

**TROPICANA CASINO AND RESORT
QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2013**

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

TROPICANA CASINO AND RESORT BALANCE SHEETS

AS OF MARCH 31, 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.....		\$106,295	\$91,515
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, \$11,524; 2012, \$11,492).....	1	13,853	21,459
4	Inventories		2,013	2,404
5	Other Current Assets.....	3	4,174	4,063
6	Total Current Assets.....		126,335	119,441
7	Investments, Advances, and Receivables.....	4,7,14	35,192	34,567
8	Property and Equipment - Gross.....	2	221,269	207,227
9	Less: Accumulated Depreciation and Amortization.....		(40,012)	(28,854)
10	Property and Equipment - Net.....		181,257	178,373
11	Other Assets.....	5	3,419	6,827
12	Total Assets.....		\$346,203	\$339,208
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$7,569	\$10,189
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	6,14	46	43
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	11	23,065	23,976
19	Other Current Liabilities.....	12	3,799	5,604
20	Total Current Liabilities.....		34,479	39,812
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	6,14	33	78
23	Deferred Credits		0	0
24	Other Liabilities.....	8,13	29,049	18,110
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		63,561	58,000
27	Stockholders', Partners', or Proprietor's Equity.....		282,642	281,208
28	Total Liabilities and Equity.....		\$346,203	\$339,208

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

TROPICANA CASINO AND RESORT STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$54,182	\$57,944
2	Rooms.....		9,999	12,759
3	Food and Beverage.....		7,644	8,473
4	Other.....	10,5	2,452	2,752
5	Total Revenue.....		74,277	81,928
6	Less: Promotional Allowances.....		18,106	22,035
7	Net Revenue.....		56,171	59,893
	Costs and Expenses:			
8	Cost of Goods and Services.....	7,8	37,002	47,080
9	Selling, General, and Administrative.....	7,8	16,715	13,553
10	Provision for Doubtful Accounts.....	1	476	793
11	Total Costs and Expenses.....		54,193	61,426
12	Gross Operating Profit.....		1,978	(1,533)
13	Depreciation and Amortization.....	2,5	2,859	3,068
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	8	1,455	1,295
15	Other.....		0	0
16	Income (Loss) from Operations.....		(2,336)	(5,896)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	6	(2)	(2)
19	CRDA Related Income (Expense) - Net.....	7	(415)	(363)
20	Nonoperating Income (Expense) - Net.....	15	148	76
21	Total Other Income (Expenses).....		(269)	(289)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(2,605)	(6,185)
23	Provision (Credit) for Income Taxes.....	9	176	0
24	Income (Loss) Before Extraordinary Items.....		(2,781)	(6,185)
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0).....		0	0
26	Net Income (Loss).....		(\$2,781)	(\$6,185)

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

TROPICANA CASINO AND RESORT

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2011.....						\$282,128		\$5,265	\$287,393
2	Net Income (Loss) - 2012.....							(1,970)	(1,970)	
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, December 31, 2012.....		0	0	0	0	282,128	0	3,295	285,423
11	Net Income (Loss) - 2013.....							(2,781)	(2,781)	
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	.....									0
16	.....									0
17	.....									0
18	.....									0
19	Balance, March 31, 2013		0	\$0	0	\$0	\$282,128	\$0	\$514	\$282,642

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

TROPICANA CASINO AND RESORT

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$3,437	\$4,854
	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.....		(3,478)	(3,731)
5	Proceeds from Disposition of Property and Equipment.....		2	
6	CRDA Obligations		(685)	(737)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		64	1
9	Cash Outflows to Acquire Business Entities.....		0	0
10	Proceeds from Sales and Luxury Tax Credits		857	857
11	.....		
12	Net Cash Provided (Used) By Investing Activities.....		(3,240)	(3,610)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(12)	(13)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	.....		
22	.....		
23	Net Cash Provided (Used) By Financing Activities.....		(12)	(13)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		185	1,231
25	Cash and Cash Equivalents at Beginning of Period.....		106,110	90,284
26	Cash and Cash Equivalents at End of Period.....		\$106,295	\$91,515
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$2	\$2
28	Income Taxes.....			

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

TROPICANA CASINO AND RESORT STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$2,781)	(\$6,185)
30	Depreciation and Amortization of Property and Equipment...		2,781	2,952
31	Amortization of Other Assets.....		78	116
32	Amortization of Debt Discount or Premium.....		2	3
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....		(2)	
36	(Gain) Loss on CRDA-Related Obligations.....		415	363
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(275)	313
39	(Increase) Decrease in Inventories		474	(42)
40	(Increase) Decrease in Other Current Assets.....		(1,813)	(1,784)
41	(Increase) Decrease in Other Assets.....		164	104
42	Increase (Decrease) in Accounts Payable.....		(1,873)	1,320
43	Increase (Decrease) in Other Current Liabilities		1,422	3,408
44	Increase (Decrease) in Other Liabilities		4,845	4,286
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$3,437	\$4,854

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$3,478)	(\$3,731)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$3,478)	(\$3,731)
	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.

**TROPICANA CASINO AND RESORT
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

FOR THE THREE MONTHS ENDED MARCH 31, 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	69,793	\$4,025	0	\$0
2	Food	108,574	2,436	18,763	419
3	Beverage	1,437,952	1,834	0	0
4	Travel	0	0	948	285
5	Bus Program Cash	386	40	0	0
6	Promotional Gaming Credits	65,316	8,615	0	0
7	Complimentary Cash Gifts	1,833	1,123	0	0
8	Entertainment	4,066	23	54	5
9	Retail & Non-Cash Gifts	0	0	35,153	338
10	Parking	0	0	81,102	243
11	Other	947	10	13,536	135
12	Total	1,688,867	\$18,106	149,556	\$1,425

FOR THE THREE MONTHS ENDED MARCH 31, 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	69,793	\$4,025	0	\$0
2	Food	108,574	2,436	18,763	419
3	Beverage	1,437,952	1,834	0	0
4	Travel	0	0	948	285
5	Bus Program Cash	386	40	0	0
6	Promotional Gaming Credits	65,316	8,615	0	0
7	Complimentary Cash Gifts	1,833	1,123	0	0
8	Entertainment	4,066	23	54	5
9	Retail & Non-Cash Gifts	0	0	35,153	338
10	Parking	0	0	81,102	243
11	Other	947	10	13,536	135
12	Total	1,688,867	\$18,106	149,556	\$1,425

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

TROPICANA CASINO AND RESORT STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 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.

5/15/2013

Date



Christina Broome

Vice President - Finance

Title

7571-11

License Number

On Behalf of:

TROPICANA CASINO AND RESORT

Casino Licensee

TROPICANA ATLANTIC CITY CORP.
DBA TROPICANA CASINO AND RESORT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Unaudited)
(Dollars in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tropicana Atlantic City Corp. (“the Company”) operates a casino hotel in Atlantic City, New Jersey (“the Property”) and is a wholly owned subsidiary of Tropicana Entertainment, Inc. (“TE”).

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Tropicana AC Sub Corp. (“TAC Sub”), after elimination of all significant intercompany accounts and transactions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) requires 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. Significant estimates incorporated in our consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimated valuation allowance for deferred tax assets, certain tax liabilities, estimated cash flows in assessing the impairment of long-lived assets, intangible assets, CRDA investments, fair values of acquired assets and liabilities, self-insured liability reserves, customer loyalty program reserves, contingencies, litigation, claims, assessments and loss contingencies. Actual results could differ from these estimates.

Cash and Cash Equivalents

Highly liquid investments purchased with an original maturity of three months or less are classified as cash equivalents. These instruments are stated at cost, which approximates fair value because of their short maturity.

Receivables

Receivables consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts. Receivables are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. An estimated allowance for doubtful accounts is maintained to reduce the Company’s receivables to their expected realization, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Recoveries of accounts previously written off are recorded when received.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments in excess of \$250,000 which are all invested in the same financial institution, investments and trade accounts receivable. Concentration of credit risk, with respect to casino receivables, is limited through the Company’s credit evaluation process. The Company issues markers to approved casino customers following credit checks and investigation of credit worthiness.

Inventories

Inventories, which consist primarily of food, beverage, uniforms and operating supplies, are stated at the lower of cost or market value. Costs are determined using the average cost method.

Property and equipment

Property and equipment acquired subsequent to the Acquisition Date are stated at cost (Refer to Note 2). Maintenance and repairs are charged to operations when incurred. Renewals and betterments which significantly extend the useful lives of existing property and equipment are capitalized. During construction, the Company capitalizes interest and other direct and indirect costs, which are primarily property taxes, insurance costs, outside legal costs and the compensation costs of project personnel devoted exclusively to

managing the project. Interest is capitalized monthly by applying the effective interest rate on certain borrowings to the average balance of expenditures. No interest was capitalized during the three months ended March 31, 2013 or 2012. Gains or losses on dispositions of property and equipment are reflected in earnings as realized.

Depreciation is computed on the straight-line basis over the estimated useful lives (building and improvements - 3 to 40 years; equipment, furniture and fixtures - 3 to 15 years).

Leasehold improvements are amortized over the lower of the estimated useful life of the improvement or the term of the related lease.

CRDA Investment

The Casino Reinvestment Development Authority ("CRDA") deposits are carried at cost less a valuation allowance because they have to be used to purchase CRDA bonds that carry below market interest rates unless an alternative investment is approved. The valuation allowance is established by a charge to the Statements of Income 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. The average interest rate on the CRDA investment was 0.17% and 0.15% for the three months ended March 31, 2013 and 2012, respectively.

Leasing Costs

Leasing costs are capitalized as incurred and amortized evenly, as a reduction to rental income, over the related lease terms. Leasing costs consist primarily of tenant allowances, which are incentives provided to tenants whereby the Company agrees to pay certain amounts toward tenant leasehold improvements or other tenant development costs. Leasing costs are included in Other Assets on the consolidated balance sheet.

Valuation of Long-Lived Assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances warrant such a review. The carrying value of a long-lived or amortizable intangible asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

Intangible Assets

Our definite life intangible assets include customer lists and favorable lease agreements. Intangible assets with a definite life are amortized over their useful life, which is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Management periodically assesses the amortization period of intangible assets with definite lives based upon estimated future cash flows from related operations.

Self-Insurance Reserves

The Company is self-insured up to certain stop loss amounts for employee health coverage, workers' compensation and general liability claims. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported as provided by a third party. In estimating these accruals, historical loss experience is considered and judgments are made about the expected levels of costs per claim. We believe our estimates of future liability are reasonable based upon our methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimates for these liabilities. The Company continually monitors changes in claim type and incident and evaluates the insurance accrual, making necessary adjustments based on the evaluation of these qualitative data points. The Company's accrual for general liability claims was approximately \$2,088 and \$1,408 million at March 31, 2013 and 2012, respectively. The Company's accrual for workers compensation and employee health insurance claims was approximately \$3,094 and \$3,799 million at March 31, 2013 and 2012, respectively.

Customer Loyalty Program

The Company provides certain customer loyalty programs (the "Programs") at its casino, which allow customers to redeem points earned from their gaming activity for cash, food, beverage, rooms or merchandise. Under the Programs, customers are able to accumulate points that may be redeemed in the future, subject to certain limitations and the terms of the Programs. The Company

records a liability for the estimated cost of the outstanding points under the Programs that it believes will ultimately be redeemed. The estimated cost of the outstanding points under the Programs is calculated based on estimates and assumptions regarding marginal costs of the goods and services, redemption rates and the mix of goods and services for which the points are expected to be redeemed. For points that may be redeemed for cash, the Company accrues this cost (after consideration of estimated redemption rates) as they are earned, which is included in promotional allowances. For points that may only be redeemed for goods or services but cannot be redeemed for cash, the Company estimates the cost and accrues for this expense as the points are earned from gaming play, which is recorded as a component of Costs of Goods and Services. At March 31, 2013 and 2012, the Company had \$823 and \$1,277, respectively, accrued for the estimated cost of anticipated redemptions under the Programs.

Revenue Recognition and Promotional Allowances

Casino revenue represents the difference between wins and losses from gaming activities. Room, food and beverage and other operating revenues are recognized at the time the goods or services are provided. The Company collects taxes from customers at the point of sale on transaction subject to sales and other taxes. Revenues are recorded net of any taxes collected. The majority of our casino revenue is counted in the form of cash and chips and, therefore, is not subject to any significant or complex estimation. The retail value of rooms, food and beverage and other services provided to customers on a complimentary basis is included in gross revenues and then deducted as promotional allowances.

Advertising Costs

Costs for advertising are expensed as incurred. Advertising costs for the three months ended March 31, 2013 and 2012 were \$708 and \$684 respectively.

Income taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accounts Receivable - Concentration of Credit Risk

The Company's gaming and hotel receivables are concentrated primarily in the northeastern region of the United States. As a general policy, the Company does not require collateral for these accounts receivable. Accounts receivable, net, was \$13,853 and \$21,459 as of March 31, 2013 and 2012, respectively, of which \$8,012 and \$12,677 million was related to gaming as of March 31, 2013 and the 2012, respectively.

Trade receivables are initially recorded at cost. Accounts are written off when the Company deems the account to be uncollectible. An allowance for doubtful accounts is maintained at a level considered adequate to provide for probable future losses. The allowance is estimated based on specific review of customer accounts, the age of the receivables, the Company's historical collection experience and current economic conditions. At March 31, 2013 and 2012, the allowance for doubtful accounts was \$11,524 and \$11,492 million, respectively. The Company recognized bad debt expense of \$476 and \$793 for the three ended March 31, 2013 and 2012, respectively.

Fair Value of Financial Instruments

The carrying value of the Company's cash and cash equivalents, receivables, and accounts payable approximate fair value primarily due to the short maturities of these instruments. The fair value of the advances to affiliated companies is not determinable given the related party nature of such items.

Recently Issued Accounting Standards

A variety of proposed or otherwise potential accounting standards are currently under consideration by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards has on our financial statements.

NOTE 2. PROPERTY AND EQUIPMENT

Property and Equipment consists of the following (in thousands):

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Land and land improvements	\$ 68,020	\$ 68,020
Building and improvements	103,196	98,040
Furniture, fixtures and equipment	44,268	36,149
Construction in progress	<u>5,785</u>	<u>5,018</u>
Total property and equipment-gross	221,269	207,227
Less: accumulated depreciation and amortization	<u>(40,012)</u>	<u>(28,854)</u>
 Total property and equipment	 <u><u>\$ 181,257</u></u>	 <u><u>\$ 178,373</u></u>

Depreciation expense related to property and equipment was \$2,781 and \$2,952 for the three months ended March 31, 2013 and 2012 respectively.

NOTE 3. OTHER CURRENT ASSETS

Other Current Assets consists of the following (in thousands):

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Prepaid insurance	\$ 2,591	\$ 2,324
Other	<u>1,583</u>	<u>1,739</u>
 Total other current assets	 <u><u>\$ 4,174</u></u>	 <u><u>\$ 4,063</u></u>

NOTE 4. INVESTMENTS, ADVANCES, AND RECEIVABLES

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees 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 New Jersey Casino Reinvestment Development Authority (“CRDA”). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations.

Investments consist of the following (in thousands):

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>
Investment in bonds-CRDA	\$ 16,655	\$ 15,000
Less unamortized discount	(4,508)	(4,111)
Less valuation allowance	(3,415)	(2,972)
Deposits - CRDA	29,979	30,316
Less valuation allowance	(7,114)	(7,809)
Direct investment - CRDA	4,595	5,187
Less valuation allowance	<u>(1,000)</u>	<u>(1,044)</u>
Total investments, advances, and receivables	<u>\$ 35,192</u>	<u>\$ 34,567</u>

The CRDA bonds have various contractual maturities that range from 1 to 40 years. Actual maturities may differ from contractual maturities because of prepayment rights.

NOTE 5. INTANGIBLE ASSETS

The Company’s intangible assets, a component of Other Assets, consist of the following (in thousands):

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>
Favorable leases	\$ 2,385	\$ 5,200
Customer lists	<u>1,400</u>	<u>1,400</u>
Total intangible assets	3,785	6,600
Less: accumulated amortization		
Favorable leases	(1,298)	(1,912)
Customer lists	<u>(1,400)</u>	<u>(972)</u>
Total accumulated amortization	(2,698)	(2,884)
Total intangible assets	<u>\$ 1,087</u>	<u>\$ 3,716</u>

Customer lists represent the value associated with customers enrolled in our customer loyalty programs and are being amortized to amortization expense on a straight-line basis over three years. Favorable lease arrangements are being amortized to tenant income on a straight-line basis over the terms of the various leases.

In the second quarter of 2012, management reviewed the tenant leases and determined that there was a \$1.8 million impairment due to certain original tenant leases being terminated early. The remaining balance will continue to be amortized over the remaining useful life.

NOTE 6. LONG-TERM DEBT

The Company's long-term debt with third parties consists of the following (in thousands):

	March 31, 2013	March 31, 2012
Contract payable; 7.2% matures 2014	\$ 79	\$ 121
Less: current portion	<u>(46)</u>	<u>(43)</u>
Total long-term debt	<u>\$ 33</u>	<u>\$ 78</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES

Licensing

On March 3, 2010, the Company was granted an interim casino authorization by the New Jersey Casino Control Commission. On November 10, 2010, the Company was granted its plenary casino license by the NJCCC.

The NJCCC imposes an annual tax of eight percent on gross casino revenue. Pursuant to legislation adopted in 1984, casino licensees are required to invest an additional one and one-quarter percent of gross casino revenue for the purchase of bonds to be issued by the CRDA or make other approved investments equal to that amount; in the event the investment requirement is not met, the casino licensee is subject to a tax of two and one-half percent on gross casino revenue. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase and published by a national bond index at the time of the CRDA bond issuance. The Company's reinvestment obligation for the three months ended March 31, 2013 and 2012 was \$685 and \$737 respectively for the purchase of CRDA bonds. For the three months ended March 31, 2013 and 2012, the Company recorded a loss provision of \$415 and \$363 respectively. The loss provision is to recognize the effect of the below market interest rate using the interest rate in effect at March 31, 2013 and 2012.

Other

TE has long-term debt where the Company is a guarantor and substantially all of the Company's property and equipment is pledged as collateral. As of March 31, 2013 TE is in compliance with the terms of the debt agreement and the risk of default is not considered reasonably possible.

The Company is a party to various claims, legal actions and complaints arising in the ordinary course of business or asserted by way of defense or counter-claim in actions filed by the Company. Management believes that its defenses are substantial in each of these matters, and the Company's legal posture can be successfully defended or satisfactorily settled without material adverse effect on its consolidated financial position, results of operations or cash flows.

2011 Legislation

On February 1, 2011, the Governor of New Jersey signed two pieces of legislation, effective on that date, S-11 (the "Tourism District Bill") and S-12 (the "Deregulation Bill"). The overall intent of the Tourism District Bill among other things delegates redevelopment authority and creation of a master plan to the CRDA and allows the CRDA the ability to enter into a five year public private partnership with the Casinos in Atlantic City that have formed the Atlantic City Alliance ("ACA") to jointly market the city. Through this legislation the AC Casinos are required to contribute \$5 million prior to 2012. Thereafter, the legislation obligates the AC Casinos either through the ACA, or if not a member of the ACA, through individual assessments, to provide funding for the Tourism District Bill in the aggregate amount of \$30 million annually over the next five years. Each casino's proportionate share of the assessment will be based on the casino's gross revenue generated in the preceding fiscal year. The Property estimates its portions of these industry obligations to be approximately 8.3%.

The Deregulation Bill removes duplicative and onerous functions that both the NJCCC and the Division of Gaming Enforcement ("DGE") currently require the Casinos to perform. Reforms in technology, internal controls, licensing and licensing requirements are among the many sections that are being amended in the New Jersey Casino Control Act which is expected to provide the industry significant cost savings and make it more competitive in the market. However it is too premature to quantify these savings as the regulations at this time are in the process of being implemented.

Tax Appeal Settlement

In January 2013, the Company settled outstanding real estate tax appeals with the City of Atlantic City. The settlement involves the tax years 2008 through 2012 and also covers negotiated real estate assessments for 2013 and 2014. Under the terms of the settlement, the Company will receive a \$49.5 million refund in the form of credits against future year real estate bills beginning in 2013 and ending in 2017. The credits are front-loaded in 2013 and 2014 so that after the credits are applied, the Company will pay \$1.8 million in taxes in 2013 and \$3.0 million in taxes in 2014, with the remainder of the credits spread over the remaining three years, 2015 through 2017.

For the three months ended March 31, 2013 and 2012, the Company recorded, as a component of Cost of Goods and Services, realty tax expense for the land and improvements of \$454 and \$6,644 respectively. In addition, for the three months ended March 31, 2013, the Company recorded, as a component of Selling, General and Administrative, \$4.1 million in professional fees related to this settlement.

NOTE 8. RELATED PARTIES

Transactions with TE include activity principally related to joint insurance programs, federal income tax filings, and other administrative services. Various corporate services were provided to the Company in 2013 and 2012 for which a management fee was charged. For the three months ended March 31, 2013 and 2012 the management fee was \$1,455 and \$1,295 respectively.

Due to affiliates is reflected in Other Liabilities. The identity of the affiliate and corresponding balance consists of the following (in thousands):

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>
Due to Tropicana Entertainment, Inc.	<u>\$ 29,049</u>	<u>\$ 18,110</u>

For the three months ended March 31, 2013 and 2012 the Company incurred charges from affiliates of \$1,602 and \$1,160 respectively, which are indicated in the accompanying Statements of Income as Cost of Goods and Services and Selling, General, and Administrative.

NOTE 9. INCOME TAXES

The provision for income taxes for the three months ended March 31, 2013 and 2012 is comprised of (in thousands):

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>
<u>CURRENT:</u>		
Federal	\$ -	\$ -
State	176	-
Total Current	<u>176</u>	<u>-</u>
<u>DEFERRED:</u>		
Federal	-	-
State	-	-
Total Deferred	<u>-</u>	<u>-</u>
Total Taxes	<u>\$ 176</u>	<u>\$ -</u>

NOTE 10. LEASES

For the three months ended March 31, 2013 and 2012 the Company recorded rental revenue of \$1,142 and \$1,346, respectively.

The future minimum lease payments to be received under non-cancelable operating leases for the nine months and years subsequent to March 31, 2013 are as follows (in thousands):

2013	\$ 2,708
2014	3,959
2015	3,084
2016	3,049
2017	2,993
Thereafter	<u>13,334</u>
Total	<u>\$ 29,127</u>

The above minimum rental income does not include contingent rental income or common area maintenance costs contained within certain rental operating leases.

NOTE 11. OTHER ACCRUED EXPENSES

Other Accrued Expenses consists of the following (in thousands):

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Accrued payroll, taxes, and benefits	\$ 12,289	\$ 10,282
Accrued progressive liability	473	1,504
Insurance Reserves	5,182	5,207
Other	<u>5,121</u>	<u>6,983</u>
Total other accrued expenses	<u>\$ 23,065</u>	<u>\$ 23,976</u>

NOTE 12. OTHER CURRENT LIABILITIES

Other Current Liabilities consists of the following (in thousands):

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Chip liability	\$ 1,769	\$ 3,250
Other	<u>2,030</u>	<u>2,354</u>
Total other current liabilities	<u>\$ 3,799</u>	<u>\$ 5,604</u>

NOTE 13. OTHER LIABILITIES

Other Liabilities consists of the following (in thousands):

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>
Due to affiliates	<u>\$ 29,049</u>	<u>\$ 18,110</u>

NOTE 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents (in thousands) the carrying amounts and estimated fair values of the Company's financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

	<u>March 31, 2013</u>		<u>March 31, 2012</u>	
	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
	(in thousands)		(in thousands)	
<u>Assets</u>				
Investments	<u>\$ 35,192</u>	<u>\$ 35,192</u>	<u>\$ 34,567</u>	<u>\$ 34,567</u>
<u>Liabilities</u>				
Debt	<u>\$ 79</u>	<u>\$ 79</u>	<u>\$ 121</u>	<u>\$ 121</u>

The carrying amounts shown in the table are included in the Consolidated Balance Sheets under the indicated captions. All of the Company's financial instruments are held or issued for purposes other than trading.

Investments consisted of deposits with the CRDA, CRDA bonds that bear interest at two-thirds of market rates resulting in a fair value lower than cost and other CRDA investments (primarily loans). The carrying amounts of these deposits, bonds and other investments are presented net of a valuation allowance and in the case of the bonds an unamortized discount that result in an approximation of fair values.

NOTE 15. NON-OPERATING INCOME/EXPENSE

Non-operating Income/(Expense) consists of the following (in thousands):

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>
Interest income	\$ 121	\$ 105
Reorganization/Construction Accident related	25	(29)
Proceeds on disposal of asset	<u>2</u>	<u>-</u>
Total non-operating income	<u>\$ 148</u>	<u>\$ 76</u>