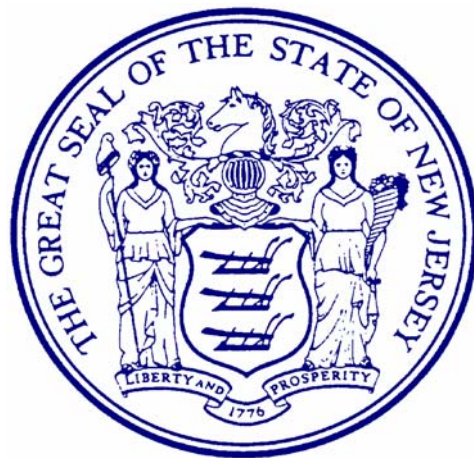


**BOARDWALK REGENCY CORPORATION
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2009

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

BOARDWALK REGENCY CORPORATION

BALANCE SHEETS

AS OF JUNE 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$12,264	\$14,328
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2009, \$15,987; 2008, \$13,464).....	2 & 4	19,624	25,373
4	Inventories	2	774	1,056
5	Other Current Assets.....	5	10,693	19,270
6	Total Current Assets.....		43,355	60,027
7	Investments, Advances, and Receivables.....	6 & 14	280,912	14,658
8	Property and Equipment - Gross.....	2 & 7	852,290	840,904
9	Less: Accumulated Depreciation and Amortization.....		(59,660)	(20,820)
10	Property and Equipment - Net.....		792,630	820,084
11	Other Assets.....	2 & 8	305,608	575,074
12	Total Assets.....		\$1,422,505	\$1,469,843
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,647	\$13,661
14	Notes Payable.....	9		
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....	12	45	41
17	Income Taxes Payable and Accrued.....	2	4,999	3,527
18	Other Accrued Expenses.....	10	81,054	46,791
19	Other Current Liabilities.....		3,105	2,830
20	Total Current Liabilities.....		97,850	66,850
	Long-Term Debt:			
21	Due to Affiliates.....	11	518,330	518,330
22	External.....	12	504	549
23	Deferred Credits		91,299	101,844
24	Other Liabilities.....	13	163,362	195,352
25	Commitments and Contingencies.....			
26	Total Liabilities.....		871,345	882,925
27	Stockholders', Partners', or Proprietor's Equity.....		551,160	586,918
28	Total Liabilities and Equity.....		\$1,422,505	\$1,469,843

* These amounts from prior year have been restated to reflect the current year presentation.

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

Valid comparisons cannot be made without using information contained in the notes.

BOARDWALK REGENCY CORPORATION

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$217,366	\$268,213
2	Rooms.....		17,546	15,958
3	Food and Beverage.....		22,850	28,570
4	Other.....		7,022	7,402
5	Total Revenue.....		264,784	320,143
6	Less: Promotional Allowances.....		58,869	62,708
7	Net Revenue.....		205,915	257,435
	Costs and Expenses:			
8	Cost of Goods and Services.....		126,758	147,994
9	Selling, General, and Administrative.....		23,438	32,488
10	Provision for Doubtful Accounts.....		3,087	2,246
11	Total Costs and Expenses.....		153,283	182,728
12	Gross Operating Profit.....		52,632	74,707
13	Depreciation and Amortization.....	2	22,858	29,097
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	10,613	10,500
16	Income (Loss) from Operations.....		19,161	35,110
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9 & 11	(24,601)	(22,029)
18	Interest Expense - External.....		(312)	(317)
19	CRDA Related Income (Expense) - Net.....	14	(411)	(1,228)
20	Nonoperating Income (Expense) - Net.....		(5,007)	(1,401)
21	Total Other Income (Expenses).....		(30,331)	(24,975)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(11,170)	10,135
23	Provision (Credit) for Income Taxes.....	2	189	4,767
24	Income (Loss) Before Extraordinary Items.....		(11,359)	5,368
	Extraordinary Items (Net of Income Taxes -			
25	2009, \$0; 2008, \$0).....			
26	Net Income (Loss).....		(\$11,359)	\$5,368

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

BOARDWALK REGENCY CORPORATION

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$113,748	\$134,496
2	Rooms.....		9,288	8,973
3	Food and Beverage.....		12,011	14,795
4	Other.....		3,982	4,170
5	Total Revenue.....		139,029	162,434
6	Less: Promotional Allowances.....		30,799	32,026
7	Net Revenue.....		108,230	130,408
	Costs and Expenses:			
8	Cost of Goods and Services.....		63,325	76,532
9	Selling, General, and Administrative.....		10,364	16,759
10	Provision for Doubtful Accounts.....		1,657	977
11	Total Costs and Expenses.....		75,346	94,268
12	Gross Operating Profit.....		32,884	36,140
13	Depreciation and Amortization.....	2	10,748	14,868
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	5,068	5,245
16	Income (Loss) from Operations.....		17,068	16,027
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9 & 11	(13,587)	(11,133)
18	Interest Expense - External.....		(162)	(25)
19	CRDA Related Income (Expense) - Net.....	14	(231)	(672)
20	Nonoperating Income (Expense) - Net.....		(2,429)	(616)
21	Total Other Income (Expenses).....		(16,409)	(12,446)
22	Income (Loss) Before Taxes and Extraordinary Items.....		659	3,581
23	Provision (Credit) for Income Taxes.....	2	3,891	245
24	Income (Loss) Before Extraordinary Items.....		(3,232)	3,336
	Extraordinary Items (Net of Income Taxes -			
25	2009, \$0; 2008, \$0).....			
26	Net Income (Loss).....		(\$3,232)	\$3,336

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

BOARDWALK REGENCY CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND THE SIX MONTHS ENDED JUNE 30, 2009

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2007.....		100	\$1,370			\$582,276		\$84,386	\$668,032
2	Net Income (Loss) - 2008.....								(355,474)	(355,474)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Acquisition by TPG/Apollo	2					333,554		(83,593)	249,961
7										0
8										0
9										0
10	Balance, December 31, 2008.....		100	1,370	0	0	915,830	0	(354,681)	562,519
11	Net Income (Loss) - 2009.....								(11,359)	(11,359)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, March 31, 2009		100	\$1,370	0	\$0	\$915,830	\$0	(\$366,040)	\$551,160

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

BOARDWALK REGENCY CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$36,954	\$21,483
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		(1,347)	(44,891)
5	Proceeds from Disposition of Property and Equipment.....			1,430
6	CRDA Obligations		(2,716)	(3,354)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		90	504
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(3,973)	(46,311)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Borrowings/Payments of Intercompany Payable		(47,004)	15,215
22				
23	Net Cash Provided (Used) By Financing Activities.....		(47,004)	15,215
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(14,023)	(9,613)
25	Cash and Cash Equivalents at Beginning of Period.....		26,287	23,941
26	Cash and Cash Equivalents at End of Period.....		\$12,264	\$14,328
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$3,425	\$7,021
28	Income Taxes.....		\$34	\$1,000

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

BOARDWALK REGENCY CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$11,359)	\$5,368
30	Depreciation and Amortization of Property and Equipment.....		18,430	24,452
31	Amortization of Other Assets.....		4,428	4,645
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		194	(690)
34	Deferred Income Taxes - Noncurrent		(3,234)	(38,047) *
35	(Gain) Loss on Disposition of Property and Equipment.....			(140)
36	(Gain) Loss on CRDA-Related Obligations.....		777	1,288
37	(Gain) Loss from Other Investment Activities.....		237	237
38	(Increase) Decrease in Receivables and Patrons' Checks		4,955	(2,669)
39	(Increase) Decrease in Inventories		311	459
40	(Increase) Decrease in Other Current Assets.....		(142)	997
41	(Increase) Decrease in Other Assets.....		617	(15,158)
42	Increase (Decrease) in Accounts Payable.....		(3,223)	(5,179)
43	Increase (Decrease) in Other Current Liabilities		24,306	15,397
44	Increase (Decrease) in Other Liabilities		657	30,523 *
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$36,954	\$21,483

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$1,347)	(\$44,891)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$1,347)	(\$44,891)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

* These amounts from prior year have been restated to reflect the current year presentation.

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

Valid comparisons cannot be made without using information contained in the notes.

**BOARDWALK REGENCY CORPORATION
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2009

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

August 17, 2009

Date



Alex Figueras

Vice President of Finance

Title

007438-11

License Number

On Behalf of:

BOARDWALK REGENCY CORPORATION

Casino Licensee

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Boardwalk Regency Corporation (the “Company”), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. (“CNJ”), a New Jersey corporation. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as “Caesars Atlantic City”. CNJ is a wholly owned subsidiary of Caesars World, Inc. (“CWI”), a Florida corporation, and CWI is a wholly owned subsidiary of Harrah’s Operating Company, Inc. (“HOC”), a direct wholly owned subsidiary of Harrah’s Entertainment, Inc. (“Harrah’s”). The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the “CCC”) and is subject to rules and regulations established by the CCC. The Company’s license is subject to renewal every five years with the current license expiring June 2013.

In January 2008, Harrah’s was acquired by affiliates of Apollo Global Management LLC and TPG Capital, L.P. in an all cash transaction, hereinafter referred to as the “Merger”.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying financial statements include the account balances of its wholly-owned subsidiaries. As a result, all material intercompany transactions and balances have been eliminated in consolidation.

Acquisition - On January 28, 2008, Harrah’s was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, LP. The total purchase price was approximately \$30.7 billion. In conjunction with the acquisition, total equity was adjusted to the purchase price assigned to the Company, retained earnings of the Company were eliminated and the assets and liabilities of the Company were adjusted to fair value with goodwill recorded for the excess of the purchase price over the fair value of the net tangible and intangible assets. Harrah’s determined the estimated fair values after review and consideration of relevant information including, discounted cash flows analyses, quoted market prices and estimates made by management.

For purposes of this regulatory filing, adjustments to the historical assets of the Company were reflected on March 31, 2008 and in its statement of income for the three months ended March 31, 2008 and in its statement of cash flows for the three months ended March 31, 2008. The operations of the Company for the periods prior to January 28, 2008 are considered the “Predecessor Company.” The operations of the Company for the period from January 28, 2008 are referred to in these financial statements as the “Company.” The Company’s balance sheet, statements of income and statements of cash flow are not comparable to the Predecessor Company. The Company has assumed all Predecessor Company’s obligations.

Cash and Cash Equivalents — Cash and cash equivalents are highly liquid investments with an

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

original maturity of less than three months and are stated at the lower of cost or market value.

Allowance for Doubtful Accounts - The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances.

Inventories - Inventories of provisions and supplies are valued at the lower of average cost, or market.

Land, Buildings and Equipment - Land, buildings, and equipment were stated at cost, through January 27, 2008 and revalued to fair value on January 28, 2008 in connection with the Merger, including capitalized interest on intercompany funds used to finance construction calculated at HOC's overall weighted-average borrowing rate of interest.

Improvements that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Land improvements	12 years
Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 10 years

Goodwill and Other Intangible Assets -The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, which provides guidance regarding the recognition and measurement of intangible assets, eliminates the amortization of certain intangibles and requires assessments for impairment of intangible assets that are not subject to amortization at least annually. Goodwill at June 30, 2009 totaled \$167,653.

Intangible assets include customer relationships (database) totaling \$106,200 with a useful life of twelve years and are being amortized using the straight-line method. Previous to the Merger, the Predecessor Company maintained a trademark totaling \$83,000 and customer relationships (database) totaling \$195,000. The trademark was determined to have indefinite life and, accordingly, was not amortized. The customer relationships were determined to have a useful life of 15 years and were being amortized using the straight-line method. Amortization expense for the six months ending June 30, 2009 and 2008 was approximately \$4,428 and \$4,645, respectively. Estimated annual amortization expense for the years ending December 31, 2009, 2010, 2011, 2012 and 2013, is \$8,850.

Investment in Atlantic City Express Service, LLC "ACES" - In 2006, the Company entered into

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

an agreement with Harrah's Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form ACES. In accordance with FIN 46 (R), *Consolidation of Variable Interest Entities*, the Company is required to consolidate ACES as they are considered to be the primary beneficiary of the variable interest entity. With each member having a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. The responsibilities of the managing member will rotate annually among the members. The total investment in ACES was approximately \$20,459. ACES became operational on February 6, 2009. ACES net loss for the six months ended June 30, 2009 was \$4,439 and is included in non-operating expenses on the accompanying statements of income.

Financial Instruments - The carrying amount of receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority ("CRDA") bonds and deposits approximately reflect their fair value based upon their below market interest rates.

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. The retail value of rooms, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances.

Total Rewards Program Liability - Harrah's customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company's property and certain affiliate casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits, the Company accrues the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The estimated cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Cost of Goods and Services in the accompanying statements of income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At June 30, 2009 and 2008, \$3,419 and \$4,181, respectively, was accrued for the cost of anticipated Rewards Credit redemptions.

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash ("cash-back points"). The Company accrues the cost of cash-back points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances in the accompanying statements of income. At June 30, 2009 and 2008, the liability related to outstanding cash-back points, which is based on historical redemption

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

activity, was \$599 and \$984, respectively.

Casino Promotional Allowances - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following as of June 30:

	2009	2008
Food & Beverage	\$ 12,769	\$ 15,981
Rooms	5,388	6,163
Other	2,173	2,670
Bus Program Cash	2,703	7,126
Promotional Gaming Credits	12,429	0
Other Cash Complimentaries	13,980	22,526
	\$ 49,442	\$ 54,466

Income Taxes - The Company is included in the consolidated federal tax return of Harrah's and files a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

The Company follows the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2009 are not necessarily indicative of the

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

results of operations for the full year.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Omission of Disclosures - In accordance with the Financial Reporting guidelines provided by the Casino Control Commission, the Company has elected not to include certain disclosures, which have not significantly changed since filing the most recent Annual Report. Accordingly, the following disclosures have been omitted: Future Lease Obligations, Employee Benefits and certain Income Tax disclosures.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company participates with HOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by HOC on a consolidated basis. The company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis.

Cash Activity with HOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to HOC on a daily basis. Cash transfers from HOC to the Company are also made based upon the needs of the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is earned on the amount shown as due from affiliates in the accompanying financial statements.

Atlantic City Country Club - Atlantic City Country Club 1, LLC (“ACCC”) is a wholly owned subsidiary of Bally’s Atlantic City (“Bally’s”), an affiliate of the Company. The net operating costs of ACCC are allocated to the Company and Bally’s as well as Harrah’s Atlantic City and Showboat Atlantic City, also affiliates of the Company. The Company was charged approximately \$154 and \$177 for these costs for the six months ended June 30, 2009 and 2008, respectively. The costs are included in other operating expenses in the accompanying statements of income.

Administrative and Other Services - The Company is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged \$10,613 and \$10,500 for these services for the six months ended June 30, 2009 and 2008, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

NOTE 4 – RECEIVABLES AND PATRONS’ CHECKS

Receivables and patrons’ checks as of June 30 consist of the following:

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

	2009	2008
Casino Receivables (Net of Allowance for Doubtful Accounts - 2009, \$15,639 & 2008, \$13,000)	\$ 15,758	\$ 18,899
Other (Net of Allowance for Doubtful Accounts - 2009, \$348 & 2008, \$266)	3,866	6,474
	\$ 19,624	\$ 25,373

NOTE 5 –OTHER CURRENT ASSETS

Other Current Assets as of June 30 consist of the following:

	2009	2008
Tax Deferred Asset	\$ 3,559	\$ 15,688
Purse Enhancement Agreement	2,684	-
Other	4,450	3,582
	\$ 10,693	\$ 19,270

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of June 30 consist of the following:

	2009	2008
Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2009, \$12,670 and 2008, \$12,804)	\$ 17,790	\$ 14,658
Due from Harrahs	263,122	-
	\$ 280,912	\$ 14,658

The amounts due from Harrah's as of June 30 are unsecured and non-interest bearing.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and Equipment as of June 30 consist of the following:

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(Unaudited)
(All dollar amounts in thousands)

	<u>2009</u>	<u>2008</u>
Land	\$ 182,580	\$ 185,881
Buildings and Improvements	520,357	489,081
Furniture, Fixtures, and Equipment	105,501	70,521
Construction in Progress	43,852	95,421
	<u>\$ 852,290</u>	<u>\$ 840,904</u>
Less Accumulated Depreciation & Amortization	(59,660)	(20,820)
	<u>\$ 792,630</u>	<u>\$ 820,084</u>

NOTE 8 – OTHER ASSETS

Other assets as of June 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Goodwill	\$ 167,653	\$ 423,333
Customer Database (less Accumulated Amortization of \$12,538 in 2009 & \$3,701 in 2008)	93,662	102,899
Other	44,293	48,842
	<u>\$ 305,608</u>	<u>\$ 575,074</u>

During May 2003, the Company entered into an agreement to lease the Pier at Caesars (the “Pier”) to developers for an initial term of 75 years. The 75 year term commenced upon completion of the Pier’s construction in 2006. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the developers.

As financing for the qualified pier development costs, the Company and certain of its Atlantic City affiliates entered into a credit agreement (the “Credit Agreement”) with the CRDA. The Credit Agreement provided for funding from the CRDA of up to \$42,800 for qualified development costs. As of June 30, 2009, the Company repaid the developers approximately \$42,800 through CRDA funds previously deposited by an affiliate. These payments are considered lease incentive payments and will be amortized over the life of the lease.

Refer to Note 2 for discussion of Goodwill and Other Intangible Assets.

NOTE 9 – NOTES PAYABLE

At December 31, 2000, the Company entered into an uncommitted \$50,000 credit facility with Caesars Entertainment Finance Corporation (“CEFC”), a wholly owned subsidiary of HOC. At June 30, 2009, there was no outstanding balance.

NOTE 10 - OTHER ACCRUED EXPENSES

Boardwalk Regency Corporation (Caesars Atlantic City)
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(Unaudited)
(All dollar amounts in thousands)

Other accrued expenses as of June 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Accrued Payroll & Benefits	\$ 9,599	\$ 11,106
Accrued Interest Payable	62,812	18,757
Real Estate Taxes	-	5,388
Other	8,643	11,540
	<u>\$ 81,054</u>	<u>\$ 46,791</u>

NOTE 11- LONG-TERM DEBT TO AFFILIATES

Long-term debt, due to affiliates as of June 30 consists of the following:

	<u>2009</u>	<u>2008</u>
8.5% Note Payable to Harrah's Entertainment, Ltd. ("HEL") due December 31, 2010	<u>\$ 518,330</u>	<u>\$ 518,330</u>
	<u>\$ 518,330</u>	<u>\$ 518,330</u>

On July 1, 2006, the note formerly held by CEFC was assigned to HEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of June 30, 2009, accrued interest related to the intercompany note totaled \$62,771. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

NOTE 12 - OTHER LONG TERM DEBT

Long-term debt, other as of June 30 consists of the following:

	<u>2009</u>	<u>2008</u>
Mortgage Note due October 15, 2011 Interest at 10.0%	\$ 549	\$ 590
Less: Current Maturities	(45)	(41)
	<u>\$ 504</u>	<u>\$ 549</u>

NOTE 13 – OTHER LIABILITIES

Other Liabilities as of June 30, 2009 and June 30, 2008 consisted of the following:

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	2009	2008
Due to Affiliates, Atlantic City Region	\$ 89,476	\$ 77,731
Due to Affiliates, Harrahs	-	43,769
Due to Affiliates, Other	39,223	38,870
ACES Consolidation	13,470	8,767
CRDA-ACIA funding	7,517	7,831
FIN 48 - Tax Reserve	13,676	14,179
Other	-	4,205
	\$ 163,362	\$ 195,352

The Atlantic City Region consists of Harrah's casino licenses operating in Atlantic City, New Jersey.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation – The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

Insurance Reserve - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets include insurance allowances of \$400 and \$600 as of June 30, 2009 and 2008, respectively. Actual results may differ from these reserve amounts.

CRDA Investment Obligation - The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rates. The Company includes CRDA investment bonds and funds on deposit in Investments, Advances and Receivables in the accompanying balance sheets totaling \$5,731 and \$24,728 respectively, at June 30, 2009 and \$6,657 and \$20,805, respectively, at June 30, 2008. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

The estimate for Valuation Reserves for the CRDA bonds considered guidance primarily under FAS 115 "Accounting for Certain Investments in Debt and Equity Securities," FASB SOP FAS 115-1/124-1 "The Meaning of Other-than-temporary Impairment and its Application to Certain

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Investments” and FAS 157 “Fair Value Measurements.” Since there is no market for the bonds issued through the CRDA, initial obligation deposits are marked down by 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. This discount is being amortized over the remaining life of the bond. Once CRDA Bonds are issued we have concluded that the bonds are held-to-maturity due to their nature. The bonds held by the Company through CRDA are held to maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, they are not permitted to do otherwise. As such, as of June 30, 2009 the CRDA Bonds are measured at amortized cost.

All the Atlantic City casino properties (the “AC Industry”) and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the “NJSEA”) to provide funding to subsidize New Jersey’s horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided \$34,000 over a four year period to the NJSEA and deposited another \$62,000 into the Casino Expansion Fund (managed by the CRDA). The Company’s obligation was equal to its fair-share of AC Industry casino revenues and the Company is eligible to receive funds deposited as a result of this obligation from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide \$90 million in funding to subsidize New Jersey’s horseracing industry. The funding will be provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company’s obligation is equal to its fair-share of AC Industry casino revenues. The total commitment is being charged to operations on a straight line basis beginning January 2009 through December 31, 2011.