

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re: Herbst Gaming, Inc.

Case No. 09-50752-GWZ

**CHAPTER 11
MONTHLY OPERATING REPORT**

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: 07/31/09

PETITION DATE: 03/22/09

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).
Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
2. Asset and Liability Structure			
a. Current Assets	\$12,988,656	(\$1,180,563)	
b. Total Assets	\$588,963,727	\$574,791,947	\$5,662,368
c. Current Liabilities	\$3,071,234	\$3,245,518	
d. Total Liabilities	\$1,225,811,211	\$1,243,950,443	\$1,179,313,724
			Cumulative
3. Statement of Cash Receipts & Disbursements for Month	<u>Current Month</u>	<u>Prior Month</u>	<u>(Case to Date)</u>
a. Total Receipts	\$33,569,082	\$1,058	\$35,809,556
b. Total Disbursements	\$19,334,683	\$6,662,654	\$27,945,940
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	\$14,234,399	(\$6,661,596)	\$7,863,616
d. Cash Balance Beginning of Month	(\$4,301,515)	\$2,360,081	\$2,069,268
e. Cash Balance End of Month (c + d)	\$9,932,884	(\$4,301,515)	\$9,932,884
			Cumulative
4. Profit/(Loss) from the Statement of Operations	(\$1,256,313)	(\$1,835,706)	(\$6,762,112)
5. Account Receivables (Pre and Post Petition)	\$183,456	\$159,292	
6. Post-Petition Liabilities	\$3,746,461	\$3,909,928	
7. Past Due Post-Petition Account Payables (over 30 days)	\$898,641	\$371,820	


At the end of this reporting month:

	<u>Yes</u>	<u>No</u>
8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee)	x	
9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)	x	
10. If the answer is yes to 8 or 9, were all such payments approved by the court?	x	
11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)	x	
12. Is the estate insured for replacement cost of assets and for general liability?	x	
13. Are a plan and disclosure statement on file?	x	
14. Was there any post-petition borrowing during this reporting period?		x

15. Check if paid: Post-petition taxes x ; U.S. Trustee Quarterly Fees x ; Check if filing is current for: Post-petition tax reporting and tax returns: x .
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 8/20/09


Mary Beth Higgins
Chief Financial Officer



In re: Herbst Gaming, Inc.

Case No. 09-50752-GWZ

**GENERAL NOTES TO JULY 2009
MONTHLY OPERATING REPORT**

General:

Notes to MOR-1, 2 and 3:

The financial statements and supplemental information contained herein are preliminary, unaudited, and may not comply with generally accepted accounting principles in the United States of America ("U.S. GAAP") in all material respects.

The unaudited financial statements have been derived from the books and records of the Debtor. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP, and upon application of such procedures (such as tests for asset impairment), the Debtor believes that the financial information could be subject to changes, and these changes could be material. The information furnished in this report includes primarily normal recurring adjustments but does not include all adjustments that would typically be made for financial statements in accordance with U.S. GAAP.

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the results of operations and financial position of the Debtor in the future.

Intercompany Accounts

The Debtor and its related entities have significant intercompany receivable and payable balances which eliminate in full in consolidated financial statements. In preparing separate company financial statements the Debtor is presenting such intercompany receivable and payable balances as equity reductions or increases.

Cross Collateralized Senior Secured Credit Facility and Subordinated Notes

Each of the other debtors is a co-guarantor of this debtor's \$847,960,000 senior secured credit facility, \$170,000,000 of Subordinated Notes due November 15, 2012, and \$160,000,000 Subordinated Notes due June 1, 2012. These liabilities are reflected on the Schedules of Liabilities filed with the Bankruptcy Court on March 22, 2009.

In re: Herbst Gaming, Inc.Case No. 09-50752-GWZ

SUMMARY OF FINANCIAL STATEMENTS
QUESTION 8
PAYMENT OF PREPETITION DEBT

<u>Date of Payment</u>	<u>Name of Payee</u>	<u>Amount of Payment</u>	<u>Approved Yes/No</u>
7/15/2009	LOOMIS COMPANY	\$496.00	Yes
7/30/2009	WILMINGTON TRUST	\$17,975,765.31	Yes

Footnote:

(a) While the payments were authorized by the court, the listing of payments does not include wages, salaries, benefits, reimbursable business expenses, and other employee obligations.

In re: Herbst Gaming, Inc.Case No. 09-50752-GWZ

**SUMMARY OF FINANCIAL STATEMENTS
QUESTION 9
PAYMENTS TO PROFESSIONALS**

Date of Payment	Name of Payee	Amount of Payment	Approved Yes/No
7/1/2009	JONES VARGAS	\$12,502.99	Yes
7/1/2009	SKADDEN, ARPS, SLATE MEAGHER &	\$15,350.00	Yes
7/1/2009	BROWN RUDNICK BERLACK ISRAELS	\$154,568.33	Yes
7/1/2009	GOLDMAN, SACHS & CO.	\$7,557.65	Yes
7/2/2009	BROWNSTEIN HYATT FARBER SCHREC	\$11,849.85	Yes
7/6/2009	LATHROP & GAGE, LLC	\$6,399.38	Yes
7/16/2009	XROADS CASE MANAGEMENT SERVICES	\$145,833.50	Yes

In re: Herbst Gaming, Inc.Case No. 09-50752-GWZ

SUMMARY OF FINANCIAL STATEMENTS
QUESTION 11
PAYMENTS TO OFFICERS, INSIDERS, SHAREHOLDERS

Date of Payment	Name of Payee	Amount of Payment	Reason for Payment
7/2/2009	Ed Herbst	\$16,507.86	Net payroll
7/2/2009	Tim Herbst	\$19,545.16	Net payroll
7/2/2009	Troy Herbst	\$36,912.49	Net payroll
7/6/2009	John O'Reilly	\$10,000.00	Net payroll
7/8/2009	Ed Herbst	\$10,459.97	US Bank credit card
7/8/2009	Tim Herbst	\$1,282.59	US Bank credit card
7/17/2009	Ed Herbst	\$19,507.88	Net payroll
7/17/2009	Tim Herbst	\$19,545.15	Net payroll
7/17/2009	Troy Herbst	\$36,912.48	Net payroll
7/31/2009	Ed Herbst	\$19,507.48	Net payroll
7/31/2009	Tim Herbst	\$19,544.77	Net payroll
7/31/2009	Troy Herbst	\$36,912.48	Net payroll

In re: Herbst Gaming, Inc.Case No. 09-50752-GWZStatement of Operations - MOR-2
(UNAUDITED)

	<u>31-Jul-09</u>	<u>Cumulative March 22 - July 31, 2009</u>
Total revenues	\$ -	\$ -
Less promotional allowances	-	-
Net revenues	-	-
Costs and expenses		
Operating expenses	678,135	2,771,640
Depreciation and amortization	-	-
General and administrative	24,718	354,883
Other — non-gaming	-	-
Restructuring costs	555,217	3,641,992
Total costs and expenses	1,258,070	6,768,515
Income (loss) from operations	(1,258,070)	(6,768,515)
Other income (expense)		-
Interest income	1,757	6,403
Interest expense, net	-	-
Total other expense, net	1,757	6,403
Net income (loss)	<u>\$ (1,256,313)</u>	<u>\$ (6,762,112)</u>

In re: Herbst Gaming, Inc.Case No. 09-50752-GWZ

Balance Sheet - MOR-3
(UNAUDITED)

		31-Jul-09
Assets		
Current assets		
Cash on hand	\$	10,460
Cash in banks and cash equivalents		9,922,424
Accounts receivable, net		183,456
Notes and loans receivable		33,280
Prepaid expenses		2,839,036
Inventory		-
Total current assets		12,988,656
Property and equipment:		
Land		-
Buildings and improvements		-
Machinery and equipment		-
Furniture and fixtures		-
Office equipment		-
Leasehold improvements		-
Vehicles		-
Other depreciable assets		-
Less: accumulated depreciation		-
Property and equipment, net		-
Lease acquisition costs, net		-
Due from related parties		456,482
Investment in subsidiaries		557,232,768
Other assets, net		18,285,821
Intangibles, net		-
Goodwill		-
Total assets	\$	588,963,727

In re: Herbst Gaming, Inc.Case No. 09-50752-GWZ

Balance Sheet - MOR-3
(UNAUDITED)

		31-Jul-09
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Accounts payable	\$	964,063
Accounts payable - other		1,912,386
Accrued interest		-
Accrued expenses		194,785
Due to related parties		-
		3,071,234
Total current liabilities		3,071,234
Other liabilities		675,227
		3,746,461
Total liabilities not subject to compromise		3,746,461
Total liabilities subject to compromise		1,222,064,750
Commitments and contingencies		
Stockholders' equity (deficit)		
Common stock		-
Additional paid-in-capital		-
Intercompany		(430,259,232)
Accumulated deficit		(206,588,252)
		(636,847,484)
Total stockholders' equity (deficit)		(636,847,484)
Total liabilities and stockholders' equity (deficit)	\$	588,963,727

In re: Herbst Gaming, Inc.

Case No. 09-50752-GWZ

**SCHEDULES TO THE BALANCE SHEET
(General Business Case)**

Schedule A

Accounts Receivable and (Net) Payable

Receivables and Payables Agings	Accounts Receivable	Accounts Payable	Past Due
	<u>[Pre and Post Petition]</u>	<u>[Post Petition]</u>	<u>Post Petition Debt</u> <u>(a)</u>
0 -30 Days	\$183,456	\$65,422	
31-60 Days		\$332,544	\$332,544
61-90 Days		\$557,194	\$557,194
91+ Days		\$8,903	\$8,903
Total accounts receivable/payable	\$183,456	\$964,063	\$898,641
Allowance for doubtful accounts			
Accounts receivable (net)	\$183,456		

(a) Please see the attached Letter of Attestation regarding accounts payable.

Schedule B

Inventory/Cost of Goods Sold

<u>Types and Amount of Inventory(ies)</u>	Inventory(ies) Balance at <u>End of Month</u>	<u>Cost of Goods Sold (7/1/2009 - 7/31/2009)</u>	
		Inventory Beginning of Month	
			\$0
		Add -	
Retail/Restaurants -		Net purchase	
Product for resale		Direct labor	
		Manufacturing overhead	
Distribution -		Freight in	
Products for resale		Other:	
Manufacturer -			
Raw Materials			
Work-in-progress		Less -	
Finished goods		Inventory End of Month	
		Shrinkage	
Other		Departmental Transfer	
TOTAL	\$0	Cost of Goods Sold	\$0

Method of Inventory Control

Do you have a functioning perpetual inventory system?

Yes _____ No _____

How often do you take a complete physical inventory?

Weekly _____
 Monthly _____
 Quarterly _____
 Semi-annually _____
 Annually _____

Date of last physical inventory was _____

Date of next physical inventory is _____

Inventory Valuation Methods

Indicate by a checkmark method of inventory used.

Valuation methods -

FIFO cost _____
 LIFO cost _____
 Lower of cost or market _____
 Retail method _____
 Other _____
 Explain _____



August 21, 2009

Re: Herbst Gaming, Inc.
United States Bankruptcy Court, District of Nevada. Case No. 09-50752
Attestation Regarding Post-Petition Payables

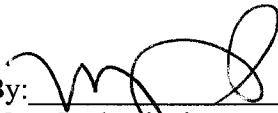
Office of the United States Trustee

The above-captioned debtor hereby submits this attestation regarding Post-Petition payables.

All Post-Petition payables for the debtor, which are not subject to dispute or reconciliation, are paid in the ordinary course. There are no material disputes or reconciliations.

Dated: August 21, 2009

HERBST GAMING, INC.

By: 
Mary Beth Higgins
Chief Financial Officer

In re: Herbst Gaming, Inc.

Case No. 09-50752-GWZ

**Schedule E
Aging of Post-Petition Taxes
(As of End of the Current Reporting Period)**

PLEASE SEE ATTACHED ATTESTATION REGARDING POST-PETITION TAXES.

Taxes Payable	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91+ Days</u>	<u>Total</u>
Federal					
Income Tax Withholding	_____	_____	_____	_____	_____
FICA - Employee	_____	_____	_____	_____	_____
FICA - Employer	_____	_____	_____	_____	_____
Unemployment (FUTA)	_____	_____	_____	_____	_____
Income	_____	_____	_____	_____	_____
Other (Attach List)	_____	_____	_____	_____	_____
Total Federal Taxes	_____	_____	_____	_____	_____
State and Local					
Income Tax Withholding	_____	_____	_____	_____	_____
Unemployment (UT)	_____	_____	_____	_____	_____
Disability Insurance (DI)	_____	_____	_____	_____	_____
Empl. Training Tax (ETT)	_____	_____	_____	_____	_____
Sales	_____	_____	_____	_____	_____
Excise	_____	_____	_____	_____	_____
Real property	_____	_____	_____	_____	_____
Personal property	_____	_____	_____	_____	_____
Income	_____	_____	_____	_____	_____
Other (Attach List)	_____	_____	_____	_____	_____
Total State & Local Taxes	_____	_____	_____	_____	_____
Total Taxes	_____	_____	_____	_____	_____

**Schedule F
Pre-Petition Liabilities**

<u>List Total Claims For Each Classification -</u>	<u>Claimed Amount (e)</u>	<u>Allowed Amount (b)</u>
Secured claims (a) (c)	\$847,960,000	TBD
Priority claims other than taxes	\$0	TBD
Priority tax claims	\$0	TBD
General unsecured claims (d)	\$331,353,724	TBD

- (a) List total amount of claims even if under secured.
- (b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.
- (c) Secured claims represent secured claims of Debtor Herbst Gaming, Inc. because such obligations are cross-collateralized.
- (d) General unsecured claims include obligations of the Debtor as well as unsecured cross-collateralized obligations of Debtor Herbst Gaming, Inc.
- (e) Claimed amounts are derived from the Debtor's Schedule of Assets and Liabilities.

**Schedule G
Rental Income Information
Not applicable to General Business Cases**



August 21, 2009

Re: Herbst Gaming, Inc.
United States Bankruptcy Court, District of Nevada. Case No. 09-50752
Attestation Regarding Post-Petition Taxes

Office of the United States Trustee

The above-captioned debtor hereby submits this attestation regarding Post-Petition taxes.

All Post-Petition taxes for the debtor, which are not subject to dispute or reconciliation, are current. There are no material Post-Petition tax disputes or reconciliations.

Dated: August 21, 2009

HERBST GAMING, INC.

By: 
Mary Beth Higgins
Chief Financial Officer

In re: Herbst Gaming, Inc.

Case No. 09-50752-GWZ

Schedule H

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>	<u>Account 4</u>
Bank	U.S. Bank	U.S. Bank	U.S. Bank	U.S. Bank
Account Type	Investment	General	Health Benefits	Workers Comp.
Account No.	xxxxxxxx4221	xxxxxxxx0434	xxxxxxxx4575	xxxxxxxx5366
Account Purpose				
Balance, End of Month	\$10,165,007	(\$429,145)	\$19,441	(\$21,688)
	<u>Account 6</u>	<u>Account 6</u>	<u>Account 6</u>	
Bank	Comm. Bk. Nev	Comm. Bk. Nev	Comm. Bk. Nev	
Account Type	Operating	Operating	Operating	
Account No.	xxxxxxxx1866	xxxxxxxx0126	xxxxxxxx3907	
Account Purpose				
Balance, End of Month	\$4,809	\$125,000	\$59,000	
Total Funds on Hand for all Accounts			\$9,922,424	

Please see the attached Attestation of Bank Account Reconciliation.



August 21, 2009

Re: Herbst Gaming, Inc.
United States Bankruptcy Court, District of Nevada. Case No. 09-50752
Attestation Regarding Bank Account Reconciliation

Office of the United States Trustee

The above-captioned debtor hereby submits this attestation regarding bank account reconciliations in lieu of providing copies of bank statements and copies of all account reconciliations.

The debtor has, on a timely basis, performed all bank account reconciliations in the ordinary course of its business. Copies of bank account statements and reconciliations are available for inspection upon request by the United States Trustee's Office.

Dated: August 21, 2009

HERBST GAMING, INC.

By: 

Mary Beth Higgins
Chief Financial Officer

In re: Herbst Gaming, Inc.Case No. 09-50752-GWZ

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
PRELIMINARY CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

	31-Jul-09
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit (loss)	\$ (1,256,313)
<u>Adjustments to reconcile net loss to net cash provided by operating activities:</u>	
Depreciation	-
Gain (loss) on disposition of assets	-
Amortization	-
<u>Changes in assets and liabilities:</u>	
Accounts receivable	(24,164)
Prepaid expenses	89,615
Inventories	-
Other assets	(13,165)
Due to (from) related parties	(60,901)
Accounts payable	64,724
Accrued compensation and benefits payable	(239,010)
Accrued progressives	-
Accrued expenses	-
Other liabilities	10,817
Net cash provided by (used in) operating activities	(1,428,397)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net changes in notes receivable	3,731
Net changes in property & equipment	67,505
Net cash provided by investing activities	71,236
CASH FLOWS FROM FINANCING ACTIVITIES	
Net required payments on debt	(17,975,765)
Net intercompany funding	33,567,325
Net cash provided by (used in) financing activities	15,591,560
Net increase (decrease) in cash and equivalents	14,234,399
Cash and equivalents at beginning of period	(4,301,515)
Cash and equivalents at end of period	\$ 9,932,884

SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS

Cash Receipts:	
Cash received from customers, net	\$ -
Cash received from affiliated debtors (intercompany), net	33,567,325
Interest received	1,757
Net cash receipts	33,569,082
Cash Disbursements:	
Payroll and related	(875,747)
Cash transferred to affiliated debtors (intercompany), net	-
Suppliers	(129,109)
Reorganization costs	(354,062)
Interest paid	-
Required principal payments	(17,975,765)
Other	-
Net cash disbursements	(19,334,683)
Net change in cash and equivalents	\$ 14,234,399

THE FOLLOWING SECTION MUST BE COMPLETED
DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES

TOTAL DISBURSEMENTS	\$ 19,334,683
LESS: TRANSFERS TO OTHER DEBTOR IN POSSESSION ACCOUNTS	-
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES	-
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	\$ 19,334,683