

Bally's Park Place Inc. (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2016

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

Bally's Park Place Inc. (Bally's Atlantic City)

BALANCE SHEETS

AS OF MARCH 31, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$13,768	\$12,908
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, \$3,171; 2015, \$3,687).....	2, 4	5,857	6,301
4	Inventories	2	783	1,026
5	Other Current Assets.....	5	2,280	5,249
6	Total Current Assets.....		22,688	25,484
7	Investments, Advances, and Receivables.....	6	13,734	16,680
8	Property and Equipment - Gross.....	2,7	75,715	61,712
9	Less: Accumulated Depreciation and Amortization.....	2,7	(18,625)	(11,125)
10	Property and Equipment - Net.....	7	57,090	50,587
11	Other Assets.....	8	66,163	81,782
12	Total Assets.....		\$159,675	\$174,533
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,296	\$8,622
14	Notes Payable.....			0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		2,123	2,519
17	Income Taxes Payable and Accrued.....		0	
18	Other Accrued Expenses.....	9	357,664	360,818
19	Other Current Liabilities.....		1,809	1,867
20	Total Current Liabilities.....		367,892	373,826
	Long-Term Debt:			
21	Due to Affiliates.....	10	583,500	583,500
22	External.....	10	2,405	2,405
23	Deferred Credits		0	0
24	Other Liabilities.....	11	1,861	790
25	Commitments and Contingencies.....	12	0	0
26	Total Liabilities.....		955,658	960,521
27	Stockholders', Partners', or Proprietor's Equity.....		(795,983)	(785,988)
28	Total Liabilities and Equity.....		\$159,675	\$174,533

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

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

Bally's Park Place Inc. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....		\$48,429	\$45,449
2	Rooms.....		8,102	7,928
3	Food and Beverage.....		9,126	9,094
4	Other.....		2,132	2,432
5	Total Revenue.....		67,789	64,903
6	Less: Promotional Allowances.....		17,942	16,079
7	Net Revenue.....		49,847	48,824
	Costs and Expenses:			
8	Casino.....		25,685	23,943
9	Rooms, Food and Beverage.....		3,349	3,909
10	General, Administrative and Other.....		15,195	16,422
11	Total Costs and Expenses.....		44,229	44,274
12	Gross Operating Profit.....		5,618	4,550
13	Depreciation and Amortization.....	2	3,579	1,056
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	5,678	6,990
16	Income (Loss) from Operations.....		(3,639)	(3,496)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	0	(4,133)
18	Interest Expense - External.....	10	(4)	(66)
19	CRDA Related Income (Expense) - Net.....	12	(287)	(329)
20	Nonoperating Income (Expense) - Net.....		(118)	499
21	Total Other Income (Expenses).....		(409)	(4,029)
22	Income (Loss) Before Taxes		(4,048)	(7,525)
23	Provision (Credit) for Income Taxes.....	2	3	1
24	Net Income (Loss).....		(\$4,051)	(\$7,526)

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

Bally's Park Place Inc. (Bally's Atlantic City)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 AND THE THREE MONTHS ENDED MARCH 31, 2016

(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, 2014.....		100	\$1	0	\$0	(\$63,355)	\$0	(\$713,714)	(\$777,068)
2	Net Income (Loss) - 2015.....								10,096	10,096
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Equitization of Intercompany						(23,352)			(23,352)
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2015.....		100	1	0	0	(86,707)	0	(703,618)	(790,324)
11	Net Income (Loss) - 2016.....								(4,051)	(4,051)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany						(1,608)			(1,608)
16	.....									0
17	.....									0
18	.....									0
19	Balance, March 31, 2016		100	\$1	0	\$0	(\$88,315)	\$0	(\$707,669)	(\$795,983)

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

Bally's Park Place Inc. (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$112)	\$2,869
	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.....		(1,795)	(1,358)
5	Proceeds from Disposition of Property and Equipment.....		59	0
6	CRDA Obligations		(606)	(577)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		219	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		
11	.....		
12	Net Cash Provided (Used) By Investing Activities.....		(2,123)	(1,935)
	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	Change in Payable to / Receivable from affiliates		(2,027)	(2,353)
22	.....		
23	Net Cash Provided (Used) By Financing Activities.....		(2,027)	(2,353)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(4,262)	(1,419)
25	Cash and Cash Equivalents at Beginning of Period.....		18,030	14,327
26	Cash and Cash Equivalents at End of Period.....		\$13,768	\$12,908
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			
28	Income Taxes.....			

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

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

Bally's Park Place Inc. (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$4,051)	(\$7,526)
30	Depreciation and Amortization of Property and Equipment.....		3,579	1,056
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		0	437
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....		(59)	(467)
36	(Gain) Loss on CRDA-Related Obligations.....		287	329
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		329	504
39	(Increase) Decrease in Inventories		91	89
40	(Increase) Decrease in Other Current Assets.....		(1)	(1,765)
41	(Increase) Decrease in Other Assets.....		93	531
42	Increase (Decrease) in Accounts Payable.....		(904)	4,592
43	Increase (Decrease) in Other Current Liabilities		521	5,108
44	Increase (Decrease) in Other Liabilities		3	(19)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$112)	\$2,869

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$1,795)	(\$1,358)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$1,795)	(\$1,358)
	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.

Bally's Park Place Inc. (Bally's Atlantic City)
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2016
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	115,608	\$4,562		
2	Food	132,996	2,770		
3	Beverage	1,597,604	3,195		
4	Travel	0	0	17,147	1,059
5	Bus Program Cash	1,985	20		
6	Promotional Gaming Credits	160,967	5,746		
7	Complimentary Cash Gifts	9,048	1,295		
8	Entertainment	0	0	447	56
9	Retail & Non-Cash Gifts	12,186	244	7,748	775
10	Parking	0	0	110,817	332
11	Other	17,994	110	6,750	169
12	Total	2,048,388	\$17,942	142,909	\$2,391

FOR THE THREE MONTHS ENDED MARCH 31, 2016

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	115,608	\$4,562		
2	Food	132,996	2,770		
3	Beverage	1,597,604	3,195		
4	Travel	0	0	17,147	1,059
5	Bus Program Cash	1,985	20		
6	Promotional Gaming Credits	160,967	5,746		
7	Complimentary Cash Gifts	9,048	1,295		
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9	Retail & Non-Cash Gifts	12,186	244	7,748	775
10	Parking	0	0	110,817	332
11	Other	17,994	110	6,750	169
12	Total	2,048,388	\$17,942	142,909	\$2,391

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


Bally's Park Place Inc. (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2016

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.

5/15/2016

Date



[Insert Name Here]

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

Bally's Park Place Inc. (Bally's Atlantic City)
Casino Licensee

BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

The accompanying financial statements include the accounts of Bally’s Park Place, Inc., a New Jersey corporation (the “Company”), an indirect, wholly owned subsidiary of Caesars Operating Company, Inc. (“CEOC”) which is a direct wholly owned subsidiary of Caesars Entertainment Corporation (“CEC”). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as “Bally’s Atlantic City.”

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 resubmission every five years.

CEOC Reorganization - On January 15, 2015 (the “Petition Date”), CEOC and certain of its United States subsidiaries, including the Companies, (the “Debtors”) voluntarily filed for reorganization under Chapter 11 of the Bankruptcy Code. As a result of this filing, CEOC and the Companies operate as debtors-in-possession under the Bankruptcy Code.

The accompanying financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and liabilities in the ordinary course of business. The Companies' ability to continue as a going concern is dependent upon CEOC's ability to restructure its indebtedness and emerge from bankruptcy and a favorable resolution to the continued ability to use cash collateral. These uncertainties raise substantial doubt about the Companies' ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of uncertainties, including the possibility that the Companies lose some or substantially all of their assets to foreclosure as a result of these uncertainties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Companies financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated; however, due to the inherent uncertainties in making these estimates, actual amounts could differ.

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

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Cash and Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less from the date of purchase 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. 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, which consist primarily of food, beverage and operating supplies, are stated at the lower of average cost or market value.

Long-Lived Assets - The Companies have significant capital invested in long-lived assets, and judgments are made in determining the estimated useful lives of assets and salvage values and if or when an asset (or asset group) has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in the Companies' financial results and whether the Companies have a gain or loss on the disposal of an asset. The Companies assign lives to their assets based on their standard policy, which is established by management as representative of the useful life of each category of asset.

The Companies review the carrying value of their long-lived assets 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. The Companies typically estimate their fair value of assets starting with a "Replacement Cost New" approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for the Companies, is the individual property. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors, and changes in the assumptions and estimates, could have a material impact on the analysis and the supplemental consolidated financial statements schedules.

Additions to property and equipment are stated at cost. The Companies capitalize the costs of improvements that extend the life of the asset. The Companies expense maintenance and repair costs as incurred. Gains or losses on the disposition of property and equipment are recognized in the period of disposal. Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period of time.

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

BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Useful Lives

Land improvements	12 years
Buildings	20 to 40 years
Leasehold improvements	5 to 20 years
Furniture, fixtures, and equipment	2.5 to 20 years

Impairment of Intangible Assets - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principle market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as the "exit price"). Fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability, including consideration of nonperformance risk.

We assess the inputs used to measure fair value using the three-tier hierarchy promulgated under GAAP. This hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Inputs include quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, and observable inputs such as interest rates and yield curves.

Level 3: Inputs that are significant to the measurement of fair value that are not observable in the market and include management's judgments about assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

Our assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (EBITDA multiples and discount rate) and Level 3 (forecasted cash flows) inputs.

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. Sales taxes and other taxes collected from customers on behalf of governmental authorities are

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

accounted for on a net basis and are not included in net revenues or operating expenses.

Casino Promotional Allowances - The retail value of accommodations, food and beverage and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances. 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 March 31:

	<u>2016</u>	<u>2015</u>
Rooms	\$2,211	\$2,407
Food and Beverage	4,530	4,040
Other	207	250
Bus Program Cash	20	21
Promotional Gaming Credits	5,746	5,457
Other Cash Complimentaries	1,295	692
	<u>\$14,009</u>	<u>\$12,867</u>

Total Rewards Program Liability - The Company's customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of affiliated 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 expense of reward credits is accrued after consideration of estimated forfeitures (referred to as "breakage"), as they are earned. The value of the cost to provide reward credits is expensed as the reward credits are earned and is included in casino expense in the accompanying 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 March 31, 2016 and 2015, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$1,560 and \$2,131, respectively.

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 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 March 31, 2016 and 2015, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$393 and \$308, respectively.

Gaming Tax — The Company remits weekly to the NJ Division of Taxation a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the NJ Division of Taxation for the three months ended March 31, 2016 and 2015, which are included in casino expenses in the accompanying statements of income, were approximately \$3,877 and \$3,689, respectively.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Advertising Expenses — Advertising costs are expensed as incurred. Advertising expenses are approximately \$123 and \$80 for the three months ended March 31, 2016 and 2015, respectively. Advertising expenses are included in general, administrative and other expenses in the statements of income.

City of Atlantic City Real Property Tax Appeals - Property Tax – In 2015, the Company settled with the City with respect to their challenges to the real estate tax assessment for prior years. The City approved refunds/credits of prior year's property taxes in 2015 in the amount of \$2,088. This credit was recorded in general, administrative and other expense in the accompanying Statements of Income. In addition, the 2015 assessment was reduced by approximately \$62,000. During 2015, the city increased the property tax rate by approximately 2%.

Income Taxes - The Company is included in the consolidated federal tax return of Caesars 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 *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 financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America requires management 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 amounts of revenue and expenses reported during the periods. Actual results could differ from such estimates and assumptions.

Internet Gaming - Caesars Interactive Entertainment New Jersey, LLC as the affiliate of Bally's Park Place, Inc. was issued an internet gaming permit on November 20, 2013 to conduct real money online gaming in the State of New Jersey. All real money online gaming is reported in the financial statements of Caesars Interactive Entertainment New Jersey, LLC. Effective November 20, 2014 the Company does not have an internet gaming permit.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended March 31 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

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

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.

The Company's property, assets and capital stock are pledged as collateral for certain of CEOC's outstanding debt.

Cash Activity With CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to its respective parent on a daily basis. Cash transfers from the Company's parent is also made based upon the needs of the Company to fund daily operations, including accounts payable, payroll, and capital expenditures. No interest is charged on transfers made to or from the Company.

Administrative and Other Services - Pursuant to a shared services agreement, CEOC provides certain corporate and administrative services to the Company and allocates the costs of these services to the company. In May 2014, Caesars Enterprise Services ("CES") was formed, and the Members entered into the Omnibus License and Enterprise Services Agreement (see below). Certain of these corporate and administrative services are now provided by CES. The Company was charged approximately \$5,678 and \$6,990 for the three months ended March 31, 2016 and 2015, respectively, for these services. The fee is included in charges from affiliates in the accompanying statements of income.

Omnibus License and Enterprise Services Agreement

On May 20, 2014, CEOC, Caesars Entertainment Resort Properties ("CERP"), and Caesars Growth Properties Holdings, LLC ("CGPH") (the "Members" and each a "Member") entered into a services joint venture, CES. CES manages certain Enterprise Assets and the other assets it owns, licenses or controls, and employs certain of the corresponding employees and other employees who previously provided services to CEOC, CERP and CGPH, their affiliates and their respective properties and systems under each property's corresponding property management agreement. Corporate expenses that are not allocated to the properties directly are allocated by CES to CEOC, CERP, and CGPH according to their allocation percentages. Operating expenses will be allocated to each Member with respect to their respective properties serviced by CES in accordance with historical allocation methodologies, subject to annual revisions and certain prefunding requirements.

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. Offset to this was Additional Paid in Capital. This is separately shown on the Statement of Changes in Stockholder's Equity.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of March 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Casino Receivable (Net of allowance for doubtful accounts \$3,101 in 2016 and \$3,622 in 2015)	\$2,819	\$3,085
Other (Net of allowance for doubtful accounts of \$70 in 2016 and \$65 in 2015)	2,668	2,857
Current Portion of Notes Receivable	370	359
	<u>\$5,857</u>	<u>\$6,301</u>

NOTE 5- OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of March 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Tax Deferred Asset	\$0	\$2,979
Prepaid Gaming License Fees	230	243
Refundable Deposits	693	693
Other	1,357	1,334
	<u>\$2,280</u>	<u>\$5,249</u>

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>2016</u>	<u>2015</u>
Casino Reinvestment Development Authority Investment obligations (net of valuation reserves of \$15,142 in 2016 and \$13,831 in 2015)	\$12,762	\$15,468
Other	972	1,212
	<u>\$13,734</u>	<u>\$16,680</u>

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 7- LAND, BUILDING AND EQUIPMENT

Property and equipment as of March 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$27,808	\$27,808
Buildings and Improvements	18,008	14,004
Furniture, Fixtures and Equipment	22,811	15,104
Construction in progress	7,088	4,796
	<u>\$75,715</u>	<u>\$61,712</u>
Less accumulated depreciation	<u>(18,625)</u>	<u>(11,125)</u>
	<u>\$57,090</u>	<u>\$50,587</u>

NOTE 8- OTHER ASSETS

Other assets as of March 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Notes Receivable-Net of current portion	\$8,429	\$8,799
Tax Deferred Asset	57,249	72,465
Other	485	518
	<u>\$66,163</u>	<u>\$81,782</u>

NOTE 9- OTHER ACCRUED EXPENSES

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

	<u>2016</u>	<u>2015</u>
Accrued Interest	\$344,159	\$346,425
Accrued Payroll	5,480	5,419
Other	8,025	8,974
	<u>\$357,664</u>	<u>\$360,818</u>

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
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(Unaudited)
(All dollar amounts in thousands)

NOTE 10- LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER

Long-term debt-due to affiliates and other as of March 31 consist of the following:

	<u>2016</u>	<u>2015</u>
8.5% Note payable to Harrah's Entertainment Ltd. ("HEL") due January 1, 2019	\$500,000	\$500,000
8.5% Note Payable To HEL due May 31, 2021	33,500	33,500
8.5% Note Payable To HEL due May 31, 2021	<u>50,000</u>	<u>50,000</u>
	<u>\$583,500</u>	<u>\$583,500</u>
Long-term debt-other:	<u>\$2,405</u>	<u>\$2,405</u>

On July 1, 2006, the three promissory notes formerly held by Caesars Entertainment Finance Corporation ("CEFC") were 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 March 31, 2016 and 2015, accrued interest related to the three inter-company notes totaled \$344,159 and \$346,425 respectively. Since the notes are due to an affiliate, a determination of fair value is not considered meaningful.

The Company amended and restated its notes payable to HEL originally due January 1, 2009 in the amount of \$500,000. The new amended and restated note payable has the same terms and conditions and at the same interest rate but with a new maturity date of January 1, 2019.

The Company also amended and restated its notes payable to HEL originally due May 31, 2011 in the amount of \$83,500. The new amended and restated note payable has the same terms and conditions and at the same interest rate but with a new maturity date of May 31, 2021.

Due to the bankruptcy, the long term debt, accrued interest and capital leases are considered liabilities subject to compromise (LSTC).

NOTE 11 - OTHER LIABILITIES

As of March 31, Other Liabilities were as follows:

	<u>2016</u>	<u>2015</u>
Retirement and Other Employee benefit Plans	\$1,517	\$457
Deferred Tax Liability	<u>344</u>	<u>333</u>
	<u>\$1,861</u>	<u>\$790</u>

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
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(Unaudited)
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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 \$500 as of March 31, 2016 and 2015. Actual results may differ from these reserve amounts. Due to the bankruptcy, the insurance reserve is considered LSTC.

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. During 2014, the Company entered into a donation credit agreement, whereby a portion of the Company's CRDA deposits were permitted to be used for non-gaming related projects.

As of March 31, CRDA related assets were as follows:

	<u>2016</u>	<u>2015</u>
CRDA Bonds - net of amortized costs	\$9,246	\$6,788
Deposit - net of reserve	2,834	7,552
Direct Investments - net of reserves	682	1,128
	<u>\$12,762</u>	<u>\$15,468</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$287 and \$329 for the three months ended March 31, 2016 and 2015, respectively, and is included in CRDA (income) expense, in the statements of income.

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 three months ended March 31, 2016 and 2015 was \$27 and \$6, respectively, and is included in CRDA Expense in the consolidated statements of operations.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
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(Unaudited)
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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 and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize the Atlantic City market. 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 \$2,662 for the twelve months ending December 31, 2015. The Company has expensed \$640 for the three months ending March 31, 2016. The Company has not paid its 2016 obligation, which is estimated at \$2,616.

Atlantic City Conference Center - In June 2013, Caesars established, AC Conference NewCo, LLC ("NewCo") to construct and operate a new conference center (the "Project") adjacent to Harrah's Atlantic City. NewCo is a direct wholly owned subsidiary of AC Conference HoldCo, LLC, which is a direct wholly owned subsidiary of Caesars.

Also in June 2013, Caesars signed an agreement with the CRDA regarding a grant for financial assistance in the amount of \$45,000 (the "Project Grant") wherein the CRDA will provide Caesars cash to help fund the construction of the Project. Under the Project Grant, Caesars is obligated to contribute to the CRDA the following:

- \$46,200 of Atlantic City Economic Development Investment Alternative Tax Obligation balances ("Existing Credits"), of which \$1,200 represents a 2.75% administrative fee,
- \$9,500 of CRDA Credits that the CRDA will use towards the construction of the CRDA's marketplace-style retail development project (the "Donation Credits"), and
- Land parcels with an appraised value of \$7,300 on which the CRDA's Marketplace Project will be developed (the Marketplace Parcels).

The gross value of the credits and land parcels described above held by the Companies immediately prior to the transaction were as follows:

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
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Existing Credits

Harrah's Atlantic City Holding, Inc. and Subsidiaries	\$ 23,400
Bally's Park Place, Inc.	10,600
Boardwalk Regency Corporation	7,000
Ocean Showboat, Inc. and Subsidiaries	5,200
	<u>\$ 46,200</u>

Donation Credits

Ocean Showboat, Inc. and Subsidiaries	<u>\$ 9,500</u>
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Marketplace Parcels

Bally's Park Place, Inc.	\$ 4,600
Boardwalk Regency Corporation	2,700
	<u>\$ 7,300</u>

In return for the above, the CRDA will deposit \$45,000 into a Project Fund from which Caesars can draw on a pari-passu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. As of March 31, 2016, Caesars has received \$40,715 in reimbursements from the Project Fund.