

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

**FOR THE QUARTER ENDED DECEMBER 31, 2015**

**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 DECEMBER 31, 2015 AND 2014

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$9,517	\$9,620
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2015, \$3,812 ; 2014, \$3,163).....	4	4,324	3,913
4	Inventories .....	2	2,205	1,531
5	Other Current Assets.....	5	1,687	1,600
6	Total Current Assets.....		17,733	16,664
7	Investments, Advances, and Receivables.....	11	3,114	2,430
8	Property and Equipment - Gross.....	2,6	167,337	162,937
9	Less: Accumulated Depreciation and Amortization.....		(38,909)	(28,900)
10	Property and Equipment - Net.....		128,428	134,037
11	Other Assets.....	7	11,076	11,781
12	Total Assets.....		\$160,351	\$164,912
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,300	\$7,187
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	9	5,385	5,777
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	8	20,984	14,224
19	Other Current Liabilities.....	8	14,007	14,368
20	Total Current Liabilities.....		48,676	41,556
	Long-Term Debt:			
21	Due to Affiliates.....	9	6,463	7,463
22	External.....	9	0	49
23	Deferred Credits .....		0	0
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	11	0	0
26	Total Liabilities.....		55,139	49,068
27	Stockholders', Partners', or Proprietor's Equity.....		105,212	115,844
28	Total Liabilities and Equity.....		\$160,351	\$164,912

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 TWELVE MONTHS ENDED DECEMBER 31, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	Revenue:			
1	Casino.....	3	\$213,269	\$181,537
2	Rooms.....		17,255	18,495
3	Food and Beverage.....		31,802	29,141
4	Other.....		16,954	16,374
5	Total Revenue.....	3	279,280	245,547
6	Less: Promotional Allowances.....	3	71,402	66,579
7	Net Revenue.....		207,878	178,968
	Costs and Expenses:			
8	Casino.....	3	91,355	84,423
9	Rooms, Food and Beverage.....		39,276	37,638
10	General, Administrative and Other.....	3	54,639	52,352
11	Total Costs and Expenses.....		185,270	174,413
12	Gross Operating Profit.....		22,608	4,555
13	Depreciation and Amortization.....		11,082	10,586
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		11,526	(6,031)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	3,9	(345)	(1,071)
19	CRDA Related Income (Expense) - Net.....	11	(1,820)	(2,299)
20	Nonoperating Income (Expense) - Net.....		7	11
21	Total Other Income (Expenses).....		(2,158)	(3,359)
22	Income (Loss) Before Taxes and Extraordinary Items.....		9,368	(9,390)
23	Provision (Credit) for Income Taxes.....			
24	Income (Loss) Before Extraordinary Items.....		9,368	(9,390)
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0).....			
26	Net Income (Loss).....		\$9,368	(\$9,390)

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 DECEMBER 31, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	Revenue:			
1	Casino.....	3	\$48,815	\$47,410
2	Rooms.....		3,758	3,989
3	Food and Beverage.....		7,332	6,955
4	Other.....		3,746	3,912
5	Total Revenue.....	3	63,651	62,266
6	Less: Promotional Allowances.....	3	16,803	15,960
7	Net Revenue.....		46,848	46,306
	Costs and Expenses:			
8	Casino.....	3	22,188	23,633
9	Rooms, Food and Beverage.....		9,659	8,980
10	General, Administrative and Other.....	3	13,364	13,751
11	Total Costs and Expenses.....		45,211	46,364
12	Gross Operating Profit.....		1,637	(58)
13	Depreciation and Amortization.....		2,808	2,708
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(1,171)	(2,766)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	3,10	(67)	(153)
19	CRDA Related Income (Expense) - Net.....	12	(1,186)	(1,832)
20	Nonoperating Income (Expense) - Net.....		3	0
21	Total Other Income (Expenses).....		(1,250)	(1,985)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(2,421)	(4,751)
23	Provision (Credit) for Income Taxes.....			
24	Income (Loss) Before Extraordinary Items.....		(2,421)	(4,751)
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0 ).....			
26	Net Income (Loss).....		(\$2,421)	(\$4,751)

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

# GOLDEN NUGGET ATLANTIC CITY, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014  
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2013.....</b>		\$176,579	(\$52,603)		\$123,976
2	Net Income (Loss) - 2014.....			(9,390)		(9,390)
3	Capital Contributions.....		1,258			1,258
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	<b>Balance, December 31, 2014.....</b>		177,837	(61,993)	0	115,844
11	Net Income (Loss) - 2015.....			9,368		9,368
12	Capital Contributions.....		(20,000)			(20,000)
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	<b>Balance, December 31, 2015.....</b>		\$157,837	(\$52,625)	\$0	\$105,212

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 TWELVE MONTHS ENDED DECEMBER 31, 2015 AND 2014

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$28,496	\$10,154
	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.....		(4,400)	(3,387)
5	Proceeds from Disposition of Property and Equipment.....		0	
6	CRDA Obligations .....		(2,757)	(2,151)
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.....		(7,157)	(5,538)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			943
14	Payments to Settle Short-Term Debt.....		(1,437)	(3,990)
15	Proceeds from Long-Term Debt .....		36,595	75,042
16	Costs of Issuing Debt.....			0
17	Payments to Settle Long-Term Debt.....		(36,600)	(75,000)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		(20,000)	1,258
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	.....			
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(21,442)	(1,747)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(103)	2,869
25	Cash and Cash Equivalents at Beginning of Period.....		9,620	6,751
26	Cash and Cash Equivalents at End of Period.....		\$9,517	\$9,620
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$145	\$1,007
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.

# GOLDEN NUGGET ATLANTIC CITY, LLC

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 AND 2014

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$9,368	(\$9,390)
30	Depreciation and Amortization of Property and Equipment.....		11,082	10,586
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....		130	
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.....		2,073	2,301
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(412)	(481)
39	(Increase) Decrease in Inventories .....		(673)	187
40	(Increase) Decrease in Other Current Assets.....		(86)	16
41	(Increase) Decrease in Other Assets.....		(498)	125
42	Increase (Decrease) in Accounts Payable.....		7,512	
43	Increase (Decrease) in Other Current Liabilities .....			6,810
44	Increase (Decrease) in Other Liabilities .....			
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$28,496	\$10,154

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$4,400)	(\$3,387)
49	Less: Capital Lease Obligations Incurred.....			0
50	Cash Outflows for Property and Equipment.....		(\$4,400)	(\$3,387)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....		0	
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		(\$20,000)	\$1,258
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.....		(\$20,000)	\$1,258

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

**GOLDEN NUGGET ATLANTIC CITY, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015  
(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	280,182	\$12,731	0	\$0
2	Food	515,974	\$9,288	97,721	\$5,863
3	Beverage	1,214,816	\$5,161	0	\$0
4	Travel	0	\$0	12,787	\$355
5	Bus Program Cash	0	\$0	0	\$0
6	Promotional Gaming Credits	313,900	\$30,993	0	\$0
7	Complimentary Cash Gifts	340,567	\$7,265	0	\$0
8	Entertainment	29,194	\$729	0	\$0
9	Retail & Non-Cash Gifts	356,740	\$4,569	0	\$0
10	Parking	0	\$0	1,067,584	\$3,202
11	Other	265,896	\$666	0	\$0
12	Total	3,317,270	\$71,402	1,178,092	\$9,420

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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2015

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	59,151	\$2,664	0	\$0
2	Food	126,043	\$2,269	23,790	\$1,428
3	Beverage	304,028	\$1,292	0	\$0
4	Travel	0	\$0	4,107	\$103
5	Bus Program Cash	0	\$0	0	\$0
6	Promotional Gaming Credits	85,683	\$7,162	0	\$0
7	Complimentary Cash Gifts	171,479	\$1,936	0	\$0
8	Entertainment	7,603	\$190	0	\$0
9	Retail & Non-Cash Gifts	89,886	\$1,151	0	\$0
10	Parking	0	\$0	249,506	\$748
11	Other	55,664	\$139	0	\$0
12	Total	899,537	\$16,803	277,403	\$2,279



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

FOR THE QUARTER ENDED DECEMBER 31, 2015

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.

3/30/2016

Date



Michael Rodriguez  
Vice President of Finance

Title

9254-11

License Number

On Behalf of:

GOLDEN NUGGET ATLANTIC CITY, LLC  
Casino Licensee

## 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Amended 4/27/16

### *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 the Golden Nugget, Inc., which owns Hotels and Casinos in Las Vegas and Laughlin, Nevada, and Lake Charles, Louisiana, Golden Nugget Biloxi, Inc., which owns the Golden Nugget Hotel and Casino in Biloxi, Mississippi and Landry’s, Inc. which operates restaurants, hospitality and entertainment venues.

In November 2013, the New Jersey Division of Gaming Enforcement (DGE) awarded us an internet gambling permit, which allows us to provide online gambling. In December 2013, we launched our internet gaming operations offering various casino table games and slots to internet customers.

Unless otherwise stated, all dollars are in thousands.

### *Basis of Presentation*

The accompanying financial statements include the consolidated accounts of Golden Nugget, LLC, and its wholly owned subsidiary (collectively, the “Company,” “we” or “us”). All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements included herein have been prepared without audit and pursuant to the rules and regulations of the New Jersey Division of Gaming Enforcement. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair presentation of the results for interim periods have been made.

### *Use of Estimates*

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. SIGNIFICANT ACCOUNTING POLICIES

### *Revenue Recognition and Promotional Allowances*

Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs (“casino front money”) and for chips in the customer’s possession (“outstanding chip liability”). Casino revenues are recognized net of certain sales incentives. We record sales incentives as a reduction of revenue.

Internet gaming revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs. We report 100% of casino win as revenue and our partner’s share is reported in costs and expenses. Free play and other incentives to customers related to internet gaming play are recorded as a reduction of gross internet gaming revenue as promotional allowances.

Hotel, food and beverage, entertainment and other operating revenues are recognized as services are performed. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances.

The estimated cost of providing such promotional allowances for the three and twelve months ended December 31 is as follows (in thousands):

	<u>Three Month Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Rooms	\$1,609	\$1,467	\$7,689	\$6,696
Food & Beverage	3,312	3,428	13,439	13,829
Other	<u>1,338</u>	<u>1,618</u>	<u>5,376</u>	<u>6,176</u>
Total	<u>\$6,259</u>	<u>\$6,513</u>	<u>\$26,504</u>	<u>\$26,701</u>

#### *Financial Instruments*

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 years ended December 31, 2015 and 2014 we capitalized no interest cost.

#### *Debt Issuance Costs*

Debt issuance costs represent fees, commissions and other closing costs incurred in connection with the issuance of our revolving credit facility. Debt issuance costs are amortized over the term of the facility.

### *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 complimentary amenities. We establish a liability, and reduce revenue, for unredeemed points based upon historical redemption experience.

### *Self-Insurance Liability*

We maintain large deductible insurance policies related to workers compensation, general liability and certain employee medical claims. Predetermined loss limits have been arranged with insurance companies to limit our per occurrence cash outlay. Accrued liabilities include estimated costs to settle unpaid claims and estimated incurred but not reported claims using actuarial methodologies.

### *Advertising Costs*

Costs for advertising are expensed as incurred during such year. Advertising costs, included in casino, food and beverage, and general and administrative expense, were \$1.9 million and \$2.4 million for the three months ended December 31, 2015 and 2014, respectively, and \$9.3 million for both years ended December 31, 2015 and 2014, respectively.

## **3. CASH & CASH EQUIVALENTS**

Pursuant to N.J.A.C 13:69 1.3(j) we maintain a separate New Jersey bank account to ensure security of funds held in patrons' internet gaming accounts. On December 31, 2015 the above mentioned account balance was \$360,000 and patron deposits in internet gaming accounts were \$284,000.

Cash as of December 31 consisted of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Unrestricted Cash	\$ 9,157	\$ 9,420
Restricted Cash Internet Accounts	<u>360</u>	<u>200</u>
Total	<u>\$ 9,517</u>	<u>\$ 9,620</u>

## **4. ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31 consisted of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Gaming	\$ 5,600	\$ 7,137
Allowance	(1,969)	(3,898)
Non-Gaming	721	786
Allowance Hotel	<u>(28)</u>	<u>(112)</u>
Total	<u>\$ 4,324</u>	<u>\$ 3,913</u>

## 5. OTHER CURRENT ASSETS

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

	<u>2015</u>	<u>2014</u>
Prepaid Insurance	\$ 319	\$ 250
Prepaid taxes	813	819
Other prepaid	<u>555</u>	<u>531</u>
Total	<u>\$ 1,687</u>	<u>\$ 1,600</u>

## 6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Land	\$ 17,650	\$ 17,650
Buildings and Improvements	96,494	95,604
Furniture, Fixtures, Equipment	52,074	48,739
Construction in Progress	<u>1,119</u>	<u>944</u>
Property and Equipment, Gross	167,337	162,937
Accumulated Depreciation	<u>(38,909)</u>	<u>(28,900)</u>
Property and Equipment, Net	<u>\$ 128,428</u>	<u>\$ 134,037</u>

## 7. OTHER ASSETS

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

	<u>2015</u>	<u>2014</u>
Deferred Cost	\$ 2,952	\$ 3,120
Software	7,173	8,008
Deposits	<u>951</u>	<u>653</u>
Total	<u>\$ 11,076</u>	<u>\$ 11,781</u>

## 8. OTHER ACCRUED EXPENSES & LIABILITIES

Other accrued expenses and liabilities as of December 31 consisted of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Payroll & Related	\$ 8,371	\$ 7,391
Deposits	734	806
Other	11,879	6,027

Total Accrued Expenses	<u>\$ 20,984</u>	<u>\$ 14,224</u>
	<u>2015</u>	<u>2014</u>
Gaming	\$ 1,748	\$ 1,500
Other	<u>12,259</u>	<u>12,868</u>
Total Accrued Liabilities	<u>\$ 14,007</u>	<u>\$ 14,368</u>

## 9. LONG TERM DEBT

On December 15, 2015, we entered into a new \$10.0 million revolving credit facility which expires on December 15, 2016 and bears interest at a rate of LIBOR plus 2.5%. In addition, the credit facility requires a commitment fee on the unfunded portion of the \$10 million revolving credit facility. We have granted liens on substantially all real property and personal property as collateral under the credit facility and guarantee the credit facility. The facility replaced our previous revolving credit facility, which matured on December 15, 2015.

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 mature in January 2016 and bear interest at a rate of 4.0%. Principal and interest payments are due monthly.

In December 2013, we entered into a related party note payable of \$0.9 million with an affiliate, that increased by \$6.5 million during 2014 to \$7.4 million. During the twelve months ended December 31, 2015, we made payments totaling \$1.0 million on the note. The note bears interest at 1.0% and is due on demand with interest paid annually or capitalized to the outstanding balance as additional principal at our option.

Our debt agreements contain various restrictive covenants including limitations on additional indebtedness, dividend payments and other restricted payments as defined in the agreements. At December 31, 2015, we were in compliance with all such covenants and had \$5.5 million in borrowing capacity under the revolving credit facility.

Long-term debt as of December 31 is comprised of the following:

	<u>2015</u>	<u>2014</u>
\$10 Million revolving credit Facility, Due November 2016	\$ 4,495	\$ 3,500
Various Equipment loans, due January 2016	890	2,277
Note payable – affiliate	<u>6,463</u>	<u>7,512</u>
Total Debt	11,848	13,289
Less Current Portion	<u>( 5,385)</u>	<u>(5,777)</u>
Long term debt	<u>\$ 6,463</u>	<u>\$ 7,512</u>

## 10. EMPLOYEE BENEFIT PLAN

Certain of our employees are covered by union-sponsored, collective bargained, multi-employer health and welfare and defined benefit pension plans. We recorded plan related expenses of \$2.5 million and \$2.1 million for the three months ended December 31, 2015 and 2014 respectively, and \$8.8 million and \$9.1 million for the twelve months ended December 31, 2015 and 2014, respectively. The plans' sponsors have not provided sufficient information to permit us to determine our share of unfunded vested benefits, if any. However, based on available information, we do not believe that unfunded amounts attributable to our casino operations are material.

We 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. 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 \$33 thousand and \$26 thousand for matching contributions for the years ended December 31, 2015 and 2014, respectively.

## 11. COMMITMENTS AND CONTINGENCIES

### *Casino Reinvestment Development Authority Obligation*

As required by the provisions of the New Jersey Casino Control Act (the "Act"), a casino licensee must pay an investment alternative tax of 2.5% of its gross casino revenues and 5.0% of internet gaming revenues as defined in the Act. However, pursuant to contracts with the Casino Reinvestment Development Authority ("CRDA"), we pay 1.25% of our gross casino revenues and 2.5% of internet gaming revenues to the CRDA (the "CRDA Payment") to fund qualified investments as defined in the Act and such CRDA Payment entitles us to an investment tax credit in an amount equal to twice the amount of the CRDA Payment against the investment alternative taxes. Qualified investments may include the purchase of bonds issued by the CRDA at a below market rate of interest, direct investment in projects or donation of funds to projects as determined by the CRDA. Pursuant to the contract with the CRDA, we are required to make quarterly deposits with the CRDA to satisfy our investment obligations.

The deposits are recorded at cost less a valuation allowance. The valuation allowance is established at the time the obligation is incurred by a charge to the statement of operations as part of general and administrative expense 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.

As the financial condition of Atlantic City has deteriorated and four casinos have closed, we determined that the collectability of our CRDA investment was highly uncertain. A number of legislative proposals have circulated which could also adversely impact the value of this investment. Therefore, we recorded \$1.0 million and \$1.7 million in impairment charges to general and administrative expense during the years ended December 31, 2015 and 2014, respectively.

For the three and twelve months ended December 31, 2015 the Company charged to general and administrative expense \$1.2 million and \$0.8 million, respectively, and \$1.8 million and \$2.3 million for the three and twelve months ended December 31, 2014, respectively, to give effect to the below market interest rates associated with CRDA deposits.

CRDA deposits and investments in CRDA Bonds, net of allowances of \$5.7 million and \$3.6 million, reflected in non-current assets on the accompanying consolidated balance sheets as of December 31, 2015 and 2014, are \$3.1 million and \$2.4 million, respectively.

### *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 allowed the CRDA the ability to enter into a five year public-private partnership with the casinos in Atlantic City to jointly revitalize the Tourism District through the utilization of funding from annual assessments paid by each business within the district.

### *Atlantic City Alliance ("ACA")*

The ("ACA") has been established in the form of a not-for-profit limited liability company, of which we are a member, for the purpose of supporting the marketing of Atlantic City as a year round seaside and marina resort destination. We are required, along with the other Atlantic City casinos, as members of the ACA, to provide funding to the ACA through direct contributions. A \$5.0 million contribution was required to be made by all casinos prior to 2012 followed by an annual amount of \$30.0 million to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the annual contributions will equate to a percentage representing its gross gaming revenue compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we will expense our pro rata share of the \$155.0 million as incurred. For the pro rata share of contribution to the ACA, we incurred expenses of \$2.6 million and \$1.8 million for the years ended December 31, 2015 and 2014, respectively.

### *Farley State Marina Leases*

We have a non-cancelable operating lease that covers the land, building and marina adjacent to our property, which expires in 2020. Other lease commitments also include operating equipment used in daily operations.

The aggregate amounts of future minimum lease payments for operating leases with initial terms in excess of one year as of December 31, 2015 are as follows (in thousands):

Years ending December, 31:	
2016	\$ 515
2017	515
2018	515
2019	515
2020	515
	<u>\$ 2,575</u>

Rent expense was \$4.2 million and \$4.5 million for the years ended December 31, 2015 and 2014, respectively.

### *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.



## **12. 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. We expensed \$0.3 million related to this agreement for both the years ended December 31, 2015 and 2014.

### *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. We expensed \$0.2 million under the agreement during the year ended December 31, 2015. No expenses were incurred during 2014.

### *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 \$0.2 million and \$0.2 million for the three months ended December 31, 2015 and 2014, respectively, and \$0.7 million and \$0.7 million for the twelve months ended December 31, 2015 and 2014, respectively.

### *Stock Holders Equity*

We received capital contributions from our Parent of \$1.3 million during the year ended December 31, 2014. During the year ended December 31, 2015, we made dividend payments to our Parent totaling \$20.0 million.

## **13. SUBSEQUENT EVENTS**

We have evaluated subsequent events through March 30, 2016 which is the date our financial statements were available to be issued.

**GOLDEN NUGGET ATLANTIC CITY LLC  
ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

**GOLDEN NUGGET ATLANTIC CITY LLC**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 4/27/16

**ACCOUNTS RECEIVABLE BALANCES**

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$3,757		
2	Returned Patrons' Checks.....	1,843		
3	Total Patrons' Checks.....	5,600	\$1,760	\$3,840
4	Hotel Receivables.....	360	28	\$332
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....			
7	Other Accounts and Notes Receivables.....	152		
8	Total Other Receivables.....	152		\$152
9	Totals (Form DGE-205).....	\$6,112	\$1,788	\$4,324

**UNDEPOSITED PATRONS' CHECKS ACTIVITY**

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$3,195
11	Counter Checks Issued.....	129,555
12	Checks Redeemed Prior to Deposit.....	(98,480)
13	Checks Collected Through Deposits.....	(22,743)
14	Checks Transferred to Returned Checks.....	(4,371)
15	Other Adjustments.....	(3,399)
16	Ending Balance.....	\$3,757
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,760
19	Provision as a Percent of Counter Checks Issued.....	1.4%

# GOLDEN NUGGET ATLANTIC CITY LLC

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2015

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	504			
2	Slot Machines	52			
3	Administration	1			
4	Casino Accounting	17			
5	Simulcasting	0			
6	Other	58			
7	Total - Casino	632	\$16,658		\$16,658
8	ROOMS	175	4,533		4,533
9	FOOD AND BEVERAGE	684	11,429		11,429
10	GUEST ENTERTAINMENT	202	816		816
11	MARKETING	64	3,394		3,394
12	OPERATION AND MAINTENANCE	93	5,749		5,749
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	3	1,558		1,558
14	Accounting and Auditing	26	987		987
15	Security	122	2,268		2,268
16	Other Administrative and General	45	1,430		1,430
	OTHER OPERATED DEPARTMENTS:				
17	Valet	56	742		742
18	Retail	37	920		920
19	Pool/Spa	23	608		608
20	Marina	2	185		185
21					
22					
23	TOTALS - ALL DEPARTMENTS	2,164	\$51,277	\$0	\$51,277