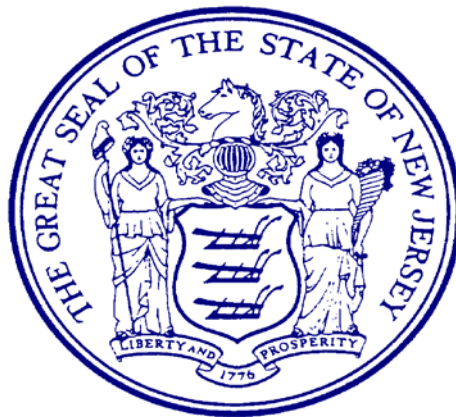


**BOARDWALK REGENCY CORPORATION
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2013

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

BOARDWALK REGENCY CORPORATION

BALANCE SHEETS

AS OF JUNE 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$21,344	\$20,056
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, \$11,598; 2012, \$11,554).....	2 & 4	17,672	22,005
4	Inventories	2	450	1,048
5	Other Current Assets.....	5	8,343	17,010
6	Total Current Assets.....		47,809	60,119
7	Investments, Advances, and Receivables.....	3,6 & 12	422,967	474,677
8	Property and Equipment - Gross.....	2 & 7	858,770	847,670
9	Less: Accumulated Depreciation and Amortization.....	2 & 7	(211,654)	(175,962)
10	Property and Equipment - Net.....	2 & 7	647,116	671,708
11	Other Assets.....	2 & 8	98,098	108,270
12	Total Assets.....		\$1,215,990	\$1,314,774
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$9,324	\$10,775
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....	10	791	
17	Income Taxes Payable and Accrued.....	2	37	
18	Other Accrued Expenses.....	9	257,097	214,794
19	Other Current Liabilities.....		3,227	3,973
20	Total Current Liabilities.....		270,476	229,542
	Long-Term Debt:			
21	Due to Affiliates.....	10	518,330	518,330
22	External.....	10	880	
23	Deferred Credits	2	81,975	97,352
24	Other Liabilities.....	11	150,516	180,765
25	Commitments and Contingencies.....	12		
26	Total Liabilities.....		1,022,177	1,025,989
27	Stockholders', Partners', or Proprietor's Equity.....		193,813	288,785
28	Total Liabilities and Equity.....		\$1,215,990	\$1,314,774

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 SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$159,186	\$178,468
2	Rooms.....		17,547	18,459
3	Food and Beverage.....		25,786	26,418
4	Other.....		7,659	8,773
5	Total Revenue.....		210,178	232,118
6	Less: Promotional Allowances.....		52,211	61,651
7	Net Revenue.....		157,967	170,467
	Costs and Expenses:			
8	Cost of Goods and Services.....		110,286	113,362
9	Selling, General, and Administrative.....		10,616	16,898
10	Provision for Doubtful Accounts.....		717	1,501
11	Total Costs and Expenses.....		121,619	131,761
12	Gross Operating Profit.....		36,348	38,706
13	Depreciation and Amortization.....	2	21,514	23,894
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	12,649	14,841
16	Income (Loss) from Operations.....		2,185	(29)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9 & 11	(22,029)	(22,029)
18	Interest Expense - External.....		(92)	181
19	CRDA Related Income (Expense) - Net.....	12	(1,986)	(1,931)
20	Nonoperating Income (Expense) - Net.....		(475)	(1,427)
21	Total Other Income (Expenses).....		(24,582)	(25,206)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(22,397)	(25,235)
23	Provision (Credit) for Income Taxes.....	2	(6,339)	(7,943)
24	Income (Loss) Before Extraordinary Items.....		(16,058)	(17,292)
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0).....			
26	Net Income (Loss).....		(\$16,058)	(\$17,292)

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 JUNE 30, 2013 AND 2012

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$87,358	\$89,770
2	Rooms.....		9,313	9,761
3	Food and Beverage.....		14,012	13,675
4	Other.....		4,329	4,887
5	Total Revenue.....		115,012	118,093
6	Less: Promotional Allowances.....		27,352	31,001
7	Net Revenue.....		87,660	87,092
	Costs and Expenses:			
8	Cost of Goods and Services.....		57,613	56,856
9	Selling, General, and Administrative.....		5,257	9,056
10	Provision for Doubtful Accounts.....		497	490
11	Total Costs and Expenses.....		63,367	66,402
12	Gross Operating Profit.....		24,293	20,690
13	Depreciation and Amortization.....	2	10,092	12,024
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	6,558	7,618
16	Income (Loss) from Operations.....		7,643	1,048
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9 & 11	(11,015)	(11,014)
18	Interest Expense - External.....		(44)	109
19	CRDA Related Income (Expense) - Net.....	12	(857)	(964)
20	Nonoperating Income (Expense) - Net.....		(524)	(876)
21	Total Other Income (Expenses).....		(12,440)	(12,745)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(4,797)	(11,697)
23	Provision (Credit) for Income Taxes.....	2	(1,288)	(3,946)
24	Income (Loss) Before Extraordinary Items.....		(3,509)	(7,751)
	Extraordinary Items (Net of Income Taxes -			
25	20__, \$____; 20__, \$_____).....			
26	Net Income (Loss).....		(\$3,509)	(\$7,751)

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND THE SIX MONTHS ENDED JUNE 30, 2013
(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, 2011.....		100	\$1,370			\$915,830		(\$611,123)	\$306,077
2	Net Income (Loss) - 2012.....								(27,479)	(27,479)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	.....									0
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2012.....		100	1,370	0	0	915,830	0	(638,602)	278,598
11	Net Income (Loss) - 2013.....								(16,058)	(16,058)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany						(68,727)			(68,727)
16	Balances									0
17	.....									0
18	.....									0
19	Balance, June 30, 2013		100	\$1,370	0	\$0	\$847,103	\$0	(\$654,660)	\$193,813

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 SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$48,660	\$31,247
	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.....		(5,028)	(7,725)
5	Proceeds from Disposition of Property and Equipment.....		88	
6	CRDA Obligations		(1,762)	(2,249)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		32	(343)
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(6,670)	(10,317)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		0	
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(348)	
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		(42,750)	(34,041)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(43,098)	(34,041)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,108)	(13,111)
25	Cash and Cash Equivalents at Beginning of Period.....		22,452	33,167
26	Cash and Cash Equivalents at End of Period.....		\$21,344	\$20,056
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$100	\$0
28	Income Taxes.....		\$0	\$0

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

BOARDWALK REGENCY CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$16,058)	(\$17,292)
30	Depreciation and Amortization of Property and Equipment.....		17,085	19,465
31	Amortization of Other Assets.....		4,429	4,429
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		1,773	(35)
34	Deferred Income Taxes - Noncurrent		10,859	6,195
35	(Gain) Loss on Disposition of Property and Equipment.....		(41)	
36	(Gain) Loss on CRDA-Related Obligations.....		1,296	1,833
37	(Gain) Loss from Other Investment Activities.....		232	232
38	(Increase) Decrease in Receivables and Patrons' Checks		4,717	2,531
39	(Increase) Decrease in Inventories		52	(339)
40	(Increase) Decrease in Other Current Assets.....		(774)	(6,869)
41	(Increase) Decrease in Other Assets.....		532	325
42	Increase (Decrease) in Accounts Payable.....		739	911
43	Increase (Decrease) in Other Current Liabilities		22,097	21,366
44	Increase (Decrease) in Other Liabilities		1,163	(1,505)
45	Increase (Decrease) in Invest., Adv. and Recvble.....			
46	Impairment of CRDA Assets		559	
47	Net Cash Provided (Used) By Operating Activities.....		\$48,660	\$31,247

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$6,010)	(\$7,725)
49	Less: Capital Lease Obligations Incurred.....		982	
50	Cash Outflows for Property and Equipment.....		(\$5,028)	(\$7,725)
	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 SIX MONTHS ENDED JUNE 30, 2013
(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	249,248	\$9,590		
2	Food	315,619	10,939		
3	Beverage	3,097,736	6,195		
4	Travel			79,539	2,606
5	Bus Program Cash	715	43		
6	Promotional Gaming Credits	270,371	16,324		
7	Complimentary Cash Gifts	118,569	7,553		
8	Entertainment	3,369	345	2,743	427
9	Retail & Non-Cash Gifts	28,092	562		
10	Parking				
11	Other	31,804	660	45,008	1,491
12	Total	4,115,523	\$52,211	127,290	\$4,524

FOR THE THREE MONTHS ENDED JUNE 30, 2013

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	123,940	\$4,731		
2	Food	162,318	5,777		
3	Beverage	1,761,820	3,523		
4	Travel			41,434	1,092
5	Bus Program Cash	561	31		
6	Promotional Gaming Credits	134,820	8,913		
7	Complimentary Cash Gifts	57,220	3,516		
8	Entertainment	1,954	253	382	158
9	Retail & Non-Cash Gifts	14,430	289		
10	Parking				
11	Other	12,064	319	24,680	803
12	Total	2,269,127	\$27,352	66,496	\$2,053

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

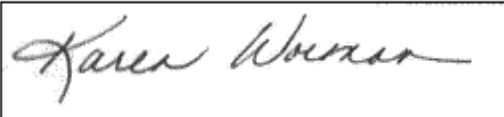
BOARDWALK REGENCY CORPORATION STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2013

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

8/14/2013

Date



Karen Worman

Vice President of Finance

Title

006320-11

License Number

On Behalf of:

BOARDWALK REGENCY CORPORATION

Casino Licensee

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

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

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

The Company is licensed to operate the facility by the New Jersey Division of Gaming Enforcement (the “DGE”) and is subject to rules and regulations established by the DGE. The Company’s license is subject to renewal every five years with the current license expiring June 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allowance for Doubtful Accounts - The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for doubtful accounts.

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

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

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

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

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

Land improvements	12 years
Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 20 years

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

Intangible Assets Other Than Goodwill – Intangible assets other than goodwill represents the customer database with a gross carrying value of \$106.2 million for the six months ended June 30, 2013 and 2012, with accumulated amortization of \$47,938 and \$39,088 for the six months ended June 30, 2013 and 2012, respectively. The customer database was determined to have a 12 year life based upon attrition rates and computations of incremental value derived from existing relationships.

Investment in Atlantic City Express Service, LLC “ACES” – In 2006, the Company entered into an agreement with Harrah’s Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form Atlantic City Express Service, LLC (ACES). With each member having a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. The investment is reflected in the accompanying consolidated financial statements using the equity method. ACES suspended services during the year ended December 31, 2011, and accordingly, the joint venture agreement terminated, which forced a liquidation of the joint venture’s assets. During 2011, the company recorded a non-cash impairment charge to reduce the Company’s carrying value of the investment to \$2.8 million as shown on the accompanying balance sheets. During 2012, the Company received \$2.8 million in liquidation of the Company’s interest in ACES.

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

Revenue Recognition - Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming

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

play occurs and for chips in the customers' possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. The Company does not recognize as revenue taxes collected on goods or services sold to its customers.

Total Rewards Program Liability — Caesars' customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company's property and certain affiliate casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, the Company accrues the expense of reward credits, after consideration of estimated forfeitures referred to as "breakage", as they are earned. The estimated cost to provide reward credits is expensed as the reward credits are earned and is included in casino expense in the accompanying consolidated statements of operations. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which reward credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At June 30, 2013 and 2012, \$2,322 and \$3,241 respectively, was accrued for the cost of anticipated Total reward credit redemptions. These amounts reside on Caesars' Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company.

In addition to Reward Credits, the Company's customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards ("NNRR"). The Company accrues the costs of NNRR, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances in the accompanying consolidated statements of operations. At June 30, 2013 and 2012, the liability related to outstanding NNRR, which is based on historical redemption, was approximately \$546 and \$587, 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 June 30, 2013 and 2012:

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

	2013	2012
Food & Beverage	\$ 13,331	\$ 14,658
Rooms	4,280	4,300
Other	1,240	1,598
Bus Program Cash	43	27
Promotional Gaming Credits	16,324	22,825
Other Cash Complimentaries	7,553	7,566
	\$ 42,771	\$ 50,974

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 six months ended June 30, 2013 and 2012, which are included in casino expenses in the accompanying consolidated statements of income, were approximately \$11,751 and \$14,313, respectively.

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

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

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

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

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their

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

respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company follows the provisions of ASC 740-Income Taxes. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles (GAAP) requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2013 are not necessarily indicative of the results of operations for the full year.

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

NOTE 3 - RELATED PARTY TRANSACTIONS

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

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

Atlantic City Country Club - Atlantic City Country Club 1, LLC ("ACCC") is a wholly owned subsidiary of Bally's Atlantic City ("Bally's"), an affiliate of the Company. The net operating costs of ACCC are allocated to the Company and Bally's as well as Harrah's Atlantic City and Showboat

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Atlantic City, also affiliates of the Company. The Company was charged approximately \$120 and \$127 for these costs for the six months ended June 30, 2013 and 2012, respectively. The costs are included in other operating expenses in the accompanying statements of income.

Administrative and Other Services - The Company is charged a fee by CEOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged \$12,649 and \$14,841 for these services for the six months ended June 30, 2013 and 2012, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

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

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	<u>2013</u>	<u>2012</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2013, \$11,272 & 2012, \$11,480)	\$ 11,037	\$ 15,147
Other (Net of Allowance for Doubtful Accounts - 2013, \$326 & 2012, \$74)	6,635	6,858
	<u>\$ 17,672</u>	<u>\$ 22,005</u>

NOTE 5 – OTHER CURRENT ASSETS

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

	<u>2013</u>	<u>2012</u>
Tax Deferred Asset	\$ 6,064	\$ 6,649
Other	2,279	10,361
	<u>\$ 8,343</u>	<u>\$ 17,010</u>

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NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>2013</u>	<u>2012</u>
Due from Caesars	\$ 401,982	\$ 452,072
Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2013, \$10,897 and 2012, \$10,864)	20,985	19,805
Investment In ACES	-	2,800
	<u>\$ 422,967</u>	<u>\$ 474,677</u>

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

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land	\$ 182,021	\$ 182,580
Buildings and Improvements	534,781	529,383
Furniture, Fixtures, and Equipment	141,851	126,792
Construction in Progress	117	8,915
	<u>\$ 858,770</u>	<u>\$ 847,670</u>
Less Accumulated Depreciation & Amortization	<u>(211,654)</u>	<u>(175,962)</u>
	<u>\$ 647,116</u>	<u>\$ 671,708</u>

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

NOTE 8 – OTHER ASSETS

Other assets as of June 30 consist of the following:

	<u>2013</u>	<u>2012</u>
Customer Database (less Accumulated Amortization of \$47,938 in 2013 & \$39,088 in 2012)	\$ 58,262	\$ 67,113
Other	39,836	41,157
	<u>\$ 98,098</u>	<u>\$ 108,270</u>

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

NOTE 9 - OTHER ACCRUED EXPENSES

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

	<u>2013</u>	<u>2012</u>
Accrued Payroll	\$ 7,562	\$ 9,602
Accrued Interest Payable	239,019	194,945
Other	<u>10,516</u>	<u>10,247</u>
	<u>\$ 257,097</u>	<u>\$ 214,794</u>

NOTE 10- LONG-TERM DEBT

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

	<u>2013</u>	<u>2012</u>
Due to Affiliates		
8.5% Note Payable to Caesars Entertainment, Ltd. ("CEL") due December 1, 2020	\$ 518,330	\$ 518,330
Due to Other		
Capitalized Leases	1,671	-
Less: Short Term Portion of Capitalized Leases	<u>(791)</u>	<u>-</u>
Long Term Portion of Capitalized Leases	<u>880</u>	<u>-</u>
Total Long Term Debt	<u>\$ 519,210</u>	<u>\$ 518,330</u>

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 June 30, 2013, accrued interest related to the intercompany note totaled \$239,003. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

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NOTE 11 – OTHER LIABILITIES

Other Liabilities as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Due to Affiliates, Atlantic City Region	\$ 108,692	\$ 109,971
Due to Affiliates, Other	2,818	34,068
Deferred Tax Liability	39,002	36,711
Other	4	15
	<u>\$ 150,516</u>	<u>\$ 180,765</u>

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation – The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

Insurance Reserve - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets include insurance allowances of \$15 and \$265 as of June 30, 2013 and 2012, respectively. Actual results may differ from these reserve amounts.

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

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

	2013	2012
CRDA Bonds — net of amortized costs	\$ 4,182	\$ 4,124
Deposits — net of reserves of \$8,662 and \$10,864	16,803	15,681
Total	\$ 20,985	\$ 19,805

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$1,754 and \$1,699 for the six months ended June 30, 2013 and 2012, respectively, and is included in CRDA Expense, in the consolidated statements of operations.

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

Once CRDA Bonds are issued, we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and, under the CRDA, they are not permitted to do otherwise. As such, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the six months ended June 30, 2013 and 2012 was \$16 and \$23, respectively, and is included in CRDA Expense in the consolidated statements of operations.

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

All the Atlantic City casino properties (the “AC Industry”) and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the “NJSEA”) to provide funding to subsidize New Jersey’s horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement,

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the AC Industry provided \$34,000 over a four year period to the NJSEA and deposited another \$62,000 into the Casino Expansion Fund (managed by the CRDA). The Company's obligation was equal to its fair-share of AC Industry casino revenues totaling \$2,812, and the Company is eligible to receive funds deposited as a result of this obligation from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide \$90,000 in funding to subsidize New Jersey's horseracing industry. The funding will be provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company's obligation was \$10,657, equal to its fair-share of AC Industry casino revenues. The total commitment was being charged to operations on a straight-line basis beginning January 2009 through December 31, 2011.

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize Atlantic City casino marketing. This agreement was signed on November 2, 2011 and is set to expire on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of \$5,000 in December 2011 and will continue to pay \$30,000 annually for the next five years. The Company's obligation was \$1,602 for the six months ended June 30, 2013. The Company's obligation for its portion of future payments is estimated at \$11,987, equal to its fair-share of AC Industry casino revenues.