

**IMPACT OF SOX ON THE HOTEL & MOTEL RELATED INDUSTRY**  
**Adverse Section 404 Reports**  
**For Companies with Years Ended in 2006**  
**As of July 6, 2007**

The following is a copy of the adverse report that was issued from companies in the Hotel & Motel industry with years ended in 2006. These were all of the accelerated filers in the Hotel & Motel industry with adverse Sarbanes-Oxley Section 404 management self assessments. This information was gathered using the online research tool called Audit Analytics an Ives Group, Inc company.

The following is a summary of the **material internal control weaknesses** reported in the adverse Section 404 Self Assessments:

Internal Controls - Accounting documentation, policy and/or procedures	1
Internal Controls - Material and/or numerous auditor /YE adjustments	1
Internal Controls - Non-routine transaction control issues	1

The following is a summary of the **material accounting weaknesses** reported in the adverse Section 404 Self Assessments. Section 404 is not just about internal control issues, but also about misapplication of financial accounting and reporting issues:

Accounting - PPE , intangible or fixed asset (value/diminution) issues	1
Accounting - Fin Stmt, footnote, US GAAP , segment disclosure issues	1
Accounting - Foreign, related party, affiliated and/or subsid issues	1
Accounting - Tax expense/benefit/deferral/other (FAS 109) issues	1
Accounting - Debt ,quasi-debt, warrants & equity ( BCF) security issues	1
Accounting - Acquisition, merger, disposal or reorganization issues	1



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## NEVADA GOLD & CASINOS INC

### 10-K 2006 Management - Internal Control Assessment

#### Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is identified in Exchange Act Rule 13a-15(f). The Company's internal control system is a process designed to provide reasonable assurance to the Company's management, Board of Directors and shareholders regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of its management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected. Material weaknesses have been identified in the Company's assessment of internal control over financial reporting. The Company has identified and included within its assessment the following internal control deficiencies that are considered material weaknesses in the design and operating effectiveness of internal controls over financial reporting:

- The financial reporting process resulted in incomplete accounting disclosures for i) fixed assets, ii) debt maturities, iii) pro formas for a business acquisition; iv) earnings per share and v) related parties that, although not material on an individual basis, when considered in the aggregate were deemed to be a material weakness.
- In conjunction with the preparation for the April 30, 2006 consolidated financial statement audit, the final resolution of the allocation of the purchase price of the Colorado Grande Casino to deferred tax assets was not initially completed. The Company completed its assessment and the tax asset is properly recorded as of April 30, 2006.



These material weaknesses manifested themselves through an accounting adjustment which impacted the consolidated financial statements and disclosures as of April 30, 2006 as well as the failure of certain key financial reporting control activities to operate effectively resulting in certain other disclosure deficiencies and or omissions.

The independent registered public accounting firm that audited the Company's consolidated financial statements has issued an audit report on management's assessment of, and the effectiveness of, the Company's internal control over financial reporting as of April 30, 2006. Their report appears in Item 9A(c).

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