates completed the sale of the Trump Marina Hotel Casino ("Trump Marina") to Golden Nugget Atlantic City, LLC ("Golden Nugget"), an affiliate of Landry's Restaurants, Inc., pursuant to the Asset Purchase Agreement dated as of February 11, 2011, (as amended, the "Asset Purchase Agreement"). Pursuant to the Asset Purchase Agreement, at the closing, Golden Nugget acquired substantially all of the assets of, and assumed certain liabilities related to, the business conducted at Trump Marina.

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Amounts due to TER Holdings as of September 30, 2013 include amounts pursuant to Assignment Agreements entered into between TER Holdings, Plaza Associates and Marina Associates in connection with the Settlement Agreement (see Note 3).

**NOTE 8 – NON-OPERATING INCOME (EXPENSE)**

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>
Interest income	\$ 386	\$ 512
Income related to Utility Agreements (Note 5)	-	2,649
Impairment charge - Off-Site Warehouse (Note 4)	-	(1,100)
Total	\$ 386	\$ 2,061

**NOTE 9 - COMMITMENTS & CONTINGENCIES**

*Casino License Renewal*

The Company is subject to regulation and licensing by the CCC and the DGE. The Company's casino license must be renewed periodically, is not transferable, is dependent upon the financial stability of the Company and can be revoked at any time. Due to the uncertainty of any license renewal application, there can be no assurance that the license will be renewed.

In June 2007, the CCC renewed the Company's license to operate the Taj Mahal for the following five-year period through June 2012. During 2012, the Company and certain individuals resubmitted the required documentation supporting a renewal of their qualification and licensure and were authorized to continue to operate while the DGE performed its investigations. The DGE completed its resubmission investigation of the Company and certain individuals and determined that no information was revealed that would affect the Company's casino license. Upon revocation, suspension for more than 120 days, or failure to renew the casino license, the Casino Control Act provides for the mandatory appointment of a conservator to take possession of the hotel and casino's business and property, subject to all valid liens, claims and encumbrances.

*Internet Gaming Permit*

On October 16, 2013, the DGE issued an internet gaming permit to Taj Associates which authorizes the Company to conduct internet gaming in the State of New Jersey. The permit expires on October 16, 2014 and is renewable annually. Internet gaming in the State of New Jersey is expected to commence on November 26, 2013 (See Note 12).

*Legal Proceedings*

Taj Associates and certain of its employees are involved from time to time in various legal proceedings incidental to the Company's business. While any proceeding or litigation contains an element of uncertainty, management believes that the final outcomes of these matters are not likely to have a material adverse effect on the Company's results of operations or financial condition. In general, the Company has agreed to indemnify such persons, and its directors, against any and all losses, claims, damages, expenses (including reasonable costs, disbursements and counsel fees) and liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) incurred by them in said legal proceedings absent a showing of such persons' gross negligence or malfeasance.

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Casino Reinvestment Development Authority Obligations

As required by the provisions of the New Jersey Casino Control Act, a casino licensee must pay an investment alternative tax of 2.5% of its gross casino revenues as defined in the New Jersey Casino Control Act. However, pursuant to a contract 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 Casino Control 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 the CRDA. According to the Act, funds on deposit with the CRDA are invested by the CRDA and the resulting interest income is shared two-thirds to the casino and one-third to the CRDA. Further, the Act requires that CRDA bonds be issued at statutory rates established at two-thirds of the average rate of the Bond Buyer Weekly 25 Revenue Bond Index for bonds available for purchase during the last 26 weeks preceding the date the CRDA issues its bond. Pursuant to the contract with the CRDA, the Company is required to make quarterly deposits with the CRDA to satisfy its investment obligations. The company recognizes charges to expense to record its CRDA investments at their estimated net realizable value. We recognized expense of \$837 and \$995 during the nine months ended September 30, 2013 and 2012, respectively, to reflect reductions in the estimated net realizable value of certain CRDA deposits and to give effect to the below market interest rates associated with CRDA deposits and bonds.

Atlantic City Tourism District

In February 2011, as part of the State of New Jersey’s plan to revitalize Atlantic City’s casino and tourism industries, a law was enacted requiring the creation of a tourism district (the “Tourism District”) to be administered and managed by the CRDA. The Tourism District includes each of the Atlantic City casino properties, along with certain other tourism related areas of Atlantic City. The law requires, among other things, the creation of a public-private partnership between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the “ACA”), was established in the form of a not-for-profit corporation, of which the Company is a member. The public-private partnership established between the ACA and the CRDA is for an initial term of five years. Its general purpose is to revitalize and market the Tourism District. The law requires that a \$5,000 contribution be made to this effort by all casinos prior to 2012, followed by an annual amount of \$30,000 to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino’s portion of the annual contribution is currently being assessed based on the percentage representing its gross gaming revenue for the prior calendar quarter compared to the aggregate gross gaming revenues for that period for all casinos. During the three and nine months ended September 30, 2013, we recognized \$688 and \$1,968 of expense related to our portion of the \$30,000 contribution to be made during 2013. During the three and nine months ended September 30, 2012, we recognized \$736 and \$2,208 of expense related to our portion of the \$30,000 contribution made for 2012.

Boardwalk Revitalization Project

During 2004, the Boardwalk Revitalization Fund was established by the CRDA to fund eligible boardwalk revitalization projects. The Boardwalk Revitalization Fund may be funded by a portion of the proceeds of the issuance and sale of certain Parking Fee Revenue Bonds and Atlantic City Fund Investment Alternative Tax Obligations.

During November 2011, the CRDA approved the Company’s application for the restoration of its building façade and other elements along its Boardwalk level, its three connecting grand staircases and its open-air second level promenade for its entire frontage along the Atlantic City Boardwalk (the “Boardwalk Façade Project”) and approved a fund reservation in the amount of \$6,859 from such funds to be appropriated from the Company’s and Plaza Associates’ remaining designated share of the Boardwalk Revitalization Fund.

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A Project Grant Agreement dated as of March 30, 2012 was entered into by and between the CRDA and Taj Associates and Plaza Associates (the “Project Grant Agreement”). Pursuant to the Project Grant Agreement, the amount available from the Boardwalk Revitalization Fund to fund the Boardwalk Façade Project shall not exceed \$6,859 and excess amounts necessary to complete the Project, if any, shall be borne by the Company. Construction on the Project commenced during the second quarter of 2012 and is expected to be completed during 2013.

**NOTE 10 – FAIR VALUE MEASUREMENTS**

ASC Topic 820 – “Fair Value Measurements and Disclosures” (“ASC 820”) establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity’s own assumptions.

*Balances Measured at Fair Value*

	<u>September 30, 2013</u>				<u>September 30, 2012</u>			
	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CRDA bonds and deposits	\$ 24,230	—	\$ 24,230	—	\$ 22,115	—	\$ 22,115	—

The fair value measurements relating to our CRDA bonds and deposits were determined using inputs within Level 2 of ASC 820’s hierarchy. CRDA assets are discussed in Note 9.

*Balances Disclosed at Fair Value*

The carrying amounts of financial instruments included in current assets and current liabilities approximate their fair values due to their short-term nature. The carrying amounts of CRDA investments approximate their fair value as a result of allowances established to give effect to below-market interest rates.

The estimated fair values of other financial instruments are as follows:

	<u>September 30, 2013</u>			
	<u>Amount Outstanding</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>	<u>Fair Value Hierarchy</u>
12% Grid Note	\$ 210,400	\$ 210,400	\$ 210,400	Level 2

	<u>September 30, 2012</u>			
	<u>Amount Outstanding</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>	<u>Fair Value Hierarchy</u>
12% Grid Note	\$ 223,556	\$ 223,556	\$ 223,556	Level 2

The carrying amount of the Grid Note approximates its fair value. The Company’s other long-term debt was not significant at September 30, 2013 and September 30, 2012.



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**NOTE 11 – EVACUATION AND CLOSURE OF FACILITIES**

*Superstorm Sandy*

During late October 2012, an unusual mix of a hurricane and winter storm (“Superstorm Sandy”) caused widespread property damage and flooding to numerous regions along the Eastern United States. On October 27, 2012, in anticipation of Superstorm Sandy, the Governor of New Jersey ordered the closure of all businesses and the evacuation of Atlantic City, New Jersey. On October 28, 2012, the DGE ordered the temporary suspension of all twelve Atlantic City gaming licenses. The DGE vacated its order on November 2, 2012. Trump Taj Mahal closed to the public on October 28, 2012. Although Superstorm Sandy made landfall in close proximity to Atlantic City, Trump Taj Mahal sustained minor physical damage and was able to reopen on November 2, 2012. The Company’s results of operations were, and we believe continue to be, negatively impacted due to the closure and the extensive damage sustained within its primary feeder markets in the Mid-Atlantic Region.

The Company filed a claim for approximately \$9,600 with its insurance carriers relating to losses incurred through March 31, 2013 in connection with Superstorm Sandy. The Company is in the process of calculating the adverse impact that it believes the storm has had on its results of operations subsequent to March 31, 2013 for submission to the insurance carriers. While the Company has insurance that covers losses related to property damage and business interruptions, losses sustained may either be subject to significant deductibles or unfavorable coverage interpretation by the insurance carriers or a combination of both. No payment has been received to date, nor have the carriers approved our claim. There can be no assurance that the carriers will agree with our claim and accordingly, may not pay any or part of the claim.

**NOTE 12 – EXECUTION OF ONLINE GAMING OPERATIONS AGREEMENT**

On June 24, 2013 (the “Effective Date”), Taj Associates entered into an Online Gaming Operations Agreement (the “Agreement”) with Fertitta Acquisitionsco LLC, doing business as Ultimate Gaming (“UG”). Pursuant to the Agreement, UG will host, manage, operate and support online gambling games in the State of New Jersey on behalf of Taj Associates. On the Effective Date, UG paid Taj Associates \$8,000 representing a revenue advancement fee under the Agreement. In addition, under the terms of the Agreement, UG agreed to commit additional funds in the event Taj Associates refinances all, or substantially all, of its outstanding indebtedness.