BOARDWALK REGENCY CORPORATION
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2007

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

AMENDED 4/30/2008

BOARDWALK REGENCY CORPORATION
BALANCE SHEETS

AS OF DECMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents		$23,941	$48,314	*
2	Short-Term Investments				
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2007, $12,966; 2006, $10,972)	2 & 4	22,704	24,329	*
4	Inventories	2	1,515	1,080	
5	Other Current Assets	5	19,577	8,098	
6	Total Current Assets		67,737	81,821	
7	Investments, Advances, and Receivables	6	179,186	146,458	*
8	Property and Equipment - Gross	2 & 7	760,679	694,553	*
9	Less: Accumulated Depreciation and Amortization		(86,718)	(45,973)	
10	Property and Equipment - Net		673,961	648,580	
11	Other Assets	2 & 8	564,561	576,928	*
12	Total Assets		$1,485,445	$1,453,787	
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$18,840	$35,824	
14	Notes Payable	9			
	Current Portion of Long-Term Debt:				
15	Due to Affiliates				
16	External		41	37	
17	Income Taxes Payable and Accrued	2	3,092	2,131	*
18	Other Accrued Expenses	10	30,608	49,171	
19	Other Current Liabilities	2 & 11	4,051	9,417	
20	Total Current Liabilities		56,632	96,580	
	Long-Term Debt:				
21	Due to Affiliates	12	518,330	518,330	
22	External	13	549	591	
23	Deferred Credits	2	139,891	122,458	*
24	Other Liabilities	14	102,011	77,429	*
25	Commitments and Contingencies				
26	Total Liabilities		817,413	815,388	
27	Stockholders', Partners', or Proprietor's Equity		668,032	638,399	*
28	Total Liabilities and Equity		$1,485,445	$1,453,787	

* These amounts have been revised for the current year

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

AMENDED 4/30/2008

BOARDWALK REGENCY CORPORATION
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	Revenue:				
1	Casino		$584,612	$551,300	
2	Rooms		38,135	38,071	
3	Food and Beverage		61,337	64,412	
4	Other		16,600	15,607	
5	Total Revenue		700,684	669,390	
6	Less: Promotional Allowances		148,166	136,867	
7	Net Revenue		552,518	532,523	
	Costs and Expenses:				
8	Cost of Goods and Services		297,692	299,123	
9	Selling, General, and Administrative		66,060	52,551	*
10	Provision for Doubtful Accounts		4,029	3,048	
11	Total Costs and Expenses		367,781	354,722	
12	Gross Operating Profit		184,737	177,801	
13	Depreciation and Amortization	2	56,644	44,249	
	Charges from Affiliates Other than Interest:				
14	Management Fees				
15	Other	2 & 3	21,796	16,804	
16	Income (Loss) from Operations		106,297	116,748	
	Other Income (Expenses):				
17	Interest Expense - Affiliates	10 & 12	(44,239)	(43,877)	
18	Interest Expense - External		(539)	(513)	
19	CRDA Related Income (Expense) - Net	2	(3,641)	(4,808)	
20	Nonoperating Income (Expense) - Net		(1,167)	(2,846)	*
21	Total Other Income (Expenses)		(49,586)	(52,044)	
22	Income (Loss) Before Taxes and Extraordinary Items		56,711	64,704	
23	Provision (Credit) for Income Taxes	2	24,556	28,450	*
24	Income (Loss) Before Extraordinary Items		32,155	36,254	
25	Extraordinary Items (Net of Income Taxes - 20__, $0; 20__, $0)				
26	Net Income (Loss)		$32,155	$36,254	

* These amounts have been revised for the current year.

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

AMENDED 4/30/2008

BOARDWALK REGENCY CORPORATION
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	Revenue:				
1	Casino		$131,431	$141,053	
2	Rooms		8,979	9,236	
3	Food and Beverage		12,610	15,386	
4	Other		4,243	3,540	
5	Total Revenue		157,263	169,215	
6	Less: Promotional Allowances		31,334	35,547	
7	Net Revenue		125,929	133,668	
	Costs and Expenses:				
8	Cost of Goods and Services		72,393	71,961	
9	Selling, General, and Administrative		17,576	21,370	*
10	Provision for Doubtful Accounts		1,229	878	
11	Total Costs and Expenses		91,198	94,209	
12	Gross Operating Profit		34,731	39,459	
13	Depreciation and Amortization	2	14,499	13,557	
	Charges from Affiliates Other than Interest:				
14	Management Fees				
15	Other	2 & 3	5,210	5,611	
16	Income (Loss) from Operations		15,022	20,291	
	Other Income (Expenses):				
17	Interest Expense - Affiliates	10 & 12	(11,014)	(10,924)	
18	Interest Expense - External		(134)	(128)	
19	CRDA Related Income (Expense) - Net	2	(276)	(898)	
20	Nonoperating Income (Expense) - Net		(1,684)	(1,295)	*
21	Total Other Income (Expenses)		(13,108)	(13,245)	
22	Income (Loss) Before Taxes and Extraordinary Items		1,914	7,046	
23	Provision (Credit) for Income Taxes	2	4,287	5,968	*
24	Income (Loss) Before Extraordinary Items		(2,373)	1,078	
25	Extraordinary Items (Net of Income Taxes - 20__, $_____; 20__, $________)				
26	Net Income (Loss)		($2,373)	$1,078	

* These amounts have been revised for the current year.

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 TWELVE MONTHS ENDED DECEMBER 31, 2007

(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, 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.............								32,155	32,155
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....................................									0
14	Prior Period Adjustments..............									0
15	Initial Adoption of FIN 48								(2,522)	(2,522)
16										0
17										0
18										0
19	**Balance, December 31, 2007 ....**		100	$1,370	0	$0	$582,276	$0	$84,386	$668,032

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

AMENDED 4/30/2008

BOARDWALK REGENCY CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$68,802	$154,946
	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		(71,217)	(89,198)
5	Proceeds from Disposition of Property and Equipment		951	82
6	CRDA Obligations		(7,293)	(6,950)
7	Other Investments, Loans and Advances made			
8	Proceeds from Other Investments, Loans, and Advances		966	1,419
9	Cash Outflows to Acquire Business Entities		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities		(76,593)	(94,647)
	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		(38)	(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		(16,544)	(43,397)
22				
23	Net Cash Provided (Used) By Financing Activities		(16,582)	(43,431)
24	Net Increase (Decrease) in Cash and Cash Equivalents		(24,373)	16,868
25	Cash and Cash Equivalents at Beginning of Period		48,314	31,446
26	Cash and Cash Equivalents at End of Period		$23,941	$48,314

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)		$62,659	$21,914
28	Income Taxes		$7,500	$9,404

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

AMENDED 4/30/2008

BOARDWALK REGENCY CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)......		$32,155	$36,254
30	Depreciation and Amortization of Property and Equipment...		43,644	31,791
31	Amortization of Other Assets......		13,000	12,458
32	Amortization of Debt Discount or Premium......			
33	Deferred Income Taxes - Current		(10,290)	0
34	Deferred Income Taxes - Noncurrent		17,433	(15,229)
35	(Gain) Loss on Disposition of Property and Equipment......		1,228	135
36	(Gain) Loss on CRDA-Related Obligations......		(10,318)	6,228
37	(Gain) Loss from Other Investment Activities......		474	474
38	(Increase) Decrease in Receivables and Patrons' Checks		1,625	(3,891)
39	(Increase) Decrease in Inventories		(435)	93
40	(Increase) Decrease in Other Current Assets......		(1,189)	13,232
41	(Increase) Decrease in Other Assets......		(633)	(11,413)
42	Increase (Decrease) in Accounts Payable......		(16,984)	19,899
43	Increase (Decrease) in Other Current Liabilities		(93,298)	64,467
44	Increase (Decrease) in Other Liabilities		94,912	448
45	......			
46	Initial Adoption of FIN 48		(2,522)	
47	Net Cash Provided (Used) By Operating Activities......		$68,802	$154,946

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment......		($71,217)	($89,198)
49	Less: Capital Lease Obligations Incurred......			
50	Cash Outflows for Property and Equipment......		($71,217)	($89,198)
	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 TWELVE MONTHS ENDED DECEMBER 31, 2007

(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	659,704	$28,697		
2	Food	1,441,695	24,538		
3	Beverage	7,205,337	18,356		
4	Travel			10,733	4,660
5	Bus Program Cash	776,824	15,917		
6	Other Cash Complimentaries	1,169,173	55,750		
7	Entertainment	29,596	1,988	7,551	1,742
8	Retail & Non-Cash Gifts	107,917	2,158	74,195	6,575
9	Parking				
10	Other*	4,043	762	549,844	9,793
11	Total	11,394,289	$148,166	642,323	$22,770

FOR THE THREE MONTHS ENDED DECEMBER 31, 2007

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	151,369	$6,584		
2	Food	328,793	5,596		
3	Beverage	1,307,502	2,615		
4	Travel			2,980	1,294
5	Bus Program Cash	168,342	3,466		
6	Other Cash Complimentaries	233,365	11,476		
7	Entertainment	12,968	1,025	585	670
8	Retail & Non-Cash Gifts	25,381	507	24,848	1,256
9	Parking				
10	Other*	343	65	145,276	2,588
11	Total	2,228,063	$31,334	173,689	$5,808

* No item in this category exceeds 5%.

BOARDWALK REGENCY CORPORATION
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 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.

Kimberly Coker

April 30, 2008

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 - AMENDED 4/30/2008
(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. The Company capitalized approximately $663 and $465 of interest in 2007 and 2006, respectively.

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

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

(All dollar amounts in thousands)

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 twelve months ending December 31, 2007 and 2006 was approximately $13,000 and $12,453, respectively. Estimated annual amortization expense for each of the years ending December 31, 2008, 2009, 2010 and 2011, is $13,000.

Investment in ACES - In 2006, the Company entered into an agreement with Harrah's Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form ACES. In accordance with FIN 46 (R), *Consolidation of Variable Interest Entities*, the Company is required to consolidate ACES as they are considered to be the primary beneficiary of the variable interest entity. With each member having a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. The responsibilities of the managing member will rotate annually among the members. The total anticipated investment in ACES is approximately $15,000. ACES is currently in the development stage and is expected to be operational by the third quarter of 2008. As of December 31, 2007, the members have made contributions totaling $6,563, which were primarily used to fund construction in progress. ACES' net loss for the twelve months ended December 30, 2007 was $267 and is included in nonoperating expenses on the accompanying Statements of Income.

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

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. 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 December 31, 2007 and 2006, $4,611 and $6,095, 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 December 31, 2007 and 2006, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $1,215 and $1,313, respectively.

Casino Promotional Allowances - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following as of December 31:

(All dollar amounts in thousands)

	2007	2006
Food & Beverage	$ 34,177	$ 40,228
Rooms	14,417	12,425
Other	5,964	7,337
Other Cash Complimentaries	71,667	54,224
	$ 126,225	$ 114,214

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

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

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), on January 1, 2007. As a result of the implementation of FIN 48, the January 1, 2007 balance of retained earnings was decreased by approximately $2,522. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows.

Balance at January 1, 2007	$ 21,555
Additions based on tax positions related to the current year	793
Additions for tax positions of prior years	230
Reductions for tax positions for prior years	(2,604)
Expiration of statutes	-
Settlements	-
Balance at December 31, 2007	$ 19,974

The income tax provision or benefit for the years ended December 31, 2007 and 2006, were as follows:

(All dollar amounts in thousands)

Income Tax Provision (Benefit)	2007	2006
Federal:		
Current	$ 34,738	$ 35,146
Deferred	(16,271)	(17,006)
	18,467	18,140
State:		
Current	8,809	13,150
Deferred	(2,720)	(2,841)
	6,089	10,309
Total:		
Current	43,547	48,296
Deferred	(18,991)	(19,847)
	$ 24,556	$ 28,449

As of December 31, 2007, significant components of the Company's deferred tax assets and liabilities were as follows:

	2007	2006
Deferred tax assets:		
CRDA investment obligations	$ 4,831	$ 5,019
Allowance for doubtful accounts	5,297	4,482
Compensation programs	2,346	1,889
Contingencies	9,714	-
Other	2,524	3,686
Total deferred tax assets	24,712	15,076
Deferred tax liabilities:		
Intangibles	(100,036)	(105,346)
Property and equipment	(26,586)	(30,429)
Progressive jackpot liability	(2,115)	(1,473)
Self insurance reserves	-	(845)
Total deferred tax liabilities	(128,737)	(138,093)
Net deferred tax liability	$ (104,025)	$ (123,017)

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.

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

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 $21,796 and $16,804 for these services for the twelve months ended December 31, 2007 and 2006, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

Employee Benefit Plans — Employees of the Company participated in CEI’s 401(k) savings plans until January 1, 2007, when they became eligible to participate in HOC’s plan. Under the CEI plans, employees could elect to make pretax contributions of up to 50% of their eligible earnings (five percent for certain executives). The Company matched 50% of the first six percent of the employees’ contributions and an additional 25% for employees who have five or more years of service. Amounts contributed to the plan were invested, at the participant’s direction, in up to 18 separate funds plus, effective January 2006, a Harrah’s company stock fund. Participants become vested in the matching contributions over five years of credited service.

Under the HOC plan, participating employees may elect to contribute up to 50% of their eligible earnings. The Company fully matches 50% of the first six percent of the employees’ contributions. Amounts contributed to the plan are invested, at the participant’s direction, in up to 20 separate funds; prior to January 2008 this also included a Harrah's company stock fund. Participants become vested in the matching contributions over five years of credited service.

The Company's contribution expenses were $1,643 and $2,383 for the years ended December 31, 2007 and 2006, respectively.

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

Certain employees of the Company are covered by union-sponsored, collectively bargained, multi-employer defined benefit pension plans. The contributions and charges to expense for these plans were $3,418 and $4,072 for the years ended December 31, 2007 and 2006, respectively. Under the Employee Retirement Income Security Act, the Company may be liable for its share of unfunded liabilities, if any, if such plans are terminated. The Pension Plan's administrators do not provide sufficient information to enable the Company to determine their share, if any, of unfunded vested benefits.

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

Under these plans, nonqualified stock options, restricted stock, stock appreciation rights (SARs), performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards may be granted to employees or consultants of Harrah's and its subsidiaries, including the Company and members of Harrah's Board of Directors. In connection with the acquisition of Harrah's in January 2008 (see Note 17), outstanding SARs and stock options, whether vested or unvested, and unvested restricted stock were cancelled and converted into the right to receive cash. New equity incentive award plans are expected to replace the terminated plans.

Effective January 1, 2006, Harrah's adopted SFAS No. 123(R), *Share-Based Payment*, using the modified prospective application. The effect of the adoption relates to the stock option and stock appreciation rights expense discussed in the following paragraphs.

Stock Options — Until the January 2008 acquisition, stock option awards typically vested in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years and allowed the option holder to purchase stock over specified periods of time, generally seven years from the date of grant, at a fixed price equal to the market value at the date of grant. The Company recognized approximately $513 and $600 for stock option expense in 2007 and 2006, respectively. This expense is included in general and administrative expenses in the accompanying statements of income.

(All dollar amounts in thousands)

Stock Appreciation Rights — Until the January 2008 acquisition, SARs typically vested in equal installments on June 30 following the grant and on June 30 in each of the two subsequent years. SARs allowed the holder to receive a payment, in stock, equal to the excess of the fair market value of a specified number of shares of stock on the date the SARs were exercised over an exercise price per share, which typically was the fair market value on the date the SARs were granted. The Company recognized approximately $215 and $100 for SARs expense in 2007 and 2006, respectively. This expense is included in general and administrative expenses in the accompanying statements of income.

Restricted Stock — Until the January 2008 acquisition, restricted share grants of Harrah's stock had restrictions that included, but were not limited to, the right to vote, receive dividends on or transfer the restricted stock. Restricted shares were subject to forfeiture during a specified period or periods prior to vesting. These shares issued generally vested in equal annual installments over a three-year period. The compensation arising from a restricted stock grant was based upon the market price of Harrah's stock at the grant date. Such expense was deferred and amortized to expense over the vesting period. The Company recognized approximately $456 and $210 of compensation expense in 2007 and 2006, respectively, related to Harrah's restricted stock. This expense is included in general and administrative expenses in the accompanying statements of income.

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 Showboat Atlantic City and Harrah's Atlantic City, also affiliates of the Company. The Company was charged approximately $478 and $671 for the years ended December 31, 2007 and 2006, respectively, for these services. The fee is included in other operating expenses in the accompanying statements of income.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of December 31, 2007 and December 31, 2006 consist of the following:

	2007	2006
Casino Receivables (Net of Allowance for Doubtful Accounts - 2007, $12,715 & 2006, $10,734)	$ 17,456	$ 17,023
Other (Net of Allowance for Doubtful Accounts - 2007, $251 & 2006, $238)	5,248	7,306
	$ 22,704	$ 24,329

(All dollar amounts in thousands)

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

	2007	2006
Tax Deferred Asset	$ 14,998	$ 4,708
Other	4,579	3,390
	$ 19,577	$ 8,098

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of December 31, 2007 and December 31, 2006 consist of the following:

	2007	2006
CRDA Deposits	$ 18,775	$ 14,817
CRDA Bonds Receivable	6,387	6,302
CRDA Long Term Note Receivable	-	780
	$ 25,162	$ 21,899
Less Valuation Allowance on CRDA Investments	(11,829)	(10,332)
	$ 13,333	$ 11,567
Due from Harrahs	165,853	133,633
Due from Affiliates Other	-	1,258
	$ 179,186	$ 146,458

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2007 and December 31, 2006 consist of the following:

(All dollar amounts in thousands)

	2007	2006
Land	$ 86,489	$ 86,723
Buildings and Improvements	509,622	440,704
Furniture, Fixtures, and Equipment	118,336	90,633
Construction in Progress	46,232	76,493
	$ 760,679	$ 694,553
Less Accumulated Depreciation & Amortization	(86,718)	(45,973)
	$ 673,961	$ 648,580

NOTE 8 – OTHER ASSETS

Other assets as of December 31, 2007 and December 31, 2006 consist of the following:

	2007	2006
Goodwill	$ 269,983	$ 271,285
Customer Database less Accumulated Amortization of $33,114 in 2007 & $20,114 in 2006	161,886	174,886
Trademark	83,000	83,000
Deferred Lease Incentive	42,017	42,580
CRDA Seat License	2,845	758
Other, Net	4,830	4,419
	$ 564,561	$ 576,928

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 December 31, 2007, the Company has received $4,879 of previously deposited funds from the CRDA.

(All dollar amounts in thousands)

As of December 31, 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 December 31, 2007, there was no outstanding balance.

NOTE 10 - OTHER ACCRUED EXPENSES

Other accrued expenses as of December 31, 2007 and December 31, 2006 consist of the following:

	2007	2006
Accrued Payroll & Benefits	$ 13,988	$ 12,346
Accrued Interest Payable	3,686	22,045
Real Estate Taxes	3,405	-
Other	9,529	14,780
	$ 30,608	$ 49,171

NOTE 11- OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2007 and December 31, 2006 consist of the following:

	2007	2006
Unredeemed Chip and Token Liability	3,269	3,391
Other	782	6,026
	4,051	9,417

NOTE 12 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt, due to affiliates as of December 31, 2007 and December 31, 2006 consists of the following:

(All dollar amounts in thousands)

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

On July 1, 2006, the note formerly held by CEFC was assigned to HEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of December 31, 2007, accrued interest related to the intercompany note totaled $3,672. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

NOTE 13 – LONG-TERM DEBT, OTHER

Long-term debt, other as of December 31, 2007 and December 31, 2006 consists of the following:

	2007	2006
Mortgage Note due October 15, 2011 Interest at 10.0%	$ 590	$ 628
Less: Current Maturities	(41)	(37)
	$ 549	$ 591

NOTE 14 – OTHER LIABILITIES

Other Liabilities as of December 31, 2007 consisted of the following:

	2007	2006
Due to Affiliates, Atlantic City Region	$ 70,585	$ 37,989
Due to Affiliates, Other	26,967	32,342
Other	4,459	7,098
	$ 102,011	$ 77,429

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

NOTE 15 – LEASES

(All dollar amounts in thousands)

Leases (with initial or remaining terms in excess of one year) as of December 31, 2007:

	Operating Leases
Year ending December 31,	
2008	100
2009	100
2010	100
2011	100
2012	50
Total minimum lease payments	$450

The Company has operating leases for office equipment, table games and slot machines, which expire on various dates through 2008. Rental expense included in the accompanying statement of income for the twelve months ended December 31, 2007 and 2006 was approximately $4,456 and $4,355, respectively.

NOTE 16 – COMMTMENTS AND CONTIGENCIES

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.

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 $18,775 respectively, at December 31, 2007 and $6,302and $14,817, respectively, at December 31, 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.

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.

NOTE 17 - SUBSEQUENT EVENTS

On January 28, 2008, Harrah's was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, L.P. in an all cash transaction, hereinafter referred to as the "Merger." The underlying assets acquired and liabilities assumed in the Merger will be revalued based upon their estimated fair values at the date of acquisition. The estimated fair values will be determined after review and consideration of relevant information including discounted cash flows analyses, quoted market prices and our own estimates. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess will be allocated to goodwill. The purchase price allocation will be completed within one year of the acquisition, and the purchase price will be pushed-down to the applicable reporting unit. Financial statements of the Company, subsequent to the Merger, may be significantly different from the Company's pre-Merger financial statements.

BOARDWALK REGENCY CORPORATION

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

BOARDWALK REGENCY CORPORATION
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2007

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	**Description (b)**	**Account Balance (c)**	**Allowance (d)**	**Accounts Receivable (Net of Allowance) (e)**
	Patrons' Checks:			
1	Undeposited Patrons' Checks................................	$12,945		
2	Returned Patrons' Checks....................................	17,226		
3	Total Patrons' Checks..	30,171	$12,715	$17,456
4	Hotel Receivables..	2,648	251	$2,397
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates..........................	-		
7	Other Accounts and Notes Receivables................	2,851		
8	Total Other Receivables....................................	2,851		$2,851
9	Totals (Form CCC-205)...	$35,670	$12,966	$22,704

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)..	$13,965
11	Counter Checks Issued..	358,319
12	Checks Redeemed Prior to Deposit..	(329,352)
13	Checks Collected Through Deposits..	(12,248)
14	Checks Transferred to Returned Checks..	(17,739)
15	Other Adjustments..	0
16	Ending Balance..	$12,945
17	"Hold" Checks Included in Balance on Line 16...	0
18	Provision for Uncollectible Patrons' Checks..	$3,882
19	Provision as a Percent of Counter Checks Issued..	1.1%

BOARDWALK REGENCY CORPORATION
EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2007

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages: Other Employees (d)	Salaries and Wages: Officers & Owners (e)	Salaries and Wages: Totals (f)
	CASINO:				
1	Table and Other Games	1,143			
2	Slot Machines	125			
3	Administration	0			
4	Casino Accounting	234			
5	Simulcasting	15			
6	Other	0			
7	Total - Casino	1,517	$40,252	$484	$40,736
8	ROOMS	313	8,841	230	9,071
9	FOOD AND BEVERAGE	1,107	21,283	201	21,484
10	GUEST ENTERTAINMENT	208	1,227		1,227
11	MARKETING	176	9,950	346	10,296
12	OPERATION AND MAINTENANCE	287	10,134		10,134
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	8	115	744	859
14	Accounting and Auditing	35	2,132		2,132
15	Security	160	4,830		4,830
16	Other Administrative and General	67	9,028		9,028
	OTHER OPERATED DEPARTMENTS:				
17	Parking Operations	113	1,803		1,803
18	Health Club/Pool Services	3	144		144
19	Telephone	16	445		445
20	Retail Stores	20	463		463
21	Coat Check	2	23		23
22					0
23	TOTALS - ALL DEPARTMENTS	4,032	$110,670	$2,005	$112,675

BOARDWALK REGENCY CORPORATION

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2007

Line		
	CASINO WIN:	
1.	Table and Other Games Win	$ 208,852,379
2.	Slot Machines Win	374,486,028
3.	Total Win	583,338,407
4.	Recovery for Uncollectible Patrons' Checks	93,219
5.	Gross Revenue (line 3 plus line 4)	583,431,626
6.	Tax on Gross Revenue - Reporting Year (8% of line 5)	46,674,530
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	42,827
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7)	46,717,357
9.	Total (Deposits) Made for Tax on Reporting Year's Gross Revenue	(46,674,530)
10.	Settlement of Prior Years' Tax on Gross Revenue Resulting from Audit or Other Adjustments - (Deposits) Credits	(42,827)
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	$ 0

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

March 15, 2008
Date

Signature

Operations Controller 7752-11
Title of Officer

12/07

CCC-381