

**Bally's Park Place Inc. (Bally's Atlantic City)**

**QUARTERLY REPORT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# Bally's Park Place Inc. (Bally's Atlantic City)

## BALANCE SHEETS

AS OF SEPTEMBER 30, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$11,288	\$15,900
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2014, \$3,870; 2013, \$5,112 ).....	4	7,140	8,641
4	Inventories .....		1,422	1,357
5	Other Current Assets.....	5	5,488	8,354
6	Total Current Assets.....		25,338	34,252
7	Investments, Advances, and Receivables.....	6	23,308	510,250
8	Property and Equipment - Gross.....	2,7	57,149	184,721
9	Less: Accumulated Depreciation and Amortization.....	2,7	(9,113)	(4,686)
10	Property and Equipment - Net.....	7	48,036	180,035
11	Other Assets.....	8	99,125	9,782
12	Total Assets.....		\$195,807	\$734,319
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$5,924	\$8,154
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		3,582	1,732
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	9	344,185	294,684
19	Other Current Liabilities.....		1,913	2,168
20	Total Current Liabilities.....		355,604	306,738
	Long-Term Debt:			
21	Due to Affiliates.....	10	583,500	583,500
22	External.....	10	3,277	2,641
23	Deferred Credits .....		0	56,027
24	Other Liabilities.....	11	881	96,792
25	Commitments and Contingencies.....	12		0
26	Total Liabilities.....		943,262	1,045,698
27	Stockholders', Partners', or Proprietor's Equity.....		(747,455)	(311,379)
28	Total Liabilities and Equity.....		\$195,807	\$734,319

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

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

# Bally's Park Place Inc. (Bally's Atlantic City)

## STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$170,516	\$192,349
2	Rooms.....		27,282	35,205
3	Food and Beverage.....		35,813	35,015
4	Other.....		7,995	9,977
5	Total Revenue.....		241,606	272,546
6	Less: Promotional Allowances.....		65,271	67,586
7	Net Revenue.....		176,335	204,960
	Costs and Expenses:			
8	Casino.....		86,153	87,393
9	Rooms, Food and Beverage.....		16,599	17,737
10	General, Administrative and Other.....		54,260	63,461
11	Total Costs and Expenses.....		157,012	168,591
12	Gross Operating Profit.....		19,323	36,369
13	Depreciation and Amortization.....	2	6,787	20,398
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	22,133	18,631
16	Income (Loss) from Operations.....		(9,597)	(2,660)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(37,198)	(37,230)
18	Interest Expense - External.....	10	(139)	(113)
19	CRDA Related Income (Expense) - Net.....	12	(240)	(2,969)
20	Nonoperating Income (Expense) - Net.....		(15,283)	(508,303)
21	Total Other Income (Expenses).....		(52,860)	(548,615)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(62,457)	(551,275)
23	Provision (Credit) for Income Taxes.....	2	(45,672)	(21,875)
24	Income (Loss) Before Extraordinary Items.....		(16,785)	(529,400)
25	Extraordinary Items (Net of Income Taxes - 2014, \$0; 2013, \$0 ).....			0
26	Net Income (Loss).....		(\$16,785)	(\$529,400)

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

# Bally's Park Place Inc. (Bally's Atlantic City)

## STATEMENTS OF INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2014 AND 2013

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$67,176	\$69,990
2	Rooms.....		10,089	13,942
3	Food and Beverage.....		15,154	13,247
4	Other.....		3,407	3,931
5	Total Revenue.....		95,826	101,110
6	Less: Promotional Allowances.....		25,813	25,714
7	Net Revenue.....		70,013	75,396
	Costs and Expenses:			
8	Casino.....		31,101	30,817
9	Rooms, Food and Beverage.....		7,329	6,896
10	General, Administrative and Other.....		19,102	20,672
11	Total Costs and Expenses.....		57,532	58,385
12	Gross Operating Profit.....		12,481	17,011
13	Depreciation and Amortization.....	2	(66)	5,966
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	7,992	7,550
16	Income (Loss) from Operations.....		4,555	3,495
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(12,399)	(12,410)
18	Interest Expense - External.....	10	(60)	(29)
19	CRDA Related Income (Expense) - Net.....	12	38	(1,144)
20	Nonoperating Income (Expense) - Net.....		368	(508,928)
21	Total Other Income (Expenses).....		(12,053)	(522,511)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(7,498)	(519,016)
23	Provision (Credit) for Income Taxes.....	2	(2,510)	(10,792)
24	Income (Loss) Before Extraordinary Items.....		(4,988)	(508,224)
25	Extraordinary Items (Net of Income Taxes - 2014, \$0; 2013, \$0 ).....		0	0
26	Net Income (Loss).....		(\$4,988)	(\$508,224)

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

## Bally's Park Place Inc. (Bally's Atlantic City)

### STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2014

(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, 2012.....		100	\$1			\$597,787		(\$238,765)	\$359,023
2	Net Income (Loss) - 2013.....								(452,775)	(452,775)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Equitization of Intercompany						(600,233)		(6,971)	(607,204)
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2013.....		100	1	0	0	(2,446)	0	(698,511)	(700,956)
11	Net Income (Loss) - 2014.....								(16,785)	(16,785)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany						(29,714)			(29,714)
16	.....									0
17	.....									0
18	.....									0
19	Balance, September 30, 2014 .....		100	\$1	0	\$0	(\$32,160)	\$0	(\$715,296)	(\$747,455)

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

**Bally's Park Place Inc. (Bally's Atlantic City)**  
**STATEMENTS OF CASH FLOWS**  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$870	\$42,132
	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.....		(13,754)	(6,797)
5	Proceeds from Disposition of Property and Equipment.....		12,320	379
6	CRDA Obligations .....		(692)	(878)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....			
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(2,126)	(7,296)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Change in Payable to / Receivable from affiliates .....		(4,479)	(44,513)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(4,479)	(44,513)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(5,735)	(9,677)
25	Cash and Cash Equivalents at Beginning of Period.....		17,023	25,577
26	Cash and Cash Equivalents at End of Period.....		\$11,288	\$15,900
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$139	\$113
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.

**Bally's Park Place Inc. (Bally's Atlantic City)**  
**STATEMENTS OF CASH FLOWS**  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$16,785)	(\$529,400)
30	Depreciation and Amortization of Property and Equipment...		6,787	18,167
31	Amortization of Other Assets.....		0	2,231
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		320	511
34	Deferred Income Taxes - Noncurrent .....		0	(4,614)
35	(Gain) Loss on Disposition of Property and Equipment.....		(84)	(86)
36	(Gain) Loss on CRDA-Related Obligations.....		240	2,969
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		1,453	10,860
39	(Increase) Decrease in Inventories .....		(108)	(112)
40	(Increase) Decrease in Other Current Assets.....		1,878	(5,594)
41	(Increase) Decrease in Other Assets.....		20,804	224
42	Increase (Decrease) in Accounts Payable.....		(4,743)	1,339
43	Increase (Decrease) in Other Current Liabilities .....		36,164	35,014
44	Increase (Decrease) in Other Liabilities .....		(45,056)	1,704
45				508,919
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$870	\$42,132

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$14,287)	(\$6,797)
49	Less: Capital Lease Obligations Incurred.....		533	0
50	Cash Outflows for Property and Equipment.....		(\$13,754)	(\$6,797)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
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.

**Bally's Park Place Inc. (Bally's Atlantic City)**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014  
(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	379,498	\$14,147		
2	Food	481,523	10,004		
3	Beverage	4,665,547	9,331		
4	Travel	0	0	1,864	438
5	Bus Program Cash	1,349	27		
6	Promotional Gaming Credits	389,670	27,328		
7	Complimentary Cash Gifts	49,554	2,833		
8	Entertainment	0	0	2,395	483
9	Retail & Non-Cash Gifts	38,788	892		
10	Parking				
11	Other	141,920	709		
12	Total	6,147,849	\$65,271	4,259	\$921

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	147,884	\$5,523		
2	Food	199,780	3,829		
3	Beverage	1,781,184	3,562		
4	Travel	0	0	751	177
5	Bus Program Cash				
6	Promotional Gaming Credits	135,069	11,243		
7	Complimentary Cash Gifts	18,202	1,085		
8	Entertainment	0	0	810	161
9	Retail & Non-Cash Gifts	14,660	337		
10	Parking				
11	Other	46,573	234		
12	Total	2,343,352	\$25,813	1,561	\$338

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



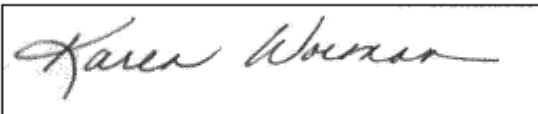
**Bally's Park Place Inc. (Bally's Atlantic City)**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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.

11/15/2014

Date



KAREN WORMAN

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

Bally's Park Place Inc. (Bally's Atlantic City)

Casino Licensee

**BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION**

The accompanying financial statements include the accounts of Bally’s Park Place, Inc., a New Jersey corporation (the “Company”), an indirect, wholly owned subsidiary of Caesars Operating Company, Inc. (“CEOC”), (formerly Harrah’s Operating Company, Inc.) which is a direct wholly owned subsidiary of Caesars Entertainment, Inc. (“Caesars”), (formerly Harrah’s Entertainment, Inc.). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as “Bally’s Atlantic City.”

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 resubmission every five years.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The Companies financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated; however, due to the inherent uncertainties in making these estimates, actual amounts could differ.

**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, which consist primarily of food, beverage and operating supplies, are stated at the lower of average cost or market value.

**Long-Lived Assets** - The Companies have significant capital invested in long-lived assets, and judgments are made in determining the estimated useful lives of assets and salvage values and if or when an asset (or asset group) has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in the Companies’ financial results and whether the Companies have a gain or loss on the disposal of an asset. The Companies assign lives to their assets based on their standard policy, which is established by management as representative of the useful life of each category of asset.

The Companies review the carrying value of their long-lived assets 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. The Companies typically

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

estimate their fair value of assets starting with a "Replacement Cost New" approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for the Companies, is the individual property. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors, and changes in the assumptions and estimates, could have a material impact on the analysis and the supplemental consolidated financial statements schedules.

Additions to property and equipment are stated at cost. The Companies capitalize the costs of improvements that extend the life of the asset. The Companies expense maintenance and repair costs as incurred. Gains or losses on the disposition of property and equipment are recognized in the period of disposal. Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period of time.

**Useful Lives**

Land improvements	12 years
Buildings	30 to 40 years
Leasehold improvements	5 to 15 years
Furniture, fixtures, and equipment	2.5 to 20 years

**Acquisition**

In December 2013, Caesars agreed to acquire the non-gaming assets, including physical property, of New Jersey's Atlantic Club Casino and Hotel in a bankruptcy auction. In December 2013, Caesars paid \$4,000 into an escrow account, included in prepayments and other current assets of the accompanying supplemental consolidating balance sheet schedule for Bally's Atlantic City, pursuant to the agreement to acquire the assets. Subsequent to December 2013, Caesars formed BPP Providence Acquisition Company, LLC, a wholly owned subsidiary of Bally's Atlantic City, in order to hold the acquired assets. In January 2014, Caesars paid \$10,900 to close the acquisition and later sold the Atlantic Club to TJM Properties LLC in May 2014.

**Dispositions**

In October 2013, Caesars agreed to sell The Claridge Tower (the "Claridge") to TJM Properties, LLC in exchange for cash consideration of \$12,500. The Claridge is a hotel facility, owned by and adjacent to Bally's Atlantic City. Prior to the sale, Bally's Atlantic City recognized an impairment of \$25,330 reflected in tangible and intangible asset impairments of Bally's Atlantic City's accompanying supplemental consolidating balance sheet schedule. In February 2014, the sale closed at which Caesars received \$13,200, inclusive of property tax overpayments of \$800 and net of customary closing costs.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Investments in Subsidiaries** - The Company had an investment in Atlantic City Country Club 1, LLC ("ACCC") a wholly owned subsidiary of the Company. It is reflected in the accompanying financial statements using the equity method. In April 2014, Caesars sold the ACCC.

**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.

**Impairment of Intangible Assets** - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principle market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as the "exit price"). Fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability, including consideration of nonperformance risk.

We assess the inputs used to measure fair value using the three-tier hierarchy promulgated under GAAP. This hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Inputs include quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.;

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, and observable inputs such as interest rates and yield curves.; and

Level 3: Inputs that are significant to the measurement of fair value that are not observable in the market and include management's judgments about assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

Our assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (EBITDA multiples and discount rate) and Level 3 (forecasted cash flows) inputs.

**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. Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Casino Promotional Allowances** - The retail value of accommodations, food and beverage and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances. 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:

	<u>2014</u>	<u>2013</u>
Rooms	\$7,483	\$7,395
Food and Beverage	16,230	14,319
Other	823	861
Bus Program Cash	27	80
Promotional Gaming Credits	27,328	22,131
Other Cash Complimentaries	2,833	6,685
	<u>\$54,724</u>	<u>\$51,471</u>

**Total Rewards Program Liability** - The Company's customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of affiliated 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 expense of reward credits is accrued after consideration of estimated forfeitures (referred to as "breakage"), as they are earned. The value of the cost to provide reward credits is expensed as the reward credits are earned and is included in casino expense in the accompanying 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, 2014 and 2013, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$2,377 and \$2,047, respectively.

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 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, 2014 and 2013, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$624 and \$395, respectively.

**Gaming Tax** — The Company remits weekly to the NJ Division of Taxation a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the NJ Division of Taxation for the nine months ended September 30, 2014 and 2013, which are included in cost of sales in the accompanying statements of income, were approximately \$13,830 and \$15,385, respectively.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Property Tax** – In 2014, the Company settled with the City with respect to their challenges to the real estate tax assessment for prior years. The City approved refund/credit of prior year's property taxes during the first quarter of 2014 in the amount of \$1,751. This amount was recorded as a receivable on the accompanying balance sheet and in general, administrative and other expense in the accompanying Statement of Income. In addition, the 2014 assessment was reduced by approximately \$225 million. During 2014, the city increased property tax rate by approximately 32%.

**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.

**Internet Gaming** - Caesars Interactive Entertainment New Jersey, LLC as the affiliate of Bally's Park Place, Inc. was issued an internet gaming permit on November 20, 2013 to conduct real money online gaming in the State of New Jersey. All real money online gaming is reported in the financial statements of Caesars Interactive Entertainment New Jersey, LLC.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America requires management 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 amounts of revenue and expenses reported during the periods. Actual results could differ from such estimates and assumptions.

**Reclassifications** — The Company has reclassified certain amounts for prior periods to conform to the current year's presentation.

**Seasonal factors** - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2014 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.

**BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(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.

The Company’s property, assets and capital stock are pledged as collateral for certain of CEOC’s outstanding debt.

**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 to the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. The balance shown as “due from affiliates — net,” in the accompanying statements of changes in stockholder’s equity is non interest bearing.

**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 approximately \$22,133 and \$18,631 for the nine months ended September 30, 2014 and 2013, respectively, for these services.

**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. Offset to this was Additional Paid in Capital. This is separately shown on the Statement of Changes in Stockholder’s Equity.

**Atlantic City Country Club 1, LLC.** - Atlantic City Country Club 1, LLC (ACCC) was a wholly owned subsidiary of the Company. The net operating costs of ACCC were allocated to the Company as well as Caesars Atlantic City, Showboat Atlantic City and Harrah’s Atlantic City, affiliates of the Company. The Company was charged approximately \$192 and \$74 for the nine months ended September 30, 2014 and 2013, respectively, for these services. The costs are included in other operating expenses in the accompanying statements of income. In April 2014, Caesars sold the ACCC.

**NOTE 4 – RECEIVABLES AND PATRONS’ CHECKS**

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

	<u>2014</u>	<u>2013</u>
Casino Receivable (Net of allowance for doubtful accounts \$3,784 in 2014 and \$5,045 in 2013)	\$3,719	\$4672
Other (Net of allowance for doubtful accounts of \$86 in 2014 and \$67 in 2013)	3,067	3,626
Current Portion of Notes Receivable	354	343
	<u>\$7,140</u>	<u>\$8,641</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 5- OTHER CURRENT ASSETS**

Prepaid Expense and Other Current Assets as of September 30 consist of the following:

	<u>2014</u>	<u>2013</u>
Tax Deferred Asset	\$2,184	\$1,866
Other	3,304	6,488
	<u>\$5,488</u>	<u>\$8,354</u>

**NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES**

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

	<u>2014</u>	<u>2013</u>
Due from Caesars:	\$0	\$465,731
Investment in wholly owned subsidiaries(see Note 2)	0	14,398
Atlantic City Country Club 1, LLC		
Casino Reinvestment Development Authority Investment obligations	21,977	28,540
(net of valuation reserves of \$13,824 in 2014 and \$17,312 in 2013)		
Other	1,331	1,581
	<u>\$23,308</u>	<u>\$510,250</u>

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

**NOTE 7- LAND, BUILDING AND EQUIPMENT**

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

	<u>2014</u>	<u>2013</u>
Land	\$27,869	\$40,000
Buildings and Improvements	14,628	120,000
Furniture, Fixtures and Equipment	8,635	23,474
Construction in progress	6,017	1,247
	<u>\$57,149</u>	<u>\$184,721</u>
Less accumulated depreciation	<u>(9,113)</u>	<u>(4,686)</u>
	<u>\$48,036</u>	<u>\$180,035</u>

Over time, the Company has experienced deteriorating gaming volumes, and as a result the Company determined it was necessary to complete an assessment for impairment. Upon the failure of step one of the assessment, the Company performed a valuation of its long-lived assets. As a result of these assessments, in September 2013, the Company recorded a tangible asset impairment of \$477,072.



**BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

With the assistance of third party valuation experts, the Company estimated the fair value of the property starting with a “Replacement Cost New” approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at the fair value estimates. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors, and increases or decreases in these assumptions and estimates could have a material impact on the analyses.

During the fourth quarter 2013, casino property sales occurred in the Atlantic City market. The pricing of the transactions indicated a substantial decline in market price had occurred for Casinos in Atlantic City. As a result of this triggering event, the Company determined it was necessary to perform a recoverability test of the carrying amount of our Atlantic City properties. It was determined the carrying values of our Atlantic City properties were not recoverable. Therefore, we performed a fair value assessment of the properties. Impairment losses of \$613,250 were recorded in 2013 primarily as a result of the assessment.

**NOTE 8- OTHER ASSETS**

Other assets as of September 30 consist of the following:

	<u>2014</u>	<u>2013</u>
Notes Receivable-Net of current portion	8,979	9,333
Tax Deferred Asset	89,641	0
Other	505	449
	<u>\$99,125</u>	<u>\$9,782</u>

**NOTE 9- OTHER ACCRUED EXPENSES**

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

	<u>2014</u>	<u>2013</u>
Accrued Interest	\$329,893	\$280,295
Accrued Payroll	6,704	6,531
Other	7,588	7,858
	<u>\$344,185</u>	<u>\$294,684</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 10- LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER**

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

	<u>2014</u>	<u>2013</u>
8.5% Note payable to Harrah's Entertainment Ltd. ("HEL") due January 1, 2019	\$500,000	\$500,000
8.5% Note Payable To HEL due May 31, 2021	33,500	33,500
8.5% Note Payable To HEL due May 31, 2021	<u>50,000</u>	<u>50,000</u>
	<u>\$583,500</u>	<u>\$583,500</u>
Long-term debt-other:	<u>\$3,277</u>	<u>\$2,641</u>

On July 1, 2006, the three promissory notes formerly held by Caesars Entertainment Finance Corporation ("CEFC") were assigned to HEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of September 30, 2014 and 2013, accrued interest related to the three inter-company notes totaled \$329,893 and \$280,295 respectively. Since the notes are due to an affiliate, a determination of fair value is not considered meaningful.

The Company amended and restated its notes payable to HEL originally due January 1, 2009 in the amount of \$500,000. The new amended and restated note payable has the same terms and conditions and at the same interest rate but with a new maturity date of January 1, 2019.

The Company also amended and restated its notes payable to HEL originally due May 31, 2011 in the amount of \$83,500. The new amended and restated note payable has the same terms and conditions and at the same interest rate but with a new maturity date of May 31, 2021.

**NOTE 11 - OTHER LIABILITIES**

As of September 30, Other Liabilities were as follows:

	<u>2014</u>	<u>2013</u>
Retirement and Other Employee benefit Plans	\$319	\$351
Deferred Tax Liability	<u>562</u>	<u>96,441</u>
	<u>\$881</u>	<u>\$96,792</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**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 \$500 and \$115 as of September 30, 2014 and 2013. 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.

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

	<u>2014</u>	<u>2013</u>
CRDA Bonds - net of amortized costs	\$11,366	\$11,297
Deposit - net of reserve	9,261	15,447
Direct Investments - net of reserves	1,350	1,796
	<u>\$21,977</u>	<u>\$28,540</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$240 and \$2,969 for the nine months ended September 30, 2014 and 2013, respectively, and is included in CRDA (income) expense, in the statements of income.

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.

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

**BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

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 and the CRDA entered into an agreement with the Atlantic City Alliance (the “ACA”) to provide funding to subsidize the Atlantic City market. 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 paid \$1,167 in the nine months ending September 30, 2014. The Company’s obligation for its portion of future payments is estimated at \$6,263, equal to its fair-share of AC Industry casino revenues.

**Atlantic City Conference Center** - In June 2013, Caesars established, AC Conference NewCo, LLC (“NewCo”) to construct and operate a new conference center (the "Project") adjacent to Harrah’s Atlantic City. NewCo is a direct wholly owned subsidiary of AC Conference HoldCo, LLC, which is a direct wholly owned subsidiary of Caesars.

Also in June 2013, Caesars signed an agreement with the CRDA regarding a grant for financial assistance in the amount of \$45,000 (the "Project Grant") wherein the CRDA will provide Caesars cash to help fund the construction of the Project. Under the Project Grant, Caesars is obligated to contribute to the CRDA the following:

- \$46,200 of Atlantic City Economic Development Investment Alternative Tax Obligation balances (“Existing Credits”), of which \$1,200 represents a 2.75% administrative fee,
- \$9,500 of CRDA Credits that the CRDA will use towards the construction of the CRDA’s marketplace-style retail development project (the "Donation Credits"), and
- Land parcels with an appraised value of \$7,300 on which the CRDA’s Marketplace Project will be developed (the Marketplace Parcels).

The gross value of the credits and land parcels described above held by the Companies immediately prior to the transaction were as follows:

**BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Existing Credits**

Bally's Park Place, Inc.	\$ 23,400
Boardwalk Regency Corporation	10,600
Harrah's Atlantic City Holding, Inc. and Subsidiaries	7,000
Ocean Showboat, Inc. and Subsidiaries	<u>5,200</u>
	<u>\$ 46,200</u>

**Donation Credits**

Ocean Showboat, Inc. and Subsidiaries	<u>\$ 9,500</u>
---------------------------------------	-----------------

**Marketplace Parcels**

Bally's Park Place, Inc.	\$ 4,600
Boardwalk Regency Corporation	<u>2,700</u>
	<u>\$ 7,300</u>

In return for the above, the CRDA will deposit \$45,000 into a Project Fund from which Caesars can draw on a pari-passu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. To date, Caesars has received \$8,993 in reimbursements from the Project Fund.