BOARDWALK REGENCY CORPORATION

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$17,465	$19,882
2	Short-Term Investments			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, $11,826; 2011, $12,107)	2 & 4	19,609	23,638
4	Inventories	2	521	844
5	Other Current Assets	5	13,563	5,491
6	Total Current Assets		51,158	49,855
7	Investments, Advances, and Receivables	6 & 13	499,920	447,702
8	Property and Equipment - Gross	2 & 7	849,423	839,195
9	Less: Accumulated Depreciation and Amortization	2 & 7	(184,348)	(147,148)
10	Property and Equipment - Net	2 & 7	665,075	692,047
11	Other Assets	2 & 8	105,666	115,522
12	Total Assets		$1,321,819	$1,305,126
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$6,923	$6,628
14	Notes Payable			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates			
16	External	10	1,817	970
17	Income Taxes Payable and Accrued	2		
18	Other Accrued Expenses	9	224,744	182,572
19	Other Current Liabilities		2,766	3,300
20	Total Current Liabilities		236,250	193,470
	Long-Term Debt:			
21	Due to Affiliates	11	518,330	518,330
22	External			497
23	Deferred Credits	2	94,001	94,547
24	Other Liabilities	12	182,096	179,369
25	Commitments and Contingencies	13		
26	Total Liabilities		1,030,677	986,213
27	Stockholders', Partners', or Proprietor's Equity		291,142	318,913
28	Total Liabilities and Equity		$1,321,819	$1,305,126

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$286,137	$313,506
2	Rooms		29,463	30,473
3	Food and Beverage		43,576	35,211
4	Other		17,345	12,668
5	Total Revenue		376,521	391,858
6	Less: Promotional Allowances		98,743	96,757
7	Net Revenue		277,778	295,101
	Costs and Expenses:			
8	Cost of Goods and Services		176,112	186,119
9	Selling, General, and Administrative		24,574	34,759
10	Provision for Doubtful Accounts		2,166	921
11	Total Costs and Expenses		202,852	221,799
12	Gross Operating Profit		74,926	73,302
13	Depreciation and Amortization	2	36,500	35,832
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	22,301	21,798
16	Income (Loss) from Operations		16,125	15,672
	Other Income (Expenses):			
17	Interest Expense - Affiliates	9 & 11	(33,081)	(33,044)
18	Interest Expense - External		245	(125)
19	CRDA Related Income (Expense) - Net	13	(2,044)	(302)
20	Nonoperating Income (Expense) - Net		(2,087)	(1,505)
21	Total Other Income (Expenses)		(36,967)	(34,976)
22	Income (Loss) Before Taxes and Extraordinary Items		(20,842)	(19,304)
23	Provision (Credit) for Income Taxes	2	(5,907)	(5,485)
24	Income (Loss) Before Extraordinary Items		(14,935)	(13,819)
	Extraordinary Items (Net of Income Taxes -			
25	20__, $0; 20__, $0)			
26	Net Income (Loss)		($14,935)	($13,819)

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$107,669	$112,402
2	Rooms		11,004	11,235
3	Food and Beverage		17,158	12,837
4	Other		8,572	5,100
5	Total Revenue		144,403	141,574
6	Less: Promotional Allowances		37,092	36,023
7	Net Revenue		107,311	105,551
	Costs and Expenses:			
8	Cost of Goods and Services		62,750	64,161
9	Selling, General, and Administrative		7,676	12,720
10	Provision for Doubtful Accounts		665	664
11	Total Costs and Expenses		71,091	77,545
12	Gross Operating Profit		36,220	28,006
13	Depreciation and Amortization	2	12,606	12,105
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	7,460	7,510
16	Income (Loss) from Operations		16,154	8,391
	Other Income (Expenses):			
17	Interest Expense - Affiliates	9 & 11	(11,052)	(11,015)
18	Interest Expense - External		64	(41)
19	CRDA Related Income (Expense) - Net	13	(113)	188
20	Nonoperating Income (Expense) - Net		(660)	(342)
21	Total Other Income (Expenses)		(11,761)	(11,210)
22	Income (Loss) Before Taxes and Extraordinary Items		4,393	(2,819)
23	Provision (Credit) for Income Taxes	2	2,036	(708)
24	Income (Loss) Before Extraordinary Items		2,357	(2,111)
	Extraordinary Items (Net of Income Taxes -			
25	20__, $_____; 20__, $________)			
26	Net Income (Loss)		$2,357	($2,111)

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, 2011 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(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, 2010..........**		100	$1,370			$915,830		($584,468)	$332,732
2	Net Income (Loss) - 2011.............								(26,655)	(26,655)
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, 2011..........**		100	1,370	0	0	915,830	0	(611,123)	306,077
11	Net Income (Loss) - 2012.............								(14,935)	(14,935)
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, 2012 ....**		100	$1,370	0	$0	$915,830	$0	($626,058)	$291,142

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$55,499	$51,781
	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		(11,484)	(8,259)
5	Proceeds from Disposition of Property and Equipment			68
6	CRDA Obligations		(3,501)	(3,920)
7	Other Investments, Loans and Advances made			
8	Proceeds from Other Investments, Loans, and Advances		(535)	83
9	Cash Outflows to Acquire Business Entities		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities		(15,520)	(12,028)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt			
15	Proceeds from Long-Term Debt		1,817	
16	Costs of Issuing Debt			
17	Payments to Settle Long-Term Debt			
18	Cash Proceeds from Issuing Stock or Capital Contributions		0	0
19	Purchases of Treasury Stock			
20	Payments of Dividends or Capital Withdrawals			
21	Borrowings/Payments of Intercompany Payable		(57,498)	(42,072)
22				
23	Net Cash Provided (Used) By Financing Activities		(55,681)	(42,072)
24	Net Increase (Decrease) in Cash and Cash Equivalents		(15,702)	(2,319)
25	Cash and Cash Equivalents at Beginning of Period		33,167	22,201
26	Cash and Cash Equivalents at End of Period		$17,465	$19,882

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)		$13	$91
28	Income Taxes		$0	$2

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, 2012 AND 2011

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)..		($14,935)	($13,819)
30	Depreciation and Amortization of Property and Equipment...		29,857	29,190
31	Amortization of Other Assets..		6,643	6,642
32	Amortization of Debt Discount or Premium..........................			
33	Deferred Income Taxes - Current		(35)	2,063
34	Deferred Income Taxes - Noncurrent		2,844	(7,026)
35	(Gain) Loss on Disposition of Property and Equipment.........			(68)
36	(Gain) Loss on CRDA-Related Obligations...........................		2,146	3,333
37	(Gain) Loss from Other Investment Activities.......................		349	356
38	(Increase) Decrease in Receivables and Patrons' Checks		4,927	(2,563)
39	(Increase) Decrease in Inventories		188	(212)
40	(Increase) Decrease in Other Current Assets..........................		(3,422)	2,420
41	(Increase) Decrease in Other Assets......................................		715	1,009
42	Increase (Decrease) in Accounts Payable..............................		(2,941)	(120)
43	Increase (Decrease) in Other Current Liabilities		30,109	31,667
44	Increase (Decrease) in Other Liabilities		(946)	(1,994)
45	Increase (Decrease) in Invest., Adv. and Recvbl....................			903
46	....			
47	Net Cash Provided (Used) By Operating Activities...................		$55,499	$51,781

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2012	2011
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment....................................		($11,484)	($9,271)
49	Less: Capital Lease Obligations Incurred..............................			1,012
50	Cash Outflows for Property and Equipment............................		($11,484)	($8,259)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired...			
52	Goodwill Acquired..			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed...			
55	Issuance of Stock or Capital Invested....................................			
56	Cash Outflows to Acquire Business Entities...........................		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.................		$0	$0
58	Less: Issuances to Settle Long-Term Debt...........................		0	0
59	Consideration in Acquisition of Business Entities.................		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions......		$0	$0

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

BOARDWALK REGENCY CORPORATION
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(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	398,784	$15,922		
2	Food	589,361	19,797		
3	Beverage	4,944,594	9,889		
4	Travel			136,812	3,849
5	Bus Program Cash	573	48		
6	Promotional Gaming Credits	512,804	34,311		
7	Complimentary Cash Gifts	250,587	12,545		
8	Entertainment	35,873	3,021	5,946	1,379
9	Retail & Non-Cash Gifts	64,800	1,296		
10	Parking				
11	Other	94,887	1,914	179,324	5,324
12	Total	6,892,263	$98,743	322,082	$10,552

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	139,288	$5,638		
2	Food	230,371	7,710		
3	Beverage	1,794,532	3,589		
4	Travel			48,521	1,198
5	Bus Program Cash	241	21		
6	Promotional Gaming Credits	185,591	11,486		
7	Complimentary Cash Gifts	82,416	4,979		
8	Entertainment	30,651	2,585	3,093	825
9	Retail & Non-Cash Gifts	20,371	407		
10	Parking				
11	Other	39,040	677	63,117	1,863
12	Total	2,522,501	$37,092	114,731	$3,886

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

BOARDWALK REGENCY CORPORATION
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

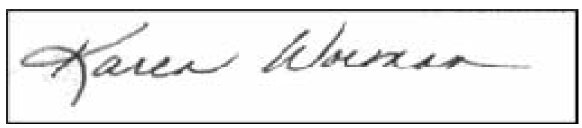
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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.



11/14/2012
Date

Karen Worman

Vice President of Finance
Title

006320-11
License Number

On Behalf of:

BOARDWALK REGENCY CORPORATION
Casino Licensee

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.

In January 2008, Caesars was acquired by affiliates of Apollo Global Management LLC and TPG Capital, L.P. in an all cash transaction, hereinafter referred to as the "Acquisition".

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 - Land, buildings, and equipment were stated at cost, through January 27, 2008 and revalued to fair value on January 28, 2008 in connection with the Acquisition, including capitalized interest on intercompany funds used to finance construction calculated at CEOC's overall weighted-average borrowing rate of interest.

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

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.

The Company wrote off $1,024 of assets associated with the indefinite deferral of certain capital projects, and is recorded to our Statements of Income in Non-Operating Income (Expense) for the year ended December 31, 2011.

Goodwill and Other Intangible Assets – The company accounts for goodwill and other intangible assets in accordance with ASC 350, "Intangible Assets – Goodwill and Other", which provides guidance regarding the recognition and measurement of intangible assets, eliminates amortization of certain intangibles and requires assessment for impairment of intangible assets that are subject to amortization at least annually.

In accordance with ASC 820, Fair Value Measurements and Disclosures, the guidance establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring non-financial assets or liabilities at fair value.

Goodwill is measured using level 3 inputs, which consist of a discounted cash flow analysis. Level 3 inputs are unobservable inputs that are corroborated by market data. Significant assumptions and factors influencing the measurement of fair value include future cash flows, discount rates, exit multiples, and capital expenditures.

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, 2012, 2013, 2014, and 2015, is approximately $8,850. Amortization expense for the nine months ending September 30, 2012 and 2011 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, 2012 and 2011 was approximately \$26,873 and \$26,873 respectively. ACES became operational on February 6, 2009.

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.

We evaluate our investment in the unconsolidated subsidiary for impairment when events or changes in circumstance indicate that the carrying value of such investment may have experienced an other than temporary decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determine whether such impairment is other than temporary based upon our assessment of all relevant factors. ACES suspended services during the year ended December 31, 2011, and accordingly, the joint venture agreement terminated, which will force a liquidation of the joint venture's assets. We recorded a non-cash impairment charge to the Company's investment in affiliates in the amount of \$1,083, representing the amount by which the carrying value of the investment exceeded its potential liquidated value.

In October 2012, the railway cars purchased for ACES were sold back to New Jersey Transit.

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

Revenue Recognition - Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. The Company does not recognize as revenue taxes collected on goods or services sold to its customers.

(All dollar amounts in thousands)

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 September 30, 2012 and 2011, $2,788 and $3,499 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 September 30, 2012 and 2011, the liability related to outstanding NNRR, which is based on historical redemption, was approximately $579 and $579, 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 September 30, 2012 and 2011:

	2012	2011
Food & Beverage	$ 23,256	$ 19,229
Rooms	6,418	6,806
Other	4,516	3,715
Bus Program Cash	48	34
Promotional Gaming Credits	34,311	33,981
Other Cash Complimentaries	12,545	19,907
	$ 81,094	$ 83,672

Advertising Expenses – Advertising costs are expensed as incurred. Advertising expenses are $4,996 and $8,446 for the nine months ended September 30, 2012 and 2011 respectively. Advertising expenses are included in selling, general and administrative expenses in the accompanying statements of income.

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, 2012 and 2011, which are included in casino expenses in the accompanying consolidated statements of income were approximately $22,978 and $25,088, 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.

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

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

Use of Estimates - The preparation of 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.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2012 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.

(All dollar amounts in thousands)

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 $84 and $142 for these costs for the nine months ended September 30, 2012 and 2011, 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 $22,301 and $21,798 for these services for the nine months ended September 30, 2012 and 2011, 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:

	2012	2011
Casino Receivables (Net of Allowance for Doubtful Accounts - 2012, $11,763 & 2011, $11,816)	$ 14,990	$ 18,424
Other (Net of Allowance for Doubtful Accounts - 2012, $63 & 2011, $291)	4,619	5,214
	$ 19,609	$ 23,638

NOTE 5 –OTHER CURRENT ASSETS

(All dollar amounts in thousands)

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

	2012	2011
Tax Deferred Asset	$ 6,649	$ 1,183
Purse Enhancement Agreement		11
Other	6,914	4,297
	$ 13,563	$ 5,491

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2012	2011
Due from Caesars	$ 476,301	$ 423,901
Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2012, $10,878 and 2011, $11,308)	20,819	19,573
Investment In ACES	2,800	4,228
	$ 499,920	$ 447,702

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:

	2012	2011
Land	$ 182,580	$ 182,580
Buildings and Improvements	532,520	529,190
Furniture, Fixtures, and Equipment	132,613	124,757
Construction in Progress	1,710	2,668
	$ 849,423	$ 839,195
Less Accumulated Depreciation & Amortization	(184,348)	(147,148)
	$ 665,075	$ 692,047

(All dollar amounts in thousands)

NOTE 8 – OTHER ASSETS

Other assets as of September 30 consist of the following:

	2012	2011
Customer Database (less Accumulated Amortization of $41,300 in 2012 & $32,450 in 2011)	$ 64,900	$ 73,750
Other	40,766	41,772
	$ 105,666	$ 115,522

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 September 30 consist of the following:

	2012	2011
Accrued Payroll	$ 7,882	$ 8,179
Accrued Interest Payable	205,984	161,947
Other	10,878	12,446
	$ 224,744	$ 182,572

NOTE 10- SHORT-TERM DEBT

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

	2012	2011
Due to Other		
Current Portion of Capitalized Leases	$ 1,817	$ 515
Mortgage Note due October 15, 2011 Interest at 10.0%	$ -	$ 455
	$ 1,817	$ 970

NOTE 11- LONG-TERM DEBT

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

(All dollar amounts in thousands)

	2012	2011
Due to Affiliates		
8.5% Note Payable to Caesars Entertainment, Ltd. ("HEL") due December 1, 2020	$ 518,330	$ 518,330
Total Long Term Debt	$ 518,330	$ 518,330

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, 2012, accrued interest related to the intercompany note totaled $205,960. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

NOTE 12 – OTHER LIABILITIES

Other Liabilities as of September 30 consisted of the following:

	2012	2011
Due to Affiliates, Atlantic City Region	$ 112,888	$ 99,574
Due to Affiliates, Other	31,923	39,791
CRDA-Seat Licenses		577
Deferred Tax Liability	37,270	39,427
Other	15	
	$ 182,096	$ 179,369

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 $45 and $446 as of September 30, 2012 and 2011, 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:

	2012	2011
CRDA Bonds — net of amortized costs	$ 4,260	$ 3,928
Deposits — net of reserves of $10,878 and $6,622	16,559	15,645
Total	$ 20,819	$ 19,573

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $1,696 and ($53) for the nine months ended September 30, 2012 and 2011, 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 nine months ended September 30, 2012 and 2011 was $31 and $21, 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, 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 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 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 $2,560 for the nine months ended September 30, 2012. The Company's obligation for its portion of future payments is estimated at 14,504, equal to its fair-share of AC Industry casino revenues.