

**BOARDWALK REGENCY LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED DECEMBER 31, 2018

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

BOARDWALK REGENCY LLC

BALANCE SHEETS

AS OF DECEMBER 31, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3 & 4	\$20,578	\$18,697
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, \$10,685; 2017, \$10,016).....	3 & 5	13,164	15,838
4	Inventories	3	305	424
5	Other Current Assets.....	6	2,188	1,707
6	Total Current Assets.....		36,235	36,666
7	Investments, Advances, and Receivables.....	7 & 13	3,842	3,953
8	Property and Equipment - Gross.....	3 & 8	281,120	273,614
9	Less: Accumulated Depreciation and Amortization.....	3 & 8	(32,408)	(7,009)
10	Property and Equipment - Net.....	3 & 8	248,712	266,605
11	Other Assets.....	9	10,395	11,162
12	Total Assets.....		\$299,184	\$318,386
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$5,144	\$7,493
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	11	0	0
17	Income Taxes Payable and Accrued.....	3	0	0
18	Other Accrued Expenses.....	10	10,859	10,992
19	Other Current Liabilities.....		2,644	4,014
20	Total Current Liabilities.....		18,647	22,499
	Long-Term Debt:			
21	Due to Affiliates.....	11	0	0
22	External.....	11	0	0
23	Deferred Credits	3	0	0
24	Other Liabilities.....	12	252,198	249,643
25	Commitments and Contingencies.....	14	0	0
26	Total Liabilities.....		270,845	272,142
27	Stockholders', Partners', or Proprietor's Equity.....		28,339	46,244
28	Total Liabilities and Equity.....		\$299,184	\$318,386

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

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

BOARDWALK REGENCY LLC

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....		\$169,956	\$185,563 *
2	Rooms.....		50,080	54,959 *
3	Food and Beverage.....		55,476	64,892 *
4	Other.....		16,815	17,932 *
5	Net Revenue.....		292,327	323,346 *
	Costs and Expenses:			
6	Casino.....		88,645	99,847 *
7	Rooms, Food and Beverage.....		56,719	62,174 *
8	General, Administrative and Other.....		67,310	67,226 *
9	Total Costs and Expenses.....		212,674	229,247 *
10	Gross Operating Profit.....		79,653	94,099 *
11	Depreciation and Amortization.....	3	26,236	14,026
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	4	21,283	22,368 *
14	Income (Loss) from Operations.....		32,134	57,705 *
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....		(46,723)	(10,864)
17	CRDA Related Income (Expense) - Net.....	14	(745)	(689)
18	Nonoperating Income (Expense) - Net.....	1 & 13	116	(75,245)
19	Total Other Income (Expenses).....		(47,352)	(86,798)
20	Income (Loss) Before Taxes		(15,218)	(29,093) *
21	Provision (Credit) for Income Taxes.....	3	8	2,001
22	Net Income (Loss).....		(\$15,226)	(\$31,094) *

* Prior year balances have been modified to conform with current year presentation

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

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BOARDWALK REGENCY LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....		\$38,305	\$43,159 *
2	Rooms.....		10,055	10,441 *
3	Food and Beverage.....		12,527	15,428 *
4	Other.....		4,031	4,270 *
5	Net Revenue.....		64,918	73,298 *
	Costs and Expenses:			
6	Casino.....		21,019	23,707 *
7	Rooms, Food and Beverage.....		13,497	14,832 *
8	General, Administrative and Other.....		16,632	16,166 *
9	Total Costs and Expenses.....		51,148	54,705 *
10	Gross Operating Profit.....		13,770	18,593 *
11	Depreciation and Amortization.....	3	4,229	7,108
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	4	5,309	5,551 *
14	Income (Loss) from Operations.....		4,232	5,934 *
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....		(11,847)	(10,860)
17	CRDA Related Income (Expense) - Net.....	14	(179)	(545)
18	Nonoperating Income (Expense) - Net.....	1 & 13	61	(76,961)
19	Total Other Income (Expenses).....		(11,965)	(88,366)
20	Income (Loss) Before Taxes		(7,733)	(82,432) *
21	Provision (Credit) for Income Taxes.....	3	8	(1,844)
22	Net Income (Loss).....		(\$7,741)	(\$80,588) *

*Prior year balances have been modified to conform with current year presentation

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

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BOARDWALK REGENCY LLC

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2018

(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, 2016.....		100	\$1,370	0	\$0	\$387,457	\$0	(\$1,010,827)	(\$622,000)
2	Net Income (Loss) - 2017.....								(33,219)	(33,219)
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....					3,672			(3,672)	0
6	Equitization					(123,616)				(123,616)
7	Equitization of Intercompany									0
8	Debt and Interest					825,079				825,079
9										0
10	Balance, December 31, 2017.....		100	1,370	0	0	1,092,592	0	(1,047,718)	46,244
11	Net Income (Loss) - 2018.....								(15,226)	(15,226)
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization					(3,763)				(3,763)
16	Adj. prior year-Rev. Recognition								1,084	1,084
17	Reclassification of Equity					(1,041,251)			1,041,251	0
18										0
19	Balance, December 31, 2018		100	\$1,370	0	\$0	\$47,578	\$0	(\$20,609)	\$28,339

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

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$12,763	\$53,591
	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.....		(4,479)	(6,773)
5	Proceeds from Disposition of Property and Equipment.....		42	28
6	CRDA Obligations		(1,177)	(1,965)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		543	1,036
9	Cash Outflows to Acquire Business Entities.....		0	0
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....		(5,071)	(7,674)
	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.....		0	(2,004)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Borrowings/Payments of Intercompany Payable		(5,811)	(42,210)
22	ASC606 adjustment to 2017 net income			(2,125) *
23	Net Cash Provided (Used) By Financing Activities.....		(5,811)	(46,339)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		1,881	(422)
25	Cash and Cash Equivalents at Beginning of Period.....		18,697	19,119
26	Cash and Cash Equivalents at End of Period.....		\$20,578	\$18,697
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$46,723	\$10,912 *
28	Income Taxes.....		\$0	\$1,805

* Prior year balances have been modified and restated to conform with current year presentation

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

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BOARDWALK REGENCY LLC

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$15,226)	(\$31,094) *
30	Depreciation and Amortization of Property and Equipment.....		25,503	13,381
31	Amortization of Other Assets.....		733	645
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)	
36	(Gain) Loss on CRDA-Related Obligations.....		745	1,964
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		2,674	6,862
39	(Increase) Decrease in Inventories		119	(156)
40	(Increase) Decrease in Other Current Assets.....		(481)	1,277
41	(Increase) Decrease in Other Assets.....		34	(9,042)
42	Increase (Decrease) in Accounts Payable.....		(2,349)	(17)
43	Increase (Decrease) in Other Current Liabilities		(1,503)	(5,848)
44	Increase (Decrease) in Other Liabilities		2,555	(1,521)
45	Reorganization Expense		0	77,140
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$12,763	\$53,591

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$4,479)	(\$6,773)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$4,479)	(\$6,773)
	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

* Prior year balances have been modified and restated to conform with current year presentation

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

**BOARDWALK REGENCY LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018
(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	516,506	\$31,170		
2	Food	743,034	19,670		
3	Beverage	8,632,828	17,266		
4	Travel			86,792	9,287
5	Bus Program Cash	1,247	94		
6	Promotional Gaming Credits	1,260,660	25,818		
7	Complimentary Cash Gifts	130,715	14,115		
8	Entertainment	932	581	4,602	575
9	Retail & Non-Cash Gifts	97,370	1,947	20,700	2,016
10	Parking			476,108	2,070
11	Other	3,326	3,148	109,390	1,503
12	Total	11,386,618	\$113,809	697,592	\$15,451

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	126,750	\$6,577		
2	Food	157,444	4,508		
3	Beverage	1,972,096	3,945		
4	Travel			20,471	1,217
5	Bus Program Cash	311	24		
6	Promotional Gaming Credits	314,454	6,850		
7	Complimentary Cash Gifts	35,214	2,987		
8	Entertainment	154	54	1,249	156
9	Retail & Non-Cash Gifts	28,756	575	4,524	461
10	Parking			105,150	452
11	Other	973	861	23,091	324
12	Total	2,636,152	\$26,381	154,485	\$2,610

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

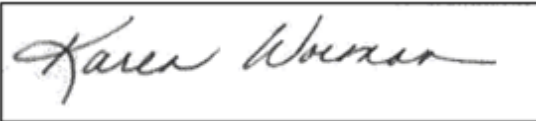
**BOARDWALK REGENCY LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2018

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.

4/1/2019

Date



Karen Worman

Vice President of Finance

Title

006320-11

License Number

On Behalf of:

BOARDWALK REGENCY LLC

Casino Licensee

Boardwalk Regency LLC (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION

Caesars Atlantic City Hotel & Casino is a casino hotel resort located in Atlantic City, New Jersey, owned and operated by Boardwalk Regency LLC (“Caesars Atlantic City”), an indirect wholly owned subsidiary of CEOC LLC. CEOC LLC is a majority owned subsidiary of Caesars Entertainment Corporation (“CEC”). Caesars Atlantic City is licensed by the DGE and is subject to its rules and regulations. The license is under review and under current law no longer expires.

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”). As of the Effective Date, Boardwalk Regency Corporation was dissolved and new company Boardwalk Regency 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 Company’s reorganization items are as follows:

Loss on settlement of claims	\$ (249,764)
Fresh-start adjustments	172,624
Amounts recognized in Reorganization items	<u>\$ (77,140)</u>

Boardwalk Regency LLC (Caesars Atlantic City)
NOTES TO CONSOLIDATED 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

Boardwalk Regency LLC (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

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.

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 the 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

Boardwalk Regency LLC (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

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

	<u>Lease Commitments</u>
2019	39,822
2020	44,084
2021	44,745
2022	45,492
2023	46,629
Thereafter	<u>1,971,690</u>
Total minimum rental commitments	<u><u>2,192,462</u></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 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.

Boardwalk Regency LLC (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

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 collectability of these receivables. Accounts receivable are typically non-interest bearing and are initially recorded at cost.

Marker play represents a portion of the Company's overall games volume. The Company maintains strict control 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 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 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 \$9,723. As of December 31, 2018, the net amount of the markers acquired was \$251.

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.

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

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

The Company reviews the carrying value of its long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The Company typically estimates its fair value of assets starting with a "Replacement Cost New" approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors, and changes in the assumptions and estimates, could have a material impact on the analysis and the supplemental consolidated financial statements schedules.

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	5 to 40 years
Leasehold improvements	3 to 30 years
Furniture, fixtures, and equipment	2.5 to 12 years

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Intangible Assets Other Than Goodwill – Intangible assets other than goodwill represents the customer database with a gross carrying value of \$11,000 as of December 31, 2018 and 2017, respectively, with accumulated amortization of \$917 and \$183 as of December 31, 2018 and 2017, respectively. 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 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.

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Adoption of New Revenue Recognition Standard - On January 1, 2018, we adopted the new accounting standard Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, and all related amendments.

In May 2014, the FASB issued a new standard related to revenue recognition, ASU 2014-09, Revenue from Contracts with Customers. We adopted the standard effective January 1, 2018, using the full retrospective method, which requires the Company to recast each prior reporting period presented consistent with the new standard. The most significant effects of adopting the new standard related to the accounting for our Total Rewards customer loyalty program and casino promotional allowances.

Total Rewards affects revenue from our four core businesses: casino entertainment, food and beverage, rooms and hotel, and entertainment and other business operations. Previously, the Company accrued a liability based on the estimated cost of fulfilling the redemption of Reward Credits, after consideration of estimated forfeitures (referred to as “breakage”), based upon the cost of historical redemptions. Upon adoption of the new accounting standard, Reward Credits are no longer recorded at cost, and a deferred revenue model is used to account for the classification and timing of revenue recognized as well as the classification of related expenses when Reward Credits are redeemed. This results in a portion of casino revenues being recorded as deferred revenue as Reward Credits are earned. Revenue is recognized in a future period based on when and for what good or service the Reward Credits are redeemed (e.g., a hotel room).

Additionally, we previously recorded promotional allowances in a separate line item within net revenues. As part of adopting the new standard, promotional allowances are no longer presented separately. Alternatively, revenue is recognized based on relative standalone selling prices for transactions with more than one performance obligation. For example, when a casino customer is given a complimentary room, we are required to allocate a portion of the casino revenues earned from the customer to rooms revenues based on the standalone selling price of the room. As a result of this change, we are reporting substantially lower casino revenues; however, there is no material effect on total net revenues.

Casino Revenues - Casino revenues include revenues generated by our casino operations and casino related activities such as poker, pari-mutuel wagering, and tournaments, less sales incentives and other adjustments. Casino revenues are measured by the aggregate net difference between gaming wins and losses. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. We accrue the incremental amount of progressive jackpots as the progressive machine is played, and the progressive jackpot amount increases, with a corresponding reduction to casino revenues. Funds deposited by customers in advance along with

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chips and slot vouchers in a customer's possession are recognized as a liability until such amounts are redeemed or used in gaming play by the customer.

Non Gaming Revenues - Rooms revenue, food and beverage revenue, and entertainment and other revenue include: (i) the actual amounts paid for such services (less any amounts allocated to unperformed performance obligations, such as Reward Credits described below); (ii) the value of Reward Credits redeemed for such services; and (iii) the portion of the transaction price allocated to complimentary goods or services provided in conjunction with other revenue-generating activities. Rooms revenue is generally recognized over the course of the customer's reservation period. Food and beverage and entertainment and other revenues are recognized when services are performed or events are held. Amounts paid in advance, such as advance deposits on rooms and advance ticket sales, are recorded as a liability until the goods or services are provided to the customer.

Other Revenue - Other revenue primarily includes revenue from third-party real estate leasing arrangements at our casino properties. Rental income is recognized ratably over the lease term with contingent rental income being recognized when the right to receive such rental income is established according to the lease agreements.

Total Rewards Loyalty Program - Caesars' customer loyalty program, Total Rewards, grants Reward Credits to Total Rewards Members based on on-property spending, including gaming, hotel, dining, and retail shopping at all Caesars-affiliated properties. Members may redeem Reward Credits for complimentary or discounted goods and services such as rooms, food and beverages, merchandise, entertainment, and travel accommodations. Members are able to accumulate Reward Credits over time that they may redeem at their discretion under the terms of the program. A member's Reward Credit balance is forfeited if the member does not earn a Reward Credit for a continuous six-month period.

Because of the significance of the Total Rewards program and the ability for customers to accumulate Reward Credits based on their past play, we have determined that Reward Credits granted in conjunction with other earning activity represent a performance obligation. As a result, for transactions in which Reward Credits are earned, we allocate a portion of the transaction price to the Reward Credits that are earned based upon the relative standalone selling prices ("SSP") of the goods and services involved. When the activity underlying the "earning" of the Reward Credits has a wide range of selling prices and is highly variable, such as in the case of gaming activities, we use the residual approach in this allocation by computing the value of the Reward Credits as described below and allocating the residual amount to the gaming activity. This allocation results in a significant portion of the transaction price being deferred and presented as a Contract Liability on our accompanying Balance Sheets. Any amounts allocated to the Contract Liabilities are recognized as revenue when the Reward Credits are redeemed in accordance with the specific recognition policy of

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the activity for which the credits are redeemed. This balance is further described below under Contract Liabilities.

Our Total Rewards loyalty program includes various tiers that offer different benefits, and members are able to earn credits towards tier status, which generally enables them to receive discounts similar to those provided as complimentary described below. We have determined that any such discounts received as a result of tier status do not represent material rights, and therefore, we do not account for them as distinct performance obligations.

We have determined the SSP of a Reward Credit by computing the redemption value of credits expected to be redeemed. Because Reward Credits are not otherwise independently sold, we analyzed all Reward Credit redemption activity over the preceding calendar year and determined the redemption value based on the fair market value of the goods and services for which the Reward Credits were redeemed. We have applied the practical expedient under the portfolio approach to our Reward Credit transactions because of the similarity of gaming and other transactions and the homogeneity of Reward Credits.

As part of determining the SSP for Reward Credits, we also determined that there is generally an amount of Reward Credits that are not redeemed, which is considered “breakage.” We recognize the expected breakage proportionally with the pattern of revenue recognized related to the redemption of Reward Credits. We periodically reassess our customer behaviors and revise our expectations as deemed necessary on a prospective basis.

In addition to Reward Credits, the Company’s customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards (“NNRR”). The Company accrues the costs of NNRR, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances in the accompanying consolidated statements of operations. At December 31, 2018 and 2017, the liability related to outstanding NNRR, which is based on historical redemption, was approximately \$530 and \$838, respectively.

Complimentaries - As part of our normal business operations, we often provide lodging, transportation, food and beverage, entertainment and other goods and services to our customers at no additional charge. Such complimentary are provided in conjunction with other revenue earning activities and are generally provided to encourage additional customer spending on those activities. Accordingly, we allocate a portion of the transaction price we receive from such customers to the complimentary goods and services. We perform this allocation based on the SSP of the underlying goods and services, which is determined based upon the weighted-average cash sales prices received for similar services at similar points during the year.

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Gaming Tax — The Company remits weekly to the State of New Jersey a tax equal to 8% of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the twelve months ended December 31, 2018 and 2017, which are included in casino expenses in the accompanying consolidated statements of income, were \$22,506 and \$26,009, respectively.

Advertising Expenses – Advertising costs are expensed as incurred. Advertising expenses are \$955 and \$899 for the twelve months ended December 31, 2018 and 2017 respectively. Advertising expenses are included in general, administrative and other expenses in the accompanying statements of income.

Rent Expense - Rent expense, which includes both cancelable and non-cancelable leases for the twelve months ended December 31, 2018 and 2017, was \$2,637 and \$2,665, 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 – Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City to make quarterly payments in lieu of real estate taxes. The Company is 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 and 2018 total \$120,000 and \$130,000 respectively. The company paid its respective quarterly obligations.

In September 2017, the Company settled the 2016 tax appeal with the City and the assessed value of the company was reduced by \$54,000. In October 2017, the Company received a payment of \$2,084, due to the reduction in the assessed value, this is included in Non-Operating Income in the Statements 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.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles (GAAP) requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumption.

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Internet Gaming - Caesars Interactive Entertainment New Jersey, LLC as the affiliate of Boardwalk Regency Corporation, was issued an internet gaming permit on November 20, 2013 to conduct real money online gaming in the State of New Jersey. All real money online gaming is reported in the financial statements of Caesars Interactive Entertainment New Jersey, LLC.

Subsequent Events - We completed our subsequent events review through March 29, 2019, 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 CEC's other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by CEOC on a consolidated basis. The company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis. The Company's property, assets and capital stock are pledged as collateral for certain of CEOC's outstanding debts.

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

Administrative and Other Services - Pursuant to a shared services agreement, CEOC provides 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 \$21,283 and \$22,368 for these services for the twelve months ended December 31, 2018 and 2017 respectively. The fee is included in charges from affiliates in the accompanying statements of income.

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

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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 contribution expense for the twelve months ended December 31, 2018 and 2017 was \$432 and \$524, 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.

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 \$11,561 and \$12,043 for the years ended December 31, 2018 and 2017, 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 \$4,541 and \$4,426 for the years ended December 31, 2018 and 2017, respectively.

Equity Incentive Awards - CEC maintains equity incentive award plans under which employees of the Company may be granted awards. CEC allocates an appropriate amount of cost for these awards to each subsidiary where employees participate. The contributions and charges for these plans were \$495 and \$107 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 – RECEIVABLES AND PATRONS' CHECKS

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

	<u>2018</u>	<u>2017</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2018, \$8,254 & 2017, \$8,733)	\$ 9,919	\$ 11,807
Other (Net of Allowance for Doubtful Accounts - 2018, \$2,431 & 2017, \$1,283)	3,245	4,031
	<u>\$ 13,164</u>	<u>\$ 15,838</u>

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NOTE 6 –OTHER CURRENT ASSETS

Other Current Assets as of December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Other	\$ 2,188	1,707
	<u>\$ 2,188</u>	<u>\$ 1,707</u>

NOTE 7 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>2018</u>	<u>2017</u>
Casino Reinvestment Development Authority Investment Obligation ("CRDA") (net of valuation reserves- 2018, \$5,757 and 2017, \$5,667)	\$ 3,842	\$ 3,953
	<u>\$ 3,842</u>	<u>\$ 3,953</u>

NOTE 8 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 14,920	\$ 14,920
Buildings and Improvements	244,538	237,165
Furniture, Fixtures, and Equipment	21,226	15,830
Construction in Progress	436	5,699
	<u>\$ 281,120</u>	<u>\$ 273,614</u>
Less Accumulated Depreciation & Amortization	<u>(32,408)</u>	<u>(7,009)</u>
	<u>\$ 248,712</u>	<u>\$ 266,605</u>

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NOTE 9 – OTHER ASSETS

Other assets as of December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Customer Database (less Accumulated Amortization of \$916 in 2018 & \$183 in 2017)	\$ 10,083	\$ 10,817
Other	312	345
	<u>\$ 10,395</u>	<u>\$ 11,162</u>

NOTE 10 - OTHER ACCRUED EXPENSES

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

	<u>2018</u>	<u>2017</u>
Accrued Payroll	\$ 4,526	\$ 4,868
Accrued Sales Tax	625	651
Accrued Gaming Tax	625	566
Accrued Gaming License	642	733
Accrued Utilities	744	544
Other	3,697	3,630
	<u>\$ 10,859</u>	<u>\$ 10,992</u>

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NOTE 11- LONG-TERM DEBT

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

	2018	2017
Due to Affiliates		
8.5% Note Payable to Caesars Entertainment, Ltd. ("CEL") due December 1, 2020	\$ -	\$ -
Due to Other		
Notes Payable		\$ -
Less: Current Portion of Notes Payable		\$ -
Capitalized Leases	-	-
Less: Current Portion of Capitalized Leases	-	-
Long Term Portion of Other Debt	-	-
Total Long Term Debt	\$ -	\$ -

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 our long-term debt due to affiliates being forgiven and no longer outstanding as of September 30, 2017. Since the note was due to an affiliate, a determination of fair value was not considered meaningful.

NOTE 12 – OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	2018	2017
Financial Lease Obligation (see note 2)	\$ 252,191	\$ 249,639
Other	7	4
	\$ 252,198	\$ 249,643

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NOTE 13- NON-OPERATING INCOME (EXPENSE)

For the twelve months ended December 31, 2018 and 2017, Non-Operating Income (Expense) consisted of the following:

	2018	2017
Interest Income	\$ 114	\$ 74
Write Downs & Reserves	-	(210)
2016 Property Tax Appeal Settlement	-	2,084
Reorganization	-	(77,140)
Other	2	(53)
	<u>\$ 116</u>	<u>\$ (75,245)</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 will be reduced by previously contractually obligated Credit Agreements committed by the Authority.

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

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

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

	2018	2017
CRDA Bonds — net of amortized costs	\$ 3,376	\$ 3,411
Deposits — net of reserves	466	542
Total	\$ 3,842	\$ 3,953

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$745 and \$689 for the twelve months ended December 31, 2018 and 2017, respectively, and is included in CRDA Income (Expense), in the consolidated 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, 2018 and 2017 was \$88 and \$47, 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.

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Atlantic City Alliance - Beginning with 2017, as part of the PILOT program with the State of New Jersey, the AC industry is required to provide \$15,000 in 2017, \$10,000 in 2018 and \$5,000 from 2019 thru 2023 to a Separate State Fund for marketing initiatives aimed at growing tourism in Atlantic City. The Company expensed \$1,222 and \$2,218 for the twelve months ending December 31, 2018 and 2017, respectively.

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

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

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

In 2016, \$1,490 of the Project Grant fund referred to above was reallocated to fund a Harrah's Non-Gaming amenity project.

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

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

In return for the above, the CRDA deposited \$45,000 (less \$1,490) into a Project Fund from which Caesars drew on a pari-passu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. As of December 31, 2018, Caesars has received \$43,375 in reimbursements from the Project Fund. The final balance of \$135 was received in January 2019.

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.

Settlement of Disputed Claims - Prior to the Effective Date, 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.

BOARDWALK REGENCY LLC
ANNUAL FILINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

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



OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

BOARDWALK REGENCY LLC

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$5,787		
2	Returned Patrons' Checks.....	12,386		
3	Total Patrons' Checks.....	18,173	\$8,254	\$9,919
4	Hotel Receivables.....	1,350	46	\$1,304
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	4,326		
8	Total Other Receivables.....	4,326	2,385	\$1,941
9	Totals (Form DGE-205).....	\$23,849	\$10,685	\$13,164

UNDEPOSITED PATRONS' CHECKS ACTIVITY

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$15,838
11	Counter Checks Issued.....	170,072
12	Checks Redeemed Prior to Deposit.....	(133,618)
13	Checks Collected Through Deposits.....	(28,121)
14	Checks Transferred to Returned Checks.....	(18,384)
15	Other Adjustments.....	
16	Ending Balance.....	\$5,787
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$930
19	Provision as a Percent of Counter Checks Issued.....	0.5%

BOARDWALK REGENCY LLC

ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2018

(\$ 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	612			
2	Slot Machines	45			
3	Administration	0			
4	Casino Cashiering	68			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	725	\$17,407	\$63	\$17,470
8	ROOMS	222	6,519	83	6,602
9	FOOD AND BEVERAGE	671	15,271	0	15,271
10	GUEST ENTERTAINMENT	270	600	0	600
11	MARKETING	200	7,421	684	8,105
12	OPERATION AND MAINTENANCE	160	6,553	0	6,553
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	8	24	142	166
14	Accounting and Auditing	20	692	0	692
15	Security	144	4,694	0	4,694
16	Other Administrative and General	120	2,312	0	2,312
	OTHER OPERATED DEPARTMENTS:				
17	Parking Operations	44	1,016	0	1,016
18	Health Club/Pool Services	30	626	0	626
19	Retail Stores	35	740	0	740
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS*	2,649	\$63,875	\$972	\$64,847

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