BOARDWALK REGENCY CORPORATION

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2017

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$15,920	$15,861
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, $9,332; 2016, $10,432)	2 & 4	14,384	16,449
4	Inventories	2	353	465
5	Other Current Assets	5	2,269	4,175
6	Total Current Assets		32,926	36,950
7	Investments, Advances, and Receivables	6 & 11	3,579	5,049
8	Property and Equipment - Gross	2 & 7	89,694	84,878
9	Less: Accumulated Depreciation and Amortization	2 & 7	(23,231)	(15,065)
10	Property and Equipment - Net	2 & 7	66,463	69,813
11	Other Assets	2 & 8	116,804	114,862
12	Total Assets		$219,772	$226,674
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$7,587	$8,097
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External	10	1,929	2,253
17	Income Taxes Payable and Accrued	2	278	0
18	Other Accrued Expenses	9	323,123	326,285
19	Other Current Liabilities		2,951	2,484
20	Total Current Liabilities		335,868	339,119
	Long-Term Debt:			
21	Due to Affiliates	10	518,330	518,330
22	External	10	0	0
23	Deferred Credits	2	0	0
24	Other Liabilities		1,544	5
25	Commitments and Contingencies	11	0	0
26	Total Liabilities		855,742	857,454
27	Stockholders', Partners', or Proprietor's Equity		(635,970)	(630,780)
28	Total Liabilities and Equity		$219,772	$226,674

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino		$161,385	$137,444
2	Rooms		20,087	17,905
3	Food and Beverage		28,287	27,255
4	Other		7,596	7,430
5	Total Revenue		217,355	190,034
6	Less: Promotional Allowances		59,894	50,042
7	Net Revenue		157,461	139,992
	Costs and Expenses:			
8	Casino		69,835	63,711
9	Rooms, Food and Beverage		9,932	10,352
10	General, Administrative and Other		32,054	29,346
11	Total Costs and Expenses		111,821	103,409
12	Gross Operating Profit		45,640	36,583
13	Depreciation and Amortization	2	4,530	4,692
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	11,441	10,568
16	Income (Loss) from Operations		29,669	21,323
	Other Income (Expenses):			
17	Interest Expense - Affiliates	10	0	0
18	Interest Expense - External	10	(4)	(7)
19	CRDA Related Income (Expense) - Net	11	(62)	(1,330)
20	Nonoperating Income (Expense) - Net		(94)	(1,142)
21	Total Other Income (Expenses)		(160)	(2,479)
22	Income (Loss) Before Taxes		29,509	18,844
23	Provision (Credit) for Income Taxes	2	2,020	0
24	Net Income (Loss)		$27,489	$18,844

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino		$81,358	$73,089
2	Rooms		10,926	10,071
3	Food and Beverage		14,854	14,572
4	Other		3,878	4,177
5	Total Revenue		111,016	101,909
6	Less: Promotional Allowances		29,149	26,401
7	Net Revenue		81,867	75,508
	Costs and Expenses:			
8	Casino		34,997	32,641
9	Rooms, Food and Beverage		5,470	5,601
10	General, Administrative and Other		15,929	16,004
11	Total Costs and Expenses		56,396	54,246
12	Gross Operating Profit		25,471	21,262
13	Depreciation and Amortization	2	2,392	(1,942)
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	5,666	5,420
16	Income (Loss) from Operations		17,413	17,784
	Other Income (Expenses):			
17	Interest Expense - Affiliates	10	0	0
18	Interest Expense - External	10	0	(3)
19	CRDA Related Income (Expense) - Net	11	(139)	(1,058)
20	Nonoperating Income (Expense) - Net		(118)	(320)
21	Total Other Income (Expenses)		(257)	(1,381)
22	Income (Loss) Before Taxes		17,156	16,403
23	Provision (Credit) for Income Taxes	2	1,220	0
24	Net Income (Loss)		$15,936	$16,403

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, 2016 AND THE SIX MONTHS ENDED JUNE 30, 2017

(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, 2015..........**		100	$1,370	0	$0	$444,183		($1,070,510)	($624,957)
2	Net Income (Loss) - 2016.............								51,521	51,521
3	Contribution to Paid-in-Capital.....									0
4	Dividends....................................									0
5	Prior Period Adjustments.............						(8,162)		8,162	0
6	Equitization						(48,564)			(48,564)
7										0
8										0
9										0
10	**Balance, December 31, 2016..........**		100	1,370	0	0	387,457	0	(1,010,827)	(622,000)
11	Net Income (Loss) - 2017.............								27,489	27,489
12	Contribution to Paid-in-Capital.....									0
13	Dividends....................................									0
14	Prior Period Adjustments.............									0
15	Equitization						(41,459)			(41,459)
16										0
17										0
18										0
19	**Balance, June 30, 2017 ....**		100	$1,370	0	$0	$345,998	$0	($983,338)	($635,970)

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$42,151	$22,990
	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............................		(3,228)	(7,779)
5	Proceeds from Disposition of Property and Equipment...........			
6	CRDA Obligations		(1,931)	(1,678)
7	Other Investments, Loans and Advances made.......................			
8	Proceeds from Other Investments, Loans, and Advances		1,343	4,981
9	Cash Outflows to Acquire Business Entities............................		0	0
10	....			
11	-3228			
12	Net Cash Provided (Used) By Investing Activities.....................		(3,816)	(4,476)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt......................................			
15	Proceeds from Long-Term Debt			336
16	Costs of Issuing Debt...			
17	Payments to Settle Long-Term Debt.......................................		(75)	(143)
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		(41,459)	(24,667)
22	....			
23	Net Cash Provided (Used) By Financing Activities....................		(41,534)	(24,474)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(3,199)	(5,960)
25	Cash and Cash Equivalents at Beginning of Period....................		19,119	21,821
26	Cash and Cash Equivalents at End of Period..............................		$15,920	$15,861

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................		$2	$3
28	Income Taxes..		$1,200	$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, 2017 AND 2016

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$27,489	$18,844
30	Depreciation and Amortization of Property and Equipment		4,222	4,375
31	Amortization of Other Assets		308	317
32	Amortization of Debt Discount or Premium			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment			
36	(Gain) Loss on CRDA-Related Obligations		1,997	1,370
37	(Gain) Loss from Other Investment Activities			
38	(Increase) Decrease in Receivables and Patrons' Checks		8,316	(1,516)
39	(Increase) Decrease in Inventories		(85)	(15)
40	(Increase) Decrease in Other Current Assets		715	(2,323)
41	(Increase) Decrease in Other Assets		344	7
42	Increase (Decrease) in Accounts Payable		77	(1,022)
43	Increase (Decrease) in Other Current Liabilities		(1,251)	3,024
44	Increase (Decrease) in Other Liabilities		19	(71)
45				
46				
47	Net Cash Provided (Used) By Operating Activities		$42,151	$22,990

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($3,228)	($7,779)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($3,228)	($7,779)
	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, 2017
(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	269,572	$11,596		
2	Food	441,469	11,372		
3	Beverage	3,991,647	7,983		
4	Travel			52,602	5,290
5	Bus Program Cash	640	48		
6	Promotional Gaming Credits	840,700	16,251		
7	Complimentary Cash Gifts	35,734	10,974		
8	Entertainment	3,932	179	2,654	204
9	Retail & Non-Cash Gifts	39,920	798	28,755	2,710
10	Parking			271,828	1,169
11	Other	1,255	693	52,400	1,310
12	Total	5,624,869	$59,894	408,239	$10,683

FOR THE THREE MONTHS ENDED JUNE 30, 2017

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	143,276	$6,088		
2	Food	231,715	5,962		
3	Beverage	2,062,530	4,125		
4	Travel			25,936	2,720
5	Bus Program Cash	425	32		
6	Promotional Gaming Credits	429,933	8,319		
7	Complimentary Cash Gifts	18,547	3,771		
8	Entertainment	1,902	62	1,633	76
9	Retail & Non-Cash Gifts	21,294	425	11,691	1,004
10	Parking			144,064	621
11	Other	516	365	38,884	972
12	Total	2,910,138	$29,149	222,208	$5,393

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

BOARDWALK REGENCY CORPORATION STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2017

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.

Karen Worman

8/15/2017
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"), a direct wholly owned subsidiary of Caesars Entertainment Corp. ("CEC").

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.

CEOC Reorganization Petition - On January 15, 2015 (the "Petition Date"), CEOC and certain of its United States subsidiaries, including the Company, (the "Debtors") voluntarily filed for reorganization under Chapter 11 of the Bankruptcy Code. As a result of this filing, CEOC and the Companies operate as debtors-in-possession under the Bankruptcy Code.

Going Concern - The accompanying financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and liabilities in the ordinary course of business. Although CEOC's plan of reorganization was confirmed by order of the Bankruptcy Court on January 17, 2017, several issues must be resolved before the CEOC, including the Company, successfully emerges from bankruptcy. The Companies' ability to continue as a going concern continues to be dependent upon CEOC's ability to restructure its indebtedness and emerge from bankruptcy, and a favorable resolution to the continued ability to use cash collateral. These uncertainties raise substantial doubt about the Companies' ability to continue as a going concern. The accompanying Consolidating Schedules do not include any adjustments that might result from the outcome of uncertainties, including the possibility that the Companies lose some or substantially all of their assets to foreclosure as a result of these uncertainties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Company's 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.

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

Cash and Cash Equivalents - Cash equivalents are highly liquid investments with original maturities of three months or less from the date of purchase and are stated at the lower of cost or market value.

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 Company has 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 Company's financial results and whether the Company has a gain or loss on the disposal of an asset. The Company assigns lives to its assets based on its standard policy, which is established by management as representative of the useful life of each category of asset.

The Company reviews the carrying value of its 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 Company typically estimates its 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. 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.

(All dollar amounts in thousands)

Additions to property and equipment are stated at cost. The Company capitalizes the costs of improvements that extend the life of the asset. The Company expenses 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.

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

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

Intangible Assets Other Than Goodwill – Intangible assets other than goodwill represents the customer database with a gross carrying value of $3,737 as of June 30, 2017 and 2016, respectively, with accumulated amortization of $2,150 and $1,536 as of June 30, 2017 and 2016, 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.

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.

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.

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. 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.

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, 2017 and 2016:

(All dollar amounts in thousands)

	2017	2016
Food & Beverage	$ 14,740	$ 13,801
Rooms	5,186	4,325
Other	985	1,035
Bus Program Cash	48	54
Promotional Gaming Credits	16,251	15,394
Other Cash Complimentaries	10,974	5,986
	$ 48,184	$ 40,595

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, 2017 and 2016, $2,975 and $2,721 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, 2017 and 2016, the liability related to outstanding NNRR, which is based on historical redemption, was approximately $767 and $593, respectively.

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, 2017 and 2016, which are included in casino expenses in the accompanying consolidated statements of income, were approximately $15,019 and $11,084, respectively.

Advertising Expenses – Advertising costs are expensed as incurred. Advertising expenses are $481 and $376 for the six months ended June 30, 2017 and 2016 respectively. Advertising expenses are included in general, administrative and other expenses in the accompanying statements of income.

City of Atlantic City Real Property Tax and Interim Payment in Lieu of Taxes (PILOT) Financial Management – In 2015, the Company settled with the City with respect to their challenges to the real estate tax assessment for prior years. The City allowed the Company to use Showboat Casino's prior year property tax credit, in the amount of $4,193, against future tax payments in 2015 and the 1st quarter of 2016. In 2016, the City approved refunds/credits of the Company's prior year's property taxes in the amount of $3,249 to be applied in five installments. Four of the installments were applied in 2016. The remaining installment will be taken in November 2017. The credits were recorded in general, administrative and other expense in the accompanying Statements of Income. The City increased the property tax rate by approximately 12.8% for the year ending 2016. Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City promising to make quarterly payments in lieu of real estate taxes. The Company will be responsible for the payments based on its share as referenced in the agreement and will be subject to lien provisions if the payments are not made. The total amount of the payment in lieu of property taxes owed to the City of Atlantic City for 2017 will total $120,000. The company paid its respective quarterly obligations in February and May 2017. For calendar year 2017, the City decreased its property tax rate by approximately 11% for the properties not included in PILOT program.

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 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 and assumption.

Internet Gaming - Caesars Interactive Entertainment New Jersey, LLC as the affiliate of Boardwalk Regency Corporation, 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.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2017 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 Caesars' 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 debts.

Cash Activity with CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to its parent on a daily basis. Cash transfers from its parent 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 charged on transfers made to or from the companies.

Administrative and Other Services – Pursuant to a shared services agreement, CEOC provides certain corporate and administrative services to the Companies and allocates the costs of these services to the companies. In May 2014, Caesars Enterprise Service ("CES") was formed, and the Members entered into the Omnibus License and Enterprise Services Agreement (see below). Certain of these corporate and administrative services are now provided by CES. The Company was charged $11,441 and $10,568 for these services for the six months ended June 30, 2017 and 2016, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

(All dollar amounts in thousands)

Omnibus License and Enterprise Services Agreement - On May 20, 2014, CEOC, Caesars Entertainment Resort Properties ("CERP"), and Caesars Growth Properties Holdings, LLC (“CGPH”) (the "Members" and each a "Member") entered into a services joint venture, CES. CES manages certain Enterprise Assets and the other assets it owns, licenses or controls, and employs certain of the corresponding employees and other employees who previously provided services to CEOC, CERP and CGPH, their affiliates and their respective properties and systems under each property’s corresponding property management agreement. Corporate expenses that are not allocated to the properties directly are allocated by CES to CEOC, CERP, and CGPH according to their allocation percentages. Operating expenses will be allocated to each Member with respect to their respective properties serviced by CES in accordance with historical allocation methodologies, subject to annual revisions and certain prefunding requirements.

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 and Retained Earnings. 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:

	2017	2016
Casino Receivables (Net of Allowance for Doubtful Accounts - 2017, $8,251 & 2016, $9,850)	$ 9,965	$ 9,185
Other (Net of Allowance for Doubtful Accounts - 2017, $1,081 & 2016, $582)	4,419	7,264
	$ 14,384	$ 16,449

NOTE 5 –OTHER CURRENT ASSETS

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

	2017	2016
Prepaid Real EstateTaxes		$ 1,950
Other	$ 2,269	$ 2,225
	$ 2,269	$ 4,175

(All dollar amounts in thousands)

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2017	2016
Casino Reinvestment Development Authority Investment Obligation ("CRDA") (net of valuation reserves- 2017, $5,673 and 2016, $6,190)	$ 3,579	$ 5,049
	$ 3,579	$ 5,049

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Land	$ 12,414	$ 12,411
Buildings and Improvements	42,744	35,262
Furniture, Fixtures, and Equipment	32,663	24,544
Construction in Progress	1,873	12,661
	$ 89,694	$ 84,878
Less Accumulated Depreciation & Amortization	(23,231)	(15,065)
	$ 66,463	$ 69,813

NOTE 8 – OTHER ASSETS

Other assets as of June 30 consist of the following:

	2017	2016
Customer Database (less Accumulated Amortization of $2,150 in 2017 & $1,536 in 2016)	$ 1,587	$ 2,202
L/T Deferred Income Tax	111,900	109,019
Other	3,317	3,641
	$ 116,804	$ 114,862

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.

As of December 31, 2006, Caesars Atlantic City repaid the Developer approximately $42,800 through CRDA funds previously deposited by the Companies. In December 2013, Caesars recognized an impairment of the lease incentive payments of $36,060 reducing the balance to $2,947. These payments are considered lease incentive payments and are being amortized over the life of the lease.

(All dollar amounts in thousands)

NOTE 9 - OTHER ACCRUED EXPENSES

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

	2017	2016
Accrued Payroll	$ 5,005	$ 6,166
Accrued Interest Payable	306,748	306,812
Other	11,370	13,307
	$ 323,123	$ 326,285

NOTE 10- LONG-TERM DEBT

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

	2017	2016
Due to Affiliates		
8.5% Note Payable to Caesars Entertainment, Ltd. ("CEL") due December 1, 2020	$ 518,330	$ 518,330
Due to Other		
Notes Payable	1,854	$ 1,854
Less: Current Portion of Notes Payable	(1,854)	$ (1,854)
Capitalized Leases	75	399
Less: Current Portion of Capitalized Leases	(75)	(399)
Long Term Portion of Other Debt	-	-
Total Long Term Debt	$ 518,330	$ 518,330

On July 1, 2006, the note formerly held by Caesars Entertainment Finance Corp. ("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, 2017 and 2016, accrued interest related to the intercompany note totaled $306,748. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

Due to the bankruptcy, the long term debt, accrued interest and capital leases are considered liabilities subject to compromise (LSTC).

NOTE 11 – 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 $0 as of June 30, 2017 and 2016. 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 previously satisfied 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 were used to purchase bonds designated by the CRDA or, under certain circumstances, used to donate 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. Effective May 27, 2016 the CRDA investment obligation of 1.25% of gross gaming revenues will be redirected to the City of Atlantic City to be used for debt service. The CRDA investment obligation will be reduced by previously contractually obligated Credit Agreements committed by the Authority.

CRDA Donation Credit Agreement - In July 2016, the Company, Bally's Park Place Inc.(BPP), Caesars Interactive Entertainment New Jersey LLC (CIE), Showboat Atlantic City Operating Company LLC and Harrah's Operating Company (the Companies) entered into a Donation Credit Agreement with the CRDA. The agreement provides that the Companies donate their current Investment Alternative Tax (IAT) funds on deposit with the CRDA, through the first quarter of 2016, in exchange for a donation credit of 50%, to be used by the Companies for any eligible nongaming project.

Upon execution of the Donation Credit Agreement, BPP entered into an agreement with CIE. CIE agreed to sell and assign all of its rights to the released IAT funds, which was approximately $700 to the company and BPP, and, in exchange, the company, on behalf of BPP and itself, agrees to and shall apply a $200 Rent Credit to CIE.

(All dollar amounts in thousands)

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

	2017	2016
CRDA Bonds — net of amortized costs	$ 3,352	$ 2,532
Deposits — net of reserves	227	2,517
Total	$ 3,579	$ 5,049

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $62 and $1,330 for the six months ended June 30, 2017 and 2016, respectively, and is included in CRDA Income (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, 2017 and 2016 was $42 and $0, 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 effect 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 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 expired 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 paid $30,000 annually until December 31, 2016. A new agreement effective 2017, as part of the PILOT program, requires the AC industry to provide $15,000 in 2017, $10,000 in 2018 and $5,000 from 2019 thru 2023. The Company's obligation for 2017 is $1,827. The Company expensed $1,031 and $1,885 for the six months ending June 30, 2017 and 2016.

(All dollar amounts in thousands)

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:

Existing Credits		
Harrah's Atlantic City Holding, Inc. and Subs.	$	23,400
Bally's Park Place Inc.		10,600
Boardwalk Regency Corporation		7,000
Ocean Showboat, Inc. and Subsidiaries		5,200
	$	46,200
Donation Credits		
Ocean Showboat, Inc. and Subsidiaries	$	9,500
Marketplace Parcels		
Bally's Park Place, Inc.	$	4,600
Boardwalk Regency Corporation		2,700
	$	7,300

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. As of June 30, 2017, Caesars has received $43,211 in reimbursements from the Project Fund.