# GOLDEN NUGGET ATLANTIC CITY, LLC
# QUARTERLY REPORT

## FOR THE QUARTER ENDED MARCH 31, 2012

**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 MARCH, 2012 *

(UNAUDITED)
($ IN THOUSANDS)

**AMENDED JULY 25, 2012**

| Line (a) | Description (b) | Notes | 2012 (c) | 2011 (d) |
|---|---|---|---|---|
| | ASSETS: | | | |
| | Current Assets: | | | |
| 1 | Cash and Cash Equivalents | 3 | $5,624 | $0 |
| 2 | Short-Term Investments | | 0 | 0 |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, $1,082 ; 2011, $ n/a ) | 3,4 | 2,572 | 0 |
| 4 | Inventories | 3 | 1,479 | 0 |
| 5 | Other Current Assets | 5 | 986 | 0 |
| 6 | Total Current Assets | | 10,661 | 0 |
| 7 | Investments, Advances, and Receivables | 3 | 908 | 0 |
| 8 | Property and Equipment - Gross | 3,7 | 134,401 | 0 |
| 9 | Less: Accumulated Depreciation and Amortization | 7 | (2,463) | 0 |
| 10 | Property and Equipment - Net | 7 | 131,938 | 0 |
| 11 | Other Assets | 3,6 | 10,004 | 0 |
| 12 | Total Assets | | $153,511 | $0 |
| | LIABILITIES AND EQUITY: | | | |
| | Current Liabilities: | | | |
| 13 | Accounts Payable | | $30,882 | $0 |
| 14 | Notes Payable | | 0 | 0 |
| | Current Portion of Long-Term Debt: | | | |
| 15 | Due to Affiliates | | 0 | 0 |
| 16 | External | 9 | 2,435 | 0 |
| 17 | Income Taxes Payable and Accrued | | 0 | 0 |
| 18 | Other Accrued Expenses | 3,8 | 12,029 | 0 |
| 19 | Other Current Liabilities | | 260 | 0 |
| 20 | Total Current Liabilities | | 45,606 | 0 |
| | Long-Term Debt: | | | |
| 21 | Due to Affiliates | | 0 | 0 |
| 22 | External | 9 | 13,304 | 0 |
| 23 | Deferred Credits | | 0 | 0 |
| 24 | Other Liabilities | | 0 | 0 |
| 25 | Commitments and Contingencies | | 0 | 0 |
| 26 | Total Liabilities | | 58,910 | 0 |
| 27 | Stockholders', Partners', or Proprietor's Equity | | 94,601 | 0 |
| 28 | Total Liabilities and Equity | | $153,511 | $0 |

* Golden Nugget Atlantic City, LLC began operations on May 24, 2011

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 MARCH 31, 2012 *

(UNAUDITED)
($ IN THOUSANDS)

**AMENDED JULY 25, 2012**

| Line (a) | Description (b) | Notes | 2012 (c) | 2011 (d) |
|---|---|---|---|---|
| | Revenue: | | | |
| 1 | Casino | | $31,394 | $0 |
| 2 | Rooms | | 3,239 | 0 |
| 3 | Food and Beverage | | 3,209 | 0 |
| 4 | Other | | 2,105 | 0 |
| 5 | Total Revenue | 3 | 39,947 | 0 |
| 6 | Less: Promotional Allowances | 3 | 13,847 | 0 |
| 7 | Net Revenue | | 26,100 | 0 |
| | Costs and Expenses: | | | |
| 8 | Cost of Goods and Services | | 28,580 | 0 |
| 9 | Selling, General, and Administrative | 3 | 2,302 | 0 |
| 10 | Provision for Doubtful Accounts | | 264 | 0 |
| 11 | Total Costs and Expenses | | 31,146 | 0 |
| 12 | Gross Operating Profit | | (5,046) | 0 |
| 13 | Depreciation and Amortization | | 1,391 | 0 |
| | Charges from Affiliates Other than Interest: | | | |
| 14 | Management Fees | | 0 | 0 |
| 15 | Other | | 0 | 0 |
| 16 | Income (Loss) from Operations | | (6,437) | 0 |
| | Other Income (Expenses): | | | |
| 17 | Interest Expense - Affiliates | | 0 | 0 |
| 18 | Interest Expense - External | 3,9 | (2,083) | 0 |
| 19 | CRDA Related Income (Expense) - Net | 3 | (133) | 0 |
| 20 | Nonoperating Income (Expense) - Net | | 1 | 0 |
| 21 | Total Other Income (Expenses) | | (2,215) | 0 |
| 22 | Income (Loss) Before Taxes and Extraordinary Items | | (8,652) | 0 |
| 23 | Provision (Credit) for Income Taxes | | 0 | 0 |
| 24 | Income (Loss) Before Extraordinary Items | | (8,652) | 0 |
| 25 | Extraordinary Items (Net of Income Taxes - 20__, $0; 20__, $0 ) | | 0 | 0 |
| 26 | Net Income (Loss) | | ($8,652) | $0 |

* Golden Nugget Atlantic City, LLC began operations on May 24, 2011

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 PERIOD MAY 24 THROUGH DECEMBER 31, 2011
AND THE THREE MONTHS ENDED MARCH 31, 2012

(UNAUDITED)
($ IN THOUSANDS)

**AMENDED JULY 25, 2012**

| Line (a) | Description (b) | Notes | Contributed Capital (c) | Accumulated Earnings (Deficit) (d) | (e) | Total Equity (Deficit) (f) |
|---|---|---|---|---|---|---|
| 1 | **Balance, December 31, 2010..........** | | | | | $0 |
| 2 | Net Income (Loss) - 5/24-12/31 | | | (4,080) | | (4,080) |
| 3 | Capital Contributions................ | | 36,300 | | | 36,300 |
| 4 | Capital Withdrawals.................. | | | | | 0 |
| 5 | Partnership Distributions........... | | | | | 0 |
| 6 | Prior Period Adjustments.......... | | | | | 0 |
| 7 | | | | | | 0 |
| 8 | | | | | | 0 |
| 9 | | | | | | 0 |
| 10 | **Balance, December 31, 2011..........** | | 36,300 | (4,080) | 0 | 32,220 |
| 11 | Net Income (Loss) - 2012.......... | | | (8,652) | | (8,652) |
| 12 | Capital Contributions................ | | 71,033 | | | 71,033 |
| 13 | Capital Withdrawals.................. | | | | | 0 |
| 14 | Partnership Distributions........... | | | | | 0 |
| 15 | Prior Period Adjustments.......... | | | | | 0 |
| 16 | | | | | | 0 |
| 17 | | | | | | 0 |
| 18 | | | | | | 0 |
| 19 | **Balance, March 31, 2012...............** | | $107,333 | ($12,732) | $0 | $94,601 |

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 THREE MONTHS ENDED MARCH 31, 2012

(UNAUDITED)
($ IN THOUSANDS)

**AMENDED JULY 25, 2012**

| Line (a) | Description (b) | Notes | 2012 (c) | 2011 (d) |
|---|---|---|---|---|
| 1 | CASH PROVIDED (USED) BY OPERATING ACTIVITIES.. | | ($2,120) | $0 |
| | CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| 2 | Purchase of Short-Term Investments ..................................... | | | 0 |
| 3 | Proceeds from the Sale of Short-Term Investments ............... | | | 0 |
| 4 | Cash Outflows for Property and Equipment........................... | | (32,423) | 0 |
| 5 | Proceeds from Disposition of Property and Equipment.......... | | | 0 |
| 6 | CRDA Obligations ................................................................ | | (399) | 0 |
| 7 | Other Investments, Loans and Advances made....................... | | | 0 |
| 8 | Proceeds from Other Investments, Loans, and Advances ....... | | | 0 |
| 9 | Cash Outflows to Acquire Business Entities........................... | | 0 | 0 |
| 10 | .................. | | | 0 |
| 11 | .................. | | | 0 |
| 12 | Net Cash Provided (Used) By Investing Activities.................... | | (32,822) | 0 |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| 13 | Proceeds from Short-Term Debt ........................................... | | | 0 |
| 14 | Payments to Settle Short-Term Debt...................................... | | | 0 |
| 15 | Proceeds from Long-Term Debt ............................................ | | | 0 |
| 16 | Costs of Issuing Debt.............................................................. | | | 0 |
| 17 | Payments to Settle Long-Term Debt....................................... | | (36,899) | 0 |
| 18 | Cash Proceeds from Issuing Stock or Capital Contributions... | | 71,032 | 0 |
| 19 | Purchases of Treasury Stock................................................... | | | 0 |
| 20 | Payments of Dividends or Capital Withdrawals...................... | | | 0 |
| 21 | .................. | | | 0 |
| 22 | .................. | | | 0 |
| 23 | Net Cash Provided (Used) By Financing Activities.................. | | 34,133 | 0 |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents............. | | (809) | 0 |
| 25 | Cash and Cash Equivalents at Beginning of Period................... | | 6,433 | 0 |
| 26 | Cash and Cash Equivalents at End of Period............................. | | $5,624 | $0 |

| Line (a) | Description (b) | Notes | 2012 (c) | 2011 (d) |
|---|---|---|---|---|
| | CASH PAID DURING PERIOD FOR: | | | |
| 27 | Interest (Net of Amount Capitalized)....................................... | | $878 | $0 |
| 28 | Income Taxes............................................................................ | | | $0 |

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 THREE MONTHS ENDED MARCH 31, 2012

(UNAUDITED)

($ IN THOUSANDS)

**AMENDED JULY 25, 2012**

| Line (a) | Description (b) | Notes | 2012 (c) | 2011 (d) |
|---|---|---|---|---|
| | CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| 29 | Net Income (Loss)............ | | ($8,652) | $0 |
| 30 | Depreciation and Amortization of Property and Equipment... | | 1,391 | 0 |
| 31 | Amortization of Other Assets............ | | | 0 |
| 32 | Amortization of Debt Discount or Premium............ | | 2,144 | 0 |
| 33 | Deferred Income Taxes - Current ............ | | | 0 |
| 34 | Deferred Income Taxes - Noncurrent ............ | | | 0 |
| 35 | (Gain) Loss on Disposition of Property and Equipment......... | | | 0 |
| 36 | (Gain) Loss on CRDA-Related Obligations............ | | 133 | 0 |
| 37 | (Gain) Loss from Other Investment Activities............ | | | 0 |
| 38 | (Increase) Decrease in Receivables and Patrons' Checks ....... | | 188 | 0 |
| 39 | (Increase) Decrease in Inventories ............ | | (2) | 0 |
| 40 | (Increase) Decrease in Other Current Assets............ | | 301 | 0 |
| 41 | (Increase) Decrease in Other Assets............ | | (1,269) | 0 |
| 42 | Increase (Decrease) in Accounts Payable............ | | 2,917 | 0 |
| 43 | Increase (Decrease) in Other Current Liabilities ............ | | 729 | 0 |
| 44 | Increase (Decrease) in Other Liabilities ............ | | | 0 |
| 45 | ............ | | | 0 |
| 46 | ............ | | | 0 |
| 47 | Net Cash Provided (Used) By Operating Activities............ | | ($2,120) | $0 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| Line (a) | Description (b) | Notes | 2012 (c) | 2011 (d) |
|---|---|---|---|---|
| | ACQUISITION OF PROPERTY AND EQUIPMENT: | | | |
| 48 | Additions to Property and Equipment............ | | ($34,026) | $0 |
| 49 | Less: Capital Lease Obligations Incurred............ | | 1,603 | 0 |
| 50 | Cash Outflows for Property and Equipment............ | | ($32,423) | $0 |
| | ACQUISITION OF BUSINESS ENTITIES: | | | |
| 51 | Property and Equipment Acquired............ | | | $0 |
| 52 | Goodwill Acquired............ | | | 0 |
| 53 | Other Assets Acquired - net ............ | | | 0 |
| 54 | Long-Term Debt Assumed............ | | | 0 |
| 55 | Issuance of Stock or Capital Invested............ | | | 0 |
| 56 | Cash Outflows to Acquire Business Entities............ | | $0 | $0 |
| | STOCK ISSUED OR CAPITAL CONTRIBUTIONS: | | | |
| 57 | Total Issuances of Stock or Capital Contributions............ | | $71,032 | $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...... | | $71,032 | $0 |

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 THREE MONTHS ENDED MARCH 31, 2012
(UNAUDITED)
($ IN THOUSANDS)

| Line (a) | Description (b) | Promotional Allowances: Number of Recipients (c) | Promotional Allowances: Dollar Amount (d) | Promotional Expenses: Number of Recipients (e) | Promotional Expenses: Dollar Amount (f) |
|---|---|---|---|---|---|
| 1 | Rooms | 30,555 | $1,958 | 0 | $0 |
| 2 | Food | 69,578 | 1,241 | 8,966 | 538 |
| 3 | Beverage | 175,168 | 744 | 0 | 0 |
| 4 | Travel | 0 | 0 | 957 | 24 |
| 5 | Bus Program Cash | 0 | 0 | 0 | 0 |
| 6 | Promotional Gaming Credits | 123,971 | 6,387 | 0 | 0 |
| 7 | Complimentary Cash Gifts | 32,314 | 2,586 | 0 | 0 |
| 8 | Entertainment | 936 | 24 | 0 | 0 |
| 9 | Retail & Non-Cash Gifts | 70,468 | 883 | 0 | 0 |
| 10 | Parking | 0 | 0 | 133,168 | 400 |
| 11 | Other | 9,690 | 24 | 0 | 0 |
| 12 | Total | 512,680 | $13,847 | 143,091 | $962 |

FOR THE THREE MONTHS ENDED MARCH 31, 2011

| Line (a) | Description (b) | Promotional Allowances: Number of Recipients (c) | Promotional Allowances: Dollar Amount (d) | Promotional Expenses: Number of Recipients (e) | Promotional Expenses: Dollar Amount (f) |
|---|---|---|---|---|---|
| 1 | Rooms | | | | |
| 2 | Food | | | | |
| 3 | Beverage | | | | |
| 4 | Travel | | | | |
| 5 | Bus Program Cash | | | | |
| 6 | Promotional Gaming Credits | | | | |
| 7 | Complimentary Cash Gifts | | | | |
| 8 | Entertainment | | | | |
| 9 | Retail & Non-Cash Gifts | | | | |
| 10 | Parking | | | | |
| 11 | Other | | | | |
| 12 | Total | 0 | $0 | 0 | $0 |

* Golden Nugget Atlantic City, LLC began operations on May 24, 2011
*No item in this category (Other) exceeds 5%.

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

FOR THE QUARTER ENDED MARCH 31, 2012

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.

7/25/2012
Date

Keith Crede

Vice President Finance
Title

6939-11
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, LLC is the parent of Golden Nugget Atlantic City, LLC ("GNAC"). 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. Unless otherwise stated, all dollars are in thousands.

We had no operations prior to May 24, 2011.

*Principles of Consolidation*

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.

*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. ACQUISITION OF THE ASSETS OF TRUMP MARINA ASSOCIATES, LLC

On May 24, 2011, GNAC purchased the assets of Trump Marina Associates, LLC for approximately $37.7 million in cash, plus the assumption of certain additional working capital liabilities in order to expand the Golden Nugget name into the second largest gaming market in America. The purchase price and planned capital improvements were funded by a $36.5 million first lien term loan due in 2016, a $10.0 million revolving credit facility due in 2015 and a $36.3 million capital contribution. An additional $20.0 million delayed draw term loan due in 2016 was available as needed.

A summary of assets acquired and liabilities assumed in the acquisition is set forth below:

| | | |
|---|---|---|
| Estimated fair value of assets acquired | | |
| Current assets | $ | 5,716 |
| Property and equipment | | 38,000 |
| Other long term assets | | 214 |
| Total assets acquired | | 43,930 |
| Estimated fair value of liabilities assumed | | |
| Current liabilities | | (4,746) |
| Total liabilites assumed | | (4,746) |
| Gain on purchase | | (1,453) |
| Allocated purchase price | | 37,731 |
| Less: Cash acquired | | (4,187) |
| Net cash paid | $ | 33,544 |

Based on the purchase price allocation it was determined that the fair values of the net assets acquired exceeded the purchase price by $1.5 million, which we have recorded as a bargain purchase gain included in other, net within our consolidated statement of income for the period ended December 31, 2011.

The acquisition was accounted for in accordance with ASC Topic 805, Business Combinations ("ASC 805"). Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date.

Under ASC 805, acquisition related costs (i.e., advisory, legal, valuation and other professional fees) are not included as a component of consideration transferred, but are accounted for as expenses in the periods in which the costs are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES

*Cash and Cash Equivalents*

We consider investments with original maturities of ninety days or less to be cash or cash equivalents. We place our cash primarily in checking and money market accounts with financial institutions, which, at times, have exceeded federally insured limits.

*Accounts Receivable*

Trade receivables consist primarily of casino and hotel receivables, net of an allowance for doubtful accounts. Accounts are written off when management deems the account to be uncollectible. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions.

*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 period ending March 31, 2012, we capitalized interest expense of approximately $686,000.

*Indefinite Lived Intangible Assets and Long-Lived Assets*

We have an indefinite-lived intangible asset related to our gaming license. We test it for impairment at least annually. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The recoverability of assets that are to be held and used is measured by comparison of the estimated future undiscounted cash flows associated with the asset to the carrying value of that asset. If such assets are considered to be impaired, an impairment charge is recorded for the amount that the carrying value of the asset exceeds the fair value.

*Debt Issuance Costs*

Debt issuance costs represent fees, commissions and other closing costs incurred in connection with the issuance of our $66.5 million credit facility. Deferred financing costs are amortized over the term of the credit facility. In association with the payoff of $36.5 million in debt approximately $2 million in deferred financing costs were expensed in the period ending March 31, 2012.

*Progressive Liability*

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.

*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 have established a liability, and reduced revenue, for unredeemed cash-back 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.

*Revenue Recognition and Promotional Allowances*

Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs ("casino front money") and for chips in the customer's possession ("outstanding chip liability"). Casino revenues are recognized net of certain sales incentives. We record sales incentives as a reduction of revenue. In addition, accruals for the cost of cash-back points in point-loyalty programs, such as points earned in slot players clubs, are recorded as a reduction of 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 as promotional allowances.

The estimated cost of providing such promotional allowances for the period the period ended March 31, 2012 is primarily included in casino expenses as follows:

| | | |
|---|---|---|
| Rooms | | $1,939 |
| Food & Beverage | | 2,840 |
| Other | | 746 |
| | Total | $5,525 |

*Sales Taxes*

Our policy is to present sales taxes on a net basis.

*Advertising Costs*

Costs for advertising are expensed as incurred during such year. Advertising costs, included in general and administrative expense, were $250,000 for the period ended March 31, 2012.

*Casino License Renewal*

We are subject to regulation and licensing by the New Jersey Division of Gaming Enforcement ("DGE"). We operate under a temporary license issued by the DGE on May 24, 2011. 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.

*Income Taxes*

We are a single member Limited Liability Corporation and as such, our tax results are filed in consolidation with our owner.

*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 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.

For the period ended March 31, 2012, the Company charged to Other Income/(Expense) $133,000 to give effect to the below market interest rates associated with CRDA deposits.

CRDA deposits, net of allowances of $465,000, reflected in Investments, Advances, and Receivables on the accompanying consolidated balance sheet as of March 31, 2012 are $908,000.

*Recently Issued and Adopted Accounting Pronouncements*

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU No. 2010-06"). The new standard addresses, among other things, guidance regarding activity in Level 3 fair value measurements. Portions of ASU No. 2010-06 that relate to the Level 3 activity disclosures are effective for the annual reporting period beginning after December 15, 2010.

In December 2010, the FASB issued ASU 2010-29, "Business Combinations (Topic 805)." This ASU specifies that if a company presents comparative financial statements, the company should disclose revenue and earnings of the combined entity as though the business combination that occurred during the year had occurred as of the beginning of the comparable prior annual reporting period only. The ASU also expands the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the pro forma revenue and earnings. This ASU is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We have adopted this ASU and included all required disclosures in the notes to the financial statements.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This ASU clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This guidance is effective for interim and annual periods beginning on or after December 15, 2011, applied prospectively. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In September, 2011, the FASB issued ASU No. 2011-09, "Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80)." The amendments in this ASU require that employers provide, on an annual basis, additional separate disclosures for all individually significant multiemployer pension plans and multiemployer other postretirement benefit plans. The revisions do not change the current recognition and measurement guidance for an employer's participation in a multiemployer plan. The ASU is effective for fiscal years ending after December 15, 2012 for nonpublic entities. Early adoption is permitted and retrospective application is required. We are currently reviewing the effects of ASU No. 2011-9. The adoption of this guidance will likely require us to provide additional disclosures, but is not expected to have a material impact on our consolidated financial statements.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable as of March 31 consist of the following (in thousands):

| | 2012 |
|---|---|
| Gaming | $2,262 |
| Allowance | (847) |
| Non-Gaming | 1,391 |
| Allowance | (234) |
| Total | $2,572 |

## 5. OTHER CURRENT ASSETS

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

| | 2012 |
|---|---|
| Prepaid Insurance | $181 |
| Prepaid taxes | 181 |
| Other prepaid | 623 |
| Total | $985 |

### 6. OTHER ASSETS

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

| | 2012 |
|---|---|
| Deferred Cost | $4,627 |
| Software | 4,616 |
| Deposits | 761 |
| Total | $10,004 |

### 7. PROPERTY AND EQUIPMENT

Property and equipment as of March 31 consist of the following (in thousands):

| | 2012 |
|---|---|
| Land | $ 17,649 |
| Buildings and Improvements | 61,255 |
| Furniture, Fixtures, Equipment | 22,950 |
| Construction in Progress | 32,547 |
| Property and Equipment, Gross | 134,401 |
| Accumulated Depreciation | (2,463) |
| Property and Equipment, Net | $131,938 |

### 8. OTHER ACCRUED EXPENSES

Other accrued expenses as of March 31 consisted of the following (in thousands):

| | 2012 |
|---|---|
| Floating Deposits | $ 5,622 |
| Payroll & related | 5,439 |
| Other | 967 |
| Total | $ 12,028 |

## 9. LONG TERM DEBT

In May 2011, we completed a $66.5 million credit facility consisting of a $10.0 million revolving credit facility, a $36.5 million first lien term loan, and a $20.0 million delayed draw term loan. The $20.0 million delayed draw term loan will be used as needed to finance the remodeling of the hotel and casino. The revolving credit facility expires on November 30, 2015 and the first lien term loan and delayed draw term loan mature on May 31, 2016 and November 30, 2016, respectively. Both the term loans and the revolving credit facility bear interest at Libor or the bank's base rate, plus a financing spread of 8.5% at December 31, 2011. In addition, the credit facility requires a commitment fee on the unfunded portion of the $10.0 million revolving credit facility. The first lien term loan was paid off in the period ending March 31, 2012requires one percent of the outstanding principal balance due annually to be paid in equal quarterly installments commencing on June 30, 2012, with the balance due on maturity. Principal of the delayed draw term loan is due at maturity. We have granted liens on substantially all real property and personal property as collateral under the credit facility and guarantee the credit facility. The first lien term loan was paid off in the period ending March 31, 2012.

The delayed draw term loan will be funded by our parent and bears interest identical to the first lien term loan, may not be repaid until the first lien term loan and revolver have been repaid in full and is subordinated to the first lien term loan and revolver with respect to collateral. The loan is guaranteed by our parent and one of our affiliates. In addition, our parent has provided, in the period ending March 31, $21.9 million in additional funds in return for unsecured subordinated payment in kind (PIK) indebtedness. The funds were used as needed to fund the renovations.

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 2014 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 maximum capital expenditures, limitations on dividend payments and other restricted payments as defined in the agreements. At December 31, 2011, we were in compliance with all such covenants. Commencing June 2012, we are also subject to restrictive covenants including maximum leverage and interest coverage. As of March 31, 2012, the delayed draw term loan was undrawn and we had no available borrowing capacity under the revolving credit facility.

| Long-term debt as of March 31 is comprised of the following: | 2012 |
|---|---|
| $10.0 million revolving credit facility due November 2015 | $10,000 |
| Due to Affiliates | 21,900 |
| Various Equipment loans due May 2013-July 2014 | 5,739 |
| Total debt | 37,639 |
| Less current portion | (2,435) |
| Long term debt | $35,204 |

## 10. COMMITMENTS AND CONTINGENCIES

*Leases*

We have a non-cancelable operating lease with a non-affiliate that covers the land, building and marina adjacent to our property, which expires in 2014. Other lease commitments also include operating equipment used in daily operations. Rent expense was $125,000 for the period ended March 31, 2012.

*Employee Benefits*

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 $1.8 million for the period ended March 31, 2012. 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 Other Accrued Expenses 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 no charges for matching contributions for period ended March 31, 2012.

*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 (the "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 for the prior calendar year 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 period ended March 31, 2012, we incurred expense of $283,000 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 $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.

*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 $150,000 for the period ended March 31, 2012.

During 2011, pursuant to our credit facility, Landry's pre-funded $7.0 million in restricted cash to be used for the construction costs of restaurants on our property. Upon completion, the restaurants and their associated leasehold improvements will be owned and operated by Landry's, pursuant to a lease agreement with us.