BOARDWALK REGENCY CORPORATION
QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

BOARDWALK REGENCY CORPORATION
BALANCE SHEETS

AS OF SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$19,882	$15,941
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2011, $12,107; 2010, $15,189)	2 & 4	23,638	23,270
4	Inventories	2	844	656
5	Other Current Assets	5	5,491	13,150
6	Total Current Assets		49,855	53,017
7	Investments, Advances, and Receivables	6 & 13	447,702	402,644
8	Property and Equipment - Gross	2 & 7	839,195	829,409
9	Less: Accumulated Depreciation and Amortization	2 & 7	(147,148)	(108,048)
10	Property and Equipment - Net	2 & 7	692,047	721,361
11	Other Assets	2 & 8	115,522	125,588
12	Total Assets		$1,305,126	$1,302,610
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$6,628	$7,821
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External	10	970	49
17	Income Taxes Payable and Accrued	2	0	0
18	Other Accrued Expenses	9	182,572	140,668
19	Other Current Liabilities		3,300	2,690
20	Total Current Liabilities		193,470	151,228
	Long-Term Debt:			
21	Due to Affiliates	11	518,330	518,330
22	External	11	497	455
23	Deferred Credits	2	94,547	112,031
24	Other Liabilities	12	179,369	173,709
25	Commitments and Contingencies	13	0	0
26	Total Liabilities		986,213	955,753
27	Stockholders', Partners', or Proprietor's Equity		318,913	346,857
28	Total Liabilities and Equity		$1,305,126	$1,302,610

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino		$313,506	$319,989
2	Rooms		30,473	29,781
3	Food and Beverage		35,211	38,462
4	Other		12,668	12,120
5	Total Revenue		391,858	400,352
6	Less: Promotional Allowances		96,757	99,369
7	Net Revenue		295,101	300,983
	Costs and Expenses:			
8	Cost of Goods and Services		186,119	191,949
9	Selling, General, and Administrative		34,759	41,982
10	Provision for Doubtful Accounts		921	2,266
11	Total Costs and Expenses		221,799	236,197
12	Gross Operating Profit		73,302	64,786
13	Depreciation and Amortization	2	35,832	37,078
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	21,798	15,876
16	Income (Loss) from Operations		15,672	11,832
	Other Income (Expenses):			
17	Interest Expense - Affiliates	9 & 11	(33,044)	(33,044)
18	Interest Expense - External		(125)	(295)
19	CRDA Related Income (Expense) - Net	13	(302)	(780)
20	Nonoperating Income (Expense) - Net		(1,505)	(13,000)
21	Total Other Income (Expenses)		(34,976)	(47,119)
22	Income (Loss) Before Taxes and Extraordinary Items		(19,304)	(35,287)
23	Provision (Credit) for Income Taxes	2	(5,485)	(12,381)
24	Income (Loss) Before Extraordinary Items		(13,819)	(22,906)
	Extraordinary Items (Net of Income Taxes -			
25	20__, $0; 20__, $0)		0	0
26	Net Income (Loss)		($13,819)	($22,906)

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino		$112,402	$116,974
2	Rooms		11,235	10,514
3	Food and Beverage		12,837	13,467
4	Other		5,100	4,623
5	Total Revenue		141,574	145,578
6	Less: Promotional Allowances		36,023	35,953
7	Net Revenue		105,551	109,625
	Costs and Expenses:			
8	Cost of Goods and Services		64,161	65,757
9	Selling, General, and Administrative		12,720	14,359
10	Provision for Doubtful Accounts		664	623
11	Total Costs and Expenses		77,545	80,739
12	Gross Operating Profit		28,006	28,886
13	Depreciation and Amortization	2	12,105	12,343
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	7,510	5,341
16	Income (Loss) from Operations		8,391	11,202
	Other Income (Expenses):			
17	Interest Expense - Affiliates	9 & 11	(11,015)	(11,015)
18	Interest Expense - External		(41)	(98)
19	CRDA Related Income (Expense) - Net	13	188	(283)
20	Nonoperating Income (Expense) - Net		(342)	(12,005)
21	Total Other Income (Expenses)		(11,210)	(23,401)
22	Income (Loss) Before Taxes and Extraordinary Items		(2,819)	(12,199)
23	Provision (Credit) for Income Taxes	2	(708)	(3,517)
24	Income (Loss) Before Extraordinary Items		(2,111)	(8,682)
	Extraordinary Items (Net of Income Taxes -			
25	20__, $_____; 20__, $________)		0	0
26	Net Income (Loss)		($2,111)	($8,682)

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, 2010 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(UNAUDITED)
($ IN THOUSANDS)

Line	Description	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital		Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
			Shares	Amount	Shares	Amount				
(a)	(b)		(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	**Balance, December 31, 2009..........**		100	$1,370			$915,830		($536,331)	$380,869
2	Net Income (Loss) - 2010.............								(37,031)	(37,031)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....................................									0
5	Prior Period Adjustments.............									0
6	ASC 740 Adjustments	2							(16,666)	(16,666)
7	Effect of Deconsolidation of									0
8	Variable Interest Entity								5,560	5,560
9										0
10	**Balance, December 31, 2010..........**		100	1,370	0	0	915,830	0	(584,468)	332,732
11	Net Income (Loss) - 2011.............								(13,819)	(13,819)
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, 2011 ....**		100	$1,370	0	$0	$915,830	$0	($598,287)	$318,913

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, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$51,781	$98,257
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment...........................		(8,259)	(5,230)
5	Proceeds from Disposition of Property and Equipment..........		68	73
6	CRDA Obligations		(3,920)	(4,007)
7	Other Investments, Loans and Advances made......................		0	0
8	Proceeds from Other Investments, Loans, and Advances		83	22
9	Cash Outflows to Acquire Business Entities..........................		0	0
10	Effect of Deconsolidation of Variable Interest Er		0	807
11	....		0	0
12	Net Cash Provided (Used) By Investing Activities....................		(12,028)	(8,335)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt......................................		0	0
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt..		0	0
17	Payments to Settle Long-Term Debt......................................		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock..		0	0
20	Payments of Dividends or Capital Withdrawals......................		0	0
21	Borrowings/Payments of Intercompany Payable.		(42,072)	(98,873)
22	....		0	0
23	Net Cash Provided (Used) By Financing Activities..................		(42,072)	(98,873)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(2,319)	(8,951)
25	Cash and Cash Equivalents at Beginning of Period...................		22,201	24,892
26	Cash and Cash Equivalents at End of Period.............................		$19,882	$15,941

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$91	$257
28	Income Taxes..		$2	$0

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)..		($13,819)	($22,906)
30	Depreciation and Amortization of Property and Equipment...		29,190	30,437
31	Amortization of Other Assets..		6,642	6,641
32	Amortization of Debt Discount or Premium..........................		0	0
33	Deferred Income Taxes - Current		2,063	0
34	Deferred Income Taxes - Noncurrent		(7,026)	23,741
35	(Gain) Loss on Disposition of Property and Equipment.........		(68)	48
36	(Gain) Loss on CRDA-Related Obligations...........................		3,333	2,422
37	(Gain) Loss from Other Investment Activities.......................		356	356
38	(Increase) Decrease in Receivables and Patrons' Checks		(2,563)	151
39	(Increase) Decrease in Inventories		(212)	(12)
40	(Increase) Decrease in Other Current Assets..........................		2,420	(2,784)
41	(Increase) Decrease in Other Assets......................................		1,009	732
42	Increase (Decrease) in Accounts Payable..............................		(120)	(3,368)
43	Increase (Decrease) in Other Current Liabilities		31,667	34,950
44	Increase (Decrease) in Other Liabilities		(1,994)	16,494
45	(Incr.) Decr. in Investments, Adv. and Receivab		903	0
46	Non-cash write downs………………………….		0	11,355
47	Net Cash Provided (Used) By Operating Activities..................		$51,781	$98,257

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment....................................		($9,271)	($5,230)
49	Less: Capital Lease Obligations Incurred..............................		1,012	
50	Cash Outflows for Property and Equipment..............................		($8,259)	($5,230)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired...		$0	$0
52	Goodwill Acquired..		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed..		0	0
55	Issuance of Stock or Capital Invested....................................		0	0
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
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

1. I have examined this Quarterly Report.

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

11/15/2011
Date

Maureen Adams
Maureen Adams

Vice President of Finance
Title

0086701-11
License Number

On Behalf of:

BOARDWALK REGENCY CORPORATION
Casino Licensee

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

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Boardwalk Regency Corporation (the “Company”), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. (“CNJ”), a New Jersey corporation. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as “Caesars Atlantic City”. CNJ is a wholly owned subsidiary of Caesars World, Inc. (“CWI”), a Florida corporation, and CWI is a wholly owned subsidiary off Caesars Entertainment Operating Company, Inc. (“CEOC”) (formerly Harrah’s Operating Company), a direct wholly owned subsidiary of Caesars Entertainment, Inc. (“Caesars”) (formerly Harrah’s Entertainment Inc.). The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the “CCC”) and is subject to rules and regulations established by the CCC. The Company’s license is subject to renewal every five years with the current license expiring June 2013.

On February 1, 2011 the Governor signed into law a bill which transferred certain regulatory authority from the New Jersey Casino Control Commission (“CCC”) to the New Jersey Division of Gaming Enforcement (“DGE”).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

Land, Buildings and Equipment - 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	5 to 40 years
Furniture, fixtures and equipment	3 to 20 years

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

Goodwill and Other Intangible Assets – The Company accounts for goodwill and other intangible assets in accordance with Accounting Standard Codification ("ASC") 350, Intangible Assets, Goodwill and Other. The Company performs at least an annual review of intangible assets for impairment.

The Company maintains customer relationships (database) totaling $106,200. The customer relationships have been determined to have a useful life of twelve years and are being amortized using the straight-line method. Estimated annual amortization expense for customer relationships for each of the years ending December 31, 2011, 2012, 2013, and 2014, is approximately $8,850. Amortization expense for the nine months ending September 30, 2011 and 2010 was approximately $6,638 and $6,638 respectively.

Investment in Atlantic City Express Service, LLC "ACES" - In 2006, the Company entered into an agreement with Harrah's Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form ACES. With each member having a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. The responsibilities of the managing member will rotate annually among the members. The total investment in ACES as of September 30, 2011 and 2010 was approximately $26,873 and $26,498 respectively. ACES became operational on February 6, 2009. ACES net loss for the nine months ended September 30, 2011 and 2010 was $2,710 and $4,582 respectively.

In June 2009, the FASB issued *ASU 2009-17 (ASC Topic 810), "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,"* which is effective as of January 1, 2010. The new standard amends existing consolidation guidance for variable interest entities and requires a company to perform a qualitative analysis when determining whether it must consolidate a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the company that has both the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and either the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. As a result of the adoption of ASU 2009-17, ACES was consolidated within our financial statements for all periods prior to December 31, 2009, and is no longer consolidated beginning in January 2010. The deconsolidation of ACES resulted in a reduction of cash balances for the nine months ended September 30, 2010 of $807 shown as an investing outflow of cash in our Statement of Cash Flows.

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 - Gaming revenue is (a) the win from gaming activities, which is the difference between gaming wins and losses, less sales incentives and other adjustments and (b) revenue from gaming related activities such as poker and tournaments. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. The Company accrues the incremental amount of progressive jackpots as the progressive machine is played, and the progressive jackpot amount increases, with a corresponding reduction of gaming revenue. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

Total Rewards Program Liability – Caesars' customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company's property and certain affiliate casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior twelve-month period. As a result of the ability of the customer to bank the Reward Credits, the Company accrues the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The estimated cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Cost of Goods and Services in the accompanying statements of income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At September 30, 2011 and 2010, $3,499 and $3,512, respectively, was accrued for the cost of anticipated Rewards Credit redemptions. These amounts reside on Caesars' Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash

(All dollar amounts in thousands)

("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, 2011 and 2010, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $579 and $652, respectively. Of this, $0 and $238, respectively, reside on Caesars' Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company

Casino Promotional Allowances - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following as of September 30:

	2011	2010
Food & Beverage	$ 19,229	$ 21,632
Rooms	6,806	7,304
Other	3,715	2,991
Bus Program Cash	34	-
Promotional Gaming Credits	33,981	31,042
Other Cash Complimentaries	19,907	21,187
	$ 83,672	$ 84,156

Gaming Tax — The Company remits weekly to the State of New Jersey a tax equal to 8% of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the nine months ended September 30, 2011 and 2010, which are included in casino expenses in the accompanying consolidated statements of income were approximately $22,610 and $23,629, respectively.

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.

During 2010, management transferred these reserves and the cumulative impact of the related tax expense to the Company in order to reflect the reserve associated with the uncertain income tax position on the Company's general ledger. Similar transfers were performed for all affiliates of CEOC that had uncertain income tax positions reflected at CEOC. In order to properly reflect the transfer of the reserve for uncertain income tax positions to the Company, an offsetting adjustment to equity at the Company was required.

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 could differ from these estimates.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2011 are not necessarily indicative of the results of operations for the full year.

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

NOTE 3 - RELATED PARTY TRANSACTIONS

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

Cash Activity with CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to CEOC on a daily basis. Cash transfers from CEOC to the Company are also made based upon the needs of the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is earned on the amount shown as due from affiliates in the accompanying financial statements.

Atlantic City Country Club - Atlantic City Country Club 1, LLC ("ACCC") is a wholly owned subsidiary of Bally's Atlantic City ("Bally's"), an affiliate of the Company. The net operating costs of ACCC are allocated to the Company and Bally's as well as Harrah's Atlantic City and Showboat Atlantic City, also affiliates of the Company. The Company was charged approximately $142 and $85 for these costs for the nine months ended September 30, 2011 and 2010, respectively. The costs are included in other operating expenses in the accompanying statements of income.

(All dollar amounts in thousands)

Administrative and Other Services - The Company is charged a fee by CEOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged $21,798 and $15,876 for these services for the nine months ended September 30, 2011 and 2010, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	2011	2010
Casino Receivables (Net of Allowance for Doubtful Accounts - 2011, $11,816 & 2010, $14,874)	$ 18,424	$ 17,152
Other (Net of Allowance for Doubtful Accounts - 2011, $291 & 2010, $315)	5,214	6,118
	$ 23,638	$ 23,270

NOTE 5 –OTHER CURRENT ASSETS

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

	2011	2010
Tax Deferred Asset	$ 1,183	$ 3,973
Purse Enhancement Agreement	11	2,626
Other	4,297	6,551
	$ 5,491	$ 13,150

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

(All dollar amounts in thousands)

	2011	2010
Due from Caesars	$ 423,901	$ 378,173
Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2011, $11,308 and 2010, $13,205)	$ 19,573	19,713
Investment In ACES	4,228	4,758
	$ 447,702	$ 402,644

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

NOTE 7 – PROPERTY AND EQUIPMENT

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

	2011	2010
Land	$ 182,580	$ 182,580
Buildings and Improvements	529,190	524,771
Furniture, Fixtures, and Equipment	124,757	117,959
Construction in Progress	2,668	4,099
	$ 839,195	$ 829,409
Less Accumulated Depreciation & Amortization	(147,148)	(108,048)
	$ 692,047	$ 721,361

NOTE 8 – OTHER ASSETS

Other assets as of September 30 consist of the following:

	2011	2010
Customer Database (less Accumulated Amortization of $32,450in 2011 & $23,600 in 2010)	$ 73,750	$ 82,600
Other	41,772	42,988
	$ 115,522	$ 125,588

During May 2003, the Company entered into an agreement to lease the Pier at Caesars (the "Pier") to developers for an initial term of 75 years. The 75 year term commenced upon completion of the Pier's construction in 2006. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the developers which are included in Other and are being amortized over the life of the lease.

(All dollar amounts in thousands)

NOTE 9 - OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30 consist of the following:

	2011	2010
Accrued Payroll	$ 8,179	$ 9,131
Accrued Interest Payable	161,947	117,894
Other	12,446	13,643
	$ 182,572	$ 140,668

NOTE 10- SHORT-TERM DEBT

Short-term debt, due to other as of September 30 consists of the following:

	2011	2010
Due to Other		
Mortgage Note due October 15, 2011 Interest at 10.0%	$ 455	$ 49
Current Portion of Capitalized Leases	515	-
	$ 970	$ 49

NOTE 11- LONG-TERM DEBT

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

	2011	2010
Due to Affiliates		
8.5% Note Payable to Caesars Entertainment, Ltd. ("HEL") due December 1, 2020	$ 518,330	$ 518,330
	$ 518,330	$ 518,330
Due to Other		
Mortgage Note due October 15, 2011 Interest at 10.0%	$ -	$ 504
Long Term Portion of Capitalized Leases	$ 497	$ -
Less: Current Maturities	$ -	$ (49)
	$ -	$ 455
Total Long Term Debt	$ 518,827	$ 518,785

On July 1, 2006, the note formerly held by CEFC was assigned to CEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of September 30, 2011, accrued interest related to the intercompany note totaled $161,902. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

(All dollar amounts in thousands)

NOTE 12 – OTHER LIABILITIES

Other Liabilities as of September 30 consisted of the following:

	2011	2010
Due to Affiliates, Atlantic City Region	$ 99,574	$ 96,334
Due to Affiliates, Other	39,791	39,604
CRDA-Seat Licenses	577	3,710
Deferred Tax Liability	39,427	34,061
	$ 179,369	$ 173,709

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

NOTE 13 – 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 $446 and $310 as of September 30, 2011 and 2010, respectively. Actual results may differ from these reserve amounts.

CRDA Investment Obligation - The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

(All dollar amounts in thousands)

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

	2011	2010
CRDA Bonds — net of amortized costs	$ 3,928	$ 3,955
Deposits — net of reserves of $9,622 and $11,461	15,645	15,758
Total	$ 19,573	$ 19,713

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $(53) and $425 for the nine months ended September 30, 2011 and 2010, respectively, and is included in CRDA Expense, in the consolidated statements of income.

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

Once CRDA Bonds are issued, we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA; they are not permitted to do otherwise. As such, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the nine months ended September 30, 2011 and 2010 was $21 and $24, respectively, and is included in CRDA Expense in the consolidated statements of income.

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

All the Atlantic City casino properties (the “AC Industry”) and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the “NJSEA”) to provide funding to subsidize New Jersey’s horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided $34,000 over a four-year period to the NJSEA and deposited another $62,000 into the Casino Expansion Fund (managed by the CRDA). The Company’s obligation was equal to its fair-share of AC Industry casino revenues, and the Company is eligible to receive funds deposited as a result of this obligation from the Casino Expansion Fund for qualified construction expenditures. The Company has until September 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide $90 million in funding to subsidize New Jersey's horseracing industry. The funding will be provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company's obligation is estimated at $10,658, equal to its fair-share of AC Industry casino revenues. The total commitment is being charged to operations on a straight-line basis beginning January 2009 through December 31, 2011. The Company recognized $2,637 for payments to NJSEA for the nine months ended September 30, 2011.