REVEL ENTERTAINMENT GROUP, LLC

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

REVEL ENTERTAINMENT GROUP, LLC
BALANCE SHEETS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$23,371	
2	Short-Term Investments		0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, $193)	3	15,793	
4	Inventories	2	3,833	
5	Other Current Assets	4	4,361	
6	Total Current Assets		47,358	0
7	Investments, Advances, and Receivables	2	2,923	
8	Property and Equipment - Gross	5	1,078,200	
9	Less: Accumulated Depreciation and Amortization	5	(26,296)	
10	Property and Equipment - Net	5	1,051,904	0
11	Other Assets		45,824	
12	Total Assets		$1,148,009	$0
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$83,886	
14	Notes Payable		0	
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	
16	External	7	25,991	
17	Income Taxes Payable and Accrued	10	0	
18	Other Accrued Expenses	6	40,537	
19	Other Current Liabilities		6,429	
20	Total Current Liabilities		156,843	0
	Long-Term Debt:			
21	Due to Affiliates		0	
22	External	7	1,211,745	
23	Deferred Credits		0	
24	Other Liabilities		22,546	
25	Commitments and Contingencies		0	
26	Total Liabilities		1,391,134	0
27	Stockholders', Partners', or Proprietor's Equity		(243,125)	
28	Total Liabilities and Equity		$1,148,009	$0

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$95,183	
2	Rooms		24,023	
3	Food and Beverage		12,391	
4	Other		20,940	
5	Total Revenue		152,537	0
6	Less: Promotional Allowances	2	35,552	
7	Net Revenue		116,985	0
	Costs and Expenses:			
8	Cost of Goods and Services		145,522	
9	Selling, General, and Administrative		43,285	
10	Provision for Doubtful Accounts		193	
11	Total Costs and Expenses		189,000	0
12	Gross Operating Profit		(72,015)	0
13	Depreciation and Amortization		24,500	
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	
15	Other		0	
16	Income (Loss) from Operations		(96,515)	0
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	
18	Interest Expense - External		(72,374)	
19	CRDA Related Income (Expense) - Net		(1,212)	
20	Nonoperating Income (Expense) - Net		1,739	
21	Total Other Income (Expenses)		(71,847)	0
22	Income (Loss) Before Taxes and Extraordinary Items		(168,362)	0
23	Provision (Credit) for Income Taxes		0	
24	Income (Loss) Before Extraordinary Items		(168,362)	0
25	Extraordinary Items (Net of Income Taxes - 20__, $0; 20__, $0)		0	
26	Net Income (Loss)		($168,362)	$0

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$53,529	
2	Rooms		14,219	
3	Food and Beverage		7,722	
4	Other		11,203	
5	Total Revenue		86,673	0
6	Less: Promotional Allowances	2	24,739	
7	Net Revenue		61,934	0
	Costs and Expenses:			
8	Cost of Goods and Services		79,979	
9	Selling, General, and Administrative		18,717	
10	Provision for Doubtful Accounts		76	
11	Total Costs and Expenses		98,772	0
12	Gross Operating Profit		(36,838)	0
13	Depreciation and Amortization		13,715	
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	
15	Other		0	
16	Income (Loss) from Operations		(50,553)	0
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	
18	Interest Expense - External		(37,325)	
19	CRDA Related Income (Expense) - Net		(681)	
20	Nonoperating Income (Expense) - Net		1,713	
21	Total Other Income (Expenses)		(36,293)	0
22	Income (Loss) Before Taxes and Extraordinary Items		(86,846)	0
23	Provision (Credit) for Income Taxes		0	
24	Income (Loss) Before Extraordinary Items		(86,846)	0
25	Extraordinary Items (Net of Income Taxes - 20__, $_____; 20__, $________)		0	
26	Net Income (Loss)		($86,846)	$0

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	Accumulated Other Comp Loss (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, March 31, 2012.................**		16,911				$103,699	($1,551)	($175,404)	($73,256)
2	Net Income (Loss) - 2012.............									0
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....................................									0
5	Prior Period Adjustments.............									0
6										0
7										0
8										0
9										0
10	**Balance, March 31, 2012.................**		16,911	0	0	0	103,699	(1,551)	(175,404)	(73,256)
11	Net Income (Loss) - 2012.............								(168,362)	(168,362)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....................................									0
14	Prior Period Adjustments.............									0
15	Other Comprehensive loss							(2,209)		(2,209)
16	Stock based compensation						702			702
17										0
18										0
19	**Balance, September 30, 2012 ....**		16,911	$0	0	$0	$104,401	($3,760)	($343,766)	($243,125)

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		($151,906)	$0
	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...........................		(65,367)	0
5	Proceeds from Disposition of Property and Equipment..........			
6	CRDA Obligations			
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....................		(65,367)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		2,232	
14	Payments to Settle Short-Term Debt......................................		(1,732)	
15	Proceeds from Long-Term Debt		92,368	
16	Costs of Issuing Debt...		(2,408)	
17	Payments to Settle Long-Term Debt......................................		(4,017)	
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock..			
20	Payments of Dividends or Capital Withdrawals......................			
21	PIK interest		20,814	
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		107,257	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(110,016)	0
25	Cash and Cash Equivalents at Beginning of Period...................		133,387	
26	Cash and Cash Equivalents at End of Period............................		$23,371	$0

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$40,137	
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.

REVEL ENTERTAINMENT GROUP, LLC
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($168,362)	
30	Depreciation and Amortization of Property and Equipment		24,500	
31	Amortization of Other Assets			
32	Amortization of Debt Discount or Premium		5,192	
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			
37	(Gain) Loss from Other Investment Activities		1,212	
38	(Increase) Decrease in Receivables and Patrons' Checks		(12,240)	
39	(Increase) Decrease in Inventories		(1,234)	
40	(Increase) Decrease in Other Current Assets		(1,164)	
41	(Increase) Decrease in Other Assets		10,134	
42	Increase (Decrease) in Accounts Payable		(42,674)	
43	Increase (Decrease) in Other Current Liabilities		9,482	
44	Increase (Decrease) in Other Liabilities		22,546	
45	Stock based compensation		702	
46				
47	Net Cash Provided (Used) By Operating Activities		($151,906)	$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		($65,367)	
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($65,367)	$0
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired			
52	Goodwill Acquired			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed			
55	Issuance of Stock or Capital Invested			
56	Cash Outflows to Acquire Business Entities		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions		$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.

REVEL ENTERTAINMENT GROUP, LLC
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	75,750	$6,703		
2	Food	75,325	1,740	88,287	2,689
3	Beverage	2,001,157	3,377	10,026	234
4	Travel	1,601	729	39	272
5	Bus Program Cash				
6	Promotional Gaming Credits	600,352	19,508		
7	Complimentary Cash Gifts	26	1,028		
8	Entertainment	13,623	1,898	23	12
9	Retail & Non-Cash Gifts			6,079	135
10	Parking	65,386	197	167,584	503
11	Other	16,541	372	11,754	471
12	Total	2,849,761	$35,552	283,792	$4,316

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	57,734	$4,063		
2	Food	59,146	1,290	73,426	2,102
3	Beverage	1,283,252	2,016	5,422	152
4	Travel	1,050	467	24	198
5	Bus Program Cash				
6	Promotional Gaming Credits	360,725	14,920		
7	Complimentary Cash Gifts	15	802		
8	Entertainment	9,831	862	23	12
9	Retail & Non-Cash Gifts			5,008	116
10	Parking	49	1	167,584	503
11	Other	14,143	318	9,841	417
12	Total	1,785,945	$24,739	261,328	$3,500

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

REVEL ENTERTAINMENT GROUP, LLC
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 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.

11/19/2012
Date

Theresa Glebocki

Vice President of Finance
Title

4954-11
License Number

On Behalf of:

REVEL ENTERTAINMENT GROUP, LLC
Casino Licensee

Notes to Financial Statements

(unaudited)

($ in thousands)

1. Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Revel Entertainment Group LLC (Revel Entertainment) and its wholly-owned subsidiaries NB Acquisition, LLC ("NBA") and SI, LLC, collectively referred to herein as the "Company." The Company is currently wholly-owned and controlled by Revel Group, LLC and Revel AC Employee, LLC, an affiliate of Revel Group, LLC, an entity controlled by Kevin DeSanctis (DeSanctis), the Company's President and Chief Executive Officer and sole beneficial owner.

The Company's purpose is to develop, own and operate a beachfront casino and entertainment resort in Atlantic City, New Jersey (the Project).

On March 26, 2012, the Company was granted its gaming license by the New Jersey Casino Control Commission and on April 2, 2012 the Project opened to the public.

In the opinion of management, the accompanying unaudited interim financial statements include all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position as of September 30, 2012, the results of its operations for the three and six month periods ended September 30, 2012, and its cash flows for the six month period ended September 30, 2012. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year.

2. Summary of Significant Accounting Policies

Receivables

Accounts receivable primarily consist of casino, hotel and other receivables which arise in the normal course of business. The Company issues credit in the form of "markers" to approved casino customers who are investigated as to their credit worthiness. An estimated allowance for doubtful accounts is maintained to reduce the receivables to their carrying amount, which approximates fair value. The allowance is estimated based on the specific review of customer accounts, and taking into account factors such as trends and economic and business conditions.

Inventory

Inventory consists primarily of uniforms, food, beverage and operating supplies, which are valued at the lower of average cost or market value.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Building and improvements	10 through 40 years
Furniture, fixtures and equipment	3 through 7 years

Costs related to improvements are capitalized, while costs of repairs and maintenance are charged to expense as incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are eliminated from the respective accounts and any resulting gain or loss is included in operations.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For assets to be held and used, the Company reviews these assets for impairment whenever indicators of impairment exist. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then impairment is measured as the difference between fair value and carrying value, with fair value typically based on a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs.

Investment in Unconsolidated Subsidiary

The Company holds a 50% interest in an unconsolidated subsidiary. This investment at September 30, 2012 of $2,643 is included in investments, advances and receivables on the accompanying balance sheet.

Revenue and Promotional Allowances

Gaming revenue is measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Hotel, food and beverage, entertainment and other operating revenues are recognized when services are performed. Advance deposits for hotel and convention bookings and advance ticket sales are recorded as customer deposits until services are provided to the customer, at which point revenue is recognized.

2. Summary of Significant Accounting Policies (continued)

The retail value of accommodations, food, beverage, admissions and other services provided to guests on a complimentary basis are included in gross revenues and then deducted as promotional allowances. Promotional allowances also include incentives provided to guests in the form of free slot play.

Revel Card Liability

Our player's program allows customers to accumulate certain point-based rewards based on the volume of both their gaming and non-gaming activity. Revel guests may earn "resort dollars" redeemable for complimentary rooms, food, beverage, retail, parking, spa, nightlife and "free slot play". Resort dollars and "free slot play" accumulates over time and may be redeemed at the customer's discretion under the terms of the program. Resort dollars and "free slot play" are forfeited if a customer does not redeem earned rewards over a specified period of time. As a result of the ability of the customer to accumulate resort dollars and "free slot play", we accrue the associated expense, after giving effect to estimated forfeitures, as they are earned. At September 30, 2012, $2,723 was accrued related to resort dollars and $819 was accrued related to "free slot play" earned under this program, which are included in other current liabilities on the accompanying balance sheet.

Gaming Taxes

The Company is subject to taxes based on gross gaming revenues in New Jersey. The gaming taxes are assessed at eight percent, and are included in the cost of goods and services in the accompanying statement of income.

Advertising Expenses

Advertising costs are expensed as incurred. For the three and six months ended September 30, 2012, total advertising costs, which are included in selling, general and administrative costs in the accompanying statement of income, totaled $4,163 and $11,090, respectively.

Non-recurring opening and start-up costs

Cost of goods and services for the three and six months ended September 30, 2012 includes certain non-recurring opening and related start-up costs, totaling approximately $15,551 and $30,652, respectively, which consist of entertainment, operating, and payroll related expenses. In addition, selling, general and administrative costs for the three and six months ended September 30, 2012 include certain non-recurring opening and related start-up costs, totaling approximately

2. Summary of Significant Accounting Policies (continued)

$4,215 and $11,085, respectively, consisting of marketing and legal expenses. Promotional allowances for the three and six months ended September 30, 2012 include certain non-recurring opening and related start-up costs, totaling approximately $9,140 and $9,140, respectively. Revenues associated with these expenses for the three and six months ended September 30, 2012 totaled approximately $4,828 and $9,723, respectively. The net cost of these non-recurring opening and start-up costs for the three and six months ended September 30, 2012 was $24,078 and $41,154, respectively.

Stock-Based Compensation

Share-based payments to employees, including grants of stock options and other equity interests, are recognized in the statement of income based on the fair value of the award on the grant date. All new stock option grants are valued on the date of grant using the Black-Scholes option pricing model.

Income Taxes

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and attributable to operating loss and tax credit carryforwards.

Accounting standards regarding income taxes requires a reduction of the carrying amounts of deferred tax assets by a valuation allowance, if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed at each reporting period based on a more-than-likely-than-not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2011-5, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income.* The Accounting Standards Update (“ASU”) requires that all non-owner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. The ASU is effective for the Company for interim and annual periods beginning after January 1, 2012. The Company has adopted this ASU beginning with its

2. Summary of Significant Accounting Policies (continued)

quarterly period ending March 31, 2012. The adoption of the ASU had no effect on the Company's financial position, results of operations, or liquidity. As a result of the adoption of this updates a single continuous statement of comprehensive income has been included in the consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the *Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-005*. The ASU defers the requirement in ASU No. 2011-5 to present on the face of the financial statement the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. The ASU is effective for the Company for interim and annual periods beginning after January 1, 2012. The adoption of the ASU had no effect on the Company's financial statement presentation, financial position, results of operations, or liquidity.

Derivative Instruments and Hedging Activities

As required by ASC 815, *Derivatives and Hedging*, the Company records all derivatives on the consolidated balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the earnings effect of the hedged forecasted transactions in a cash flow hedge. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income, outside of earnings, and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings. The Company uses a variety of methods and assumptions based on market conditions and risks existing at each balance sheet date to determine the approximate fair values of our cash flow hedges.

2. Summary of Significant Accounting Policies (continued)

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest rate risk management strategy.

Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an upfront premium. In August 2011, the Company executed an interest rate cap to hedge its interest rate risk. The interest rate cap agreement terminates on February 17, 2016.

From the time of designation as a cash flow hedge in November 2011, the effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The Company recorded a loss of $547 and $2,209, respectively, for the three and six months ended September 30, 2012 on this contract, and this amount was recognized in other comprehensive loss. Since execution, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Since the designation of the interest rate cap as a hedge, the Company determined there was no hedge ineffectiveness required to be recorded in earnings subsequent to the November 2011 designation as a cash flow hedge.

At September 30, 2012, the interest rate cap with a fair value of approximately $589 was included in Other Assets in the accompanying balance sheet.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. At September 30, 2012, the Company had all of its cash and cash equivalents on deposit with two financial institutions.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

($ in thousands)

3. Receivables and Patrons' Checks

Receivable and patrons' checks consist of the following:

	September 30, 2012
Casino receivables (net of allowance for doubtful accounts of $193)	$ 5,579
Non-gaming receivables	7,520
Other receivables	2,694
Receivables and Patrons' Checks	$ 15,793

4. Other Current Assets

Other current assets consist of the following:

	September 30, 2012
Prepaid insurance	$ 1,701
Prepaid slot license fee	915
Other prepaid expenses	1,745
Other Current Assets	$ 4,361

($ in thousands)

5. Property and Equipment

Property and equipment consist of the following:

	September 30, 2012
Land	$ 2,546
Building	943,744
Furniture, fixtures, and equipment	131,910
Total	1,078,200
Less accumulated depreciation	26,296
Property and equipment, net	$1,051,904

Construction in progress related to the construction and improvement of the Project, including interest and other costs capitalized during development, is included in property and equipment and stated at cost. The capitalized costs include pre-construction costs essential to the development of the Project, development and construction costs, interest costs, real estate taxes, and other costs incurred during the period of development.

For the three and six months ended September 30, 2012 depreciation and amortization expense related to property and equipment was $13,715 and $24,500, respectively.

6. Other Accrued Expenses

Other Accrued Expenses consist of the following:

	September 30, 2012
Accrued payroll and related expenses	$ 8,980
Accrued interest	10,043
Real estate taxes payable	9,483
Accrued insurance reserves	3,079
Other accrued expenses	8,952
Total Accrued Expenses	$ 40,537

($ in thousands)

7. Debt

Debt consists of the following:

	September 30, 2012
Term Loan Facility, net of discount of $9,758 at September 30, 2012	$ 890,242
Second Lien Notes, net of discount of $93,795 at September 30, 2012	273,897
Other borrowings	73,597
	1,237,736
Less current portion	25,991
Long term debt, net of current portion	$1,211,745

Term Loan Facility

On February 17, 2011, the Company entered into a credit agreement governing the $850,000 first lien term loan facility (the "Term Loan Facility"). On May 3, 2012 the Company entered into amendments to the Term Loan Facility which provided for an additional $50,000 of term loan commitments. As of September 30, 2012, $50,000 had been drawn under this amendment.

The loans under the Term Loan Facility bear interest at a rate per annum which, at the Company's option, can be either: (i) a base rate plus a margin of 6.50%; or (ii) the Eurodollar rate (not to be less than 1.50% per annum) plus a margin of 7.50%. For the period February 7, 2011 through September 30, 2012, the Company elected to incur interest under the Term Loan Facility at the Eurodollar rate, or 9% per annum.

All borrowings under the Term Loan Facility are required to be repaid on the final maturity date of such facility (on February 17, 2017). The Term Loan Facility will amortize in quarterly installments of 0.25% of the original principal of the term loan, with the first quarterly installment due on September 30, 2012.

Obligations under the Term Loan Facility are guaranteed by the Company. The obligations and guarantees under the Term Loan Facility are secured by a first priority security interest in substantially all of the Company's assets (other than the proceeds of the Second Lien Notes (as defined below)), subject to certain exceptions set forth in the definitive documentation for the Term Loan Facility.

The Term Loan Facility requires the Company to maintain compliance with certain financial covenants commencing in fiscal 2013, including, a consolidated leverage ratio covenant, a

7. Debt (continued)

consolidated interest coverage ratio covenant, and a minimum EBITDA covenant (in each case, as defined therein), subject to the terms provided in the credit agreement governing the Term Loan Facility. In addition, the Term Loan Facility restricts the Company's ability to, among other things, (a) incur additional indebtedness, (b) pay dividends, prepay subordinated indebtedness or purchase capital stock, (c) encumber assets, (d) enter into business combinations or divest assets and (e) make investments or loans, subject in each case to certain exceptions or excluded amounts.

Units, Second Lien Notes and Warrants

Also on February 17, 2011, concurrently with the closing under the Term Loan Facility, the Company issued 152,200 units (the "Units"), each consisting of a Warrant to purchase 1,000 shares of Common Stock, subject to certain adjustments, and $2 principal amount of the Second Lien Notes at a price equal to 97.5% of the face value of the Second Lien Notes in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act").

Interest on the Second Lien Notes is payable semi-annually in arrears on March 15 and September 15 of each year. All interest on the Notes through the interest payment period ending September 15, 2013 will be payable by increasing the outstanding principal amount of the Second Lien Notes or issuing additional Second Lien Notes ("PIK Interest"). For the interest payment period ending March 15, 2014, interest on the Second Lien Notes will be payable, at the sole option of the Company, in cash or PIK Interest or a combination thereof. After the interest payment period ending March 15, 2014, all interest on the Notes will be payable in cash. The Second Lien Notes will mature on March 15, 2018.

The Company accounted for the Warrants in accordance with the applicable accounting guidance provided in ASC Topic 815. Accordingly, the Warrants have been classified as equity instruments. At issuance, the Company estimated the fair value of the Warrants utilizing a Black-Scholes option pricing model using Level 3 inputs. The estimated fair value of the Warrants on the issuance date was approximately $100,000. In accordance with ASC Topic 815, the Warrants were recorded on the date of issuance by allocating the proceeds from the Second Lien Notes under a relative fair value approach. As a result of such approach, the Warrants were recorded at $97,500 on the accompanying consolidated balance sheet.

7. Debt (continued)

Revolver

On May 3, 2012, the Company entered into a $50,000 revolving credit facility (the "Revolver"), which, as amended August 22, 2012, permits up to $100,000 in commitments. As of September 30, 2012, $100,000 of lender commitments have been obtained under the Revolver.

The loans under the Revolver are denominated in U.S. dollars and bear interest at a rate per annum which, at the Company's option, can be either: (i) a base rate (subject to a floor of 2%) plus a margin of 6.50%; or (ii) the Eurodollar rate (subject to a floor of 1%) plus a margin of 7.50%.

All borrowings under the Revolver are required to be repaid by August 22, 2014. Voluntary prepayments of loans under the Revolver are permitted and may be reborrowed.

Obligations under the Revolver are guaranteed by the Company's wholly owned subsidiaries. The Company's obligations under the Revolver and the guarantees thereof are generally secured by a first priority or "first out" security interest in substantially all of the Company's assets (other than funds constituting proceeds of the Term Loan Facility and the Second Lien Notes), subject to certain exceptions set forth in the definitive documentation for the Revolver.

As of September 30, 2012, $42,349 was outstanding under the Revolver, which includes a $1,900 irrevocable letter of credit drawn as collateral for workers' compensation claims.

Other Borrowings

The Company acquired approximately 2,300 slot machines under financing arrangements, for use in the casino operation. These financing arrangements, with five slot manufacturers, are payable in installments over varying time periods for the next three years.

8. Commitments and Contingencies

In February 2011, the Company entered into an Energy Services Agreement (the "ESA") with ACR Energy Partners, LLC (ACR) pursuant to which the Company has continued to engage ACR to design and construct a central utility plan (the "CUP") on land leased from the Company that will supply the Company with all of its thermal energy (hot and chilled water) and electricity needs for the Project. The term of the ESA is for a period of 20 years commencing on the date that the Project is commercially open to the public (or April 2, 2012). Obligations under the ESA contain both fixed fees and variable fees based upon usage rates. The fixed fee components

8. Commitments and Contingencies (continued)

under the ESA are currently estimated at approximately $20,200 per annum. The variable fee component under the ESA is based upon pre-negotiated rates.

The Company, through its subsidiary NBA, is party to a ground lease (the “Ground Lease”) for ACR to lease the land on which the CUP is located. The initial term of the Ground Lease commenced on April 8, 2011 and expires with the expiration of the ESA (April 1, 2032). Fixed rent under the Ground Lease is $198 annually, payable to the Company in equal monthly installments.

During the third quarter of 2012, the Company received an additional real estate tax assessment (the “Assessment”) for the period from June 1, 2012 through December 31, 2012 as a result of the commencement of operations of Revel on April 2, 2102. The total amount of tax associated with the Assessment was approximately $10,400 for 2012, of which $5,900 was recorded as selling, general and administrative expense during the three months ended September 30, 2012. The Company has filed an appeal of the Assessment.

The New Jersey Casino Control Act provides, among other things, for an assessment of licensee equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestment Development Authority (“CRDA”). Under the terms of an agreement with the CRDA, the Company has agreed to donate the first four years of deposits to the CRDA. As a result, the Company has recorded a full reserve for its CRDA obligation as of September 30, 2012 totaling $1,212.

From time to time, the Company is a party to various claims and lawsuits arising in the normal course of business, including the construction and development of the Project. Legal proceedings of this nature are inherently unpredictable and substantial losses sometimes result. As a consequence, the Company may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its financial position, results of operations, or cash flows. The Company is of the opinion that these litigations or claims will not have a material negative effect on its consolidated financial position, results of operations, or cash flows.

9. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures,* establishes a valuation hierarchy of the inputs used to measure fair value. This hierarchy prioritizes the inputs to valuation techniques

($ in thousands)

9. Fair Value Measurements (continued)

used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) 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 Company’s own assumptions.

An asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table presents the assets measured at fair value on a recurring basis by input level in the consolidated balance sheet at September 30, 2012:

	Level 1	Level 2	Level 3	Total September 30, 2012
Assets				
Derivatives	$ –	$ 589	$ –	$ 589
	$ –	$ 589	$ –	$ 589

The Company’s financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and long-term debt. The Company considers the carrying amount of cash, accounts receivable, accounts payable, and accrued liabilities to approximate their fair values because of the short period of time between the origination of such instruments and the expected realization, or because of their current market rates of interest.

The estimated fair value of the Company’s Term Loan Facility on September 30, 2012 was approximately $695,300. The estimated fair value of the Company’s Second Lien Notes on September 30, 2012 was approximately $133,900. The Company estimates the fair value of its long-term debt using a combination of quoted market prices and expected future payments

9. Fair Value Measurements (continued)

discounted at risk-adjusted rates. The fair value of long-term debt is considered a Level 2 measurement within the fair value hierarchy.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest rate risk management strategy.

Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an upfront premium. In August 2011, the Company executed an interest rate cap to hedge its interest rate risk. The interest rate cap agreement terminates on February 17, 2016. The notional amount of the derivative contract is $400,000 and has a fair value of $589 recorded in the consolidated balance sheet at September 30, 2012. The Company recorded a loss of $547 and $2,209, respectively, on this contract during the three and six months ended September 30, 2012 and this amount was recognized in other comprehensive loss.

In determining fair value of derivative instruments, the Company considers both the counterparty credit risk and its own credit worthiness. To determine the Company's credit risk, the Company estimates its credit rating by benchmarking the price of outstanding debt to publicly-available comparable data from rating agencies. Using the estimated rating, the Company's credit risk was quantified by reference to publicly-traded debt with a corresponding rating. The Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of September 30, 2012.

10. Income Taxes

Deferred tax assets and liabilities are provided for the effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the balance sheet. These temporary differences result in taxable or deductible amounts in future years.

A valuation allowance is recorded if it is more likely than not that a net deferred tax asset will not be realized. In assessing its need for a valuation allowance, the Company considered all available positive and negative evidence including its status as a start-up entity with pre-opening losses and forecasted operating losses for 2012. Based on this analysis, the Company has recorded a full valuation allowance on its net deferred tax assets as of September 30, 2012. The Company will continue to reassess its valuation allowance on a quarterly basis and if future

10. Income Taxes (continued)

evidence allows for a partial or full release of the valuation allowance a tax benefit will be recorded accordingly in the subsequent period.

Uncertain tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the appropriate year such tax positions are claimed, including any related interest or penalties. The Company did not have any recorded uncertain tax positions as of September 30, 2012.

For income tax reporting, the Company has federal and state net operating loss carryforwards of approximately $68,300 available to reduce future federal and state taxable income. Such net operating loss carryforwards expire in 2031.