

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

E-Filed 11/30/09

In re: Herbst Gaming, Inc.

Case No. 09-50752-GWZ
CHAPTER 11
MONTHLY OPERATING REPORT

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: 10/31/09 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	\$5,396,604	\$5,279,975	
b. Total Assets	\$581,993,329	\$581,846,979	\$175,053,881
c. Current Liabilities	\$4,433,531	\$3,189,391	
d. Total Liabilities	\$1,227,210,608	\$1,225,955,651	\$1,512,123,468
			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	\$706,608	\$936,023	\$37,593,889
b. Total Disbursements	\$974,462	\$3,126,426	\$37,266,508
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	(\$267,854)	(\$2,190,403)	\$327,381
d. Cash Balance Beginning of Month	\$2,664,503	\$4,854,906	\$2,069,268
e. Cash Balance End of Month (c + d)	\$2,396,649	\$2,664,503	\$2,396,649
			Cumulative
4. Profit/(Loss) from the Statement of Operations	<u>Current Month</u>	<u>Prior Month</u>	<u>(Case to Date)</u>
	(\$1,813,911)	(\$1,738,859)	(\$12,596,866)
5. Account Receivables (Pre and Post Petition)	\$103,543	\$73,660	
6. Post-Petition Liabilities	\$5,141,209	\$3,886,252	
7. Past Due Post-Petition Account Payables (over 30 days)	\$917,239	\$764,769	

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: 11/30/09


Mary Beth Higgins
Chief Financial Officer



In re: Herbst Gaming, Inc.

Case No. 09-50752-GWZ

**GENERAL NOTES TO OCTOBER 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**

Date of Payment	Name of Payee	Amount of Payment	Approved Yes/No
10/9/2009	JONES VARGAS	\$317.90	Yes
10/9/2009	JONES VARGAS	\$279.65	Yes

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
10/2/2009	BROWN RUDNICK BERLACK ISRAELS	\$60,514.45	Yes
10/2/2009	BROWNSTEIN HYATT FARBER SCHREC	\$1,935.86	Yes
10/2/2009	GORDON & SILVER, LTD.	\$152,827.89	Yes
10/8/2009	JEFFERIES & COMPANY, INC.	\$130,107.53	Yes
10/8/2009	JONES VARGAS	\$10,261.32	Yes
10/9/2009	LATHROP & GAGE L.C.	\$4,943.20	Yes
10/9/2009	SCHWARTZER & McPHERSON LAW FIR	\$10,911.87	Yes
10/2/2009	SKADDEN, ARPS, SLATE MEAGHER &	\$6,895.20	Yes

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

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

<u>Date of Payment</u>	<u>Name of Payee</u>	<u>Amount of Payment</u>	<u>Reason for Payment</u>
10/9/2009	Ed Herbst	19,512.33	net payroll
10/23/2009	Ed Herbst	19,519.11	net payroll
10/9/2009	Ed Herbst	1,402.80	US Bank credit card
10/9/2009	Tim Herbst	20,912.10	net payroll
10/23/2009	Tim Herbst	20,912.09	net payroll
10/9/2009	Tim Herbst	998.06	US Bank credit card
10/9/2009	Troy Herbst	36,912.48	net payroll
10/23/2009	Troy Herbst	36,912.49	net payroll
10/5/2009	John O'Reilly	10,000.00	director's fees

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

	<u>31-Oct-09</u>	<u>Cumulative March 22 - October 31, 2009</u>
Total revenues	\$ -	\$ -
Less promotional allowances	-	-
Net revenues	-	-
Costs and expenses		
Operating expenses	677,972	4,765,588
Depreciation and amortization	-	-
General and administrative	190,312	848,796
Other — non-gaming	-	-
Restructuring costs	946,930	6,993,800
Total costs and expenses	1,815,214	12,608,184
Income (loss) from operations	(1,815,214)	(12,608,184)
Other income (expense)		
Interest income	1,303	11,318
Interest expense, net	-	-
Total other expense, net	1,303	11,318
Net income (loss)	<u>\$ (1,813,911)</u>	<u>\$ (12,596,866)</u>

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

Balance Sheet - MOR-3
(UNAUDITED)

		<u>31-Oct-09</u>
Assets		
Current assets		
Cash on hand	\$	-
Cash in banks and cash equivalents		2,396,649
Accounts receivable, net		103,543
Notes and loans receivable		33,653
Prepaid expenses		2,862,759
Inventory		-
Total current assets		<u>5,396,604</u>
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		<u>-</u>
Lease acquisition costs, net		-
Due from related parties		505,541
Investment in subsidiaries		557,232,768
Other assets, net		18,858,416
Intangibles, net		-
Goodwill		-
Total assets	\$	<u><u>581,993,329</u></u>

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

Balance Sheet - MOR-3
(UNAUDITED)

	31-Oct-09
Liabilities and stockholders' equity (deficit)	
Current liabilities	
Accounts payable	\$ 1,868,373
Accounts payable - other	1,529,299
Accrued interest	-
Accrued expenses	1,035,859
Due to related parties	-
Total current liabilities	4,433,531
Other liabilities	707,678
Total liabilities not subject to compromise	5,141,209
Total liabilities subject to compromise	1,222,069,399
Commitments and contingencies	
Stockholders' equity (deficit)	
Common stock	-
Additional paid-in-capital	-
Intercompany	(432,794,272)
Accumulated deficit	(212,423,007)
Total stockholders' equity (deficit)	(645,217,279)
Total liabilities and stockholders' equity (deficit)	\$ 581,993,329

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 [Pre and Post Petition]	Accounts Payable [Post Petition]	Past Due Post Petition Debt (a)
0 -30 Days	\$103,543	\$951,134	
31-60 Days	\$0	\$196,192	\$196,192
61-90 Days	\$0	\$204,639	\$204,639
91+ Days	\$0	\$516,408	\$516,408
Total accounts receivable/payable	\$103,543	\$1,868,373	\$917,239
Allowance for doubtful accounts	\$0		
Accounts receivable (net)	\$103,543		

(a) Please see the attached Letter of Attestation regarding accounts payable. A large portion of the past due debt is related to the 20% holdback of bankruptcy professional fees.

Schedule B

Inventory/Cost of Goods Sold

Types and Amount of Inventory(ies)	Inventory(ies) Balance at End of Month	Cost of Goods Sold (10/1/2009 - 10/31/2009)	
		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

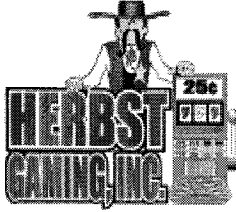
Date of last physical inventory was _____

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 _____



November 24, 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: November 24, 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)	\$664,163,468	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**



November 24, 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: November 24, 2009

HERBST GAMING, INC.

By: 
Mary Beth Higgins
Chief Financial Officer

In re: Herbst Gaming, Inc.

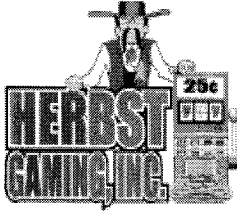
Case No. 09-50752-GWZ

Schedule H

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>	<u>Account 4</u>
Bank	<u>U.S. Bank</u>	<u>U.S. Bank</u>	<u>U.S. Bank</u>	<u>U.S. Bank</u>
Account Type	<u>Investment</u>	<u>General</u>	<u>Health Benefits</u>	<u>Workers Comp.</u>
Account No.	<u>xxxxxxxx4221</u>	<u>xxxxxxxx0434</u>	<u>xxxxxxxx4575</u>	<u>xxxxxxxx5366</u>
Account Purpose				
Balance, End of Month	<u>\$2,326,213</u>	<u>(\$103,575)</u>	<u>(\$15,156)</u>	<u>\$358</u>

	<u>Account 6</u>	<u>Account 6</u>	<u>Account 6</u>
Bank	<u>Comm. Bk. Nev</u>	<u>Comm. Bk. Nev</u>	<u>Comm. Bk. Nev</u>
Account Type	<u>Operating</u>	<u>Operating</u>	<u>Operating</u>
Account No.	<u>xxxxxxxx1866</u>	<u>xxxxxxxx0126</u>	<u>xxxxxxxx3907</u>
Account Purpose			
Balance, End of Month	<u>\$4,809</u>	<u>\$125,000</u>	<u>\$59,000</u>
Total Funds on Hand for all Accounts			<u>\$2,396,649</u>

Please see the attached Attestation of Bank Account Reconciliation.



November 24, 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: November 24, 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-Oct-09
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit (loss)	\$ (1,813,911)
<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	(29,883)
Prepaid expenses	696,680
Inventories	-
Other assets	(13,165)
Due to (from) related parties	(19,256)
Accounts payable	640,358
Accrued compensation and benefits payable	(447,317)
Accrued progressives	-
Accrued expenses	-
Other liabilities	10,817
Net cash provided by (used in) operating activities	(975,677)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net changes in notes receivable	2,518
Net changes in property & equipment	-
Net cash provided by investing activities	2,518
CASH FLOWS FROM FINANCING ACTIVITIES	
Net required payments on debt	-
Net intercompany funding	705,305
Net cash provided by (used in) financing activities	705,305
Net increase (decrease) in cash and equivalents	(267,854)
Cash and equivalents at beginning of period	2,664,503
Cash and equivalents at end of period	\$ 2,396,649

SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS

Cash Receipts:	
Cash received from customers, net	\$ -
Cash received from affiliated debtors (intercompany), net	705,305
Interest received	1,303
Net cash receipts	706,608
Cash Disbursements:	
Payroll and related	(1,108,437)
Cash transferred to affiliated debtors (intercompany), net	-
Suppliers	512,372 (a)
Reorganization costs	(378,397)
Interest paid	-
Required principal payments	-
Other	-
Net cash disbursements	(974,462)
Net change in cash and equivalents	\$ (267,854)

(a) The books of the debtor (the 'Parent Company') reflect a number of enterprise related items such as shared services, ordinary course professional fee accruals, prepaid expenses, and other recurring items. These items are subsequently allocated and expensed at the appropriate subsidiaries. As a result, the calculation of receipts and disbursements at the Parent Company may result in negative cash receipts and/or negative cash disbursements.

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

TOTAL DISBURSEMENTS	\$ 974,462
LESS: TRANSFERS TO OTHER DEBTOR IN POSSESSION ACCOUNTS	-
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES	-
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	\$ 974,462