
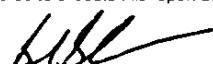


2008 LIMITED LIABILITY COMPANY ANNUAL REPORT

FILED
Jul 17, 2008 8:00 am
Secretary of State

07-17-2008 90017 001 ***138.75

DOCUMENT # L07000010019 1. Entity Name SEMINOLE HARD ROCK INTERNATIONAL, LLC					
Principal Place of Business 6300 STIRLING ROAD HOLLYWOOD, FL 33024			Mailing Address 6300 STIRLING ROAD HOLLYWOOD, FL 33024		
2. Principal Place of Business - No P.O. Box #		3. Mailing Address			
Suite, Apt. #, etc.		Suite, Apt. #, etc.			
City & State		City & State			
Zip	Country	Zip	Country		
6. Name and Address of Current Registered Agent			7. Name and Address of New Registered Agent		
CT CORPORATION SYSTEM 1200 S PINE ISLAND ROAD PLANTATION, FL 33324			Name Street Address (P.O. Box Number is Not Acceptable) City <div style="display: flex; justify-content: space-between;"> FL Zip Code </div>		
8. The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida. I am familiar with, and accept the obligations of registered agent.					
SIGNATURE _____ (NOTE: Registered Agent signature required when reinstating) _____ DATE _____ <small>Signature, typed or printed name of registered agent and title if applicable.</small>					
FILE NOW!!! FEE IS \$138.75 Due by September 12, 2008		In accordance with s. 607.193(2)(b), F.S., the limited liability company did not receive the prior notice.		Make check payable to Florida Department of State	
9. MANAGING MEMBERS/MANAGERS			10. ADDITIONS/CHANGES		
TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Delete		TITLE NAME STREET ADDRESS CITY-ST-ZIP	MGRM James F. Allen 6300 Stirling Road Hollywood, Florida 33024 <input type="checkbox"/> Change <input checked="" type="checkbox"/> Addition	
TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Delete		TITLE NAME STREET ADDRESS CITY-ST-ZIP	MGRM Brad Buchanan 6300 Stirling Road Hollywood, Florida 33024 <input type="checkbox"/> Change <input checked="" type="checkbox"/> Addition	
TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Delete		TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Change <input type="checkbox"/> Addition	
TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Delete		TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Change <input type="checkbox"/> Addition	
TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Delete		TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Change <input type="checkbox"/> Addition	
TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Delete		TITLE NAME STREET ADDRESS CITY-ST-ZIP	<input type="checkbox"/> Change <input type="checkbox"/> Addition	
11. I hereby certify that the information supplied with this filing does not qualify for the exemptions contained in Chapter 119, Florida Statutes. I further certify that the information indicated on this report is true and accurate and that my signature shall have the same legal effect as if made under oath; that I am a managing member or manager of the limited liability company or the receiver or trustee empowered to execute this report as required by Chapter 608, Florida Statutes.					
SIGNATURE: Brad Buchanan 			954-797-5423		
SIGNATURE AND TYPED OR PRINTED NAME OF SIGNING MANAGING MEMBER, MANAGER, OR AUTHORIZED REPRESENTATIVE			Date		Daytime Phone #

00011000



07072008 Chg-LLC CR2E083 (12/06)

4. FEI Number **20-8347548** Applied For ☐ Not Applicable ☐

5. Certificate of Status Desired ☐ **\$5.00** Additional Fee Required

ATTACHMENT

60044962
#L070000 10019

**Seminole Hard Rock Entertainment, Inc.
Seminole Hard Rock International, LLC
Hard Rock International**

ANNUAL REPORT

For the Fiscal Year Ended December 30, 2007

Dated: March 28, 2008

ATTACHMENT

60044962
#L07000010019

ITEM 1. BUSINESS

FINANCIAL INFORMATION

Except for historical financial information contained herein, the matters discussed in this report may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based upon current expectations that involve risks and uncertainties and include declarations regarding the intent, belief or current expectations of us and our management and may be signified by the words "believes," "anticipates," "plan," "expects," "intends" and similar expressions. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. All forward-looking statements in this annual report are based on information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statements, whether as a result of new information, future events, or otherwise.

On March 5, 2007, Seminole Hard Rock Entertainment, Inc. ("SHRE"), a corporation controlled by the Seminole Tribe of Florida, and its affiliate Seminole Hard Rock International, LLC ("SHRI"), a limited liability company controlled by the Seminole Tribe of Florida, acquired all of the outstanding shares of capital stock of Hard Rock Cafe International (USA), Inc., Hard Rock International Ltd. and their affiliated entities that own and operate the Hard Rock business. In this annual report, we refer to the acquisition of all of such capital stock as the "Acquisition" and we refer to Hard Rock Cafe International (USA), Inc., Hard Rock International Ltd. and their affiliated entities that own and operate the Hard Rock business prior to the Acquisition as the "Predecessor". Operational and financial information contained in this annual report for periods prior to the Acquisition is referred to as the Predecessor information. Prior to the Acquisition, the Predecessor operated as subsidiaries of, and benefited from services provided by, its former parent company, the Rank Group PLC ("Rank") and its affiliated entities, but the combined financial statements included herein are presented as if they operated as a single stand-alone business. The combined financial statements included herein are not necessarily indicative of the financial position, results of operations or cash flows we would have achieved had we operated as a separate stand-alone entity without the assistance of the Rank Group PLC and its affiliated entities during the periods presented, nor are they necessarily indicative of the financial position, results of operations, or cash flows we may be able to achieve in future periods. Unless the context otherwise requires, references in this annual report to "the Company," "Hard Rock," "we," "our" and "us," refer to SHRE, SHRI, Hard Rock Cafe International (USA) Inc., Hard Rock International Ltd. and their affiliated entities which own and operate the Hard Rock business.

ATTACHMENT

60044962
#L07000016019

Hard Rock Hotel Atlanta; Hard Rock Hotel Dubai; Hard Rock Hotel Panama. Our affiliate, Hard Rock Hotel Licensing, Inc. ("HRHL"), entered into a hotel management agreement to operate a Hard Rock Hotel in Atlanta, Georgia. Our affiliate, Hard Rock Limited ("HRL"), entered into hotel management agreements to operate Hard Rock Hotels in Dubai, United Arab Emirates and Playa Blanca, Panama.

Generally, pursuant to each management agreement, the owner of each hotel will pay HRHL or HRL, as applicable, an annual management fee equal to a percentage of total hotel revenue, an annual incentive management fee equal to a percentage of the hotel's gross operating profit, an annual retail fee equal to a percentage of gross sales at the hotel's merchandise store, an annual marketing fee equal to a percentage of total room revenue and a one-time technical services fee per guest room. Pursuant to the management agreement for the Hard Rock Hotel to be located in Playa Blanca, Panama, the hotel owner will pay HRL a one-time condominium license fee equal to a percentage of gross condominium sales. Each management agreement has an initial 20-year term.

Hard Rock Cafe Franchise Agreements. We executed agreements with franchisees for new franchised Hard Rock Cafes in Phuket, the Fiji Islands, Aruba and Budapest. We also executed an agreement with a franchisee for a multi-unit deal in Spain.

Leases for Company Cafes. Our current Honolulu Hard Rock Cafe located on Kapiolani Boulevard will be relocating to Waikiki in 2009. We entered into a long term lease for this new site. We also entered into a long term lease for a second Hard Rock Café to be located on Las Vegas Boulevard in Las Vegas, with an opening scheduled for 2009.

LEGAL PROCEEDINGS

From time to time, the Company and its Predecessor are involved in legal proceedings and disputes arising in the ordinary course of business relating to matters including, without limitation, disputes with franchisees, landlords, suppliers, employees and customers and disputes related to our intellectual property. Management believes that the aggregate liability, if any, arising from such legal proceedings and disputes will not have a material adverse effect on our results of operations, financial condition, or cash flows.

Hard Rock Limited v. Hard Rock De Mexico, S.A. DE C.V. Hard Rock de Mexico, S.A. de C.V. ("ECE"), the current Hard Rock Café franchisee within Mexico, has made claims that it has the right to prevent us and our affiliates from developing other "Hard Rock" branded businesses in Mexico, including Hard Rock Hotels. We believe that such claims are without merit. On October 15, 2007, we filed a declaratory action in the Federal District Court of Mexico in Mexico City against ECE to resolve the dispute. On October 16, 2007, the Federal District Court dismissed the complaint for lack of jurisdiction and determined that in lieu of litigation, the dispute should be arbitrated pursuant to the terms of the applicable café franchise agreement. On November 8, 2007, we filed for arbitration in Mexico. The arbitration will be held in Mexico City and will be administered by the International Chamber of Commerce ("ICC") in accordance with the Rules of Arbitration of the ICC.

On December 28, 2007, Operadora DB S.A. de C.V. ("ODB"), the apparent successor to ECE, filed a motion for an extension to produce a formal answer. On January 9, 2008, we filed an objection to ODB's motion on the grounds that ECE consummated an improper transfer of its rights to ODB under the applicable café franchise agreement and therefore the ICC should not recognize ODB as the defendant in this matter. On January 21, 2008, the ICC determined that it would not recognize ODB in the arbitration and that the arbitration should proceed without either ODB or ECE since ECE failed to file a responsive pleading.

ATTACHMENT

600 44963
L0700001009

ITEM 6. SELECTED HISTORICAL FINANCIAL AND OTHER DATA

See Part I of this document for a description of the Company, Predecessor, and the Acquisition. The historical financial data for the forty-three week period ended December 30, 2007, the nine-week period ended March 4, 2007, and the fiscal years ended December 31, 2006, December 25, 2005, December 26, 2004 and December 28, 2003 has been derived from the audited financial statements of the Company and its Predecessor. For the purposes of analysis and discussion, we have combined the results of the Predecessor and the Company for the nine-week period ended March 4, 2007 and the forty-three-week period ended December 30, 2007, respectively, as we believe this presentation is more meaningful to the reader. The table should be read in conjunction with our "Management Discussion and Analysis of Financial Condition and Results of Operations", our financial statements and the notes thereto, and other information included in this annual report.

[Remainder of Page Intentionally Left Blank]

ATTACHMENT

60044962
L 07000010019

	Fiscal Year Ended				
	December 30, 2007	December 31, 2006	December 25, 2005	December 26, 2004	December 28, 2003
	(In millions)				
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	\$ 50.0	\$ 77.5	\$ 64.0	\$ 80.8	\$ 66.6
Investing activities	(1,022.6)	(42.3)	10.0	(31.3)	(24.8)
Financing activities	1,030.9	(23.9)	(77.9)	(42.3)	(41.3)
Other Financial Data:					
EBITDA (c)	\$ 94.3	\$ 85.8	\$ 76.1	\$ 34.2	\$ 52.4
EBITDA Margin (d)	18.0%	19.5%	19.1%	9.3%	16.1%
Depreciation and amortization (g)	\$ 51.1	\$ 21.4	\$ 22.5	\$ 24.5	\$ 24.6
Capital expenditures	33.2	17.3	23.9	24.3	22.5
Combined Balance Sheet Data:					
Cash and cash equivalents	\$ 78.3	\$ 26.7	\$ 13.9	\$ 19.7	\$ 11.8
Property and equipment, net	264.0	202.0	178.6	180.6	220.3
Total assets	1,389.7	599.8	502.4	528.2	554.9
Total liabilities	840.0	115.1	106.6	97.7	63.1
Total capital	549.8	484.7	395.8	430.5	491.8

(a) Within fiscal years ended 2007, 2006, 2005, 2004 and 2003 is included \$0.7 million (during the nine-week period ended March 4, 2007), \$4.0 million, \$4.2 million, \$3.9 million, and \$5.3 million, respectively, of allocated management costs associated with central functions historically conducted by the Predecessor parent company, Rank Group PLC (such as treasury and tax functions).

(b) Growth percentages exclude the impact of foreign currency translation. These percentages are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability of our results.

(c) EBITDA, a measure used by management to measure operating performance is calculated as net income, plus provision for income taxes, less benefit for income taxes, plus discontinued operations, plus interest expense, less interest income, plus interest expense (income) with predecessor parent, net, plus depreciation and amortization for each period presented. EBITDA is not a recognized term under accounting principles generally accepted in the United States of America and does not purport to be an alternative to net income as a measure of operating performance or cash flow from operating activities as a measure of liquidity, however, this measure provides management with visibility into the underlying operating performance of the Company and its Predecessor.

(d) EBITDA margin is calculated as EBITDA divided by total revenues for the corresponding period.

(e) EBITDA is calculated for the Company Cafe Operations segment only. Refer to (c) above for components of EBITDA.

(f) Company-owned cafe EBITDA margin is Company-owned cafe EBITDA divided by Company cafe operations revenue for the corresponding period.

(g) Represents depreciation and amortization of continuing operations.

ATTACHMENT

60044962
L07-000010019

Casino — Hollywood, located in Hollywood, Florida) and a licensed Hotel and Casino in Biloxi, Mississippi that opened in the second quarter of fiscal 2007; the three Hotel and Casinos have a total of 1,049 guest rooms; and

- our Other Operations segment included four hotel retail stores owned and operated by us, one online merchandise shop operated through our website www.hardrock.com, and a retail outlet store.

On March 5, 2007, Seminole Hard Rock Entertainment, Inc. ("SHRE") and Seminole Hard Rock International, LLC ("SHRI") acquired the outstanding shares of capital stock of Hard Rock Café International (USA), Inc., Hard Rock International Ltd. and their affiliated entities (collectively, referred to as the "Predecessor") that own and operated the Hard Rock businesses (the "Acquisition"). The purchase price including fees and cash acquired was \$1,020 million, funded in part by the issuance of \$525 million of Senior Secured Notes with the remainder financed by an equity contribution from the Seminole Indian Tribe of Florida.

Our fiscal year is the 52- or 53-week period ending on the last Sunday in December. For convenience, we refer to the fiscal years ended December 30, 2007, which had 52 weeks, December 31, 2006, which had 53 weeks, and December 25, 2005, which had 52 weeks, as "fiscal 2007," "fiscal 2006," and "fiscal 2005," respectively. We have combined the results of the Predecessor for the nine-week period ended March 4, 2007 and the Company for the forty-three week period ended December 30, 2007, respectively, as we believe this presentation is more meaningful to the reader.

Revenues

Our revenues consist primarily of restaurant and merchandise sales from our Company Cafe Operations segment and fees from our franchisees and licensees from our Franchised Operations, Hotels and Casinos segments. Revenues are influenced by, among other things, brand advertising, menu selection and initiatives to improve cafe operations, timing of cafe openings and closings, royalties paid to us by our franchisees and licensees (including the overall financial strength and stability of our system), the demand for leisure and entertainment services, overall demand for travel and tourism and demand for casino gaming. Revenue for each of our reportable segments is as follows:

Business Segment:	Fiscal Year Ended		
	(amounts in millions)		
	2007	2006	2005
Company Cafe Operations	\$ 461.3	\$ 391.0	\$ 355.9
Franchise Operations	16.9	15.5	11.7
Hotels	10.1	4.8	4.1
Casinos	28.3	23.2	18.6
Other Operations	6.6	5.5	7.5
Total	523.2	440.0	397.8

Company Cafe Operations. Revenues in our Company Cafe Operations segment are comprised of food and beverage sales and merchandise sales from our company-owned and operated cafes, net of discounts. Various factors influence sales at a given cafe, including customer recognition of the Hard Rock brand, our level of service and operational effectiveness, pricing, marketing and promotional efforts and local competition. Several factors affect our sales in any period, including the number of cafes in operation, comparable cafe performance and seasonality.

ATTACHMENT

60044962
#L07000010019

	Fiscal Year Ended		
	2007	2006	2005
Hotels at beginning of period.....	7	7	7
Hotels opened during period.....	1	-	-
Hotels sold/closed during period.....	(1)	-	-
Hotels open at end of period.....	7	7	7

As of December 30, 2007, five of the seven hotels in our portfolio were structured through license agreements and branded Hard Rock Hotel, with two of the seven license agreements contained within two of our joint ventures. The remaining two hotels in our portfolio as of December 30, 2007 were held through joint ventures and are non-branded hotels.

Casinos. Revenues in our Casinos segment are comprised of one-time acquisition fees to secure the licensed rights; royalties on net gaming activities, hotel room, food and beverage and/or merchandise revenues; and memorabilia lease fees. Our royalty revenues are dependent upon the revenues generated by our licensees, who are influenced by various factors similar to those which influence our company-owned and operated cafes.

Hotel-Casino openings affect period-over-period comparisons. Our hotel-casinos are operated by third parties pursuant to license agreements with us. The table below shows the number of hotel-casinos operated at the beginning and end of each period.

	Fiscal Year Ended		
	2007	2006	2005
Hotel-casinos at beginning of period.....	2	2	2
Hotel-casinos opened during period.....	1	-	-
Hotel-casinos open at end of period.....	3	2	2

Other Operations. Revenues in our Other Operations segment are comprised of sales of merchandise through retail stores in hotels, our online merchandise shop and our retail outlet.

Operating Costs and Expenses

Our operating costs and expenses are comprised of restaurant and merchandise costs, labor, other operating expenses, marketing and advertising, general and administrative, depreciation and amortization, acquisition-related expenses, loss on impairment and other provisions, and pre-opening costs.

Restaurant and Merchandise Costs. Restaurant and merchandise costs include food and beverage and merchandise costs, warehousing and related purchasing and distribution costs. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of these costs as earned in accordance with the underlying agreement with the vendor and completion of the earning process.

Labor. Labor includes the salary, wages, overtime and employer tax expense associated with our company owned cafe and hotel retail store personnel. To control labor costs, we are focused on adequate training and testing of our employees, in addition to the retention of existing employees. We employ personnel to operate our company owned and operated cafes, but do not employ the operating personnel of our franchised or licensed cafes, hotels or hotel-casinos.

ATTACHMENT

600 44962
L07000010019

Results of Operations

The table below contains our operating results for the periods presented:

	Fiscal Year Ended		
	December 30, 2007	December 31, 2006	December 25, 2005
	(in millions, except operating data)		
Consolidated Statement of Operations Data:			
Revenues:			
Company Cafe Operations	\$ 461.3	\$ 391.0	\$ 355.9
Franchise Operations	16.9	15.5	11.7
Hotels	10.1	4.8	4.1
Casinos	28.3	23.2	18.6
Other Operations	6.6	5.5	7.5
Total revenues	<u>523.2</u>	<u>440.0</u>	<u>397.8</u>
Operations costs and expenses:			
Restaurant and merchandise costs	122.4	103.3	98.6
Labor	119.2	101.9	94.5
Other operating expenses	129.0	106.3	97.7
Marketing and advertising	24.4	17.6	12.5
General and administrative	38.0	32.6	27.9
Depreciation and amortization	51.1	21.4	22.5
Loss (gain) on impairment and other provisions	-	5.2	(0.3)
Acquisition-related expenses	0.5	-	-
Pre-opening costs	1.3	-	1.6
Total operating costs and expenses	<u>485.9</u>	<u>388.3</u>	<u>355.0</u>
Operating income	<u>37.3</u>	<u>51.7</u>	<u>42.8</u>
Other income (expense), net:			
Equity earnings in non-consolidated investments	5.8	6.1	6.5
Insurance proceeds, net	-	6.6	4.3
Interest income	1.9	0.2	0.1
Interest expense	(37.3)	(2.0)	(1.9)
Interest (expense) income with Parent, net	(1.0)	(0.3)	1.6
Other income	0.1	-	-
Total other income (expense), net	<u>(30.5)</u>	<u>10.6</u>	<u>10.6</u>
Income (loss) from continuing operations before provision for income taxes	<u>6.8</u>	<u>62.3</u>	<u>53.4</u>
Benefit (provision) for income taxes	<u>(3.5)</u>	<u>45.4</u>	<u>(5.5)</u>
Income (loss) from continuing operations	<u>3.3</u>	<u>107.7</u>	<u>47.9</u>
Loss from discontinued operations, net of tax	<u>(2.6)</u>	<u>(1.9)</u>	<u>(0.7)</u>
Net income	<u>\$ 0.7</u>	<u>\$ 105.8</u>	<u>\$ 47.2</u>

Fiscal 2007 Compared to Fiscal 2006

Revenues

Total Revenues. Revenues from continuing operations were \$523.2 million in fiscal 2007 and \$440.0 million in fiscal 2006. The 18.9% increase in our revenues for fiscal 2007 was driven primarily by the inclusion of our Orlando, Florida and Hollywood, California cafes' revenues as a result of our buy-out of our joint venture partner on December 31, 2006 and an increase in comparative café revenues worldwide. All of our other reportable segments positively contributed to sales growth for fiscal 2007.

Company Cafe Operations. Company cafe operations revenues for fiscal 2007 of \$461.3 million were \$70.3 million, or 18.0%, higher than our revenues for fiscal 2006. Revenues for fiscal 2007 included \$47.9 million in revenues from the Orlando, Florida café and the Hollywood California café

ATTACHMENT

60044962
#207000010019

Other Operating Expenses. Other operating expenses for fiscal 2007 of \$129.0 million were \$22.7 million, or 21.4% higher than operating expenses for fiscal 2006. As a percentage of Company cafe operations and other operations revenues, other operating costs increased from 26.8% in fiscal 2006 to 27.6% in fiscal 2007. Other operating expenses were adversely impacted by incremental property lease expense of approximately \$1.6 million related to the revaluation of the Companies leased properties in connection with the Acquisition and incremental property and worker's compensation insurance expense, partially offset by leverage gained from the increase in revenues for these segments.

Marketing and Advertising. Marketing and advertising expenses for fiscal 2007 of \$24.4 million were \$6.8 million, or 38.6%, higher than marketing and advertising expenses for fiscal 2006. As a percentage of revenue, marketing and advertising costs increased 70 basis points from 4.0% to 4.7%, primarily due to a Company-wide focus on increasing brand awareness through our marketing and advertising initiatives, and increased participation in our marketing fund program with our franchisees to promote our brand on a global basis.

General and Administrative. General and administrative expenses for fiscal 2007 were \$38.0 million, or 7.3% of total revenues compared to \$32.6 million, or 7.4% of total revenues for fiscal 2006. Increased expenses were due to staffing increases primarily to support our hotel development efforts and merchandise and retail growth initiatives, higher insurance costs and increased legal and consulting fees related to the alignment and integration of our business with our new parent.

Depreciation and Amortization. Depreciation and amortization increased to \$51.1 million for fiscal 2007, a \$29.7 million increase over the prior year. These increases include incremental depreciation of \$13.5 million and incremental amortization of \$11.4 million related to revaluation of our tangible and intangible long-lived assets in connection with the Acquisition. Excluding the impact to depreciation and amortization from revaluation of tangible and intangible assets, depreciation and amortization expense for fiscal 2007 was \$26.2 million, or 5.0% of total revenues compared with \$21.4 million, or 4.9% of total revenues for fiscal 2006. The increase being primarily due to the addition of our Biloxi cafe which opened in July 2007 and our investment in the relocation of our Boston cafe, partially offset by decreased depreciation from our closed locations.

Loss on Impairment and Other Provisions. The \$5.2 million loss on impairment and other provisions for fiscal 2006 included \$3.1 million of cafe asset impairment charges related to eight underperforming cafes, \$1.6 million of cafe relocation costs associated with our Boston cafe, and \$0.5 million franchise rights impairment related to one of the underperforming cafe locations. The \$1.6 million of relocation costs was the result of an agreement we entered into in September 2006 to vacate our Boston cafe location during 2007. The \$1.6 million is primarily comprised of the present value of rent over the expected unused term of the original agreement along with the related asset write-offs and other charges. There were no similar impairments or provision recorded in fiscal 2007 as the Company's net assets were recorded at fair value on the Acquisition date.

Acquisition-Related Expenses. In March 2007, we incurred approximately \$0.5 million of non-capitalizable expenses related to internal costs and public relations efforts surrounding the purchase of the Hard Rock International businesses.

Pre-Opening Costs. In fiscal 2007, we incurred \$0.7 million of pre-opening costs related to the new Biloxi cafe and hotel retail store and \$0.6 million in costs from the relocation of our Boston, Massachusetts cafe. There were no pre-opening costs incurred in fiscal 2006.

Operating Income. Operating income for fiscal 2007 of \$37.3 million was \$14.4 million or 27.9% lower than operating income for fiscal 2006. The decrease was primarily due to increased sales, offset by higher depreciation and amortization expense caused by the amortization of finite-lived tangible

ATTACHMENT

600 44962
L07000010019

related to our U.S. entities, that there was persuasive positive evidence to support the fact that the valuation allowance recorded against the U.S. deferred tax assets was no longer necessary

Loss from Discontinued Operations, net of tax. Discontinued operations resulted in a net charge of approximately \$2.6 million and \$1.9 million for fiscal years 2007 and 2006, respectively. We have reported twelve of our cafes as well as our rock and roll memorabilia museum in Orlando, Florida within discontinued operations for all periods presented.

Fiscal 2006 Compared to Fiscal 2005

Revenues

Total Revenues. Revenues for fiscal 2006 of \$440.0 million were \$42.2 million, or 10.6% higher than our revenues for fiscal 2005, resulting from strong performance across all of our business segments, except for Other Operations.

Company Cafe Operations. Company cafe operations revenues for fiscal 2006 of \$391.0 million were \$35.1 million, or 9.9%, higher than our revenues for fiscal 2005, resulting largely from the additional 53rd week's sales of \$8.8 million, the successful relocation in 2005 of our New York cafe to its current Times Square location, and the reopening of our London cafe which was temporarily closed during 2005 as a result of a fire. Adjusting for the impact of these items, Company cafe operations revenues increased by \$9.9 million or 2.8% primarily related to favorable foreign currency exchange rates, price increases and changes related to the sales mix, including success of restaurant and merchandise programs to sell higher margin items, partly offset by a decline in entree counts.

Franchised Operations. Franchised operations revenues for fiscal 2006 of \$15.5 million were \$3.8 million, or 32.5% higher than our franchised cafe revenues for fiscal 2005, resulting largely from the impact of the full year results of four cafes opened during 2005 of which three were opened in December 2005, the impact of four cafes opened during 2006, and a \$0.9 million increase in site fee revenue primarily related to the Hard Rock Music Park — Myrtle Beach. These increases were partly offset by the impact of the two cafes closed during 2006 and the three Australian cafes acquired by us as part of a territory rights buyback.

Hotels. Hotel revenues for fiscal 2006 of \$4.8 million were \$0.7 million, or 17.1%, higher than fiscal 2005, due largely to an increase in the royalties we earned from the Hard Rock Hotel Chicago as a result of our repurchase of hotel royalty rights from the Lifestar Joint Venture during 2006. The royalty rights to the Hard Rock Hotel Chicago had been owned by the Lifestar Joint Venture, and as a 50% owner we received half of the joint venture hotel royalties. We repurchased our hotel royalty rights from Lifestar Joint Venture in July 2006 and have subsequently received 100% of all royalties relating to the Hard Rock Hotel Chicago.

Casinos. Casino revenues for fiscal 2006 of \$23.2 million were \$4.6 million, or 24.7%, higher than revenues for fiscal 2005, resulting from the strong performance of both the Seminole Hard Rock Hotel and Casino - Hollywood and the Seminole Hard Rock Hotel and Casino - Tampa.

Other Operations. Revenues from other operations for fiscal 2006 of \$5.5 million were \$2.0 million or 26.7% lower than revenues for fiscal 2005, resulting largely from product offering changes during the second half of 2005 that were not as successful during 2006 as we had anticipated.

ATTACHMENT

60044962
#L07000010019

Pre-Opening Costs. We did not have pre-opening costs for fiscal 2006, as the three new company-owned and operated cafes during 2006 were the three Australian cafes in Melbourne, Sydney, and Surfers Paradise that had previously been franchised and were already in operation. The pre-opening costs of \$1.6 million for fiscal 2005 were primarily related to the relocation of our New York cafe to its current Times Square location.

Operating Income. Operating income for fiscal 2006 of \$51.7 million was \$8.9 million, or 20.8%, higher than operating income for fiscal 2005, resulting largely from the increase in revenues from our franchise and casino operations, which generate high margins, and the increase in revenues from our company owned and operated cafes. These increases were partly offset by additional marketing and advertising expenses due to a company-wide focus on increasing brand awareness through new marketing and advertising initiatives, higher general and administrative costs resulting largely from staffing and related increases to support the growth initiatives of the business, and an increase in loss on impairment and other provisions during 2006 driven by higher cafe asset impairment and relocation costs associated with our Boston cafe.

Other Income and Expenses

Equity Earnings in Non-Consolidated Investments. Equity earnings in non-consolidated investments for fiscal 2006 of \$6.1 million were \$0.4 million, or 6.2%, lower than equity earnings for fiscal 2005, resulting largely from a \$1.6 million decrease in the equity earnings associated with our 49.6% interest in the Universal Rank Hotel Partnership due to higher ground rent expense, real estate taxes and property insurance. This decrease was partly offset by a \$0.8 million increase in the equity earnings associated with our 50.0% interest in HR Florida Partners, relating to our joint venture with Universal for our Orlando, Florida cafe and a reduced losses in our Lifestar US Joint Venture following the partial dissolution during 2006 as described in the footnotes to the financial statements.

Insurance Proceeds, net. Insurance proceeds, net of \$6.6 million and \$4.3 million for fiscal 2006 and fiscal 2005, respectively, relate to the Hard Rock Cafe and hotel retail store in Biloxi, the Hard Rock Cafe in New Orleans and the Hard Rock Cafe in London.

During 2005, the Hard Rock Café and hotel retail store in Biloxi were damaged as a result of Hurricane Katrina. We were covered by certain insurance policies that reimbursed us for, among other things, the rebuilding of the property, the replacement of memorabilia, and the recovery of anticipated lost profits. We recognized related insurance gains of \$4.2 million and \$0.8 million during fiscal 2006 and fiscal 2005, respectively.

During 2005, we were forced to temporarily close the Hard Rock Cafe in New Orleans due to Hurricane Katrina. We received insurance proceeds of \$0.5 million during fiscal 2006 relating to the recovery of lost profits during the time the cafe was closed.

During July 2005, the Hard Rock Cafe in London experienced a fire and consequently had to temporarily cease operations, reopening in October 2005. Pursuant to certain of our insurance policies, we were reimbursed for, among other things, the rebuilding of leasehold improvements, the replacement of damaged equipment, and the recovery of losses in inventory and lost profits during the time the cafe was closed. We recognized related insurance gains of \$1.9 million and \$3.5 million during fiscal 2006 and fiscal 2005, respectively.

Interest Income. Interest income of \$0.2 million for fiscal 2006 relates to income earned on our cash balance, compared to \$0.1 million generated in fiscal 2005.

Interest Expense. Interest expense for fiscal 2006 of \$2.0 million was consistent with net interest expense of \$1.9 million for fiscal 2005.

ATTACHMENT

60044963
L070000 10019

The table below sets forth the components of our capital expenditures for fiscal years 2007, 2006 and 2005 respectively. Capital expenditures for 2007 were substantially higher compared to the prior years due primarily to the development of our new Boston and Biloxi cafes which opened during the year. Development expense in fiscal 2006 was lower than our typical expenditures as we had no new cafe openings in 2006.

Expenditure Category:

	Fiscal Year Ended		
	2007	2006	2005
Maintenance capital	17.7	15.3	9.3
Development capital	15.5	2.0	14.6
Total capital expenditures	33.2	17.3	23.9

Net cash flows provided by (used in) financing activities were \$1,030.9 million, (\$23.9) million, and (\$77.9) million for fiscal 2007, 2006 and 2005, respectively. Equity and debt financing received as part of the Acquisition were our principal financing activities for fiscal year 2007, and payments to Rank were our principal financing activities for fiscal years 2006 and 2005.

Cash flows from financing activities for fiscal 2007 include inflows of \$531.9 million received as a capital contribution, \$525.0 million inflow from the issuance of our Senior Secured Notes, and \$19.6 million outflow for financing costs related to the issuance of the Senior Secured Notes and our credit facility. These funds were primarily used to finance the purchase of the Predecessor. Our Predecessor's net borrowings from its parent are classified as financing activities for the periods presented.

Our strong cash position at the end of fiscal year 2007 is the result of our operational performance, combined with the one-time effect of our sale of the Dallas cafe property, proceeds from the sale of the Paramount Hotel, and one-time royalty fees received from our Biloxi and San Diego hotels, offset by the effect of bond interest payments in lieu of repatriating excess cash to the Predecessor Parent. For the foreseeable future, we anticipate funding our future capital needs from a combination of cash flows from operations and borrowings from our \$25.0 million credit facility, as needed.

Commitments and Contractual Obligations

The following table discloses aggregate information about our future contractual cash obligations, as of December 30, 2007:

	Total	Fiscal Years			
		2008	2009-2010	2011-2012	After 2012
Long-term debt (a)	779.8	40.5	81.0	81.0	577.3
FIN 48 Obligation (b)	2.9	2.9	-	-	-
Operating leases	255.6	29.2	54.5	47.6	124.3
Capital leases (c)	15.6	2.3	4.6	4.2	4.5
Total contractual obligations	1,053.9	74.9	140.1	132.8	706.1

(a) Reflects estimated future interest payments on the Senior Secured Notes at an assumed interest rate of 7.8%.

(b) Reflects unrealized tax obligations including in total current liabilities in the financial statements included in Part II of this report.

ATTACHMENT

60044962
L07000010019

Inflation

Inflationary factors such as increases in food and labor costs directly affect our operations. Most of our employees are paid on an hourly basis with certain classes of employees, including servers and bussers, are paid at a rate equal to federal and state minimum wage amounts. Recently enacted federal law changes will increase minimum wage rates over the next decade causing incremental labor costs for these classes of employees. The impact of these wage increases did not have a material effect on our results for fiscal 2007, but may impact our results in future years if we are unable to pass these incremental costs on to the end consumer.

[Remainder of Page Intentionally Left Blank]

ATTACHMENT

60044962
#L07000010019

States of America (or "U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Our significant accounting policies are described in Note 1 in the audited combined financial statements included elsewhere in this annual report. The following policies could be deemed critical and require us to make judgments and estimates:

Revenue Recognition. Restaurant and merchandise sales from our company owned and operated cafes are recognized when payment is tendered at the time of sale. Franchise and license royalties are recognized when they are due on a monthly basis. We recognize the initial, non-refundable fees received from franchisees and licensees as revenue when we have performed substantially all related initial services required by the franchise or license agreement, which may include consulting regarding site selections, purchasing, construction, creative or interior design. Memorabilia lease income is recognized over the lease term in accordance with the agreement.

Provision for Uncollectible Receivables. Our receivable balances principally consist of amounts billed and currently due from franchisees. We monitor the financial condition of our franchisees and initially estimate a provision for uncollectible franchise receivables based upon the overall aging of the receivables and historical bad debt experience. This estimate is periodically adjusted when we become aware of a specific franchisee's inability to meet its financial obligations. While we use the best information available in making this determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control.

Inventory Valuation. The cost of our inventories is determined by the moving average cost method. We evaluate our inventory value at the end of each reporting period to ensure that it is carried at the lower of cost or market. This evaluation is based upon an analysis of the aging of our inventory, historical product sales and forecasted sales in addition to consideration for any other specific conditions that may impact the value of our inventory.

Impairment of Long-Lived Assets Other than Goodwill. Long-lived assets, including property and equipment and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, which is generally at the cafe level. If such assets are determined to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined based on an estimate of discounted future cash flows. Our judgments regarding the existence of impairment indicators are based on market and operational performance. Evaluating potential impairment also requires us to estimate future operating results and cash flows. Accordingly, actual results could vary significantly from our estimates.

Goodwill and Unamortized Intangible Assets. On an annual basis, or sooner if impairment indicators exist, we assess the carrying value of goodwill and indefinite-lived intangible assets by reviewing the fair value of the underlying net assets on a reporting unit basis. The approach to the valuation of goodwill and unamortized intangible assets is outlined in SFAS 142, "Goodwill and Other Intangible Assets," and requires the use of valuation techniques utilizing estimates and assumptions about projected future operating results and other variables, including the selection of the appropriate discount rate to be used in the fair value calculation. If the carrying amount of an operating segment

ATTACHMENT

60044962
L07000010019

financial reports. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R cannot be applied before that date. This standard will not have a material impact on the Company's combined financial statements. A significant impact may, however, result from any future business acquisitions. The amounts of such impact will depend upon the nature and terms of such future acquisitions, if any.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 does not mandate, but permits companies to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option is elected to be reported in earnings. SFAS 159 is effective for the Company for the first quarter of its fiscal year 2008, although earlier adoption is permitted provided certain conditions are met. The adoption of this standard is not expected to have a material impact on the Company's combined financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The standard is not expected to have a material impact on the Company's combined financial statements.

ATTACHMENT

60044963
#L07000010019

**Seminole Hard Rock Entertainment, Inc.
and Seminole Hard Rock International, LLC**

Combined Financial Statements for the Forty-Three Weeks Ended
December 30, 2007

Hard Rock International

Combined Financial Statements for the Nine Weeks Ended March 4,
2007 and Fiscal Years Ended December 31, 2006 and
December 25, 2005

ATTACHMENT

Deloitte.

60044962
L07000010019

Deloitte & Touche LLP
Certified Public Accountants
Suite 400
200 South Biscayne Boulevard
Miami, FL 33131-2310
USA

Tel: +1 305 372 3100
Fax: +1 305 372 3160
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
Seminole Hard Rock Entertainment, Inc. and
Seminole Hard Rock International, LLC
Hollywood, FL

We have audited the accompanying combined balance sheet of Seminole Hard Rock Entertainment, Inc. and subsidiaries ("SHRE") and Seminole Hard Rock International, LLC and subsidiaries ("SHRI", and collectively with SHRE, the "Company"), a blended component unit of the Seminole Tribe of Florida both of which are under common ownership and common management, as of December 30, 2007, and the related combined statements of operations, capital and comprehensive income, and cash flows for the forty-three week period then ended. We have also audited the combined statements of operations, capital and comprehensive income (loss), and cash flows of the Predecessor, as defined in Note 1, for the nine week period ended March 4, 2007. These financial statements are the responsibility of the Company's and the Predecessor's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Predecessor for the years ended December 31, 2006 and December 25, 2005, were audited by other auditors whose report, dated May 15, 2007, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2007, and the results of their operations and their cash flows for the forty-three week period ended December 30, 2007 and the results of operations and cash flows of the Predecessor for the nine week period ended March 4, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company acquired the Predecessor on March 5, 2007, which resulted in the assets acquired and liabilities assumed, from the Predecessor, being recorded at estimated fair values at the date of acquisition. Accordingly, the combined financial statements of the Company are not comparable to the combined financial statements of the Predecessor.

As discussed in Note 1, on March 5, 2007 SHRE and SHRI, which are indirect wholly-owned subsidiaries of Seminole HR Holdings, LLC, an entity controlled by the Seminole Tribe of Florida, completed their

ATTACHMENT

60044962

07000010019

Seminole Hard Rock Entertainment, Inc. # 07000010019 Seminole Hard Rock International, LLC, and Hard Rock International Combined Statements of Operations

(amounts in millions)

	Company		Predecessor	
	Forty-three Weeks Ended December 30, 2007	Nine Weeks Ended March 4, 2007	Fiscal Year Ended December 31, 2006	Fiscal Year Ended December 25, 2005
Revenues				
Company cafe operations	\$ 402.2	\$ 59.1	\$ 391.0	\$ 355.9
Franchise operations	14.7	2.2	15.5	11.7
Hotels	9.2	0.9	4.8	4.1
Casinos (including \$19.5, \$4.0, \$23.2, and \$18.6 million from affiliates, respectively)	24.3	4.0	23.2	18.6
Other operations	5.7	0.9	5.5	7.5
Total revenues	456.1	67.1	440.0	397.8
Operating costs and expenses				
Restaurant and merchandise costs	106.2	16.2	103.3	98.6
Labor	101.6	17.6	101.9	94.5
Other operating expenses	108.3	20.7	106.3	97.7
Cost of sales of Company cafe operations and other operations (exclusive of depreciation and amortization, shown separately below)	316.1	54.5	311.5	290.8
Marketing and advertising	20.7	3.7	17.6	12.5
General and administrative	31.8	6.2	32.6	27.9
Depreciation and amortization	46.9	4.2	21.4	22.5
Loss on impairment and other provisions	-	-	5.2	(0.3)
Acquisition-related expenses	0.5	-	-	-
Pre-opening costs	1.3	-	-	1.6
Total operating costs and expenses	417.3	68.6	388.3	355.0
Operating income (loss)	38.8	(1.5)	51.7	42.8
Other income (expense), net				
Equity earnings in non-consolidated investments	5.2	0.6	6.1	6.5
Insurance proceeds, net	-	-	6.6	4.3
Interest income	1.8	0.1	0.2	0.1
Interest expense	(37.0)	(0.3)	(2.0)	(1.9)
Interest income (expense) with Predecessor's parent, net	-	(1.0)	(0.3)	1.6
Other	0.1	-	-	-
Total other income (expense), net	(29.9)	(0.6)	10.6	10.6
Income (loss) before income taxes	8.9	(2.1)	62.3	53.4
Benefit (provision) for income taxes	(4.2)	0.7	45.4	(5.5)
Income (loss) from continuing operations	4.7	(1.4)	107.7	47.9
Loss from discontinued operations, net of tax	(2.1)	(0.5)	(1.9)	(0.7)
Net income (loss)	\$ 2.6	\$ (1.9)	\$ 105.8	\$ 47.2

The accompanying notes are an integral part of these combined financial statements.

ATTACHMENT

60044962

#L07000010019

Seminole Hard Rock Entertainment, Inc., Seminole Hard Rock International, LLC, and Hard Rock International Combined Statements of Capital and Comprehensive Income (Loss)

(amounts in millions)

Company Statement of Capital and Comprehensive Income

	Company's Net Investment	Retained Earnings and Members Interest	Accumulated Other Comprehensive Income	Total Capital
Capital contribution on March 5, 2007	\$ 531.9	\$ -	\$ -	\$ 531.9
Comprehensive income:				
Net income	-	2.6	-	2.6
Other comprehensive income:				
Foreign currency translation adjustment	-	-	13.3	13.3
Change in fair value of cash flow hedge, net of taxes of \$1.0 million	-	-	2.0	2.0
Total - comprehensive income				17.9
Balance at December 30, 2007	<u>\$ 531.9</u>	<u>\$ 2.6</u>	<u>\$ 15.3</u>	<u>\$ 549.8</u>

The accompanying notes are an integral part of these combined financial statements.

ATTACHMENT

Seminole Hard Rock Entertainment, Inc., # 60044962 Seminole Hard Rock International, LLC and Hard Rock International Combined Statements of Cash Flows

(amounts in millions)

	Company		Predecessor	
	Forty-Three	Nine Weeks	Fiscal Year	Fiscal Year
	Weeks Ended	Ended	Ended	Ended
	December 30,	March 4,	December	December
	2007	2007	31, 2006	25, 2005
Cash flows from operating activities				
Net income (loss)	\$ 2.6	\$ (1.9)	\$ 105.8	\$ 47.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	47.3	4.3	21.9	23.2
Amortization of debt issuance costs	2.4	-	-	-
Gain on insurance settlement	-	-	(6.6)	(4.3)
Equity earnings in nonconsolidated investments	(5.2)	(0.6)	(6.1)	(6.5)
Loss on disposal, impairment and other provisions	0.1	-	5.2	1.1
Deferred income taxes	(2.2)	(2.5)	(66.7)	0.2
Other	-	0.1	0.6	0.1
Distributions of earnings from nonconsolidated investments	9.5	0.3	19.3	5.8
Changes in assets and liabilities, net of acquisition:				
Receivables	(1.2)	1.9	(1.1)	1.4
Inventories	1.5	0.7	(2.7)	(1.7)
Prepaid expenses and other current assets	(0.8)	(0.4)	6.0	(8.8)
Other assets	(0.4)	-	0.4	0.3
Accounts payable	0.3	(3.8)	1.8	1.9
Accrued and other current liabilities	3.9	(2.7)	2.0	9.0
Noncurrent liabilities	(1.6)	(1.6)	(2.3)	(4.9)
Net cash provided by (used in) operating activities	56.2	(6.2)	77.5	64.0
Cash flows from investing activities				
Capital expenditures	(28.3)	(4.9)	(17.3)	(23.9)
Insurance proceeds	-	-	7.2	8.5
Purchase of cafe and hotel rights	-	-	(17.5)	-
Investments in partnerships and joint ventures	-	-	(0.2)	(8.2)
Proceeds from dissolution of Lifestar Espana	-	-	8.6	-
Proceeds from refinancing of equity investment	-	-	-	33.6
Acquisition of joint ventures	-	-	(23.1)	-
Acquisition of Predecessor, net of cash acquired	(1,007.4)	-	-	-
Proceeds from sale of assets	3.8	-	-	-
Return of investment by equity investee	14.2	-	-	-
Net cash provided by (used in) investing activities	(1,017.7)	(4.9)	(42.3)	10.0

Continued on next page

The accompanying notes are an integral part of these combined financial statements.

ATTACHMENT

Seminole Hard Rock Entertainment, Inc., ~~60044962~~ Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements ~~#L07000010019~~

1. Description of Business and Summary of Significant Accounting Policies

Organization

Seminole Hard Rock Entertainment, Inc ("SHRE") and Seminole Hard Rock International, LLC ("SHRI") and subsidiaries (collectively the "Company") is an entertainment company that commenced operations on March 5, 2007 when it completed its purchase (the "Acquisition") of the combined business of Hard Rock International (USA) Inc., Hard Rock International Ltd. and their affiliated entities that owned and operated the Hard Rock business. We refer to such entities that owned and operated the Hard Rock business prior to the acquisition as the "Predecessor". The Predecessor was wholly-owned by The Rank Group Plc ("Rank") through March 4, 2007. As of December 30, 2007, SHRE and SHRI were wholly-owned subsidiaries of Seminole HR Holdings, LLC, which is ultimately wholly-owned by the Seminole Tribe of Florida ("the Tribe").

The Company owns and operates 62 Hard Rock cafes located throughout the United States, Europe, Canada, Australia, and the Caribbean and has 61 Hard Rock cafe franchises located throughout Asia, Europe, Mexico, the Middle East, South America, the Caribbean, Canada, and the Pacific. The Company also has five Hard Rock Hotel and three Hard Rock Hotel and Casino franchises in both domestic and international markets, in addition to a Music Park franchise currently in development in Myrtle Beach, South Carolina. The cafe and franchise location counts are as of December 30, 2007. The corporate offices are located in Orlando, Florida.

Basis of Combination and Presentation

The combined financial statements of the Company presented herein include all the accounts of the Company beginning with its commencement of operations on March 5, 2007. Prior to that time, the combined financial statements are those of the Predecessor. The combined financial statements of the Company and its Predecessor are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Tribe is a federally-recognized Indian tribe organized under the Indian Reorganization Act of 1934, as amended, which prepares its financial statements, including the accounts of Seminole HR Holdings, LLC, a blended component unit of the Tribe, in accordance with pronouncements issued by the Governmental Accounting Standards Board ("GASB"), whereas the accompanying combined financial statements have been prepared in accordance with pronouncements issued by the Financial Accounting Standards Board ("FASB"). There are differences between financial statements prepared in accordance with GASB pronouncements and those prepared in accordance with FASB pronouncements.

The statements of revenues, expenses and changes in net assets under GASB pronouncements embody an all-inclusive change in net assets. FASB pronouncements require a statement of operations and a separate statement of capital and comprehensive income, detailing operating transfers to and from owners and changes in components in other comprehensive income. Other primary differences of the FASB and GASB pronouncements as they relate to the Company include the following:

- FASB requires discontinued operations to be presented net of tax and below income from continuing operations while GASB requires revenues, total operating expenses and gains or losses from discontinued operations to be presented as separate line items within the relevant sections of the statement of revenues, expenses and changes in net assets;
- FASB requires rental expense from operating leases to be recognized on a straight-line basis over the term of the lease, whereas GASB requires rental expense to be recognized based on the contractual terms of the lease;

ATTACHMENT

Seminole Hard Rock Entertainment, Inc, Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

60044962

#L07000010019

Predecessor's free cash flow and from the impact of other activities between the Predecessor and Rank. Interest associated with amounts due from Rank has been reflected in the combined statements of operations within interest expense (income) with parent, net.

The combined financial statements included herein are not necessarily indicative of the financial position, results of operations or cash flows the Predecessor would have achieved had the Predecessor operated as a separate, stand-alone entity during the periods presented, nor are they necessarily indicative of the financial position, results of operations or cash flows the Company may be able to achieve in future periods.

Fiscal Year

The fiscal year of the Company and its Predecessor ends on the last Sunday in December. The results of the Company have been reported for the forty-three weeks ended December 30, 2007. The Predecessor's results have been reported for the nine weeks ended March 4, 2007 and the 53- and 52-week periods ended December 31, 2006 and December 25, 2005, respectively.

Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and certain financial statement disclosures. Significant estimates in these combined financial statements include allowances for doubtful accounts receivable, net realizable value of inventories, valuation and useful lives of long-lived tangible and intangible assets, the evaluation of impairments of property, provisions for uninsured losses, closure reserves, income tax liabilities for uncertain tax positions and deferred tax asset valuation allowances. Future results could be materially affected if actual results differ from those estimates and assumptions.

Cash and Cash Equivalents

Cash and cash equivalents include cash, deposits and liquid short-term investments that have a maturity of three months or less when purchased. Amounts receivable from banks for third-party credit card and debit card transactions are also considered cash equivalents because they are both short-term and highly liquid in nature and are typically converted to cash generally within three days of the sales transaction. Amounts due from banks for cash transactions totaled \$6.0 million and \$4.5 million at December 30, 2007 and December 31, 2006, respectively.

Receivables, Net

Receivables, net consist principally of amounts billed and currently due from franchisees less a provision for uncollectible receivables. The Company and its Predecessor monitor the financial condition of franchisees and estimates a provision for uncollectible franchise receivables based upon the overall aging of the receivables and historical bad debt experience. This estimate is periodically adjusted when the Company or its Predecessor becomes aware of a specific franchisee's inability to meet its financial obligations. While the best information available is used in making this determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond the control of the Company or its Predecessor. At December 30, 2007 and December 31, 2006, provisions for uncollectible franchise receivables totaled \$0.3 million. Receivables, net also includes amounts due from related parties (Note 21).

Inventories

Inventories consist of merchandise, food, beverages and supplies and are carried at the lower of cost or market. The cost of inventories is determined by the moving average cost method. The Company and its Predecessor evaluate inventory value at the end of each reporting period to ensure that it is carried at the

ATTACHMENT

600 44962

Seminole Hard Rock Entertainment, Inc, #LO7000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

Other Intangible Assets, Net

Other intangible assets, net consists of franchise and license contracts, favorable lease arrangements and capitalized software. Franchise and license assets are amortized on a straight-line basis over the average remaining useful life for the corresponding contracts which approximate 17 years for franchise contracts and 24 to 27 years for license contracts. Favorable lease assets are amortized based on the respective terms of the leases including periods covered by options that the Company expects to exercise. Our capitalized software is amortized on a straight-line basis over the estimated useful life of the software, ranging from three to five years. The Predecessor's intangible assets primarily comprised of franchise buyback costs and capitalized software. Franchise buyback costs represented the Predecessor's cost to repurchase territories previously licensed to third parties. These costs were capitalized and amortized over the remaining period of the acquired franchise/license agreements as if the territories were still held.

Debt Issuance Costs

Debt issuance costs are amortized as interest expense over the life of the respective debt on a straight-line basis which approximates the effective interest method.

Impairment of Long-Lived Assets Other than Goodwill

Long-lived assets, including property and equipment and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, which is generally at the cash level. If such assets are determined to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined based on an estimate of discounted future cash flows. Judgments by the Company and its Predecessor regarding the existence of impairment indicators are based on market and operational performance. Evaluating potential impairment also requires the Company and its Predecessor to estimate future operating results and cash flows. Accordingly, actual results could vary significantly from these estimates. No impairment loss was recognized for any of the periods presented.

Discontinued Operations

A business component that has either been disposed of or that is classified as held for sale is reported as a discontinued operation if the operations and cash flows of the component have been or will be eliminated from ongoing operations and there no longer remains any significant continuing involvement in the business component. The results of operations for discontinued operations through the date of closure, including any gain or loss on disposition, are aggregated and presented as loss from discontinued operations, net of tax, in the combined statements of operations.

Deferred Revenue

Deferred revenue represents the Company's and Predecessor's obligation for gift cards that have been sold but not yet redeemed, as well as the obligation for amounts under its All Access loyalty program for benefits that have not yet been used. When gift cards are redeemed, or when benefits under the program are utilized, the Company recognizes cash sales and reduces the deferred revenue balance. Gift cards do not have an expiration date. The All Access loyalty program benefits expire after twenty-four months of inactivity.

Leases

The Company and its Predecessor account for leases under the provisions of FASB Statement No. 13, *Accounting for Leases* and subsequent amendments, which require that the leases be evaluated and

ATTACHMENT

Seminole Hard Rock Entertainment, Inc., Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

60044962
L07000010019

Revenues generated from restaurant and merchandise sales are recognized when payment is tendered at the time of sale. Sales returns have been insignificant on a historical basis.

The Company and its Predecessor execute franchise or license agreements, which set out the terms of the arrangement with the franchisee or licensee. The agreements typically require the franchisee or licensee to pay an initial, non-refundable fee and continuing royalty fees and a marketing contribution based upon a percentage of sales. Neither the Company nor its Predecessor is required to perform any services for the ongoing royalties and marketing contribution, and therefore these royalties are recognized when they are due from the franchisees on a monthly basis. In accordance with the agreements, royalty revenues are payable in U.S. dollars.

The initial, non-refundable fees received from a franchisee or licensee are recognized as revenue when the Company or its Predecessor have performed substantially all related initial services required by the franchise agreement, which may include consulting regarding site selection, purchasing, construction, creative or interior design. Franchise fees for multiple area development agreements represent the aggregate of franchise fees for the number of locations in the area being developed and are recorded as deferred income when received and recognized to revenue when all related initial services have been performed.

Memorabilia is leased to franchisees and licensees for use in their operations. Memorabilia lease income is recognized over the lease term in accordance with the agreement.

The Company records revenues net of corresponding sales taxes.

At December 30, 2007, the Company owned and operated 62 cafes and had 61 franchise cafes and five branded hotel and three hotel-casino franchises. During fiscal year 2007, the Company's five largest franchisees/licensees accounted for approximately 68% of franchise royalties. At the end of fiscal years 2006 and 2005, the Predecessor owned and operated 67 cafes and had 56 franchise cafes, respectively. The Predecessor had seven hotel and two hotel-casino franchises for fiscal years 2006 and 2005.

Restaurant and Merchandise Costs

Restaurant and merchandise costs include inventory, warehousing and related purchasing and distribution costs. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of these costs as earned in accordance with the underlying agreement with the vendor and completion of the earning process. Vendor agreements are generally for a period of one year or more and payments received are initially recorded as long-term liabilities. Amounts which are expected to be earned within one year are recorded as a current liability.

Marketing and Advertising

Marketing and advertising costs primarily include print, coupons and other promotional items and activities. The costs of marketing programs and promotions are charged to operations in the fiscal period incurred. Marketing and advertising costs included in continuing operations totaled \$20.7 million, \$3.7 million, \$17.6 million and \$12.5 million during the forty-three week period ended December 30, 2007, nine-week period ended March 4, 2007, fiscal year 2006, and fiscal year 2005, respectively.

Acquisition-related Expenses

Acquisition-related expenses are internal costs and public relations efforts directly related to the Acquisition that do not qualify for capitalization.

ATTACHMENT

60044962

Seminole Hard Rock Entertainment, Inc, # LO7000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

Reporting and Foreign Currency

The reporting currency of the Company and its Predecessor is the U.S. dollar, and therefore the accompanying combined financial statements are presented in U.S. dollars.

Assets and liabilities denominated in foreign currency are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. Translation gains and losses have been recorded as a component of capital. Translation gains (losses) totaled \$13.3 million, \$0.2 million, \$6.4 million and (\$5.3) million during the forty-three week period ended December 30, 2007, nine-week period ended March 4, 2007, and fiscal years 2006 and 2005, respectively. Net losses (gains) from foreign currency transactions, which amounted to (\$1.0) million, \$0.1 million, \$0 and \$1.4 million, are included in the combined statements of operations within other operating expenses for the forty-three-week period ended December 30, 2007, nine-week period ended March 4, 2007, and fiscal years 2006 and 2005, respectively.

Derivative Instruments

The Company recognizes derivative instruments as either assets or liabilities in its Balance Sheet and measures those instruments at fair value subject to the guidance in SFAS No.133 "Accounting for Derivative Instruments and Hedging Activities. The Company utilizes an interest rate swap (the "swap"), to convert a portion of its floating rate long term debt to fixed rate debt. Changes in fair value of the swap resulting from changes in market interest rates are recorded as a component of other comprehensive income to the extent of the effectiveness of the hedge. Any ineffective portion of the change in fair value of the swap is included in the combined statements of operations.

Comprehensive Income

Comprehensive income includes net income and other comprehensive income items that are excluded from net income under U.S. GAAP. Other comprehensive income includes foreign currency translation adjustments and, for the forty-three weeks ended December 30, 2007,, the change in fair value of an interest rate swap used to partially hedge the Company's floating rate debt (Note 13). For fiscal year 2005, other comprehensive income includes the Predecessor's equity share of the change in fair value of a cash flow hedge maintained by Universal Rank Hotel Partnership ("URHP"), an investment entity (Note 7). The interest rate swap entered into by URHP was settled during 2005 in conjunction with the refinancing of its variable-rate credit agreement.

The components of accumulated other comprehensive income as of December 30, 2007 and December 31, 2006 are as follows:

(amounts in millions)

	Company 2007	Predecessor 2006
Cumulative foreign currency translation adjustments	\$ 13.3	\$ 28.8
Fair value of cash flow hedge, net of tax	\$ 2.0	-
	<u>\$ 15.3</u>	<u>\$ 28.8</u>

Stock-Based Compensation

The Company did not have any stock-based compensation plans in effect during the forty-three week period ended December 30, 2007. Effective January 1, 2008, SHRE established an Equity Appreciation Rights Plan which provides for the issuance of cash-based awards to employees of SHRE and its related entities.

ATTACHMENT

Seminole Hard Rock Entertainment, Inc, Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The standard is not expected to have a material impact on the Company's combined financial statements.

Reclassifications

Certain prior year amounts have been reclassified in the combined financial statements of the Company and its Predecessor to conform to the current year presentation.

2. Acquisition of Hard Rock International

On March 5, 2007, the Company acquired all of the outstanding shares of the Predecessor for approximately \$1,007.4 million, net of cash acquired of \$12.6 million and including acquisition costs of approximately \$14.4 million. The primary reason for the acquisition was to gain strategic control over the Hard Rock brands. The Acquisition was financed by a capital contribution of \$531.9 million from the Tribe (Note 14) and the issuance by the Company of \$525.0 million in floating rate Senior Secured Notes maturing 2014 (Note 13).

The acquisition cost is subject to finalization of certain post-closing adjustments due to ongoing arbitration with the Predecessor's former parent, in accordance with the Stock Purchase Agreement dated December 6, 2006; any resulting adjustments would result in an adjustment to the purchase price and therefore goodwill. The acquisition cost has been allocated to the assets acquired and the liabilities assumed based on their respective fair values in accordance with SFAS 141, *Business Combinations*. Goodwill, none of which is deductible for tax purposes, and other intangibles recorded in connection with the Acquisition totaled \$310.4 million and \$588.9 million, respectively. Goodwill recognized in the Acquisition is attributed primarily to historical operating performance and expected future growth of the brand and has been allocated approximately \$164.4 million to Company Cafe Operations, \$23.0 million to Franchise Operations, \$52.0 million to Hotel, and \$71.0 million to Casino segments based on the relative business enterprise values of the corresponding segments. Changes in the goodwill balance between the Acquisition date and December 30, 2007 are due to net unrealized foreign exchange translation gains. Of the \$588.9 million acquired identifiable intangible assets, \$285.6 million was assigned to trade names, which were determined to have indefinite useful lives. Of the remaining balance of intangible assets acquired, \$202.1 million was assigned to license agreements; \$47 million was assigned to franchise agreements and \$54.2 million to favorable lease agreements, respectively. Licenses are being amortized over 24-27 years, franchise agreements over 17 years and the off-market leases over the lease terms, respectively. Unfavorable leases were assigned a value of \$4.8 million and are included as a component of other liabilities which will be amortized to other operating expenses over the terms of the corresponding leases. In valuing the franchise and license contracts in existence at the acquisition date, the Company assumed that the majority of option periods would be exercised by the franchisee or licensee, which is consistent with historical experience. The estimated deferred tax liability of \$185.1 million attributed to these assets is included in the "liabilities assumed" caption in the table below. Amortization expense and accumulated amortization associated with license and franchise agreements was \$8.7 million for the forty-three weeks ended December 30, 2007. Amortization expense and accumulated amortization of the favorable lease agreements was \$3.6 million for the forty-three weeks ended December 30, 2007. The Company has estimated that the annual amortization of these assets will be approximately \$12.4 million, with an estimated weighted-average life of 24 years. The estimated aggregate annual amortization

ATTACHMENT

16044962

L070000 10019

Seminole Hard Rock Entertainment, Inc., Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

Franchise Operations

As of December 30, 2007, Franchise Operations revenues include royalty and related fee income earned based on revenues generated from food, beverage and merchandise sales at the Company's 61 franchised cafes and a franchised Hard Rock Live music venue. Any initial, non-refundable fees received from a franchisee are recognized as income after the Company and its Predecessor have performed substantially all related initial services required by the franchise agreement which is typically upon opening of the franchise cafe. In fiscal year 2006, non-refundable fee income included \$1.0 million from a Hard Rock Music Park franchise located in Myrtle Beach, which is expected to open in 2008. In addition, memorabilia lease income is earned from leasing memorabilia to franchised cafes.

Hotels

As of December 30, 2007, Hotels revenues include royalty and related fee income earned based on revenues generated from licensing of the Hard Rock brand to the five Hard Rock hotels and technical services fees earned during the development of new hotel projects prior to opening. Memorabilia lease income is earned from the leasing of memorabilia to franchised hotels. Additionally, Hotels segment profit includes equity income earned from hotel equity investments.

Casinos

As of December 30, 2007, Casino revenues are generated from the licensing of the Hard Rock brand to the three Hard Rock hotel and casino franchises. Memorabilia lease income is earned from leasing of memorabilia to the franchised casinos.

Other Operations

As of December 30, 2007, Other Operations includes merchandise revenues earned from five hotel retail stores, the online merchandise store and one retail outlet store.

Corporate overhead and sales and marketing expenses not allocated to the operating segments are included in "corporate unallocated expenses" and consist of head office support costs in areas such as facilities, food and retail purchasing, finance, human resources, information technology, legal, marketing, training and corporate depreciation. Corporate assets include cash and cash equivalents, memorabilia, head office fixtures, capitalized software, and deferred income taxes.

The following tables present financial information of the Company and its Predecessor by reportable segment:

ATTACHMENT

10044962

Seminole Hard Rock Entertainment, Inc, Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

#L07000610019

Foreign revenues included in continuing operations were \$151.0 million, \$20.2 million, \$144.7 million, and \$125.5 million for the forty-three week period ended December 30, 2007, for the nine-week period ended March 4, 2007, and in fiscal 2006 and fiscal 2005, respectively. Of these amounts, \$132.4 million, \$17.5 million, \$125.6 million, and \$110.2 million, for those periods respectively, are relating to European operations. Revenues from Company Cafe Operations and Other Operations reportable segments are attributed to countries based on the location of the operations. Revenues from the Franchise Operations and Casinos reportable segments are attributed to the countries in which the respective entities holding the Hard Rock trademark rights are domiciled.

Long-lived assets are principally located within the United States. Long-lived assets located outside of the United States totaled \$47.2 million and \$44.7 million as of December 30, 2007 and December 31, 2006, respectively, with \$43.0 million and \$40.8 million, respectively, relating to European operations.

No customers account individually for 10% or more of the Company's or Predecessor's revenues.

4. Inventories

Inventories consist of merchandise, food, beverages and supplies and are carried at the lower of cost or market. The cost of inventories is determined by the moving average cost method. The Company and its Predecessor evaluates inventory value at the end of each reporting period to ensure that it is carried at the lower of cost or market. This evaluation is based upon an analysis of the aging of inventory, historical product sales and forecasted sales as well as consideration for any other specific conditions that may impact the value of inventory. As of December 30, 2007 and December 31, 2006, the inventory balance consists of the following:

(amounts in millions)

	<u>Company</u> <u>2007</u>	<u>Predecessor</u> <u>2006</u>
Merchandise	\$ 18.7	\$ 21.0
Food and beverage	2.7	2.8
Restaurant supplies	2.2	1.9
Inventories	<u>\$ 23.6</u>	<u>\$ 25.7</u>

The merchandise inventory balances as of December 30, 2007 and December 31, 2006 are net of inventory allowances of \$1.7 million and \$1.2 million, respectively.

ATTACHMENT

Seminole Hard Rock Entertainment, Inc, Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

60044962

L07000010019

7. Investments

Investments are comprised of the following, as at December 30, 2007 and December 31, 2006:

(amounts in millions)

	Ownership	Segment	Company 2007	Predecessor 2006
Lifestar U.S. Joint Venture	50.0%	Hotels	\$ 1.3	\$ 4.8
Universal Rank Hotel Partnership	49.6%	Hotels	49.7	4.7
Hard Rock Hotel Chicago	15.9%	Hotels	7.3	7.5
Investments			<u>\$ 58.3</u>	<u>\$ 17.0</u>

Differences, if any, between the carrying value and underlying equity in net assets of a venture are accounted for as if the investee was a consolidated subsidiary.

The Predecessor entered into a master joint venture agreement with Sol Melia Hotels and Resorts ("Sol Melia") in June 2003 to develop the Hard Rock Hotel concept throughout the Americas and Europe. From the master joint venture, the Predecessor formed two joint ventures with Sol Melia; Lifestar U.S. Joint Venture ("Lifestar") and Lifestar Espana Joint Venture ("Lifestar Espana"). These ventures were accounted for under the equity method of accounting, as the Predecessor has a 50% equity interest and share of control with Sol Melia. Under the master joint venture agreement, the Predecessor assigned its interest in the franchise royalties and technical assistance fees from HRH Chicago to Lifestar. Lifestar purchased a 35% equity interest in the Paramount Hotel ("Paramount") located in New York City in July 2004 with the intention to develop and operate the property as a Hard Rock Hotel.

During 2006, the Predecessor agreed with Sol Melia to a mutual termination of the Company's strategic alliance formed in 2003. Consequently, in July 2006, the Company entered into an agreement with Sol Melia to partially dissolve the relationship with them arising out of the master joint venture agreement leaving, as the only surviving project in the Lifestar U.S. joint venture, the Paramount Hotel located in New York City and dissolving the Lifestar Espana joint venture. In June 2007, Lifestar and its joint venture partner sold their investment in the Paramount hotel. As this transaction was contemplated as part of the Acquisition transaction, the Company's net share of the gain of \$10.9 million was recorded as an adjustment to the fair value of its equity investment in the Lifestar U.S. Joint Venture within the Company's opening balance sheet at March 5, 2007. Lifestar distributed \$8.8 million in cash in June 2007, and an additional \$5.1 million in July 2007, with both amounts being recorded as a return of investment. The Company expects to receive additional distributions in subsequent periods which will reduce its investment balance as the ongoing liquidation of Lifestar Joint Venture continues.

The Company and its Predecessor earned royalties and technical assistance fees through Lifestar from the HRH Chicago, HRH San Diego, Copper Mountain and from the Paramount Hotel, which amounted to approximately \$0.2 million for the forty-three week period ended December 30, 2007. The Predecessor recorded royalties and technical service fees of \$0.1 million and \$1.2 million for the nine weeks ended March 4, 2007 and the fiscal year ended December 31, 2006, respectively. Receivables, net includes approximately \$2.3 million of amounts due from Lifestar at December 31, 2006, respectively. The Predecessor reserved \$1.9 million in their allowance for doubtful accounts relating to these receivables December 31, 2006. The Predecessor earned interest through Lifestar Espana, totaling \$0.4 million for fiscal year 2005.

60044962
07000010019

ATTACHMENT

**Seminole Hard Rock Entertainment, Inc.,
Seminole Hard Rock International, LLC, and Hard Rock International**
Notes to Combined Financial Statements

The investment in the Hard Rock Hotel Chicago ("HRH Chicago") is accounted for under the equity method in accordance with the provisions of EITF 03-16 "Accounting for Investments in Limited Liability Companies". Since the repurchase of rights from Lifestar, the Predecessor and Company earned royalties and technical assistance fees directly from HRH Chicago, which amounted to approximately \$1.2 million for the forty-three-week period ended December 30, 2007, with \$0.2 million included in receivables, net at December 30, 2007. During 2007, the Company received a \$2.1 million distribution from HRH Chicago relating to a development fee. The Company has reported \$1.8 million of this distribution in Hotel revenue, with the remaining \$0.3 million representing the portion of the development fee pertaining to the 15.9% ownership interest in this entity.

The equity in earnings of non-consolidated investments recognized in the combined statements of operations were as follows:

(amounts in millions)

	Company		Predecessor	
	Forty-Three Weeks Ended December 30, 2007	Nine Weeks Ended March 4, 2007	Fiscal Year Ended December 31, 2006	Fiscal Year Ended December 25, 2005
Universal Rank Hotel Partnership	\$ 5.0	\$ -	\$ 5.1	\$ 6.7
HR Florida Partners	-	-	3.1	2.3
HR / UC Joint Venture	-	-	0.2	0.1
Lifestar U.S. Joint Venture	-	0.6	(1.8)	(2.1)
Lifestar Espana Joint Venture	-	-	(0.5)	(0.5)
Hard Rock Hotel Chicago	0.2	-	-	-
Equity earnings in non-consolidated investments	\$ 5.2	\$ 0.6	\$ 6.1	\$ 6.5

8. Goodwill

Goodwill and indefinite-lived intangible assets are reviewed for impairment annually under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. The Company performs the review for impairment at the reporting unit level. The goodwill impairment assessment is completed by estimating the fair value of the reporting units and comparing these estimates with their carrying values. The Company's indefinite-lived asset impairment test involves a comparison of the estimated fair value of the intangible asset and its carrying value. Fair value of the reporting units is determined based on the discounted future cash flows expected to be generated in these reporting units. Due to the proximity of the Acquisition, an impairment test was not performed during the forty-three week period ended December 30, 2007, because there were no significant changes in the business subsequent to the acquisition date. (See Note 2).

The following table summarizes the changes in the carrying amount of goodwill of the Predecessor by reportable segment:

ATTACHMENT

60044962

Seminole Hard Rock Entertainment, Inc., # L07000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

remaining \$0.5 million payable in March 2008. The Hard Rock Hotel development rights in the Middle East were owned by the franchisee through July 2018. The rights purchased are reflected as franchise buyback costs within "other intangibles, net" in the combined balance sheets of the Predecessor.

In March 2006, the Predecessor purchased three Hard Rock cafes in Australia along with the Hard Rock Cafe and Hard Rock Hotel development rights in Australia for approximately \$3.3 million, including acquisition costs relating to the purchase. The three cafes and the cafe and hotel rights throughout Australia were owned through 2014, with three ten-year options to renew. The total cost of the acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values in accordance with SFAS No. 141, *Business Combinations*. Franchise buyback costs recorded in connection with this acquisition totaled \$2.9 million, with \$2.1 million and \$0.8 million assigned to the Franchise Operations and Hotels segments, respectively. Pro-forma results of operations reflecting this acquisition have not been presented because the corresponding results of operations are not material.

There were no franchise buybacks during the fiscal year 2005.

Amortization of other intangible assets, net totaled \$12.8 million, \$0.1 million, \$1.7 million and \$2.0 million during the forty-three-week period ended December 30, 2007, nine-week period ended March 4, 2007, fiscal year 2006, and fiscal year 2005, respectively. Accumulated amortization associated with other intangible assets, net totaled \$12.8 million and \$12.3 million as of December 30, 2007 and December 31, 2006, respectively.

Capitalized software development costs totaled \$1.5 million and \$1.5 million (net of accumulated amortization of \$0.5 million and \$12.3 million) as of December 30, 2007 and December 31, 2006, respectively. Amortization of capitalized software development costs totaled \$0.5 million, \$0.1 million, \$0.7 million and \$1.6 million during the forty-three week period ended December 30, 2007, nine-week period ended March 4, 2007, fiscal year 2006, and fiscal year 2005, respectively.

10. Impairment and Other Provisions

Cafe Asset and Franchise Rights Impairment

The Company and its Predecessor continually evaluate unfavorable cash flows, if any, related to underperforming cafes. Periodically it is concluded that certain properties have become impaired based on the existing and anticipated future economic outlook for such properties in their respective market areas. Consequently, the Company and its Predecessor record asset impairment charges representing the difference between the estimated fair values and carrying value for such cafe properties. Cafe asset impairment charges for fiscal years 2006 and 2005 relate to eight and five cafes, respectively, which are classified within the Company Cafe Operations segment. The Predecessor also recorded a franchise rights impairment of \$0.5 million in fiscal year 2006 related to one cafe as a result of sales declines, deterioration in cafe profitability, perceived continued deterioration of the market area and/or specific location, and management's lowered outlook for further opportunity and/or improvement in forecasted sales and profitability trends for such specific property. Assets that were impaired were primarily leasehold improvements and franchise rights.

Closure Costs and Cafe Relocation Costs

The Company and its Predecessor continually evaluate the operations and performance of its individual cafes and periodically identify cafes for potential closure or relocation. Concurrent with the Acquisition, the Company and its Predecessor evaluated the operations and performance of its individual cafes and identified cafes located in Birmingham, Leeds and Nottingham, England; and Melbourne and Sydney, Australia for closure. The results of operations for these are presented net of tax as discontinued

ATTACHMENT

60044962

Seminole Hard Rock Entertainment, Inc., #LO7000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

(amounts in millions)	December 25, 2005	Charged to		Utilized		December 31, 2006
		Goodwill	Costs	Cash	Non-Cash	
Provisions:						
Lease abandonment	\$ 6.4	\$ -	\$ 1.6	\$ (2.4)	\$ -	\$ 5.6
Other	1.5	-	0.4	(0.4)	(0.4)	1.1
Total - Provisions	\$ 7.9	\$ -	\$ 2.0	\$ (2.8)	\$ (0.4)	\$ 6.7

(amounts in millions)	December 31, 2006	Charged to		Utilized		March 4, 2007
		Goodwill	Costs	Cash	Non-Cash	
Provisions:						
Lease abandonment	\$ 5.6	\$ -	\$ -	\$ (0.4)	\$ -	\$ 5.2
Other	1.1	-	-	(0.1)	(0.1)	0.9
Total - Provisions	\$ 6.7	\$ -	\$ -	\$ (0.5)	\$ (0.1)	\$ 6.1

(amounts in millions)	March 4, 2007	Charged to		Utilized		December 30, 2007
		Goodwill	Costs	Cash	Non-Cash	
Provisions:						
Lease abandonment	\$ 5.2	\$ 2.6	\$ 0.2	\$ (3.4)		\$ 4.6
Other	0.9	0.7	-	(1.1)		0.5
Total - Provisions	\$ 6.1	\$ 3.3	\$ 0.2	\$ (4.5)	\$ -	\$ 5.1

11. Discontinued Operations

The Company and its Predecessor continually evaluate its cafes performance and periodically close or relocate underperforming cafes. Results from discontinued operations, including any gains or losses, are aggregated and presented as loss from discontinued operations, net of tax, in the combined statements of income.

Summary operating results for discontinued operations were as follows:

(amounts in millions)	Company		Predecessor	
	Forty-Three Weeks Ended December 30, 2007	Nine Weeks Ended March 4, 2007	Fiscal Year Ended December 31, 2006	Fiscal Year Ended December 25, 2005
Net sales	\$ 8.1	\$ 2.9	\$ 18.7	\$ 18.4
Loss before provision for income taxes	\$ (2.8)	\$ (0.5)	\$ (3.0)	\$ (1.1)
Provision for income taxes	0.7	-	1.1	0.4
Loss from discontinued operations, net of tax	\$ (2.1)	\$ (0.5)	\$ (1.9)	\$ (0.7)

Concurrent with the Acquisition, the Company and its Predecessor evaluated the operations and performance of its individual cafes and identified certain cafes for closure or relocation. For those cafes

ATTACHMENT

Seminole Hard Rock Entertainment, Inc., #L07000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

the interest payments under the Senior Notes Indenture agreement. The swap is marked to market each period end with changes in the value reported as a component of other comprehensive income (Note 15). The estimated fair value of the swap, based on quoted yield rates, is \$3.0 million on December 30, 2007 and is included as a component of "other assets". There was no ineffectiveness recorded in income during the forty-three weeks ended December 30, 2007.

On March 5, 2007, the Company entered into a credit agreement which provides the Company with a five-year, \$25.0 million senior secured revolving "Credit Facility" of which up to \$10.0 million may be committed in letters of credit and \$5.0 million may be funded through swing line loans. The credit agreement allows the Company to borrow at interest rates that vary based on a spread over (i) LIBOR or (ii) the adjusted base rate, calculated as the greater of the published Base Rate and the overnight federal funds rate plus 0.50%. The Company is obligated to pay a quarterly commitment fee in arrears equal to 0.5% per annum on the average daily-unused amount of the revolving commitment. Commitment fees calculated for the forty-three weeks ended December 30, 2007 are charged to "interest expense" (Note 17). The Company may reduce the unutilized portion of the Credit Facility or repay any borrowings drawn under the Credit Facility, in whole or in part, at any time without premium or penalty, subject to certain conditions. Advances under the Credit Facility are collateralized by substantially all of the Company's and its subsidiary guarantor's assets located in the U.S., on parity with the Senior Notes. As of December 30, 2007, the Company had no borrowings outstanding under the Credit Facility.

The credit agreement and the indenture governing the Senior Notes contain restrictive covenants that limit, among other things, the Company's ability to borrow, pay dividends, make certain capital investments in the business and maintain certain financial ratios including a maximum total leverage ratio, and an interest coverage ratio. The Company was in compliance with all of its covenants at December 30, 2007.

14. Capital

Seminole Hard Rock Entertainment, Inc. was incorporated on November 22, 2006. The aggregate number of authorized share capital is ten million shares having a par value of \$0.0001 per share, which can be issued as either common stock or preferred stock. Each share of common stock is entitled to one vote for each share held. There were 250,000 shares issued and outstanding as of December 30, 2007. Dividends may be declared and paid on common stock subject to any preferential dividend rights outstanding. The Company has restrictive covenants imposed by the Senior Note Indenture agreement, which limit the Company's ability to pay such dividends.

Seminole Hard Rock International LLC, a limited liability corporation, was formed in January 2007.

In connection with the Acquisition of the Predecessor's businesses (Note 2), the Company's parent made a capital contribution of \$531.9 million to finance the purchase.

15. Leases

All of the Company Cafe Operations cafes operate in leased premises, with the exception of the Chicago Hard Rock Cafe, which is owned. The remaining lease terms generally range from approximately five to thirty years, including anticipated renewal options. The leases generally provide for minimum annual rental payments and are subject to escalations based upon increases in the consumer price index, contractual base rent increases, real estate taxes and other costs. In addition, certain leases contain contingent rental provisions based upon the sales of the underlying cafes. Certain leases also provide for rent deferral during the initial term of such lease, landlord contributions, and/or scheduled minimum rent

ATTACHMENT

60044962

Seminole Hard Rock Entertainment, Inc., #L07000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

2007, nine weeks ended March 4, 2007, fiscal year ended December 31, 2006 and fiscal year ended December 25, 2005, respectively. The Company expects to receive annual sub-lease income of approximately \$0.4 million in 2008.

16. Interest Expense

The components of interest expense are as follows:

(amounts in millions)

	Company		Predecessor	
	Forty-Three Weeks Ended December 30, 2007	Nine Weeks Ended March 4, 2007	Fiscal Year Ended December 31, 2006	Fiscal Year Ended December 25, 2005
Interest on Senior Notes	\$ 34.2	\$ -	\$ -	\$ -
Amortization of bond financing costs	2.4	-	-	-
Commitment fees on Credit Facility	0.1	-	-	-
Realized (gain) on cash flow hedge	(1.0)	-	-	-
Interest on lease obligations	1.3	0.3	1.7	1.7
Other interest expense	-	-	0.3	0.2
Interest expense	\$ 37.0	\$ 0.3	\$ 2.0	\$ 1.9

17. Commitments and Contingencies

Insurance

During 2005, the Hard Rock Hotel & Casino in Biloxi, Mississippi was damaged by Hurricane Katrina. The Predecessor was covered by certain insurance policies that reimbursed the Predecessor for, among other things, the rebuilding of the property, the replacement of memorabilia, and the recovery of anticipated lost profits. The Predecessor incurred \$2.1 million in asset impairments and other related costs in fiscal year 2005 based on the Predecessor's initial assessment of the property damage and a further \$1.2 million in fiscal year 2006 as the rebuilding efforts advanced. The Predecessor received property damage insurance proceeds of \$2.4 million and \$1.5 million in fiscal years 2006 and 2005, respectively to cover these losses. The Predecessor also received business interruption insurance proceeds of \$2.4 million and \$2.0 million in fiscal years 2006 and 2005, respectively, with \$0.6 million of the business interruption proceeds received in fiscal year 2005 relating to 2006 lost profits.

The Predecessor's New Orleans Hard Rock Cafe was also forced to temporarily close in 2005 as a result of Hurricane Katrina. The Predecessor received business interruption insurance proceeds of \$0.5 million in fiscal 2006 to cover profits lost during the closure period.

In July 2005, the Predecessor experienced a fire in the Predecessor's Hard Rock Cafe in London, England, which caused the Predecessor to temporarily close the cafe, reopening in October 2005. The Predecessor was covered by certain insurance policies that covered the Predecessor for, among other things, the rebuilding of the leasehold improvements, the replacement of damaged equipment, and the recovery of losses in inventory and lost profits during the time the cafe was closed. The Predecessor incurred total asset damage and other related costs of \$1.5 million for which the Predecessor received property damage insurance proceeds of \$2.1 million in fiscal 2005. The Predecessor also received \$1.9 million and \$2.9 million business interruption insurance in fiscal 2006 and 2005, respectively, to cover profits lost during the closure period.

ATTACHMENT

10044962

Seminole Hard Rock Entertainment, Inc, # 107000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

amount of \$0.7 million to reflect the indemnity. If these unrecognized tax benefits are settled for a lesser amount, any differences will be offset against the receivable from the Predecessor. As of December 30, 2007, \$2.6 million of the \$2.9 million liability for unrecognized tax benefits relate to tax positions of the Predecessor entities. If these liabilities are settled for a lesser amount the reversal of any remaining liability will be recorded against goodwill.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits.

(amounts in millions)

	<u>Company</u>	<u>Predecessor</u>
	<u>Forty-Three</u>	<u>Nine Weeks</u>
	<u>Weeks Ended</u>	<u>Ended</u>
	<u>December 30,</u>	<u>March 4,</u>
	<u>2007</u>	<u>2007</u>
Unrecognized Tax Benefit - Beginning of period	\$ 2.0	\$ 2.0
Gross decreases - prior period tax positions	(0.1)	-
Gross increases - prior period tax positions	1.0	-
Unrecognized Tax Benefit - End of period	<u>\$ 2.9</u>	<u>\$ 2.0</u>

The provision for income taxes associated with discontinued operations is detailed in Note 11. The components of income from continuing operations before provision for income taxes and the provision for income taxes thereon are presented in the table below:

ATTACHMENT

600 44962

1070000 10019

Seminole Hard Rock Entertainment, Inc, Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

from the losses. The increased tax rate resulting from the valuation allowances was partially offset by income earned by SHRI, whose income is not subject to U.S. income taxation since its income is recognized by the Tribe for U.S. tax purposes. Increases in FIN 48 tax liabilities also contributed to the higher tax provision. The tax rate for the Predecessor period ended March 4, 2007 was slightly lower than the U.S. statutory rate due to the generally lower income tax rates throughout the foreign jurisdictions. The tax rate fluctuation for the year ended December 31, 2006 was due primarily to the Predecessor's release of the U.S. valuation allowance.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

(amounts in millions)

	2007	2006
Accrued liabilities	\$ 4.5	\$ 2.1
Provision for uncollectible receivables	0.1	-
Deferred rent and interest income	0.6	2.1
Property and equipment	2.3	18.4
Intangible assets	0.4	19.0
Investment impairment	-	8.2
Deferred revenue	0.3	-
Capitalized inventory	0.2	-
Other comprehensive income	1.0	-
Other	0.1	1.4
Net operating losses	18.1	20.5
Federal and other tax credits	11.6	12.6
Total deferred tax assets	<u>\$ 39.2</u>	<u>\$ 84.3</u>
Accrued liabilities	\$ (0.1)	\$ -
Property and equipment	(4.2)	-
Leases	(14.0)	-
Intangible assets	(187.0)	-
Deferred rent and interest income	(0.5)	-
Partnership income	(17.2)	(6.0)
Prepaid expenses	-	(0.1)
Total deferred tax liabilities	<u>\$ (223.0)</u>	<u>\$ (6.1)</u>
Valuation allowance	<u>\$ (16.0)</u>	<u>\$ (11.3)</u>
Net deferred tax (liabilities) assets	<u>\$ (199.8)</u>	<u>\$ 66.9</u>

A valuation allowance for deferred tax assets is provided when it is more likely than not that certain deferred tax assets will not be realized. Realization is dependent upon the generation of future taxable income or the reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies to make this assessment.

ATTACHMENT

60044962

Seminole Hard Rock Entertainment, Inc., # 6070000 10019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

Effective March 5, 2007, the Company established a deferred compensation plan (the "Plan") available to certain employees. The Plan permits participants to defer the receipt of part of their current compensation to a later date as part of their retirement or financial planning. Participants may elect to defer, portions of their base salary and incentive compensation. Participants have an unsecured contractual commitment by the Company to pay amounts under the Plan. Benefit security for the Plan is provided by a rabbi trust, which is intended to protect participants if the Company is unwilling to pay Plan benefits for any reason other than insolvency or bankruptcy.

The compensation withheld from the Plan participants, together with investment income on the Plan is reflected as a deferred compensation obligation to participants and is classified as other liabilities in the accompanying combined balance sheet. The related assets, which are held in the rabbi trust, are considered to be trading securities, as defined by SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities", are classified within other assets in the accompanying combined balance sheet. The value of these assets is approximately \$1.8 million as of December 30, 2007. The deferred compensation liability, which is recorded in other liabilities in the accompanying combined balance sheet, is equal to the value of the plan assets at December 30, 2007. Prior to the Acquisition, certain employees were eligible to participate in the Rank Supplemental Benefit Plan under similar terms and conditions as the Seminole Plan.

Bonus Plans

Bonus plans are utilized based on profitability formulas and performance against operating and strategic goals and objectives, which provide incentive compensation for key officers and employees. Amounts charged to expense for bonuses totaled \$8.0 million, \$1.7 million, \$9.0 million and \$7.4 million during the forty-three week period ended December 30, 2007, nine-week period ended March 4, 2007, fiscal year 2006 and fiscal year 2005, respectively.

20. Stock-Based Compensation Plans

As of December 30, 2007, Company does not have any stock-based compensation plans. However, certain employees of the Predecessor participated in Rank's stock-based compensation plans, including the Long Term Incentive Plan ("LTIP") and the Executive Share Option Scheme ("ESOS"). Rank honored any obligations that exist under these plans through March 4, 2007. The compensation (income) expense related to share-based payments recognized in general and administrative expenses in the Predecessor's combined statements of earnings as part of Rank's expense allocations for fiscal years 2006 and 2005 was (\$1.6) million and \$0.5 million, respectively.

Long Term Incentive Plan

Participants were awarded shares in Rank subject to achieving a total shareholder return ("TSR") target. To ensure these awards would not vest at a time of unsatisfactory financial performance, there was required to be an increase in normalized EPS of at least 2% per annum above the growth in the UK Retail Price Index over a three-year period.

The TSR target measured Rank's growth relative to 19 competitor companies. 100% of the shares vested if Rank achieved upper quartile performance, 30% of the shares vest at median performance, and awards vested on a straight-line basis for performance in between. No shares vested if performance was below the median. The LTIP awards were satisfied through the market purchase of shares.

Compensation expense associated with the LTIP was measured based on the market price of Rank's common stock each period and was amortized over the vesting period. The fair value of the LTIP was calculated using a Monte Carlo model approach, and indicated the proportion of shares likely to vest,

ATTACHMENT

Seminole Hard Rock Entertainment, Inc., # 60044962 Seminole Hard Rock International, LLC, and Hard Rock International # 107000010019 Notes to Combined Financial Statements

Expected volatilities are based on implied volatilities from traded shares of Rank, and other factors. The risk-free rate for periods within the contractual life of the option is based on the UK Bank Rate yield curve in effect at the time of the grant. The Company uses historical data to estimate option exercise and employment termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of the options granted is derived from the output of the valuation model and represents the period of time that options granted are expected to be outstanding.

Activity associated with share options under the ESOS as of and for the fiscal year ended December 30, 2007 is as follows:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value (In Millions)
Outstanding, December 31, 2006	2,030,857	\$ 5.11	-	(1.1)
Options granted	-			
Options cancelled	-			
Outstanding, March 4, 2007	<u>2,030,857</u>	<u>\$ 5.11</u>	<u>-</u>	<u>\$ (1.1)</u>
Exercisable	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

Compensation income recognized in net earnings for ESOS awards was \$0.9 million for fiscal year 2006. At December 31, 2006, there was \$0.3 million of unrecognized compensation expense related to unvested shares under the LTIP. The weighted-average exercise price per share will vary as the exercise price is denominated in foreign currency.

The Company did not acquire any obligations related to the Predecessor parent's incentive plans.

21. Related Party Transactions

The Company and its Predecessor have transactions with their respective parent and affiliated entities under common control. Revenues of \$19.7 million for the forty-three week period ended December 30, 2007 reported in the Company's Casino reportable segment were derived from contracts with affiliated entities. The Predecessor recorded \$4.0 million and \$23.2 million of revenues for the nine weeks ended March 4, 2007 and the fiscal year ended December 31, 2006, respectively from these agreements.

The Company and its Predecessor also executed license agreements and memorabilia lease agreements for the Hard Rock branded hotels held within a joint venture investment. The Company reported revenue of \$4.1 million for the forty-three week period ended December 30, 2007 from these agreements. The Predecessor reported revenues of \$0.6 million and \$4.9 million for the nine weeks ended March 4, 2007 and the fiscal year ended December 31, 2006, respectively, from these agreements.

The Predecessor had transactions with companies which were related parties by virtue of being controlled by a common parent company, Rank Group PLC. During the nine weeks ended March 4, 2007 and fiscal year ended December 31, 2006, the Predecessor had interest expense of \$1.0 million and \$0.3 million, respectively, with Rank affiliates. The combined statements of income also include expense allocations

ATTACHMENT

60044962

Seminole Hard Rock Entertainment, Inc, #L0700001009 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

(amounts in millions)

	Company				
	Combined Statements of Operations Forty-Three Weeks Ended December 30, 2007				
	Combined SHRE /SHRI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Combined
Revenues	\$ -	\$ 305.1	\$ 151.0	\$ -	\$ 456.1
Operating costs and expenses					
Restaurant and merchandise costs	-	71.2	35.0	-	106.2
Labor	-	65.2	36.4	-	101.6
Other operating expenses	-	66.7	41.6	-	108.3
Marketing and advertising	0.1	15.8	4.8	-	20.7
General and administrative	1.3	27.2	3.3	-	31.8
Depreciation and amortization	-	34.8	12.1	-	46.9
Acquisition-related expenses	0.5	-	-	-	0.5
Pre-opening costs	-	1.3	-	-	1.3
Total operating costs and expenses	1.9	282.2	133.2	-	417.3
Operating income (loss)	(1.9)	22.9	17.8	-	38.8
Other income (expense), net					
Equity in earnings of consolidated investments	39.6	-	-	(39.6)	-
Equity in earnings of non-consolidated investments	-	5.2	-	-	5.2
Interest income	0.6	1.0	0.2	-	1.8
Bond and other interest expense	(35.7)	(1.3)	-	-	(37.0)
Interest income (expense) with affiliates, net	-	-	-	-	-
Other	-	0.9	(0.8)	-	0.1
Total other income (expense), net	4.5	5.8	(0.6)	(39.6)	(29.9)
Income (loss) from continuing operations before income taxes	2.6	28.7	17.2	(39.6)	8.9
Benefit (provision) for income taxes	-	0.3	(4.5)	-	(4.2)
Income (loss) from continuing operations	2.6	29.0	12.7	(39.6)	4.7
(Income) loss from discontinued operations, net of tax	-	-	2.1	-	2.1
Net Income (loss)	\$ 2.6	\$ 29.0	\$ 10.6	\$ (39.6)	\$ 2.6

ATTACHMENT

60044962

Seminole Hard Rock Entertainment, Inc, # 107000010019 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

(amounts in millions)

	Predecessor					
	Combined Statements of Operations (Unaudited)					
	Fiscal Year ended December 31, 2006			Fiscal Year ended December 25, 2005		
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Combined	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Combined
Revenues	\$ 295.3	\$ 144.7	\$ 440.0	\$ 272.3	\$ 125.5	\$ 397.8
Operating costs and expenses						
Restaurant and merchandise costs	68.8	34.5	103.3	68.7	29.9	98.6
Labor	64.1	37.8	101.9	60.0	34.5	94.5
Other operating expenses	59.5	46.8	106.3	55.1	42.6	97.7
Marketing and advertising	13.6	4.0	17.6	9.5	3.0	12.5
General and administrative	29.5	3.1	32.6	22.8	5.1	27.9
Depreciation and amortization	15.0	6.4	21.4	16.4	6.1	22.5
Loss on impairment	3.1	2.1	5.2	(0.9)	0.6	(0.3)
Pre-opening costs	-	-	-	1.2	0.4	1.6
Total operating costs and expenses	253.6	134.7	388.3	232.8	122.2	355.0
Operating income	41.7	10.0	51.7	39.5	3.3	42.8
Other income (expense), net						
Equity in earnings (losses) of non-consolidated investments	6.6	(0.5)	6.1	7.1	(0.6)	6.5
Insurance proceeds, net	4.7	1.9	6.6	0.7	3.6	4.3
Interest income	0.2	-	0.2	0.2	(0.1)	0.1
Interest expense	(2.1)	0.1	(2.0)	(2.1)	0.2	(1.9)
Interest income (expense) with affiliates, net	(25.7)	25.4	(0.3)	(20.9)	22.5	1.6
Total other income (expense), net	(16.3)	26.9	10.6	(15.0)	25.6	10.6
Income (loss) from continuing operations before income taxes	25.4	36.9	62.3	24.5	28.9	53.4
Benefit (provision) for income taxes	59.4	(14.0)	45.4	(0.2)	(5.3)	(5.5)
Income (loss) from continuing operations	84.8	22.9	107.7	24.3	23.6	47.9
Income (loss) from discontinued operations, net of tax	0.5	(2.4)	(1.9)	1.2	(1.9)	(0.7)
Net income	\$ 85.3	\$ 20.5	\$ 105.8	\$ 25.5	\$ 21.7	\$ 47.2

ATTACHMENT

Seminole Hard Rock Entertainment, Inc., #60044962 Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements

(amounts in millions)

Predecessor Combined Balance Sheet (Unaudited) December 31, 2006			
	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Total Combined
Assets			
Current assets:			
Cash and cash equivalents	\$ 7.9	\$ 18.8	\$ 26.7
Receivables, net	5.1	2.4	7.5
Inventories	23.0	2.7	25.7
Prepaid expenses and other current assets	4.8	3.4	8.2
Deferred income taxes	3.4	-	3.4
Total current assets	44.2	27.3	71.5
Property and equipment, net	158.0	44.0	202.0
Investments	17.0	-	17.0
Goodwill	205.6	13.3	218.9
Other intangible assets, net	11.8	12.6	24.4
Deferred income taxes	63.3	0.2	63.5
Other assets	1.7	0.8	2.5
Total assets	\$ 501.6	\$ 98.2	\$ 599.8
Liabilities and Capital			
Current liabilities:			
Accounts payable	\$ 5.8	\$ 3.6	\$ 9.4
Accrued and other current liabilities	30.5	10.2	40.7
Deferred revenue	4.8	0.3	5.1
Accrued income taxes	0.2	27.1	27.3
Current portion of capital leases	0.7	-	0.7
Total current liabilities	42.0	41.2	83.2
Capital leases, less current portion	9.5	-	9.5
Deferred rent	15.4	2.7	18.1
Other liabilities	3.8	0.5	4.3
Total liabilities	70.7	44.4	115.1
Capital	430.9	53.8	484.7
Total liabilities and capital	\$ 501.6	\$ 98.2	\$ 599.8

ATTACHMENT

Seminole Hard Rock Entertainment, Inc., ^{600 449 62} Seminole Hard Rock International, LLC, and Hard Rock International Notes to Combined Financial Statements ^{# L04000010019}

(amounts in millions)

	Predecessor		
	Combined Condensed Statements of Cash Flows Nine Weeks Ended March 4, 2007		
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Combined
Cash flows used in operating activities	\$ (4.9)	\$ (1.3)	\$ (6.2)
Cash flows used in investing activities	(4.7)	(0.2)	(4.9)
Cash flows provided by (used in) financing activities	2.6	(8.4)	(5.8)
Effect of exchange rate fluctuations on cash	0.5	2.3	2.8
Net decrease in cash and cash equivalents	(6.5)	(7.6)	(14.1)
Cash and cash equivalents Beginning of period	7.9	18.8	26.7
End of period	\$ 1.4	\$ 11.2	\$ 12.6

(amounts in millions)

	Predecessor					
	Combined Condensed Statements of Cash Flows (Unaudited) Fiscal Year Ended December 31, 2006					
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Combined	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Combined
Cash flows provided by operating activities	\$ 50.4	\$ 27.1	\$ 77.5	\$ 43.2	\$ 20.8	\$ 64.0
Cash flows used in investing activities	(46.0)	3.7	(42.3)	14.0	(4.0)	10.0
Cash flows from financing activities						
Payments to predecessor parent, net	3.3	(26.6)	(23.3)	(56.7)	(20.7)	(77.4)
Principal payments on capital leases	(0.6)	-	(0.6)	(0.5)	-	(0.5)
Net cash used in financing activities	2.7	(26.6)	(23.9)	(57.2)	(20.7)	(77.9)
Effect of exchange rate fluctuations on cash	-	1.5	1.5	-	(1.9)	(1.9)
Net increase in cash and cash equivalents	7.1	5.7	12.8	-	(5.8)	(5.8)
Cash and cash equivalents Beginning of period	0.8	13.1	13.9	0.8	18.9	19.7
End of period	\$ 7.9	\$ 18.8	\$ 26.7	\$ 0.8	\$ 13.1	\$ 13.9