# BOARDWALK REGENCY CORPORATION
# QUARTERLY REPORT

## FOR THE QUARTER ENDED DECEMBER 31, 2013

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

**OFFICE OF FINANCIAL INVESTIGATIONS**
**REPORTING MANUAL**

# BOARDWALK REGENCY CORPORATION
# BALANCE SHEETS

AS OF DECEMBER 31, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 4/28/14

| Line (a) | Description (b) | Notes | 2013 (c) | 2012 (d) | |
|---|---|---|---|---|---|
| | ASSETS: | | | | |
| | Current Assets: | | | | |
| 1 | Cash and Cash Equivalents | | $20,125 | $22,452 | |
| 2 | Short-Term Investments | | | | |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, $9,411; 2012, $12,542) | 2 & 4 | 22,595 | 22,389 | |
| 4 | Inventories | 2 | 497 | 502 | |
| 5 | Other Current Assets | 5 | 6,007 | 9,342 | |
| 6 | Total Current Assets | | 49,224 | 54,685 | |
| 7 | Investments, Advances, and Receivables | 3,6 &14 | 16,859 | 485,478 | |
| 8 | Property and Equipment - Gross | 2 & 7 | 48,870 | 854,562 | * |
| 9 | Less: Accumulated Depreciation and Amortization | 2 & 7 | 0 | (194,783) | |
| 10 | Property and Equipment - Net | 2 & 7 | 48,870 | 659,779 | |
| 11 | Other Assets | 2 & 8 | 149,026 | 103,059 | * |
| 12 | Total Assets | | $263,979 | $1,303,001 | |
| | LIABILITIES AND EQUITY: | | | | |
| | Current Liabilities: | | | | |
| 13 | Accounts Payable | | $8,882 | $8,585 | |
| 14 | Notes Payable | | | | |
| | Current Portion of Long-Term Debt: | | | | |
| 15 | Due to Affiliates | | | | |
| 16 | External | 10 | 1,760 | 766 | |
| 17 | Income Taxes Payable and Accrued | 2 & 13 | 0 | 37 | |
| 18 | Other Accrued Expenses | 9 | 277,707 | 233,417 | |
| 19 | Other Current Liabilities | | 3,933 | 4,810 | |
| 20 | Total Current Liabilities | | 292,282 | 247,615 | |
| | Long-Term Debt: | | | | |
| 21 | Due to Affiliates | 10 | 518,330 | 518,330 | |
| 22 | External | 10 | 2,234 | 1,253 | |
| 23 | Deferred Credits | 2 & 13 | 0 | 71,116 | |
| 24 | Other Liabilities | 11 | 40,198 | 186,089 | |
| 25 | Commitments and Contingencies | 14 | | | |
| 26 | Total Liabilities | | 853,044 | 1,024,403 | |
| 27 | Stockholders', Partners', or Proprietor's Equity | | (589,065) | 278,598 | * |
| 28 | Total Liabilities and Equity | | $263,979 | $1,303,001 | |

* These amounts have been amended for 2013.

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

# BOARDWALK REGENCY CORPORATION
# STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 4/28/14

| Line (a) | Description (b) | Notes | 2013 (c) | 2012 (d) | |
|---|---|---|---|---|---|
| | Revenue: | | | | |
| 1 | Casino | | $334,989 | $356,650 | |
| 2 | Rooms | | 37,426 | 37,002 | |
| 3 | Food and Beverage | | 53,554 | 55,211 | |
| 4 | Other | | 18,326 | 21,779 | |
| 5 | Total Revenue | | 444,295 | 470,642 | |
| 6 | Less: Promotional Allowances | | 119,475 | 125,551 | |
| 7 | Net Revenue | | 324,820 | 345,091 | |
| | Costs and Expenses: | | | | |
| 8 | Cost of Goods and Services | | 227,354 | 227,155 | |
| 9 | Selling, General, and Administrative | | 24,749 | 31,170 | |
| 10 | Provision for Doubtful Accounts | | 3,207 | 3,908 | |
| 11 | Total Costs and Expenses | | 255,310 | 262,233 | |
| 12 | Gross Operating Profit | | 69,510 | 82,858 | |
| 13 | Depreciation and Amortization | 2 | 40,253 | 49,150 | |
| | Charges from Affiliates Other than Interest: | | | | |
| 14 | Management Fees | | | | |
| 15 | Other | 3 | 25,431 | 27,346 | |
| 16 | Income (Loss) from Operations | | 3,826 | 6,362 | |
| | Other Income (Expenses): | | | | |
| 17 | Interest Expense - Affiliates | 9 & 11 | (44,058) | (44,146) | |
| 18 | Interest Expense - External | | (157) | 254 | |
| 19 | CRDA Related Income (Expense) - Net | 14 | (3,064) | (2,998) | |
| 20 | Nonoperating Income (Expense) - Net | | (679,320) | (1,376) | * |
| 21 | Total Other Income (Expenses) | | (726,599) | (48,266) | |
| 22 | Income (Loss) Before Taxes and Extraordinary Items | | (722,773) | (41,904) | |
| 23 | Provision (Credit) for Income Taxes | 2 & 13 | (237,882) | (14,425) | |
| 24 | Income (Loss) Before Extraordinary Items | | (484,891) | (27,479) | |
| 25 | Extraordinary Items (Net of Income Taxes - 20__, $0; 20__, $0 ) | | | | |
| 26 | Net Income (Loss) | | ($484,891) | ($27,479) | * |

* These amounts have been amended for 2013.

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

# BOARDWALK REGENCY CORPORATION
# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 4/29/2014

| Line (a) | Description (b) | Notes | 2013 (c) | 2012 (d) | |
|---|---|---|---|---|---|
| | Revenue: | | | | |
| 1 | Casino | | $79,847 | $70,513 | |
| 2 | Rooms | | 8,647 | 7,539 | |
| 3 | Food and Beverage | | 12,029 | 11,635 | |
| 4 | Other | | 4,537 | 4,434 | |
| 5 | Total Revenue | | 105,060 | 94,121 | |
| 6 | Less: Promotional Allowances | | 32,176 | 26,808 | |
| 7 | Net Revenue | | 72,884 | 67,313 | |
| | Costs and Expenses: | | | | |
| 8 | Cost of Goods and Services | | 55,738 | 51,043 | |
| 9 | Selling, General, and Administrative | | 9,167 | 6,596 | |
| 10 | Provision for Doubtful Accounts | | 848 | 1,742 | |
| 11 | Total Costs and Expenses | | 65,753 | 59,381 | |
| 12 | Gross Operating Profit | | 7,131 | 7,932 | |
| 13 | Depreciation and Amortization | 2 | 9,491 | 12,650 | |
| | Charges from Affiliates Other than Interest: | | | | |
| 14 | Management Fees | | | | |
| 15 | Other | 3 | 6,259 | 5,045 | |
| 16 | Income (Loss) from Operations | | (8,619) | (9,763) | |
| | Other Income (Expenses): | | | | |
| 17 | Interest Expense - Affiliates | 9 & 11 | (11,014) | (11,065) | |
| 18 | Interest Expense - External | | (34) | 9 | |
| 19 | CRDA Related Income (Expense) - Net | 14 | (952) | (954) | |
| 20 | Nonoperating Income (Expense) - Net | | (677,883) | 711 | * |
| 21 | Total Other Income (Expenses) | | (689,883) | (11,299) | |
| 22 | Income (Loss) Before Taxes and Extraordinary Items | | (698,502) | (21,062) | |
| 23 | Provision (Credit) for Income Taxes | 2 & 13 | (231,269) | (8,518) | |
| 24 | Income (Loss) Before Extraordinary Items | | (467,233) | (12,544) | |
| 25 | Extraordinary Items (Net of Income Taxes - 20__, $_____; 20__, $________ ) | | | | |
| 26 | Net Income (Loss) | | ($467,233) | ($12,544) | * |

* These amounts have been amended for 2013.

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

# BOARDWALK REGENCY CORPORATION
# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2013

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 4/28/2014

| Line (a) | Description (b) | Notes | Common Stock Shares (c) | Common Stock Amount (d) | Preferred Stock Shares (e) | Preferred Stock Amount (f) | Additional Paid-In Capital (g) | (h) | Retained Earnings (Accumulated Deficit) (i) | Total Stockholders' Equity (Deficit) (j) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Balance, December 31, 2011..........** | | 100 | $1,370 | | | $915,830 | | ($611,123) | $306,077 |
| 2 | Net Income (Loss) - 2012............. | | | | | | | | (27,479) | (27,479) |
| 3 | Contribution to Paid-in-Capital..... | | | | | | | | | 0 |
| 4 | Dividends..................................... | | | | | | | | | 0 |
| 5 | Prior Period Adjustments.............. | | | | | | | | | 0 |
| 6 | | | | | | | | | | 0 |
| 7 | | | | | | | | | | 0 |
| 8 | | | | | | | | | | 0 |
| 9 | | | | | | | | | | 0 |
| 10 | **Balance, December 31, 2012..........** | | 100 | 1,370 | 0 | 0 | 915,830 | 0 | (638,602) | 278,598 |
| 11 | Net Income (Loss) - 2013............. | | | | | | | | (484,891) | (484,891) |
| 12 | Contribution to Paid-in-Capital..... | | | | | | | | | 0 |
| 13 | Dividends..................................... | | | | | | | | | 0 |
| 14 | Prior Period Adjustments.............. | | | | | | | | | 0 |
| 15 | Equitization of Intercompany | | | | | | (382,504) | | (268) | (382,772) |
| 16 | Balances | | | | | | | | | 0 |
| 17 | | | | | | | | | | 0 |
| 18 | | | | | | | | | | 0 |
| 19 | **Balance, December 31, 2013 .......** | | 100 | $1,370 | 0 | $0 | $533,326 | $0 | ($1,123,761) | ($589,065) |

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

# BOARDWALK REGENCY CORPORATION
# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

AMENDED 4/28/2014

| Line (a) | Description (b) | Notes | 2013 (c) | 2012 (d) |
|---|---|---|---|---|
| 1 | CASH PROVIDED (USED) BY OPERATING ACTIVITIES.. | | $151,497 | $50,745 |
| | 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............................ | | (14,595) | (14,012) |
| 5 | Proceeds from Disposition of Property and Equipment........... | | 205 | 16 |
| 6 | CRDA Obligations ............................................................ | | (4,065) | (4,738) |
| 7 | Other Investments, Loans and Advances made....................... | | | |
| 8 | Proceeds from Other Investments, Loans, and Advances ....... | | 95 | 432 |
| 9 | Cash Outflows to Acquire Business Entities........................... | | 0 | 0 |
| 10 | .................. | | | |
| 11 | .................. | | | |
| 12 | Net Cash Provided (Used) By Investing Activities.................... | | (18,360) | (18,302) |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| 13 | Proceeds from Short-Term Debt ........................................... | | | |
| 14 | Payments to Settle Short-Term Debt...................................... | | | |
| 15 | Proceeds from Long-Term Debt ............................................ | | 2,675 | 2,019 |
| 16 | Costs of Issuing Debt........................................................... | | | |
| 17 | Payments to Settle Long-Term Debt...................................... | | (700) | |
| 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 .................. | | (137,439) | (45,177) |
| 22 | .................. | | | |
| 23 | Net Cash Provided (Used) By Financing Activities.................. | | (135,464) | (43,158) |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents............. | | (2,327) | (10,715) |
| 25 | Cash and Cash Equivalents at Beginning of Period.................. | | 22,452 | 33,167 |
| 26 | Cash and Cash Equivalents at End of Period............................ | | $20,125 | $22,452 |

| | | | | |
|---|---|---|---|---|
| | CASH PAID DURING PERIOD FOR: | | | |
| 27 | Interest (Net of Amount Capitalized)...................................... | | $199 | $64 |
| 28 | Income Taxes........................................................................ | | $0 | $0 |

* These amounts have been amended for 2013.

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

# BOARDWALK REGENCY CORPORATION
# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)

($ IN THOUSANDS)

AMENDED 4/28/2014

| Line (a) | Description (b) | Notes | 2013 (c) | 2012 (d) | |
|---|---|---|---|---|---|
| | CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| 29 | Net Income (Loss) | | ($484,891) | ($27,479) | * |
| 30 | Depreciation and Amortization of Property and Equipment | | 31,398 | 40,292 | |
| 31 | Amortization of Other Assets | | 8,855 | 8,858 | |
| 32 | Amortization of Debt Discount or Premium | | | | |
| 33 | Deferred Income Taxes - Current | | 3,283 | 549 | |
| 34 | Deferred Income Taxes - Noncurrent | | (141,649) | (20,041) | |
| 35 | (Gain) Loss on Disposition of Property and Equipment | | (158) | (16) | |
| 36 | (Gain) Loss on CRDA-Related Obligations | | 7,429 | 2,336 | |
| 37 | (Gain) Loss from Other Investment Activities | | 465 | 465 | |
| 38 | (Increase) Decrease in Receivables and Patrons' Checks | | (206) | 2,147 | |
| 39 | (Increase) Decrease in Inventories | | 5 | 207 | |
| 40 | (Increase) Decrease in Other Current Assets | | 52 | 215 | |
| 41 | (Increase) Decrease in Other Assets | | 667 | 1,107 | |
| 42 | Increase (Decrease) in Accounts Payable | | 297 | (1,170) | |
| 43 | Increase (Decrease) in Other Current Liabilities | | 43,376 | 40,863 | |
| 44 | Increase (Decrease) in Other Liabilities | | 2,355 | (388) | |
| 45 | Increase (Decrease) in Invest., Adv. and Recvble | | | 2,800 | |
| 46 | Impairment of Assets | | 680,219 | | * |
| 47 | Net Cash Provided (Used) By Operating Activities | | $151,497 | $50,745 | |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| Line (a) | Description (b) | Notes | 2013 (c) | 2012 (d) |
|---|---|---|---|---|
| | ACQUISITION OF PROPERTY AND EQUIPMENT: | | | |
| 48 | Additions to Property and Equipment | | ($15,577) | ($15,392) |
| 49 | Less: Capital Lease Obligations Incurred | | 982 | 1,380 |
| 50 | Cash Outflows for Property and Equipment | | ($14,595) | ($14,012) |
| | 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 |

* These amounts have been amended for 2013.

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

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

# BOARDWALK REGENCY CORPORATION
# SCHEDULE OF PROMOTIONAL
# EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013
(UNAUDITED)
($ IN THOUSANDS)

| | | Promotional Allowances | | Promotional Expenses | |
|---|---|---|---|---|---|
| **Line (a)** | **Description (b)** | **Number of Recipients (c)** | **Dollar Amount (d)** | **Number of Recipients (e)** | **Dollar Amount (f)** |
| 1 | Rooms | 507,270 | $19,427 | | |
| 2 | Food | 649,936 | 23,077 | | |
| 3 | Beverage | 6,461,815 | 12,924 | | |
| 4 | Travel | | | 163,813 | 5,102 |
| 5 | Bus Program Cash | 1,393 | 94 | | |
| 6 | Promotional Gaming Credits | 623,958 | 38,123 | | |
| 7 | Complimentary Cash Gifts | 192,713 | 21,790 | | |
| 8 | Entertainment | 18,275 | 1,402 | 8,846 | 1,183 |
| 9 | Retail & Non-Cash Gifts | 61,939 | 1,239 | | |
| 10 | Parking | | | | |
| 11 | Other | 68,131 | 1,399 | 137,699 | 6,592 |
| 12 | Total | 8,585,430 | $119,475 | 310,358 | $12,877 |

FOR THE THREE MONTHS ENDED DECEMBER 31, 2013

| | | Promotional Allowances | | Promotional Expenses | |
|---|---|---|---|---|---|
| **Line (a)** | **Description (b)** | **Number of Recipients (c)** | **Dollar Amount (d)** | **Number of Recipients (e)** | **Dollar Amount (f)** |
| 1 | Rooms | 128,342 | $4,835 | | |
| 2 | Food | 150,317 | 5,470 | | |
| 3 | Beverage | 1,466,737 | 2,934 | | |
| 4 | Travel | | | 38,081 | 1,113 |
| 5 | Bus Program Cash | 314 | 27 | | |
| 6 | Promotional Gaming Credits | 200,916 | 11,430 | | |
| 7 | Complimentary Cash Gifts | 29,287 | 6,637 | | |
| 8 | Entertainment | 2,240 | 158 | 3,531 | 404 |
| 9 | Retail & Non-Cash Gifts | 17,767 | 356 | | |
| 10 | Parking | | | | |
| 11 | Other | 15,242 | 329 | 48,031 | 3,911 |
| 12 | Total | 2,011,162 | $32,176 | 89,643 | $5,428 |

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

# BOARDWALK REGENCY CORPORATION
# STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2013

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.

4/29/2014
Date

Karen Worman

Karen Worman

Vice President of Finance
Title

006320-11
License Number

On Behalf of:

BOARDWALK REGENCY CORPORATION
Casino Licensee

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

**AMENDED 4/28/2014**

## NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Boardwalk Regency Corporation (the "Company"), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. ("CNJ"), a New Jersey corporation. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Caesars Atlantic City". CNJ is a wholly owned subsidiary of Caesars World, Inc. ("CWI"), a Florida corporation, and CWI is a wholly owned subsidiary of Caesars Entertainment Operating Company, Inc. ("CEOC") (formerly Harrah's Operating Company), a direct wholly owned subsidiary of Caesars Entertainment, Inc. ("Caesars") (formerly Harrah's Entertainment Inc.). The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

The Company is licensed to operate the facility by the New Jersey Division of Gaming Enforcement (the "DGE") and is subject to rules and regulations established by the DGE. The Company's license is subject to renewal every five years. The current license expired in July 2013. Application for license renewal was submitted and is pending DGE review.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

**Inventories** - Inventories of provisions and supplies are valued at the lower of average cost, or market.

**(All dollar amounts in thousands)**

**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.

**Useful Lives**

| | |
|---|---|
| Land improvements | 12 years |
| Buildings | 30 to 40 years |
| Leasehold improvements | 5 to 15 years |
| Furniture, fixtures, and equipment | 2.5 to 20 years |

**Intangible Assets Other Than Goodwill –** Intangible assets other than goodwill represents the customer database with a gross carrying value of $3,737 and $106,200 as of December 31, 2013 and 2012, respectively, with accumulated amortization of $0 and $43,513 for the twelve months ended December 31, 2013 and 2012, respectively. The customer database was determined to have a 12 year life based upon attrition rates and computations of incremental value derived from existing relationships.

**Impairment of Intangible Assets -** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principle market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as the "exit price"). Fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability, including consideration of nonperformance risk.

We assess the inputs used to measure fair value using the three-tier hierarchy promulgated under GAAP. This hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Inputs include quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, and observable inputs such as interest rates and yield curves.

Level 3: Inputs that are significant to the measurement of fair value that are not observable in the market and include management's judgments about assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

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

**Investment in Atlantic City Express Service, LLC "ACES" –** In 2006, Caesars Atlantic City and Harrah's Atlantic City together with one other Atlantic City casino (the "Members") entered into an agreement to form Atlantic City Express Service, LLC ("ACES"). The Members each had a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. ACES suspended services during 2011 and the joint venture agreement terminated, which forced a liquidation of the joint venture's assets. In 2013, the Members each received $39 in final settlement of the remaining assets.

**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.

**Total Rewards Program Liability —** Caesars’ customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company’s property and certain affiliate casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, the Company accrues the expense of reward credits, after consideration of estimated forfeitures referred to as “breakage”, as they are earned. The estimated cost to provide reward credits is expensed as the reward credits are earned and is included in casino expense in the accompanying consolidated statements of operations. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which reward credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At December 31, 2013 and 2012, $2,808 and $2,512 respectively, was accrued for the cost of anticipated Total reward credit redemptions. These amounts reside on Caesars’ Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company.

In addition to Reward Credits, the Company’s customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards (“NNRR”). The Company accrues the costs of NNRR, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances in the accompanying consolidated statements of operations. At December 31, 2013 and 2012, the liability related to outstanding NNRR, which is based on historical redemption, was approximately $451 and $439, respectively.

**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, 2013 and 2012:

**(All dollar amounts in thousands)**

| | 2013 | 2012 |
|---|---|---|
| Food & Beverage | $ 28,778 | $ 30,004 |
| Rooms | 8,402 | 8,612 |
| Other | 3,445 | 5,425 |
| Bus Program Cash | 94 | 66 |
| Promotional Gaming Credits | 38,123 | 42,237 |
| Other Cash Complimentaries | 21,790 | 17,175 |
| | $ 100,632 | $ 103,519 |

**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, 2013 and 2012, which are included in casino expenses in the accompanying consolidated statements of income, were approximately $26,918 and $28,526, respectively.

**In-House Progressive Liability -** In March 2012, the DGE approved regulations which allowed casinos to remove in-house progressives from the floor. Casinos were no longer required to keep in-house progressives, once established on the floor. As a result, the regulations allowed us to remove the liability (reset and incremental portion) from the progressive slot liability account. The offset was an increase to the slot revenue.

**City of Atlantic City Real Property Tax Appeals -** In 2012, Caesars settled with the City of Atlantic City (the "City") with respect to their challenges to the real estate tax assessments for each of the tax years 2009 through 2012. Under the settlement terms, the assessments for the Caesars properties were collectively reduced from approximately $1,699 million to $1,049 million for the 2012 tax year. Caesars did not give up any rights to appeal future tax years as part of the settlement including an appeal of the tax year 2012 which is pending. The tax settlement, based on the 2012 City tax rate, resulted in a reduction in the tax payment that would otherwise have been due of approximately $14 million in 2012.

The City of Atlantic City increased property taxes approximately 17% for the year 2013.

**Income Taxes -** The Company is included in the consolidated federal tax return of Caesars and files a separate New Jersey tax return. The (benefit)/provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company follows the provisions of ASC 740-Income Taxes. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

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

**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.

**Recently Issued Accounting Pronouncements —** We do not expect that any recently issued accounting pronouncements will have a material effect on our financial statements.

## NOTE 3 - RELATED PARTY TRANSACTIONS

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

**Cash Activity with CEOC and Affiliates -** The Company transfers cash in excess of its operating and regulatory needs to CEOC on a daily basis. Cash transfers from CEOC to the Company are also made based upon the needs of the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is earned on the amount shown as due from affiliates in the accompanying financial statements.

**Atlantic City Country Club -** Atlantic City Country Club 1, LLC (“ACCC”) is a wholly owned subsidiary of Bally’s Atlantic City (“Bally’s”), an affiliate of the Company. The net operating costs of ACCC are allocated to the Company and Bally's as well as Harrah's Atlantic City and Showboat Atlantic City, also affiliates of the Company. The Company was charged approximately $98 and $156 for these costs for the twelve months ended December 31, 2013 and 2012, respectively. The costs are included in other operating expenses in the accompanying statements of income.

**Administrative and Other Services -** The Company is charged a fee by CEOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged $25,431 and $27,346 for these services for the twelve months ended December 31, 2013 and 2012, 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.

**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 earnings (subject to IRS rules and regulations) and are eligible to receive a company match of up to $600, which was reinstated in 2012. Participating employees become vested in matching contributions on a pro-rata basis over five years of credited service. The Company's contribution expense for the twelve months ended December 31, 2013 and 2012 was $543 and $471, respectively.

Caesars maintains several supplemental executive supplemental savings plans ("SERP") to provide additional retirement benefits to a select group of former executives. The expenses charged by Caesars to the Company for employees' participation in these programs are included in the administrative and other services charge discussed above.

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

The Company recognized $16 and $20 in equity award options for each of the years ended December 31, 2013 and 2012, respectively, and are included in selling, general and administrative within 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 $11,983 and $12,079 for the years ended December 31, 2013 and 2012, respectively, and are included in Selling, General and Administrative 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 risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects:

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

### Multiemployer Pension Plan Participation

| Pension Fund | EIN/Pension Plan Number | Pension Protection Act Zone Status (1) 2013 | Pension Protection Act Zone Status (1) 2012 | FIP/RP Status (2) | Contributions of CEOC on Behalf of Boardwalk Regency Corporation ($ in millions) 2013 | Contributions of CEOC on Behalf of Boardwalk Regency Corporation ($ in millions) 2012 | Surcharge Imposed | Expiration Date of Collective-Bargaining Agreement |
|---|---|---|---|---|---|---|---|---|
| Pension Plan of the UNITE HERE National Retirement Fund | 13-6130178/001 | Red | Red | Yes | $ 3.0 | $ 2.8 | No | September 2014 |
| Local 68 Engineers Union Pension Plan (3) | 51-0176618/001 | Yellow | Green | Yes | 0.4 | 0.4 | No | April 2014 |
| NJ Carpenters Pension Fund | 22-6174423/001 | Yellow | Yellow | Yes | 0.1 | 0.1 | No | April 2014 |
| Other Funds | | | | | 0.1 | 0.1 | | |
| | | | | | $ 3.6 | $ 3.4 | | |

Represents the Pension Protection Act ("PPA") zone status for applicable plan year beginning January 1, 2013, except where noted otherwise.

1. Indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.
2. Plan years begin July 1.

The zone status is based on information that the Company received from the plan administrator and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than less than 65% funded, plans in the yellow zone are between 60% and less than 80% funded, and plans in the green zone are at least at least 80% funded. All plans detailed in the table above utilized extended amortization provisions to calculate zone status.

**(All dollar amounts in thousands)**

## NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

| | 2013 | 2012 |
|---|---|---|
| Casino Receivables (Net of Allowance for Doubtful Accounts - 2013, $9,061 & 2012, $12,174) | $ 16,408 | $ 17,027 |
| Other (Net of Allowance for Doubtful Accounts - 2013, $350 & 2012, $368) | 6,187 | 5,362 |
| | $ 22,595 | $ 22,389 |

## NOTE 5 –OTHER CURRENT ASSETS

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

| | 2013 | 2012 |
|---|---|---|
| Tax Deferred Asset | $ 4,554 | $ 7,837 |
| Other | 1,453 | 1,505 |
| | $ 6,007 | $ 9,342 |

## NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

| | 2013 | 2012 |
|---|---|---|
| Due from Caesars | $ - | $ 464,695 |
| Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2013, $8,802 and 2012, $10,633) | 16,859 | 20,783 |
| | $ 16,859 | $ 485,478 |

The amounts due from Caesars as of December 31 are unsecured and non-interest bearing.

## NOTE 7 – PROPERTY AND EQUIPMENT

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

**(All dollar amounts in thousands)**

| | 2013 | 2012 |
|---|---|---|
| Land | $ 12,568 | $ 182,580 |
| Buildings and Improvements | 29,747 | 534,430 |
| Furniture, Fixtures, and Equipment | 2,118 | 137,484 |
| Construction in Progress | 4,437 | 68 |
| | $ 48,870 | $ 854,562 |
| Less Accumulated Depreciation & Amortization | - | (194,783) |
| | $ 48,870 | $ 659,779 |

The Company held investments in two townhouse complexes, both of which are located in Atlantic City, NJ and are collectively referred to as the "CRDA Real Estate". In June 2013, the Company recorded impairments on the CRDA Real Estate in the amount of $559 reflected in tangible and intangible asset impairments of the accompanying supplemental consolidating balance sheet schedule. In October 2013, Company agreed to sell the CRDA Real Estate to Harbour Pointe Properties, LLC in exchange for $661 upon expiration of a mandatory 20 year hold period. The sale closed in December 2013.

During the fourth quarter 2013, casino property sales occurred in the Atlantic City market. The pricing of the transactions indicated a substantial decline in market price had occurred for Casinos in Atlantic City. As a result of this triggering event, Caesars determined it was necessary to perform a recoverability test of the carrying amount of the Companies. It was determined the carrying values of the Companies was not recoverable. Therefore, a fair value assessment of the properties was performed. Impairment losses were $594,059.

## NOTE 8 – OTHER ASSETS

Other assets as of December 31 consist of the following:

| | 2013 | 2012 |
|---|---|---|
| Customer Database (less Accumulated Amortization of $0 in 2013 & $43,513 in 2012) | $ 3,737 | $ 62,687 |
| L/T Deferred Income Tax | 141,649 | - |
| Other | 3,640 | 40,372 |
| | $ 149,026 | $ 103,059 |

During May 2003, the Company entered into an agreement to lease The Pier at Caesars (the “Pier”) to developers for an initial term of 75 years. The 75 year term commenced upon completion of the Pier’s construction in 2006. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the developers.

**(All dollar amounts in thousands)**

During the fourth quarter of 2013, the Company completed its annual assessment of other amortizing intangible assets, as of December 31, 2013, which resulted in impairment charges of $84,926. These impairment charges were the result of reduced projections associated with these intangible assets within our long-term operating plan.

## NOTE 9 - OTHER ACCRUED EXPENSES

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

| | 2013 | 2012 |
|---|---|---|
| Accrued Payroll | $ 6,215 | $ 7,148 |
| Accrued Interest Payable | 261,059 | 216,998 |
| Other | 10,433 | 9,271 |
| | $ 277,707 | $ 233,417 |

## NOTE 10- LONG-TERM DEBT

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

| | 2013 | 2012 |
|---|---|---|
| **Due to Affiliates** | | |
| 8.5% Note Payable to Caesars Entertainment, Ltd. ("CEL") due December 1, 2020 | $ 518,330 | $ 518,330 |
| **Due to Other** | | |
| Notes Payable | 2,673 | |
| Less: Current Portion of Notes Payable | (927) | |
| Capitalized Leases | 1,321 | 2,019 |
| Less: Currrent Portion of Capitalized Leases | (833) | (766) |
| Long Term Portion of Other Debt | 2,234 | 1,253 |
| Total Long Term Debt | $ 520,564 | $ 519,583 |

On July 1, 2006, the note formerly held by CEFC was assigned to CEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of December 31, 2013 and 2012, accrued interest related to the intercompany note totaled $261,032 and $216,974, respectively. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

**(All dollar amounts in thousands)**

## NOTE 11 – OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

| | 2013 | 2012 |
|---|---|---|
| Due to Affiliates, Atlantic City Region | $ - | $ 116,946 |
| Due to Affiliates, Other | - | 31,300 |
| Deferred Tax Liability | 40,194 | 37,829 |
| Other | 4 | 14 |
| | $ 40,198 | $ 186,089 |

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

## NOTE 12 – LEASES

The Company leases equipment used in their operations and classify those leases as either operating or capital leases, for accounting purposes. As of December 31, 2013, the remaining lives of the Company's operating leases ranged from 1 to 2 years. In addition to the minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

| | Capital Leases |
|---|---|
| 2014 | $ 2,000 |
| 2015 | 1,473 |
| 2016 | 875 |
| 2017 | - |
| Thereafter | - |
| Total minimum lease payments | 4,348 |
| Amounts representing interest | (354) |
| Present value of net minimum lease payments | 3,994 |
| Less current maturities | (1,760) |
| Capital lease obligations — noncurrent | $ 2,234 |

Rent expense, which includes both cancelable and non-cancelable leases for the years ended December 31, 2013 and 2012, was $2,853 and $3,226, respectively. These amounts are included in the accompanying Statements of Income.

## NOTE 13 - INCOME TAXES (BENEFITS)

The Company is included in the consolidated federal tax return of Caesars, but files a separate New

Jersey tax return.

The tax years that remain open for examination for Caesar's major jurisdictions are 1999 through 2013 for New Jersey due to our execution of New Jersey statute of limitations extensions. The tax years prior to 2010 are no longer subject to examination for U.S. tax purposes.

Significant components of the income tax provision (benefit) for income taxes for the year ended December 31, 2013 is as follows (in thousands):

| Income Tax (Benefit) Provision | 2013 | 2012 |
|---|---|---|
| Current: | | |
| Federal | $ (9,741) | $ 5,195 |
| State | (94) | 1,643 |
| | (9,835) | 6,838 |
| Deferred | (228,047) | (21,263) |
| Income tax benefit | $ (237,882) | $ (14,425) |

The provision for income taxes for the year ended December 31, 2013, differs from the federal statutory rate of 35% primarily due to an increase in federal valuation allowance, state income taxes, the impact of nondeductible expenses, federal tax credits and the accrual for uncertain tax positions. The Company does not have a formal tax sharing agreement in place with its parent entity for federal income tax purposes. Therefore, Caesars reports all of the Company's federal income taxes of which the Company's portion was a benefit of $12,106 in 2013.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

**(All dollar amounts in thousands)**

**AMENDED 4/28/2014**

| | 2013 | 2012 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for doubtful accounts | $ 3,860 | $ 5,010 |
| Contingencies | 15,269 | 14,303 |
| CRDA investment obligation | 5,445 | 10,891 |
| Depreciation and other property related items | 176,338 | |
| Tax credit carryovers | 1,464 | |
| Other | 714 | 3,489 |
| Net operating loss carryovers | 1,430 | 17,401 |
| | 204,520 | 51,094 |
| Valuation Allowance | (48,376) | |
| | 156,144 | 51,094 |
| Deferred tax liabilities: | | |
| Intangible Assets | (1,779) | (25,608) |
| Depreciation and other property related items | | (81,375) |
| Progressive jackpot liablity | | (7,391) |
| Grantor Trust | (8,162) | |
| | (9,941) | (114,374) |
| Net deferred tax liability | $ 146,203 | $ (63,280) |

As of December 31, 2013, the Company had New Jersey net operating loss (NOL) carryforwards of $41,341. These NOLs will begin to expire in 2029.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing federal and state deferred tax assets. On the basis of this evaluation, as of December 31, 2013, a valuation allowance of $48,376 has been recorded against the portion of the federal and state deferred tax assets that are not more likely than not to be realized. The amount of the federal and state deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company accrued approximately $2,364 of interest during 2013. In total, the Company accrued $19,516 for the payment of interest and penalties at December 31, 2013.

It is reasonably possible that the amount of unrecognized tax benefits could decrease within the next twelve months. Management estimates that the amount of unrecognized tax benefits will decrease by $20,678 within the next twelve months.

**(All dollar amounts in thousands)**

## NOTE 14 – COMMITMENTS AND CONTINGENCIES

**Litigation –** The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

**Insurance Reserve -** The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets include insurance allowances of $15 as of December 31, 2013 and 2012. Actual results may differ from these reserve amounts.

**CRDA Investment Obligation —** The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

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

| | 2013 | 2012 |
|---|---|---|
| CRDA Bonds — net of amortized costs | $ 4,153 | $ 4,513 |
| Deposits — net of reserves of $8,802 and $10,633 | 12,706 | 16,270 |
| Total | $ 16,859 | $ 20,783 |

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $2,600 and $2,533 for the twelve months ended December 31, 2013 and 2012, respectively, and is included in CRDA Expense, in the consolidated statements of operations.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA.

Once CRDA Bonds are issued, we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and, under the CRDA, they are not permitted to do otherwise. As such, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the twelve months ended December 31, 2013 and 2012 was $28 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 affect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative credit-worthiness of each bondholder, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount.

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided $34,000 over a four year period to the NJSEA and deposited another $62,000 into the Casino Expansion Fund (managed by the CRDA). The Company's obligation was equal to its fair-share of AC Industry casino revenues totaling $2,812, and the Company is eligible to receive funds deposited as a result of this obligation from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize Atlantic City casino marketing. This agreement was signed on November 2, 2011 and is set to expire on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of $5,000 in December 2011 and will continue to pay $30,000 annually for the next five years. The Company's obligation was $3,515 for the twelve months ended December 31, 2013. The

**(All dollar amounts in thousands)**

Company's obligation for its portion of future payments is estimated at $10,251, equal to its fair-share of AC Industry casino revenues.

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

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

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

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

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

In return for the above, the CRDA will deposit $45,000 into a Project Fund from which Caesars can draw on a pari-passu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. During 2013, Caesars received $1,400 in reimbursements from the Project Fund.

# BOARDWALK REGENCY CORPORATION

# ANNUAL FILINGS

## FOR THE YEAR ENDED DECEMBER 31, 2013

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

**OFFICE OF FINANCIAL INVESTIGATIONS**
**REPORTING MANUAL**

# BOARDWALK REGENCY CORPORATION
## ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2013

(UNAUDITED)
($ IN THOUSANDS)

| ACCOUNTS RECEIVABLE BALANCES | | | | |
|---|---|---|---|---|
| **Line (a)** | **Description (b)** | **Account Balance (c)** | **Allowance (d)** | **Accounts Receivable (Net of Allowance) (e)** |
| | Patrons' Checks: | | | |
| 1 | Undeposited Patrons' Checks............................... | $12,453 | | |
| 2 | Returned Patrons' Checks.................................... | 13,016 | | |
| 3 | Total Patrons' Checks........................................ | 25,469 | $9,061 | $16,408 |
| 4 | Hotel Receivables.................................................. | 1,281 | 73 | $1,208 |
| | Other Receivables: | | | |
| 5 | Receivables Due from Officers and Employees.... | | | |
| 6 | Receivables Due from Affiliates.......................... | | | |
| 7 | Other Accounts and Notes Receivables................ | 5,256 | | |
| 8 | Total Other Receivables.................................... | 5,256 | 277 | $4,979 |
| 9 | Totals (Form DGE-205)......................................... | $32,006 | $9,411 | $22,595 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|---|---|---|
| **Line (f)** | **Description (g)** | **Amount (h)** |
| 10 | Beginning Balance (January 1)........................................................................................ | $11,880 |
| 11 | Counter Checks Issued.......................................................................................... | 288,859 |
| 12 | Checks Redeemed Prior to Deposit.............................................................................. | (256,598) |
| 13 | Checks Collected Through Deposits.............................................................................. | (14,835) |
| 14 | Checks Transferred to Returned Checks........................................................................ | (16,853) |
| 15 | Other Adjustments.................................................................................................. | |
| 16 | Ending Balance...................................................................................................... | $12,453 |
| 17 | "Hold" Checks Included in Balance on Line 16................................................................ | 0 |
| 18 | Provision for Uncollectible Patrons' Checks.................................................................... | $3,077 |
| 19 | Provision as a Percent of Counter Checks Issued............................................................. | 1.1% |

# BOARDWALK REGENCY CORPORATION
# ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2013

($ IN THOUSANDS)

| Line (a) | Department (b) | Number of Employees (c) | Salaries and Wages: Other Employees (d) | Salaries and Wages: Officers & Owners (e) | Salaries and Wages: Totals (f) |
|---|---|---|---|---|---|
| | CASINO: | | | | |
| 1 | Table and Other Games | 805 | | | |
| 2 | Slot Machines | 65 | | | |
| 3 | Administration | | | | |
| 4 | Casino Accounting | 94 | | | |
| 5 | Simulcasting | 6 | | | |
| 6 | Other | | | | |
| 7 | Total - Casino | 970 | $22,653 | $209 | $22,862 |
| 8 | ROOMS | 237 | 6,014 | 69 | 6,083 |
| 9 | FOOD AND BEVERAGE | 760 | 15,677 | 100 | 15,777 |
| 10 | GUEST ENTERTAINMENT | 236 | 919 | | 919 |
| 11 | MARKETING | 122 | 4,377 | 1,474 | 5,851 |
| 12 | OPERATION AND MAINTENANCE | 184 | 7,101 | | 7,101 |
| | ADMINISTRATIVE AND GENERAL: | | | | |
| 13 | Executive Office | 2 | 191 | 115 | 306 |
| 14 | Accounting and Auditing * | 19 | 836 | 70 | 906 |
| 15 | Security | 136 | 4,487 | | 4,487 |
| 16 | Other Administrative and General | 66 | 2,903 | 64 | 2,967 |
| | OTHER OPERATED DEPARTMENTS: | | | | |
| 17 | Parking Operations | 69 | 1,287 | | 1,287 |
| 18 | Health Club/Pool Services | 28 | 642 | | 642 |
| 19 | Telephone | 0 | 247 | | 247 |
| 20 | Retail Stores | 21 | 546 | | 546 |
| 21 | | | | | 0 |
| 22 | | | | | 0 |
| 23 | TOTALS - ALL DEPARTMENTS | 2,850 | $67,880 | $2,101 | $69,981 |

* Accounting and Auditing includes $182 in payroll costs for Caesars Interactive Entertainment New Jersey, for which soft play commenced November 21, 2013 and real money gaming launched November 26, 2013