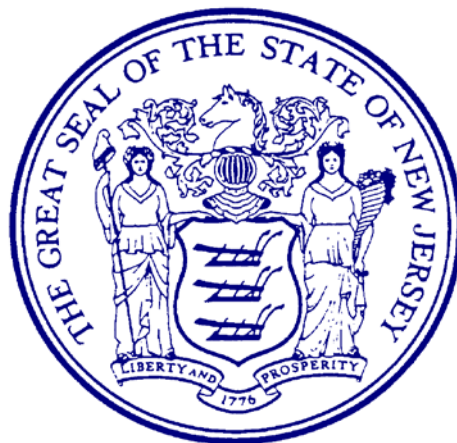


**ATLANTIC CITY SHOWBOAT, INC.
QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2012**

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

ATLANTIC CITY SHOWBOAT, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2012 AND 2011

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$17,548	\$16,166
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, \$4,991; 2011, \$5,882).....	4	7,198	9,568
4	Inventories		949	904
5	Other Current Assets.....	5	1,610	5,050
6	Total Current Assets.....		27,305	31,688
7	Investments, Advances, and Receivables.....	6	272,962	253,739
8	Property and Equipment - Gross.....		116,825	672,049
9	Less: Accumulated Depreciation and Amortization.....		0	(94,215)
10	Property and Equipment - Net.....	7	116,825	577,834
11	Other Assets.....		79	103
12	Total Assets.....		\$417,171	\$863,364
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$3,908	\$4,385
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		765	13
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	8	10,252	12,473
19	Other Current Liabilities.....		855	817
20	Total Current Liabilities.....		15,780	17,688
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	11	1,157	42
23	Deferred Credits		(1,127)	68,538
24	Other Liabilities.....	9	103,350	98,432
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		119,160	184,700
27	Stockholders', Partners', or Proprietor's Equity.....		298,011	678,664
28	Total Liabilities and Equity.....		\$417,171	\$863,364

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

ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino.....		\$224,509	\$256,790
2	Rooms.....		36,475	37,439
3	Food and Beverage.....		45,341	45,706
4	Other.....		11,763	11,077
5	Total Revenue.....		318,088	351,012
6	Less: Promotional Allowances.....		92,488	108,753
7	Net Revenue.....		225,600	242,259
	Costs and Expenses:			
8	Cost of Goods and Services.....		153,069	164,823
9	Selling, General, and Administrative.....		24,367	27,764
10	Provision for Doubtful Accounts.....		1,009	1,257
11	Total Costs and Expenses.....		178,445	193,844
12	Gross Operating Profit.....		47,155	48,415
13	Depreciation and Amortization.....	7	21,602	21,516
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	22,825	17,725
16	Income (Loss) from Operations.....		2,728	9,174
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(78)	(5)
19	CRDA Related Income (Expense) - Net.....	14	(2,955)	(1,138)
20	Nonoperating Income (Expense) - Net.....	13	(446,967)	306
21	Total Other Income (Expenses).....		(450,000)	(837)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(447,272)	8,337
23	Provision (Credit) for Income Taxes.....	12	(66,619)	3,697
24	Income (Loss) Before Extraordinary Items.....		(380,653)	4,640
	Extraordinary Items (Net of Income Taxes -			
25	20__, \$0; 20__, \$0).....		0	0
26	Net Income (Loss).....		(\$380,653)	\$4,640

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

ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino.....		\$41,703	\$56,072
2	Rooms.....		6,714	8,043
3	Food and Beverage.....		7,157	9,834
4	Other.....		2,761	2,519
5	Total Revenue.....		58,335	76,468
6	Less: Promotional Allowances.....		16,186	23,809
7	Net Revenue.....		42,149	52,659
	Costs and Expenses:			
8	Cost of Goods and Services.....		31,703	39,064
9	Selling, General, and Administrative.....		6,712	6,129
10	Provision for Doubtful Accounts.....		395	96
11	Total Costs and Expenses.....		38,810	45,289
12	Gross Operating Profit.....		3,339	7,370
13	Depreciation and Amortization.....	7	5,567	5,289
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	4,731	4,441
16	Income (Loss) from Operations.....		(6,959)	(2,360)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(38)	(5)
19	CRDA Related Income (Expense) - Net.....	14	(735)	(244)
20	Nonoperating Income (Expense) - Net.....	13	(447,283)	69
21	Total Other Income (Expenses).....		(448,056)	(180)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(455,015)	(2,540)
23	Provision (Credit) for Income Taxes.....	12	(66,822)	(978)
24	Income (Loss) Before Extraordinary Items.....		(388,193)	(1,562)
	Extraordinary Items (Net of Income Taxes -			
25	20__, \$____; 20__, \$____).....		0	0
26	Net Income (Loss).....		(\$388,193)	(\$1,562)

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

ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2012

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

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, 2010						\$715,000		(\$38,440)	\$676,560
2	Net Income (Loss) - 2011								4,640	4,640
3	Contribution to Paid-in-Capital									0
4	Dividends									0
5	Prior Period Adjustments									0
6	2011 Tax Adjustment								(2,536)	(2,536)
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2011		0	0	0	0	715,000	0	(36,336)	678,664
11	Net Income (Loss) - 2012								(380,653)	(380,653)
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, December 31, 2012		0	\$0	0	\$0	\$715,000	\$0	(\$416,989)	\$298,011

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

ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$9,999	\$6,748
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment.....		(6,623)	(2,565)
5	Proceeds from Disposition of Property and Equipment.....		11	(67)
6	CRDA Obligations		(3,005)	(3,252)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		248	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10			0	0
11			0	0
12	Net Cash Provided (Used) By Investing Activities.....		(9,369)	(5,884)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		752	13
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt		0	42
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		752	55
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		1,382	919
25	Cash and Cash Equivalents at Beginning of Period.....		16,166	15,247
26	Cash and Cash Equivalents at End of Period.....		\$17,548	\$16,166
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$35	\$0
28	Income Taxes.....		\$0	\$0

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

ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$380,653)	\$4,640
30	Depreciation and Amortization of Property and Equipment...		21,602	21,510
31	Amortization of Other Assets.....		0	6
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		3,250	580
34	Deferred Income Taxes - Noncurrent		(69,665)	(3,822)
35	(Gain) Loss on Disposition of Property and Equipment.....		(11)	12
36	(Gain) Loss on CRDA-Related Obligations.....		2,955	1,138
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		2,370	(1,159)
39	(Increase) Decrease in Inventories		(45)	299
40	(Increase) Decrease in Other Current Assets.....		190	4,851
41	(Increase) Decrease in Other Assets.....		24	(23)
42	Increase (Decrease) in Accounts Payable.....		(477)	(14)
43	Increase (Decrease) in Other Current Liabilities		(2,183)	(2,595)
44	Increase (Decrease) in Other Liabilities		6,033	18,703
45	Net Increase(Decrease) in Investments, Adv, & R		(20,791)	(37,378)
46	Impairment of Tangible Assets		447,400	0
47	Net Cash Provided (Used) By Operating Activities.....		\$9,999	\$6,748

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$4,491)	(\$2,565)
49	Less: Capital Lease Obligations Incurred.....		(2,132)	0
50	Cash Outflows for Property and Equipment.....		(\$6,623)	(\$2,565)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

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

ATLANTIC CITY SHOWBOAT, INC.
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012
(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	271,085	\$20,306	0	\$0
2	Food	1,309,622	17,796	0	0
3	Beverage	7,080,483	11,120	0	0
4	Travel	0	0	9,288	1,272
5	Bus Program Cash	17,588	574	0	0
6	Promotional Gaming Credits	1,292,621	37,630	0	0
7	Complimentary Cash Gifts	50,567	2,208	0	0
8	Entertainment	25,566	979	3,003	249
9	Retail & Non-Cash Gifts	50,463	804	0	0
10	Parking	0	0	0	0
11	Other	122,085	1,071	24,425	1,914
12	Total	10,220,080	\$92,488	36,716	\$3,435

FOR THE THREE MONTHS ENDED DECEMBER 31, 2012

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	55,489	\$3,776	0	\$0
2	Food	198,901	2,924	0	0
3	Beverage	1,261,079	1,978	0	0
4	Travel	0	0	3,557	270
5	Bus Program Cash	2,344	104	0	0
6	Promotional Gaming Credits	213,906	6,547	0	0
7	Complimentary Cash Gifts	7,785	232	0	0
8	Entertainment	4,947	291	704	64
9	Retail & Non-Cash Gifts	8,109	122	0	0
10	Parking	0	0	0	0
11	Other	23,776	212	5,166	542
12	Total	1,776,336	\$16,186	9,427	\$876

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

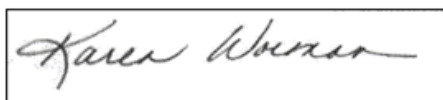
**ATLANTIC CITY SHOWBOAT, INC.
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 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.

3/31/2013

Date



Karen Worman

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

ATLANTIC CITY SHOWBOAT, INC.

Casino Licensee

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

AMENDED MAY 1, 2013 (Footnotes #2, #7, #13)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Showboat Atlantic City Operating Company, LLC (the "Company"), is a wholly-owned subsidiary of Ocean Showboat, Inc. ("OSI"), which is a wholly-owned subsidiary of Showboat Holding, Inc. ("SHI"). SHI is a wholly owned subsidiary of Caesars Entertainment Operating Company, Inc. ("CEO") (formerly Harrah's Operating Company, Inc.). The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey.

The Operating Company is licensed to operate the facility by the New Jersey Division of Gaming (the "DGE") and is subject to rules and regulations established by the DGE. The Company's license was renewed July 1, 2008, and will expire on June 30, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Inventories - Inventories, which consist primarily of food, beverage, and operating supplies and retail items, are stated at the lower of average cost.

Property and Equipment - The Company has significant capital invested in property and equipment, and judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets, and if or when an asset 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 their assets based on their 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 their property and equipment 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 factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, 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 most of our assets, is the individual property.

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 dispositions of property and equipment are included in the determination of income. Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

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:

Land improvements	12 years
Buildings and improvements	3 to 40 years
Furniture, fixtures and equipment	2 1/2 to 40 years

Fair Value - The fair value hierarchy defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, 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. The fair value hierarchy establishes three tiers, which prioritize the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Entities are permitted to choose to measure certain financial instruments and other items at fair value. We have not elected the fair value measurement option for any of our assets or liabilities that meet the criteria for this option.

The carrying amount of receivables and all current liabilities approximates fair value due to their short-term nature.

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.

Casino Promotional Allowances - Casino promotional allowances consist of the retail value of complimentary food and beverage, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash and gaming credits 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 at December 31:

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

	<u>2012</u>	<u>2011</u>
Food and Beverage	\$ 23,160	\$ 23,072
Rooms	7,055	7,317
Other	1,531	2,101
Bus Program Cash	574	954
Promotional Gaming Credits	37,630	50,812
Other Cash Complimentary	2,208	3,592
	<u>\$ 72,158</u>	<u>\$ 87,848</u>

Total Rewards Program Liability - The Company's customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of the affiliated casinos throughout the United States of America. 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 breakage, as they are earned. The estimated cost to provide Reward Credits is expensed at the property where they are earned and is included in casino expenses in the consolidated Statements of Income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates, and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At December 31, 2012 and 2011, \$1,824 and \$2,393, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions. These amounts are recorded on Caesars' balance sheets with the incremental charges included in due to affiliates, net in the accompanying balance sheet as the Company settles this liability with Caesars on a monthly basis.

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 December 31, 2012 and 2011, the liability related to outstanding NNRR points, which is based on historical redemption activity, was approximately \$227 and \$384, 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 years ended December 31, 2012 and 2011, which are included in cost of goods and services in the statement of income were approximately \$17,950 and \$20,663, respectively.

In House Progressive Liability - In March 2012, the DGE approved a regulation 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.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Income Taxes — The Company is included in the consolidated federal tax return of Caesars and files a separate New Jersey income 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 income tax rate.

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 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.

Recently Issued Accounting Pronouncements — In December 2011, the Financial Accounting Standards Board (“FASB”) issued updated guidance related to disclosures about offsetting assets and liabilities. The new guidance contains disclosure requirements regarding the nature of an entity’s rights of offset and related arrangements associated with its financial instruments and derivative instruments. The new disclosures are designed to make financial statements that are prepared under GAAP more comparable to those prepared under IFRS. To facilitate comparison between financial statements prepared under GAAP and IFRS, the new disclosures give financial statement users information about both gross and net exposures. The new disclosure requirements will be effective for the Company January 1, 2013. As this is a disclosure requirement only, there will be no impact on the Company’s financial position, results of operations, or cash flows upon adoption.

Effective January 1, 2012, the Company adopted the updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between GAAP and IFRS and change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. This update relates only to disclosures, there was no impact on the Company’s financial position, results of operations, or cash flows upon adoption.

Error Corrections and Reclassifications – The Company has reclassified certain amounts for prior periods to conform to the current year’s presentation. Deferred tax liability balance was adjusted for 2010. The consolidated statement of operations, statement of changes in stock holder’s equity and consolidated statement of cash flows were adjusted. Management concluded that this correction was immaterial.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

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, and managed 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.

Certain of the more significant intercompany relationships among the Company, CEOC and other affiliates are discussed in this note.

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 balance sheets 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 \$22,825 and \$17,725 respectively for these services for the years ended December 31, 2012 and 2011. These fees are included in charges from affiliates other than interest in the statements of income.

Employee Benefit Plans — Caesars maintains a defined contribution savings and retirement plan in which employees of the Company may participate. The plan, among other things, provides for pretax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. Due to economic conditions, Caesars suspended the employer match in February 2009 for all participating employees. In April 2012, Caesars reinstated the employer match with limitations. The Company contribution was \$294 for the year ended December 31, 2012. There were no Company contributions for year ended December 31, 2011.

Caesars also maintains deferred compensation plans, stock-option plans, and an executive supplemental savings plan under which certain employees of the Company's management may defer a portion of their compensation. The expenses charged by Caesars to the Company for employees' participation in these programs are included in the administrative and other services charge discussed above.

Equity Incentive Awards - Caesars maintains equity incentive awards plans in which employees of the Company may participate. Caesars allocates an appropriate amount of cost for these awards to each subsidiary where employees participate.

The Company recognized \$23 and \$342 in equity award options for each of the years ended December 31, 2012 and 2011, respectively, in property, general, administrative and other expenses within the accompanying statement of operations.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Multiemployer Benefit Plans — Certain employees of the Company are covered by union sponsored, collectively bargained, health and welfare plans. The contributions and charges for these plans totaled \$8,059 and \$8,304 for the years ended December 31, 2012 and 2011, respectively, and were included in operating expenses in the accompanying statements of operations.

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the years ended December 31, 2012 and 2011, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2012 and 2011 is for the plan years beginning January 1, 2012 and 2011, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. All plans detailed in the table below utilized extended amortization provisions to calculate zone status except the Pension Plan of the UNITE HERE National Retirement Fund. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of CEOC on behalf of Showboat Atlantic City (\$ in millions)		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2012	2011		2012	2011		
Pension Plan of the UNITE HERE National Retirement Fund	13-6130178/001	Red	Red	Yes	\$ 2.3	\$ 2.2	No	December 2015
Local 68 Engineers Union Pension Plan2	51-0176618/001	Green	Green	No	0.3	0.3	No	December 2015
NJ Carpenters Pension Fund	22-6174423/001	Yellow	Yellow	Yes	<u>0.1</u>	<u>0.1</u>	No	December 2015
					<u>\$ 2.7</u>	<u>\$ 2.6</u>		

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

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 Caesars Atlantic City and Harrah’s Atlantic City, also affiliates of the Company. The Company was charged approximately \$110 and \$142 for these costs for the years ended December 31, 2012 and 2011, respectively. The costs are included in other operating expenses in the accompanying statements of income.

NOTE 4 – RECEIVABLES AND PATRONS’ CHECKS

Receivables and patrons’ checks as of December 31 consist of the following:

	<u>2012</u>	<u>2011</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2012, \$4,976 & 2011, \$5,733	\$ 3,496	\$ 4,406
Other (Net of Allowance for Doubtful Accounts- 2012, \$15 & 2011, \$149	<u>3,702</u>	<u>5,162</u>
	<u>\$ 7,198</u>	<u>\$ 9,568</u>

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of December 31 consisted of the following:

	<u>2012</u>	<u>2011</u>
Slot License	\$ 579	\$ 652
License Fee - House of Blues	1,466	1,458
Entertainment	244	81
Current Deffered Tax Asset	(1,128)	2,111
Other	<u>449</u>	<u>748</u>
	<u>\$ 1,610</u>	<u>\$ 5,050</u>

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of December 31 consisted of the following:

	<u>2012</u>	<u>2011</u>
Due from Caesars Entertainment	\$ 242,006	\$ 222,116
CRDA Deposits	17,990	20,749
CRDA Bonds	<u>25,928</u>	<u>21,161</u>
	<u>43,918</u>	<u>41,910</u>
Less: Valuation Allowance on CRDA Investments	<u>(12,962)</u>	<u>(10,287)</u>
CRDA Investments, Net	30,956	31,623
	<u>\$ 272,962</u>	<u>\$ 253,739</u>

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

Land, Buildings and Equipment as of December 31 consisted of the following:

	<u>2012</u>	<u>2011</u>
Land and Land Improvements	\$ 25,024	\$ 216,379
Building and Improvements	82,047	381,165
Furniture Fixtures & Equipment	9,473	74,252
Construction in Progress	<u>281</u>	<u>253</u>
	116,825	672,049
Less: Accumulated Depreciation and Amortization		(94,215)
Land, Building and Equipment, Net	<u>\$ 116,825</u>	<u>\$ 577,834</u>

Depreciation expense for the years ended December 31, 2012 and 2011, was \$21,602 and \$21,516, respectively.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

The Company reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. There has been growing competitive and economic pressure in Atlantic City due to new competition in surrounding markets, exacerbated by significant hurricane-related closures in 2012 and 2011. The collective effect of these trends has resulted in downward pressure on the Company's actual results from operations compared with prior years and with previous forecasts. As a result, Caesars continues to evaluate its options for participation in the market. In connection with that evaluation, Caesars determined it was necessary to complete an assessment for impairment for the Company. Upon the failure of step one of the assessment, the Company performed a fair value assessment of the property (level 3 of the fair value hierarchy). As a result of this assessment, in December 2012, the Company recorded a tangible asset impairment of \$447,400 related to the property, comprised of \$251,500 related to building and improvements, \$189,900 for land and \$6,000 for furniture, fixtures, and equipment. With the help of a third-party valuation firm, 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 estimate. This analysis is sensitive to management assumptions and the estimates of the obsolescence factors, and increases or decreases in these assumptions and estimates would have a material impact on the analysis.

NOTE 8 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of December 31 consisted of the following:

	<u>2012</u>	<u>2011</u>
Salaries and Wages	\$ 3,860	\$ 4,434
Taxes, other than taxes on Income	1,195	1,842
Progressive Liability	160	1,315
Other	5,037	4,882
	<u>\$ 10,252</u>	<u>\$ 12,473</u>

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 9 – OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	<u>2012</u>	<u>2011</u>
Due to Affiliates, Long-Term	\$ 82,985	\$ 77,113
FIN 48 - Tax Reserve	19,778	20,931
Other	<u>587</u>	<u>388</u>
	<u>103,350</u>	<u>98,432</u>
Atlantic City Region	31,365	28,826
Other	<u>51,620</u>	<u>48,287</u>
	<u>\$ 82,985</u>	<u>\$ 77,113</u>

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

NOTE 10 - HOUSE OF BLUES

The Company and HOB Boardwalk, Inc., (HOB) executed a lease dated as of September 14, 2004 (the “Original Lease”) which was amended as of February 18, 2005 (the Original Lease, as amended being the “Lease”) in which the Company leased to HOB certain space in the Casino/Hotel, and the Parties agreed that HOB would operate a House of Blues branded restaurant and entertainment facility.

As of February 18, 2005 the Parties entered into a License and Marketing Agreement (the “Original License Agreement”), whereby HOB licensed certain trademarks, service marks and trade dress to the Company to use outside of the Venue in specific areas known as Themed Areas.

On July 30, 2007 the parties entered into an agreement (“Agreement”) to restructure their relationship under which the Lease and Original License Agreement and other associated agreements were terminated. The Company paid HOB compensation for the benefits which it has enjoyed through the association with and use of the licensed marks since the beginning of the lease. The Company assumed possession and operation of the Venue and ownership of certain personal property of HOB. Under the Agreement the Company pays a fixed annual brand license fee to HOB and various other royalty fees associated with sales in the Venue and other HOB themed areas. The Agreement commenced July 30, 2007 and shall, unless sooner terminated in accordance with the terms, continue until December 31, 2020. The Company paid approximately \$2,700 for these costs for each of the years ended December 31, 2012 and 2011. This expense is included in the property, general, administrative, and other operating expense section in the accompanying consolidated statements of operations.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 11 - LEASES

Capital Leases — The Company has entered into capital leases for gaming and other non-gaming equipment which is included in land, buildings, riverboat and equipment, net in the accompanying balance sheets. The capitalized leases had a net book value of \$1,922 as of December 31, 2012.

Future minimum commitments for non-cancelable leases as of December 31, 2012, are as follows:

	Capital Leases
2013	\$ 919
2014	796
2015	444
Total minimum lease payments	2,159
Amounts representing interest	(237)
Present value of net minimum lease payments	1,922
Less current maturities	(765)
Capital lease obligations - noncurrent	\$ 1,157

Scheduled rent increases are amortized on a straight-line basis primarily over the life of the applicable lease. Lease expense totaled \$3,294 and \$3,038 for the years ended December 31, 2012 and 2011, respectively.

NOTE 12 – INCOME TAXES (BENEFIT) The Company is included in the consolidated federal tax return of Caesars, but files a separate New Jersey tax return. The provision for income taxes is computed based on a separate return basis.

The tax years that remain open for examination for Caesars major jurisdictions are 2002 through 2011 for New Jersey due to our execution of New Jersey statute of limitations extensions and 2009 through 2011 for the United States.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Significant components of the income tax provision (benefit) for income taxes for the years ended December 31, 2012 and 2011 are as follows:

Provision for Income Taxes	2012	2011
Current		
Federal	\$ 201	\$ 7,242
State	(23)	-
	\$ 178	\$ 7,242
Deferred	(66,797)	(3,545)
Provision for income taxes	\$ (66,619)	\$ 3,697

The provision for income taxes for the years ended December 31, 2012 and 2011, differ from the federal statutory rate of 35% primarily due to state income taxes, the impact of nondeductible expenses, federal tax credits and the accrual for uncertain tax positions.

The Company does not have a formal tax sharing agreement in place with its parent entity for federal income tax purposes. Therefore, Caesars reports all of the Company's federal income taxes of which the Company's portion was an expense of \$1,354 in 2012 and a benefit of \$1,112 in 2011.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred tax assets and liabilities as of December 31, 2012 and 2011, were as follows:

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

	2012	2011
Deferred tax assets:		
Allowance for doubtful accounts	\$ 2,039	\$ 2,403
Contingencies	9,509	12,329
CRDA investment obligation	6,247	5,040
Depreciation and other property related items	98,955	
Grantor trust		96
Tax credit carryovers	1,211	838
Net operating loss carryovers	<u>117</u>	<u> </u>
	118,078	20,706
Valuation Allowance	<u>(116,609)</u>	<u> </u>
	<u>1,469</u>	<u>20,706</u>
Deferred tax liabilities:		
Depreciation and other property related items		(87,393)
Grantor trust	(635)	
Other	<u>(834)</u>	<u>(110)</u>
	<u>(1,469)</u>	<u>(87,503)</u>
Net deferred tax liability	<u>\$ <u> </u></u>	<u>\$ <u>(66,797)</u></u>

As of December 31, 2012 and 2011, the Company had New Jersey net operating loss (NOL) carryforwards of \$1,994 and \$8,786, respectively. These NOLs will begin to expire in 2029. In addition, the Company has an alternative minimum tax credit carryforward of \$1,211 which will not expire.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing federal and state deferred tax assets. On the basis of this evaluation, as of December 31, 2012, a valuation allowance of \$116,610 has been recorded against the portion of the federal and state deferred tax assets that are not more likely than not to be realized. The amount of the federal and state deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company accrued approximately \$849 and \$1,089 of interest during 2012 and 2011, respectively. In total, the Company accrued \$8,304 and \$7,456 for the payment of interest and penalties at December 31, 2012 and 2011, respectively.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

It is reasonably possible that the amount of unrecognized tax benefits could increase or decrease within the next twelve months. However, management estimates that the amount of unrecognized tax benefits will not change significantly within the next twelve months.

NOTE 13 – NON-OPERATING INCOME (EXPENSE)

For the year ended December 31, 2012 and 2011, Non-Operating Income (Expense) consisted of the following:

	<u>2012</u>	<u>2011</u>
Interest Income	\$ 797	\$ 584
Gain/Loss on Asset Sales	(168)	(266)
Impairment Tangible Asset	(447,400)	
Severance-Project Renewal	(196)	(12)
	<u>\$ (446,967)</u>	<u>\$ 306</u>

NOTE 14 – 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 approximately \$60 and \$220 as of December 31, 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.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

As of December 31, CRDA related assets were as follows:

	<u>2012</u>	<u>2011</u>
CRDA Bonds - Net of amortized cost	\$ 18,160	\$ 14,522
Deposits - Net of reserves	12,171	15,953
Direct investments - Net of reserves	<u>625</u>	<u>1,148</u>
	<u>\$ 30,956</u>	<u>\$ 31,623</u>

The CRDA related assets are held in other assets in the consolidated balance sheets.

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$2,955 and \$1,138, for the years ended December 31, 2012 and 2011, respectively, and is included in CRDA related expense, in the statement 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. Accretion for the years ended December 31, 2012 and 2011 was \$67 and \$153, respectively, and is included in CRDA related expense, in the statement of income.

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

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided \$34,000 over a four year period to the NJSEA and deposited another \$62,000 into the Casino Expansion Fund (managed by the CRDA). The Company's obligation was equal to its fair-share of AC Industry casino revenues totaling \$2,807, 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.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide \$90,000 in funding to subsidize New Jersey's horseracing industry. The funding was provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks could not conduct any casino gaming at the racetracks until December 31, 2011. The Company paid \$7,265, equal to its fair-share of AC Industry casino revenues

The AC Industry 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 Atlantic City. 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 has paid \$2,202 for the year ended December 31, 2012. The Company's obligation for its portion of future payments is estimated at \$8,137 equal to its fair-share of AC Industry casino revenues.

ATLANTIC CITY SHOWBOAT, INC.
ANNUAL FILINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

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



OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

ATLANTIC CITY SHOWBOAT, INC.
ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2012

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$1,775		
2	Returned Patrons' Checks.....	6,697		
3	Total Patrons' Checks.....	8,472	\$4,976	\$3,496
4	Hotel Receivables.....	315	15	\$300
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	3,402		
8	Total Other Receivables.....	3,402		\$3,402
9	Totals (Form DGE-205).....	\$12,189	\$4,991	\$7,198

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$2,358
11	Counter Checks Issued.....	56,367
12	Checks Redeemed Prior to Deposit.....	(51,987)
13	Checks Collected Through Deposits.....	(2,139)
14	Checks Transferred to Returned Checks.....	(2,824)
15	Other Adjustments.....	0
16	Ending Balance.....	\$1,775
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$977
19	Provision as a Percent of Counter Checks Issued.....	1.7%

ATLANTIC CITY SHOWBOAT, INC. ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2012

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	503			
2	Slot Machines	52			
3	Administration	0			
4	Casino Accounting	83			
5	Simulcasting	1			
6	Other	0			
7	Total - Casino	639	\$14,448	\$18	\$14,466
8	ROOMS	287	6,731	51	6,782
9	FOOD AND BEVERAGE	688	14,395		14,395
10	GUEST ENTERTAINMENT	269	1,307		1,307
11	MARKETING	94	3,291	51	3,342
12	OPERATION AND MAINTENANCE	158	6,288		6,288
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	0	0	980	980
14	Accounting and Auditing	24	1,466	0	1,466
15	Security	110	3,926	0	3,926
16	Other Administrative and General	24	1,547	75	1,622
	OTHER OPERATED DEPARTMENTS:				
17	PARKING	15	269		269
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	2,308	\$53,668	\$1,175	\$54,843