

**BOARDWALK REGENCY CORPORATION
QUARTERLY REPORT**

FOR THE QUARTER ENDED DECEMBER 31, 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 DECEMBER 31, 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.....		\$24,892	\$26,287
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2009, \$16,353; 2008, \$15,573).....	2 & 4	23,851	24,579
4	Inventories	2	644	1,085
5	Other Current Assets.....	5	10,457	10,745
6	Total Current Assets.....		59,844	62,696
7	Investments, Advances, and Receivables.....	6 & 14	309,812	224,430
8	Property and Equipment - Gross.....	2 & 7	852,775	851,149
9	Less: Accumulated Depreciation and Amortization.....		(79,775)	(40,609)
10	Property and Equipment - Net.....		773,000	810,540
11	Other Assets.....	2 & 8	132,961	310,408
12	Total Assets.....		\$1,275,617	\$1,408,074
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$11,227	\$11,870
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		49	45
17	Income Taxes Payable and Accrued.....	2	0	0
18	Other Accrued Expenses.....	9	104,076	61,411
19	Other Current Liabilities.....		4,332	3,441
20	Total Current Liabilities.....		119,684	76,767
	Long-Term Debt:			
21	Due to Affiliates.....	10	518,330	518,330
22	External.....	10	455	504
23	Deferred Credits	2	88,290	94,533
24	Other Liabilities.....	11	167,989	155,421
25	Commitments and Contingencies.....			
26	Total Liabilities.....		894,748	845,555
27	Stockholders', Partners', or Proprietor's Equity.....		380,869	562,519
28	Total Liabilities and Equity.....		\$1,275,617	\$1,408,074

* These amounts for the current year have been revised.

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

Amended 4/30/2010

BOARDWALK REGENCY CORPORATION

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$459,893	\$543,111
2	Rooms.....		37,114	36,261
3	Food and Beverage.....		49,707	58,340
4	Other.....		15,623	16,395
5	Total Revenue.....		562,337	654,107
6	Less: Promotional Allowances.....		133,162	135,945
7	Net Revenue.....		429,175	518,162
	Costs and Expenses:			
8	Cost of Goods and Services.....		260,903	298,303
9	Selling, General, and Administrative.....		52,391	60,619
10	Provision for Doubtful Accounts.....		6,578	5,773
11	Total Costs and Expenses.....		319,872	364,695
12	Gross Operating Profit.....		109,303	153,467
13	Depreciation and Amortization.....	2	46,816	53,318
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	20,768	20,276
16	Income (Loss) from Operations.....		41,719	79,873
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(44,058)	(44,058)
18	Interest Expense - External.....		(3,125)	(600)
19	CRDA Related Income (Expense) - Net.....		(958)	(2,672)
20	Nonoperating Income (Expense) - Net.....		(176,339)	(374,135)
21	Total Other Income (Expenses).....		(224,480)	(421,465)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(182,761)	(341,592)
23	Provision (Credit) for Income Taxes.....	2 & 13	(1,111)	13,882
24	Income (Loss) Before Extraordinary Items.....		(181,650)	(355,474)
	Extraordinary Items (Net of Income Taxes -			
25	2008, \$0; 2007, \$0).....			
26	Net Income (Loss).....		(\$181,650)	(\$355,474)

* These amounts for the current year have been revised.

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 DECEMBER 31, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$113,235	\$116,363
2	Rooms.....		9,086	9,382
3	Food and Beverage.....		11,813	13,152
4	Other.....		3,832	3,832
5	Total Revenue.....		137,966	142,729
6	Less: Promotional Allowances.....		33,664	32,796
7	Net Revenue.....		104,302	109,933
	Costs and Expenses:			
8	Cost of Goods and Services.....		65,914	67,548
9	Selling, General, and Administrative.....		14,108	9,857
10	Provision for Doubtful Accounts.....		2,159	2,339
11	Total Costs and Expenses.....		82,181	79,744
12	Gross Operating Profit.....		22,121	30,189
13	Depreciation and Amortization.....	2	10,255	12,772
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	5,108	4,733
16	Income (Loss) from Operations.....		6,758	12,684
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(11,073)	(11,014)
18	Interest Expense - External.....		(90)	(141)
19	CRDA Related Income (Expense) - Net.....		(257)	(601)
20	Nonoperating Income (Expense) - Net.....		(1,377)	(372,663)
21	Total Other Income (Expenses).....		(12,797)	(384,419)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(6,039)	(371,735)
23	Provision (Credit) for Income Taxes.....	2 & 13	(9,393)	513
24	Income (Loss) Before Extraordinary Items.....		3,354	(372,248)
25	Extraordinary Items (Net of Income Taxes - 2008, \$0; 2007, \$0).....			
26	Net Income (Loss).....		\$3,354	(\$372,248)

* These amounts for the current year have been revised.

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 TWELVE MONTHS ENDED DECEMBER 31, 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						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.....								(181,650)	(181,650)
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, December 31, 2008		100	\$1,370	0	\$0	\$915,830	\$0	(\$536,331)	\$380,869

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 TWELVE MONTHS ENDED DECEMBER 31, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$76,164	(\$70,745)
	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.....		(2,198)	(52,282)
5	Proceeds from Disposition of Property and Equipment.....		12	1,430
6	CRDA Obligations		(5,753)	(6,805)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		121	1,738
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(7,818)	(55,919)
	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.....		(45)	(41)
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		(69,696)	129,051 *
22				
23	Net Cash Provided (Used) By Financing Activities.....		(69,741)	129,010
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,395)	2,346
25	Cash and Cash Equivalents at Beginning of Period.....		26,287	23,941
26	Cash and Cash Equivalents at End of Period.....		\$24,892	\$26,287
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$2,585	\$7,080 *
28	Income Taxes.....		\$6,262	\$4,285

* These amounts for the current year have been revised.

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

BOARDWALK REGENCY CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$181,650)	(\$355,474) *
30	Depreciation and Amortization of Property and Equipment.....		37,956	44,262
31	Amortization of Other Assets.....		8,860	9,056
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		(220)	2,721
34	Deferred Income Taxes - Noncurrent		(6,243)	(10,700) *
35	(Gain) Loss on Disposition of Property and Equipment.....		(6)	(161)
36	(Gain) Loss on CRDA-Related Obligations.....		2,830	1,748
37	(Gain) Loss from Other Investment Activities.....		474	474
38	(Increase) Decrease in Receivables and Patrons' Checks		728	(1,875)
39	(Increase) Decrease in Inventories		441	430
40	(Increase) Decrease in Other Current Assets.....		508	(2,413)
41	(Increase) Decrease in Other Assets.....		1,179	245,097
42	Increase (Decrease) in Accounts Payable.....		(643)	(6,970)
43	Increase (Decrease) in Other Current Liabilities		43,556	27,101
44	Increase (Decrease) in Other Liabilities		741	(24,041)
45	Impairment of Goodwill		167,653	
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$76,164	(\$70,745)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$2,198)	(\$52,282)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$2,198)	(\$52,282)
	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 for the current year have been revised.

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 DECEMBER 31, 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.

April 30, 2010

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 “Acquisition”. (See Note 2)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying financial statements include the account balances of its wholly-owned subsidiaries. We also consolidate into our financial statements, the accounts of any variable interest entity for which we are determined to be the primary beneficiary. 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 December 31, 2008 and in its Statements of Income and Statements of Cash Flows for the year ended December 31, 2008.

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.

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

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 Acquisition, 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 20 years

The Company reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Goodwill and Other Intangible Assets – The company accounts for goodwill and other intangible assets in accordance with ASC 350, “Intangible Assets – Goodwill and Other”, which provides guidance regarding the recognition and measurement of intangible assets, eliminates amortization of certain intangibles and requires assessment for impairment of intangible assets that are subject to amortization at least annually.

The Company completed an assessment of goodwill and other non amortizing intangible assets as of September 30, 2009 and as a result determined that goodwill had been impaired. This impairment charge is largely a result of adjustments to the Company's long-term operating plan as a result of the current economic climate. A charge of \$167,653 was recorded to our Statements of Income in the third quarter 2009 and was reflected in Non-operating Income (Expense)

Intangible assets include customer relationships (database) totaling \$106,200 with a useful life of

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

twelve years and are being amortized using the straight-line method. Amortization expense for the twelve months ending December 31, 2009 and 2008 was approximately \$8,850 and \$9,056 respectively. Estimated annual amortization expense for the years ending December 31, 2010, 2011, 2012 and 2013, is \$8,850.

Investment in Atlantic City Express Service, LLC “ACES” - In 2006, the Company entered into an agreement with Harrah’s Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form ACES. In accordance with ASC 810-10-25-58, *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 \$23,993. ACES became operational on February 6, 2009. ACES net loss for the twelve months ended December 31, 2009 was \$8,340 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 twelve-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 December 31, 2009 and 2008, \$3,769 and \$3,924, respectively, was accrued for the cost of anticipated Rewards Credit redemptions. These amounts are

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Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

included in the net intercompany balances within the Investment, Advances, and Receivables section of the Company's accompanying balance sheet.

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 December 31, 2009 and 2008, the liability related to outstanding cash-back points, which is based on historical redemption activity, was \$604 and \$840, 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 December 31:

	<u>2009</u>	<u>2008</u>
Food & Beverage	\$ 27,950	\$ 31,789
Rooms	10,893	11,824
Other	5,250	5,518
Bus Program Cash	2,703	14,711
Promotional Gaming Credits	32,889	2,112
Other Cash Complimentaries	33,487	50,570
	<u>\$ 113,172</u>	<u>\$ 116,524</u>

Income Taxes - Harrah's files income tax returns, including returns for its subsidiaries (which includes the Company), with federal, state, and foreign jurisdictions. Harrah's Entertainment is under regular and recurring audit by the Internal Revenue Service ("IRS") on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. As a result of the expiration of the statute of limitations and closure of IRS audits, Harrah's 2004 and 2005 federal income tax years were closed during the year ended December 31, 2009. The IRS audit of our 2006 federal income tax year also concluded during the year ended December 31, 2009. We participated in the IRS's Compliance Assurance Program ("CAP") for the 2007 and 2008 tax years. Our 2007 federal income tax year has reached the IRS appeals stage of the audit process and we expect this appeal to close before March 31, 2010. Our 2008 federal income tax year is currently under post-CAP review by the IRS. We did not participate in the IRS's CAP program for our 2009 income tax year and we will not participate in the CAP program for the 2010 income tax year.

Harrah's is also subject to exam by various state and foreign tax authorities. Tax years prior to 2005 are generally closed for foreign and state income tax purposes as the statutes of limitations

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Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

have lapsed. However, various subsidiaries are still capable of being examined by the New Jersey Division of Taxation for tax years beginning with 1999 due to our execution of New Jersey statute of limitation extensions.

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 ASC 740, Income Taxes. 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.

Recently Issued Accounting Pronouncements - On July 1, 2009 the Financial Accounting Standards Board (“FASB”) launched the ASC, a structural overhaul to U.S. GAAP that changes from a standards-based model (with thousands of individual standards) to a topical based model. For final consensuses that have been ratified by the FASB, the ASC will be updated with an Accounting Standards Update (“ASU”), which is assigned a number that corresponds to the year and that ASU’s spot in the progression (e.g., 2010—1 will be the first ASU issued in 2010). ASUs will replace accounting changes that historically were issued as Statement of Financial Accounting Standards (“SFAS”), FASB Interpretations (“FIN,”) FASB Staff Positions (“FSPs,”) or other types of FASB Standards.

NOTE 3 - RELATED PARTY TRANSACTIONS

Amended 4/30/2010

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

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.

Employee Benefit Plans - Harrah's maintains a defined contribution savings and retirement plan in which employees of the Company may participate. The plan, among other things, provides for pretax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. Through February 2009, the employer match was 50% for the first six percent of employees' contributions. In February 2009, Harrah's announced suspension of the employer match for all participating employees, where allowed by law or not in violation of an existing agreement. The Acquisition was a change in control under the savings and retirement plan, and therefore, all unvested employer match amounts as of the Acquisition became vested.

Amounts contributed to the plan are invested, at the participant's direction, in up to 19 separate funds. Participants become vested in the matching contributions over five years of credited service. The Company's contribution expense for the years ended December 31, 2009 and 2008 was approximately \$229 and \$1,735 million, respectively.

Harrah's also maintains deferred compensation plans, stock option plans, and an Executive Supplemental Savings Plan, under which certain employees of the Company may defer a portion of their compensation. The expenses charged by Harrah's to the Company for its employees' participation in these programs are included in the administrative and other services charge discussed above.

Certain employees of the Company are covered by union-sponsored, collectively bargained, multi-employer defined benefit pension plans. The contributions and charges to expense for these plans were \$3,125 and \$3,457 for the years ended December 31, 2009 and 2008, respectively. Under the Employee Retirement Income Security Act, the Company may be liable for its share of unfunded liabilities, if any, if such plans are terminated. The Pension Plan's administrators do not provide sufficient information to enable the Company to determine their share, if any, of unfunded vested benefits.

Equity Incentive Awards - Harrah's maintains equity incentive awards plans in which employees of the Company may participate. Harrah's allocates an appropriate amount of cost for these awards to each subsidiary where employees participate.

Amended 4/30/2010

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

The Equity Plan authorizes equity award options to be granted to management and other personnel and key service providers. Grants may be either shares of time-based options or shares of performance-based options, or a combination thereof. Time-based options generally vest in equal increments of 20% on each of the first five anniversaries of the grant date. The performance-based options vest based on the investment returns of our stockholders. One-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to two times their amount vested, and one-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to three times their amount vested subject to certain conditions and limitations. In addition, the performance-based options may vest earlier at lower thresholds upon liquidity events prior to December 31, 2011, as well as pro rata, in certain circumstances. The Equity Plan was amended in December 2008 to allow grants at a price above fair market value, as defined in the Equity Plan. The company recognized \$296 and \$276 for equity award options in 2009 and 2008 respectively.

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 \$196 and \$280 for these costs for the twelve months ended December 31, 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 \$20,768 and \$20,243 for these services for the twelve months ended December 31, 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 December 31 consist of the following:

Amended 4/30/2010

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

	<u>2009</u>	<u>2008</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2009, \$16,032 & 2008, \$15,275)	\$ 17,072	\$ 17,552
Other (Net of Allowance for Doubtful Accounts - 2009, \$321 & 2008, \$298)	<u>6,779</u>	<u>7,027</u>
	<u>\$ 23,851</u>	<u>\$ 24,579</u>

NOTE 5 – OTHER CURRENT ASSETS

Other Current Assets as of December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Tax Deferred Asset	\$ 3,973	\$ 3,753
Purse Enhancement Agreement	2,692	2,667
Other	<u>3,792</u>	<u>4,325</u>
	<u>\$ 10,457</u>	<u>\$ 10,745</u>

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2009, \$12,837 and 2008, \$13,132)	\$ 18,506	\$ 16,178
Due from Harrahs	<u>291,306</u>	<u>208,252</u>
	<u>\$ 309,812</u>	<u>\$ 224,430</u>

The amounts due from Harrah's as of December 31 are unsecured and non-interest bearing.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and Equipment as of December 31 consist of the following:

Amended 4/30/2010

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

	<u>2009</u>	<u>2008</u>
Land	\$ 182,580	\$ 182,580
Buildings and Improvements	525,286	520,124
Furniture, Fixtures, and Equipment	129,542	100,988
Construction in Progress	<u>15,367</u>	<u>47,457</u>
	\$ 852,775	\$ 851,149
Less Accumulated Depreciation & Amortization	<u>(79,775)</u>	<u>(40,609)</u>
	<u><u>\$ 773,000</u></u>	<u><u>\$ 810,540</u></u>

NOTE 8 – OTHER ASSETS

Other assets as of December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Goodwill	\$ -	\$ 167,653
Customer Database (less Accumulated Amortization of \$16,963 in 2009 & \$8,113 in 2008)	89,238	98,087
Other	<u>43,723</u>	<u>44,668</u>
	<u><u>\$ 132,961</u></u>	<u><u>\$ 310,408</u></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.

NOTE 9 - OTHER ACCRUED EXPENSES

Other accrued expenses as of December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Accrued Payroll & Benefits	\$ 10,264	\$ 9,663
Accrued Interest Payable	84,813	40,756
Other	<u>8,999</u>	<u>10,992</u>
	<u><u>\$ 104,076</u></u>	<u><u>\$ 61,411</u></u>

NOTE 10- LONG-TERM DEBT

Long-term debt, due to affiliates and other as of December 31 consists of the following:

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

	<u>2009</u>	<u>2008</u>
Due to Affiliates		
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>
Due to Other		
Mortgage Note due October 15, 2011 Interest at 10.0%	\$ 504	\$ 549
Less: Current Maturities	<u>\$ (49)</u>	<u>\$ (45)</u>
	<u>\$ 455</u>	<u>\$ 504</u>
Total Long Term Debt	<u><u>\$ 518,785</u></u>	<u><u>\$ 518,834</u></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 December 31, 2009, accrued interest related to the intercompany note totaled \$84,800. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

Because the Company has both the intent and the ability to extend this liability, the \$518,330 Note Payable due December 31, 2010 is classified as long term debt on the balance sheet as of December 31, 2009.

NOTE 11 – OTHER LIABILITIES

Other Liabilities as of December 31, 2009 and December 31, 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Due to Affiliates, Atlantic City Region	\$ 91,327	\$ 84,941
Due to Affiliates, Other	39,737	38,976
ACES	15,648	10,968
CRDA-Seat Licenses	5,808	8,085
Deferred Tax Liability	<u>15,469</u>	<u>12,451</u>
	<u><u>\$ 167,989</u></u>	<u><u>\$ 155,421</u></u>

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

NOTE 12 – LEASES

Amended 4/30/2010

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

The Company has operating leases for a retail store, slot machines, copy equipment and billboards. These leases have various expiration dates through 2026.

Future minimum lease payments due under these leases are as follows:

2010	\$	1,790
2011		938
2012		171
Total Minimum Rental Commitments	\$	<u>2,899</u>

Total rent expense for the years ended December 31, 2009 and 2008 was \$2,238 and \$3,266, respectively.

NOTE 13 - INCOME TAXES (BENEFITS)

The income tax provision or benefit for the years ended December 31, 2009 and 2008, were as follows:

	<u>2009</u>	<u>2008</u>
Income Tax Provision (Benefit)		
Federal:		
Current	\$ (1,872)	\$ 11,327
Deferred	<u>(3,738)</u>	<u>(3,348)</u>
	<u>(5,610)</u>	<u>7,979</u>
State:		
Current	6,007	6,463
Deferred	<u>(1,508)</u>	<u>(560)</u>
	<u>4,499</u>	<u>5,903</u>
Total:		
Current	4,135	17,790
Deferred	<u>(5,246)</u>	<u>(3,908)</u>
	<u>\$ (1,111)</u>	<u>\$ 13,882</u>

As of December 31, 2009 and 2008, significant components of the Company's deferred tax assets and liabilities were as follows:

Amended 4/30/2010

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
CRDA investment obligations	\$ 9,406	\$ 9,014
Allowance for doubtful accounts	6,680	6,362
Compensation programs	1,539	814
Contingencies	11,819	10,601
Other	<u>2,530</u>	<u>2,524</u>
 Total deferred tax assets	 <u>31,974</u>	 <u>29,315</u>
 Deferred tax liabilities:		
Intangibles	(36,454)	(40,069)
Property and equipment	(74,850)	(75,733)
Progressive jackpot liability	<u>(4,987)</u>	<u>(4,293)</u>
 Total deferred tax liabilities	 <u>(116,291)</u>	 <u>(120,095)</u>
 Net deferred tax liability	 <u>\$ (84,317)</u>	 <u>\$ (90,780)</u>

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 \$510 and \$900 as of December 31, 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 \$5,700 and \$25,643 respectively, at December 31, 2009 and \$5,821 and \$23,489, respectively, at December 31, 2008. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

Amended 4/30/2010

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(All dollar amounts in thousands)

The estimate for Valuation Reserves for the CRDA bonds considered guidance primarily under ASC 320, Investments – Debt and Equity Securities and ASC 820, Fair Value. 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 December 31, 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. The company has recognized \$3,565 for payments to the NJSEA in 2009.

**BOARDWALK REGENCY CORPORATION
ANNUAL FILINGS**

FOR THE YEAR ENDED DECEMBER 31, 2009

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



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

BOARDWALK REGENCY CORPORATION
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2009

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$11,865		
2	Returned Patrons' Checks.....	21,239		
3	Total Patrons' Checks.....	33,104	\$16,032	\$17,072
4	Hotel Receivables.....	1,952	321	\$1,631
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	5,148		
8	Total Other Receivables.....	5,148		\$5,148
9	Totals (Form CCC-205).....	\$40,204	\$16,353	\$23,851

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$12,611
11	Counter Checks Issued.....	340,153
12	Checks Redeemed Prior to Deposit.....	(312,038)
13	Checks Collected Through Deposits.....	(11,013)
14	Checks Transferred to Returned Checks.....	(17,848)
15	Other Adjustments.....	0
16	Ending Balance.....	\$11,865
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$6,530
19	Provision as a Percent of Counter Checks Issued.....	1.9%

BOARDWALK REGENCY CORPORATION

EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2009

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	999			
2	Slot Machines	91			
3	Administration	0			
4	Casino Accounting	144			
5	Simulcasting	8			
6	Other	0			
7	Total - Casino	1,242	\$33,875	\$209	\$34,084
8	ROOMS	279	7,239		7,239
9	FOOD AND BEVERAGE	857	16,624		16,624
10	GUEST ENTERTAINMENT	218	1,372		1,372
11	MARKETING	136	8,023	564	8,587
12	OPERATION AND MAINTENANCE	243	8,963		8,963
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	8	640	265	905
14	Accounting and Auditing	45	1,975		1,975
15	Security	117	3,835		3,835
16	Other Administrative and General	76	5,847	135	5,982
	OTHER OPERATED DEPARTMENTS:				
17	Parking Operations	89	1,509		1,509
18	Health Club/Pool Services	37	792		792
19	Telephone	11	296		296
20	Retail Stores	17	401		401
21	Coat Check	0	0		0
22					0
23	TOTALS - ALL DEPARTMENTS	3,375	\$91,391	\$1,173	\$92,564

CAESARS ATLANTIC CITY

ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2009

Line

CASINO WIN:

1.	Table and Other Games.....	\$ 175,456,897
2.	Slot Machines	284,752,454
3.	Total Casino Win.....	460,209,351
4.	Adjustments.....	34,836
5.	Gross Revenue (line 3 plus line 4).....	460,244,187
6.	Deduction for Eligible Promotional Gaming Credits.....	30,004,733
7.	Taxable Gross Revenue (line 5 minus line 6).....	430,239,454
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....	34,419,156
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	-
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....	34,419,156

Under penalties of perjury, I declare that I have examined this Annual Gross Revenue Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 31, 2010

Date

DONNA HOGAN

OPERATIONAL CONTROLLER (7516-11)

Title (License Number)