

**BOARDWALK REGENCY CORPORATION
QUARTERLY REPORT**

FOR THE QUARTER ENDED SEPTEMBER 30, 2007

**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 SEPTEMBER 30, 2007 AND 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$27,991	\$31,249
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2007, \$12,489; 2006, \$11,008).....	2 & 4	25,335	27,198
4	Inventories	2	991	1,025
5	Other Current Assets.....	5	19,851	19,882
6	Total Current Assets.....		74,168	79,354
7	Investments, Advances, and Receivables.....	6	243,711	169,232
8	Property and Equipment - Gross.....	2 & 7	742,691	672,524
9	Less: Accumulated Depreciation and Amortization.....		(76,931)	(35,130)
10	Property and Equipment - Net.....		665,760	637,394
11	Other Assets.....	2 & 8	565,708	579,548
12	Total Assets.....		\$1,549,347	\$1,465,528
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$16,571	\$14,557
14	Notes Payable.....	9		
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		37	37
17	Income Taxes Payable and Accrued.....	2	20,918	22,351
18	Other Accrued Expenses.....	10	83,491	35,224
19	Other Current Liabilities.....	2 & 11	2,762	4,769
20	Total Current Liabilities.....		123,779	76,938
	Long-Term Debt:			
21	Due to Affiliates.....	13	518,330	518,330
22	External.....		591	591
23	Deferred Credits	2	129,847	148,097
24	Other Liabilities.....	13	103,873	72,330
25	Commitments and Contingencies.....			
26	Total Liabilities.....		876,420	816,286
27	Stockholders', Partners', or Proprietor's Equity.....		672,927	649,242
28	Total Liabilities and Equity.....		\$1,549,347	\$1,465,528

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

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

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

Amended 12/19/2007

BOARDWALK REGENCY CORPORATION

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino.....	2	\$453,181	\$410,247
2	Rooms.....		29,156	28,835
3	Food and Beverage.....		48,727	49,026
4	Other.....		12,357	12,067
5	Total Revenue.....		543,421	500,175
6	Less: Promotional Allowances.....	2	116,832	101,320
7	Net Revenue.....		426,589	398,855
	Costs and Expenses:			
8	Cost of Goods and Services.....		225,299	227,162
9	Selling, General, and Administrative.....		48,484	31,181
10	Provision for Doubtful Accounts.....		2,800	2,170
11	Total Costs and Expenses.....		276,583	260,513
12	Gross Operating Profit.....		150,006	138,342
13	Depreciation and Amortization.....	2	42,145	30,692
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	2 & 4	16,586	11,193
16	Income (Loss) from Operations.....		91,275	96,457
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9 & 12	(33,225)	(32,953)
18	Interest Expense - External.....		(405)	(385)
19	CRDA Related Income (Expense) - Net.....	2	(3,365)	(3,910)
20	Nonoperating Income (Expense) - Net.....		517	(1,551)
21	Total Other Income (Expenses).....		(36,478)	(38,799)
22	Income (Loss) Before Taxes and Extraordinary Items.....		54,797	57,658
23	Provision (Credit) for Income Taxes.....	2	20,269	22,482
24	Income (Loss) Before Extraordinary Items.....		34,528	35,176
	Extraordinary Items (Net of Income Taxes -			
25	20__, \$0; 20__, \$0).....			
26	Net Income (Loss).....		\$34,528	\$35,176

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

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

Amended 12/19/2007

BOARDWALK REGENCY CORPORATION

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino.....	2	\$165,037	\$151,493
2	Rooms.....		10,795	10,064
3	Food and Beverage.....		17,813	18,179
4	Other.....		4,850	4,876
5	Total Revenue.....		198,495	184,612
6	Less: Promotional Allowances.....	2	40,576	37,653
7	Net Revenue.....		157,919	146,959
	Costs and Expenses:			
8	Cost of Goods and Services.....		78,181	78,320
9	Selling, General, and Administrative.....		12,654	9,108
10	Provision for Doubtful Accounts.....		1,163	949
11	Total Costs and Expenses.....		91,998	88,377
12	Gross Operating Profit.....		65,921	58,582
13	Depreciation and Amortization.....	2	14,205	11,471
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	2 & 4	8,523	6,282
16	Income (Loss) from Operations.....		43,193	40,829
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9 & 12	(11,196)	(11,105)
18	Interest Expense - External.....		(135)	(128)
19	CRDA Related Income (Expense) - Net.....	2	(1,272)	(1,528)
20	Nonoperating Income (Expense) - Net.....		68	(29)
21	Total Other Income (Expenses).....		(12,535)	(12,790)
22	Income (Loss) Before Taxes and Extraordinary Items.....		30,658	28,039
23	Provision (Credit) for Income Taxes.....	2	9,850	10,288
24	Income (Loss) Before Extraordinary Items.....		20,808	17,751
25	Extraordinary Items (Net of Income Taxes - 20__, \$____; 20__, \$____).....			
26	Net Income (Loss).....		\$20,808	\$17,751

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

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

BOARDWALK REGENCY CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2007

(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, 2005.....		100	\$1,370			\$569,133		\$18,499	\$589,002
2	Net Income (Loss) - 2006.....								36,254	36,254
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Acquisition by HET						13,143			13,143
7										0
8										0
9										0
10	Balance, December 31, 2006.....		100	1,370	0	0	582,276	0	54,753	638,399
11	Net Income (Loss) - 2007.....								34,528	34,528
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, September 30, 2007		100	\$1,370	0	\$0	\$582,276	\$0	\$89,281	\$672,927

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, 2007 AND 2006
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$119,035	\$127,848
	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.....		(50,975)	(67,169)
5	Proceeds from Disposition of Property and Equipment.....		1,404	82
6	CRDA Obligations		(5,667)	(5,178)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		524	837
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(54,714)	(71,428)
	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.....			(34)
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		(84,644)	(56,583)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(84,644)	(56,617)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(20,323)	(197)
25	Cash and Cash Equivalents at Beginning of Period.....		48,314	31,446
26	Cash and Cash Equivalents at End of Period.....		\$27,991	\$31,249
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$405	\$22,340
28	Income Taxes.....		\$20,269	\$4,588

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, 2007 AND 2006
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$34,528	\$35,176
30	Depreciation and Amortization of Property and Equipment.....		32,395	21,484
31	Amortization of Other Assets.....		9,750	9,208
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		(10,243)	0
34	Deferred Income Taxes - Noncurrent		7,389	10,410
35	(Gain) Loss on Disposition of Property and Equipment.....		(17)	135
36	(Gain) Loss on CRDA-Related Obligations.....		(7,809)	3,887
37	(Gain) Loss from Other Investment Activities.....		356	356
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,006)	(5,001)
39	(Increase) Decrease in Inventories		89	148
40	(Increase) Decrease in Other Current Assets.....		(1,510)	369
41	(Increase) Decrease in Other Assets.....		1,470	(9,476)
42	Increase (Decrease) in Accounts Payable.....		(19,253)	(1,368)
43	Increase (Decrease) in Other Current Liabilities		(23,878)	62,184
44	Increase (Decrease) in Other Liabilities		96,774	336
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$119,035	\$127,848

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$50,975)	(\$67,169)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$50,975)	(\$67,169)
	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, 2007

(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	508,335	\$22,113		
2	Food	1,112,902	18,942		
3	Beverage	5,897,835	15,741		
4	Travel			7,753	3,366
5	Bus Program Cash	608,482	12,451		
6	Other Cash Complimentaries	935,808	44,274		
7	Entertainment	16,628	963	6,966	1,072
8	Retail & Non-Cash Gifts	82,536	1,651	49,347	5,319
9	Parking				
10	Other*	3,700	697	404,568	7,205
11	Total	9,166,226	\$116,832	468,634	\$16,962

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	173,620	\$7,553		
2	Food	406,211	6,914		
3	Beverage	1,974,613	5,272		
4	Travel			2,903	1,260
5	Bus Program Cash	227,205	4,628		
6	Other Cash Complimentaries	310,207	14,868		
7	Entertainment	10,470	582	608	415
8	Retail & Non-Cash Gifts	27,808	557	25,317	1,289
9	Parking				
10	Other*	1,071	202	145,823	2,597
11	Total	3,131,205	\$40,576	174,651	\$5,561

* No item in this category exceeds 5%.

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2007

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.

December 19, 2007

Date



Kimberly Coker

Vice President of Finance

Title

008692-11

License Number

On Behalf of:

BOARDWALK REGENCY CORPORATION
Casino Licensee

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO 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”). The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

Prior to June 13, 2005, the Company was 100% owned by Caesars Entertainment, Inc. (“CEI”). On June 13, 2005, Harrah’s Entertainment, Inc. (“Harrah’s”) completed the acquisition of 100 percent of the outstanding shares of CEI. Following the purchase, the Company became an indirect wholly-owned subsidiary of HOC.

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 four years with the current license expiring April 2008.

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 bad debts.

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

Land, Buildings and Equipment - Land, buildings, and equipment are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Harrah’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.

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

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	7 to 40 years
Furniture, fixtures and equipment	3 to 12 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 -In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*, the Company performs at least an annual review of goodwill and non-amortizing intangibles. The purchase price allocation related to the CEI acquisition was completed in June 2006 and refinements have been recorded in these statements. The decrease in goodwill is a result of the settlement of pre-acquisition income tax contingencies. The Company completed its annual assessment for impairment during the fourth quarter of 2006 and 2005, respectively, and determined that goodwill and non-amortizing intangible assets had not been impaired. In accordance with the provisions of SFAS No. 142, the Company does not amortize goodwill.

The intangible assets include trademark totaling \$83,000 and customer relationships (database) totaling \$195,000. The trademark has been determined to have an indefinite life and accordingly is not amortized. The customer relationships have been determined to have a useful life of 15 years and are being amortized using the straight-line method. Amortization expense for the nine months ending September 30, 2007 and 2006 was approximately \$9,750 and \$9,203, respectively. Estimated annual amortization expense for each of the years ending December 31, 2007, 2008, 2009, 2010 and 2011, is \$13,000.

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

Investment in ACES – In 2006, The Company entered into an agreement with two other Atlantic City casinos to form Atlantic City Express Service (“ACES”). With each member having a 33.3% 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 and Atlantic City. The responsibilities of the managing member will rotate annually among the members. The Company’s anticipated investment in ACES will be approximately \$5,000. ACES is currently in the developmental stage and is expected to be operational by the second quarter of 2008. As of September 30, 2007, The Company has made capital contributions of \$2,173 million, which is included in Investments, Advances, and Receivables in the accompanying balance sheet.

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. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

Total Rewards Program Liability - Harrah’s customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company’s property and certain affiliate casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits, the Company accrues the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The value of the 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 September 30, 2007 and 2006, \$5,024 and \$7,534, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash (“cash-back points”). The Company accrues the cost of cash-back points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances in the accompanying statements of income. At September 30, 2007 and 2006, the liability related to outstanding cash-back points, which is based on historical

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

redemption activity, was \$1,325 and \$908, 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 at September 30, 2007:

	2007	2006
Food & Beverage	\$ 25,986	\$ 30,186
Rooms	10,896	8,812
Other	3,666	5,836
Other Cash Complimentaries	56,725	39,898
	<u>\$ 97,273</u>	<u>\$ 84,732</u>

Income Taxes - The Company is included in the consolidated federal tax return of Harrah's and files

a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

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

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

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.

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

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

Seasonal Factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations for the nine months ended September 30, 2007 are not necessarily indicative of the results of operations for the full year.

NOTE 3 - RELATED PARTY TRANSACTIONS

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

Certain of the more significant intercompany relationships between the Company and HOC are discussed in this footnote.

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.

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 \$16,586 and \$11,193 for these services for the nine months ended September 30, 2007 and 2006, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

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

NOTE 4 – RECEIVABLES AND PATRONS’ CHECKS

Receivables and patrons’ checks as of September 30, 2007 and September 30, 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2007, \$12,399 & 2006, \$10,801)	\$ 18,251	\$ 16,158
Other (Net of Allowance for Doubtful Accounts - 2007, \$90 & 2006, \$206)	7,084	11,040
	<u>\$ 25,335</u>	<u>\$ 27,198</u>

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

	<u>2007</u>	<u>2006</u>
Tax Deferred Asset	\$ 14,951	\$ 13,998
Other	4,900	5,884
	<u>\$ 19,851</u>	<u>\$ 19,882</u>

Boardwalk Regency Corporation (Caesars Atlantic City)
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NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of September 30, 2007 and September 30, 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
CRDA Deposits	\$ 18,071	\$ 14,504
CRDA Bonds Receivable	6,387	6,489
CRDA Long Term Note Receivable	0	788
Other		
	<u>\$ 24,458</u>	<u>\$ 21,781</u>
Less Valuation Allowance on CRDA Investments	<u>(11,749)</u>	<u>(10,252)</u>
	<u>\$ 12,709</u>	<u>\$ 11,529</u>
Investments In ACES	\$ 2,173	\$ -
Due from Harrahs	228,829	156,712
Due from Affiliates Other		991
	<u>243,711</u>	<u>169,232</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2007 and September 30, 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 86,933	\$ 86,723
Buildings and Improvements	507,057	436,875
Furniture, Fixtures, and Equipment	114,673	84,087
Construction in Progress	34,028	64,839
	<u>\$ 742,691</u>	<u>\$ 672,524</u>
Less Accumulated Depreciation & Amortization	<u>(76,931)</u>	<u>(35,130)</u>
	<u>\$ 665,760</u>	<u>\$ 637,394</u>

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NOTE 8 – OTHER ASSETS

Other assets as of September 30, 2007 and September 30, 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Goodwill	\$ 270,526	\$ 273,576
Customer Database less Accumulated Amortization of \$29,864 in 2007 & \$16,864 in 2006	165,136	178,136
Trademark	83,000	83,000
Deferred Lease Incentive	42,160	38,906
CRDA Seat License	2,964	3,438
Other, Net	1,922	2,492
	<u>\$ 565,708</u>	<u>\$ 579,548</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 which was completed in 2006. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the developers.

As financing for the qualified pier development costs, the Company and certain of its Atlantic City affiliates entered into a credit agreement (the “Credit Agreement”) with the CRDA. The Credit Agreement provides for funding from the CRDA of up to \$42,800 for qualified development costs. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company’s and its affiliates’ investment obligations. Repayments to the developers are limited to the funds received from the CRDA. As of September 30, 2007, the Company has received \$4,879 of previously deposited funds from the CRDA.

As of September 30, 2007, the Company repaid the developers approximately \$42,800 through CRDA funds previously deposited by an affiliate. These payments are considered lease incentive payments and will be amortized over the life of the lease.

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

NOTE 9 – NOTES PAYABLE

At December 31, 2000, the Company entered into an uncommitted \$50,000 credit facility with Caesars Entertainment Finance Corporation (“CEFC”), a wholly owned subsidiary of HOC. At September 30, 2007, there was no outstanding balance.

Boardwalk Regency Corporation (Caesars Atlantic City)
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(Unaudited)
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NOTE 10 - OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30, 2007 and September 30, 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Accrued Payroll & Benefits	\$ 12,619	\$ 10,947
Accrued Interest Payable	55,135	11,015
Other	15,737	13,262
	<u>\$ 83,491</u>	<u>\$ 35,224</u>

NOTE 11- OTHER CURRENT LIABILITIES

Other current liabilities as of September 30, 2007 and September 30, 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Unredeemed Chip and Token Liability	1,867	2,002
Other	895	2,767
	<u>2,762</u>	<u>4,769</u>

Boardwalk Regency Corporation (Caesars Atlantic City)
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NOTE 12 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt, due to affiliates as of September 30, 2007 and September 30, 2006 consists of the following:

	<u>2007</u>	<u>2006</u>
8.5% Note Payable to Harrah's Entertainment, Ltd. ("HEL") due December 31, 2010	<u>\$ 518,330</u>	<u>\$ 518,330</u>
	<u>\$ 518,330</u>	<u>\$ 518,330</u>

On July 1, 2006, the note formerly held by CEFC was assigned to HEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of September 30, 2007, accrued interest related to the intercompany note totaled \$55,135. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

NOTE 13 – OTHER LIABILITIES

Other Liabilities as of September 30, 2007 consisted of the following:

	2007	2006
Due to Affiliates, Atlantic City Region	\$ 64,649	\$ 33,437
Due to Affiliates, Other	31,767	31,906
Other	7,457	6,987
	<u>\$ 103,873</u>	<u>\$ 72,330</u>

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

Boardwalk Regency Corporation (Caesars Atlantic City)
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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 Reserves – 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 \$653 and \$807 as of September 30, 2007 and 2006, 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 \$6,387 and \$18,071, respectively, at September 30, 2007 and \$6,489 and \$14,504, respectively, at September 30, 2006. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. 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 January 1, 2009. As part of the agreement, the AC Industry will provide \$34,000 over a four year period to the NJSEA and must deposit another \$62,000 into the Casino Expansion Fund (managed by the CRDA). The \$62,000 will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be a total of \$3,700, the first payment of which was made November 2004. The total estimated commitment will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62,000, the Company is eligible to receive funds 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.

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The parent company of the issuer (“Debtor”) of certain CRDA-backed bonds held by the company is in Chapter 11 bankruptcy. Debtor is currently in active negotiations to sell its company and has an identified buyer. The CRDA is representing the interest of the casino industry, including the Company, in negotiations with Debtor to restructure the bonds. The face value of the bonds held by the Company is \$1,789; however, the Company maintains a reserve on these bonds and on all its other CRDA-backed bonds. While it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the bond agreement, the Company has concluded that its reserves are currently adequate and will continue to monitor developments of this case.