BOARDWALK REGENCY CORPORATION
QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

BOARDWALK REGENCY CORPORATION
BALANCE SHEETS

AS OF SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$15,807	$17,465
2	Short-Term Investments			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, $11,402; 2012, $11,826)	2 & 4	22,003	19,609
4	Inventories	2	388	521
5	Other Current Assets	5	7,708	13,563
6	Total Current Assets		45,906	51,158
7	Investments, Advances, and Receivables	3,6 &12	494,651	499,920
8	Property and Equipment - Gross	2 & 7	862,116	849,423
9	Less: Accumulated Depreciation and Amortization	2 & 7	(217,315)	(184,348)
10	Property and Equipment - Net	2 & 7	644,801	665,075
11	Other Assets	2 & 8	96,045	105,666
12	Total Assets		$1,281,403	$1,321,819
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$7,810	$6,923
14	Notes Payable			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates			
16	External	10	1,493	1,817
17	Income Taxes Payable and Accrued	2	37	
18	Other Accrued Expenses	9	266,130	224,744
19	Other Current Liabilities		3,989	2,766
20	Total Current Liabilities		279,459	236,250
	Long-Term Debt:			
21	Due to Affiliates	10	518,330	518,330
22	External	10	2,621	
23	Deferred Credits	2	79,867	94,001
24	Other Liabilities	11	153,745	182,096
25	Commitments and Contingencies	12		
26	Total Liabilities		1,034,022	1,030,677
27	Stockholders', Partners', or Proprietor's Equity		247,381	291,142
28	Total Liabilities and Equity		$1,281,403	$1,321,819

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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$255,142	$286,137
2	Rooms		28,779	29,463
3	Food and Beverage		41,525	43,576
4	Other		13,789	17,345
5	Total Revenue		339,235	376,521
6	Less: Promotional Allowances		87,299	98,743
7	Net Revenue		251,936	277,778
	Costs and Expenses:			
8	Cost of Goods and Services		171,616	176,112
9	Selling, General, and Administrative		15,582	24,574
10	Provision for Doubtful Accounts		2,359	2,166
11	Total Costs and Expenses		189,557	202,852
12	Gross Operating Profit		62,379	74,926
13	Depreciation and Amortization	2	30,762	36,500
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	19,172	22,301
16	Income (Loss) from Operations		12,445	16,125
	Other Income (Expenses):			
17	Interest Expense - Affiliates	9 & 11	(33,044)	(33,081)
18	Interest Expense - External		(123)	245
19	CRDA Related Income (Expense) - Net	12	(2,112)	(2,044)
20	Nonoperating Income (Expense) - Net		(1,437)	(2,087)
21	Total Other Income (Expenses)		(36,716)	(36,967)
22	Income (Loss) Before Taxes and Extraordinary Items		(24,271)	(20,842)
23	Provision (Credit) for Income Taxes	2	(6,613)	(5,907)
24	Income (Loss) Before Extraordinary Items		(17,658)	(14,935)
	Extraordinary Items (Net of Income Taxes -			
25	20__, $0; 20__, $0)			
26	Net Income (Loss)		($17,658)	($14,935)

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 SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$95,956	$107,669
2	Rooms		11,232	11,004
3	Food and Beverage		15,739	17,158
4	Other		6,130	8,572
5	Total Revenue		129,057	144,403
6	Less: Promotional Allowances		35,088	37,092
7	Net Revenue		93,969	107,311
	Costs and Expenses:			
8	Cost of Goods and Services		61,330	62,750
9	Selling, General, and Administrative		4,966	7,676
10	Provision for Doubtful Accounts		1,642	665
11	Total Costs and Expenses		67,938	71,091
12	Gross Operating Profit		26,031	36,220
13	Depreciation and Amortization	2	9,248	12,606
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	6,523	7,460
16	Income (Loss) from Operations		10,260	16,154
	Other Income (Expenses):			
17	Interest Expense - Affiliates	9 & 11	(11,015)	(11,052)
18	Interest Expense - External		(31)	64
19	CRDA Related Income (Expense) - Net	12	(126)	(113)
20	Nonoperating Income (Expense) - Net		(962)	(660)
21	Total Other Income (Expenses)		(12,134)	(11,761)
22	Income (Loss) Before Taxes and Extraordinary Items		(1,874)	4,393
23	Provision (Credit) for Income Taxes	2	(274)	2,036
24	Income (Loss) Before Extraordinary Items		(1,600)	2,357
25	Extraordinary Items (Net of Income Taxes - 20__, $_____; 20__, $________)			
26	Net Income (Loss)		($1,600)	$2,357

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, 2012 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2011..........**		100	$1,370			$915,830		($611,123)	$306,077
2	Net Income (Loss) - 2012.............								(27,479)	(27,479)
3	Contribution to Paid-in-Capital.....									0
4	Dividends......................................									0
5	Prior Period Adjustments..............									0
6										0
7										0
8										0
9										0
10	**Balance, December 31, 2012..........**		100	1,370	0	0	915,830	0	(638,602)	278,598
11	Net Income (Loss) - 2013.............								(17,658)	(17,658)
12	Contribution to Paid-in-Capital.....									0
13	Dividends......................................									0
14	Prior Period Adjustments..............									0
15	Equitization of Intercompany						(13,559)			(13,559)
16	Balances									0
17										0
18										0
19	**Balance, September 30, 2013 ....**		100	$1,370	0	$0	$902,271	$0	($656,260)	$247,381

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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$59,794	$55,499
	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.....		(9,747)	(11,484)
5	Proceeds from Disposition of Property and Equipment.....		205	
6	CRDA Obligations		(2,855)	(3,501)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		34	(535)
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....			
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(12,363)	(15,520)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		2,596	1,817
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(501)	
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		(56,171)	(57,498)
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(54,076)	(55,681)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(6,645)	(15,702)
25	Cash and Cash Equivalents at Beginning of Period.....		22,452	33,167
26	Cash and Cash Equivalents at End of Period.....		$15,807	$17,465

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		$135	$13
28	Income Taxes.....		$0	$0

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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		($17,658)	($14,935)
30	Depreciation and Amortization of Property and Equipment...		24,119	29,857
31	Amortization of Other Assets...		6,643	6,643
32	Amortization of Debt Discount or Premium..........................			
33	Deferred Income Taxes - Current		1,773	(35)
34	Deferred Income Taxes - Noncurrent		8,751	2,844
35	(Gain) Loss on Disposition of Property and Equipment.........		(158)	
36	(Gain) Loss on CRDA-Related Obligations...........................		1,809	2,146
37	(Gain) Loss from Other Investment Activities.......................		349	349
38	(Increase) Decrease in Receivables and Patrons' Checks		386	4,927
39	(Increase) Decrease in Inventories		114	188
40	(Increase) Decrease in Other Current Assets..........................		(139)	(3,422)
41	(Increase) Decrease in Other Assets......................................		371	715
42	Increase (Decrease) in Accounts Payable..............................		(775)	(2,941)
43	Increase (Decrease) in Other Current Liabilities		31,892	30,109
44	Increase (Decrease) in Other Liabilities		1,758	(946)
45	Increase (Decrease) in Invest., Adv. and Recvble			
46	Impairment of CRDA Assets …………………		559	
47	Net Cash Provided (Used) By Operating Activities...................		$59,794	$55,499

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment..................................		($10,729)	($11,484)
49	Less: Capital Lease Obligations Incurred..............................		982	
50	Cash Outflows for Property and Equipment..............................		($9,747)	($11,484)
	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

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
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	378,928	$14,592		
2	Food	499,619	17,607		
3	Beverage	4,995,078	9,990		
4	Travel			125,732	3,989
5	Bus Program Cash	1,079	67		
6	Promotional Gaming Credits	423,042	26,693		
7	Complimentary Cash Gifts	163,426	15,153		
8	Entertainment	16,035	1,244	5,315	779
9	Retail & Non-Cash Gifts	44,172	883		
10	Parking				
11	Other	52,889	1,070	89,668	2,681
12	Total	6,574,268	$87,299	220,715	$7,449

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	129,680	$5,002		
2	Food	184,000	6,668		
3	Beverage	1,897,342	3,795		
4	Travel			46,193	1,383
5	Bus Program Cash	364	24		
6	Promotional Gaming Credits	152,671	10,369		
7	Complimentary Cash Gifts	44,857	7,600		
8	Entertainment	12,666	899	2,572	352
9	Retail & Non-Cash Gifts	16,080	321		
10	Parking				
11	Other	21,085	410	44,660	1,190
12	Total	2,458,745	$35,088	93,425	$2,925

*No item in this category (Other) exceeds 5%.

BOARDWALK REGENCY CORPORATION
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division'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.S.A. 5:12-84a(1)-(5) during the quarter.

Karen Worman

11/15/2013
Date

Karen Worman

Vice President of Finance
Title

006320-11
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 Caesars Entertainment Operating Company, Inc. ("CEOC") (formerly Harrah's Operating Company), a direct wholly owned subsidiary of Caesars Entertainment, Inc. ("Caesars") (formerly Harrah's Entertainment Inc.). 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 Division of Gaming Enforcement (the "DGE") and is subject to rules and regulations established by the DGE. The Company's license is subject to renewal every five years. The current license expired in July 2013. Application for license renewal was submitted and is pending DGE review.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for doubtful accounts.

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

Land, Buildings and Equipment – Land, buildings and equipment have been recorded at their estimated fair values and useful lives based on the application of purchase accounting at the date the Company was acquired. Additions to land, buildings and equipment are stated at cost.

The Company capitalizes the costs of improvements that extend the life of the asset and expenses maintenance and repair costs as incurred. Gains or losses on the dispositions of land, buildings or equipment are included in the determination of income.

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

(All dollar amounts in thousands)

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.

Intangible Assets Other Than Goodwill – Intangible assets other than goodwill represents the customer database with a gross carrying value of $106.2 million as of September 30, 2013 and 2012, with accumulated amortization of $50,150 and $41,300 for the nine months ended September 30, 2013 and 2012, respectively. The customer database was determined to have a 12 year life based upon attrition rates and computations of incremental value derived from existing relationships.

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 Atlantic City Express Service, LLC (ACES). 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 investment is reflected in the accompanying consolidated financial statements using the equity method. ACES suspended services during the year ended December 31, 2011, and accordingly, the joint venture agreement terminated, which forced a liquidation of the joint venture's assets. During 2011, the company recorded a non-cash impairment charge to reduce the Company's carrying value of the investment to $2.8 million as shown on the accompanying balance sheets. During 2012, the Company received $2.8 million in liquidation of the Company's interest in ACES.

Fair Value of Financial Instruments - The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of receivables and all current liabilities approximates fair value due to their short-term nature. 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 are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. The Company does not recognize as revenue taxes collected on goods or services sold to its customers.

Total Rewards Program Liability — Caesars' 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 forfeitures referred to as "breakage", as they are earned. The estimated cost to provide reward credits is expensed as the reward credits are earned and is included in casino expense in the accompanying consolidated statements of operations. 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 September 30, 2013 and 2012, $2,405 and $2,788 respectively, was accrued for the cost of anticipated Total reward credit redemptions. These amounts reside on Caesars' Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company.

In addition to Reward Credits, the Company's customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards ("NNRR"). The Company accrues the costs of NNRR, 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 consolidated statements of operations. At September 30, 2013 and 2012, the liability related to outstanding NNRR, which is based on historical redemption, was approximately $582 and $579, 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 September 30, 2013 and 2012:

(All dollar amounts in thousands)

	2013	2012
Food & Beverage	$ 21,316	$ 23,256
Rooms	6,105	6,418
Other	2,847	4,516
Bus Program Cash	67	48
Promotional Gaming Credits	26,693	34,311
Other Cash Complimentaries	15,153	12,545
	$ 72,181	$ 81,094

Gaming Tax — The Company remits weekly to the State of New Jersey a tax equal to 8% of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the nine months ended September 30, 2013 and 2012, which are included in casino expenses in the accompanying consolidated statements of income, were approximately $18,823 and $22,978, respectively.

In-House Progressive Liability - In March 2012, the DGE approved regulations which allowed casinos to remove in-house progressives from the floor. Casinos were no longer required to keep in-house progressives, once established on the floor. As a result, the regulations allowed us to remove the liability (reset and incremental portion) from the progressive slot liability account. The offset was an increase to the slot revenue.

City of Atlantic City Real Property Tax Appeals - In 2012, Caesars settled with the City of Atlantic City (the "City") with respect to their challenges to the real estate tax assessments for each of the tax years 2009 through 2012. Under the settlement terms, the assessments for the Caesars properties were collectively reduced from approximately $1,699 million to $1,049 million for the 2012 tax year. Caesars did not give up any rights to appeal future tax years as part of the settlement including an appeal of the tax year 2012 which is pending. The tax settlement, based on the 2012 City tax rate, resulted in a reduction in the tax payment that would otherwise have been due of approximately $14 million in 2012.

The City of Atlantic City increased property taxes approximately 17% for the year 2013.

Income Taxes - The Company is included in the consolidated federal tax return of Caesars and files a separate New Jersey tax return. The (benefit)/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 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 (GAAP) 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 nine months ended September 30, 2013 are not necessarily indicative of the results of operations for the full year.

Omission of Disclosures - In accordance with the Financial Reporting guidelines provided by the Division of Gaming Enforcement, 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 CEOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by CEOC 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 CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to CEOC on a daily basis. Cash transfers from CEOC 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

(All dollar amounts in thousands)

Atlantic City, also affiliates of the Company. The Company was charged approximately $68 and $84 for these costs for the nine months ended September 30, 2013 and 2012, 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 CEOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged $19,172 and $22,301 for these services for the nine months ended September 30, 2013 and 2012, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

Equitization of Intercompany Balances - During June 2013, the Company elected to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. The offset to this was Additional Paid in Capital. This is shown separately on the Statement of Changes in Stockholder's Equity.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of September 30 consist of the following:

	2013	2012
Casino Receivables (Net of Allowance for Doubtful Accounts - 2013, $11,041 & 2012, $11,763)	$ 16,439	$ 14,990
Other (Net of Allowance for Doubtful Accounts - 2013, $361 & 2012, $63)	5,564	4,619
	$ 22,003	$ 19,609

NOTE 5 –OTHER CURRENT ASSETS

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

	2013	2012
Tax Deferred Asset	$ 6,064	$ 6,649
Other	1,644	6,914
	$ 7,708	$ 13,563

(All dollar amounts in thousands)

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2013	2012
Due from Caesars	$ 473,205	$ 476,301
Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2013, $11,106 and 2012, $10,878)	21,446	20,819
Investment In ACES	-	2,800
	$ 494,651	$ 499,920

The amounts due from Caesars as of September 30 are unsecured and non-interest bearing.

NOTE 7 – PROPERTY AND EQUIPMENT

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

	2013	2012
Land	$ 182,448	$ 182,580
Buildings and Improvements	534,781	532,520
Furniture, Fixtures, and Equipment	143,842	132,613
Construction in Progress	1,045	1,710
	$ 862,116	$ 849,423
Less Accumulated Depreciation & Amortization	(217,315)	(184,348)
	$ 644,801	$ 665,075

The Company impaired certain CRDA assets in the second quarter of 2013, in the amount of $559,312 (Victorian Court).

NOTE 8 – OTHER ASSETS

Other assets as of September 30 consist of the following:

	2013	2012
Customer Database (less Accumulated Amortization of $50,150 in 2013 & $41,300 in 2012)	$ 56,050	$ 64,900
Other	39,995	40,766
	$ 96,045	$ 105,666

(All dollar amounts in thousands)

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 September 30 consist of the following:

	2013	2012
Accrued Payroll	$ 5,811	$ 7,882
Accrued Interest Payable	250,038	205,984
Other	10,281	10,878
	$ 266,130	$ 224,744

NOTE 10- LONG-TERM DEBT

Long-term debt, due to affiliates and other as of September 30, consists of the following:

	2013	2012
Due to Affiliates		
8.5% Note Payable to Caesars Entertainment, Ltd. ("CEL") due December 1, 2020	$ 518,330	$ 518,330
Due to Other		
Notes Payable	2,596	
Less: Current Portion of Notes Payable	(661)	
Capitalized Leases	1,518	1,817
Less: Currrent Portion of Capitalized Leases	(832)	(1,817)
Long Term Portion of Other Debt	2,621	-
Total Long Term Debt	$ 520,951	$ 520,147

On July 1, 2006, the note formerly held by CEFC was assigned to CEL. 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 September 30, 2013, accrued interest related to the intercompany note totaled $250,018. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

(All dollar amounts in thousands)

NOTE 11 – OTHER LIABILITIES

Other Liabilities as of September 30 consisted of the following:

	2013	2012
Due to Affiliates, Atlantic City Region	$ 117,294	$ 112,888
Due to Affiliates, Other	(3,150)	31,923
Deferred Tax Liability	39,597	37,270
Other	4	15
	$ 153,745	$ 182,096

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

NOTE 12 – 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 $15 and $45 as of September 30, 2013 and 2012, 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 licenses 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 rate.

(All dollar amounts in thousands)

As of September 30, CRDA related assets were as follows:

	2013	2012
CRDA Bonds — net of amortized costs	$ 4,190	$ 4,260
Deposits — net of reserves of $11,106 and $10,878	17,256	16,559
Total	$ 21,446	$ 20,819

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $1,763 and $1,696 for the nine months ended September 30, 2013 and 2012, respectively, and is included in CRDA Expense, in the consolidated statements of operations.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA.

Once CRDA Bonds are issued, we have concluded that the bonds 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, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the nine months ended September 30, 2013 and 2012 was $25 and $31, respectively, and is included in CRDA Expense in the consolidated statements of operations.

After the initial determination of fair value, the Company will analyze the recoverability of the CRDA Bonds on a quarterly basis and its affect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative credit-worthiness of each bondholder, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount.

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 totaling $2,812, 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 $90,000 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 was $10,657, equal to its fair-share of AC Industry casino revenues. The total commitment was being charged to operations on a straight-line basis beginning January 2009 through December 31, 2011.

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize Atlantic City casino marketing. This agreement was signed on November 2, 2011 and is set to expire on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of $5,000 in December 2011 and will continue to pay $30,000 annually for the next five years. The Company's obligation was $2,424 for the nine months ended September 30, 2013. The Company's obligation for its portion of future payments is estimated at $11,091, equal to its fair-share of AC Industry casino revenues.