

**HARRAH'S RESORT, 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**

# HARRAH'S RESORT, 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.....	2	\$28,850	\$28,082
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, \$4,151; 2016, \$5,264).....	2,4	13,993	13,542
4	Inventories .....	2	1,203	1,509
5	Other Current Assets.....	5	1,704	7,541
6	Total Current Assets.....		45,750	50,674
7	Investments, Advances, and Receivables.....	6	6,848	10,327
8	Property and Equipment - Gross.....	2,7	230,594	201,829
9	Less: Accumulated Depreciation and Amortization.....	2,7	(36,556)	(21,504)
10	Property and Equipment - Net.....	2,7	194,038	180,325
11	Other Assets.....	8	2,701	152,669
12	Total Assets.....		\$249,337	\$393,995
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$10,526	\$8,221
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....	10	0	1,014
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	9	15,824	17,611
19	Other Current Liabilities.....		2,104	2,566
20	Total Current Liabilities.....		28,454	29,412
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....			
23	Deferred Credits .....			
24	Other Liabilities.....	3,11	70,451	322
25	Commitments and Contingencies.....	15		
26	Total Liabilities.....		98,905	29,734
27	Stockholders', Partners', or Proprietor's Equity.....	3	150,432	364,261
28	Total Liabilities and Equity.....		\$249,337	\$393,995

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

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

# HARRAH'S RESORT, 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.....		\$360,490	\$354,743
2	Rooms.....		87,934	84,192
3	Food and Beverage.....		87,901	88,599
4	Other.....		26,697	26,204
5	Total Revenue.....		563,022	553,738
6	Less: Promotional Allowances.....	2	148,364	134,973
7	Net Revenue.....		414,658	418,765
	Costs and Expenses:			
8	Casino.....		166,372	157,796
9	Rooms, Food and Beverage.....		39,327	40,830
10	General, Administrative and Other.....		93,071	101,034
11	Total Costs and Expenses.....		298,770	299,660
12	Gross Operating Profit.....		115,888	119,105
13	Depreciation and Amortization.....		14,094	11,098
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	34,613	33,243
16	Income (Loss) from Operations.....		67,181	74,764
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		363	29
19	CRDA Related Income (Expense) - Net.....	13	(1,744)	(5,614)
20	Nonoperating Income (Expense) - Net.....	2,3,12	(67,451)	(403)
21	Total Other Income (Expenses).....		(68,832)	(5,988)
22	Income (Loss) Before Taxes .....		(1,651)	68,776
23	Provision (Credit) for Income Taxes.....			24,535
24	Net Income (Loss).....		(\$1,651)	\$44,241

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

# HARRAH'S RESORT, 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.....		\$87,308	\$87,963
2	Rooms.....		19,236	18,720
3	Food and Beverage.....		20,779	20,112
4	Other.....		6,263	6,361
5	Total Revenue.....		133,586	133,156
6	Less: Promotional Allowances.....	2	33,429	35,067
7	Net Revenue.....		100,157	98,089
	Costs and Expenses:			
8	Casino.....		39,497	40,684
9	Rooms, Food and Beverage.....		9,214	7,834
10	General, Administrative and Other.....		23,668	25,104
11	Total Costs and Expenses.....		72,379	73,622
12	Gross Operating Profit.....		27,778	24,467
13	Depreciation and Amortization.....		3,735	3,317
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	8,618	7,421
16	Income (Loss) from Operations.....		15,425	13,729
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		23	107
19	CRDA Related Income (Expense) - Net.....	13	(1,084)	(1,156)
20	Nonoperating Income (Expense) - Net.....	2,3,12	(69,638)	(63)
21	Total Other Income (Expenses).....		(70,699)	(1,112)
22	Income (Loss) Before Taxes .....		(55,274)	12,617
23	Provision (Credit) for Income Taxes.....			24,535
24	Net Income (Loss).....		(\$55,274)	(\$11,918)

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

# HARRAH'S RESORT, ATLANTIC CITY

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND THE TWELVE MONTHS ENDED 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.....		25	\$25	0	\$0	\$1,094,674	\$0	(\$740,425)	\$354,274
2	Net Income (Loss) - 2016.....								44,241	44,241
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Equitization of Intercompany.....	3					(34,254)			(34,254)
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2016.....		25	25	0	0	1,060,420	0	(696,184)	364,261
11	Net Income (Loss) - 2017.....								(1,651)	(1,651)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany.....	3					(212,178)			(212,178)
16	.....									0
17	.....									0
18	.....									0
19	Balance, December 31, 2017 .....		25	\$25	0	\$0	\$848,242	\$0	(\$697,835)	\$150,432

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

# HARRAH'S RESORT, 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..		\$33,328	\$17,543
	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.....		(28,004)	(13,286)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(4,556)	(4,435)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....			
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....			
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(32,560)	(17,721)
	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	.....			
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		768	(178)
25	Cash and Cash Equivalents at Beginning of Period.....		28,082	28,260
26	Cash and Cash Equivalents at End of Period.....		\$28,850	\$28,082
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$15	\$151
28	Income Taxes.....			

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

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

# HARRAH'S RESORT, 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)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$1,651)	\$44,241
30	Depreciation and Amortization of Property and Equipment.....		13,480	10,484
31	Amortization of Other Assets.....		614	614
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....			
34	Deferred Income Taxes - Noncurrent .....			
35	(Gain) Loss on Disposition of Property and Equipment.....		(41)	(5)
36	(Gain) Loss on CRDA-Related Obligations.....	13	1,744	5,614
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(451)	(827)
39	(Increase) Decrease in Inventories .....		306	(156)
40	(Increase) Decrease in Other Current Assets.....		5,837	(5,358)
41	(Increase) Decrease in Other Assets.....		149,354	1,219
42	Increase (Decrease) in Accounts Payable.....		3,093	(692)
43	Increase (Decrease) in Other Current Liabilities .....		(3,263)	(1,181)
44	Increase (Decrease) in Other Liabilities .....		70,129	(953)
45	(Increase) Decrease in Other Receivables or Adv.....		(205,823)	(35,936)
46	Impairment of Assets / Write Downs & Reserves.....	12	0	479
47	Net Cash Provided (Used) By Operating Activities.....		\$33,328	\$17,543

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$28,004)	(\$13,286)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$28,004)	(\$13,286)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....			
59	Consideration in Acquisition of Business Entities.....			
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

**HARRAH'S RESORT, 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	967,524	\$42,874	0	\$0
2	Food	1,306,584	29,720	0	0
3	Beverage	10,162,194	20,324	0	0
4	Travel	0	0	71,049	13,479
5	Bus Program Cash	3,798	38	0	0
6	Promotional Gaming Credits	1,608,605	42,760	0	0
7	Complimentary Cash Gifts	131,483	6,333	0	0
8	Entertainment	37,713	1,327	2,469	309
9	Retail & Non-Cash Gifts	128,425	2,568	48,719	4,872
10	Parking	0	0	837,482	3,350
11	Other	66,985	2,420	203,572	5,089
12	Total	14,413,311	\$148,364	1,163,291	\$27,099

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	211,616	9,367	0	0
2	Food	314,245	7,237	0	0
3	Beverage	2,415,722	4,831	0	0
4	Travel	0	0	16,824	2,837
5	Bus Program Cash	675	7	0	0
6	Promotional Gaming Credits	374,954	9,968	0	0
7	Complimentary Cash Gifts	17,826	639	0	0
8	Entertainment	2,724	67	852	107
9	Retail & Non-Cash Gifts	34,302	686	13,908	1,391
10	Parking	0	0	197,849	791
11	Other	17,523	627	52,274	1,307
12	Total	3,389,587	\$33,429	281,707	\$6,433

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



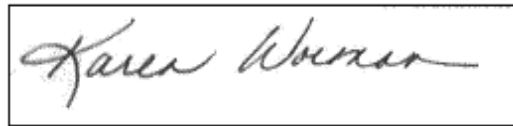
# HARRAH'S RESORT, ATLANTIC CITY STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

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:

HARRAH'S RESORT, ATLANTIC CITY  
Casino Licensee

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

Caesars Entertainment Corporation ("CEC") is primarily a holding company with no independent operations of its own. CEC operates the business primarily through its wholly owned subsidiaries CEOC, LLC ("CEOC LLC") and Caesars Resort Collection, LLC ("CRC"). Through its consolidated subsidiaries, CEC operates a total of 47 casino properties in 13 U.S. states and four countries outside of the United States.

As described in Note 1 of CEC's audited consolidated financial statements ("CEC's Note 1"), Caesars Acquisition Company ("CAC") merged with and into CEC, with CEC as the surviving company (the "CAC Merger"). In addition, as previously disclosed, Caesars Entertainment Operating Company, Inc. ("CEOC") and certain of its United States subsidiaries (collectively, the "Debtors") voluntarily filed for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") on January 15, 2015 at which time CEC deconsolidated CEOC due to loss of control. On October 6, 2017 (the "Effective Date"), the Debtors emerged from bankruptcy and consummated their reorganization pursuant to their third amended joint plan of reorganization.

The Plan provided for, among other things, the reorganization of CEOC into an operating company ("OpCo") and a property company ("PropCo"). PropCo holds certain real property assets formerly held by CEOC and leases those assets to OpCo. OpCo was acquired by CEC on the Effective Date and was immediately merged with and into CEOC LLC, with CEOC LLC as the surviving entity.

CRC, a wholly owned subsidiary of CEC, was created on December 22, 2017 with the merger of Caesars Entertainment Resort Properties, LLC ("CERP") into Caesars Growth Properties Holdings, LLC ("CGPH") (the "CRC Merger"). Prior to the CRC Merger, Harrah's Atlantic City was a wholly owned subsidiary of CERP.

Harrah's Atlantic City (the "Company") is a casino hotel resort located in the Marina District of Atlantic City, New Jersey. Harrah's Atlantic City is licensed to operate the facility by the New Jersey Division of Gaming Enforcement ("DGE") and is subject to its rules and regulations. The license expired in December 2017, and Harrah's Atlantic City has submitted the renewal application, which is pending at the date of this report.

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

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

**Principles of Consolidation** - The accompanying consolidated financial statements include the account balances of Harrah's Atlantic City 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.

Marker play represents a portion of the Company's overall games volume. The Company maintains strict controls over the issuance of markers and aggressively pursues collection from those customers who fail to pay their marker balances timely. These collection efforts include 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 issuing credit to customers who are not residents of the United States.

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

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 the reserve for allowance for doubtful accounts. Receivables are reported net of the allowance for doubtful accounts.

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

**Long-Lived Assets** - The Company has significant capital invested in long-lived assets, and judgments are made in determining the estimated useful lives of assets and salvage values and if or when an asset (or asset group) has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in the Company's financial results and whether the Company has a gain or loss on the disposal of an asset. The Company assigns lives to 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 long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The Company typically estimates its fair value of assets starting with a "Replacement Cost New" approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for the Company, 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 consolidated financial statement schedules.

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

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

**Useful Lives**

Land improvements 12 years

Buildings 20 to 40 years

Leasehold improvements 5 to 20 years

Furniture, fixtures, and equipment 2.5 to 20 years

**Intangible Assets** – The intangible assets represent a customer database with a recorded gross carrying value of \$4,352 as of December 31, 2017 and 2016, and accumulated amortization of \$2,458 and \$1,843 as of December 31, 2017 and 2016, respectively.

**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.

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

- Level 1: Inputs include quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, and observable inputs such as interest rates and yield curves.
- Level 3: Inputs that are significant to the measurement of fair value that are not observable in the market and include management's judgments about assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

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

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

**Revenue Recognition** - Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses.

**Casino Promotional Allowances** - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following as of December 31:

Food and Beverage	\$ 34,357	\$ 33,137
Rooms	16,405	15,426
Other	5,326	3,629
Other Cash Complimentary	6,333	5,540
Promotional Gaming Credits	42,760	37,197
	<u>\$ 105,181</u>	<u>\$ 94,929</u>

**Total Rewards Point Liability Program** – Caesars' customer loyalty program, Total Rewards, offers incentives to customers who gamble at Caesars' casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, the expense of Reward Credits is accrued after consideration of estimated forfeitures (referred to as breakage), as they are earned. The estimated cost to provide reward credits is expensed at the property where they are earned and is included in casino expense on the accompanying 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. These amounts are recorded on Caesars' balance sheets with the incremental charges included in due from affiliates, net in the balance sheets. As of December 31, 2017 and 2016, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$3,471 and \$3,361 respectively.

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

In addition to Reward Credits, customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards ("NNRR"). The Company accrues the cost of NNRR, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances on the accompanying Consolidated Statements of Income. At December 31, 2017 and 2016, the liability related to outstanding NNRR, which is based on historical redemption activity, were \$751 and \$959 respectively.

**Gaming Tax** – The Company remits weekly to the State of New Jersey a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the twelve months ended December 31, 2017 and 2016, which are included in cost of goods and services in the statement of income, were approximately \$29,096 and \$28,615 respectively.

**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. The Company paid its respective quarterly obligations in February, May, August and November 2017. For calendar year 2017, the City decreased its property tax rate by approximately 11% for the properties not included in PILOT program. In September 2017, the Company settled the 2016 tax appeal with the City and the assessed value of the company was reduced by \$85,874. In October 2017, the Company received a payment of \$3,315 due to the reduction in assessed value and is included in Non-Operating Income in the statement of income.

**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.

**Atlantic City Conference Center** - Caesars established, AC Conference NewCo, LLC ("NewCo") to construct and operate a new conference center (the "Project") adjacent to Harrah's Atlantic City. NewCo is a direct wholly owned subsidiary of AC Conference HoldCo, LLC, which is a direct wholly owned subsidiary of Caesars. As AC Conference NewCo, LLC is its own entity its results are not part of Harrah's Resort Atlantic City's financial statements.

**Internet Gaming** - Harrah's Resort Atlantic City did not have Internet gaming operations during 2017 or 2016.

**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 3 - RELATED PARTY TRANSACTIONS**

The Company participates with Caesars and other Caesars subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by Caesars on a company-wide basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the cost and terms for similar programs that it could negotiate on a standalone basis.

**Cash Activity with CEC and Affiliates** - The Company transfers cash in excess of its operating and regulatory needs to its 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.

**Equity Incentive Awards** - Caesars maintains equity incentive award plans in which certain employees of the Company may be granted awards. Caesars allocates an appropriate amount of cost for these plans to each subsidiary where employees participate. The Company recognized \$518 and \$516 in equity incentive award expense for each of the years ended December 31, 2017 and 2016, respectively.

**Employee Benefit Plans** — Caesars maintains a defined contribution savings and retirement plan that allows employees to make pre-tax and after-tax contributions. Under the plan, participating employees may elect to contribute up to 50% of their eligible

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

earnings. The Company's contribution expense for each of the years ended December 31, 2017 and 2016 were \$595 and \$551 respectively and are included in the accompanying statements of income.

**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 \$14,729 and \$13,827 for the years ended December 31, 2017 and 2016, respectively, are included in Selling, General, and Administrative expenses in the accompanying statements of income. 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 \$6,387 and \$5,763 for the years ended December 31, 2017 and 2016, respectively, are included in Selling, General, and Administrative expenses in the accompanying statements of income.

**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 \$34,613 and \$33,243 for these services for the twelve months ended December 31, 2017 and 2016 respectively. The fee is included in charges from affiliates in the accompanying statements of income.

**Equitization of Intercompany Balances** – During June 2013, the Company began the process to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. The offset to this entry was Additional Paid in Capital. This is separately shown on the statements of changes in stockholders' equity.

**VICI Call Right Agreement** - On the Effective Date, in accordance with the Plan, VICI, CEC, Caesars Entertainment Resort Properties, LLC ("CERP") and Caesars Growth Properties Holdings, LLC ("CGPH") entered into certain call right agreements (collectively, the "VICI Call Right Agreements") with VICI. VICI received a call right (the "VICI Call Right") for up to five years to purchase and leaseback the real property assets associated with Harrah's Atlantic City, Harrah's Laughlin, and Harrah's New Orleans for a cash purchase price of 10 times the agreed upon annual rent for each property (subject to the terms of the CGPH and CERP credit agreements). Subsequent to the CRC Merger the VICI Call Right is subject to the terms of the CRC Credit Agreement. Our accrual represents the estimated fair value of the call right as of the Effective Date.

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

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

	<u>2017</u>	<u>2016</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2017, \$3,331 & 2016, \$4,430)	\$ 6,038	\$ 5,585
Other (Net of Allowance for Doubtful Accounts- 2017, \$820 & 2016, \$834)	<u>7,955</u>	<u>7,957</u>
	<u>\$ 13,993</u>	<u>\$ 13,542</u>

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS**

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

	<u>2017</u>	<u>2016</u>
Prepaid State Income Tax	\$ 533	\$ 533
Prepaid Taxes	535	545
Prepaid Marketing & Entertainment	110	58
Prepaid Other & Other Current Assets	345	384
Prepaid Contracts / Utilities	181	6,021
	<u>\$ 1,704</u>	<u>\$ 7,541</u>

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

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

	<u>2017</u>	<u>2016</u>
CRDA obligation deposit-Net of Valuation Allowance of \$1,466 and \$832 at December 31, 2017 and 2016, respectively	268	3,737
CRDA obligation bonds-Net of Valuation Allowance of \$6,377 and \$6,361 at December 31, 2017 and 2016, respectively	6,580	6,130
Other	-	460
	<u>\$ 6,848</u>	<u>\$ 10,327</u>

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

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

	<u>2017</u>	<u>2016</u>
Land and Land Improvements	\$ 57,632	\$ 57,640
Building and Improvements	136,129	111,358
Furniture Fixtures & Equipment	32,175	20,780
Construction in Progress	4,658	12,051
	<u>230,594</u>	<u>201,829</u>
Less: Accumulated Depreciation and Amortization	(36,556)	(21,504)
Land, Building and Equipment, Net	<u>\$ 194,038</u>	<u>\$ 180,325</u>

**NOTE 8 - OTHER ASSETS**

Other Assets as of December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Intangible Asstes	\$ 1,894	\$ 2,509
Deferred Income Taxes	-	149,386
Other	807	774
	<u>\$ 2,701</u>	<u>\$ 152,669</u>

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 9 - OTHER ACCRUED EXPENSES**

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

	<u>2017</u>	<u>2016</u>
Accrued Salaries, Wages and Benefits	\$ 3,174	\$ 4,252
Taxes Payable	2,531	2,929
Accrued City Wide Progressive Slot Liability	183	146
Accrued Interest, Long-term debt	-	5
Accrued CCC/DGE Casino License Fees	770	448
Accrued Utilities	838	841
Accrued Health and Welfare Union	1,747	1,980
Other Accrued Expenses	<u>6,581</u>	<u>7,010</u>
	<u>\$ 15,824</u>	<u>\$ 17,611</u>

**NOTE 10- SHORT-TERM DEBT**

Short-term debt, due to other as of December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Current Portion of Capitalized Leases / Financing Obligations	-	1,014
	<u>\$ -</u>	<u>\$ 1,014</u>

**NOTE 11 - OTHER LIABILITIES**

Other Liabilities as of December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Executive Deferred Comp Liability	\$ -	\$ 322
VICI Call Right (1)	70,451	-
	<u>\$ 70,451</u>	<u>\$ 322</u>

**NOTE 12 – 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	\$ 35	\$ 251
Demolition Costs	(1,160)	-
Write Downs & Reserves	-	(479)
2016 Property Tax Appeal Settlement	3,315	-
VICI Call Right (1)	(70,451)	-
Other	810	(175)
	<u>\$ (67,451)</u>	<u>\$ (403)</u>



**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

(1) As described in Note 3, CRC is party to the VICI Call Right Agreements that provided VICI with a call right for up to five years to purchase and leaseback the real property assets associated with three of CRC's properties, including the Company, for a cash purchase price of 10 times the agreed upon annual rent for each property (subject to the terms of the CRC's credit agreements). Our accrual represents the estimated fair value of the call right related to the Company as of the Effective Date.

**NOTE 13 – CASINO REINVESTMENT DEVELOPMENT AUTHORITY INVESTMENT**

**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 pledged for bonds issued by the CRDA or otherwise contractually obligated Credit Agreements committed by the Authority.

In July 2016, the Company and Boardwalk Regency Corporation (BRC), Caesars Interactive Entertainment New Jersey LLC (CIE), Showboat Atlantic City Operating Company LLC and Bally's Park Place Inc.(BPP) (the Companies) entered into a Donation Credit agreement with the CRDA. The agreement provides that the Companies will donate their 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 nongaming eligible projects. The agreement also includes \$1,490 of reallocated IATs from the Grant Agreement for the Atlantic City Conference Center Project.

As of December 31 CRDA related assets were as follows:

	2017	2016
CRDA Bonds-net of amortized cost	\$ 6,580	\$ 6,130
Deposit - net reserves	268	3,737
	\$ 6,848	\$ 9,867

The CRDA related assets are held in deferred charges and other non-current 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 \$1,744 and \$5,614 for the twelve months ended December 31, 2017 and 2016, respectively, and is included in CRDA related expenses, 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 twelve months ended December 31, 2017 and 2016 were \$139 and \$99 respectively, and is included in CRDA related expenses, 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 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.

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**Atlantic City Alliance** - All the Atlantic City casino properties and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize the Atlantic City market. This agreement was signed on November 2, 2011 and expired on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of \$5,000 in December 2011 and paid \$30,000 annually until December 31, 2016. A new agreement effective 2017, as part of the PILOT program, requires the AC industry to provide \$15,000 in 2017, \$10,000 in 2018 and \$5,000 from 2019 thru 2023. The Company's obligation for 2017 is \$2,166. The company expensed \$2,166 and \$4,132 for the twelve months ending December 31, 2017 and 2016.

**NOTE 14 – ATLANTIC CITY CONFERENCE CENTER**

As described in Note 2, in June 2013, Caesars established, AC Conference NewCo, LLC ("NewCo") to construct and operate a new conference center (the "Project") adjacent to Harrah's Atlantic City. NewCo is a direct wholly owned subsidiary of AC Conference HoldCo, LLC, which is a direct wholly owned subsidiary of Caesars.

Also in June 2013, Caesars signed an agreement with the CRDA regarding a grant for financial assistance in the amount of \$45,000 million (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 are as follows:

<b>Existing Credits</b>	
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
Total	<u>\$ 46,200</u>
 <b>Donation Credits</b>	
Ocean Showboat, Inc. and Subsidiaries	<u>\$ 9,500</u>
 <b>Marketplace Parcels</b>	
Bally's Park Place, Inc.	\$ 4,600
Boardwalk Regency Corporation	<u>2,700</u>
Total	<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 paripassu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. As of December 31, 2017, Caesars received \$43,375 in reimbursements from the Project Fund.

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**Litigation** - The Company is involved in various legal proceedings relating to routine matters of its business. The Company believes that all the actions brought against it are without merit and will continue to vigorously defend against them. While any proceedings or litigation has an element of uncertainty, the Company believes that the final outcome of these matters, in the aggregate, is not likely to have a material adverse effect upon the Company's results of operations, financial position, or cash flows.

**HARRAH'S RESORT, 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**

**HARRAH'S RESORT, ATLANTIC CITY**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

(UNAUDITED)  
(\$ IN THOUSANDS)

<b>ACCOUNTS RECEIVABLE BALANCES</b>				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$3,907		
2	Returned Patrons' Checks.....	5,462		
3	Total Patrons' Checks.....	9,369	\$3,331	\$6,038
4	Hotel Receivables.....	3,904	815	\$3,089
	Other Receivables:			
5	Receivables Due from Officers and Employees....	11		
6	Receivables Due from Affiliates.....			
7	Other Accounts and Notes Receivables.....	4,860		
8	Total Other Receivables.....	4,871	5	\$4,866
9	Totals (Form DGE-205).....	\$18,144	\$4,151	\$13,993

<b>UNDEPOSITED PATRONS' CHECKS ACTIVITY</b>		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$4,694
11	Counter Checks Issued.....	133,423
12	Checks Redeemed Prior to Deposit.....	(94,741)
13	Checks Collected Through Deposits.....	(35,818)
14	Checks Transferred to Returned Checks.....	(3,651)
15	Other Adjustments.....	
16	Ending Balance.....	\$3,907
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$14
19	Provision as a Percent of Counter Checks Issued.....	0.0%

# HARRAH'S RESORT, 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	746			
2	Slot Machines	66			
3	Administration				
4	Casino Cashiering	82			
5	Simulcasting				
6	Other	91			
7	Total - Casino	985	\$21,317	\$410	\$21,727
8	ROOMS	538	12,663	251	12,914
9	FOOD AND BEVERAGE	1,074	19,123	191	19,314
10	GUEST ENTERTAINMENT	238	822	0	822
11	MARKETING	91	4,868	754	5,622
12	OPERATION AND MAINTENANCE	233	8,990	0	8,990
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	2	53	855	908
14	Accounting and Auditing	2	169	0	169
15	Security	168	4,487	136	4,623
16	Other Administrative and General	96	4,991	0	4,991
	OTHER OPERATED DEPARTMENTS:				
17	Retail	47	1,354	0	1,354
18	Employee Cafeteria	19	835	0	835
19	Parking Operations	71	1,370	0	1,370
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS *	3,564	\$81,042	\$2,597	\$83,639

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