

Bally's Park Place LLC (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2017

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

Bally's Park Place LLC (Bally's Atlantic City)

BALANCE SHEETS

AS OF DECEMBER 31, 2017 AND 2016

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$15,708	\$15,486
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, \$3,336; 2016, \$3,624).....	3, 5	6,918	6,331
4	Inventories	3	628	643
5	Other Current Assets.....	6	2,018	1,581
6	Total Current Assets.....		25,272	24,041
7	Investments, Advances, and Receivables.....	7	9,667	14,245
8	Property and Equipment - Gross.....	3,8	82,084	82,848
9	Less: Accumulated Depreciation and Amortization.....	3,8	(3,212)	(25,090)
10	Property and Equipment - Net.....	3,8	78,872	57,758
11	Other Assets.....	9	15,124	46,161
12	Total Assets.....		\$128,935	\$142,205
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,914	\$7,399
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		0	2,442
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	10	10,281	357,291
19	Other Current Liabilities.....		2,409	2,448
20	Total Current Liabilities.....		19,604	369,580
	Long-Term Debt:			
21	Due to Affiliates.....	11	0	583,500
22	External.....	11	0	1,722
23	Deferred Credits		0	0
24	Other Liabilities.....	12	64,437	1,819
25	Commitments and Contingencies.....	14	0	0
26	Total Liabilities.....		84,041	956,621
27	Stockholders', Partners', or Proprietor's Equity.....		44,894	(814,416)
28	Total Liabilities and Equity.....		\$128,935	\$142,205

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

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

Bally's Park Place LLC (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino.....		\$209,739	\$208,803
2	Rooms.....		40,337	38,673
3	Food and Beverage.....		48,265	45,409
4	Other.....		10,011	10,079
5	Total Revenue.....		308,352	302,964
6	Less: Promotional Allowances.....		80,103	77,997
7	Net Revenue.....		228,249	224,967
	Costs and Expenses:			
8	Casino.....		106,969	106,641
9	Rooms, Food and Beverage.....		20,248	18,448
10	General, Administrative and Other.....		58,882	60,902
11	Total Costs and Expenses.....		186,099	185,991
12	Gross Operating Profit.....		42,150	38,976
13	Depreciation and Amortization.....	3	9,959	10,250
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	4	21,822	22,239
16	Income (Loss) from Operations.....		10,369	6,487
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	11	0	0
18	Interest Expense - External.....	11	(2,854)	(41)
19	CRDA Related Income (Expense) - Net.....	14	(339)	(1,676)
20	Nonoperating Income (Expense) - Net.....	13	(71,128)	687
21	Total Other Income (Expenses).....		(74,321)	(1,030)
22	Income (Loss) Before Taxes		(63,952)	5,457
23	Provision (Credit) for Income Taxes.....	3	(182)	1,471
24	Net Income (Loss).....		(\$63,770)	\$3,986

The accompanying notes are an integral part of the financial statements.
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Bally's Park Place LLC (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino.....		\$48,471	\$47,782
2	Rooms.....		8,383	8,415
3	Food and Beverage.....		10,400	9,639
4	Other.....		2,225	2,271
5	Total Revenue.....		69,479	68,107
6	Less: Promotional Allowances.....		18,030	19,012
7	Net Revenue.....		51,449	49,095
	Costs and Expenses:			
8	Casino.....		25,735	26,285
9	Rooms, Food and Beverage.....		3,915	2,788
10	General, Administrative and Other.....		13,746	14,371
11	Total Costs and Expenses.....		43,396	43,444
12	Gross Operating Profit.....		8,053	5,651
13	Depreciation and Amortization.....	3	3,330	2,653
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	4	5,535	5,280
16	Income (Loss) from Operations.....		(812)	(2,282)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	11	0	0
18	Interest Expense - External.....	11	(2,831)	3
19	CRDA Related Income (Expense) - Net.....	14	(320)	(750)
20	Nonoperating Income (Expense) - Net.....		(71,228)	96
21	Total Other Income (Expenses).....		(74,379)	(651)
22	Income (Loss) Before Taxes		(75,191)	(2,933)
23	Provision (Credit) for Income Taxes.....	3	(191)	1,463
24	Net Income (Loss).....		(\$75,000)	(\$4,396)

The accompanying notes are an integral part of the financial statements.
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Bally's Park Place LLC (Bally's Atlantic City)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2015.....		100	\$1	0	\$0	(\$86,707)	\$0	(\$703,618)	(\$790,324)
2	Net Income (Loss) - 2016.....								3,986	3,986
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Equitization of Intercompany						(28,078)			(28,078)
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2016.....		100	1	0	0	(114,785)	0	(699,632)	(814,416)
11	Net Income (Loss) - 2017.....								(63,770)	(63,770)
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany						(4,579)			(4,579)
16	Debt & Interest						927,659			927,659
17	.....									0
18	.....									0
19	Balance, December 31, 2017		100	\$1	0	\$0	\$808,295	\$0	(\$763,402)	\$44,894

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

Bally's Park Place LLC (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$5,737	\$38,915
	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.....		(7,749)	(10,480)
5	Proceeds from Disposition of Property and Equipment.....		21	169
6	CRDA Obligations		(1,111)	(759)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		5,992	885
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		
11	.....		
12	Net Cash Provided (Used) By Investing Activities.....		(2,847)	(10,185)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Change in Payable to / Receivable from affiliates		(2,668)	(31,274)
22	.....		
23	Net Cash Provided (Used) By Financing Activities.....		(2,668)	(31,274)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		222	(2,544)
25	Cash and Cash Equivalents at Beginning of Period.....		15,486	18,030
26	Cash and Cash Equivalents at End of Period.....		\$15,708	\$15,486
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$25	\$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.

Bally's Park Place LLC (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$63,770)	\$3,986
30	Depreciation and Amortization of Property and Equipment.....		9,842	10,250
31	Amortization of Other Assets.....		117	0
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		(10)	(169)
36	(Gain) Loss on CRDA-Related Obligations.....		339	1,676
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(587)	(145)
39	(Increase) Decrease in Inventories		15	231
40	(Increase) Decrease in Other Current Assets.....		(437)	698
41	(Increase) Decrease in Other Assets.....		(6,617)	20,095
42	Increase (Decrease) in Accounts Payable.....		(470)	1,545
43	Increase (Decrease) in Other Current Liabilities		(2,890)	787
44	Increase (Decrease) in Other Liabilities		(1,819)	(39)
45	Non-Cash Reorganization Loss / (Gain)		72,024	0
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$5,737	\$38,915

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$7,749)	(\$10,225)
49	Less: Capital Lease Obligations Incurred.....		0	(255)
50	Cash Outflows for Property and Equipment.....		(\$7,749)	(\$10,480)
	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.

Bally's Park Place LLC (Bally's Atlantic City)
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017
(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	515,542	\$21,593		
2	Food	596,949	12,099		
3	Beverage	7,166,604	14,333		
4	Travel	0	0	67,334	4,434
5	Bus Program Cash	12,617	126		
6	Promotional Gaming Credits	158,761	23,925		
7	Complimentary Cash Gifts	94,880	6,051		
8	Entertainment	0	18	3,291	411
9	Retail & Non-Cash Gifts	58,564	1,171	29,722	2,972
10	Parking	0	0	535,566	1,607
11	Other*	157,129	787	36,705	918
12	Total	8,761,046	\$80,103	672,618	\$10,342

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	111,344	\$4,627		
2	Food	137,782	2,900		
3	Beverage	1,652,589	3,305		
4	Travel	0	0	17,176	1,056
5	Bus Program Cash	2,596	26		
6	Promotional Gaming Credits	30,717	5,317		
7	Complimentary Cash Gifts	23,531	1,255		
8	Entertainment	0	0	1,090	136
9	Retail & Non-Cash Gifts	16,875	337	8,054	805
10	Parking	0	0	119,309	358
11	Other*	52,396	263	5,923	148
12	Total	2,027,830	\$18,030	151,552	\$2,503

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


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

FOR THE QUARTER ENDED DECEMBER 31, 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.

3/30/2018

Date



Karen Worman

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

Bally's Park Place LLC (Bally's Atlantic City)
Casino Licensee

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

NOTE 1 – ORGANIZATION

Bally’s Atlantic City Hotel & Casino is a casino hotel resort located in Atlantic City, New Jersey, owned and operated by Bally’s Park Place LLC (“Bally’s Atlantic City”), a wholly owned subsidiary of CEOC LLC. CEOC LLC is a majority owned subsidiary of Caesars Entertainment Corporation (“CEC”). Bally’s Atlantic City is licensed by the New Jersey Division of Gaming Enforcement (“DGE”) and is subject its rules and regulations. The license expired in December 2017, and Bally’s Atlantic City has submitted the renewal application, which is pending as of the date of this report.

CEOC’s Emergence from Bankruptcy and CEC’s Acquisition of OpCo

Caesars Entertainment Operating Company, Inc. (“CEOC”) and certain of its United States subsidiaries (collectively, the “Debtors” which includes the Company) voluntarily filed for reorganization under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) on January 15, 2015 (the “Petition Date”). On January 17, 2017, the Bankruptcy Court entered an order approving and confirming the Debtors’ third amended joint plan of reorganization (the “Plan”), and the Debtors emerged from bankruptcy and consummated their reorganization pursuant to the Plan on October 6, 2017 (the “Effective Date”). Since the effective date, Bally’s Park Place, Inc. was dissolved and the new company, Bally’s Park Place LLC, was formed.

The Plan provided for, among other things, (i) the settlement of the majority of claims included in liabilities subject to compromise, with any remaining disputed claims being transferred to CEOC LLC for final resolution, (ii) the reorganization of CEOC into an operating company (“OpCo”) and PropCo, and (iii) OpCo established an escrow trust that will be used to fund the resolution of unsecured claims that were unresolved at the time of CEOC’s emergence from bankruptcy. PropCo holds certain real property assets formerly held by CEOC and leases those assets to OpCo. PropCo is a separate entity that is not consolidated by CEC and, on the Effective Date, was sold to VICI Properties Inc., the real estate investment trust that was initially owned by certain former creditors of CEOC and is independent from CEC. OpCo, which operates the properties and facilities formerly held by CEOC, was acquired by CEC on the Effective Date, and upon acquisition, was immediately merged with and into CEOC LLC, with CEOC LLC as the surviving entity.

Reorganization Items

The Companies’ reorganization items are as follows:

Loss on settlement of claims	(64,236)
Fresh-start adjustments	(7,788)
Amounts recognized in Reorganization items	<u>\$ (72,024)</u>

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

NOTE 2 - ACQUISITION BY CEC

As described in Note 1, the Company emerged from bankruptcy and consummated their reorganization pursuant to the Plan on the Effective Date. CEC's acquisition of OpCo was accounted for in accordance with FASB's ASC Topic 805, *Business Combinations*, ("ASC 805") with CEC considered the acquirer, which requires, among other things, that the assets acquired and liabilities assumed be recognized on CEC's balance sheet at their fair values as of the acquisition date. The excess of the purchase price over the net fair value of the assets and liabilities was recorded as goodwill. The fair value of the Company's assets and liabilities, as determined by CEC on the acquisition are summarized below. The Company elected to apply these adjusted fair values to their balance sheets as part of the acquisition.

The fair values of the assets acquired and liabilities assumed were determined using the market, income, and cost approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market, inputs included an expected range of market values, expected cash flows, recent comparable transactions and discounted cash flows. The market approach, which indicates value for a subject asset based on available market pricing for comparable assets, was utilized to estimate the fair value of primarily property plant and equipment operating leases. The market approach included prices and other relevant information generated by market transactions involving comparable assets, as well as pricing guides and other sources. CEC considered the current market for the properties and the expected proceeds from the sale of the assets, among other factors. The income approach was used to value certain intangible assets, including player relationships. The income approach was used to determine the failed sale real estate assets fair value, based on the estimated present value of the future lease payments over the lease term, including renewal options, using an imputed discount rate of approximately 8.5%. Projected cash flows are discounted at a required market rate of return that reflects the relative risk of achieving the cash flows and the time value of money. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was used, as appropriate, for certain assets for which the market and income approaches could not be applied due to the nature of the asset. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation.

As part of the Plan, certain real estate assets were sold to PropCo and leased back to OpCo. The leases were evaluated as a sale-leaseback of real estate, and we determined that these transactions did not qualify for sale-leaseback accounting. Therefore, we accounted for the transaction as a financing.

Goodwill was recognized as a result of the transaction and relates to (i) the values of acquired assets that do not meet the definition of an identifiable intangible asset under ASC 805, but that do contribute to the value of the acquired business, including the assembled workforce and relationships with customers that are not tracked through our customer loyalty program Total Rewards; (ii) the going-concern value associated with expectations of forging relationships with future customers; and (iii) the assemblage value associated with acquiring an on-going business whose value is worth more than simply the sum of its parts. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

The income approach comparing the prospective cash flows with and without the customer relationships in place was used to estimate the fair value of the customer relationships with the fair value assumed to be equal to the discounted cash flows of the business that would be lost if the customer relationships were not in place and needed to be replaced (see Note 3).

Failed Sale-Leaseback Financing Obligations - As described in Note 1, OpCo entered into leases with VICI on the Effective Date related to certain real property assets and related fixtures formerly held by CEOC: (i) for Caesars Palace Las Vegas, (ii) for a portfolio of casino properties at various locations throughout the United States, including the Companies, and (iii) for the Harrah’s Joliet Hotel and Casino (collectively, the “CEOC LLC Leases”).

Each lease agreement provides for fixed rent (subject to escalation) during an initial term, then rent consisting of both base rent and variable percentage rent elements, and has a 15 year initial term and four five-year renewal options. The Company Leases initially provide for annual fixed rent, but include escalation provisions beginning at various points in the initial term and continuing through the renewal terms equal to the greater of either: (i) 1% or 2% (varies by lease) or (ii) the Consumer Price Index. The leases also include provisions for contingent rental payments calculated based on a percentage of net revenue of the underlying lease properties commencing in year six for the Company.

The leases were evaluated as a sale-leaseback of real estate. Under the expected terms of the lease agreements, we are required to contribute to a FF&E reserve account that VICI may use as collateral in a future VICI financing. We determined that this contingent collateral arrangement represents a prohibited form of continuing involvement. Among other things, we estimated that the length of the leases, including optional renewal periods, would represent substantially all (90% or more) of the remaining economic lives of the properties and facilities subject to the leases, and the terms of the renewal options give the Company the ability to renew the lease at a rate that has the potential of being less than a fair market value rate as determined at the time of renewal. These, among certain other conditions, represent a prohibited form of continuing involvement; and therefore, we determined that these transactions did not qualify for sale-leaseback accounting and therefore we accounted for the transaction as a financing.

The real estate assets that were sold to VICI and leased back by OpCo were first adjusted to fair value upon Company’s emergence from bankruptcy and the failed sale-leaseback financing obligation was recognized at an amount equal to this fair value. The Company then recognized a failed sale-leaseback financing obligation equal to this fair value as part of CEC’s acquisition of OpCo and immediate merger with and into the Company.

As described above, for failed sale-leaseback transactions, we continue to reflect the real estate assets on our Balance Sheets in Property and equipment, net as if we were the legal owner, and we continue to recognize depreciation expense over the estimated useful lives. We do not recognize rent expense related to the leases, but we have recorded a liability for the failed sale-leaseback obligations (see Note 12) and currently, all of the periodic lease payments are recognized as interest expense. In the initial periods, cash payments are less than the interest expense recognized on the Statements of

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

Operations, which causes the related sale-leaseback liability to increase during the beginning of the lease term.

	<u>Lease Commitments</u>
2018	9,470
2019	10,331
2020	10,331
2021	10,331
2022	10,366
Thereafter	<u>780,225</u>
Total minimum rental commitments	<u>\$831,054</u>

Guarantee for Failed Sale-Leaseback

Subject to certain exceptions, the payment of all monetary obligations under the Company Leases is guaranteed by CEC.

NOTE 3 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Receivables - The Company issues credit to approved casino customers following investigations of creditworthiness. Business or economic conditions or other significant events could affect the collectibility of these receivables. Accounts receivable are typically noninterest bearing and are initially recorded at cost.

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

Marker play represents a portion of the Company's overall games volume. The Company maintains strict controls over the issuance of markers and aggressively pursue collection from those customers who fail to pay their marker balances timely. These collection efforts includes the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. Markers are generally legally enforceable instruments in the United States. Markers are not legally enforceable instruments in some foreign countries, but the United States' assets of foreign customers may be reached to satisfy judgments entered in the United States. The Company considers the likelihood and difficulty of enforceability, among other factors, when the Company issues credit to customers who are not residents of the United States.

Markers acquired as part of the acquisition of OpCo were accounted for at fair value on the Effective Date, with no acquired reserve, and will be accreted to interest income up to their expected realizable value over the life of their expected collectability. The acquired markers are subject to adjustment if the actual cash collection differs from the expected collectability. The fair value which also represents the carrying amount of markers acquired as part of the acquisition of OpCo at the Effective Date for the Company was \$3,625. As of December 31, 2017, the carrying amount of the markers acquired was \$866.

Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. The Company reserves an estimated amount for gaming receivables that may not be collected to reduce the Company's receivables to their net carrying amount. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for allowance for doubtful accounts.

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

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

The Companies review the carrying value of their long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The Companies typically estimate their fair value of assets starting with a "Replacement Cost New" approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of

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

demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for the Companies, is the individual property. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors, and changes in the assumptions and estimates, could have a material impact on the analysis and the supplemental consolidated financial statements schedules.

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

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 \$6,883 with accumulated amortization of \$117 as of December 31, 2017. The customer database was determined to have a 15 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

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

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 - The retail value of accommodations, food and beverage and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Rooms	\$9,556	\$9,838
Food and Beverage	18,486	19,392
Other	1,237	900
Bus Program Cash	126	145
Promotional Gaming Credits	23,925	23,249
Other Cash Complimentaries	6,051	5,480
	<u>\$59,381</u>	<u>\$59,004</u>

Total Rewards Program Liability - The Company’s customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of affiliated casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that

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

they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, the expense of reward credits is accrued after consideration of estimated forfeitures (referred to as "breakage"), as they are earned. The value of the cost to provide reward credits is expensed as the reward credits are earned and is included in casino expense in the accompanying statements of operations. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which reward credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At December 31, 2017 and 2016, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$1,640 and \$1,736, respectively.

In addition to reward credits, the Company's customers can earn points based on play that are redeemable in Non Negotiable Reel Rewards ("NNRR"). The Company accrues the costs of NNRR points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances in the accompanying statements of income. At December 31, 2017 and 2016, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$371 and \$424, 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 twelve months ended December 31, 2017 and 2016, which are included in casino expenses in the accompanying statements of income, were \$19,012 and \$16,858, respectively.

Advertising Expenses — Advertising costs are expensed as incurred. Advertising expenses are \$712 and \$693 for the twelve months ended December 31, 2017 and 2016, respectively. Advertising expenses are included in general, administrative and other expenses in the statements of income.

Rent Expense - Rent expense, which includes both cancelable and non-cancelable leases for the years ended December 31, 2017 and 2016, was \$3,061 and \$2,489, respectively. These amounts are included in the accompanying Statements of Income.

City of Atlantic City Real Property Tax and Interim Payment in Lieu of Taxes (PILOT) Financial Management — 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 requiring 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. In September 2017, the Company settled the 2016 tax appeal with the City and the assessed value of the company was reduced by \$21,000. In October 2017, a credit of \$810 was received due to the reduction in the assessed value and is included in Non-Operating Income in the Statements of Income.

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

Income Taxes - The Company is not treated as a corporation for federal and state income tax purposes and is included in the consolidated income tax returns of CEC. Effective in 2017, the accompanying Consolidating Schedules do not include a provision for income taxes for the Company since any income or loss from the Company is reportable for income tax purposes by CEC.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the periods. Actual results could differ from such estimates and assumptions.

Internet Gaming - Caesars Interactive Entertainment New Jersey, LLC as the affiliate of Bally's Park Place, Inc. was issued an internet gaming permit on November 20, 2013 to conduct real money online gaming in the State of New Jersey. All real money online gaming is reported in the financial statements of Caesars Interactive Entertainment New Jersey, LLC. Effective November 20, 2014 the Company does not have an internet gaming permit.

Subsequent Events - We completed our subsequent events review through March 30, 2018, the date on which the financial statements were available to be issued, and noted no items requiring disclosure.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company participates with CEOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by CEOC on a consolidated basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis. The Company's property, assets and capital stock are pledged as collateral for certain of CEOC's outstanding debt.

Cash Activity With CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to its respective parent on a daily basis. Cash transfers from the Company's parent are also made based upon the needs of the Company to fund daily operations, including accounts payable, payroll, and capital expenditures. No interest is charged on transfers made to or from the Company.

Administrative and Other Services - Pursuant to a shared services agreement, CEOC provides the Company certain corporate and administrative services, and the costs of these services are allocated to the Company. Certain of these corporate and administrative services are now provided by Caesars Enterprise Services. The Company was charged \$21,822 and \$22,239 for the twelve months ended December 31, 2017 and 2016, respectively, for these services. The fee is included in charges from affiliates in the accompanying statements of income.

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

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

Employee Benefit Plans - CEC maintains a defined contribution savings and retirement plan in which employees of the Company may participate. The plan, among other things, provides for pre-tax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. The Company's reimbursement for CEC's contribution expense for the twelve months ended December 31, 2017 and 2016 was \$409 and \$379, respectively.

CEC also maintains deferred compensation plans under which certain employees of the Company's management may defer a portion of their compensation. The expenses charged by CEC to the Company for employees' participation in these programs are included in the administrative and other services charge discussed above. The Company recognized a nominal amount of expense for the year ended December 31, 2017.

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 were \$12,028 and \$11,671 for the years ended December 31, 2017 and 2016, respectively.

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 contributions and charges for these plans were \$4,473 and \$4,097 for the years ended December 31, 2017 and 2016.

Equity Incentive Awards - CEC maintains equity incentive award plans under which employees of the Companies may be granted awards. CEC allocates an appropriate amount of cost for these awards to each subsidiary where employees participate. The Companies recognized a nominal amount of expense for the year ended December 31, 2017.

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

NOTE 5 – RECEIVABLES AND PATRONS' CHECKS

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

	<u>2017</u>	<u>2016</u>
Casino Receivable (Net of allowance for doubtful accounts \$2,872 in 2017 and \$3,163 in 2016)	\$3,757	\$3,046
Other (Net of allowance for doubtful accounts of \$464 in 2017 and \$461 in 2016)	2,771	2,907
Current Portion of Notes Receivable	390	378
	<u>\$6,918</u>	<u>\$6,331</u>

NOTE 6- OTHER CURRENT ASSETS

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

	<u>2017</u>	<u>2016</u>
Prepaid Real Estate Taxes	494	0
Prepaid Gaming License Fees	444	460
Refundable Deposits	540	693
Other	540	428
	<u>\$2,018</u>	<u>\$1,581</u>

NOTE 7 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Casino Reinvestment Development Authority Investment obligations (net of valuation reserves of \$12,070 in 2017 and \$13,240 in 2016)	\$9,129	\$13,484
Other	538	761
	<u>\$9,667</u>	<u>\$14,245</u>

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

NOTE 8- LAND, BUILDING AND EQUIPMENT

Property and equipment as of December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$11,710	\$27,808
Buildings and Improvements	53,458	24,148
Furniture, Fixtures and Equipment	11,200	24,980
Construction in progress	5,716	5,912
	<u>\$82,084</u>	<u>\$82,848</u>
Less accumulated depreciation	(3,212)	(25,090)
	<u>\$78,872</u>	<u>\$57,758</u>

NOTE 9- OTHER ASSETS

Other assets as of December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Customer Database (less accumulated amortization of \$117 in 2017 and \$0 in 2016)	\$6,883	\$0
Notes Receivable-Net of current portion	7,755	8,144
Tax Deferred Asset	0	37,536
Other	486	481
	<u>\$15,124</u>	<u>\$46,161</u>

NOTE 10- OTHER ACCRUED EXPENSES

Other accrued expenses as of December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Accrued Interest Payable	\$0	\$344,159
Accrued Sales Tax	609	550
Accrued Gaming Tax	449	386
Accrued DGE License Fees	736	691
Accrue Utilities	729	658
Accrue Payroll	5,494	6,795
Other	2,264	4,052
	<u>\$10,281</u>	<u>\$357,291</u>

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

In preparation for the Debtors' emergence from bankruptcy, which occurred on October 6, 2017, all intercompany receivables and payables among the debtor entities were dissolved. This resulted in the accrued interest payable being forgiven and was no longer outstanding as of September 30, 2017. As of December 31, 2017 and 2016, accrued interest related to the three inter-company notes totaled \$0 and \$344,159 respectively.

NOTE 11- LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER

Long-term debt-due to affiliates and other as of December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
8.5% Note payable to Harrah's Entertainment Ltd. ("HEL") due January 1, 2019	\$0	\$500,000
8.5% Note Payable To HEL due May 31, 2021	0	33,500
8.5% Note Payable To HEL due May 31, 2021	0	50,000
	<u>\$0</u>	<u>\$583,500</u>
Long-term debt-other:	<u>\$0</u>	<u>\$1,722</u>

In preparation for the Debtors' emergence from bankruptcy, which occurred on October 6, 2017, all intercompany receivables and payables among the debtor entities were dissolved. This resulted in the debt due to affiliates being forgiven and was no longer outstanding as of September 30, 2017. Since the notes were due to an affiliate, a determination of fair value was not considered meaningful.

NOTE 12 - OTHER LIABILITIES

As of December 31, Other Liabilities were as follows:

	<u>2017</u>	<u>2016</u>
Financial Lease Obligation (see Note 2)	\$64,437	\$0
Deferred Tax Liability	0	323
Retirement and Other Employee benefit Plans	0	1,496
	<u>\$64,437</u>	<u>\$1,819</u>

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

NOTE 13 – NON-OPERATING INCOME (EXPENSE)

For the twelve months ended December 31, 2017 and 2016, Non-Operating Income (Expense) consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest Income	257	678
Demolition Costs	(46)	(75)
Write Downs & Reserves	(122)	(133)
2016 Property Tax Appeal Settlement	811	0
Reorganization Adjustment	(72,024)	314
Other	(4)	(97)
	<u>(\$71,128)</u>	<u>\$687</u>

NOTE 14 – LITIGATION, CONTRACTUAL COMMITMENTS AND CONTINGENCIES

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 was redirected to the City of Atlantic City to be used for debt service. The CRDA investment obligation was 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 projects.

Upon execution of the Donation Credit Agreement, the Company entered into the 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 BRC and in exchange, BRC, on behalf of the Company and itself, agrees to and shall apply a \$200 Rent Credit to CIE.

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

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

	<u>2017</u>	<u>2016</u>
CRDA Bonds - net of amortized costs	\$9,129	\$9,258
Deposit - net of reserve	0	3,877
Direct Investments - net of reserves	0	349
	<u>\$9,129</u>	<u>\$13,484</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$339 and \$1,676 for the twelve months ended December 31, 2017 and 2016, respectively, and is included in CRDA (income) expense, in the statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, they are not permitted to do otherwise. As such the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the twelve months ended December 31, 2017 and 2016 was \$33 and \$115, 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 expensed \$1,276 and \$1,907 for the twelve months ending December 31, 2017 and 2016.

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

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

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:

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

In return for the above, the CRDA will deposit \$45,000 into a Project Fund from which Caesars can draw on a pari-passu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. As of December 31, 2017, Caesars has received \$43,375 in reimbursements from the Project Fund.

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.

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

Settlement of Disputed Claims - Prior to the Effective Date, the Company's financial statements included amounts classified as LSTC, which represented estimates of pre-petition obligations impacted by the Chapter 11 reorganization process. These amounts represented the Debtors' then-current estimate of known or potential pre-petition obligations to be resolved in connection with Company's emergence from bankruptcy.

Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding January 15, 2015 (the "Petition Date"), as well as pending litigation against the Debtors related to such liabilities, generally have been permanently enjoined. Any unresolved claims were transferred to CEOC LLC and will continue to be subject to the claims reconciliation process under the supervision of the Bankruptcy Court.

BALLY'S PARK PLACE LLC (BALLY'S ATLANTIC CITY)

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

BALLY'S PARK PLACE LLC (BALLY'S ATLANTIC CITY)
ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2017

(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.....	\$2,883		
2	Returned Patrons' Checks.....	3,747		
3	Total Patrons' Checks.....	6,630	\$2,872	\$3,758
4	Hotel Receivables.....	1,396	113	\$1,283
	Other Receivables:			
5	Receivables Due from Officers and Employees....	265		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	1,963		
8	Total Other Receivables.....	2,228	351	\$1,877
9	Totals (Form DGE-205).....	\$10,254	\$3,336	\$6,918

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$2,038
11	Counter Checks Issued.....	67,334
12	Checks Redeemed Prior to Deposit.....	(55,852)
13	Checks Collected Through Deposits.....	(9,539)
14	Checks Transferred to Returned Checks.....	(1,098)
15	Other Adjustments.....	0
16	Ending Balance.....	\$2,883
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$252
19	Provision as a Percent of Counter Checks Issued.....	0.4%

Bally's Park Place LLC (Bally's Atlantic City)

ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2017

(\$ 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	566			
2	Slot Machines	49			
3	Administration	0			
4	Casino Cashiering	78			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	693	\$17,755	\$109	\$17,864
8	ROOMS	247	6,731	75	6,806
9	FOOD AND BEVERAGE	703	12,947	0	12,947
10	GUEST ENTERTAINMENT	196	314	0	314
11	MARKETING	90	6,539	132	6,671
12	OPERATION AND MAINTENANCE	186	7,578	0	7,578
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	1	32	826	858
14	Accounting and Auditing	14	766	0	766
15	Security	204	6,903	0	6,903
16	Other Administrative and General	27	2,531	0	2,531
	OTHER OPERATED DEPARTMENTS:				
17	Parking Operations	33	734	0	734
18	Health Club/Pool Services	25	551	0	551
19	Retail Stores	26	639	0	639
20					
21					
22					
23	TOTALS - ALL DEPARTMENTS*	2,445	\$64,020	\$1,142	\$65,162

*Caesars Enterprise Services (CES) employee counts have been included in Boardwalk Regency Corporation totals, however, the payroll expense is included within properties that the CES employee supports.