

TRADING NAME OF LICENSEE TROPICANA HOTEL Casino

974-901
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ANNUAL REPORT

NEW JERSEY PROPERTY OF
NEW JERSEY STATE
MAY 12 1986
185 W. STATE ST.
TRENTON, N.J.

LICENSEE Adamar of New Jersey, Inc.
dba Tropicana Hotel and Casino

ADDRESS Iowa Avenue and the Boardwalk
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT Lester Brzozowski

OFFICIAL TITLE Vice President of Finance

ADDRESS Iowa Avenue and the Boardwalk
Atlantic City, NJ 08401

TRADING NAME OF LICENSEE Tropicana Hotel and Casino

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86

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The accompanying notes are an integral part of the financial statements. All figures are in thousands of dollars unless otherwise indicated.

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	ASSETS		
	Current Assets:	\$	\$
1	Cash	6,783	20,712
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$ 8,932 ; 19 <u>85</u> , \$ 9,043) Note II -8	9,767	10,587
4	Inventories	1,765	1,770
5	Prepaid expenses and other current assets .. Note III - 1	2,708	1,550
6	Total current assets	21,023	34,619
7	Investments, Advances, And Receivables Note II - 8, Note III - 2	353,669	233,667
8	Property And Equipment - Net Note II - 1	92,884	85,015
9	Other Assets	1,664	2,061
10	Total Assets	\$ 469,240	\$ 355,362
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
11	Accounts payable	1,696	1,977
12	Notes payable	-0-	-0-
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other Note II - 2	5,948	4,635
15	Income taxes payable and accrued	439	172
16	Other accrued expenses Note III - 3	12,448	12,227
17	Other current liabilities .. Note II - 8, Note III - 4	11,752	3,120
18	Total current liabilities	32,283	22,131
	Long-Term Debt:		
19	Due to affiliates	-0-	-0-
20	Other Note II - 2	17,562	20,697
21	Deferred Credits Note II - 3	3,115	2,263
22	Other Liabilities Note II - 8, Note III - 5	284,292	184,814
23	Commitments And Contingencies Note II - 6		
24	Total Liabilities	337,252	229,905
25	Stockholders', Partners', Or Proprietor's Equity	131,988	125,457
26	Total Liabilities And Equity	\$ 469,240	\$ 355,362

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 1985

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	214,601	210,792
2	Rooms	13,957	14,495
3	Food and beverage	27,915	32,355
4	Other	5,472	6,033
5	Total revenue	261,945	263,675
6	Less: promotional allowances ..Note.II.r.7.....	22,669	28,310
7	Net revenue	239,276	235,365
	Costs And Expenses:		
8	Cost of goods and services .....Note.II.r.8.....	123,969	131,011
9	Selling, general, and administrative .Note.II.r.8.....	61,952	52,475
10	Provision for doubtful accounts	1,766	3,161
11	Total	187,687	186,647
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	51,589	48,718
13	Depreciation and amortization	9,536	8,065
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees ...Note.II.r.8.....	416	473
16	Other .....Note.II.r.8.....	43,420	43,799
17	Interest expense - external .Note.II.r.9.....	4,234	4,023
18	Income (Loss) From Operations	(6,017)	(7,642)
19	Nonoperating income (expense) - net .Note.III.r.6.....	19,976	19,975
20	Investment alternative tax and related income (expense) - net..... Note II - 6	(658)	(804)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	13,301	11,529
22	Provision (Credit) for income taxes Note II - 10	6,770	5,303
23	Income (Loss) Before Extraordinary Items	6,531	6,226
24	Extraordinary items (net of income taxes - 19 <u>86</u> , \$ -0- ; 19 <u>85</u> , \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ 6,531	\$ 6,226

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	46,620	49,201
2	Rooms	3,196	3,184
3	Food and beverage	5,721	7,363
4	Other	1,060	1,508
5	Total revenue	56,597	61,256
6	Less: promotional allowances Note II -7	4,798	6,261
7	Net revenue	51,799	54,995
	Costs And Expenses:		
8	Cost of goods and services	29,546	31,371
9	Selling, general, and administrative	14,842	13,852
10	Provision for doubtful accounts	582	921
11	Total	44,970	46,144
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	6,829	8,851
13	Depreciation and amortization	2,390	2,046
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	110	114
16	Other	10,695	11,275
17	Interest expense - external	877	1,064
18	Income (Loss) From Operations	(7,243)	(5,648)
19	Nonoperating income (expense) - net	4,472	4,573
20	Investment alternative tax and related income (expense) - net.....	(15)	43
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(2,786)	(1,032)
22	Provision (Credit) for income taxes	(888)	(602)
23	Income (Loss) Before Extraordinary Items	(1,898)	(430)
24	Extraordinary items (net of income taxes - 19 <u>86</u> , \$ -0- ; 19 <u>85</u> , \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ (1,898)	\$ (430)

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)	100	1	100	1
2	Sale of stock				
3	.....			
4	Ending balance	100	1	100	1
	Preferred Stock:				
5	Beginning balance (January 1)	70,609	78,902		78,902
6	Sale of stock				
7	.....			
8	Ending Balance	70,609	78,902		78,902
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		29,565		29,565
10	.....			
11	.....			
12	Ending balance		29,565		29,565
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		16,989		10,763
26	Prior period adjustments				
27	Net income (loss)		6,531		6,226
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		23,520		16,989
32	Ending Stockholders' Equity		\$ 131,988		\$ 125,457

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

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31 19, 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Invested Capital:	\$	\$
1	Beginning balance (January 1)		
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)		
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	()
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$	\$

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

NOT APPLICABLE

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1986 AND 1985
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Sources Of Funds:		
1	Income (loss) before extraordinary items	\$ 6,531	\$ 6,226
	Add (deduct) items not affecting working capital:		
2	- Depreciation and amortization of property and equipment	9,463	8,020
3	Amortization of other assets	394	942
4	Deferred income taxes - noncurrent	852	806
5	(Gain) loss on dispositions of property and equipment	32	11
6	.....	
7	.....	
8	.....	
9	Total		
10	Extraordinary items	-0-	-0-
11	Total funds provided (used) by operations	17,272	16,005
12	Proceeds from dispositions of property and equipment	-0-	449
13	Proceeds from long-term debt	2,458	2,500
14	Additions to deferred credits and other liabilities	-0-	-0-
15	Proceeds from issuance of stock or capital contributions	-0-	-0-
16	Other Assets	(3)	1,406
17	Other Liabilities	99,478	170,585
18	.....	
19	.....	
20	Total funds provided	119,205	190,945
	Uses Of Funds:		
21	Additions to property and equipment	17,359	5,173
22	Investment in casino reinvestment obligations	1,999	1,934
23	Other additions to investments, advances, and receivables	118,003	159,960
24	Increase in other assets	-0-	-0-
25	Reductions of long-term debt	5,592	4,034
26	Dividends declared or capital distributions	-0-	-0-
27	.....	
28	.....	
29	.....	
30	.....	
31	Total funds used	142,953	171,101
32	Increase (Decrease) In Working Capital.....	\$ (23,748)	\$ 19,844
	Summary Of Changes In Components Of Working Capital:		
33	Cash	\$ (13,929)	\$ 16,271
34	Marketable securities	-0-	-0-
35	Receivables and patrons' checks	(820)	(1,752)
36	Inventories	(5)	(62)
37	Prepaid expenses and other current assets	1,158	(572)
38	Accounts payable	281	193
39	Notes payable	-0-	-0-
40	Current portion of long-term debt	(1,313)	(404)
41	Income taxes payable and accrued	(267)	971
42	Other accrued expenses	(221)	2,236
43	Other current liabilities	(8,632)	2,963
44	Increase (Decrease) In Working Capital	\$ (23,748)	\$ 19,844

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

ADAMAR OF NEW JERSEY, INC.
DBA TROPICANA HOTEL/CASINO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1986

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation.

The consolidated financial statements include the accounts of Adamar of New Jersey, Inc. (The Company) and its wholly-owned subsidiary, Manchester Mall, Inc., after elimination of all significant inter-company accounts and transactions.

The Company is a wholly-owned subsidiary of Ramada New Jersey Holdings Corporation (RNJHC) which is, in turn, a subsidiary of Ramada, Inc. (Ramada). The financial statements reflect the intercompany transactions and accounts with RNJHC, Ramada and affiliates.

Inventories

Inventories, which consist primarily of food, beverage and operating supplies are priced at the lower of cost or market. Cost has been determined using the first-in, first-out method.

Property and equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to operations when incurred; renewals and betterments, which significantly extend the useful lives of existing property and equipment, are capitalized. During construction, the Company follows the practice of capitalizing interest and other direct and indirect costs related to development. Interest is capitalized monthly by applying the effective interest rate on borrowings for the project to the average balance of expenditures.

Gains or losses on dispositions of property and equipment are reflected in earnings as realized.

Depreciation is computed on the straight-line basis over the estimated useful lives (building and improvements - 3 to 40 years; equipment, furniture and fixtures - 3 to 15 years).

Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the term of the related lease.

Deferred charges

Costs incurred by the Company in obtaining its initial gaming license to operate a casino in Atlantic City, New Jersey have been capitalized. These costs are being amortized over a ten-year period. Subsequent one-year renewal costs are amortized over the renewal period.

Casino Revenue

Casino revenue consists of the net win from gaming activities, which is the difference between gaming wins and losses.

Complimentaries

The retail value of complimentary food, beverage, and hotel services furnished to customers is included in gross revenues and then deducted as promotional allowances in arriving at net revenue.

Income taxes

The Company is included in Ramada's consolidated corporate federal income tax return. Deferred income taxes represent the tax effect of differences in the timing of income and expense recognition for tax purposes versus financial statement reporting purposes.

SALE/LEASEBACK TRANSACTION

In November 1984, the Company sold and leased back its building and certain non-gaming equipment. The Company transferred the building and certain other non-gaming assets to Ambassador General Partnership (AGP), in exchange for a 99.9% interest in AGP. The assets transferred had a net book value of \$226,000,000. Simultaneously, with the transfer, the Company gave its interest in AGP to Ramada, as a dividend, which then sold the interest to a limited partnership, Ambassador Real Estate Investor, L.P. (AREI) for \$243,900,000. Two directors of the Company are general partners in AGP and AREI. The cash proceeds to Ramada of approximately \$163,000,000 were primarily utilized to repay certain debt obligations. The Company did not realize any gain or loss on the transaction.

In addition to the transfer of assets to AGP, the Company leased the land on which the Tropicana is located to AGP for a term of 65 years, and leased back the assets and land from AGP under a 10-year lease agreement with three 10-year renewal options. For financial reporting purposes, the leaseback has been principally treated as an operating lease (see "Lease Obligations") except for the portion related to furniture and equipment, which has been capitalized. Ramada has an option to repurchase the building and certain non-gaming assets from AGP in 1994 for a minimum repurchase price of \$244,000,000 and a maximum repurchase price of \$350,000,000 subject to adjustment if the Tropicana is expanded.

AREI financed the acquisition of its interest in AGP through a combination of \$38,050,000 in net equity contributions from private investors and distributions of proceeds from \$205,850,000 of borrowings by AGP. The AGP borrowings consist of (i) a non-recourse term loan in the amount of \$125,000,000 (the First Mortgage) by a consortium of financial institutions, collateralized by a first mortgage lien on, among other things, AGP's property and equipment, the Company's land underlying the Tropicana building, and certain other assets owned by the Company, (ii) a loan of \$50,000,000 (the Junior Participation) by Ramada, collateralized by a junior participation in the First Mortgage, and (iii) a non-recourse note \$30,850,000 (the Second Mortgage) from Ramada, collateralized by a third priority lien on the same assets which collateralize the First Mortgage.

In connection with the sale/leaseback transaction Ramada Hotel Operating Company gave its interest in Adamar to Ramada, Inc. Subsequently, Ramada exchanged its interest in Adamar for the common stock of Ramada New Jersey Holdings Corporation.

Beginning in 1985, the Company will fund the purchase of replacement furniture and equipment required for the operation of the Tropicana, up to certain maximum amounts per year, by loans collateralized by a mortgage (the FF&E Mortgage) with AGP. As of December 31, 1986 and 1985, respectively, the mortgage notes totaled \$4,958,000 and \$2,500,000. Such furniture and equipment purchases are to be leased back to the Company by AGP pursuant to a lease agreement under which the Company will pay rent to AGP for a period of five years. Rent expense for the FF&E was \$1,300,000 and \$209,000 in 1986 and 1985, respectively. For financial reporting purposes this lease will be treated as a capital lease. No principal or interest payments are made on the FF&E Mortgages until maturity.

In addition, Ramada has entered into a Maintenance Services Contract with AGP to provide certain maintenance services at cost plus an annual fee of \$500,000. Ramada has subcontracted the Maintenance Services Contract to the Company.

II. SIGNIFICANT INFORMATION

NOTE 1. PROPERTY AND EQUIPMENT

At December 31, 1986 and 1985, the components of property and equipment consisted of:

	<u>1986</u>	<u>1985</u>
Land	\$ 35,348,000	\$ 35,348,000
Building, furniture and fixtures	84,640,000	67,375,000
Less accumulated depreciation	<u>(27,104,000)</u>	<u>(17,708,000)</u>
Total Property and Equipment	<u>\$ 92,884,000</u>	<u>\$ 85,015,000</u>

NOTE 2. LONG-TERM DEBT

At December 31, 1986 and 1985, long-term debt consisted of:

	<u>1986</u>	<u>1985</u>
Notes payable; 9% to prime less 1%, maturities to 2009	\$ 488,000	\$ 509,000
Mortgages payable; 10% maturities to 1994	329,000	333,000
Obligations under capital leases	<u>22,693,000</u>	<u>24,490,000</u>
	23,510,000	25,332,000
Less current portion	<u>(5,948,000)</u>	<u>(4,635,000)</u>
Long-term portion	<u>\$17,562,000</u>	<u>\$20,697,000</u>

Substantially all of the Company's property and equipment is pledged as collateral for long-term debt.

The aggregate fixed maturities for all long-term debt are:

1987	\$ 5,948,000
1988	6,874,000
1989	7,964,000
1990	1,403,000
1991	590,000
Thereafter	<u>731,000</u>
TOTAL	<u>\$23,510,000</u>

NOTE 3. DEFERRED CREDITS

Deferred credits consist of income taxes due to timing differences between financial and taxable income.

NOTE 4. CAPITAL STOCK

The authorized, issued, and outstanding shares of capital stock at December 31, 1986 were as follows:

Class A Preferred - without par value, nonconvertible, voting; authorized, issued, and outstanding - 20,609 shares

Class B Preferred - without par value, nonconvertible, voting; authorized, issued, and outstanding - 50,000 shares

Common - without par value; authorized, issued, and outstanding - 100 shares

NOTE 5. LEASE OBLIGATIONS

The Company is a party to non-cancelable lease agreements involving land, buildings, and equipment. The leases extend for varying periods up to 27 years and generally provide for the payment of taxes, insurance and maintenance (executory costs) by the lessee. Some of these leases have provisions for renewal options primarily under similar terms, and/or options to purchase at various dates.

In connection with the sale/leaseback transaction of the Company, the leaseback has been principally treated as an operating lease except for that portion related to furniture and equipment which has been capitalized. The initial term of the operating lease is 10 years, with options to extend the term for three consecutive terms of 10 years each. The basic rent will be adjusted for changes in the Consumer Price Index every two years, beginning in 1987. The lease also provides for the payment of certain executory costs by Adamar. In addition, Ramada has an option to repurchase the buildings and non-gaming assets from AGP in 1994 (See "Sale/Leaseback Transaction").

Minimum future lease obligations on non-cancelable leases at December 31, 1986 are as follows (in thousands):

<u>YEAR</u>	<u>OPERATING</u>	<u>CAPITAL</u>
1987	\$ 39,857	\$ 10,581
1988	39,794	10,275
1989	39,842	9,984
1990	47,078	1,877
1991	46,928	688
Thereafter	<u>131,064</u>	<u>64</u>
Total	<u>\$344,563</u>	<u>\$ 33,469</u>
Amount representing executory costs		(1,992)
Amount representing interest		<u>(8,784)</u>
Net present value		22,693
Less current portion		<u>(5,922)</u>
Long-term portion		<u>\$ 16,771</u>

Total rental expense under operating leases for 1986 and 1985 amounted to \$40,001,000 and \$46,094,000, respectively.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Licensing

On November 26, 1982, the Company was granted a permanent gaming license by the New Jersey Casino Control Commission. The license is renewable on an annual basis and was renewed effective November 20, 1986. Management has received no indication that future renewals will not be granted.

Land Lease

The Company has entered into an agreement providing for the lease of land adjacent to the Tropicana Hotel/Casino to an outside party. As part of the agreement, the lessee has constructed a parking structure on that site and has charge of the parking operation for the term of the land lease. The Company is committed to pay the lessee an amount, if any, to assure that over the ninety-five year terms of the land lease, the parking structure has gross revenue of at least (i) \$1,600,000 (adjusted, after the tenth year, for changes in the Consumer Price Index) between September 15th of each year and May 15th of the next year and (ii) \$1,700,000 (increased each year by \$100,000 and calculated cumulatively) between May 16th and September 14th of each year.

Laundry Service

The Company has contracted with an unaffiliated company for laundry and dry cleaning services. The contract expires June 30, 1991, and has, at December 31, 1986, minimum commitment of \$2,463,000.

Legal Actions

Adamar is a party to various claims, legal actions, and complaints arising in the ordinary course of business or asserted by way of defense or counter-claim in actions filed by Adamar.

Management believes that its defenses are substantial in each of the above-mentioned matters and that the Company's legal posture can be successfully defended without material adverse effect on its consolidated financial position.

The New Jersey Casino Control Act imposes an annual tax on gross revenue (as defined) in the amount of eight percent. Pursuant to legislation adopted in 1984, casino licensees will be required to invest an additional one and one-quarter percent of gross revenues for the purchase of bonds to be issued by the Casino Reinvestment Development Authority ("CRDA") or make other approved investments equal to that same amount. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase, as defined and published by a national bond index at the time of the CRDA bond issuance. Adamar anticipates meeting its 1986 reinvestment obligation by purchasing CRDA bonds and, accordingly, recorded a loss of \$658,000 to recognize the effect of the above market interest rate the bonds would have borne had they been issued on December 31, 1986. In the event the investment requirement is not met, the casino licensee is subject to a tax on gross revenues in the amount of two and one-half percent.

NOTE 7. COMPLIMENTARY SERVICES

The amount of promotional allowances and promotional expenses for the quarter ended December 31, 1986 are:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	58,000	\$ 6,947,000	2,000	\$ 24,000
Food	966,000	9,464,000	37,000	366,000
Beverage	3,776,000	5,335,000	-0-	-0-
Travel	-0-	-0-	9,000	2,967,000
Showroom/Boxing	137,000	656,000	5,000	101,000
Coin Payouts	-0-	-0-	1,778,000	19,638,000
Other	<u>27,000</u>	<u>267,000</u>	<u>72,000</u>	<u>719,000</u>
Total	<u>4,964,000</u>	<u>\$22,669,000</u>	<u>1,903,000</u>	<u>\$23,815,000</u>

The amount of promotional allowances and promotional expenses for the quarter ended December 31, 1985 are:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	11,000	\$ 1,689,000	-0-	\$ 7,000
Food	196,000	1,923,000	8,000	87,000
Beverage	816,000	963,000	-0-	-0-
Travel	-0-	-0-	1,000	264,000
Showroom/Boxing	37,000	97,000	2,000	37,000
Coin Payouts	-0-	-0-	450,000	4,524,000
Other	<u>13,000</u>	<u>126,000</u>	<u>42,000</u>	<u>417,000</u>
Total	<u>1,073,000</u>	<u>\$ 4,798,000</u>	<u>503,000</u>	<u>\$ 5,336,000</u>

NOTE 8. RELATED PARTIES

Advances from affiliates are reflected in Other current liabilities and Due to affiliates is reflected in Other liabilities. The identity of the affiliates and corresponding balances are:

	<u>1986</u>	<u>1985</u>
Advances from Ramada, New Jersey, Inc.	\$ 401,000	\$ 227,000
Advances from Atlantic Deauville, Inc.	8,910,000	259,000
Advances from Ramada, Inc.	383,000	-0-
Advances from Tropicana West	<u>-0-</u>	<u>-0-</u>
TOTAL	\$ 9,694,000	486,000

	<u>1986</u>	<u>1985</u>
Due to Ramada, Inc.	<u>\$276,248,000</u>	<u>\$165,253,000</u>
TOTAL	\$276,248,000	\$165,253,000

Advances to affiliates are reflected in Receivables and Due from affiliates is reflected in Investments, Advances, and Receivables. The identity of the affiliates and corresponding balances are:

	<u>1986</u>	<u>1985</u>
Advances to Ramada, Inc.	\$ -0-	\$ 884,000
Advances to Ramada, New Jersey, Inc.	-0-	-0-
Advances to Atlantic Deauville, Inc.	31,000	19,000
Advances to Tropicana West	<u>1,000</u>	<u>-0-</u>
Total	\$ 32,000	\$ 903,000

	<u>1986</u>	<u>1985</u>
Due from Ramada, Inc.	<u>\$300,732,000</u>	<u>\$177,280,000</u>

For the twelve months ended December 31, 1986 and 1985 the Company incurred management fees from Ramada, Inc. of \$416,000 and \$473,000 respectively.

The nature of "Charges from affiliates - other" for the twelve months ended December 31, 1986 and 1985 are as follows:

	<u>1986</u>	<u>1985</u>
Basic rent due to AGP	\$ 42,146,000	\$ 42,322,000
Rent	1,274,000	1,477,000
Management Seminar	-0-	-0-
Casino Publication	-0-	-0-
Total	<u>\$ 43,420,000</u>	<u>\$ 43,799,000</u>

For the twelve months ended December 31, 1986 and 1985 the Company incurred charges from affiliates which are indicated in the accompanying Statements of Income as Cost of goods and services and Selling, general, and administrative. The nature of the charges and dollar amounts are as follows:

	<u>1986</u>	<u>1985</u>
<u>COST OF GOODS AND SERVICES</u>		
Room Charges - Deauville	\$ -0-	\$ 42,000
Medical Claim Settlements	-0-	1,000
Travel Reimbursements	-0-	1,000
Executive Deferred Compensation	7,000	9,000
Cleaning - Deauville Offices	-0-	3,000
Miscellaneous Purchases	-0-	22,000
Workers Compensation	369,000	-0-
Total	<u>\$ 376,000</u>	<u>\$ 78,000</u>

	<u>1986</u>	<u>1985</u>
<u>SELLING, GENERAL AND ADMINISTRATIVE</u>		
Insurance (2)	\$ 6,000	\$ 17,000
Room Charges - Deauville	-0-	8,000
Legal and Professional Fees	-0-	15,000
Banking Charges (FNSB of SJ)	-0-	26,000
Leased Automobile Expense	26,000	26,000
Executive Deferred Compensation Plan	97,000	104,000
Miscellaneous Purchases	20,000	29,000
	<u>149,000</u>	<u>225,000</u>
Total	<u>\$ 525,000</u>	<u>\$ 303,000</u>

NOTE 9. INTEREST

Interest expenses of \$4,234,000 and \$4,023,000 in the twelve months of 1986 and 1985, respectively, is comprised of interest on capital leases, notes and mortgages.

	<u>1986</u>	<u>1985</u>
Gross interest expense	\$ 4,513,000	\$4,272,000
Less capitalized interest	<u>(279,000)</u>	<u>(249,000)</u>
TOTAL INTEREST EXPENSE	<u>\$ 4,234,000</u>	<u>\$4,023,000</u>

NOTE 10. INCOME TAXES/BENEFITS

The provision for income taxes from continuing operations is comprised of the following:

	<u>1986</u>		<u>1985</u>	
	<u>CURRENT</u>	<u>DEFERRED</u>	<u>CURRENT</u>	<u>DEFERRED</u>
Federal	\$ 4,866,000	\$ 707,000	\$ 3,806,000	\$ 575,000
State	<u>1,052,000</u>	<u>145,000</u>	<u>691,000</u>	<u>231,000</u>
Total	<u>\$ 5,918,000</u>	<u>\$ 852,000</u>	<u>\$ 4,497,000</u>	<u>\$ 806,000</u>

The following table provides a reconciliation between the provision/(benefits) for income taxes on continuing operations and the federal statutory rate of 46% when both are expressed as a percentage of pretax income (loss):

	<u>1986</u>	<u>1985</u>
Computed expected tax expense	46.0%	46.0%
Increase (Decrease) in tax resulting from		
State taxes, net	4.9%	4.8%
Investment tax credit	<u>-0-</u>	<u>(4.8%)</u>
FEDERAL TAX TOTAL	<u>50.9%</u>	<u>46.0%</u>

For income tax purposes, Adamar is included in Ramada's consolidated corporate, federal income tax return.

NOTE 11. EXTRAORDINARY ITEMS

None.

NOTE 12. STOCKHOLDER'S EQUITY

On June 29, 1984, Ramada Hotel Operating Company (RHOC) as owner of all of the issued and outstanding stock of the Company authorized a contribution to the paid-in capital of the Company of \$26,425,000, such amount being equal to the retained earnings deficit as indicated on the Company's balance sheet at June 28, 1984. Pursuant to the procedures set forth in Accounting Research Bulletin #43 chapter 7-A (Quasi Reorganizations), the Company reorganized its capital structure, with the consent of RHOC, on June 29, 1984, by eliminating the retained earnings deficit against the paid-in capital account, thus causing the paid-in capital and retained earnings accounts to have zero balances.

In addition, on November 20, 1984, the following transactions occurred:

- The conversion of intercompany debt due to Ramada into additional paid-in capital of \$251,000,000.
- Dividend declared to Ramada consisting of the Company's 99.9% interest in AGP, with a book value of \$226,000,000.
- A contribution to paid-in capital from Ramada New Jersey Holdings Corporation of \$4,565,000.
- Issuance of Class A Preferred Stock to Ramada in exchange for the conversion of intercompany debt due to Ramada of \$28,902,000.
- Issuance of Class B Preferred Stock to Ramada in exchange for a mortgage receivable of \$50,000,000.

III. SUPPORTING SCHEDULES FOR MATERIAL ITEMS

NOTE 1. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At December 31, 1986 and 1985, Prepaid expenses and Other current assets consisted of the following:

	<u>1986</u>	<u>1985</u>
Prepaid Slot Machine Licenses	\$ 369,000	\$ 364,000
Prepaid Rent	48,000	46,000
Prepaid NJ current corporate license	496,000	617,000
Prepaid licenses	83,000	81,000
Prepaid Insurance-Property	553,000	302,000
Other	<u>1,159,000</u>	<u>140,000</u>
TOTAL	<u>\$ 2,708,000</u>	<u>\$ 1,550,000</u>

NOTE 2. INVESTMENTS, ADVANCES, & RECEIVABLES

At December 31, 1986 and 1985, Investments, Advances, & Receivables consisted of the following:

	<u>1986</u>	<u>1985</u>
Investment-Trop World	41,478,000	-0-
Investment alternative tax	\$ 5,797,000	\$ 3,797,000
Mortgage receivable	5,662,000	52,590,000
Due from Ramada, Inc.	<u>300,732,000</u>	<u>177,280,000</u>
TOTAL	<u>\$353,669,000</u>	<u>\$233,667,000</u>

NOTE 3. OTHER ACCRUED EXPENSES

At December 31, 1986 and 1985, Other accrued expenses consisted of the following:

	<u>1986</u>	<u>1985</u>
Accrued payroll taxes and benefits	\$ 7,403,000	\$ 7,435,000
Accrued advertising	1,374,000	984,000
Accrued rent	241,000	118,000
Accrued taxes	858,000	713,000
Accrued progressive slot win	399,000	579,000
Accrued CCC & DGE	603,000	626,000
Accrued ESS	150,000	185,000
Accrued miscellaneous	1,031,000	943,000
Other	<u>389,000</u>	<u>644,000</u>
Total	<u>\$12,448,000</u>	<u>\$12,227,000</u>

NOTE 4. OTHER CURRENT LIABILITIES

At December 31, 1986 and 1985, Other current liabilities consisted of the following:

	<u>1986</u>	<u>1985</u>
Reinvestment Obligation	\$ 575,000	\$ 600,000
Advances from affiliates	9,694,000	486,000
Accrued construction payables	463,000	1,232,000
Other	<u>1,020,000</u>	<u>802,000</u>
TOTAL	<u>\$11,752,000</u>	<u>\$ 3,120,000</u>

NOTE 5. OTHER LIABILITIES

At December 31, 1986 and 1985, Other liabilities consisted of the following:

	<u>1986</u>	<u>1985</u>
Due to Ramada	\$276,248,000	\$180,253,000
Deferred rent	<u>8,044,000</u>	<u>4,561,000</u>
TOTAL	<u>\$284,292,000</u>	<u>\$184,814,000</u>

NOTE 6. NON-OPERATING INCOME (EXPENSE)

For the period ending December 31, 1986 and 1985, Non-operating income (expense) consisted of the following:

	1986	1985	
Interest income	\$ 4,874,000	\$ 5,539,000	
Management fee reimbursement	500,000	493,000	
Leased land rental	5,542,000	5,486,000	
Maintenance reimbursement	9,092,000	8,468,000	
Loss on dispositions	(32,000)	(11,000)	
TOTAL	\$ 19,976,000	\$ 19,975,000	

REGISTERED PATRONS' CHECKS ACTIVITY		AMOUNT
DESCRIPTION	(a)	(b)
Balance (January 1)		7,752
Checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)		166,682
Checks redeemed prior to deposit (including the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)		(1,119,156)
Checks collected through deposits		(1,17,939)
Checks transferred to returned checks		(1,19,736)
Other adjustments		40
Ending Balance		7,613
Number of Checks included in Balance on Line 16		0
Provision for Uncollectible Patrons' Checks	- 13 -	1,750
Provision is 5 Percent of Counter Checks Issued		1,750

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$		
	Undeposited patrons' checks	7,633		
2	Returned patrons' checks	9,747		
3	Total patrons' checks	17,380	(8,904)	\$ 8,476
4	Hotel Receivables	254	(28)	226
	Other Receivables:			
5	Receivables due from officers and employees.....	10		
6	Receivables due from affiliates	32		
7	Other accounts and notes receivables	1,023		
8	Total other receivables	1,065		1,065
9	Totals (Form 305).....	\$ 18,699	\$ (8,932)	\$ 9,767

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 7,752
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	166,682
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(119,166)
13	Checks collected through deposits	(37,899)
14	Checks transferred to returned checks	(9,736)
15	Other adjustments	-0-
16	Ending Balance	\$ 7,633
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 1,750
19	Provision As A Percent Of Counter Checks Issued	1.05 %

STATEMENT OF COMPLETENESS AND ACCURACY
 TRADING NAME OF LICENSEE Tropicana Hotel/Casino

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack	48,175	299,047	16.1	76
2	Craps	35,019	198,916	17.6	21
3	Roulette	8,039	36,478	22.0	11
4	Big Six	2,489	5,126	48.6	4
5	Baccarat	11,948	46,897	25.5	3
6	Other table games	-	-	-	-
7	Total table games revenue	105,670	\$ 586,464	18.0 %	115
			HANDLE		
8	\$.05 slot machines	2,704	17,377	15.6	72
9	\$.25 slot machines	46,194	329,275	14.0	753
10	\$1.00 slot machines	27,108	229,347	11.8	217
11	Other slot machines	32,746	302,179	10.8	378
12	Total coin-operated devices revenue	108,752	\$ 878,178	12.4 %	1420
13	Progressive jackpot adjustment	179			
14	Total coin-operated devices revenue after adjustment	108,931			
15	Other income	-			
16	Total revenue	214,601			
	Expenses:				
17	Payroll and payroll related expenses	33,873			
18	Licenses and taxes	18,799			
19	Provision for uncollectible patrons' checks	1,750			
20	Other	1,858			
21	Total	56,280			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	158,283			
	Complimentary services and casino management fees:				
23	Complimentary services	9			
24	Casino management fees	-			
25	Total	9			
26	Departmental Income (Loss)	\$ 158,274			

**GROSS REVENUE
ANNUAL TAX RETURN**

LICENSEE TROPICANA HOTEL AND CASINO

ADDRESS BOARDWALK AND IOWA AVENUE

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN**

Lester Brzozowski

OFFICIAL TITLE

Vice President of Finance

ADDRESS

Boardwalk and Iowa Avenue

Atlantic City, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$ 105,670,369
2	Coin-operated devices revenue	108,751,668
3	Total revenues	\$ 214,422,037
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 1,750,073
5	Maximum adjustment (4% of line 3)	\$ 8,576,881
6	Adjustment (the lesser of line 4 or line 5)	1,750,073
7	Gross revenues (line 3 less line 6)	\$ 212,671,964
8	Tax on gross revenues - current year (8% of line 7)	\$ 17,013,757
9	Audit or other adjustments to tax on gross revenues in prior years	(245)
10	Total tax on gross revenues (line 8 plus or minus line 9)	17,013,512
	Deposits made for tax on current year's gross revenues:	
11	January	\$ 1,302,932
12	February	1,163,198
13	March	1,379,941
14	April	1,503,030
15	May	1,354,916
16	June	1,366,143
17	July	2,034,316
18	August	1,918,829
19	September	1,315,096
20	October	1,300,314
21	November	1,267,260
22	December	1,082,725
23	January	24,812
24	Total deposits made for tax on current year's gross revenues	(17,013,512)
	Settlement of prior years' tax on gross revenues	
25	resulting from audit or other adjustments - (deposits) credits	--
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)	\$ 0

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :
:ss.
COUNTY OF ATLANTIC :

Lester Brzozowski, being duly sworn according
Name

to law upon my oath deposes and says:

1. I have examined this Gross Revenue Annual Tax Return.
2. All the information contained in this Return has been prepared in conformity with the Casino Control Commission's Gross Revenue Annual Tax Return Instructions and Uniform Chart of Accounts.
3. The information contained in this Return is accurate to the best of my knowledge and belief.

Lester Brzozowski
Signature

Vice President of Finance
Title

3032-11
License Number

Subscribed and sworn to
before me this day
of March 13, 1987.

Linda S. Oliva
SIGNATURE PUBLIC OF NEW JERSEY
My Commission Expires January 3, 1988
LINDA S. OLIVA

Basis of Authority
to Take Oaths

On Behalf Of:

Tropicana Hotel and Casino
Casino Licensee

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE ADAMAR OF NEW JERSEY, INC
dba TROPICANA HOTEL/CASINO

ADDRESS IOWA AND THE BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1931

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

John McLaughlin

OFFICIAL TITLE.....

Controller

ADDRESS.....

Iowa and The Boardwalk

Atlantic City, NJ 08401

MAR 17 3 04 PM '87

CASINO CONTROL COMMISSION
DIVISION OF FINANCE
EVALUATION

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
CASINO					
1	Administration	24			
2	Gaming	876			
3	Slots	125			
4	Casino accounting	293			
5	Other	55	\$	\$	\$
6	Total-casino	1,373	24,890		24,890
7	ROOMS	320	4,739		4,739
8	FOOD AND BEVERAGE	726	9,533		9,533
OTHER OPERATED DEPARTMENTS					
9	Telephone	24	268		268
10	Gift Shop	21	382		382
11	Parking/Transportation	131	1,878		1,878
12					
13					
14					
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	19	106	956	1,062
21	Accounting and auditing	200	2,094		2,094
22	Security	189	3,705		3,705
23	Other administrative and general department ..	47	1,590		1,590
24	MARKETING	65	2,795		2,795
25	GUEST ENTERTAINMENT	34	835		835
26	PROPERTY OPERATION AND MAINTENANCE	86	2,297		2,297
		3,235	\$ 55,122	\$ 956	\$ 56,078

Trading Name of Licensee Tropicana Hotel/Casino

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 1986

March 9, 1987
Date

John McLaughlin
Signature

Controller
Title

TRADING NAME OF LICENSEE Tropicana Hotel/Casino

HOTEL STATISTICS

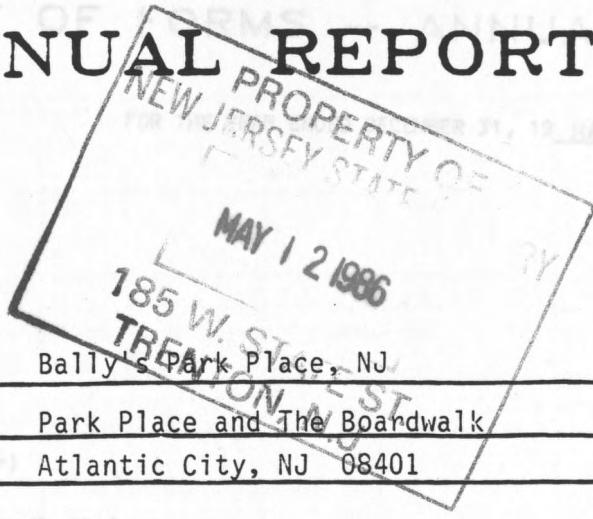
FOR THE 12 MONTHS ENDED December 31, 1986

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	515	14,420	10,528	\$ 78.50	73.0 %	20,468	\$ 40.38
2	FEBRUARY	515	18,025	15,452	\$ 78.71	85.7 %	29,892	\$ 40.69
3	MARCH	513	14,364	13,133	\$ 83.87	91.4 %	24,664	\$ 44.16
4	1ST QUARTER TOTALS		46,809	39,113	\$ 80.39	83.6 %	75,024	\$ 41.91
5	APRIL	513	14,364	12,587	\$ 81.15	87.6 %	24,234	\$ 42.15
6	MAY	513	17,955	15,966	\$ 84.14	88.9 %	29,475	\$ 45.58
7	JUNE	513	14,364	13,530	\$ 90.25	94.2 %	24,772	\$ 49.29
8	2ND QUARTER TOTALS		46,683	42,083	\$ 85.21	90.1 %	78,481	\$ 45.69
9	JULY	513	14,364	13,802	\$ 97.25	96.1 %	26,521	\$ 50.61
10	AUGUST	513	17,955	16,671	\$ 99.70	92.8 %	32,980	\$ 50.40
11	SEPTEMBER	513	14,364	12,792	\$ 85.36	89.1 %	25,002	\$ 43.67
12	3RD QUARTER TOTALS		46,683	43,265	\$ 94.68	92.7 %	84,503	\$ 48.47
13	OCTOBER	513	14,364	12,692	\$ 85.87	88.4 %	24,794	\$ 43.96
14	NOVEMBER	513	17,955	14,891	\$ 84.11	82.9 %	28,699	\$ 43.64
15	DECEMBER	513	14,308	9,820	\$ 85.52	68.6 %	19,172	\$ 43.80
16	4TH QUARTER TOTALS		46,627	37,403	\$ 85.08	80.2 %	72,665	\$ 43.79
17	ANNUAL TOTALS		186,802	161,864	\$ 86.55	86.7 %	310,673	\$ 45.09

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

ANNUAL REPORT

974-901
C 193



LICENSEE Bally's Park Place, NJ
ADDRESS Park Place and The Boardwalk
Atlantic City, NJ 08401

FURN. NO.
CCC-305
CCC-310
CCC-315
CCC-320
CCC-325
CCC-330
CCC-340
CCC-345
CCC-350

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT C. Patrick McKoy
OFFICIAL TITLE Vice President & Treasurer
ADDRESS Park Place and The Boardwalk
Atlantic City, NJ 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

LIST OF FORMS - ANNUAL REPORT

DESCRIPTION	FOR THE YEAR ENDED DECEMBER 31, 19 <u>86</u>	(19 <u>85</u>)
ASSETS		
.....	6,775	6,875
.....	14,520	2,125
<u>TITLE</u> checks (net of allowances for doubtful) <u>FORM NO.</u>	5,800	5,327
Balance Sheets	CCC-305	2,069
Statements of Income (Year)	CCC-310	2,613
Statements of Income (Three Months)	CCC-315	33,567
Statements of Changes in Stockholders' Equity	CCC-320	19,282
Statements of Changes in Partners' or Proprietor's Equity	CCC-325	790,412
Statements of Changes in Financial Position	CCC-330	7,364
Notes to Financial Statements		1,350,150
Schedule of Receivables and Patrons' Checks	CCC-340	1,346,745
Casino Departmental Schedule	CCC-345	4,141
Statement of Conformity and Accuracy	CCC-350	6,032
.....	2,276	2,283
.....	760	4,779
.....	760	7,825
.....	29,550	21,550
.....	1,596	1,507
.....	32,703	43,906
.....	99,599	99,567
.....	-	2,824
.....	17,170	13,682
.....	-	-
.....	155,473	159,759
.....	194,981	187,486
.....	1,350,451	1,346,745

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

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	ASSETS		
	Current Assets:	\$	\$
1	Cash	6,308	6,835
2	Marketable securities Note..2...	16,520	2,125
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$ 5,750 ; 19 <u>85</u> , \$ 5,800)	5,401	5,327
4	Inventories	2,342	2,969
5	Prepaid expenses and other current assets	2,943	2,611
6	Total current assets	33,514	19,867
7	Investments, Advances, And Receivables Note..11....	19,134	29,282
8	Property And Equipment - Net Note..3....	291,354	290,412
9	Other Assets	6,452	7,184
10	Total Assets	\$ 350,454	\$ 346,745
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
11	Accounts payable	4,141	6,032
12	Notes payable	-	-
	Current portion of long-term debt:		
13	Due to affiliates Note..4....	2,276	2,283
14	Other Note..4....	-	4,779
15	Income taxes payable and accrued	768	7,825
16	Other accrued expenses Note..12....	29,823	21,560
17	Other current liabilities	1,696	1,507
18	Total current liabilities	38,704	43,986
	Long-Term Debt:		
19	Due to affiliates Note..4....	99,599	99,567
20	Other Note..4....	-	2,024
21	Deferred Credits Note..5....	17,170	13,682
22	Other Liabilities	-	-
23	Commitments And Contingencies	-	-
24	Total Liabilities	155,473	159,259
25	Stockholders', Partners', Or Proprietor's Equity	194,981	187,486
26	Total Liabilities And Equity	\$ 350,454	\$ 346,745

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

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:		
<u>1</u>	Casino	\$ 228,012	\$ 224,521
<u>2</u>	Rooms	15,070	14,672
<u>3</u>	Food and beverage	27,045	29,070
<u>4</u>	Other	2,926	3,450
<u>5</u>	Total revenue	273,053	271,713
<u>6</u>	Less: promotional allowances Note 8	14,510	15,958
<u>7</u>	Net revenue	258,543	255,755
	Costs And Expenses:		
<u>8</u>	Cost of goods and services	128,746	129,069
<u>9</u>	Selling, general, and administrative	51,999	46,962
<u>10</u>	Provision for doubtful accounts	646	610
<u>11</u>	Total	181,391	176,641
<u>12</u>	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	77,152	79,114
<u>13</u>	Depreciation and amortization	24,470	22,880
	Charges from affiliates:		
<u>14</u>	Interest Note 9	11,146	11,935
<u>15</u>	Management fees	-	-
<u>16</u>	Other Note 7	1,150	1,150
<u>17</u>	Interest expense - external Note 9	397	1,363
<u>18</u>	Income (Loss) From Operations	39,989	41,786
<u>19</u>	Nonoperating income (expense) - net Note 15	2,280	1,669
<u>20</u>	Investment alternative tax and related income (expense) - net.....	-	-
<u>21</u>	Income (Loss) Before Income Taxes And Extraordinary Items.....	42,269	43,455
<u>22</u>	Provision (Credit) for income taxes Note 10	19,925	19,960
<u>23</u>	Income (Loss) Before Extraordinary Items	22,344	23,495
<u>24</u>	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-	-
<u>25</u>	Net Income (Loss)	\$ 22,344	\$ 23,495

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:		
1	Casino	\$ 50,051	\$ 52,924
2	Rooms	3,442	3,281
3	Food and beverage	6,629	6,872
4	Other	572	981
5	Total revenue	60,694	64,058
6	Less: promotional allowances <i>Note 8</i>	3,526	3,852
7	Net revenue	57,168	60,206
	Costs And Expenses:		
8	Cost of goods and services	31,525	30,773
9	Selling, general, and administrative	15,560	10,953
10	Provision for doubtful accounts	181	(96)
11	Total	47,266	41,630
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	9,902	18,576
13	Depreciation and amortization	6,300	6,173
	Charges from affiliates:		
14	Interest <i>Note 9</i>	2,913	3,081
15	Management fees	-	-
16	Other <i>Note 7</i>	288	288
17	Interest expense - external <i>Note 9</i>	65	175
18	Income (Loss) From Operations	336	8,859
19	Nonoperating income (expense) - net <i>Note 15</i>	653	533
20	Investment alternative tax and related income (expense) - net.....	-	-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	989	9,392
22	Provision (Credit) for income taxes <i>Note 10</i>	255	4,310
23	Income (Loss) Before Extraordinary Items	734	5,082
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-	-
25	Net Income (Loss)	\$ 734	\$ 5,082

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)	100	93,836	100	93,700
2	Sale of stock	-0-	-0-	-0-	-0-
3	Increase in Investment by Parent	-0-	151	-0-	139
4	Ending balance	100	93,987	100	93,836
	Preferred Stock:				
5	Beginning balance (January 1)	-0-	-0-	-0-	-0-
6	Sale of stock	-0-	-0-	-0-	-0-
7	.....			
8	Ending Balance	-0-	-0-	-0-	-0-
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		-0-		-0-
10	.....			
11	.....			
12	Ending balance		-0-		-0-
	Treasury Stock:				
13	Beginning balance (January 1)	-0-	(-0-)	-0-	(-0-)
14	Purchase of additional stock	-0-	(-0-)	-0-	(-0-)
15	Sale or retirement of stock	-0-	-0-	-0-	-0-
16	Ending balance	-0-	(-0-)	-0-	(-0-)
	Subscriptions Receivable For				
	Capital Stock:				
17	Beginning balance (January 1)	-0-	(-0-)	-0-	(-0-)
18	.....			
19	.....			
20	Ending balance	-0-	(-0-)	-0-	(-0-)
	Net Unrealized Loss On Noncurrent				
	Marketable Equity Securities:				
21	Beginning balance (January 1)		(-0-)		(-0-)
22	.....			
23	.....			
24	Ending balance		(-0-)		(-0-)
	Retained Earnings:				
25	Beginning balance (January 1)		93,650		70,155
26	Prior period adjustments		-0-		-0-
27	Net income (loss)		22,344		23,495
28	Dividends		(15,000)		(-0-)
29	.....			
30	.....			
31	Ending balance		100,994		93,650
32	Ending Stockholders' Equity		\$194,987		\$187,486

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

TRADING NAME OF LICENSEE

Bally's Park Place Casino Hotel

POSITION

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31 19, 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ 57,337	\$ 45,462
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	32	32
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	(5,800)
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$ 14,335	\$ (875)

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 19, 86 AND 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Sources Of Funds:		
1	Income (loss) before extraordinary items	\$ 22,344	\$ 23,495
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	23,510	21,918
3	Amortization of other assets	960	962
4	Deferred income taxes - noncurrent	3,488	(647)
5	(Gain) loss on dispositions of property and equipment	-	-
6	<u>Equity in (income) loss of unconsolidated</u>		
7	<u>Subsidiaries</u>	35	(266)
8	.....	
9	Total	50,337	45,462
10	Extraordinary items	-	-
11	Total funds provided (used) by operations	50,337	45,462
12	Proceeds from dispositions of property and equipment	222	340
13	Proceeds from long-term debt	8,000	325
14	Additions to deferred credits and other liabilities	-	-
15	Proceeds from issuance of stock or capital contributions	151	139
16	<u>Increase in Debt due Affiliates.</u>	32	32
17	<u>Decrease Mortgage Receivable.</u>	684	655
18	<u>Decrease Casino Reinvestment Funds</u>	6,761	-
19	<u>Decrease Investment in Subsidiary</u>	4,586	-
20	Total funds provided	70,773	46,953
	Uses Of Funds:		
21	Additions to property and equipment	24,674	28,896
22	Investment in casino reinvestment obligations	1,918	5,751
23	Other additions to investments, advances, and receivables	-	5,900
24	Increase in other assets	228	477
25	Reductions of long-term debt	10,024	12,205
26	Dividends declared or capital distributions	15,000	-
27	.....	
28	.....	
29	.....	
30	.....	
31	Total funds used	51,844	53,229
32	Increase (Decrease) In Working Capital.....	\$ 18,929	\$ (6,276)
	Summary Of Changes In Components Of Working Capital:		
33	Cash	(527)	46
34	Marketable securities	14,395	(875)
35	Receivables and patrons' checks	74	(2,410)
36	Inventories	(627)	-
37	Prepaid expenses and other current assets	332	1,896
38	Accounts payable	1,891	(84)
39	Notes payable	-	-
40	Current portion of long-term debt	4,786	(899)
41	Income taxes payable and accrued	7,057	(1,006)
42	Other accrued expenses	(8,263)	(3,454)
43	Other current liabilities	(189)	510
44	Increase (Decrease) In Working Capital	\$ 18,929	\$ (6,276)

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

BALLY'S PARK PLACE CASINO HOTEL
Note 1 - Summary of Significant Accounting Policies
December 31, 1986

Basis of presentation

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation and an indirect wholly owned subsidiary of Bally Manufacturing Corporation ("Bally").

The Company operates in one industry segment. All significant revenues arise from its casino and supporting hotel operations.

Certain reclassifications have been made to the 1985 statements to conform to the 1986 presentation.

Investments in subsidiaries

The Company has two wholly-owned subsidiaries, B.W. Realty, Inc. (which operates a motel in Atlantic City) and Bally Warwick, Inc. (which holds several condominiums in a building in Atlantic City for sale and lease). The investments in these subsidiaries are reflected in the accompanying financial statements on the equity method.

Casino revenue and promotional allowances

Casino revenue consists of the net win from gaming activities, which is the difference between gaming wins and losses. The retail value of complimentary food, beverage and hotel services furnished to customers is included in revenues and then deducted as promotional allowances.

Inventories

Inventories of provisions and supplies are stated at the lower of cost (first-in, first-out basis) or market.

Casino licensing costs

Casino licensing costs relating to obtaining an initial casino license have been deferred and are being amortized ratably through 1989.

Deferred bond issuance costs and original issue debt discount

Deferred bond issuance costs and original issue debt discount are being amortized by the bonds outstanding method over the term of the issue.

Capitalized interest

The Company capitalizes interest on the accumulated cost of major construction projects at its average cost of borrowed money.

BALLY'S PARK PLACE CASINO HOTEL

Note 1 (continued)

Property and equipment

Depreciation and amortization of property and equipment is provided on the straight-line method and totals \$24,470,000 and \$22,880,000 for 1986 and 1985 respectively.

Repurchase Agreement

\$16,520,000\$7,335,000

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of Bally Manufacturing Corporation (Bally). Under an agreement between the Company and Bally, income taxes are allocated to the Company based on amounts the Company would pay or receive if it filed a separate Federal income tax return, except that the Company received credit from Bally for the tax benefit of the Company's net operating losses and tax credits that can be utilized in Bally's consolidated Federal income tax return, whether or not such losses or credits could be utilized by the Company on a separate return basis. Payment to Bally is to be made at such time and in such amounts as payments are required to be made for income taxes. Payment by Bally for such tax benefits are made at the time Bally files the applicable consolidated Federal income tax return.

Transactions with related parties

During 1985, Bally's Park Place, Inc. amended its intercompany agreement with Bally to provide for loans between the parties. Under such amendment, the Company loaned varying amounts up to \$29.4 million in 1986 and \$8.1 million in 1985 to Bally on a demand basis with interest at the prime rate. All such loans were fully repaid at December 31, 1986 and 1985.

BALLY'S PARK PLACE CASINO HOTEL
 Note 2 - Marketable Securities
 December 31,

	<u>1986</u>	<u>1985</u>
	\$ 21,299	
First Fidelity Bank N.A., South Jersey	<u>1986</u>	<u>1985</u>
Repurchase Agreement	<u>\$16,520,000</u>	<u>\$2,125,000</u>
Leases and Equipment	98,320,000	94,531,000
	<u>421,624,000</u>	<u>397,504,000</u>
Accumulated Depreciation and Amortization	<u>130,270,000</u>	<u>107,092,000</u>
Leases and Equipment, Net	<u>\$291,354,000</u>	<u>\$290,412,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 3 - Property, Plant and Equipment
 December 31,

	1986	1985
Land	\$ 21,299,000	\$ 21,808,000
Buildings, Leasehold Improvements	302,005,000	281,165,000
Furniture, Fixtures and Equipment	98,320,000	94,531,000
	421,624,000	397,504,000
Less Accumulated Depreciation and Amortization	130,270,000	107,092,000
Property and Equipment, Net	\$291,354,000	\$290,412,000

BALLY'S PARK PLACE CASINO HOTEL
 400 S. 4TH ST. PHILADELPHIA, PA 19106
 DECEMBER 31, 1986

Lender	Original Date of Loan	Maturity Date of Loan	Interest Rate and Payment Terms	Balance at 12/31/86
Resolving Credit Agreement with Mellon Bank (Agent)	04/84	N/A	Credit line for \$25,000,000. Commitment fee of 1% on unused balance; calculation based on 365-day; loan rate down calculated at Prime rate (7.5% at Dec. 31, 1986) or LIBOR.	\$2,500,000
First National State Bank of South Jersey	01/04/78	02/01/91	15% from 7.5% to 10% per mo. Monthly payment of \$12,452.24 payable on or before 2/1/91. Prepaid 10/1/78.	135,000
Est. Weinberg Eastmore Property	05/11/79	11/86	1 1/2% interest \$15,500 per mo. 10 yr. term. Final payment due 11/26. Prepaid 6/15/86.	21,000
E. Reves Eastmore Property	05/11/79	10/86	10 yr. mortgage \$15,100. Final payment due 10/10. Prepaid 6/15/86.	50,000

BALLY'S PARK PLACE CASINO HOTEL
 NOTE 4 - LONG-TERM DEBT - OTHER
 DECEMBER 31, 1986

Lender	Original Date of Loan	Maturity Date Of Loan	Interest Rate and Payment Terms	Principal amount						
				Balance at 12/31/85	Additions	Scheduled Repayments	Other Reductions	Balance December 31, 1986		
								Total	Current	Non-Current
<u>Revolving Credit Agreements:</u>										
Girard/Mellon Bank (Agent)	04/84	N/A	Credit line for \$75,000,000- Commitment Fee ½ of 1% on unused balance; calculation based on 365-days; loan take downs calculated at Prime Rate (*7.5% at Dec. 31, 1986) or LIBOR.	\$ ---	\$2,500,000	\$2,500,000	\$ ---	\$ ---	\$ ---	\$ ---
<u>Mortgage Notes</u>										
First National State Bank of South Jersey	01/04/78	02/01/93	15yr. loan-7.5%. \$2,360.56 per mo. Balloon payment of \$120,052.64 payable on or before 2/1/93. Prepaid 10/31/86	214,000	---	7,000	207,000	---	---	---
Nat Ginsberg Eastbourne Property	05/11/79	11/86	11% interest-\$15,404 per mo. 10yr. loan; final payment due 11/86. Prepaid 6/10/86.	156,000	---	71,000	85,000	---	---	---
E. Beron Eastbourne Property	05/11/79	10/86	10 yr. mortgage-11% int. \$14,807/mo. Final payment due 10/86. Prepaid 6/10/86.	136,000	---	66,000	70,000	---	---	---

*7.5% Prime Rate as of December 31, 1986

Five-Year Aggregate Annual Maturities of Long-Term Debt Amount to \$14.0 million

BALLY'S PARK PLACE CASINO HOTEL
 NOTE 4 - LONG-TERM DEBT - OTHER
 DECEMBER 31, 1986

Lender	Original Date of Loan	Maturity Date Of Loan	Interest Rate and Payment Terms	Principal amount						
				Balance at 12/31/85	Additions	Scheduled Repayments	Balance December 31, 1986			Current	Non-Current
							Other Reductions	Total		
Mortgage Notes Cont. J. Toll Eastbourne Property	05/11/79	9/86	10 yr. mortgage-11% int. \$14,807/mo. Final payment due 9/86. Prepaid 6/10/86.	\$ 128,000	\$ ---	\$ 69,000	\$ 59,000	\$ ---	\$ ---	\$ ---
First National State Bank of South Jersey 100 West Parkway Drive Egg Harbor Township	07/20/84	08/01/89	5yr. loan-monthly install- ments. Monthly principal payment \$17,410.66. Inter- est based on Prime Rate of *7.5%. Prepaid 10/31/86	749,000	---	157,000	592,000	---	---	---
Girard Bank/First Jersey National Bank/South P.O. Box 419 Atlantic City, NJ	03/31/83	5 years from date of Acq. of 2nd parcel; no later than than 8/15/88	Interest fixed for 30, 90, or 180 days at one over LIBOR or floating with Girard Bank's PRIME of *7.5%. Principal equal to 20% of original amount due annually. Collateral is a blanket mort- gage secured by a 1st mort- gage on both parcels - 1&2. Prepaid 10/31/86	1,920,000	---	640,000	1,280,000	---	---	---
Rachlin Lease				3,500,000	---	3,500,000	---	---	---	---
				<u>\$6,803,000</u>	<u>\$2,500,000</u>	<u>\$7,010,000</u>	<u>\$2,293,000</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

*7.5% Prime Rate as of December 31, 1986

Five-Year Aggregate Annual Maturities
 of Long-term Debt Amount to \$-0-

BALLY'S PARK PLACE CASINO HOTEL

Note 5 - Deferred Credits

December 31, 1986 and 1985

	<u>1986</u>	<u>1985</u>
Deferred Federal Income Taxes	<u>\$17,170,000</u>	<u>\$13,682,000</u>

100 shares

100 shares

None

BALLY'S PARK PLACE CASINO HOTEL
 Note 6 - Capital Stock - Description of Features
 For the Twelve Months Ended December 31, 1986 and 1985

COMMON STOCK:

Authorized	2,500 shares
Issued	100 shares
Outstanding	100 shares
Par Value	None

Land	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Buildings	100,000	100,000	100,000	100,000
Equipment	100,000	100,000	100,000	100,000
Other	100,000	100,000	100,000	100,000
Total	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000

* Not included in rent expense

BALLY'S PARK PLACE CASINO HOTEL
 Note 7 - Long-term Lease - Other
 December 31,

	Rental Expense		Minimum Non-Cancellable Rental Commitments				
	1986	1985	1987	1988	1989	1990	1991
<u>Rental Expense</u>							
*Strouse-Greenberg 17th & Chancellor, Philadelphia, PA Terms: 10/1/82 - 9/30/87	--	16,000	--	--	--	--	--
Gurwicz & Schiff (2507 Atlantic Realty Co.) Term 2/11/83 - 2/11/86	3,000	36,000	3,000	--	--	--	--
*NJ Expressway Authority original terms 3/1/81 - 3/1/86	297,000	297,000	48,000	--	--	--	--
*Roband - New York Sales Office 665 Fifth Avenue, NY, NY terms: 12/1/82 - 3/30/85	--	6,000	--	--	--	--	--
*780 Third Avenue Associates terms: 4/1/85 - 4/1/88	143,000	120,000	156,000	39,000	--	--	--
*Executive Mews terms: 8/2/85 - 8/2/88	17,000	6,000	15,000	10,000	--	--	--
*Equipment Rental Expense	220,000	359,000	--	--	--	--	--
Miscellaneous Rent Expenses	60,000	5,000	--	--	--	--	--
<u>Total</u>	<u>\$ 740,000</u>	<u>\$ 840,000</u>	<u>\$ 219,000</u>	<u>\$ 49,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

* Not included in rent expense.

BALLY'S PARK PLACE CASINO HOTEL
 Note 7 - Long-term Lease - Affiliates
 December 31,

	Rental Expense		1987	Minimum Non-Cancellable Rental Commitments				Thereafter
	1986	1985		1988	1989	1990	1991	
<u>Rental Expense</u>								
Marlboro Blenheim	\$ 1,150,000	\$ 1,115,000	\$ 1,150,000	\$ 1,150,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 31,200,000

For the three months ended December 31,

Marlboro Blenheim	\$ 288,000	\$ 288,000
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BALLY'S PARK PLACE CASINO HOTEL
 Note 8 - Complimentary Services
 For the Three Months Ended December 31, 1986

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	8,814	\$ 1,137,000		
Food	113,300	1,133,000		
Beverage	616,500	1,233,000		
Other	300	9,000		
Travel			19,700	\$ 394,000
Coupon Redemption - Cash			177,346	2,712,000
Shows			2,059	35,000
Rooms off premises	177	14,000	---	---
Other			980	49,000
Total Amount of Services		<u>\$ 3,526,000</u>		<u>\$ 3,190,000</u>

For the Twelve Months Ended December 31, 1986

	<u>1986</u>		<u>1985</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	37,665	\$ 4,903,000		
Food	431,000	4,310,000		
Beverage	2,617,500	5,235,000		
Other	1,166	36,000		
Travel			89,650	\$ 1,793,000
Coupon Redemption - Cash			939,684	13,413,000
Shows			10,823	184,000
Rooms off premises	323	26,000	266	19,000
Other			3,420	171,000
Total Amount of Services		<u>\$14,510,000</u>		<u>\$15,580,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 9 - Interest Expense
 For the Twelve Months Ended December 31,

	<u>1986</u>	<u>1985</u>
<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$13,875,000	\$ 3,791,000
Capitalized interest	<u>(2,729,000)</u>	<u>(1,940,000)</u>
	<u>\$11,146,000</u>	<u>\$11,935,000</u>
 <u>External Sources</u>		
Interest on various loans	\$ 481,000	\$
Capitalized interest	<u>(84,000)</u>	<u>(235,000)</u>
	<u>\$ 397,000</u>	<u>\$ 1,363,000</u>

For the Three Months Ended December 31,

	<u>1986</u>	<u>1985</u>
<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$ 3,469,000	\$ 3,469,000
Capitalized interest	<u>(556,000)</u>	<u>(388,000)</u>
	<u>\$ 2,913,000</u>	<u>\$ 3,081,000</u>
 <u>External Sources</u>		
Interest on various loans	\$ 82,000	\$ 191,000
Capitalized interest	<u>(17,000)</u>	<u>(16,000)</u>
	<u>\$ 65,000</u>	<u>\$ 175,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 10- Provision for Income Taxes
 For the Twelve Months Ended December 31,

December 31, 1986

	<u>1986</u>	<u>1985</u>
Reconciliation to the Federal Income Tax Rate		
Current:		
Federal	\$ 12,130,000	\$ 16,697,000
State	<u>3,493,000</u>	<u>3,791,000</u>
	15,623,000	20,488,000
Deferred:		
Federal	4,182,000	(435,000)
State	<u>120,000</u>	<u>(93,000)</u>
	4,302,000	(528,000)
Total Income Taxes	<u>\$ 19,925,000</u>	<u>\$ 19,960,000</u>

For the Three Months Ended December 31,

Current:		
Federal	\$ (985,000)	\$ 3,070,000
State	<u>(199,000)</u>	<u>712,000</u>
	(1,184,000)	3,782,000
Deferred:		
Federal	1,184,000	434,000
State	<u>255,000</u>	<u>94,000</u>
	1,439,000	528,000
Total Income Taxes	<u>\$ 255,000</u>	<u>\$ 4,310,000</u>

Reconciliation of Deferred Taxes
 For the Twelve Months Ended December 31,

	<u>1986</u>	<u>1985</u>
Short-term	\$ 814,000	\$ 119,000
Long-term	<u>3,488,000</u>	<u>(647,000)</u>
	<u>\$ 4,302,000</u>	<u>\$ (528,000)</u>

BALLY'S PARK PLACE CASINO HOTEL

Note 10 (Continued)

December 31, 1986

Reconciliation to the Statutory Federal
Income Tax Rate

	<u>1986</u>	<u>1985</u>
Tax at statutory rate	\$19,444,000	\$19,989,000
Increase (decrease):		
State income taxes, net of related federal income tax benefit	2,054,000	2,112,000
Amounts relating to prior years' tax	---	---
Investment tax credits	(45,000)	(1,290,000)
Other, net	<u>(1,528,000)</u>	<u>(851,000)</u>
	<u>\$19,925,000</u>	<u>\$19,960,000</u>
Investment Development Authority expense discount of \$187,000 in 1986	908,000	5,751,000
Payable - officers	884,000(1)	890,000(1)
Payable - employees	1,000	1,000
Part portion	<u>(1,070,000)</u>	<u>(685,000)</u>
Investments, Advances and Receivables	<u>\$19,134,000</u>	<u>\$29,382,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 11 - Investments, Advances and Receivables
 December 31,

Other long-term investments and receivables:

	1986	1985
Reese Palley/Martin Blatt (Mortgage - Marlboro Bleinheim)		
First Mortgage	\$ 2,284,000	\$ 2,397,000
Second Mortgage	3,046,000	3,196,000
Total other long-term receivables	\$ 5,330,000	\$ 5,593,000
Investment in subsidiaries - equity:		
Bally Warwick, Inc. - 100% owned	4,078,000	4,065,000
B.W. Realty, Inc. - 100% owned	3,103,000	7,737,000
Total investments in subsidiaries - equity	7,181,000	11,802,000
5% tax exempt Atlantic County Improvement Authority note	5,900,000	5,900,000
Casino Reinvestment Development Authority funds (less discount of \$187,000 in 1986)	908,000	5,751,000
Notes receivable - officers	884,000 (1)	890,000 (1)
Notes receivable - employees	1,000	1,000
Less current portion	(1,070,000)	(655,000)
Total Investments, Advances and Receivables	\$19,134,000	\$29,282,000

BALLY'S PARK PLACE CASINO HOTEL
 Note 11 (Continued)

(1) Notes receivable - officers:

(A) William Weinberger, President

	1986	1985
Balance January 1,	\$ 116,000	\$ 122,000
Less payments	<u>(6,000)</u>	<u>(6,000)</u>
Balance December 31,	<u>\$ 110,000</u>	<u>\$ 116,000</u>

Current portion: 1986; \$6,000 and 1985: \$6,000

Repayment Terms:

Due Date: Quarterly payments of \$2,750

Interest Rate: 4%

Collateral: Mortgage Loan

(B) Richard Gillman, Chairman of the Board

Balance January 1,	<u>\$ 774,000</u>	<u>\$ 774,000</u>
Balance December 31,	<u>774,000</u>	<u>774,000</u>

Current portion: 1986; \$774,000 and
 1985; \$386,000

Repayment Terms: without interest until certain
 future stock prices occur

Total notes receivable - officers	<u>\$ 884,000</u>	<u>\$ 890,000</u>
-----------------------------------	-------------------	-------------------

BALLY'S PARK PLACE CASINO HOTEL
Note 12 - Other Accrued Expenses
December 31,

	<u>1986</u>	<u>1985</u>
Payroll	\$17,074,000	\$10,392,000
Progressive Jackpots	2,530,000	2,133,000
Interest	4,688,000	4,704,000
Miscellaneous*	<u>5,531,000</u>	<u>4,331,000</u>
Total	<u>\$29,823,000</u>	<u>\$21,560,000</u>

* No item in this category exceeds 5% of total current liabilities.

BALLY'S PARK PLACE CASINO HOTEL

Note 13 - Compensation Plans

December 31, 1986

In connection with the employment agreement of an officer/director of the Company, the Company has a Supplemental Executive Retirement Plan, under which the participant earns benefits based on years of service and compensation. The Company recognizes this expense over the life of the employment agreement and funds the costs through the purchase of certain insurance contracts.

Casino licensees are subject to an annual investment alternative tax of 2.5% of gross casino revenues. The CRDA is empowered to issue bonds with maturity dates of up to 50 years and bearing interest at two-thirds of market rates, as determined at the time of issuance. Proceeds from such bond issues will be invested in qualifying projects in Atlantic City and the State of New Jersey. Such investments are subject to minimum investment ratings as provided under the CRDA Act. Casino licensees may receive credits against their investment alternative tax liability in amounts equal to twice the purchase price of CRDA bonds within the appropriate time periods. In addition, under certain circumstances, casino licensees may make direct investments in, or donations of property to, projects approved by the CRDA, and thereby receive credits against their investment alternative tax liability in amounts equal to twice the cost of investments or donations made within the appropriate time periods. Projects approved by a casino licensees prior to the effective date of the amendments may be submitted to the CRDA for approval as credits against the investment alternative tax liability. Casino licensees are also required to make quarterly prepayments against the investment alternative tax liability in amounts equal to 1.25% of the preceding calendar quarter's gross casino revenues.

The Company is subject to the foregoing legislation as of January 1, 1984. As of December 31, 1986, had \$1,095,000 in remaining bond purchase commitments. On the effective date of the above mentioned amendments, the Company was involved in the development of a 72-unit condominium housing project in Atlantic City which was funded in 1985 through the Company's donation of the building and the purchase of a 5% tax-exempt 3 1/2 year note in the amount of \$5,900,000 from the Atlantic County Improvement Authority. During 1986, the CRDA approved this project for \$7,301,300 in credits for the Company, which credits will offset the Company's investment alternative tax liabilities for 1984, 1985 and the first three quarters of 1986.

BALLY'S PARK PLACE CASINO HOTEL
Note 14 - Investment Obligation/Potential Alternative Tax
December 31, 1986

Pursuant to amendments enacted in December 1984 to the Casino Control Act, a Casino Reinvestment Development Authority (the "CRDA") was established to oversee the participation by the casino gaming industry in the urban redevelopment and other social and economic advancements of the City of Atlantic City and the State of New Jersey. For a period of twenty-five years, beginning with calendar year 1984 or the second year of operations, whichever is later, casino licensees are subject to an annual investment alternative tax of 2.5% of gross casino revenues, as defined. The CRDA is empowered to issue bonds with maturity dates of up to 50 years from issuance and bearing interest at two-thirds of market rates, as defined, at the time of issuance. Proceeds from such bond issues will be invested by the CRDA in qualifying projects in Atlantic City and the State of New Jersey. Such projects are subject to minimum investment ratings as provided under the Casino Control Act. Casino licensees may receive credits against their investment alternative tax liability in amounts equal to twice the purchase price of CRDA bonds purchased within the appropriate time periods. In addition, under certain circumstances, casino licensees may make direct investments in, or donations of money or realty to, projects approved by the CRDA, and thereby receive credits against their investment alternative tax liability in amounts equal to twice the approved investments or donations made within the appropriate time periods. Projects commenced by a casino licensee prior to the effective date of the amendments may also be submitted to the CRDA for approval as credits against the investment alternative tax liability. Casino licensees are also required to make quarterly prepayments against the investment alternative tax liability in amounts equal to 1.25% of the preceding calendar quarter's gross casino revenues.

The Company is subject to the foregoing legislation as of January 1, 1984, and at December 31, 1986, had \$1,095,000 in remaining bond purchase commitments. Prior to the effective date of the above mentioned amendments, the Company commenced the development of a 72-unit condominium housing project in Atlantic City, which was funded in 1985 through the Company's donation of the building site and its purchase of a 5% tax-exempt 3½ year note in the amount of \$5,900,000 issued by the Atlantic County Improvement Authority. During 1986, the CRDA approved this project for \$7,301,300 in credits for the Company, which credits offset the Company's investment alternative tax liabilities for 1984, 1985 and the first three quarters of 1986.

MODULE OF RECEIVABLES AND PATRONS' CHECKS

BALLY'S PARK PLACE CASINO HOTEL
 Note - 15 Non-Operating Income
 For the Three Months Ended December 31,

(IN THOUSANDS)

DESCRIPTION	ACCOUNTS RECEIVABLE		ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE	
	1986	1985	1986	1985
Interest income	\$ 684,000		\$ 527,000	
Equity in income or (loss) of unconsolidated subsidiaries:				
B. W. Realty, Inc.	(74,000)		(41,000)	
Bally Warwick, Inc.	55,000		29,000	
Other	(12,000)		18,000	
Total	<u>\$ 653,000</u>		<u>\$ 533,000</u>	

For the Twelve Months Ended December 31,

Interest income	\$2,118,000	\$1,409,000
Equity in income or (loss) of unconsolidated subsidiaries:		
B. W. Realty, Inc.	(48,000)	250,000
Bally Warwick, Inc.	13,000	16,000
Other	<u>197,000</u>	<u>(6,000)</u>
Total	<u>\$2,280,000</u>	<u>\$1,669,000</u>

Balance (January 1)	112,231
Checks issued (excluding counter checks issued to cancellations, partial redemptions, substitutions, and patrons' deposits)	95,963
Checks redeemed prior to deposit (including the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' deposits)	13,356
Checks collected through deposits	3,706
Other adjustments	2,882
Balance	619
Provision As A Percent Of Counter Checks Issued	.5%

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$		
	Undeposited patrons' checks	2,482		
2	Returned patrons' checks	5,929		
3	Total patrons' checks	8,411	\$ 5,700	\$ 2,711
4	Hotel Receivables	357	50	307
	Other Receivables:			
5	Receivables due from officers and employees.....	3		
6	Receivables due from affiliates	478		
7	Other accounts and notes receivables	1,902		
8	Total other receivables	2,383	--	2,383
9	Totals (Form 305).....	\$ 11,151	\$ 5,750	\$ 5,401

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 3,276
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	112,231
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(95,963
13	Checks collected through deposits	(13,356
14	Checks transferred to returned checks	(3,706
15	Other adjustments	
16	Ending Balance	\$ 2,482
17	"Hold" Checks Included In Balance On Line 16	\$ --
18	Provision For Uncollectible Patrons' Checks	\$ 619
19	Provision As A Percent Of Counter Checks Issued .....	.6%

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLE (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 48,523	\$ 282,631	17.2 %	77
2	Craps	31,528	181,930	17.3	22
3	Roulette	10,863	42,040	25.8	12
4	Big Six	2,942	6,196	47.5	4
5	Baccarat	3,639	30,314	12.0	2
6	Other table games	-	-	-	-
7	Total table games revenue	97,495	\$ 543,111	18.0 %	117
			HANDLE		
8	\$.05 slot machines	6,209	38,895	16.0	114
9	\$.25 slot machines	64,448	443,094	14.5	988
10	\$1.00 slot machines	22,174	172,292	12.9	189
11	Other slot machines	44,143	293,632	15.0	304
12	Total coin-operated devices revenue	136,974	\$ 947,913	14.5 %	1595
13	Progressive jackpot adjustment	6,457			
14	Total coin-operated devices revenue after adjustment	130,517			
15	Other income	-			
16	Total revenue	228,012			
	Expenses:				
17	Payroll and payroll related expenses	37,348			
18	Licenses and taxes	19,588			
19	Provision for uncollectible patrons' checks	619			
20	Other	3,600			
21	Total	61,155			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	166,857			
	Complimentary services and casino management fees:				
23	Complimentary services	25,977			
24	Casino management fees	-			
25	Total	25,977			
26	Departmental Income (Loss)	\$ 140,880			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
COUNTY OF Atlantic : ss.

C. Patrick McKoy, being duly sworn according to law upon my oath
Name

deposes and says:

1. I have examined this Annual Report 08401
2. All the information contained in this Report has been prepared in conformity with Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Annual Report is accurate to the best of my knowledge and belief.

/s/ C. Patrick McKoy
Signature

Vice President & Treasurer
Title

#00962-11
License Number

Subscribed and sworn to
before me this 13th day
of March, 1987

On Behalf Of:

Suzanne B. White
Signature

Bally's Park Place, NJ
Casino Licensee

NOTARY PUBLIC OF NEW JERSEY
My Commission Expires MARCH 22, 1991

Basis of Authority
to Take Oaths

**GROSS REVENUE
ANNUAL TAX RETURN**

LICENSEE Bally's Park Place, NJ

ADDRESS Park Place and The Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN**

C. Patrick McKoy

OFFICIAL TITLE

Vice President/Treasurer

ADDRESS

Park Place and The Boardwalk

Atlantic City, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 98,928	
2	Coin-operated devices revenue	125,338	
3	Total revenues		\$ 224,266
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 585	
5	Maximum adjustment (4% of line 3)	\$ 8,971	
6	Adjustment (the lesser of line 4 or line 5)		585
7	Gross revenues (line 3 less line 6)		\$ 223,681
8	Tax on gross revenues - current year (8% of line 7)		\$ 17,895
9	Audit or other adjustments to tax on gross revenues in prior years		-
10	Total tax on gross revenues (line 8 plus or minus line 9)		17,895
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 1,011	
12	February	1,178	
13	March	1,311	
14	April	1,731	
15	May	1,366	
16	June	1,450	
17	July	1,967	
18	August	1,650	
19	September	1,903	
20	October	1,431	
21	November	1,364	
22	December	1,249	
23	January	284	
24	Total deposits made for tax on current year's gross revenues		(17,895)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits		-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)		\$ -

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
COUNTY OF Atlantic :ss.

C. Patrick McKoy, being duly sworn according
Name

to law upon my oath deposes and says:

1. I have examined this Gross Revenue Annual Tax Return.
2. All the information contained in this Return has been prepared in conformity with the Casino Control Commission's Gross Revenue Annual Tax Return Instructions and Uniform Chart of Accounts.
3. The information contained in this Return is accurate to the best of my knowledge and belief.

[Signature]
Signature

Vice President & Treasurer
Title

#00962-11
License Number

On Behalf Of:

Bally's Park Place, NJ
Casino Licensee

Subscribed and sworn to
before me this 13th day
of March, 1987

[Signature]
Signature

ROTARY PUBLIC OF NEW JERSEY
My Commission Expires MARCH 22, 1997

Basis of Authority
to Take Oaths

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE Bally's Park Place, NJ

ADDRESS Park Place & The Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

C. Patrick McKoy

OFFICIAL TITLE.....

Vice President & Treasurer

ADDRESS.....

Park Place & The Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	13			
2	Gaming	611			
3	Slots	330			
4	Casino accounting	292			
5	Other	119			
6	Total-casino	1,365	\$ 26,265	\$	\$ 26,265
7	ROOMS	195	3,120		3,120
8	FOOD AND BEVERAGE	807	10,273		10,273
	OTHER OPERATED DEPARTMENTS				
9	Health Spa	56	663		663
10	Telephone	23	365		365
11	Hat Check	15	119		119
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	61	3,217		3,217
21	Accounting and auditing	99	1,922		1,922
22	Security	257	4,866		4,866
23	Other administrative and general department ..	183	2,844		2,844
24	MARKETING	62	1,376		1,376
25	GUEST ENTERTAINMENT	14	542		542
26	PROPERTY OPERATION AND MAINTENANCE	307	5,885		5,885
		3,444	\$ 61,457	\$	\$ 61,457

Trading Name of Licensee Bally's Park Place Casino Hotel

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 1986

March 13, 1987
Date

[Signature]
Signature

Vice President & Treasurer
Title

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1986

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	510	15,810	9,564	\$ 96.65	60.5 %	18,884	\$ 48.95
2	FEBRUARY	510	14,280	10,853	\$ 90.31	76.0 %	21,350	\$ 45.91
3	MARCH	510	15,810	12,635	\$ 90.72	79.9 %	24,324	\$ 47.13
4	1ST QUARTER TOTALS		45,900	33,052	\$ 92.30	72.0 %	64,558	\$ 47.26
5	APRIL	510	15,300	13,363	\$ 90.64	87.3 %	25,309	\$ 47.86
6	MAY	510	15,810	13,729	\$ 91.03	86.8 %	26,743	\$ 46.73
7	JUNE	510	15,300	13,894	\$ 93.37	90.8 %	27,315	\$ 47.49
8	2ND QUARTER TOTALS		46,410	40,986	\$ 91.70	88.3 %	79,367	\$ 47.35
9	JULY	510	15,810	14,099	\$ 122.47	89.2 %	29,187	\$ 59.16
10	AUGUST	510	15,810	14,534	\$ 128.56	91.9 %	30,869	\$ 60.53
11	SEPTEMBER	510	15,300	12,210	\$ 100.24	79.8 %	24,419	\$ 50.12
12	3RD QUARTER TOTALS		46,920	40,843	\$ 117.99	87.0 %	84,475	\$ 57.05
13	OCTOBER	510	15,810	13,886	\$ 95.93	87.8 %	26,989	\$ 49.36
14	NOVEMBER	510	15,300	12,562	\$ 96.45	82.1 %	24,775	\$ 48.90
15	DECEMBER	510	15,810	9,673	\$ 92.81	61.2 %	18,823	\$ 47.70
16	4TH QUARTER TOTALS		46,920	36,121	\$ 95.28	77.0 %	70,587	\$ 48.76
17	ANNUAL TOTALS		186,150	151,002	\$ 99.80	81.1 %	298,987	\$ 50.40

ANNUAL REPORT

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NEW JERSEY STATE LIBRARY
MAY 12 1986
185 W. STATE ST.
TRENTON, N.J.

LICENSEE BOARDWALK REGENCY CORPORATION
ADDRESS 2100 PACIFIC AVENUE
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT EDWARD J. SUTOR
OFFICIAL TITLE VICE PRESIDENT OF FINANCE
ADDRESS 2100 PACIFIC AVENUE
ATLANTIC CITY, NEW JERSEY 08401

INC NAME OF LICENSEE Caesars Atlantic City

TRADING NAME OF LICENSEE Caesars Atlantic City

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1986

TITLE	FORM NO.
Balance Sheets	CCC-305
Statements of Income (Year)	CCC-310
Statements of Income (Three Months)	CCC-315
Statements of Changes in Stockholders' Equity	CCC-320
Statements of Changes in Partners' or Proprietor's Equity	CCC-325
Statements of Changes in Financial Position	CCC-330
Notes to Financial Statements	CCC-340
Schedule of Receivables and Patrons' Checks	CCC-345
Casino Departmental Schedule	CCC-350
Statement of Conformity and Accuracy	

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

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	ASSETS		
	Current Assets:		
1	Cash	\$ 9,830	\$ 7,266
2	Marketable securities	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$ 13,155 ; 19 <u>85</u> , \$ 16,210)	13,955	18,004
4	Inventories (Note 1)	2,654	2,740
5	Prepaid expenses and other current assets (Note 2)	4,440	3,766
6	Total current assets	30,879	31,776
7	Investments, Advances, And Receivables (Notes 3 & 13)	22,970	7,188
8	Property And Equipment - Net (Notes 1, 4 and 10)	208,285	213,951
9	Other Assets	3,472	3,418
10	Total Assets	\$ 265,606	\$ 256,333
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 10,217	\$ 6,818
12	Notes payable (Note 5)	-	18,400
13	Current portion of long-term debt:		
14	Due to affiliates	-	-
15	Other (Note 10)	337	900
16	Income taxes payable and accrued (Note 1)	4,886	6,865
17	Other accrued expenses (Note 7)	29,354	23,352
18	Other current liabilities (Note 8)	26,478	28,011
	Total current liabilities	71,272	84,346
19	Long-Term Debt:		
20	Due to affiliates (Note 9)	91,128	90,181
21	Other (Note 10)	34,123	35,700
22	Deferred Credits - Taxes	11,044	2,134
23	Other Liabilities	-	-
24	Commitments And Contingencies (Note 13)	-	-
	Total Liabilities	207,567	212,361
25	Stockholders', Partners', Or Proprietor's Equity	58,039	43,972
26	Total Liabilities And Equity	\$ 265,606	\$ 256,333

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

TRADING NAME OF LICENSEE Caesars Atlantic City

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1986 and 1985

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:		
<u>1</u>	Casino .....(Note 1).....	\$ 260,170	\$ 248,209
<u>2</u>	Rooms	18,322	17,540
<u>3</u>	Food and beverage	33,262	33,834
<u>4</u>	Other	17,043	16,791
<u>5</u>	Total revenue	328,797	316,374
<u>6</u>	Less: promotional allowances ....(Notes 1.&.14).....	36,055	35,065
<u>7</u>	Net revenue	292,742	281,309
	Costs And Expenses:		
<u>8</u>	Cost of goods and services	163,866	151,995
<u>9</u>	Selling, general, and administrative	57,056	61,037
<u>10</u>	Provision for doubtful accounts	3,025	4,164
<u>11</u>	Total	223,947	217,196
<u>12</u>	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	68,795	64,113
<u>13</u>	Depreciation and amortization ....(Note 1).....	17,379	16,093
	Charges from affiliates:		
<u>14</u>	Interest .....(Notes 8 & 9).....	17,297	19,296
<u>15</u>	Management fees		
<u>16</u>	Other .....(Note 12).....	3,841	2,194
<u>17</u>	Interest expense - external	3,995	4,209
<u>18</u>	Income (Loss) From Operations	26,283	22,321
<u>19</u>	Nonoperating income (expense) - net		277
<u>20</u>	Investment alternative tax and related income (expense) - net..... Note 13	1,478	(3,527)
<u>21</u>	Income (Loss) Before Income Taxes And Extraordinary Items.....	27,761	19,071
<u>22</u>	Provision (Credit) for income taxes ..(Notes 1.&.6).....	13,694	9,423
<u>23</u>	Income (Loss) Before Extraordinary Items	14,067	9,648
<u>24</u>	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)		
<u>25</u>	Net Income (Loss)	\$ 14,067	\$ 9,648

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

TRADING NAME OF LICENSEE Caesars Atlantic City

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:		
1	Casino .....(Note 1).....	\$ 64,838	\$ 61,287
2	Rooms	4,297	4,026
3	Food and beverage	8,081	8,219
4	Other	3,697	4,685
5	Total revenue	80,913	78,217
6	Less: promotional allowances ..(Notes 1 & 14).....	8,733	8,501
7	Net revenue	72,180	69,716
	Costs And Expenses:		
8	Cost of goods and services	40,699	38,716
9	Selling, general, and administrative	14,407	15,112
10	Provision for doubtful accounts	285	1,362
11	Total	55,391	55,190
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	16,789	14,526
13	Depreciation and amortization .....(Note 1).....	4,455	3,934
	Charges from affiliates:		
14	Interest .....(Notes 8 & 9).....	4,089	4,521
15	Management fees		
16	Other .....(Note 12).....	1,194	716
17	Interest expense - external	934	1,166
18	Income (Loss) From Operations	6,117	4,189
19	Nonoperating income (expense) - net		277
20	Investment alternative tax and related income (expense) - net.....Note 13	1,311	261
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	7,428	4,727
22	Provision (Credit) for income taxes	3,945	2,451
23	Income (Loss) Before Extraordinary Items ..(Notes 1 & 6).....	3,483	2,276
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	\$ 3,483	\$ 2,276

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	No Par Value, Common Stock: 1000 SHS Authorized				
1	Beginning balance (January 1)	100	\$ 1,370	100	\$ 1,370
2	Sale of stock				
3					
4	Ending balance	100	1,370	100	1,370
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7					
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		5,912		5,912
10					
11					
12	Ending balance		5,912		5,912
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18					
19					
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22					
23					
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		36,690		27,042
26	Prior period adjustments				
27	Net income (loss)		14,067		9,648
28	Dividends		()		()
29					
30					
31	Ending balance		50,757		36,690
32	Ending Stockholders' Equity		\$ 58,039		\$ 43,972

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

TRADING NAME OF LICENSEE Caesars Atlantic City

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31 19, 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ N/A	\$ N/A
2	Additional capital invested		
3			
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	N/A	N/A
6	Prior period adjustments		
7	Net income (loss)		
8			
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	(N/A)	(N/A)
11	Additional capital withdrawals	()	()
12			
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	(N/A)	(N/A)
15			
16			
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$ N/A	\$ N/A

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 19, 86 AND 19 85
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Sources Of Funds:		
1	Income (loss) before extraordinary items	\$ 14,067	\$ 9,648
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	17,115	15,234
3	Amortization of other assets	264	859
4	Deferred income taxes - noncurrent	8,910	1,997
5	(Gain) loss on dispositions of property and equipment		(277)
6	Amortization of Discount on Note Payable	947	936
7	Provision (Credit) for CRDA Bond Allowance	(3,778)	3,527
8	Provision for CRDA Project	2,300	
9	Total		
10	Extraordinary items		
11	Total funds provided (used) by operations	39,825	31,924
12	Proceeds from dispositions of property and equipment		1,900
13	Proceeds from long-term debt		
14	Additions to deferred credits and other liabilities		
15	Proceeds from issuance of stock or capital contributions		
16	Decrease in Other Assets-Deferred Income Taxes Noncurrent		389
17	.....	
18	.....	
19	.....	
20	Total funds provided	39,825	34,213
	Uses Of Funds:		
21	Additions to property and equipment	11,449	16,959
22	Investment in casino reinvestment obligations	14,304	9,099
23	Other additions to investments, advances, and receivables		893
24	Increase in other assets	318	691
25	Reductions of long-term debt	1,577	733
26	Dividends declared or capital distributions		
27	.....	
28	.....	
29	.....	
30	.....	
31	Total funds used	27,648	28,375
32	Increase (Decrease) In Working Capital	\$ 12,177	\$ 5,838
	Summary Of Changes In Components Of Working Capital:		
33	Cash	\$ 2,564	\$ 810
34	Marketable securities		
35	Receivables and patrons' checks	(4,049)	1,213
36	Inventories	(86)	688
37	Prepaid expenses and other current assets	674	558
38	Accounts payable	(3,399)	4,462
39	Notes payable	18,400	(15,100)
40	Current portion of long-term debt	563	761
41	Income taxes payable and accrued	1,979	(6,588)
42	Other accrued expenses	(6,002)	677
43	Other current liabilities	1,533	18,357
44	Increase (Decrease) In Working Capital	\$ 12,177	\$ 5,838

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies:

Description of Business

Boardwalk Regency Corporation (BRC), a New Jersey corporation, is a wholly-owned subsidiary of Caesars New Jersey, Inc. (CNJ), a New Jersey corporation. CNJ is an 86.6% owned subsidiary of Caesars World, Inc. (CWI), a Florida corporation. Additionally, CNJ also owns all of the stock of Caesars World Finance Corporation (CWFC), a Delaware corporation.

BRC operates Caesars Atlantic City hotel/casino (CAC) in Atlantic City, New Jersey. BRC also leases a property on the Boardwalk at Indiana Avenue in Atlantic City.

The financial statements include the accounts of CAC and the Indiana Avenue Property after elimination of all material interdivisional balances and transactions.

Revenue and Promotional Allowances

Casino revenue represents the net win from gaming wins and losses. The retail value of accommodations and the food and beverage provided to customers without charge is included in gross revenue and deducted as promotional allowances.

Inventories

Inventories are stated at the lower of cost or market, cost being determined principally on the first-in, first-out basis.

Property and Equipment

Property and equipment is recorded at cost, including interest on funds borrowed to finance construction. There was no interest capitalized in 1986 and for the year ending December 31, 1985, \$500,000 was capitalized. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Leasehold improvements	8 to 10 years
Furniture, fixtures and equipment	3 to 8 years
Property under capital leases, excluding land	5 to 30 years

Boardwalk Regency Corporation
(a subsidiary of Caesars New Jersey, Inc.)
(unaudited)

NOTE 4. Property and Equipment:

	1986	1985
	(In thousands)	
Land.....	\$ 19,619	\$ 19,619
Buildings and improvements	140,862	133,597
Furniture, fixtures and equipment	63,405	59,702
Construction in progress	2,674	2,173
Properties under capital leases:		
Land	9,055	9,055
Buildings	34,702	34,702
Furniture, fixtures and equipment	10,638	10,658
	280,955	269,506
Less accumulated depreciation and amortization	72,670	55,555
	<u>\$208,285</u>	<u>\$213,951</u>

NOTE 5. Notes Payable:

BRC currently maintains unsecured lines of credit of \$25,000,000 of which no amounts and \$18,400,000 were outstanding at December 31, 1986 and 1985, respectively. These lines bear interest at the prime rate or a lesser negotiated rate. BRC is expected to maintain compensating balances under the lines of credit, although it may elect to pay fees in lieu of balances.

The maximum amount outstanding under the lines of credit at any month end was \$16,500,000 in 1986 and \$18,400,000 in 1985. The average of the month end amounts outstanding was \$4,621,000 and \$7,406,000 in 1986 and 1985, respectively. The weighted average interest rate was 8.2% in 1986 and 8.5% in 1985.

NOTE 6. Income Taxes:

The provision for income taxes for the years ending December 31, 1986 and 1985 are comprised of the following:

	1986	1985
	(In thousands)	
Current:		
Federal.....	\$ 3,951	\$5,696
State.....	1,312	2,332
Deferred:		
Current.....	(479)	(991)
Long-term.....	8,910	2,386
	<u>\$13,694</u>	<u>\$9,423</u>

Boardwalk Regency Corporation
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(unaudited)

NOTE 6. Income Taxes (continued):

The tax effects of timing differences resulting in deferred income taxes for the years ending December 31, 1986 and 1985 are substantially due to depreciation, CRDA interest differential, and capitalized leases.

The provision for income taxes for the years ending December 31, 1986 and 1985 differs from the amount computed at the statutory rate as follows:

	1986	1985
	(In thousands)	
Federal income tax at statutory rate.....	\$12,371	\$8,983
State income taxes, net of federal benefit..	774	1,401
Investment tax credits.....	(170)	(849)
Settlement of IRS examinations.....	-	154
Other	719	(266)
	<u>\$13,694</u>	<u>\$9,423</u>

The Internal Revenue Service has examined CWI's consolidated Federal income tax returns through 1983.

NOTE 7. Other Accrued Expenses:

	1986	1985
	(In thousands)	
Rent	\$10,047	\$ 6,105
Salaries, wages and vacation pay	4,833	4,528
Insurance.....	4,050	3,506
Other	<u>10,424</u>	<u>9,213</u>
	<u>\$29,354</u>	<u>\$23,352</u>

Boardwalk Regency Corporation
(a subsidiary of Caesars New Jersey, Inc.)
(unaudited)

NOTE 8. Other Current Liabilities: (continued)

	<u>1986</u>	<u>1985</u>
	(In thousands)	
Funds borrowed from CNJ and CWI; interest calculated at the prime rate.....	\$24,750	\$25,982
Other.....	<u>1,728</u>	<u>2,029</u>
	<u>\$26,478</u>	<u>\$28,011</u>

NOTE 9. Long-term Debt, Due to Affiliates:

Unsecured note payable dated May 15, 1984 to CWFC; interest at 14 $\frac{1}{4}$ % payable semi-annually on May 15 and November 15, with an effective rate of 16.4%; principal due May 15, 1996, net of unamortized discount of \$8,872,000 at 12/31/86 and \$9,819,000 at 12/31/85.

	<u>1986</u>	<u>1985</u>
	(In thousands)	
	<u>\$91,128</u>	<u>\$90,181</u>

NOTE 10. Long-term Debt, Other:

	<u>1986</u>	<u>1985</u>
	(In thousands)	
(a) Long-term debt.....	\$ 536	\$ 1,929
(b) Capitalized lease obligations.....	<u>33,587</u>	<u>33,771</u>
	<u>\$34,123</u>	<u>\$35,700</u>

	<u>1986</u>	<u>1985</u>
	(In thousands)	
(a) Mortgages payable and equipment contracts, interest ranging from 3% to 17%, maturing through 1997, secured by property and equipment.....	\$584	\$2,402
Less current maturities.....	<u>48</u>	<u>473</u>
	<u>\$536</u>	<u>\$1,929</u>

NOTE 10. Long-term Debt, Other (continued):

Maturities of BRC's long-term debt, other are as follows:

	<u>Year Ending December 31, 1986</u>	(In thousands)
1987.....	\$	48
1988.....		27
1989.....		501
1990.....		1
1991.....		1
Thereafter.....		6
		<u>\$ 584</u>

(b) Leases:

BRC leases land, buildings and equipment under noncancellable lease agreements which expire at various dates through 2076. The leases generally provide that BRC pay the taxes, insurance and maintenance expenses related to the leases assets. CWI has guaranteed a substantial portion of BRC's lease obligations.

Major leased assets, which have been capitalized, include a portion of the CAC hotel/casino and the land on which the hotel/casino is situated. The lease expires in 2008, and is renewable for two additional 30-year periods. BRC has the right to purchase the property between 1988 and 1993 and a right to match any purchase offers for the property or the lease. The lease provides for a minimum rental of \$2,820,000 for the lease year beginning June 1, 1986, increasing by up to \$73,000 per year in each subsequent year, and a percentage rental of 19.3% of the hotel/casino's net profit (as defined). The percentage rental amounted to \$7,363,000, and \$4,650,000 for the year ending December 31, 1986 and 1985. In April 1986, the landlord sued the Company for approximately \$1.8 million plus interest and attorney's fees seeking a recomputation of the 1984 and 1985 percentage rent. The Company believes it has strong defenses to this action and does not expect a material adverse effect on its financial position as a result of this action.

Boardwalk Regency Corporation
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(unaudited)

NOTE 10. Long-term Debt, Other (continued):

Future minimum lease payments for all leases are as follows:

<u>Year Ending December 31,</u>	<u>Operating</u> (In thousands)	<u>Capital</u>
1987.....	\$ 1,137	\$ 3,819
1988.....	1,114	3,817
1989.....	886	3,835
1990.....	729	3,841
1991.....	639	3,858
Thereafter.....	<u>8,133</u>	<u>143,075</u>
Total minimum lease payments.....	<u>\$12,638</u>	162,245
Less amount representing interest.....		<u>128,369</u>
		33,876
Less current maturities of obligations under capital leases.....		<u>289</u>
		<u>\$ 33,587</u>

Rent expense for the years ending December 31, 1986
and 1985 is comprised of the following:

	1986	1985
	(In thousands)	
Minimum rentals under operating leases...	\$ 3,684	\$3,748
Contingent rentals under operating and capital leases.....	<u>7,363</u>	<u>4,650</u>
	<u>\$11,047</u>	<u>\$8,398</u>

Boardwalk Regency Corporation
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(unaudited)

NOTE 11. Pension Plans:

BRC participates in CWI's unfunded Executive Security Plan. The Plan is available to all participants of the prior Selective Executive Incentive Plan and any officer or other employee designated as a key executive of CWI and its subsidiaries. Pension expense is determined under the aggregate method and was \$230,000 and \$269,000 for the years ending December 31, 1986 and 1985, respectively.

BRC also has an Individual Retirement Account Plan which is available to all full-time employees who have at least one year of service and are not covered under any qualified retirement plan. The expense of this plan was \$575,000 and \$511,000 for the years ending December 31, 1986 and 1985, respectively.

In addition to the BRC plans described above, union employees are covered by various multi-employer pension plans. For the union sponsored plans, information is not available from the plans' sponsors to permit BRC to determine its share of unfunded vested benefits, if any.

NOTE 12. Related Party Transactions:

Intercompany Services

CWI, CNJ and CWFC have provided BRC with substantial funds to finance the expansion of the hotel/casino, lease deposits, operating capital and other purposes. CWI also provides certain assistance to BRC, including supervision of the hotel/casino operations and the furnishing of accounting, tax, legal and insurance services. BRC reimburses CWI and CNJ for the cost of such services, which amounted to \$3,841,000 and \$2,194,000 for the years ending December 31, 1986 and 1985, respectively. The breakdown of these services is as follows:

	1986	1985
	(In thousands)	
General insurance.....	\$3,047	\$1,193
Reservations office expenses.....	272	338
Corporate office travel expenses.....	41	83
Advertising.....	291	272
Other.....	190	308
	<u>\$3,841</u>	<u>\$2,194</u>

NOTE 13. Commitments and Contingencies:

The New Jersey Casino Control Act (the "Act") provides, among other things, for an assessment on licensees based upon their gross casino revenues. This assessment may be satisfied by investing in qualified eligible investments, purchasing bonds issued by the Casino Reinvestment Development Authority (CRDA), or paying an "alternative tax". In order for investments to be eligible, they must be approved by the CRDA. The Company's total obligation under the Act for all periods through December 31, 1986 is \$26,034,000 for which interest bearing deposits have been made to the CRDA in the amounts of \$25,224,000 and \$10,918,000 as of December 31, 1986 and 1985, respectively.

In December 1986, Caesars Atlantic City received tentative approval of a qualified eligible investment from the CRDA. The investment obligation requires Caesars Atlantic City to construct and then operate two buildings in Atlantic City costing approximately \$33 million, which will provide housing for approximately 220 low through middle income families. The interest bearing deposits held by the CRDA will be used to fund substantially all the cost of the buildings. One of the buildings is expected to incur negative cash flow and have a negligible residual value. A \$2,300,000 allowance was established in December 1986 to provide for such losses. Investment in the housing projects is subject to numerous factors including continued approval from various government and regulatory agencies. Due to the CRDA tentative approval of the alternative investment in December 1986, Caesars Atlantic City reversed \$3,778,000 of the allowance for the difference in value.

A portion of the investment obligation will be met by purchasing CRDA bonds which may have terms as long as fifty years and will bear interest at two-thirds of market rates at issue date resulting in a value lower than the face value of such bonds. The cumulative allowance for the difference in value at December 31, 1986 and 1985 was \$845,000 and \$4,623,000 respectively. In addition, it is anticipated that short-term CRDA bonds of this type will be used to partially finance the construction of the two buildings.

Litigation

BRC is party to legal proceedings arising in the normal conduct of business. Management believes that the final outcome of these matters will not have a material adverse effect upon BRC's financial position.

Boardwalk Regency Corporation
(a subsidiary of Caesars New Jersey, Inc.)
(unaudited)

NOTE 14. Complimentaries:

Promotional Allowances

(\$ Amounts in thousands)

	Twelve Months Ending		Three Months Ending	
	December 31, 1986		December 31, 1986	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Rooms	72,821	\$ 8,541	18,786	\$2,077
Food	1,280,017	11,736	338,930	2,850
Beverage	3,285,429	8,785	673,795	2,110
Parking	601,991	4,255	134,149	999
Theatre	116,281	2,480	36,541	612
Other	7,661	258	4,996	85
	<u>5,364,200</u>	<u>\$36,055</u>	<u>1,207,197</u>	<u>\$8,733</u>

Promotional Expenses

(\$ Amounts in thousands)

	Twelve Months Ending		Three Months Ending	
	December 31, 1986		December 31, 1986	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Coin	1,801,436	\$21,269	308,379	\$5,300
Travel	19,227	3,083	4,460	767
In-house parties	26,894	1,061	14,061	332
Other	7,131	1,205	346	230
	<u>1,854,688</u>	<u>\$26,618</u>	<u>399,246</u>	<u>\$6,629</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:			
	Undeposited patrons' checks	\$ 8,747		
2	Returned patrons' checks	15,713		
3	Total patrons' checks	24,460	\$ 12,920	\$ 11,540
4	Hotel Receivables	1,110	235	875
	Other Receivables:			
5	Receivables due from officers and employees.....	24		
6	Receivables due from affiliates			
7	Other accounts and notes receivables	1,516		
8	Total other receivables	1,540		1,540
9	Totals (Form 305).....	\$ 27,110	\$ 13,155	\$ 13,955

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 12,200
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	287,896
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(218,518)
13	Checks collected through deposits	(70,344)
14	Checks transferred to returned checks	(2,487)
15	Other adjustments	
16	Ending Balance	\$ 8,747
17	"Hold" Checks Included In Balance On Line 16	\$ - 0 -
18	Provision For Uncollectible Patrons' Checks	\$ 2,649
19	Provision As A Percent Of Counter Checks Issued .....	.9%

STATEMENT OF CONFORMITY AND ACCURACY
 TRADING NAME OF LICENSEE Caesars Atlantic City

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 54,723	\$ 367,099	14.9 %	72
2	Craps	47,794	323,667	14.8	24
3	Roulette	13,054	51,088	25.6	11
4	Big Six	2,912	6,197	47.0	4
5	Baccarat	15,592	119,189	13.1	3
6	Other table games	-	-	-	-
7	Total table games revenue	134,075	\$ 867,240	15.5 %	114
			HANDLE		
8	\$.05 slot machines	3,884	\$ 26,427	14.7 %	86
9	\$.25 slot machines	62,553	434,587	14.4	893
10	\$1.00 slot machines	13,868	115,067	12.1	163
11	Other slot machines	45,251	368,686	12.3	457
12	Total coin-operated devices revenue	125,556	\$ 944,767	13.3 %	1599
13	Progressive jackpot adjustment	539			
14	Total coin-operated devices revenue after adjustment	126,095			
15	Other income	-			
16	Total revenue	260,170			
	Expenses:				
17	Payroll and payroll related expenses	44,852			
18	Licenses and taxes	23,700			
19	Provision for uncollectible patrons' checks	2,649			
20	Other	15,342			
21	Total	86,543			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	173,627			
	Complimentary services and casino management fees:				
23	Complimentary services	34,459			
24	Casino management fees	-			
25	Total	34,459			
26	Departmental Income (Loss)	\$ 139,168			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF

COUNTY OF

:
: ss.
:

Edward J. Sutor, being duly sworn according to law upon my oath
Name

deposes and says:

1. I have examined this Annual Report.
2. All the information contained in this Report has been prepared in conformity with Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Annual Report is accurate to the best of my knowledge and belief.

Edward J. Sutor
Signature

Vice President of Finance
Title

00587-11
License Number

Subscribed and sworn to
before me this 12 day
of March, 1987

Christine M. Dougherty
Signature

CHRISTINE M. DOUGHERTY
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires APRIL 11, 1991

On Behalf Of:

BOARDWALK REGENCY CORPORATION
Casino Licensee

Basis of Authority
to Take Oaths

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE BOARDWALK REGENCY CORPORATION

ADDRESS 2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

EDWARD J. SUTOR

OFFICIAL TITLE.....

VICE PRESIDENT OF FINANCE

ADDRESS.....

2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
CASINO					
1	Administration	15			
2	Gaming	957			
3	Slots	112			
4	Casino accounting	65			
5	Other	702			
6	Total-casino	1,851	\$ 37,255	\$ 178	\$ 37,433
7	ROOMS	202	3,007	60	3,067
8	FOOD AND BEVERAGE	859	12,321	80	12,401
OTHER OPERATED DEPARTMENTS					
9	Service Station	13			
10	Parking	61	174		174
11	Beauty Salon	5	899		899
12	Health Club	5	95		95
13	Coat Room	6	123		123
14	Telephone	5	41		41
15	Electric Co.	15	228		228
16		3	41		41
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	17	181	1,017	1,198
21	Accounting and auditing	71	1,715	70	1,785
22	Security	205	4,176		4,176
23	Other administrative and general department ..	198	3,829	60	3,889
24	MARKETING	20	485	75	560
25	GUEST ENTERTAINMENT	57	1,319		1,319
26	PROPERTY OPERATION AND MAINTENANCE	84	2,633		2,633
		3,672	\$ 68,522	\$ 1,540	\$ 70,062

Trading Name of Licensee CAESARS ATLANTIC CITY

GROSS REVENUE
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

LICENSE NO. _____

ADDRESS For the Year Ended December 31, 19 86

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 86

3/14/87
Date

Edward G. Sutor
Signature

V.P. Finance
Title

CASINO CONTROL

OF THE

STATE OF NEW JERSEY



OFFICER IN CHARGE
CORRESPONDENCE REGARDING
ANNUAL TAX RETURN

EDWARD SUTOR

VICE PRESIDENT-FINANCE

2100 PACIFIC AVENUE

ATLANTIC CITY, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE CAESARS ATLANTIC CITY
ADDRESS 2100 PACIFIC AVENUE
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN

EDWARD SUTOR

OFFICIAL TITLE.....

VICE PRESIDENT-FINANCE

ADDRESS

2100 PACIFIC AVENUE

ATLANTIC CITY, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$ 134,074,955
2	Coin-operated devices revenue	125,556,551
3	Total revenues	\$ 259,631,506
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 2,649,000
5	Maximum adjustment (4% of line 3)	\$ 10,385,260
6	Adjustment (the lesser of line 4 or line 5)	2,649,000
7	Gross revenues (line 3 less line 6)	\$ 256,982,506
8	Tax on gross revenues - current year (8% of line 7)	\$ 20,558,600
9	Audit or other adjustments to tax on gross revenues in prior years	-0-
10	Total tax on gross revenues (line 8 plus or minus line 9)	20,558,600
	Deposits made for tax on current year's gross revenues:	
11	January	\$ 1,455,276
12	February	1,619,963
13	March	1,571,205
14	April	1,491,003
15	May	1,786,302
16	June	1,790,137
17	July	1,813,298
18	August	2,058,365
19	September	1,789,414
20	October	1,940,496
21	November	1,865,681
22	December	1,007,260
23	January	369,469
24	Total deposits made for tax on current year's gross revenues	(20,557,873) *
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits	(727)
26	Gross revenues tax ^{paid} payable (line 10 less line 24 plus or minus line 25)	\$ 20,558,600 **
	Gross Revenue Tax Receivable - Balance due from 12/31/85 -	9,085
	- Amount deducted on 6/86 -	(727)
	Balance remaining at 12/31/86 -	<u>8,358</u>

* Does not foot due to rounding.

** Overpayment from 1985 (\$9,085) less amount deducted in June 1986 (\$727), result \$8,358 still overpaid.

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF :
:ss.
COUNTY OF :

Edward J. Sutor, being duly sworn according
Name

to law upon my oath deposes and says:

1. I have examined this Gross Revenue Annual Tax Return.
2. All the information contained in this Return has been prepared in conformity with the Casino Control Commission's Gross Revenue Annual Tax Return Instructions and Uniform Chart of Accounts.
3. The information contained in this Return is accurate to the best of my knowledge and belief.

Edward J. Sutor
Signature

Vice President/Finance
Title

00587-11
License Number

On Behalf Of:

Boardwalk Regency Corporation
Casino Licensee

Subscribed and sworn to
before me this 16th day
of March, 1987.

June C. Gallagher
Signature

JUNE C. GALLAGHER
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 15, 1990

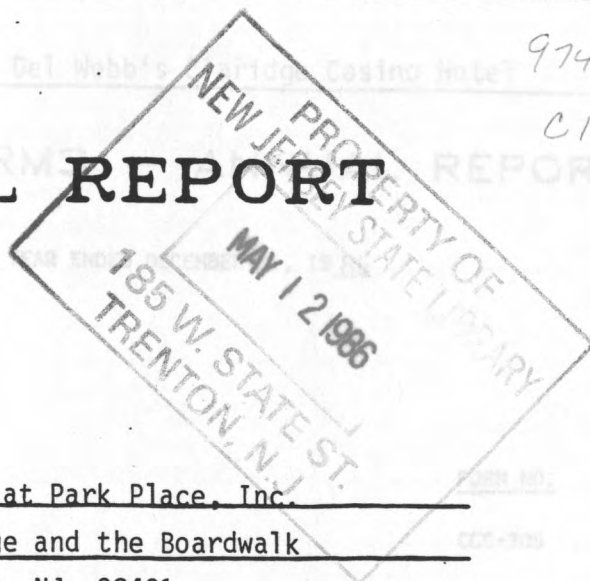
Basis of Authority
to Take Oaths

HOTEL STATISTICSFOR THE 12 MONTHS ENDED December 31, 1986

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
LINE	PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	641	18,829	13,527	\$ 85.80	71.8 %	25,487	\$45.54
2	FEBRUARY	641	16,557	12,911	\$ 86.58	78.0 %	24,568	\$45.50
3	MARCH	641	18,730	15,415	\$ 88.63	82.3 %	29,019	\$47.08
4	1ST QUARTER TOTALS		54,116	41,853	\$ 87.08	77.3 %	79,074	\$46.09
5	APRIL	641	18,507	14,896	\$94.00	80.5 %	35,218	\$39.76
6	MAY	641	19,503	15,424	\$101.61	79.1 %	28,358	\$55.27
7	JUNE	641	19,109	16,095	\$107.89	84.2 %	28,922	\$60.04
8	2ND QUARTER TOTALS		57,119	46,415	\$101.35	81.3 %	92,498	\$50.85
9	JULY	641	19,871	16,757	\$119.37	84.3 %	32,348	\$61.84
10	AUGUST	641	19,845	18,176	\$119.05	91.6 %	35,063	\$61.71
11	SEPTEMBER	641	19,210	14,873	\$101.71	77.4 %	28,767	\$52.59
12	3RD QUARTER TOTALS		58,926	49,806	\$113.98	84.5 %	96,178	\$59.02
13	OCTOBER	641	19,867	15,495	\$103.78	78.0 %	29,287	\$54.91
14	NOVEMBER	641	19,230	14,383	\$104.60	74.8 %	26,728	\$56.29
15	DECEMBER	641	19,835	12,173	\$ 97.38	61.4 %	23,346	\$50.78
16	4TH QUARTER TOTALS		58,932	42,051	\$102.21	71.4 %	79,361	\$54.16
17	ANNUAL TOTALS		229,093	180,125	\$101.73	78.6 %	347,111	\$52.79

TRADING NAME OF LICENSEE Del Webb's Casino Hotel 974-901

ANNUAL REPORT



LICENSEE The Claridge at Park Place, Inc.

ADDRESS Indiana Avenue and the Boardwalk
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT** Jean I. Abbott
OFFICIAL TITLE Vice President/Controller
ADDRESS Indiana Ave and The Boardwalk
Atlantic City, NJ 08401

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

LIST OF FORMS — ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1986

<u>TITLE</u>	<u>FORM NO.</u>
Balance Sheets	CCC-305
Statements of Income (Year)	CCC-310
Statements of Income (Three Months)	CCC-315
Statements of Changes in Stockholders' Equity	CCC-320
Statements of Changes in Partners' or Proprietor's Equity	CCC-325
Statements of Changes in Financial Position	CCC-330
Notes to Financial Statements	
Schedule of Receivables and Patrons' Checks	CCC-340
Casino Departmental Schedule	CCC-345
Statement of Conformity and Accuracy	CCC-350

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	5,127	2,872
2	Marketable securities ..(at cost which approximates market)..	50	50
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$2,799 ; 19 <u>85</u> , \$ 2,775)	6,852	7,010
4	Inventories	2,855	2,716
5	Prepaid expenses and other current assets	743	702
6	Total current assets	15,627	13,350
7	Investments, Advances, And Receivables ..(Note 3)	152,712	129,566
8	Property And Equipment - Net Of Accum Dep of \$4,533 and \$3,227.	5,864	4,944
9	Other Assets .....(Note 4)	2,798	4,542
10	Total Assets	\$ 177,001	\$ 152,402
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	5,478	5,686
12	Notes payable	1,500	1,000
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other ..(Note 7)	2,000	3,000
15	Income taxes payable and accrued	-0-	-0-
16	Other accrued expenses ..(Note 5)	12,084	9,459
17	Other current liabilities ..(Note 6)	26,630	18,905
18	Total current liabilities	47,692	38,050
	Long-Term Debt:		
19	Due to affiliates ..(Note 7)	43,240	40,966
20	Other ..(Note 7)	93,300	74,000
21	Deferred Credits	-0-	13
22	Other Liabilities ..(Note 8)	46,161	32,671
23	Commitments And Contingencies (Note 13)		
24	Total Liabilities	230,393	185,700
25	Stockholders', Partners', Or Proprietor's Equity	(53,392)	(33,298)
26	Total Liabilities And Equity	\$ 177,001	\$ 152,402

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

TRADING NAME OF LICENSEE Del Webb's Claridge Casino-Hotel

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:		
1	Casino	\$ 119,440	\$ 118,629
2	Rooms	13,005	13,330
3	Food and beverage	21,714	23,124
4	Other	3,023	3,106
5	Total revenue	157,182	158,189
6	Less: promotional allowances ..(Note.10).....	18,764	17,892
7	Net revenue	138,418	140,297
	Costs And Expenses:		
8	Cost of goods and services	79,320	76,623
9	Selling, general, and administrative	34,585	36,141
10	Provision for doubtful accounts	862	915
11	Total	114,767	113,679
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	23,651	26,618
13	Depreciation and amortization	3,144	2,909
	Charges from affiliates:		
14	Interest .....(Note 14).....	7,965	6,254
15	Management fees .....(Note 14).....	5,122	4,457
16	Other .....(Note 14).....	37,631	34,892
17	Interest expense - external	8,216	8,787
18	Income (Loss) From Operations	(38,427)	(30,681)
19	Nonoperating income (expense) - net ..(Note.9).....	18,833	16,938
20	Investment alternative tax and related income (expense) - net.....	(500)	(981)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(20,094)	(14,724)
22	Provision (Credit) for income taxes (Note.12).....	-0-	26
23	Income (Loss) Before Extraordinary Items	(20,094)	(14,750)
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ (20,094)	\$ (14,750)

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	30,449	26,988
2	Rooms	3,046	2,846
3	Food and beverage	5,893	5,381
4	Other	757	770
5	Total revenue	40,145	35,985
6	Less: promotional allowances ..(Note 10).....	5,070	4,005
7	Net revenue	35,075	31,980
	Costs And Expenses:		
8	Cost of goods and services	20,395	18,219
9	Selling, general, and administrative	9,249	9,271
10	Provision for doubtful accounts	204	208
11	Total	29,848	27,698
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	5,227	4,282
13	Depreciation and amortization	857	673
	Charges from affiliates:		
14	Interest	2,148	1,653
15	Management fees	1,277	465
16	Other	9,436	8,935
17	Interest expense - external	2,065	2,097
18	Income (Loss) From Operations	(10,556)	(9,541)
19	Nonoperating income (expense) - net	5,120	4,396
20	Investment alternative tax and related income (expense) - net.....	(122)	(981)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(5,558)	(6,126)
22	Provision (Credit) for income taxes	-0-	26
23	Income (Loss) Before Extraordinary Items	(5,558)	(6,152)
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-0-	-0-
25	Net Income (Loss)	\$ (5,558)	\$ (6,152)

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1986 and 1985

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	(Par value \$.10, authorized & outstanding 1000 shares)				
1	Common Stock: Beginning balance (January 1)	1,000	\$ 1	1,000	\$ 1
2	Sale of stock				
3	.....			
4	Ending balance	1,000	1	1,000	1
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		4,999		4,999
10	.....			
11	.....			
12	Ending balance		4,999		4,999
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		(38,298)		(23,548)
26	Prior period adjustments				
27	Net income (loss)		(20,094)		(14,750)
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		(58,392)		(38,298)
32	Ending Stockholders' Equity		\$ (53,392)		\$ (33,298)

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

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31 19, 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$	\$
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)		
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	()
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$	\$

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

-NOT APPLICABLE-

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 19, 86 AND 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Sources Of Funds:		
1	Income (loss) before extraordinary items	\$ (20,094)	\$ (14,750)
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	1,843	1,698
3	Amortization of other assets	1,301	1,211
4	Deferred income taxes - noncurrent	18	942
5	(Gain) loss on dispositions of property and equipment	127	154
6	Deferred Rent	9,452	9,902
7	Valuation Reserve (CRDA)	500	981
8	Management Fees Abated	3,436	
9	Total	(3,417)	138
10	Extraordinary items	-0-	-0-
11	Total funds provided (used) by operations	(3,417)	138
12	Proceeds from dispositions of property and equipment		
13	Proceeds from long-term debt	22,074	2,865
14	Additions to deferred credits and other liabilities	602	-0-
15	Proceeds from issuance of stock or capital contributions		
16	Reduction to Deferred Charges	425	-0-
17	.....	
18	.....	
19	.....	
20	Total funds provided	19,684	3,003
	Uses Of Funds:		
21	Additions to property and equipment	2,890	1,086
22	Investment in casino reinvestment obligations	1,477	1,494
23	Other additions to investments, advances, and receivables	22,169	5,416
24	Increase in other assets	-0-	1,253
25	Reductions of long-term debt	500	3,000
26	Dividends declared or capital distributions		
27	Reduction of Deferred Credits & Other Liabilities.....	13	10
28	.....	
29	.....	
30	.....	
31	Total funds used	27,049	12,259
32	Increase (Decrease) In Working Capital.....	\$ (7,365)	\$ (9,256)
	Summary Of Changes In Components Of Working Capital:		
33	Cash	2,255	(1,825)
34	Marketable securities	-0-	(2)
35	Receivables and patrons' checks	(158)	683
36	Inventories	139	146
37	Prepaid expenses and other current assets	41	36
38	Accounts payable	208	419
39	Notes payable	(500)	1,000
40	Current portion of long-term debt	1,000	(1,000)
41	Income taxes payable and accrued	-0-	874
42	Other accrued expenses	(2,625)	(2,071)
43	Other current liabilities	(7,725)	(7,516)
44	Increase (Decrease) In Working Capital	\$ (7,365)	\$ (9,256)

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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements

December 31, 1986 and 1985

(1) Organization

The Claridge at Park Place, Incorporated ("New Claridge") formed on August 29, 1983, is a wholly-owned subsidiary of The Claridge Hotel and Casino Corporation (the "Corporation"). On October 31, 1983, New Claridge acquired certain assets of Del Webb's Claridge Casino - Hotel (the "Claridge"), including gaming equipment (the "Casino Assets"), from Del E. Webb New Jersey, Inc. ("DEWNJ"), a wholly-owned subsidiary of Del E. Webb Corporation ("Webb"), leased certain other of the Claridge's assets, including the buildings, parking facility and nongaming, depreciable, tangible property of the Claridge (the "Hotel Assets"), from Atlantic City Boardwalk Associates, L.P., (the Partnership"), subleased the land on which the Claridge is located from the Partnership, assumed certain liabilities related to the acquired assets and undertook to carry on the business of the Claridge.

New Claridge expanded its facility by constructing a two story bridge building which connects the hotel building to the parking garage. The expanded facility, which opened to the public on August 28, 1986 houses approximately 10,000 square feet of casino space and a cabaret theatre with a seating capacity of approximately 200. The cost of the project approximated \$20 million. To finance the expansion, New Claridge together with Webb, DEWNJ, and the Partnership committed on March 17, 1986, to an agreement with the First Fidelity Bank, N.A. which increased the current First Mortgage by an amount sufficient to finance the cost of the expansion. As a result of the expansion project and the increase in the First Mortgage certain new agreements were entered into the certain existing agreements and certain Webb Commitments were amended on March 17, 1986.

(2) Summary of Significant Accounting Policies

(a) Cash

Cash includes investments in interest-bearing repurchase agreements in government securities. Interest income is recorded as earned.

(b) Casino Receivables and Revenues

Credit is issued to certain casino customers and New Claridge records all unpaid credit as casino receivables on the date the credit was granted. Allowances for estimated uncollectible casino receivables are provided to reduce these receivables to amounts anticipated to be collected. New Claridge recognizes as casino revenue, the net win (which is the difference between amounts wagered and amounts paid to winning patrons) from gaming activity.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(c) Promotional Allowances

Promotional allowances are presented at retail value. The cost of providing these complimentary is included in the statement of earnings as operating costs. The aggregate retail value of complimentary was \$18,764,000 and \$17,892,000 for the years ended December 31, 1986 and 1985, respectively.

(d) Inventories

Inventories are stated at the lower of cost or market, cost being determined principally on a first-in, first-out basis.

(e) Furniture and Equipment

Furniture and equipment is stated at cost. Depreciation is provided over the estimated useful lives (from three to five year) of the respective assets using the straight-line method.

(f) Intangible Assets

Certain costs arising from the formation of New Claridge are amortized on a straight-line basis over a period of up to 5 years. Certain legal and other start-up costs associated with the Claridge expansion project are amortized over a period of 145 months (life of the Expansion Operating Lease). Other miscellaneous deferred charges are amortized over a period of up to five years.

(g) Income Taxes

Deferred income taxes are provided on timing differences in reporting rent expense, depreciation and amortization, interest and other transactions for financial reporting and income tax purposes. Investment tax credits are accounted for as a reduction of income tax expense in year realized.

Pursuant to the Operating Lease, New Claridge is entitled to claim all investment tax credits relating to the Partnership's purchase of furniture, fixture and equipment replacements (FF&E Replacements), which purchase is funded by New Claridge. The amounts of such credits are added to rents payable to the Partnership under the Operating Lease. For the year ended December 31, 1986 no investment credits were claimed by New Claridge. In October 1986, the Tax Reform Act of 1986 (the Act) was signed into law with the majority of its provisions to be effective January 1, 1987. The company does not anticipate that the provisions of the Act will significantly affect operations or financial conditions.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(3) Investments, Advances, and Receivables

Investments, Advances, and Receivables at December 31, 1986 and 1985 are summarized as follows:

	<u>1986</u>	<u>1985</u>
	(in thousands)	
\$127,000,000 Expandable Wraparound Mortgage 14%, maturities through September 30, 2000 (net of \$16,240,000 discount and \$15,534,000 discount at December 31, 1986 and 1985 respectively)	\$110,760	111,466
Deferred interest receivable, due September 30, 2000	13,000	9,000
FF & E promissory note, 14%	10,351	7,064
Expansion/Construction note, 14%	15,588	-0-
Reinvestment Obligations	<u>3,013</u>	<u>2,036</u>
	<u>\$152,712</u>	<u>129,566</u>

The Expandable Wraparound Mortgage Loan Agreement ("Expandable Wraparound Mortgage") was executed and delivered by the Partnership to New Claridge and is secured by all property of the Partnership. As part of the agreement, New Claridge will service the Partnership's debt under the Partnership's First Mortgage and Purchase Money Second Mortgage indebtedness (Note 7). The discounted portion of the Expandable Wraparound Mortgage is due to the deferral of \$20,000,000 in interest between 1983 and 1988 until maturity. No principal payments will be required under the Expandable Wraparound Mortgage until 1988.

The Expandable Wraparound Mortgage also includes a provision whereby New Claridge will loan the Partnership up to \$25,000,000 in the form of FF & E promissory notes, secured under the Expandable Wraparound Mortgage, for the purchase of property and equipment. One half of the principal is due in 48 months and the remaining balance is due 60 months from the date of the respective FF&E promissory note.

The Expandable Wraparound Mortgage was increased by \$17 million to provide the Partnership with funding for the construction of the expansion. Effective on the date that the expansion opened to the public (August 28, 1986), the Partnership commenced making level monthly payments of principal and interest so as to repay on September 30, 1998, in full, the principal balance of this \$17 million increase in the Expandable Wraparound Mortgage. The Expandable Wraparound Mortgage was amended to require, in addition to the above, principal payments (in equal monthly installments) due during the years 1988 through 1998 in escalating amounts totalling \$80,000,000 and on September 30, 2000 a balloon payment of \$67,000,000, which includes \$20,000,000 of deferred interest.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

On October 26, 1984 New Claridge entered into a financing agreement ("Purchase Agreement") with First Fidelity Bank N/A ("Bank") whereby the bank would purchase from New Claridge any FF & E promissory notes up to the aggregate sum of \$5 million. The purchase price would be one hundred (100%) percent of the outstanding principal amount of each FF&E promissory note, and would include a proportionate sale and assignment by New Claridge to the bank of New Claridge's interest in the Expandable Wraparound Mortgage and other security instruments, to the extent that they secure the purchased FF&E promissory notes. As additional consideration for the purchase of the promissory notes, New Claridge agreed to pay the Bank an amount equal to the excess, if any, that would be due as interest computed on a prime plus two (2%) percent basis. On January 27, 1987 the Bank required New Claridge to repurchase \$1 million of the FF&E Notes. In addition the Purchase Agreement was amended so that the Bank may require at any time on or after November 1, 1987 that New Claridge repurchase the FF&E Notes. Management is investigating alternative markets and financing sources, if none are found the funds to repurchase these notes will be obtained through the recapture of fees and interest and if necessary use of a portion of the \$20 million line of credit.

The Casino Control Act as amended in December 1984 provides for the imposition of an investment obligation pursuant to criteria set forth in the Act or the payment of an alternative tax. The investment obligation is calculated as 1.25% of the total gaming revenues each calendar year. Gaming revenues are the total revenues derived from gaming obligations less the provision for bad debt. If the casino licensee opts not to make an investment as required it is assessed an additional tax of 2.5% of total gaming revenues less the provision for bad debt. The licensee has two options in satisfying its investment obligation. It can make a direct investment in a project which must be approved by the Casino Reinvestment Development Authority ("CRDA") which is the agency responsible for administering this portion of the Casino Control Act. Or it can buy bonds issued by the CRDA which shall, if tax exempt, bear interest at the rate of 66 2/3% of the average rate of Bond Buyer Weekly 25 Revenue Bond Index for the 26 weeks preceding the issue of the bonds. If the bonds are not tax exempt they shall bear interest at the rate of 66 2/3% of the average rate of Moody's A Rate Utility Index for the 26 weeks preceding the issue of the CRDA bonds. The investment obligation must be paid on the 15th day of the first, fourth, seventh, and tenth months of each year based on the estimated gaming revenues for the three month period preceding the first day of those months. The alternative tax must be paid not later than April 30 of the following year. As of December 31, 1986 no bonds have been issued for purchase. New Claridge has deposited its reinvestment funds with the State Treasurer. Through December 31, 1986 \$4,124,000 has been deposited with the State. These funds deposited are earning interest at a

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

rate approximately one-third less than market. Since at the time of purchase the bonds will also bear interest at two-thirds of market rates New Claridge has recorded a valuation allowance of \$1,481,000 to date of which \$500,000 was recorded during the year ended December 31, 1986. Until such time as the bonds are issued this valuation allowance may be adjusted due to potential fluctuations in bond interest rates and other factors, including the determination of the terms of the bonds. New Claridge's investment obligation at December 31, 1986 and 1985 is \$370,000 and \$353,000 respectively.

(4) Other Assets

Other assets at December 31, 1986 and 1985 consists of the following

	<u>1986</u>	<u>1985</u>
	(in thousands)	
Intangible assets and deferred charges (net of amortization of \$5,362,000 and \$4,061,000 at December 31, 1986 and 1985, respectively.)	\$2,798	4,524
Deferred income taxes	-0-	18
	<u>\$2,798</u>	<u>4,542</u>

(5) Other Accrued Expenses

Other accrued expenses at December 31, 1986 and 1985 consists of the following (in thousands):

	<u>1986</u>	<u>1985</u>
Progressive jackpot liability	\$ 4,488	4,066
Accrued payroll and related benefits	3,654	3,287
Other	<u>3,942</u>	<u>2,106</u>
	<u>\$12,084</u>	<u>9,459</u>

(6) Other Current Liabilities

Other current liabilities at December 31, 1986 and 1985 consists of the following (in thousands):

	<u>1986</u>	<u>1985</u>
Deferred fees	\$17,557	11,056
Receivable financing obligation	5,000	5,000
Due to affiliates	2,033	1,692
Other	<u>2,040</u>	<u>1,157</u>
	<u>\$26,630</u>	<u>18,905</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

All fees payable to DEWNJ are subject to deferral if monthly cash flow is insufficient to pay certain other priority items, as defined in the Management Agreement between New Claridge and DEWNJ (see Note 14). All deferred fees bear interest at 10% per annum, payable on a monthly basis.

(7) Long-term Debt

Long term debt at December 31, 1986 and 1985 consists of the following:

	<u>1986</u>	<u>1985</u>
	(in thousands)	
First Mortgage Note, prime plus 1%, or LIBOR plus 2%, or unadjusted LIBOR plus 2.25%, maturities to 1993 (a)	\$ 95,300	77,000
\$47,000,000 Purchase Money Second Mortgage 14%, due September 30, 2000 (net of \$15,882,000 and \$15,534,000 discount at December 31, 1986 and 1985 respectively)	31,118	31,466
Deferred interest payable, due September 30, 2000 (b)	11,622	9,000
Unsecured Notes (c)	<u>2,000</u>	<u>1,500</u>
	140,040	118,966
Less current installments	<u>3,500</u>	<u>4,000</u>
	<u>\$136,540</u>	<u>114,966</u>

Pursuant to the Expandable Wraparound Mortgage Loan Agreement (Note 3) on October 31, 1983 New Claridge assumed the debt of the Partnership relating to an \$80,000,000 First Mortgage made by the Partnership to a group of banks and a \$47,000,000 Purchase Money Second Mortgage made by the Partnership to DEWNJ. The Expandable Wraparound Mortgage is secured by the Hotel Assets and is subordinate to the First Mortgage and the Purchase Money Second Mortgage.

Provided the Partnership is not in default of its obligations under the Expandable Wraparound Mortgage and New Claridge is current in its rental obligations to the Partnership under the Operating Lease, New Claridge will be obligated to make payments required under the First Mortgage and Purchase Money Second Mortgage.

- (a) On March 17, 1986 the First Mortgage was amended and assumed by New Claridge. The amount of the amended and assumed First Mortgage ("Amended First Mortgage") was increased to \$96.5 million to provide financing for the construction of the expansion. As of December 31, 1986 \$95.3 million of the \$96.5 million was outstanding.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

Principal payments (in equal monthly installments) under the Amended First Mortgage total \$2,000,000 in 1987, \$4,000,000 in 1988, \$4,500,000 in 1989, \$5,500,000 in 1990 and \$11,500,000 in each of the 1991, 1992, 1993, 1994, and 1995. A balloon payment of \$23 million is due January 31, 1996. Interest is payable monthly in arrears at an annual rate equal to one of the following: (1) 1% over Marine Midland Bank, N.A.'s prime rate ((2) 2% in excess of the LIBOR rate (3) 2.25% in excess of the unadjusted LIBOR rate. Webb has agreed to pay shortfalls on foreclosure of the Amended First Mortgage up to \$20 million.

- (b) The discounted portion of the Purchase Money Second Mortgage is due to the deferral to maturity of certain interest payments. The original terms of the Purchase Money Second Mortgage provided for the deferral of \$20 million of interest occurring between 1983 and 1988.

The Purchase Money Second Mortgage was also amended on March 17, 1986 to eliminate, effective on the date that the expansion opened to the public (August 28, 1986), the deferral of certain interest payments until maturity.

- (c) The unsecured notes at December 31, 1986 and 1985 consist of the following:

	<u>1986</u>	<u>1985</u>
	(in thousands)	
\$1,500,000 loan bearing interest of Prime Plus 1.25% (8.75% at December 31, 1986)	\$ 1,500	-0-
\$500,000 loan bearing interest of 10% due December 31, 1989	500	500
\$1,000,000 loan bearing interest of Prime Plus 1.25% (10.75% at December 31, 1985)	-0-	1,000
	<u>\$ 2,000</u>	<u>1,500</u>

The Expandable Wraparound Loan Agreement places various restrictions on the operations of New Claridge, including the maintenance of certain financial ratios, limits the amount of indebtedness and limits dividends paid by New Claridge. The First Mortgage prohibits the payment of dividends to the Corporation before 1989.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(8) Other Liabilities

Other liabilities at December 31, 1986 and 1985 consists of the following:

	1986	1985
	(in thousands)	
Deferred rent	\$42,123	32,671
Management fees abated	3,436	-0-
Capital lease obligations (Total obligations of \$954,000 less current portion of \$352,000 at December 31, 1986)	602	-0-
Total	\$46,161	32,671

(9) Other Nonoperating Income (Expense) - net

Other nonoperating income (expense)-net for the year ended December 31, 1986 and 1985 consists of the following:

	1986	1985
	(in thousands)	
Interest income - Wraparound mortgage	\$18,925	16,956
Interest income - other	124	175
Loss on disposal of assets	(64)	(154)
Other nonoperating income/(expense)	(152)	21
Loss due to flood	-0-	(60)
Total	\$18,833	16,938

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(10) Complimentary Services

Complimentary services for the three months and year ended December 31, 1986 are summarized as follows:

For the three months ended December 31, 1986

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	10,553	\$1,116,581
Food	234,729	2,178,286
Beverage	203,844	1,427,013
Showroom	41,713	348,437
Total	<u>490,839</u>	<u>\$5,070,317</u>

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash and Tokens	328,558	\$3,148,374
Travel	1,118	137,321
Gifts	21,432	194,503
Other	N/A	206,449
Total	<u>351,108</u>	<u>\$3,686,647</u>

For the year ended December 31, 1986

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	51,267	\$ 4,459,455
Food	867,137	7,816,091
Beverage	830,496	5,187,037
Showroom	159,069	1,301,877
Total	<u>1,907,969</u>	<u>\$18,764,460</u>

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash and Tokens	1,199,587	\$10,904,463
Travel	4,858	752,276
Gifts	52,332	373,448
Other	N/A	451,358
Total	<u>1,256,777</u>	<u>\$12,481,545</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(11) Operating Lease

New Claridge leases the Hotel Assets and subleases the land on which the Claridge is located from the Partnership under an Operating Lease. The initial lease term is 15 years with three ten-year renewal options.

Minimum future lease payments under the Operating Lease as of December 31, 1986 are as follows (in thousands):

1987	\$ 22,925
1988	27,255
1989	32,605
1990	34,815
1991	34,940
Later Years	<u>264,432</u>
Total Minimum	<u>\$416,972</u>

In addition, additional rent payments are required based upon fixed assets purchased by the Partnership (the FF&E Replacements, note 3) and then leased to New Claridge. For the twelve months ended December 31, 1986 and 1985 rental expense for all operating leases amounted to \$35,985,000 and \$33,932,000 respectively of which \$9,452,000 and \$9,902,000 of rental expense is attributable to the requirement under Statement of Financial Accounting Statements #13 to provide a level rent expense for those leases with escalating payments. Under the terms of the Operating Lease, the Partnership is responsible for taxes, assessments, insurance, maintenance and repairs and other costs related to use and occupancy of the Hotel Assets.

On March 17, 1986 New Claridge entered into an Expansion Operating Lease Agreement with the Partnership whereby New Claridge will lease the expansion facility for an initial term beginning March 17, 1986 and ending on September 30, 1998 with three 10-year renewal options. Basic annual rent payable during the initial term of the Expansion Operating Lease is \$3,950,000 in 1986 (prorated based on the day that the Expansion Improvements open to the public), annually thereafter the rental amount will be adjusted based on the Consumer Price Index but any increase not to exceed two percent per annum. The basic annual rent is predicated on the construction of the Expansion Improvements costing a specified amount. If the cost of construction differs from this amount, basic annual rent will be adjusted according to a formula. If the term of the Expansion Operating Lease is extended, basic annual rent will be calculated pursuant to a formula, with such rent not to be more than \$3,000,000 nor less than \$2,500,000 and not to be greater than 10% more than the basic annual rent

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

for the immediately preceding lease year in each lease year thereafter. New Claridge is required to pay as additional rent certain expenses relating to the leasing by the Partnership of the Air Rights granted by the City of Atlantic City to DEWNJ, over which the expansion facility is constructed. New Claridge is also required to pay as additional rent certain expenses and the debt service relating to Furniture, Fixture and Equipment Replacements and building improvements (collectively "Expansion FF&E Replacements") for the expanded facility. The Partnership will be required during the entire term of the Expansion Operating Lease to provide New Claridge with Expansion FF&E Replacements and until September 30, 1998, will be required to provide facility maintenance and engineering services to New Claridge. New Claridge will be obligated to lend the Partnership any amounts necessary to fund the cost of Expansion FF&E Replacements. Any advances by New Claridge for the foregoing will be secured under the Expandable Wraparound Mortgage. New Claridge will have the option to purchase, on September 30, 1998 and, if it renews the Expansion Operating Lease, on September 30, 2003, the expansion facility and the Partnership's leasehold interest in the Air Rights for their fair market value at the time the option is exercised.

(12) Income Taxes

The provision for income taxes as of December 31, 1986 and 1985 is comprised of the following (in thousands):

	<u>1986</u>	<u>1985</u>
Current:		
Federal	\$-0-	(942)
State	-0-	26
Deferred	<u>-0-</u>	<u>942</u>
	<u>\$-0-</u>	<u>26</u>

The tax effects of timing differences resulting in deferred income taxes are as follows (in thousands):

	<u>1986</u>	<u>1985</u>
Difference between book and tax depreciation	\$ -0-	-0-
Difference between book and tax treatment of rent expense	-0-	-0-
Amortization of organization fees previously expensed for book purposes	-0-	-0-
Unrecognized tax benefit of loss carryforward	-0-	-0-
Unrecognized tax credits	-0-	-0-
Refundable Deferred Income Taxes	<u>-0-</u>	<u>942</u>
	<u>\$ -0-</u>	<u>942</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

The provision for income taxes differs from the amount computed at the statutory rate as follows (in thousands):

	<u>1986</u>	<u>1985</u>
Federal income tax at statutory rates	\$(9,243)	(6,773)
Goodwill amortization not deductible for tax purposes	414	414
Other	-0-	60
Unrecognized tax benefit of loss carryforward	<u>8,829</u>	<u>6,325</u>
	<u>\$ -0-</u>	<u>26</u>

New Claridge is included in the consolidated income tax return of its parent, the Corporation. At December 31, 1986 and 1985 there were available net operating loss carryforwards of \$58,060,000 and \$37,972,000 respectively. These losses result primarily from expenses for fees and rents which are not currently recognized for tax purposes. If such losses result in a reduction of income tax liability at a future date, the benefit will be recognized as an extraordinary item at the time. In addition, there were approximately \$1,067,000 in unused tax credits.

(13) Contingencies

(a) New Claridge's plenary casino license was renewed effective October 31, 1986 by the New Jersey Casino Control Commission (the "Commission") and, in accordance with the State of New Jersey regulation N.J.S.A. 5:12-87(e), will expire one year thereafter. Management of New Claridge is aware of no charges, objections or other facts which would provide a basis for the Commission to deny renewal of the casino license. Further, it is the opinion of Management that the likelihood of a denial to renew the casino license by the Commission is remote.

(b) Investment Obligation

The New Jersey Casino Control Act (the "Act") prior to being amended in December 1984 provides for an "investment obligation" or "alternative tax" of 2% of a licensee's gross casino revenues for each calendar year in which such revenues exceed its "cumulative investments" as defined in the Act. A licensee has five years to satisfy the investment obligation before becoming liable for the alternative tax. It is New Claridge's intention to make sufficient qualified investments in lieu of payment of the alternative tax. At December 31, 1986 and 1985, New Claridge's obligation is \$333,000 to be satisfied prior to or by December 31, 1988.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(c) Litigation

New Claridge is a party to a civil action brought on October 19, 1984 in the U.S. District Court, District of New Jersey, by the United States Department of Labor which alleges that New Claridge violated the overtime provisions of the Fair Labor Standards Act by failing to pay overtime compensation to Pit Bosses, Floorpersons and Boxpersons. On September 19, 1986 the decision of the court was rendered stating Pit Bosses, Floorpersons and Boxpersons failed to meet the "salaried" status for executive exemption from the overtime requirements and are therefore entitled to receive time and one half for all hours worked after forty (40) in the work week for the period October 17, 1982 to the present. No dollar amount of back pay was specified by the court. Rather, the court directed the Labor Department's attorneys to prepare an order to effectuate its decision which will incorporate the amount which is owed. On February 13, 1987 the Labor Department delivered its order. New Claridge is currently reviewing the order for appeal purposes. During the year ended December 31, 1986 New Claridge made provision for an amount it believes to be adequate to resolve this matter.

(14) Related Party Transactions

- (a) Pursuant to an exclusive management agreement ("Management Agreement") between New Claridge and DEWNJ, DEWNJ has agreed to manage the Claridge in a proper, efficient and competitive manner in accordance with standards not less than those existing at the time the agreement was entered into. The Management Agreement which has an initial term of 15 years, entitles DEWNJ to receive as compensation certain management fees based on various operating results.

The Management Agreement was amended to provide for the abatement of the Management Fee, Incentive Fee and additional Incentive Fee for the period November 1, 1985 through the completion of the construction of the Expansion Improvements (August 28, 1986). Upon the opening of the Expansion Improvements to the public, DEWNJ resumed earning all fees and the Incentive Fee increased to an amount equal to 10% of gross operating profit until such time as all fees abated, for the period November 1, 1985 through the resumption of the payment of all fees, have been recouped. (See note 8).

Management fees earned by DEWNJ for the years ended December 31, 1986 and 1985, amounted to \$5,122,000 and \$4,457,000 respectively.

SCHEDULE OF DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

- (b) Webb and DEWNJ have a direct and material interest in the Purchase Money Second Mortgage and other indebtedness of New Claridge. For the years ended December 31, 1986 and 1985 interest expense due to affiliates was \$7,965,000 and \$6,254,000 respectively.
- (c) New Claridge purchases from Webb and DEWNJ certain services including insurance and other miscellaneous services. The costs of these services for the years ended December 31, 1986 and 1985 amounted to \$2,965,000 and \$1,872,000 respectively.
- (d) The Partnership has a direct material interest in the Expandable Wraparound Mortgage Loan Agreement and the Operating Lease as described in the preceding notes. Under the terms of the above agreements, for the years ended December 31, 1986 and 1985 New Claridge has earned interest income of \$18,925,000 and \$16,956,000 respectively, and incurred lease expense of \$34,666,000 and \$33,020,000 respectively.

UNDEPOSITED PATRONS' CHECKS	
DESCRIPTION	
1986	1985
Balance January 1	
Checks issued (excluding counter checks issued to consolidations, partial redemptions, etc.)	
Deposits	
Checks received prior to deposit (including the amount of checks received through partial redemptions, etc.)	
Checks received through partial redemptions, etc. on transactions relating to consolidations, etc.	
Deposits	
Checks collected through deposits	
Checks transferred in returned checks	
Adjustments	
Balance	
Checks included in Balance on Line 14	
Less For Uncollectible Patrons' Checks	
As a Percent of Counter Checks Issued	

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

CASINO DEPARTMENT DECEMBER 31, 19 86 SCHEDULE

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$		
	Undeposited patrons' checks	2,009		
2	Returned patrons' checks	2,555		
3	Total patrons' checks	4,564	\$ 2,647	\$ 1,917
4	Hotel Receivables	735	151	584
	Other Receivables:			
5	Receivables due from officers and employees..... (Travel Advances)	5		
6	Receivables due from affiliates	4,085		
7	Other accounts and notes receivables	262		
8	Total other receivables	4,352	1	4,351
9	Totals (Form 305).....	\$ 9,651	\$ 2,799	\$ 6,852

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 2,192
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	80,686
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(68,524)
13	Checks collected through deposits	(10,241)
14	Checks transferred to returned checks	(2,104)
15	Other adjustments	-0-
16	Ending Balance	\$ 2,009
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 807
19	Provision As A Percent Of Counter Checks Issued	1.0%

STATEMENT OF CONFORMITY AND ACCURACY
 TRADING NAME OF LICENSEE DEL WEBB'S CLARIDGE CASINO HOTEL

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 24,530	\$ 176,950	13.9 %	49
2	Craps	22,919	160,335	14.3	13
3	Roulette	5,179	19,548	26.5	7
4	Big Six	1,180	2,663	44.3	2
5	Baccarat	1,389	11,516	12.1	1
6	Other table games	-0-	-0-	-0-	-0-
7	Total table games revenue	55,197	\$ 371,012	14.9 %	72
			HANDLE		
8	\$.05 slot machines	1,964	\$ 12,848	15.3 %	61
9	\$.25 slot machines	34,535	266,318	13.0	622
10	\$1.00 slot machines	11,940	108,366	11.0	149
11	Other slot machines	16,227	156,560	10.4	210
12	Total coin-operated devices revenue	64,666	\$ 544,092	11.9 %	1,042
13	Progressive jackpot adjustment	423			
14	Total coin-operated devices revenue after adjustment	64,243			
15	Other income	-0-			
16	Total revenue	119,440			
	Expenses:				
17	Payroll and payroll related expenses	23,315			
18	Licenses and taxes	12,388			
19	Provision for uncollectible patrons' checks	807			
20	Other	2,281			
21	Total	38,791			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	80,649			
	Complimentary services and casino management fees:				
23	Complimentary services	9,562			
24	Casino management fees	5,122			
25	Total	14,684			
26	Departmental Income (Loss)	\$ 65,965			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
COUNTY OF Atlantic :ss.
:

Jean I. Abbott, being duly sworn according to law upon my oath
Name

deposes and says:

1. I have examined this Annual Report.
2. All the information contained in this Report has been prepared in conformity with Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Annual Report is accurate to the best of my knowledge and belief.

Jean I. Abbott
Signature

Vice President/Controller
Title

1717-11
License Number

On Behalf Of:

Subscribed and sworn to
before me this 13th day
of March, 1987

Anna Pappas
Signature

Del Webb's Claridge Casino Hotel
Casino Licensee

Anna Pappas
Basis of Authority
to Take Oaths

ANNA PAPPAS
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires NOV. 29, 1987

**GROSS REVENUE
ANNUAL TAX RETURN**

LICENSEE Del Webb's Claridge Casino - Hotel

ADDRESS S. Indiana and Boardwalk
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN**

Jean I. Abbott

OFFICIAL TITLE

Vice President/Controller

ADDRESS

S. Indiana and Boardwalk

Atlantic City, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$ 55,197
2	Coin-operated devices revenue	64,666
3	Total revenues	\$ 119,863
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 807
5	Maximum adjustment (4% of line 3)	\$ 4,795
6	Adjustment (the lesser of line 4 or line 5)	807
7	Gross revenues (line 3 less line 6)	\$ 119,056
8	Tax on gross revenues - current year (8% of line 7)	\$ 9,524
9	Audit or other adjustments to tax on gross revenues in prior years	-0-
10	Total tax on gross revenues (line 8 plus or minus line 9)	9,524
	Deposits made for tax on current year's gross revenues:	
11	January	\$ 510
12	February	610
13	March	827
14	April	738
15	May	721
16	June	844
17	July	788
18	August	834
19	September	1,072
20	October	826
21	November	844
22	December	746
23	January	164
24	Total deposits made for tax on current year's gross revenues	(9,524)
	Settlement of prior years' tax on gross revenues	
25	resulting from audit or other adjustments - (deposits) credits	-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)	\$ -0-

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE Del Webb's Claridge Casino - Hotel

ADDRESS S. Indiana and Boardwalk
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

Jean I. Abbott

OFFICIAL TITLE.....

Vice President/Controller

ADDRESS.....

S. Indiana and Boardwalk

Atlantic City, NJ 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
CASINO					
1	Administration	17			
2	Gaming	708			
3	Slots	102			
4	Casino accounting	240			
5	Other	-0-	\$	\$	\$
6	Total-casino	1,067	18,766	-0-	18,766
7	ROOMS	163	2,406	-0-	2,406
8	FOOD AND BEVERAGE	587	7,909	-0-	7,909
OTHER OPERATED DEPARTMENTS					
9	Telephone	13	193	-0-	193
10	Transportation	88	1,405	-0-	1,405
11	Spa	7	115	-0-	115
12	Casino Credit	13	411	-0-	411
13					
14					
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	15	197	617	814
21	Accounting and auditing	127	2,242	-0-	2,242
22	Security	138	2,541	-0-	2,541
23	Other administrative and general department ..	110	2,481	-0-	2,481
24	MARKETING	54	1,286	-0-	1,286
25	GUEST ENTERTAINMENT	24	796	-0-	796
26	PROPERTY OPERATION AND MAINTENANCE	-0-	-0-	-0-	-0-
27	TOTALS - ALL DEPARTMENTS	2,406	\$ 40,748	\$ 617	\$ 41,365

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

Trading Name of Licensee Del Webb's Claridge Casino - Hotel

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 19 86

March 6, 1987
Date

Jean J. Collett
Signature

Vice President/Controller
Title

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS OR APARTMENTS	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER NIGHT ACCOMMODATED
1	JANUARY	504	15,940	11,108	\$ 55.44	73.0%	21,218	\$ 34.
2	FEBRUARY	504	13,292	10,779	\$ 70.16	81.1%	10,919	\$ 37.
3	MARCH	504	14,353	11,486	\$ 77.58	80.0%	11,511	\$ 41.
4	1ST QUARTER TOTALS		43,145	33,573	\$ 71.11	77.8%	22,728	\$ 36.
5	APRIL	504	13,890	12,533	\$ 73.95	90.2%	12,544	\$ 39.
6	MAY	504	14,379	12,705	\$ 85.39	88.4%	12,715	\$ 45.
7	JUNE	504	13,880	13,100	\$ 75.70	94.4%	13,102	\$ 44.
8	2ND QUARTER TOTALS		42,135	38,441	\$ 82.41	90.2%	38,441	\$ 43.
9	JULY	504	15,409	13,100	\$ 108.79	87.2%	13,106	\$ 52.
10	AUGUST	504	15,478	15,100	\$ 77.51	98.2%	15,102	\$ 58.
11	SEPTEMBER	501	15,000	13,100	\$ 82.60	89.3%	13,109	\$ 43.
12	3RD QUARTER TOTALS		45,987	41,301	\$ 103.61	92.2%	41,306	\$ 52.
13	OCTOBER	501	15,363	14,100	\$ 83.72	96.0%	14,109	\$ 41.
14	NOVEMBER	501	14,912	13,934	\$ 83.10	93.4%	13,945	\$ 40.
15	DECEMBER	501	15,415	12,625	\$ 83.79	81.9%	12,630	\$ 32.43
16	4TH QUARTER TOTALS		45,691	41,302	\$ 73.94	90.4%	41,309	\$ 38.35
17	ANNUAL TOTALS		176,856	155,270	\$ 83.49	87.8%	155,270	\$ 43.35

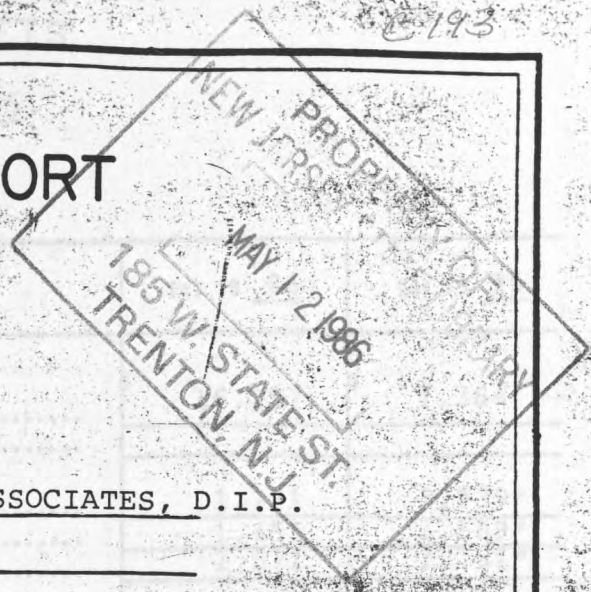
TRADING NAME OF LICENSEE De1 Webb's Claridge Casino Hotel

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 86

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	504	15,500	11,308	\$ 65.44	73.0 %	21,218	\$ 34.87
2	FEBRUARY	504	13,292	10,779	\$ 70.16	81.1 %	20,239	\$ 37.37
3	MARCH	504	14,353	11,486	\$ 77.58	80.0 %	21,251	\$ 41.93
4	1ST QUARTER TOTALS		43,145	33,573	\$ 71.11	77.8 %	62,708	\$ 38.07
5	APRIL	504	13,890	12,533	\$ 73.95	90.2 %	23,324	\$ 39.74
6	MAY	504	14,353	12,398	\$ 86.39	86.4 %	23,315	\$ 45.94
7	JUNE	504	13,890	13,176	\$ 86.70	94.9 %	25,792	\$ 44.29
8	2ND QUARTER TOTALS		42,133	38,107	\$ 82.41	90.4 %	72,431	\$ 43.35
9	JULY	504	15,409	13,510	\$108.73	87.7 %	27,726	\$ 52.98
10	AUGUST	504	15,478	15,299	\$117.61	98.8 %	30,662	\$ 58.68
11	SEPTEMBER	501	15,000	13,479	\$ 82.60	89.9 %	25,838	\$ 43.09
12	3RD QUARTER TOTALS		45,887	42,288	\$103.61	92.2 %	84,226	\$ 52.02
13	OCTOBER	501	15,363	14,742	\$ 78.72	96.0 %	27,939	\$ 41.54
14	NOVEMBER	501	14,912	13,934	\$ 78.10	93.4 %	26,945	\$ 40.39
15	DECEMBER	501	15,416	12,626	\$ 63.78	81.9 %	24,760	\$ 32.53
16	4TH QUARTER TOTALS		45,691	41,302	\$ 73.94	90.4 %	79,644	\$ 38.35
17	ANNUAL TOTALS		176,856	155,270	\$ 83.49	87.8 %	299,009	\$ 43.35

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ANNUAL REPORT

LICENSEE ELSINORE SHORE ASSOCIATES, D.I.P.

ADDRESS 2500 BOARDWALK
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED... DECEMBER 31, 1986

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT R. BRUCE McKEE

OFFICIAL TITLE VICE PRESIDENT, FINANCE/CONTROLLER

ADDRESS 2500 BOARDWALK
ATLANTIC CITY, NJ 08401

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>95</u>
	ASSETS		
	Current Assets:	\$ 16,157	\$ 7,364
1	Cash (Notes 8B & F)		
2	Marketable securities		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$1,740 ; 19 <u>85</u> , \$ 1,588)	1,771	5,739*
4	Inventories (Note 1)	1,455	1,509*
5	Prepaid expenses and other current assets (Note 3)	1,571	1,751*
6	Total current assets	20,954	16,363
7	Investments, Advances, And Receivables	1,855	1,192
8	Property And Equipment - Net (Notes 4 & 11)	127,859	146,445
9	Other Assets	4,453	4,722*
10	Total Assets	\$ 155,121	\$ 168,722
	LIABILITIES AND EQUITY		
	Current Liabilities Excluding liabilities subject to Chapter 11 proceedings:	\$ 2,437	\$ 2,305
11	Accounts payable		
12	Notes payable		
	Current portion of long-term debt:	2,287	357
13	Due to affiliates		
14	Other		
15	Income taxes payable and accrued		
16	Other accrued expenses (Note 5)	6,920	7,973*
17	Other current liabilities (Note 6)	2,298	1,119*
18	Total	13,942	11,754
	Liabilities subject to Chapter 11 proceedings (Note 7)	251,300	235,317
	Long-term Debt:		
19	Due to affiliates		
20	Other		
21	Deferred Credits		
22	Other Liabilities		
23	Commitments, Contingencies, Reinvestment Obligation (Notes 8 & 9)		
24	Total Liabilities	265,242	247,071
25	Stockholders', Partners', Or Proprietor's Equity (Deficit)	(110,121)	(78,349)
26	Total Liabilities And Equity	\$ 155,121	\$ 168,722

* Amounts reclassified to conform to current year's presentation. The accompanying notes are an integral part of the financial statements. Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL

(Debtor in Possession, Note 2)

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85.

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	104,175	136,893
2	Rooms	9,917	10,207
3	Food and beverage	18,770	29,167
4	Other	3,308	4,948
5	Total revenue	136,170	181,215
6	Less: promotional allowances (Note 10)	(13,230)	(27,040)
7	Net revenue	122,940	154,175
	Costs And Expenses:		
8	Cost of goods and services	88,565	107,171
9	Selling, general, and administrative	24,114	43,087
10	Provision for doubtful accounts	2,207	1,016
11	Total	114,886	151,274
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	8,054	2,901
13	Depreciation and amortization	8,522	9,046
14	Charges from affiliates: (Note 7)		
15	Interest	14,124	20,784
16	Management fees		3,281
17	Other Corporate Overhead	504	665
18	Interest expense - external	1,093	1,356
19	Income (Loss) From Operations	(16,189)	(32,231)
20	Nonoperating income (expense) - net (Note 11)	(15,067)	398
21	Investment alternative tax and related income (expense) - net (Note 9)	(516)	(1,787)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	(31,772)	(33,620)
23	Provision (Credit) for income taxes		
24	Income (Loss) Before Extraordinary Items	(31,772)	(33,620)
25	Extraordinary items (net of income taxes - 19 <u>86</u> , \$; 19 <u>85</u> , \$)		
	Net Income (Loss)	\$ (31,772)	\$ (33,620)

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

TRADING NAME OF LICENSEE ELSINCRE'S ATLANTIS CASINO HOTEL

(Debtor in Possession, Note 2)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	21,504	28,226
2	Rooms	2,146	2,763
3	Food and beverage	4,154	5,693
4	Other	801	862
5	Total revenue	28,605	37,544
6	Less: promotional allowances (Note 10)	(2,754)	(6,088)
7	Net revenue	25,851	31,456
	Costs And Expenses:		
8	Cost of goods and services	20,132	23,478
9	Selling, general, and administrative	4,917	8,736
10	Provision for doubtful accounts	1,044	396
11	Total	26,093	32,610
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	(242)	(1,154)
13	Depreciation and amortization	2,048	2,334
	Charges from affiliates: (Note 7)		
14	Interest	3,541	4,302
15	Management fees		408
16	Other ..Corporate Overhead.....	145	395
17	Interest expense - external	260	544
18	Income (Loss) From Operations	(6,236)	(9,137)
19	Nonoperating income (expense) - net	(13,766)	179
20	Investment alternative tax and related income (expense) - net (Note 9)	(247)	(1,332)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(20,249)	(10,290)
22	Provision (Credit) for income taxes		
23	Income (Loss) Before Extraordinary Items	(20,249)	(10,290)
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)		
25	Net Income (Loss)	\$ (20,249)	\$ (10,290)

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

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL
(Debtor in Possession, Note 2)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 AND 85

(UNAUDITED)

\$ IN THOUSANDS

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		SHARES	DOLLARS	SHARES	DOLLARS
	Common Stock:				
1	Beginning balance (January 1)		\$		\$
2	Sale of stock				
3	Ending balance				
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	Ending balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)				
10	Ending balance				
	Treasury Stock:				
3	Beginning balance (January 1)	()	()
4	Purchase of additional stock	()	()
15	Sale or retirement of stock	()	()
16	Ending balance	()	()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)	()	()
18	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)	()	()
22	Ending balance	()	()
	Retained Earnings:				
25	Beginning balance (January 1)				
26	Prior period adjustments				
27	Net income (loss)	()	()
28	Dividends	()	()
29	Ending balance				
30	Ending Stockholders' Equity	\$		\$	

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

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL

(Debtor in Possession, Note 2)

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ 20	\$ 20
2	Additional capital invested		
3	.....	
4	Ending balance	20	20
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	(78,369)	(44,749)
6	Prior period adjustments		
7	Net income (loss)	(31,772)	(33,620)
8	.....	
9	Ending balance	(110,141)	(78,369)
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	()
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$110,121)	\$(78,349)

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

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

1. Summary of significant accounting policies:

Organization and business:

Elsinore Shore Associates (ESA or the Partnership), a general partnership, was formed April 24, 1979 by its partners, Elsub Corporation (Elsub), a wholly owned subsidiary of Elsinore Corporation (Elsinore) and Elsinore of Atlantic City (EAC), a limited partnership whose general partner is Elsinore of New Jersey, Inc. (ENJ), a wholly-owned subsidiary of Playboy Enterprises, Inc. (PEI). The Partnership was formed to complete construction of, own and operate a 500 room hotel casino complex (The Atlantis Casino Hotel, formerly the Playboy Hotel and Casino) in Atlantic City, New Jersey.

On March 12, 1984, the New Jersey Casino Control Commission (CCC) approved a contract between Elsinore and PEI whereby Elsub would acquire from PEI all of the issued and outstanding capital stock of ENJ. ENJ owns an 84.3% interest in EAC, a limited partnership, which, in turn, owns 54.3% of the Partnership. Elsinore thereby controls approximately 91.5% of the Partnership. The contract purchase price was approximately \$53,000,000 payable one-seventh in cash, with the balance in six equal annual principal installments plus interest at 10% on the unpaid principal balance.

Accounting for casino revenues and promotional allowances:

In accordance with industry practice, the Partnership recognizes as casino revenue the net win from gaming activities, which is the difference between certain gaming wins and losses. Revenues include the retail value of accommodations, food and beverage and other goods or services furnished without charge to certain patrons. The retail value of these promotional allowances is deducted from revenues, and the cost is charged to costs and expenses.

Deferred financing costs:

Deferred financing costs, included in other assets are amortized over the life of the related indebtedness, subject to the effects of the Chapter 11 proceedings (Note 2).

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

1. Summary of significant accounting policies (continued):

Inventories:

Inventories are stated at cost

	<u>1986</u>	<u>1985</u>
	(In thousands)	
Food and Beverage provisions	\$ 462	\$ 478
Gift Shop merchandise	153	97
Supplies	840	874
	<u>\$1,455</u>	<u>\$1,449</u>

Property and equipment and depreciation:

Property and equipment are stated at cost with the exception of building and improvements, in which a reserve for devaluation is provided (Note 11). Depreciation is provided by the straight-line method over the estimated useful lives.

Income Taxes:

Pursuant to the State of New Jersey's Casino Control Act the Partnership is liable for corporate income taxes to the State of New Jersey. However, no provision for state income taxes has been recorded as the Partnership has incurred losses for tax purposes.

No provision has been made for Federal income taxes because income taxes (benefits) are the liabilities (assets) of the Partners.

Reclassification:

Certain amounts in the 1985 financial statements have been reclassified to conform to the 1986 presentation.

2. Chapter 11 proceedings and going concern basis of presentation:

As a result of working capital deficiencies and other circumstances (Note 8c), the Partnership filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code (Code) on November 14, 1985. The Partnership has been authorized to continue to operate its business as debtor-in-possession subject to the control and supervision of the United States Bankruptcy Court, District of New Jersey (Bankruptcy Court).

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

2. Chapter 11 proceedings and going concern basis of presentation (continued):

Elsinore has engaged an investment banking firm to attempt to find a purchaser for the Partnership's property or equity interests in the Partnership.

The financial statements have been prepared on the basis of principles of accounting applicable to a going concern. Accordingly, they do not give effect to adjustments, if any, that may be necessary should the Partnership be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate and/or reclassify its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts or terms different from those reflected in the financial statements. The continuation of the Partnership as a going concern may be contingent upon, among other factors, its ability to comply with conditions necessary to renew annually its plenary casino license by April 13th, its ability to restructure debt to the bond and debenture holders (Note 7), obtain confirmation of a Plan of Reorganization under Chapter 11, for the proceedings of ESA, and generate sufficient cash flow from operations until disposition is effected. Notwithstanding these efforts, there can be no assurances at this time that any Plan of Reorganization will be accepted by the creditors and be confirmed by the Bankruptcy Court or that a restructuring of debt will be concluded on terms acceptable to the parties involved.

3. Prepaid Expenses:

	<u>1986</u>	<u>1985</u>
	(in thousands)	
Insurance	\$ 971	\$1,052
License Fees	374	327
Advertising	63	--
Contracts	82	--
Other	--	372
Sewer	81	--
	<u>\$1,571</u>	<u>\$1,751</u>

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

4. Property and equipment:

	<u>1986</u>	<u>1985</u>
	(in thousands)	
Land	\$ 11,121	\$ 11,121
Buildings and improvements	138,177	135,985
Furniture, fixtures and equipment	34,016	33,620
	<u>\$183,314</u>	<u>\$180,726</u>
Accumulated depreciation	(43,577)	(35,213)
Reserve for devaluation of building & improvements (Note 11)	(12,737)	
	<u>\$127,000</u>	<u>\$145,513</u>
China, glass, silver, linen, net	859	932
Total property and equipment (net)	<u>\$127,859</u>	<u>\$146,445</u>

5. Other Accrued Expenses:

	<u>1986</u>	<u>1985</u>
	(in thousands)	
Taxes other than income	\$ 1,052	\$ 1,238
Payroll	992	1,065
Progressive Jackpot	1,209	2,392
Benefits	2,069	3,128
Other	<u>1,598</u>	<u>150</u>
	<u>\$ 6,920</u>	<u>\$ 7,973</u>

6. Other Current Liabilities:

	<u>1986</u>	<u>1985</u>
	(in thousands)	
Reinvestment Obligation (Note 9)	\$ 796	\$ 160
Unredeemed chips	467	478
Slot Tokens	258	283
Other	<u>777</u>	<u>198</u>
	<u>\$ 2,298</u>	<u>\$ 1,119</u>

7. Liabilities subject to Chapter 11 proceedings:

Under provisions of the Code, judicial and certain other actions against the Partnership cannot be commenced or continued for events occurring prior to the filing of the petition for reorganization without prior approval of the Bankruptcy Court. Substantially all liabilities due as of the date of

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

7. Liabilities subject to Chapter 11 proceedings (continued):

filing such petition are subject to modification under a Plan of Reorganization to be presented for approval to the Bankruptcy Court and creditors and, accordingly, have been separately classified in the balance sheet. Creditors and other parties in interest may assert or have asserted claims that differ in amount and priority from the liabilities recorded as of the filing date. These differences may be substantial and will be resolved either by negotiation or through confirmation of a Plan of Reorganization by the Bankruptcy Court.

Amounts included as liabilities subject to Chapter 11 proceedings are:

Collateralized obligations:

	<u>1986</u>	<u>1985</u>
	(In thousands)	
Due to Elsinore Finance Corporation (EFC) including accrued interest of \$23,250,000 (1986) and \$9,300,000 (1985)	\$113,250	\$ 99,300
Notes payable, property and equipment	6,017	6,103
Due to Elsinore including accrued interest of \$198,000 (1986) and \$24,000 (1985)	2,400	1,196
	<u>\$121,667</u>	<u>\$106,599</u>

General unsecured creditors:

Due to partners and affiliates:

	<u>EAC/ENJ</u>	<u>Elsu</u>	<u>Elsinore</u>	
	(In thousands)			
Loans	\$39,000	\$39,000	\$3,903	
Accrued Interest	6,859	6,513	211	
Management fees	3,138	8,704		
Overhead			133	
	<u>48,997</u>	<u>54,217</u>	<u>4,247</u>	
Less guaranteed loan to PEI (Note 4c)		38,472		
	<u>\$48,997</u>	<u>\$15,745</u>	<u>\$4,247</u>	\$ 68,989

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

7. Liabilities subject to Chapter 11 proceedings (continued):

Notes payable:	
Bank, demand	5,450
PEI (Notes 7e and 8c):	
Management fees	5,567
Guaranteed loans	38,472
Accounts payable	7,810
Accrued expenses:	
Reinvestment obligations (Note 9)	670
Other	150
Taxes other than income:	
Real estate	2,023
Payroll, sales, gaming and other	502
	\$251,300

On December 31, 1986 and 1985, substantially all long-term debt was in default and classified as liabilities subject to Chapter 11 proceedings. Original terms were as follows:

		1986	1985	Maturity
		(In thousands)		
Mortgage payable	(c)	\$ 300	\$ 328	1993
Mortgage payable	(c)	5,717	5,761	1994
Notes payable, equipment		_____	14	1986
		\$6,017	\$6,103	

a. On November 13, 1984, the Partnership refinanced its existing mortgages through senior mortgage bonds (Bonds) due November 1, 1999, issued by EFC. The Bonds bear interest of 15 1/2% per annum with interest payments due May 1 and November 1 each year. The Bonds are secured, in part, by a \$90,000,000 note of the Partnership to EFC. Subject to the effects of the Chapter 11 proceedings, terms of the note are substantially similar to those of the Bonds. The note is secured by a mortgage and a security interest encumbering the Atlantis and the Atlantis' improvements which includes all contiguous land (unless utilized for parking) and all furniture, furnishings, operating equipment and supplies, fixtures and machinery. The note is assigned to and held by a trustee for the benefit of the bondholders until all principal and interest on the Bonds have been paid in full.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

7. Liabilities subject to Chapter 11 proceedings (continued):

The Bonds are redeemable on or after November 1, 1989 at the option of EFC, in whole or in part, together with accrued interest. The redemption price is 112% of face value through 1989 and decreases each year thereafter to 100% of face value in 1994 and thereafter. Prior thereto, under certain circumstances the Bonds are redeemable at 110% of the principal amount thereof in the event of a sale or disposition of Atlantis. Sinking fund payments, sufficient to retire approximately \$9,600,000 principal amount of Bonds annually, commencing November 1, 1990, are intended to retire 75% of the issue prior to maturity. EFC may deliver Bonds in lieu of cash as a credit against sinking fund payments. Certain covenants preclude Elsinore paying dividends when the Bonds are in default.

Elsinore has unconditionally guaranteed payment of interest and principal on the Bonds when due.

Primarily as a result of operating losses and working capital deficiencies, ESA did not pay to EFC its interest installments due November 1, 1985, May 1, and November 1, 1986. Consequently, EFC did not pay its corresponding interest payments on the Bonds. The Indenture trustee and a bondholder have instituted suits in connection with the non-payment. Elsinore has obtained the consent of the parties to stay these proceedings until such time as the plaintiffs give the Federal Court notice to reopen the proceedings, following which time Elsinore would have seven calendar days to file its answer or otherwise plead. Further, if the default is not cured, or a successful restructuring of debt arranged, the indenture trustee could demand payment of the entire unpaid principal, although in order to obtain payment the bondholders would be required to obtain relief from the automatic stay provisions of the Code. Certain bondholders have threatened to initiate lawsuits against Elsinore with others alleging violations of the Federal Securities and other laws in connection with the issuance and sale of the Bonds.

- b. The partner loans bear interest at 10% per annum and are repayable from available cash flow, as defined in the Partnership Agreement, determined as of December 31 of each year, in proportion to the outstanding balances of each partner to total partner loans. Subject to the effects of the Chapter 11 proceedings, all payments are applied first to accrued interest, second to management fees, and the balance to principal. In connection with the Chapter 11 proceedings, interest has not been accrued subsequent to November 13, 1985.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

7. Liabilities subject to Chapter 11 proceedings (continued):

As compensation for assuming responsibility for managing the Partnership business, Elsub and ENJ are each guaranteed an annual fee equal to 1% of gross receipts of the Partnership as defined in the Partnership Agreement. Additionally, through November 13, 1985, the Partnership incurred a liability of \$30,000 per month to Elsinore for management services provided to the Partnership which is included with selling, general and administrative expenses. Subsequent to November 13, 1985 Elsinore charged the Partnership for fees equal to actual costs incurred including payroll, travel and other administrative overhead. Charges from affiliates for 1986 and 1985 were \$504,000 and \$670,000 respectively.

Interest charges and management fees from partners and affiliates for 1986 and 1985 were as follows:

	1986	1985
	(In thousands)	
Interest		
EAC		\$ 3,391
Elsub		3,391
Elsinore	\$ 174	235
	174	7,017
Management fees:		
Elsub		1,640
ENJ		1,640
		3,280
Total	\$ 174	\$10,297

- c. In connection with the acquisition of additional land and improvements in Atlantic City during 1983, the Partnership assumed/issued additional mortgage notes. Subject to the effect of the Chapter 11 proceedings, terms are summarized as follows as of December 31, 1986:

EL SINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

7. Liabilities subject to Chapter 11 proceedings (continued):

	<u>Note A</u>	<u>Note B</u>
	(In thousands)	
Stated interest rate	9½%	9%
Principal balance face amount	\$316	\$6,294
Less unamortized discount based on imputed interest of 12%	16	577
	\$300	\$5,717
Installment payments	\$ 16*	\$ 70
Frequency	quarterly	monthly
Due date	8/1/93	12/8/94
Final payment	\$ 11	\$4,371

* On quarterly dates when due, payment is allowed as a credit against the monthly installment due under Note B.

- d. On October 11, 1985, ESA sold certain unimproved real property (including that discussed in Note 7c) located in Atlantic City and used primarily for parking to Elsinore at its fair market value. The agreement for the sale of the real property was subject to existing mortgages totaling \$6,849,000 and required payment of \$5,000,000 in cash and a promissory note (the "Note") in an amount, not to exceed \$9,400,000, to be determined following an appraisal of the properties. ESA received \$1,000,000 in October 1985, and in connection therewith, the parties agreed to reform the agreement to defer payment of the remaining \$4,000,000 cash payment. The principal amount of the Note was adjustable upward or downward to match the appraised value. The Note was due on October 18, 1990, and was to bear interest at the prime rate as defined therein. The transaction was not fully concluded and in January 1986, ESA sought approval from the Bankruptcy Court to rescind the transaction as a settlement and compromise with Elsinore. The application to the Bankruptcy Court seeks to convey the real property back to ESA from Elsinore and to grant to Elsinore a lien on the property to the extent of certain monies advanced by Elsinore to, or on behalf of, ESA in the form of mortgage (\$937,000) and property tax installments (\$289,000) during the period Elsinore held title. The reconveyance application has been heard by the Bankruptcy Court and the parties are awaiting a decision. ESA expects permission for the reconveyance to be granted by the Bankruptcy Court, although the lien in favor of Elsinore has been challenged by other parties. The proposed lien would be subordinated to existing mortgages on these specific properties. The rescission is reflected in the accompanying financial statements.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

7. Liabilities subject to Chapter 11 proceedings (continued):

- e. In connection with the acquisition of ENJ (Note 1), the Partnership agreed to pay PEI \$5,567,000 in management fees previously due ENJ and accrued through March 31, 1984. The contract required that the fees be paid on or before the sixth anniversary of the closing date. As more fully described in Note 8c, PEI has demanded payment of all management fees.

8. Commitments and Contingencies:

a. Claims and lawsuits:

The Partnership is party to various claims and lawsuits arising in the normal course of business substantially all of which have been stayed by the Chapter 11 proceedings. While the amounts claimed are substantial, the ultimate liability with respect to such claims cannot be determined. Management is of the opinion that the resolution of these matters will not materially affect the Partnership's financial position or results of operation. Also see Note 7a for litigation in connection with non-payment of mortgage note interest.

b. Banking relations and restrictions on cash:

As of December 31, 1986, funds in the amount of \$429,000 deposited with the Partnership's lending bank have been frozen to cover letters of credit that were presented to the bank. The Partnership believes that it was not, at the time, in default of any of its agreements with the bank and is pursuing litigation in the Bankruptcy Court to compel return of these funds.

c. Acquisition of PEI's interest:

The Partnership has guaranteed Elsub's indebtedness to PEI in connection with the acquisition of ENJ but has not collateralized the obligation with any of its assets. On October 25, 1985, PEI alleged certain defaults and breaches of covenants of its unsecured Promissory Note (the "PEI Note") and on November 8, 1985, demanded payment of all principal and accrued interest through November 12, 1985, together with all management fees in the event that the alleged defaults and breaches were not cured on that date. The Partnership denied the allegations and on November 13, 1985, PEI filed an involuntary petition against Elsub for reorganization under Chapter 11 of the Code and simultaneously filed a complaint in Federal District Court (District Court) against Elsinore, EFC and the Partnership. In this

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

8. Commitments and contingencies (continued):

complaint, PEI alleges that the defendants made various fraudulent conveyances of property of ESA or Elsub which are voidable under the New Jersey Fraudulent Conveyance Law and seeks to have these conveyances set aside. Specifically, PEI contends that substantial proceeds, arising from the mortgage on the Atlantis, were diverted to pay obligations of Elsinore and subsidiaries other than ESA, and that Elsinore caused the Atlantis to secretly convey certain assets for inadequate consideration. PEI also alleges that Elsinore caused Elsub and ESA to default on the PEI Note and the Confirmation Agreement dated April 13, 1984 (the "Confirmation Agreement") and that Elsinore, therefore, is liable on the PEI Note and Confirmation Agreement in an amount equal to the remaining principal balance on the PEI Note, all management fees, payable pursuant to the Confirmation Agreement, plus interest and other expenses. Other allegations include claims that Elsinore tortiously interfered with PEI's rights under the PEI Note and Confirmation Agreement and with PEI's other business expectations, and that, as a result of certain alleged misrepresentations and omissions, Elsinore violated the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. 1962(c). PEI has requested damages for all of its claims, in excess of \$150,000,000, in addition to seeking the voidance of the alleged fraudulent conveyances. Elsinore has filed a motion to dismiss the complaint. The District Court deferred ruling on the motion, to consider an amended complaint that PEI filed in December 1986.

On November 14, 1985, ESA, (primarily as a result of Elsub being involuntarily placed in Chapter 11), filed a voluntary petition for reorganization under Chapter 11 of the Code. ESA has been authorized to continue the operation of its business as debtor-in-possession subject to the control and supervision of the Bankruptcy Court. Both proceedings are pending in the Bankruptcy Court.

The Partnership's guarantee of Elsub's obligation to PEI is subject to the automatic stay provisions of the Code and, as such, is included as a liability subject to Chapter 11 proceedings, general unsecured creditors.

On April 3, 1985, Elsub withheld approximately \$442,000 of its installment due to PEI pending resolution of certain disputes concerning intercompany transactions that occurred while PEI owned a partnership interest. The Partnership withheld a similar amount from a payment to Elsub and deposited it in an escrow account. The deposit is included in other assets in the accompanying financial statements.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

8. Commitments and contingencies (continued):

As a result of the aforementioned events, Elsub did not pay the principal and interest installment due April 1986.

d. Lease commitments:

Subject to the effects of the Chapter 11 proceedings, future minimum rental payments at December 31, 1986, under agreements classified as operating leases with an initial or remaining noncancellable lease term in excess of one year, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u> (in thousands)
1987	\$ 618
1988	462
1989	404
1990	347
1991	218
Thereafter	5,047

Rent expense charged to operations under noncancellable, long-term operating leases for 1986 and 1985 was \$1,297,604 and \$2,114,000 respectively.

e. Pension plans

The Partnership makes contributions to several multi-employer pension plans covering its union employees. The amount of unfunded liability to the pension plans, if any, is not currently subject to reasonable estimation since information from the plans' administrators is not sufficient to permit the partnership to determine any share of unfunded vested benefits. Subject to the effects of the Chapter 11 proceedings, the Partnership may become obligated to pay some portion of this unfunded liability, if any. Pension contributions for the years 1986 and 1985 amounted to \$375,000 and \$435,000 respectively.

f. License renewal and conditions

On April 14, 1986, the CCC renewed the Partnership's casino license for a period of one year. As conditions of licensure, the Partnership is required, among other things to 1) maintain a minimum casino cash balance, and 2) dedicate funds necessary to satisfy its outstanding progressive jackpot liability, current payroll, related taxes and benefits, and unpaid CCC license fees and taxes incurred subsequent to

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

8. Commitments and contingencies (continued):

November 14, 1985. The Partnership is also required to obtain CCC approval prior to securing new financing, implementing a plan of reorganization, or entering into certain agreements. Additionally, Elsinore was required to make available to the Partnership, \$5,000,000 debtor-in-possession financing which was approved by the Bankruptcy Court on April 11, 1986.

Also as a condition of licensure, the Partnership was required to pay pre-petition CCC fees and taxes in the amount of \$1,140,000. The partnership's request to the Bankruptcy Court for permission to satisfy this condition has been denied, which decision is being appealed by the CCC. Accordingly, the Bankruptcy Court's denial of the Partnership's request could adversely affect its application for license renewal.

9. Casino reinvestment obligation

The New Jersey Casino Act (Act) originally provided for an "investment obligation" or "investment alternative tax" of 2% of a licensee's gross casino revenues, for each calendar year in which revenues exceed its "cumulative investments", as defined in the Act. A licensee has five years from the end of each calendar year to satisfy this investment obligation. As of December 31, 1986, the investment obligations are approximately \$2,752,000 for the year 1982 and \$2,860,000 for the year 1983 to be invested by December 31, 1987 and 1988 respectively. These obligations are subject to the Chapter 11 proceedings.

During December 1984, the New Jersey State Legislature adopted substantive amendments to the Act. The amendments established a Casino Reinvestment Development Authority (CRDA) and provides for a 2.5% tax on casino gross revenues, payable quarterly, unless a licensee receives approval of its reinvestment project by the CRDA, in which case the reinvestment obligation is reduced to 1.25% of gross revenues. The CRDA is authorized to issue bonds, which are considered to be approved reinvestment projects, and qualify for the 1.25% rate.

On April 30, 1986, the Partnership entered into a contract with the CRDA to purchase the aforementioned bonds when they are first issued by the CRDA. In the interim, the Partnership deposited its post 1983 reinvestment funds with the State Treasurer. The State has agreed to pay interest on the reinvestment deposits at a rate approximating one third less than market. Since the bonds are also expected to bear interest at less than market, the Partnership has charged operations \$516,000 and \$1,787,000 for the years ending December 31, 1986 and 1985 respectively, of its reinvestment obligation as a result of the deficiency in yield below fair market value of the investment it expects to make.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

9. Casino reinvestment obligation (continued):

The Partnership's net investment at December 31, 1986 consists of:

Deposits with the state	\$ 4,808,000
Allowance for decrease in market value	(2,953,000)
	<u>\$ 1,855,000</u>

The effect of the Chapter 11 proceedings on the due dates of the obligations incurred prior to November 14, 1985, cannot be determined at this time. Those obligations recorded prior to that date, excluding those incurred during 1982 and 1983 described above, have been included in liabilities subject to Chapter 11 proceedings.

10. Promotional Allowances and Expenses

Promotional Allowances and Expenses consist of the following for the three months ended December 31, 1986:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>\$</u>	<u># of Recipients</u>	<u>\$</u>
Rooms	12,982	\$ 359,000		
Food	189,623	1,080,000		
Beverage	675,494	1,053,000		
Bus Tour Quarters			452,821	\$ 2,004,000
Travel			52,991	467,000
Theater	11,420	97,000		
Other	39,070	165,000	40,546	231,000 ⁽¹⁾
Total	<u>928,589</u>	<u>\$ 2,754,000</u>	<u>546,358</u>	<u>\$ 2,702,000</u>

(1) Other Expense

	<u>3 months</u>
Sales & Promotion	\$ 185,000
Other	46,000
	<u>\$ 231,000</u>

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION - NOTE 2)

NOTES TO FINANCIAL STATEMENTS

FOR YEARS ENDED DECEMBER 31, 1986 AND 1985

10. Promotional Allowances and Expenses (continued):

Promotional Allowances and Expenses consist of the following for the twelve months ended December 31, 1986:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>\$</u>	<u># of Recipients</u>	<u>\$</u>
Rooms	63,395	\$ 2,184,000		
Food	783,061	5,584,000		
Beverage	3,153,074	4,870,000		
Bus Tour Quarters			1,550,295	\$10,657,000
Travel			278,186	2,862,000
Theater	29,871	264,000		
Other	177,408	328,000	182,603	1,055,000 (1)
Total	<u>4,206,809</u>	<u>\$13,230,000</u>	<u>2,011,084</u>	<u>\$14,574,000</u>

(1) Other Expense

	<u>12 months</u>
Sales & Promotion	\$ 724,000
Other	<u>331,000</u>
	<u>\$ 1,055,000</u>

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION - NOTE 2)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1986 AND 1985

11. Nonoperating income (expense) - net consists of the following for the twelve months ended December 31, 1986:

Interest Income	\$	761,000	
Cash Call Commissions		222,000	
Sales Tax Audit Adjustment		500,000	(1)
Credit Card Commissions	(	182,000)	
Other		408,000	
Chapter 11 Expenses	(	4,039,000)	(2)
Reserve for devaluation of building and improvements	(	12,737,000)	(3)
		<u>(\$15,067,000)</u>	

- (1) Reversal of prior years' provision for New Jersey Sales and Use Tax Assessments for years 1982 and 1983, following a favorable audit adjustment by the Division of Taxation.
- (2) Chapter 11 expenses represent costs associated with the bankruptcy proceedings. These include fees of the various professionals providing accounting, consulting and legal services to the Partnership, and related administrative costs.
- (3) During 1986, an independent appraisal was conducted to determine the current market value of the building and improvements comprising the hotel casino complex. The appraisal resulted in an estimated market value of \$12,737,000 less than the net book value of the Partnership's property. Accordingly, a reserve was established to reduce the carrying value of these assets at December 31, 1986 to more closely approximate the appraised value, with a corresponding charge against operations.

SCHEDULE OF ELSINORE SHORE ASSOCIATES PATRONS' CHECKS
 (DEBTOR-IN-POSSESSION NOTE 2)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

12. Subsequent Event:

On February 5, 1987 ESA filed a Plan of Reorganization (Plan) with the Bankruptcy Court. The Plan is subject to the approval of the secured creditors, unsecured creditors, and the Court.

Since the Plan is subject to modification prior to confirmation, the effects of implementation of the Plan cannot be accurately determined at this time. The Financial Statements, therefore, do not include any adjustments that might be necessary as a result of the outcome of the Chapter 11 proceedings.

	ACCOUNT BALANCE (a)	ALLOWANCE (b)	ACCOUNTS RECEIVABLE (a) NET OF ALLOWANCE
Accounts receivable from officers and employees.....	2		
Accounts receivable from affiliates	-		
Accounts receivable notes receivable	92		
Accounts receivable	94		94
Total	\$ 3,513	\$ 1,740	\$ 1,773

DESCRIPTION (a)	AMOUNT (b)
Balance (January 1)	\$ 3,190
Checks issued (excluding counter checks issued through transactions in consolidations, partial redemptions, substitutions, and patrons' checks prior to deposit (excluding the unsecured portion of counter checks issued through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' checks) through deposits	33,641
Checks returned to returned checks	(27,589)
Checks through deposits	(6,400)
Checks returned to returned checks	(1,806)
Total	\$ 1,236
Excluded in balance on Line 15	-17-
Collectible Patrons' Checks	\$ 2,166
Balance of Counter Checks Issued	6.4

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

(UNAUDITED)
 (\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks	1,236		
2	Returned patrons' checks	1,732		
3	Total patrons' checks	2,968	1,721	1,247
4	Hotel Receivables	449	19	430
	Other Receivables:			
5	Receivables due from officers and employees.....	2		
6	Receivables due from affiliates	-		
7	Other accounts and notes receivables	92		
8	Total other receivables	94		94
9	Totals (Form 305).....	\$ 3,511	\$ 1,740	\$ 1,771

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 3,190
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	33,641
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(27,589)
13	Checks collected through deposits	(6,400)
14	Checks transferred to returned checks	(1,606)
15	Other adjustments	-
16	Ending Balance	\$ 1,236
17	"Hold" Checks Included In Balance On Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ 2,166
19	Provision As A Percent Of Counter Checks Issued	6.4

TRADING NAME OF LICENSEE ELSTNORE'S ATLANTIS CASINO HOTEL
 (Debtor in Possession, Note 2)

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	21,819	126,387	17.3	62
2	Craps	11,628	66,984	17.4	16
3	Roulette	5,029	19,941	25.2	9
4	Big Six	1,545	3,065	50.4	3
5	Baccarat	1,767	12,163	14.5	3
6	Other table games	41,788	228,540	18.3	93
7	Total table games revenue				
			HANDLE		
8	\$.05 slot machines	3,962	26,941	14.7	143
9	\$.25 slot machines	35,768	251,195	14.2	834
10	\$1.00 slot machines	6,553	52,234	12.5	101
11	Other slot machines	19,323	149,953	12.9	301
12	Total coin-operated devices revenue	65,606	480,323	13.7	1,379
13	Progressive jackpot adjustment	3,219			
14	Total coin-operated devices revenue after adjustment	62,387			
15	Other income				
16	Total revenue	104,175			
	Expenses:				
17	Payroll and payroll related expenses	22,389			
18	Licenses and taxes	8,796			
19	Provision for uncollectible patrons' checks	2,166			
20	Other	18,181			
21	Total	51,532			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees	52,643			
	Complimentary services and casino management fees:				
23	Complimentary services	11,861			
24	Casino management fees	-			
25	Total	11,861			
26	Departmental Income (Loss)	\$ 40,782			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :
:ss.
COUNTY OF ATLANTIC CITY :

R. BRUCE McKEE, being duly sworn
Name

according to law upon my oath deposes and says:

1. I have examined this Annual Report.
2. All the information contained in this Report has been prepared in conformity with the Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Report is accurate to the best of my knowledge and belief.

R. Bruce McKee

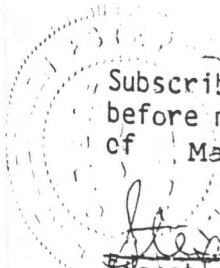
Signature
R. BRUCE McKEE

VICE PRESIDENT, FINANCE/CONTROLLER
Title

0548-11
License Number

On Behalf Of:

ELSINORE SHORE ASSOCIATES
Casino Licensee



Subscribed and sworn to
before me this 16 day
of March, 1987.

Stephanie Caldwell

Signature
STEPHANIE CALDWELL
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires JULY 15, 1990

Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE Elsinore Shore Associates
t/a Elsinore's Atlantis Casino Hotel

ADDRESS 2500 Boardwalk
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN**

R. Bruce McKee

OFFICIAL TITLE

Vice President Finance/Controller

ADDRESS

2500 Boardwalk

Atlantic City, NJ 08401

MAR 16 12 40 PM 1987

CASINO CONTROL COM
DIVISION OF FINANCE

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 41,800	
2	Coin-operated devices revenue	61,200	
3	Total revenues		\$ 103,000
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 2,145	
5	Maximum adjustment (4% of line 3)	\$ 4,120	
6	Adjustment (the lesser of line 4 or line 5)		2,145
7	Gross revenues (line 3 less line 6)		\$ 100,855
8	Tax on gross revenues - current year (8% of line 7)		\$ 8,068
9	Audit or other adjustments to tax on gross revenues in prior years		-0-
10	Total tax on gross revenues (line 8 plus or minus line 9)		8,068
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 581	
12	February	634	
13	March	641	
14	April	704	
15	May	841	
16	June	689	
17	July	775	
18	August	893	
19	September	602	
20	October	731	
21	November	531	
22	December	366	
23	January	80	
24	Total deposits made for tax on current year's gross revenues		(8,068)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits		-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)		\$ -0-

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE ELSINORE SHORE ASSOCIATES

ADDRESS 2500 Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....

R. BRUCE MCKEE

OFFICIAL TITLE.....

Vice President, Finance/Controller

ADDRESS.....

2500 Boardwalk

Atlantic City, NJ 08401

1/85

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL (DIP)

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
CASINO					
02 1	Administration	31			
03 2	Gaming .610,.....	692			
3	Slots ..620.....	87			
4	Casino accounting ..907.....	272			
5	Other 630,640,650,651,652,653,.....	68	\$	\$	\$
6	Total-casino .654,655,656,657.....	1,150	22,396	118	22,514
7	ROOMS 700,710,711,712,713,715.....	242	2,841		2,841
8	FOOD AND BEVERAGE ALL .800 .AREAS.....	632	7,915		7,915
OTHER OPERATED DEPARTMENTS					
9	Coatroom 720	7	108		108
10	Arcade 721	-	17		17
11	Valet/Parking 722	66	790		790
12	Health Club 723	7	121		121
13	Gift Shop/Lobby Shop 724	16	179		179
14	Laundry/Valet 725	23	365		365
15	Telephone 726	19	241		241
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office 901,.....	8	97	322	419
21	Accounting and auditing 906,908,909,910	61	1,148		1,148
22	Security ....911,912.....	175	2,976		2,976
23	Other administrative and general department ... 917, 951, 953, 954, 955, 956, 957	90	1,904		1,904
24	MARKETING.....913,915, 918.....	11	302		302
25	GUEST ENTERTAINMENT ..728.....	17	648		648
26	PROPERTY OPERATION AND MAINTENANCE ..920.....	71	2,192		2,192
27	TOTALS - ALL DEPARTMENTS	2,595	\$ 44,240	\$ 440	\$ 44,680

CCC-376

Trading Name of Licensee ELISNORE'S ATLANTIS CASINO HOTEL (DIP)

**ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE**

For the Year Ended December 31, 19 86

3/13/87
Date

R. Bruce McKee
Signature

R. BRUCE MCKEE

Vice President, Finance/Controller
Title

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, , 19 86

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	500	14,871	7,707	\$ 74.48	51.8 %	15,324	\$ 37.46
2	FEBRUARY	500	13,103	8,544	\$ 72.48	65.2 %	16,962	\$ 36.51
3	MARCH	500	14,630	11,651	\$ 72.76	79.6 %	22,410	\$ 37.83
4	1ST QUARTER TOTALS		42,604	27,902	\$ 73.15	65.5 %	54,696	\$ 37.32
5	APRIL	500	13,950	11,937	\$ 68.34	85.6 %	23,265	\$ 35.07
6	MAY	500	15,181	10,618	\$ 73.31	69.9 %	20,693	\$ 37.62
7	JUNE	500	14,668	13,185	\$ 73.52	89.9 %	25,357	\$ 38.23
8	2ND QUARTER TOTALS		43,799	35,740	\$ 71.73	81.6 %	69,315	\$ 36.99
9	JULY	500	15,306	13,640	\$ 81.52	89.1 %	28,324	\$ 39.26
10	AUGUST	500	15,431	14,609	\$ 83.42	94.7 %	28,668	\$ 42.51
11	SEPTEMBER	500	14,989	11,373	\$ 73.36	75.9 %	22,108	\$ 37.74
12	3RD QUARTER TOTALS		45,726	39,622	\$ 79.88	86.7 %	79,100	\$ 40.01
13	OCTOBER	500	15,307	11,376	\$ 79.87	74.3 %	22,108	\$ 41.10
14	NOVEMBER	500	14,697	11,370	\$ 69.52	77.4 %	22,375	\$ 35.33
15	DECEMBER	500	14,800	7,428	\$ 60.17	50.2 %	14,786	\$ 30.23
16	4TH QUARTER TOTALS		44,804	30,174	\$ 71.12	67.3 %	59,269	\$ 36.21
17	ANNUAL TOTALS		176,933	133,438	\$ 74.31	75.4 %	262,380	\$ 37.79

ANNUAL REPORT

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PROPERTY OF
NEW JERSEY STATE LIBRARY
MAY 12 1986
185 W. STATE ST.
TRENTON, N.J.

LICENSEE GNOC, CORP. (Golden Nugget)
ADDRESS Boston at Pacific Avenues, P.O. Box 1737
Atlantic City, NJ 08404

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



MAR 17 10 17 AM '87
BASIC & TECHNICAL
DIVISION OF THE
EVALUATION

**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT** HENRY M. APPEGATE, III
OFFICIAL TITLE Sr. Vice President Finance and Administration
ADDRESS Boston at Pacific Avenues, P.O. Box 1737
Atlantic City, NJ 08404

BALANCE SHEETS

TRADING NAME OF LICENSEE GROC, CORP. (Golden Nugget)

DECEMBER 31, 1986 AND 1985

LIST OF FORMS - ANNUAL REPORT

(\$ IN THOUSANDS)

FOR THE YEAR ENDED DECEMBER 31, 1986

DESCRIPTION	(d) 19 86	(d) 19 85
ASSETS		
Current assets	9,631	5,304
Investments	270,736	
Property, plant and equipment	12,446	
Other assets	1,068	
Total Assets	327,881	75,413
Current liabilities	241,755	142,718
Long-term liabilities	51,037	74,246
Partners' and proprietor's equity	347,409	600,027
Total Liabilities and Equity	347,409	600,027

TITLE	FORM NO.
Balance Sheets	CCC-305
Statements of Income (Year)	CCC-310
Statements of Income (Three Months)	CCC-315
Statements of Changes in Stockholders' Equity	CCC-320
Statements of Changes in Partners' and Proprietor's Equity	CCC-325
Statements of Changes in Financial Position	CCC-330
Notes to Financial Statements	CCC-340
Schedule of Receivables and Patrons' Checks	CCC-345
Casino Departmental Schedule	CCC-350
Statement of Conformity and Accuracy	CCC-350

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

BALANCE SHEETS

FOR THE DECEMBER 31, 1986 AND 1985

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	9,631	5,304
2	Marketable securities (Note 2)	1,672	230,706
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$9,300 ; 19 <u>85</u> , \$ 10,171)	14,414	12,446
4	Inventories	2,914	1,891
5	Prepaid expenses and other current assets (Note 3)	4,069	5,068
6	Total current assets	32,700	255,415
7	Investments, Advances, And Receivables (Note 4)	241,755	142,716
8	Property And Equipment - Net (Note 5)	220,917	144,746
9	Other Assets (Note 6)	54,037	57,150
10	Total Assets	\$ 549,409	\$ 600,027
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	3,349	4,343
12	Notes payable	-	-
	Current portion of long-term debt:	-	-
13	Due to affiliates (Note 10)	5	-
14	Other	-	-
15	Income taxes payable and accrued (Note 7)	31,136	35,330
16	Other accrued expenses (Note 8)	2,603	2,360
17	Other current liabilities	37,093	42,033
18	Total current liabilities		
	Long-Term Debt:		
19	Due to affiliates (Note 9)	337,401	418,712
20	Other (Note 10)	60	1,865
21	Other (Note 11)	206	15,035
22	Deferred Credits (Note 12)	38,682	39,706
23	Other Liabilities (Notes 19 & 20)		
23	Commitments And Contingencies		
24	Total Liabilities	413,442	517,351
25	Stockholders', Partners', Or Proprietor's Equity (Note 13)	135,967	82,676
26	Total Liabilities And Equity	\$ 549,409	\$ 600,027

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 1985

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	248,448	241,179
2	Rooms	17,177	17,830
3	Food and beverage	30,342	31,506
4	Other	8,957	8,820
5	Total revenue	304,924	299,335
6	Less: promotional allowances .....(Note 14)...	31,989	35,822
7	Net revenue	272,935	263,513
	Costs And Expenses:		
8	Cost of goods and services	136,830	134,637
9	Selling, general, and administrative	48,755	42,274
10	Provision for doubtful accounts	(587)	3,041
11	Total	184,998	179,952
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	87,937	83,561
13	Depreciation and amortization	14,028	12,279
	Charges from affiliates:		
14	Interest .....(Note 15)....	52,135	43,227
15	Management fees .....(Note 15)....	15,232	14,975
16	Other .....(Note 15)....	20,364	24,414
17	Interest expense - external	482	560
18	Income (Loss) From Operations .....(Note 16)....	(14,304)	(11,894)
19	Nonoperating income (expense) - net	11,990	17,519
20	Investment alternative tax and related income (expense) - net.....(Note 20)	(1,370)	(1,444)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(3,684)	4,181
22	Provision (Credit) for income taxes .....(Note 17)....	(3,076)	1,062
23	Income (Loss) Before Extraordinary Items	(608)	3,119
24	Extraordinary items (net of income taxes - 19 86, \$ 11,649 ; 1985, \$ 1,602 ) .....(Note 9 & 10)....	(11,602)	1,548
25	Net Income (Loss)	\$ (12,210)	\$ 1,571

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

TRADING NAME OF LICENSEE

GNOG, CORP. (Golden Nugget)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	60,061	56,799
2	Rooms	3,924	4,339
3	Food and beverage	7,218	6,932
4	Other	2,468	1,808
5	Total revenue	73,671	69,878
6	Less: promotional allowances (Note 14)	7,373	8,064
7	Net revenue	66,298	61,814
	Costs And Expenses:		
8	Cost of goods and services	34,219	34,313
9	Selling, general, and administrative	11,442	7,903
10	Provision for doubtful accounts	(1,847)	812
11	Total	43,814	43,028
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	22,484	18,786
13	Depreciation and amortization	4,095	3,235
	Charges from affiliates:		
14	Interest (Note 15)	11,536	13,861
15	Management fees (Note 15)	3,670	3,501
16	Other (Note 15)	5,253	8,246
17	Interest expense - external	145	140
18	Income (Loss) From Operations	(2,215)	(10,197)
19	Nonoperating income (expense) - net (Note 16)	(889)	5,970
20	Investment alternative tax and related income (expense) - net (Note 20)	(341)	(232)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(3,445)	(4,459)
22	Provision (Credit) for income taxes (Note 17)	(2,943)	(638)
23	Income (Loss) Before Extraordinary Items	(502)	(3,821)
24	Extraordinary items (net of income taxes - 19 <u>86</u> , \$ -0- ; 19 <u>85</u> , \$ 154) (Note 9)	-0-	149
25	Net Income (Loss)	\$ (502)	\$ (3,970)

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)	3,002,500	30	3,002,500	78,327
2	Sale of stock				
3	Trans. to Addt'l. Paid in Capital				(78,297)
4	Ending balance		30		30
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		78,297		-
10	Trans. from Common Stock		-		78,297
11	Trans. from Affiliates		65,501		
12	Ending balance		143,798		78,297
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....		( )		( )
24	Ending balance				
	Retained Earnings:				
25	Beginning balance (January 1)		4,349		2,778
26	Prior period adjustments		(12,210)		1,571
27	Net income (loss)		()		()
28	Dividends				
29	.....			
30	.....		(7,861)		4,349
31	Ending balance				
32	Ending Stockholders' Equity		\$ 135,967		\$ 82,676

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 19, 86 AND 19 85
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Sources Of Funds:	\$	\$
1	Income (loss) before extraordinary items	(608)	3,119
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	13,968	11,818
3	Amortization of other assets	60	462
4	Deferred income taxes - noncurrent	(14,829)	(517)
5	(Gain) loss on dispositions of property and equipment	1,482	2,586
6	Amortization of debt issue costs	1,366	1,108
7	Amortization of orig. issue discount (OID)	2,479	3,932
8	.....	
9	Total	3,918	22,508
10	Extraordinary items	(11,602)	(1,548)
11	Total funds provided (used) by operations	(7,684)	20,960
12	Proceeds from dispositions of property and equipment	197	1,062
13	Proceeds from long-term debt	-	298,162
14	Additions to deferred credits and other liabilities	60	4,727
15	Proceeds from issuance of stock or capital contributions	65,501	-
16	Reductions in property and equipment	894	-
17	Reduction in long-term receivables & other assets	483	-
18	.....	
19	.....	
20	Total funds provided	59,451	324,911
	Uses Of Funds:		
21	Additions to property and equipment	25,237	16,489
22	Investment in casino reinvestment obligations	2,588	3,036
23	Other additions to investments, advances, and receivables	96,451	52,508
24	Increase in other assets		9,791
25	Reductions of long-term debt (net of unamortized OID & debt issue costs)	84,081	65,896
26	Dividends declared or capital distributions		
27	Additions to land held for sale	370	12,257
28	Reduction of other liabilities	1,024	-
29	Prop. & Equip. acquired in transf. of equity from affiliate	67,475	-
30	.....	
31	Total funds used	277,226	159,977
32	Increase (Decrease) In Working Capital	\$ (217,775)	\$ 164,934
	Summary Of Changes In Components Of Working Capital:	\$	\$
33	Cash	4,327	(2,167)
34	Marketable securities	(229,034)	166,544
35	Receivables and patrons' checks	1,968	(2,254)
36	Inventories	1,023	(211)
37	Prepaid expenses and other current assets	(999)	754
38	Accounts payable	994	613
39	Notes payable	-	-
40	Current portion of long-term debt	(5)	9
41	Income taxes payable and accrued	-	1,108
42	Other accrued expenses	4,194	297
43	Other current liabilities	(243)	241
44	Increase (Decrease) In Working Capital	\$ (217,775)	\$ 164,934

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

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 1, 1984, GNAC, CORP. (GNAC) and Golden Nugget, Inc. (GNI), the parent of GNAC, completed a corporate reorganization plan. Under the terms of the plan, GNAC transferred substantially all of its operating assets, liabilities and operations to GNOC, CORP. (the "Company"), a newly created, wholly owned subsidiary of GNAC. This transaction was accounted for at historical cost in a manner similar to pooling of interests.

In September, 1986, GNAC transferred substantially all of its investment in certain properties and liabilities to AC Holding Corp. (ACHC), a newly created, wholly owned subsidiary of the Company. Concurrently, the Company transferred substantially all of its non-operating assets to AC Holding Corp. II (ACHC II), a newly created, wholly owned subsidiary of the Company.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

(a) Casino revenue and promotional allowances

In accordance with industry practice, the Company recognizes as casino revenue the net win from gaming activities, which is the difference between gaming wins and losses. Net revenue in the accompanying statements of income excludes the retail value of rooms, food, beverages and other promotional allowances provided to customers without charge.

(b) Marketable securities

Marketable securities are carried at the lower of aggregate cost or market value. The cost of marketable securities sold is based on the first-in, first-out method.

(c) Property and equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method for financial statement purposes and accelerated methods for income tax purposes.

(d) Original issue discount and debt issuance costs

Original issue discount is amortized over the life of the related indebtedness using the effective interest method.

Costs associated with the issuance of debt are deferred and amortized over the life of the related indebtedness using the straight-line method giving pro rata effect, where appropriate, to debt retirement schedules specified in the debt indentures.

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS - continued
 (Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued.

(e) Income taxes

Under the terms of a tax allocation agreement between the Company and GNI, a consolidated federal income tax return is filed which includes the accounts of the Company and its subsidiaries. The Company's tax allocation is based on the amount of tax the Company would pay if it filed a separate return except that tax benefits available to the Company are recognized when realizable by the consolidated group. Investment tax credits are accounted for as reductions of income tax expense in the year in which the related assets are placed in service.

NOTE 2 - MARKETABLE SECURITIES

Marketable securities as of December 31 consisted of the following:

	<u>1986</u>	<u>1985</u>
Equity securities	\$ -	\$ 31,399,000
Debt securities	-	195,142,000
Other short-term interest bearing instruments	<u>1,672,000</u>	<u>4,165,000</u>
Aggregate cost - carrying value	\$1,672,000 =====	\$230,706,000 =====
Aggregate market value	\$1,672,000 =====	\$232,784,000 =====

Net realized gains (losses) of \$(796,000) in 1986 and \$597,000 in 1985 on the sale of marketable securities are included in "interest and other income" in the accompanying consolidated statements of income.

NOTE 3 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of December 31 consisted of the following:

	<u>1986</u>	<u>1985</u>
Prepaid insurance	\$ 863,000	\$ 1,407,000
Prepaid state gaming taxes and licenses	696,000	570,000
Prepaid operating expenses	1,989,000	2,288,000
Prepaid entertainment costs	167,000	385,000
Prepaid state income tax	246,000	-
Refundable federal income tax	-	287,000
Other	108,000	131,000
	<u>\$4,069,000</u> =====	<u>\$ 5,068,000</u> =====

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS - continued
 (Unaudited)

NOTE 4 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>1986</u>	<u>1985</u>
Golden Nugget Marketing Corp. (a Pennsylvania Corporation)	\$ 222,000	\$ 40,000
Golden Nugget Marketing Corp. (a Florida Corporation)	190,000	176,000
Golden Nugget Marketing Corp. (an Ohio Corporation)	111,000	53,000
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	-	17,000
Leisure Time Tours	-	303,000
GNAC, CORP.	16,542,000	-
Golden Nugget, Inc.	187,973,000	129,177,000
GNLV, CORP.	-	1,166,000
TYOH Advertising, Inc.	4,345,000	1,090,000
Golden Nugget Finance Corp.	19,088,000	-
New Jersey reinvestment (net of purchase discount)	13,284,000	10,694,000
	<u>\$241,755,000</u>	<u>\$142,716,000</u>
	=====	=====

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>1986</u>	<u>1985</u>
Land and improvements	\$ 72,001,000	\$ 10,114,000
Buildings and leasehold improvements	135,507,000	121,280,000
Furniture, fixtures and equipment	68,250,000	49,571,000
Construction in progress	1,211,000	5,321,000
	<u>276,969,000</u>	<u>186,286,000</u>
Less accumulated depreciation and amortization	(56,052,000)	(41,540,000)
	<u>\$220,917,000</u>	<u>\$144,746,000</u>
	=====	=====

	<u>1986</u>	<u>1985</u>
	\$ 621,000	\$ 599,000
	1,853,000	1,557,000
	119,000	104,000
	<u>\$ 2,603,000</u>	<u>\$ 2,260,000</u>
	=====	=====

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS - continued
 (Unaudited)

NOTE 6 - OTHER ASSETS

Other assets as of December 31 consisted of the following:

	<u>1986</u>	<u>1985</u>
Land held for sale	\$ 44,024,000	\$ 43,654,000
Debt issuance costs (net)	9,353,000	12,292,000
Long-term receivable	500,000	1,000,000
Other	160,000	204,000
	<u>\$ 54,037,000</u>	<u>\$ 57,150,000</u>
	=====	=====

NOTE 7 - OTHER ACCRUED EXPENSES

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

	<u>1986</u>	<u>1985</u>
Accrued payroll	\$ 5,905,000	\$ 6,172,000
Accrued progressive jackpot liability	4,856,000	3,364,000
Accrued interest	5,433,000	10,213,000
Accrued property taxes	140,000	-
Accrued New Jersey casino reinvestment liability	8,368,000	10,458,000
Accrued sales, use and luxury taxes	134,000	125,000
Accrued Casino Control Commission and Division of Gaming Enforcement Fee	482,000	463,000
Accrued casino license fee	-	314,000
Accrued health insurance claims	1,036,000	456,000
Accrued casino win tax	602,000	209,000
Escrow deposit, land option	1,082,000	1,082,000
Accrued legal fees	382,000	-
Other	2,716,000	2,474,000
	<u>\$ 31,136,000</u>	<u>\$ 35,330,000</u>
	=====	=====

NOTE 8 - OTHER CURRENT LIABILITIES

Other current liabilities as of December 31 consisted of the following:

	<u>1986</u>	<u>1985</u>
Customer deposits	\$ 631,000	\$ 699,000
Unredeemed gaming chips and tokens	1,853,000	1,557,000
Advance room deposits	119,000	104,000
	<u>\$ 2,603,000</u>	<u>\$ 2,360,000</u>
	=====	=====

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 9 - LONG TERM DEBT-DUE TO AFFILIATES

Long term debt-due to affiliates as of December 31 consisted of the following:

	1986	1985
13 1/4% (effective rate of 13.3%) mortgage-backed notes of \$299,000,000 principal amount, interest payable semi-annually, maturing in 1995, sinking fund payments to retire \$14,950,000 principal amount annually commencing on June 1, 1991 and 20% of issue prior to maturity (net of unamortized original issue discount of \$762,000 at December 31, 1986 and \$815,000 at December 31, 1985). (a)	\$298,238,000	\$298,185,000
8 3/8% (effective rate of 13.9%) unsecured notes, interest payable semi-annually, maturing in 1993 (net of unamortized original issue discount of \$11,737,000 at December 31, 1986 and \$40,473,000 at December 31, 1985). (b)	<div style="display: flex; justify-content: space-between;"> 39,163,000 120,527,000 </div> <div style="display: flex; justify-content: space-between;"> \$337,401,000 \$418,712,000 </div> <div style="display: flex; justify-content: space-between;"> ===== ===== </div>	<div style="display: flex; justify-content: space-between;"> 1,863,000 1,863,000 </div> <div style="display: flex; justify-content: space-between;"> 1,863,000 1,863,000 </div> <div style="display: flex; justify-content: space-between;"> ===== ===== </div>

(a) On June 10, 1985, Golden Nugget Finance Corp., a wholly owned financing subsidiary ("GNFC") of GNOC, CORP., consummated the public sale of \$299 million principal amount of 13 1/4% Mortgage-Backed Notes Due June 1, 1995 (the "Notes"). The Notes are unconditionally guaranteed by GNOC, CORP. and are secured by a first mortgage lien and security interest on the Company's Boardwalk casino-hotel. At December 31, 1985, this mortgage ranked equally with an existing mortgage securing indebtedness of \$2.1 million at December 31, 1985.

The Notes are redeemable on or after June 1, 1987 at the option of GNFC at prices set forth in the indenture, except that no redemption may be made prior to June 1, 1990, directly or indirectly, with borrowed money having an interest cost of less than 13.30% per annum.

(b) On July 11, 1983, GNI, together with GNFC received \$242.6 million (after \$7.4 million of offering costs), from the public sale of 250,000 Units at a price of \$1,000 per Unit. Each Unit consisted of one 8 3/8% note of \$1,000 principal amount and warrants to purchase common stock of GNI. The notes, which are direct obligations of GNFC are guaranteed by GNI and rank with other unsecured obligations.

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS - continued
(Unaudited)

NOTE 9 (b) - LONG TERM DEBT-DUE TO AFFILIATES - continued.

In August, 1986, the Company repurchased \$110.0 million principal amount of the 8 3/8% Notes due July 1, 1993. The transaction, which involved a cash payment of approximately \$106.1 million including accrued interest, resulted in an extraordinary loss of \$11,423,000 net of income tax benefits of \$11,496,000. The reduction in the outstanding amount of notes in 1985 reflects the retirement for cash of \$89,000,000 in principal of the notes. The transaction resulted in an extraordinary loss of \$1,548,000 net of income tax benefits of \$1,602,000.

NOTE 10 - LONG-TERM DEBT - OTHER

Long-term debt - other as of December 31 consisted of the following:

	1986	1985
11 3/4% (effective rate of 15.5%) mortgage notes with interest payable semi-annually, maturing in 1994 (net of unamortized original issue discount of \$233,000 at December 31, 1985).	\$ -	\$ 1,865,000
Other	65,000	-
	65,000	1,865,000
Less current maturities	5,000	-
	\$ 60,000	\$ 1,865,000

In September 1986, the Company repurchased all the outstanding \$2.1 million principal amount of its 11 3/4% Mortgage Notes due 1994. The transaction, which involved a cash payment of approximately \$2.2 million including accrued interest, resulted in an extraordinary loss of \$179,000 net of income tax benefits of \$153,000.

NOTE 11 - DEFERRED CREDITS

Deferred credits as of December 31 consisted of deferred federal and state income taxes.

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 12 - OTHER LIABILITIES

Other liabilities as of December 31 consisted of advances due to affiliates as follows:

	<u>1986</u>	<u>1985</u>
Golden Nugget Transportation Corp. (formerly SCB Development Company, Inc.)	\$ 18,191,000	\$ 15,933,000
Atlantia Design and Furnishings, Inc.	11,328,000	11,937,000
GNAC, CORP.	-	5,391,000
GNLV, CORP.	1,896,000	-
Golden Nugget Aviation Corp.	5,396,000	4,105,000
Golden Nugget Marketing Corp. (an Illinois Corporation)	786,000	508,000
Golden Nugget Marketing Corp. (a Texas Corporation)	234,000	234,000
Golden Nugget Marketing Corp. (a Georgia Corporation)	159,000	159,000
Golden Nugget Marketing Corp. (a Mississippi Corporation)	44,000	34,000
Golden Nugget Marketing Corp. (a Louisiana Corporation)	10,000	10,000
Golden Nugget Marketing Corp. (a Maryland Corporation)	40,000	40,000
Golden Nugget Marketing Corp. (a New York Corporation)	351,000	480,000
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	65,000	-
Golden Nugget (Asia) LTD.	182,000	182,000
Golden Nugget Finance Corp.	-	693,000
	<u>\$ 38,682,000</u>	<u>\$ 39,706,000</u>

PROMOTIONAL ALLOWANCES

Number of recipients	Dollar Amount
26,560	\$ 2,504,000
122,171	2,981,000
101,073	778,000
7,177	319,000
61,393	491,000
5,566	334,000
374	16,000
<u>74,610</u>	<u>1,110,000</u>
<u>324,414</u>	<u>\$ 7,771,000</u>

PROMOTIONAL EXPENSES

Number of Recipients	Dollar Amount
51,782	\$ 399,000
12,925	1,730,000
347,586	5,348,000
3,140	96,000
7,630	321,000
<u>358,355</u>	<u>6,355,000</u>
<u>423,123</u>	<u>\$ 8,494,000</u>

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS - continued
 (Unaudited)

NOTE 13 - STOCKHOLDER'S EQUITY

On October 17, 1985, the shareholder approved an amendment to the Company's certificate of incorporation authorizing an \$0.01 par value for its previous no par common stock.

At December 31, 1986 and 1985, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,500 were issued and outstanding.

NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES

Promotional expenses and allowances and number of recipients for the twelve months ended December 31, 1986 consisted of the following:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	111,659	\$11,715,000		
Food	535,292	12,356,000	159	\$ 4,000
Beverage	411,439	3,040,000	243,629	1,798,000
Travel			60,113	7,495,000
Other				
Coin			1,457,656	22,595,000
Entertainment	35,783	1,242,000	10,999	376,000
Parking	274,176	2,193,000		
Retail	17,299	1,382,000		
Other	1,773	61,000	30,326	1,190,000
Total Other	<u>329,031</u>	<u>4,878,000</u>	<u>1,498,981</u>	<u>24,161,000</u>
TOTAL	<u>1,387,421</u>	<u>\$31,989,000</u>	<u>1,802,882</u>	<u>\$33,458,000</u>

Promotional expenses and allowances and number of recipients for the three months ended December 31, 1986 consisted of the following:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	26,560	\$ 2,504,000		
Food	122,171	2,981,000		
Beverage	101,073	778,000	51,782	\$ 399,000
Travel			12,985	1,730,000
Other				
Coin			347,586	5,948,000
Entertainment	7,177	219,000	3,140	96,000
Parking	61,393	491,000		
Retail	5,666	384,000		
Other	374	16,000	7,630	321,000
Total Other	<u>74,610</u>	<u>1,110,000</u>	<u>358,356</u>	<u>6,365,000</u>
TOTAL	<u>324,414</u>	<u>\$ 7,373,000</u>	<u>423,123</u>	<u>\$ 8,494,000</u>

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES, continued.

Promotional expenses and allowances and number of recipients for the twelve months ended December 31, 1985 consisted of the following:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	108,340	\$12,583,000		
Food	607,696	14,689,000		
Beverage	512,511	3,255,000	299,015	\$ 1,895,000
Travel			57,303	7,838,000
Other				
Coin			1,345,830	16,079,000
Entertainment	43,173	1,270,000	9,972	289,000
Parking	282,250	2,258,000		
Retail	22,705	1,738,000		
Other	524	29,000	47,633	645,000
Total Other	<u>348,652</u>	<u>5,295,000</u>	<u>1,403,435</u>	<u>17,013,000</u>
TOTAL	<u>1,577,199</u>	<u>\$35,822,000</u>	<u>1,759,753</u>	<u>\$26,746,000</u>

Promotional expenses and allowances and number of recipients for the three months ended December 31, 1985 consisted of the following:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	27,619	\$ 3,106,000		
Food	117,687	3,114,000		
Beverage	138,799	855,000	74,351	\$ 458,000
Travel			15,924	1,958,000
Other				
Coin			240,286	2,704,000
Entertainment	5,737	179,000	3,315	103,000
Parking	62,000	496,000		
Retail	3,320	307,000		
Other	101	7,000	13,351	207,000
Total Other	<u>71,158</u>	<u>989,000</u>	<u>256,952</u>	<u>3,014,000</u>
TOTAL	<u>355,263</u>	<u>\$ 8,064,000</u>	<u>347,227</u>	<u>\$ 5,430,000</u>

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 15 - CHARGES FROM AFFILIATES

The charges from affiliates for the three and twelve months ended December 31, 1986 and 1985 consisted of the following:

Nature of Charge From Affiliate	T W E L V E Ended 1986	M O N T H S Ended 1985	T H R E E Ended 1986	M O N T H S Ended 1985
Interest	\$52,135,000	\$43,227,000	\$11,536,000	\$13,861,000
Management Fees	15,232,000	14,975,000	3,670,000	3,501,000
Other (a)	20,364,000	24,414,000	5,253,000	8,246,000

(a) Other expenses include payroll expense and operating expenses from the marketing offices, promotional allowances, promotional expenses, advertising, depreciation and amortization expenses and allocations of costs associated with air transportation.

These other expenses were allocated from the following affiliates:

- Golden Nugget, Inc.
- Golden Nugget Marketing Corp. (a Georgia Corporation)
- Golden Nugget Marketing Corp. (a New York Corporation)
- Golden Nugget Marketing Corp. (a Pennsylvania Corporation)
- Golden Nugget Marketing Corp. (a Louisiana Corporation)
- Golden Nugget Marketing Corp. (a Texas Corporation)
- Golden Nugget Marketing Corp. (a Florida Corporation)
- Golden Nugget Marketing Corp. (an Illinois Corporation)
- Golden Nugget Marketing Corp. (an Ohio Corporation)
- Golden Nugget Marketing Corp. (a Massachusetts Corporation)
- Golden Nugget Marketing Corp. (a Mississippi Corporation)
- Golden Nugget Marketing Corp. (a Maryland Corporation)
- Golden Nugget (Asia) LTD.
- Golden Nugget Finance Corp.
- Golden Nugget Aviation Corp.
- Leisure Time Tours
- Golden Nugget Transportation Corp./
(formerly SCB Development Company, Inc.)
- Atlantia Design and Furnishings, Inc.
- GNAC, CORP.
- TYOH Advertising, Inc.
- GNLV, CORP.

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 16 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense)-net for the three and twelve months ended December 31, 1986 and 1985 consisted of the following:

	T W E L V E Ended 1986	M O N T H S Ended 1985	T H R E E Ended 1986	M O N T H S Ended 1985
Interest and dividend income	\$14,633,000	\$19,356,000	\$ 630,000	\$ 7,910,000
Realized gain/(loss) on sale of marketable securities	(796,000)	597,000	(525,000)	249,000
Loss on disposition of property, plant and equipment	(1,482,000)	(2,586,000)	(1,034,000)	(2,101,000)
Other non-operating income	126,000	1,025,000	49,000	333,000
Other non-operating (expense)	(491,000)	(873,000)	(9,000)	(421,000)
	<u>\$11,990,000</u>	<u>\$17,519,000</u>	<u>\$ (889,000)</u>	<u>\$5,970,000</u>

	(11,549,000)	(1,602,000)	-0-	(154,000)
	<u>\$ (14,725,000)</u>	<u>\$ (540,000)</u>	<u>\$ (2,943,000)</u>	<u>\$ (792,000)</u>

the differences between a provision for income taxes computed at the income tax statutory rate and the Company's provision for income taxes for the year ended December 31, 1986 are as follows:

Income tax expense at statutory rate	\$(11,965)
Income tax benefit	(1,250)
Income tax credits	(616)
	166
	<u>(1,050)</u>
	<u>\$ (14,725)</u>

GNOC, CORP.
 NOTES OF FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 17 - INCOME TAXES

The income tax provision for the three and twelve months ended December 31, 1986 and 1985 consisted of the following:

	T W E L V E Ended 1986	M O N T H S Ended 1985	T H R E E Ended 1986	M O N T H S Ended 1985
Current:				
Federal	\$ -0-	\$ 33,000	\$ (33,000)	\$ 76,000
State	104,000	101,000	(395,000)	(431,000)
	<u>104,000</u>	<u>134,000</u>	<u>(428,000)</u>	<u>(355,000)</u>
Deferred:				
Federal	\$(12,383,000)	(674,000)	(2,515,000)	(437,000)
State	2,446,000	-	-	-
	<u>14,829,000</u>	<u>(674,000)</u>	<u>(2,515,000)</u>	<u>(437,000)</u>
	<u>\$(14,725,000)</u>	<u>\$(540,000)</u>	<u>\$(2,943,000)</u>	<u>\$(792,000)</u>
	=====	=====	=====	=====

The provision (benefit) for income taxes included in the statement of income as follows:

Income (loss) before income taxes and extraordinary loss	\$ (3,076,000)	\$1,062,000	\$ (2,943,000)	\$ (638,000)
Extraordinary loss on debt retirements	(11,649,000)	(1,602,000)	-0-	(154,000)
	<u>\$(14,725,000)</u>	<u>\$(540,000)</u>	<u>\$(2,943,000)</u>	<u>\$(792,000)</u>
	=====	=====	=====	=====

Components of the differences between a provision for income taxes computed at the federal income tax statutory rate and the Company's provision for income taxes for the year ended December 31, 1986 are as follows:

Amount computed at 46%	\$(11,965)
State income taxes, net of federal tax benefit	(1,260)
Investment tax credits	(616)
Minimum tax	166
Other	(1,050)
	<u>\$(14,725)</u>
	=====

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 17 - INCOME TAXES, continued.

Sources of deferred income taxes and the tax effect of each for the year ended December 31, 1986 are as follows:

Depreciation	\$ 2,178
Abandonment losses deferred for tax purposes	(677)
Imputed interest cost on New Jersey investment obligation	121
Deferred minimum taxes	(859)
Reversal of deferred taxes through application of net operating losses	(13,241)
Other, net	95
	\$(12,383)
	=====

At December 31, 1986, the Company had investment tax credit carryforwards for income tax purposes of approximately \$616,000 which expire in the year 2000. These carryforwards have been recognized in the financial statements as a reduction of deferred income taxes.

The Internal Revenue Service is in the process of examining the Company's income tax returns for 1979, 1980 and 1981. Although the examinations have not been completed, proposed deficiencies relate primarily to the current deductibility of certain pre-opening costs and whether or not certain assets qualify for investment tax credit.

NOTE 18 - PENSION COSTS

The Company made payments of \$476,000 in 1986 and \$487,000 in 1985 under the terms of various collective bargaining agreements to provide welfare benefits, including pension benefits, for covered employees. It is not practicable to determine the amount of these payments ultimately used to fund pension benefit plans or the current financial condition of these plans.

On December 1, 1985, the Company adopted a voluntary retirement savings plan ("RSVP") for its non-union employees (as defined). Eligible participating employees may elect to contribute up to 12% of their pre-tax earnings to RSVP. The Company matches employees contributions not exceeding 50% of the first 4% of the employees' salary. The Company's contribution amounted to \$740,000 in 1986 and \$133,000 in 1985.

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS, continued
 (Unaudited)

NOTE 19 - LEASE COMMITMENTS

The Company leases real estate and various equipment under short and long-term, cancelable and noncancelable operating lease agreements. Certain real estate leases provide for escalation of rent based upon a specified price index.

Minimum lease commitments in effect at December 31, 1986 are as follows:

1987.....	\$ 5,747,000
1988.....	5,557,000
1989.....	2,182,000
1990.....	328,000
1991.....	-
Thereafter.....	-
	\$13,814,000
	=====

Aggregate rent expense was \$1,698,000 and \$6,902,000 for the three and twelve months ended December 31, 1986 and \$2,915,000 and \$8,962,000 for the three and twelve months ended December 31, 1985, respectively.

NOTE 20 - OTHER COMMITMENTS

For the year 1986, the Company recorded an expense of \$1,370,000 and in 1985 \$1,440,000 which represented the cost to the Company of complying with a "reinvestment" requirement contained in the New Jersey Casino Control Act (the "Act"). Under the Act, Atlantic City casinos are required to make qualified investments, as specified by the New Jersey State Legislature (the "Legislature"), or become liable for an "alternative tax". The amount of the required investment or alternative tax is calculated based on a licensee's gross casino revenues less its annual provision for uncollectable casino receivables.

NOTE 21 - SUBSEQUENT EVENTS

On January 18, 1987, Golden Nugget, Inc. (GNI) entered into an agreement to sell its Atlantic City casino/hotel property to Bally Manufacturing Company (Bally). The sale was completed on February 28, 1987.

Pursuant to the terms of the agreement, Bally acquired all the issued and outstanding capital stock of GNAC and its subsidiaries GNOC, GNFC and Golden Nugget Transportation Corporation and certain marketing subsidiaries of GNI and lease and leasehold interests. Additionally, Bally's Park Place, Inc. (a wholly owned subsidiary of Bally) purchased certain real property from ACHC whose ownership is being retained by GNI.

GNI received \$101 million in cash, 400,000 shares of Bally Series C Cumulative Preferred Stock and an adjustment of certain intercompany accounts. The \$299 million, 13 1/4% Mortgage Backed Notes will remain the obligation of GNFC and guarantee by GNAC. The agreement further specifies that an adjustment may be due to either party depending on the valuation of certain assets and liabilities as defined in the agreement as of February 28, 1987, the settlement date.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks	10,969		
2	Returned patrons' checks	11,259		
3	Total patrons' checks	22,228	\$ 9,122	\$ 13,106
4	Hotel Receivables	387	88	299
	Other Receivables:			
5	Receivables due from officers and employees.....	64		
6	Receivables due from affiliates	-		
7	Other accounts and notes receivables	1,035		
8	Total other receivables	1,099	90	1,009
9	Totals (Form 305).....	\$ 23,714	\$ 9,300	\$ 14,414

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 10,812
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	262,288
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(202,420)
13	Checks collected through deposits	(52,850)
14	Checks transferred to returned checks	(6,861)
15	Other adjustments	-
16	Ending Balance	\$ 10,969
17	"Hold" Checks Included In Balance On Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ (647)
19	Provision As A Percent Of Counter Checks Issued	(.247)

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE GNOG, CORP. (Golden Nugget)

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack	57,234	363,476	15.75	57
2	Craps	52,079	320,885	16.23	20
3	Roulette	6,822	43,956	15.52	10
4	Big Six	3,184	6,425	49.56	4
5	Baccarat	6,946	56,492	12.30	2
6	Other table games	-	-	-	--
7	Total table games revenue	126,265	\$ 791,234	15.96 %	93
			HANDLE	%	
8	\$.05 slot machines	2,750	\$ 18,346	14.99	63
9	\$.25 slot machines	41,680	303,418	13.74	603
10	\$1.00 slot machines	36,033	311,005	11.59	199
11	Other slot machines	43,212	397,113	10.88	364
12	Total coin-operated devices revenue	123,675	\$ 1,029,882	12.01 %	1229
13	Progressive jackpot adjustment	(1,492)			
14	Total coin-operated devices revenue after adjustment	122,183			
15	Other income	-0-			
16	Total revenue	248,448			
	Expenses:				
17	Payroll and payroll related expenses	34,746			
18	Licenses and taxes	21,399			
19	Provision for uncollectible patrons' checks	(647)			
20	Other	6,165			
21	Total	61,663			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	186,785			
	Complimentary services and casino management fees:				
23	Complimentary services	7,991			
24	Casino management fees	-0-			
25	Total	7,991			
26	Departmental Income (Loss)	\$ 178,794			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :
COUNTY OF ATLANTIC :ss.
:

HENRY M. APPLIGATE, III, being duly sworn according to law upon my oath
Name

deposes and says:

1. I have examined this Annual Report.
2. All the information contained in this Report has been prepared in conformity with Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Annual Report is accurate to the best of my knowledge and belief.

Henry M. Appligate
Signature

Sr. Vice President Finance
Title and Administration

01045-11
License Number

On Behalf Of:

Subscribed and sworn to
before me this 1st day
of March, 1989

Marie S. Remer
Signature

MARIE S. REMER
Notary Public of New Jersey
My Commission Expires Sept. 18, 1989

GNOG, CORP. (Golden Nugget)
Casino Licensee

Basis of Authority
to Take Oaths

**GROSS REVENUE
ANNUAL TAX RETURN**

LICENSEE GNOC, CORP. (Golden Nugget)

ADDRESS Boston at Pacific Avenues
P.O. Box 1737
Atlantic City, NJ 08404

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN**

HENRY M. APPLGATE, III

OFFICIAL TITLE

Sr. Vice President Finance and Administration

ADDRESS

Boston at Pacific Avenues
P.O. Box 1737
Atlantic City, NJ 08404

TRADING NAME OF LICENSEE GNOC, CORP. (Golden Nugget)

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 126,265	
2	Coin-operated devices revenue	123,675	
3	Total revenues		\$ 249,940
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ (647)	
5	Maximum adjustment (4% of line 3)	\$ 9,998	
6	Adjustment (the lesser of line 4 or line 5)		(647)
7	Gross revenues (line 3 less line 6)		\$ 250,587
8	Tax on gross revenues - current year (8% of line 7)		\$ 20,047
9	Audit or other adjustments to tax on gross revenues in prior years		-0-
10	Total tax on gross revenues (line 8 plus or minus line 9)		20,047
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 970	
12	February	1,224	
13	March	1,931	
14	April	1,593	
15	May	1,484	
16	June	1,678	
17	July	1,952	
18	August	1,945	
19	September	2,116	
20	October	1,419	
21	November	1,520	
22	December	1,613	
23	January	602	
24	Total deposits made for tax on current year's gross revenues		(20,047)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits		-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)		\$ -0-

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
:SS.
COUNTY OF Atlantic :

HENRY M. APPLIGATE, III, being duly sworn according
Name

to law upon my oath deposes and says:

1. I have examined this Gross Revenue Annual Tax Return.
2. All the information contained in this Return has been prepared in conformity with the Casino Control Commission's Gross Revenue Annual Tax Return Instructions and Uniform Chart of Accounts.
3. The information contained in this Return is accurate to the best of my knowledge and belief.

Henry M. Appligate, III
Signature

Sr. Vice President Finance
Title and Administration

01045-11
License Number

Subscribed and sworn to
before me this 14th day
of March, 1988.

Marie S. Remer
Signature
MARIE S. REMER
Notary Public of New Jersey
My Commission Expires Sept. 18, 1989

Basis of Authority
to Take Oaths

On Behalf Of:
GNOG, CORP. (Golden Nugget)
Casino Licensee

HENRY M. APPLIGATE, III
Sr. Vice President Finance
and Administration
Boston at Pacific Avenue, P.O. Box 1737
Atlantic City, NJ 08404

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE GNOC, CORP. (Golden Nugget)

ADDRESS Boston at Pacific Avenues, P.O. Box 1737
Atlantic City, NJ 08404

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

HENRY M. APPLGATE, III

OFFICIAL TITLE

Sr. Vice President Finance
and Administration

ADDRESS.....

Boston at Pacific Avenues, P.O. Box 1737
Atlantic City, NJ 08404

TRADING NAME OF LICENSEE GNOC, CORP. (Golden Nugget)

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	3			
2	Gaming	906			
3	Slots	81			
4	Casino accounting	321			
5	Other	138	\$	\$	\$
6	Total-casino	1,449	27,381	149	27,530
7	ROOMS	206	2,966	103	3,069
8	FOOD AND BEVERAGE	985	13,032	91	13,123
	OTHER OPERATED DEPARTMENTS				
9	Parking	81	917	-	917
10	Retail	52	556	-	556
11	Health Club & Pool Services	21	235	-	235
12	Beauty Salon	9	158	-	158
13	Arcade	3	33	-	33
14	Photographic Services	5	47	-	47
15	Gas Station	4	39	-	39
16	Cornwall Property	1	20	-	20
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	15	135	520	655
21	Accounting and auditing	78	1,537	93	1,630
22	Security	210	3,295	71	3,366
23	Other administrative and general department ..	270	4,820	117	4,937
24	MARKETING	119	2,567	-	2,567
25	GUEST ENTERTAINMENT	54	951	-	951
26	PROPERTY OPERATION AND MAINTENANCE	98	2,887	-	2,887
		3,660	\$ 61,576	\$ 1,144	\$ 62,720

Trading Name of Licensee GNOC, CORP. (Golden Nugget)

**ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE**

For the Year Ended December 31, 19 86

3/16/87
Date

[Signature]
Signature

Sr. Vice President Finance
Title and Administration

LINE	PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	514	14,919	8,662	\$135.23	58.1%	15,956	\$73
2	FEBRUARY	514	13,335	8,639	\$126.05	64.8%	16,048	\$67
3	MARCH	518	14,909	10,355	\$120.39	69.5%	15,155	\$68
4	1ST QUARTER TOTALS	514	43,163	27,656	\$126.81	64.1%	47,169	\$69
5	APRIL	518	14,472	9,476	\$131.92	65.6%	14,457	\$71
6	MAY	518	15,075	10,609	\$143.92	70.4%	15,603	\$93
7	JUNE	518	14,567	9,925	\$126.73	68.2%	16,017	\$71
8	2ND QUARTER TOTALS	518	44,114	29,004	\$132.59	71.1%	33,230	\$77
9	JULY	518	15,830	11,771	\$144.37	74.4%	13,315	\$81
10	AUGUST	518	15,976	11,604	\$144.36	72.8%	13,017	\$76
11	SEPTEMBER	518	14,658	10,528	\$120.63	71.9%	12,973	\$66
12	3RD QUARTER TOTALS	518	46,463	33,863	\$137.60	72.9%	39,005	\$74
13	OCTOBER	518	14,768	11,522	\$108.97	78.0%	27,708	\$55
14	NOVEMBER	518	15,540	11,240	\$116.34	72.4%	21,283	\$64
15	DECEMBER	518	15,876	11,677	\$123.50	73.6%	18,386	\$66.21
16	4TH QUARTER TOTALS	518	46,184	34,469	\$115.89	72.5%	62,377	\$62.18
17	ANNUAL TOTALS	518	179,924	130,092	\$129.74	72.3%	238,621	\$70.72

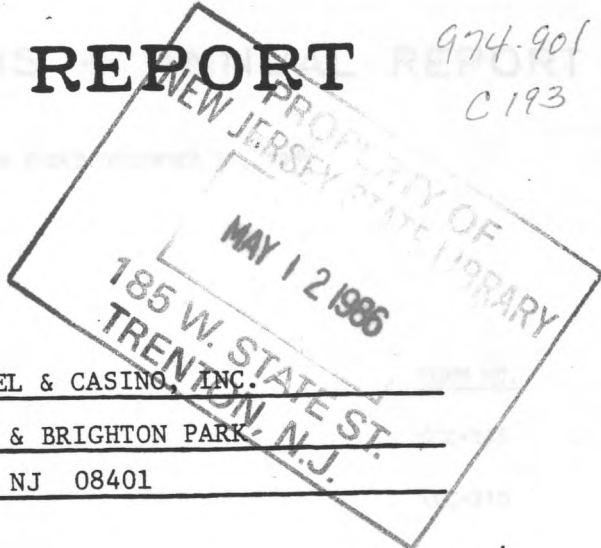
HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1986

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
LINE	PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	514	14,919	8,662	\$ 135.23	58.1%	15,966	\$73.37
2	FEBRUARY	514	13,335	8,639	\$ 126.05	64.8%	16,048	\$67.86
3	MARCH	518	14,909	10,355	\$ 120.39	69.5%	18,155	\$68.67
4	1ST QUARTER TOTALS		43,163	27,656	\$ 126.81	64.1%	50,169	\$69.90
5	APRIL	518	14,472	9,476	\$ 131.82	65.5%	17,467	\$71.51
6	MAY	518	15,075	10,603	\$ 143.92	70.3%	18,603	\$ 82.03
7	JUNE	518	14,567	10,925	\$ 136.73	75.0%	20,160	\$ 74.10
8	2ND QUARTER TOTALS		44,114	31,004	\$ 137.69	70.3%	56,230	\$ 75.92
9	JULY	518	15,830	12,971	\$ 144.37	81.9%	23,315	\$ 80.32
10	AUGUST	518	15,975	14,164	\$ 144.38	88.7%	26,017	\$ 78.60
11	SEPTEMBER	518	14,658	10,828	\$ 120.63	73.9%	20,573	\$ 63.49
12	3RD QUARTER TOTALS		46,463	37,963	\$ 137.60	81.7%	69,905	\$ 74.73
13	OCTOBER	518	14,768	11,952	\$ 108.97	80.9%	22,708	\$ 57.35
14	NOVEMBER	518	15,540	11,840	\$ 116.34	76.2%	21,283	\$ 64.72
15	DECEMBER	518	15,876	9,677	\$ 123.90	61.0%	18,386	\$ 65.21
16	4TH QUARTER TOTALS		46,184	33,469	\$ 115.89	72.5%	62,377	\$ 62.18
17	ANNUAL TOTALS		179,924	130,092	\$ 129.74	72.3%	238,681	\$ 70.72

ANNUAL REPORT

974-901
C193



LICENSEE GREATE BAY HOTEL & CASINO, INC.
ADDRESS INDIANA AVENUE & BRIGHTON PARK
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT FRANCIS X. MCCARTHY
OFFICIAL TITLE VICE PRESIDENT, FINANCE
ADDRESS INDIANA AVENUE & BRIGHTON PARK
ATLANTIC CITY, NJ 08401

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
ASSETS		
Current Assets:	\$ 10,672	\$ 10,928
Cash	-	-
Marketable securities	-	-
Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$11,608 ; 19 <u>85</u> , \$10,408) (Note 2)	19,420	12,190
Inventories (Note 2)	1,171	1,210
Prepaid expenses and other current assets (Note 9)	5,449	5,615
Total current assets	36,712	29,943
Investments, Advances, And Receivables (Note 5 & Note 10)	18,335	14,237
Property And Equipment - Net (Note 2, 3, & 8)	164,738	151,940
Other Assets	4,238	4,805
Total Assets	\$ 224,023	\$ 200,925
LIABILITIES AND EQUITY		
Current Liabilities:	\$ 9,964	\$ 7,647
Accounts payable	-	-
Notes payable	-	-
Current portion of long-term debt:	-	-
Due to affiliates	3,660	7,136
Other (Note 3)	10,387	4,628
Income taxes payable and accrued	14,468	11,789
Other accrued expenses (Note 11)	3,040	2,220
Other current liabilities (Note 12)	41,519	33,420
Total current liabilities	-	-
Long-Term Debt:	-	-
Due to affiliates	137,564	123,255
Other (Note 3)	917	632
Deferred Credits (Note 4)	385	-
Other Liabilities	-	-
Commitments And Contingencies (Note 6)	180,385	157,307
Total Liabilities	43,638	43,618
Stockholders', Partners', Or Proprietor's Equity	224,023	200,925
Total Liabilities And Equity	\$ 224,023	\$ 200,925

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$ 189,343	\$ 178,475
1	Casino ....(Note 2).....		
2	Rooms	9,479	10,271
3	Food and beverage	20,135	17,866
4	Other	4,794	4,253
5	Total revenue	223,751	210,865
6	Less: promotional allowances ....(Note 2 & 13).....	18,088	17,393
7	Net revenue	205,663	193,472
	Costs And Expenses:		
8	Cost of goods and services	94,186	89,492
9	Selling, general, and administrative	58,976	58,276
10	Provision for doubtful accounts ... (Note 2).....	1,214	2,836
11	Total	154,376	150,604
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	51,287	42,868
13	Depreciation and amortization ....(Note 2 & 8).....	13,378	12,357
	Charges from affiliates:		
14	Interest	-	-
15	Management fees ....(Note 5).....	6,365	5,574
16	Other	-	-
17	Interest expense - external ....(Note 2).....	18,140	14,748
18	Income (Loss) From Operations	13,404	10,189
19	Nonoperating income (expense) - net ..(Note 7).....	585	801
20	Investment alternative tax and related income (expense) - net.....	(828)	(693)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	13,161	10,297
22	Provision (Credit) for income taxes ..(Note 4).....	7,808	5,602
23	Income (Loss) Before Extraordinary Items	5,353	4,695
24	Extraordinary items (net of income taxes - 19 <u>86</u> , \$; 19 <u>85</u> , \$ 323,000) ..(Note 14).....	0	365
25	Net Income (Loss)	\$ 5,353	\$ 4,330

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue: (Note 2)	\$ 44,889	\$ 42,674
1	Casino	2,228	2,271
2	Rooms	5,209	4,469
3	Food and beverage	980	935
4	Other	53,306	50,349
5	Total revenue	4,459	3,930
6	Less: promotional allowances .....(Notes 2 & 13).....	48,847	46,419
7	Net revenue		
	Costs And Expenses:		
8	Cost of goods and services	23,823	21,785
9	Selling, general, and administrative	15,027	14,177
10	Provision for doubtful accounts	199	732
11	Total	39,049	36,694
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	9,798	9,725
13	Depreciation and amortization .....(Note 2 & 8).....	3,518	3,816
	Charges from affiliates:		
14	Interest	-	-
15	Management fees .....(Note 5).....	1,434	1,413
16	Other	-	-
17	Interest expense - external .....(Note 2).....	4,539	4,608
18	Income (Loss) From Operations	307	(112)
19	Nonoperating income (expense) - net .....(Note 7).....	116	341
20	Investment alternative tax and related income (expense) - net.....	(291)	(175)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	132	54
22	Provision (Credit) for income taxes .....(Note 4).....	350	1,075
23	Income (Loss) Before Extraordinary Items	(218)	(1,021)
24	Extraordinary items (net of income taxes - 19 <u>86</u> , \$; 19 <u>85</u> , \$)	-	-
25	Net Income (Loss)	\$ (218)	\$ (1,021)

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:				
1	Beginning balance (January 1)	100	\$ 3,500	100	\$ 3,500
2	Sale of stock				
3	.....			
4	Ending balance	100	3,500	100	3,500
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		41,374		24,649
10	Dividends		(2,695)		
11	See Attached Schedule				16,725
12	Ending balance		38,679		41,374
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		(1,256)		10,262
26	Prior period adjustments				
27	Net income (loss)		5,353		4,330
28	Dividends		(2,638)		(15,848)
29	.....			
30	.....			
31	Ending balance		1,459		(1,256)
32	Ending Stockholders' Equity		\$ 43,638		\$ 43,618

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

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31 19, 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Invested Capital:	\$	\$
1	Beginning balance (January 1)		
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)		
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	()
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$	\$

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 19,86 AND 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 86	(d) 19 85
	Sources Of Funds:	\$	\$
1	Income (loss) before extraordinary items	5,353	4,695
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	13,378	12,357
3	Amortization of other assets		
4	Deferred income taxes - noncurrent	285	270
5	(Gain) loss on dispositions of property and equipment	-	4
6	Amortization of Deferred Compensation		46
7	.....	
8	.....	
9	Total	19,016	17,372
10	Extraordinary items	-	(365)
11	Total funds provided (used) by operations	19,016	17,007
12	Proceeds from dispositions of property and equipment		6
13	Proceeds from long-term debt	27,349	123,584
14	Additions to deferred credits and other liabilities	385	28
15	Proceeds from issuance of stock or capital contributions	-	5,900
16	Asset step up of Property, Plant & Equipment	-	47,272
17	Decrease in Other Assets	567	354
18	Decrease in Investments, Advances and Receivables		205
19	.....	
20	Total funds provided	47,317	194,356
	Uses Of Funds:		
21	Additions to property and equipment	26,176	56,725
22	Investment in casino reinvestment obligations	3,852	2,347
23	Other additions to investments, advances, and receivables	246	-
24	Increase in other assets		-
25	Reductions of long-term debt	13,040	67,262
26	Dividends declared or capital distributions	5,333	52,295
27	Cost of Refinancing		4,329
28	Decrease in Other Liabilities		1,012
29	.....	
30	.....	
31	Total funds used	48,647	183,970
32	Increase (Decrease) In Working Capital	\$ (1,330)	\$ 10,386
	Summary Of Changes In Components Of Working Capital:	\$	\$
33	Cash	(256)	5,291
34	Marketable securities	-	-
35	Receivables and patrons' checks	7,230	1,221
36	Inventories	(39)	(38)
37	Prepaid expenses and other current assets	(166)	1,554
38	Accounts payable	(2,317)	2,253
39	Notes payable		-
40	Current portion of long-term debt	3,476	6,251
41	Income taxes payable and accrued	(5,759)	(4,009)
42	Other accrued expenses	(2,679)	(1,538)
43	Other current liabilities	(820)	(599)
44	Increase (Decrease) In Working Capital	\$ (1,330)	\$ 10,386

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

GREATE BAY HOTEL & CASINO, INC.

(A Wholly Owned Subsidiary of Greate Bay Casino Corporation)

Notes to Financial Statements

(unaudited)

NOTE 1 - COMPANY'S ORGANIZATION AND BUSINESS

Greate Bay Hotel & Casino, Inc. (the "Company") is an wholly-owned subsidiary of Greate Bay Casino Corporation ("Casino Corp."). As of December 31, 1984, Casino Corp. was an 80%-owned subsidiary of Greate Bay Hotel Corporation ("Hotel Corp."). Hotel Corp. is wholly-owned by PPI Corporation ("PPI") which is wholly-owned by Pratt Hotel Corporation ("PHC").

During 1985, Casino Corp. became a wholly-owned subsidiary of Hotel Corp. as a result of the acquisition of the minority interest then outstanding. For January 1, 1985, the effect of recording such purchase adjustments was to increase property and equipment and shareholder's equity by \$47,272,000.

The Company operates in one industry segment. All significant revenues arise from GBH&C's casino and supporting hotel operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gaming Revenues

The Company records as gross gaming revenues the difference between amounts wagered and amounts won by casino patrons.

Promotional Allowances

Gross revenues include the retail value of the complimentary food, beverage and hotel services furnished to patrons. The retail value of these promotional allowances is deducted from gross revenues to arrive at net revenues. The cost of promotional allowances is charged to operations.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained at a level considered adequate to provide for possible future losses. The Company has provided \$1,214,000 and \$2,836,000 for doubtful accounts in 1986 and 1985, respectively.

Inventories

Inventories of provisions and supplies are carried at the lower of cost or market on a first in, first out basis.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight line method over the estimated useful lives of the assets. Estimated useful lives for furniture, fixtures and equipment are from three to seven years and twenty-five years (composite) for buildings.

Interest Expense

Interest and financing costs relating to the financing of property and equipment acquisitions are capitalized during the acquisition period and are amortized over the respective lives of the assets. Interest in amounts of \$741,000 and \$14,000 were capitalized as of December 31, 1986 and 1985, respectively.

NOTE 3 - LONG-TERM DEBT

Long-term debt as of December 31, 1986 and 1985 is as follows:

	<u>1986</u>	<u>1985</u>
First mortgage at (14%) (A)	\$121,055,000	\$123,826,000
Mortgage Note/revolving credit line at 2% above prime rate (B)	6,890,000	-
Mortgage notes:		
2% above prime rate (C)	11,669,000	-
at 10%	1,510,000	1,516,000
at 1½ above prime rate	100,000	-
Working capital loans:		
at 2% above prime rate	-	4,100,000
Other	-	949,000
	<u>141,224,000</u>	<u>130,391,000</u>
Less: current portion	<u>3,660,000</u>	<u>7,136,000</u>
Long-term debt	<u>\$137,564,000</u>	<u>\$123,255,000</u>

- (A) On June 1, 1985, the Company replaced its existing First Mortgage with a new First Mortgage. This First Mortgage is payable in equal monthly installments of \$1,681,037 including principal and interest, commencing July 1, 1985 through June 1, 1995. The balance of the loan is payable in June, 1995. Under certain covenant terms of the First Mortgage Agreement, the Company is presently in default of its requirement to carry \$150,000,000 in liability insurance. However, letters of waiver have been obtained from the participating banking institutions. These letters of waiver are valid through February, 1988.
- (B) On November 24, 1986, the Company replaced it's existing \$10,000,000 revolving line of credit with a \$14,000,000 revolving line of credit. The outstanding balance at December 31, 1986 was \$6,890,000. The interest rate on this line of credit is two (2%) percent above the prime banking rate. The line of credit expires on May 31, 1988.
- (C) On November 24, 1986, the company secured a construction term loan for it's parking garage complex in the amount of \$28,000,000. Payments of interest only are made monthly on the outstanding principal. Upon completion of the garage, the loan converts to a first mortgage, on parking garage and a second mortgage on Hotel & Casino. Mortgage terms call for principal payments of 60 equal monthly installments equivalent to 1/180th of the outstanding principal with a balloon payment on the final installment.

Substantially all real and personal property of the Company is pledged as security under long-term debt agreements. In addition, all rental income and leases have been assigned as additional collateral.

Maturities of Long-term debt at December 31, 1986 for each of the succeeding five years are as follows:

For the twelve- month period ending <u>December 31</u>	Principal <u>Payment</u>
1987	\$ 3,660,000
1988	12,184,000
1989	5,019,000
1990	5,661,000
1991	6,401,000
Thereafter	<u>108,299,000</u>
	<u>\$141,224,000</u>

NOTE 4 - INCOME TAXES

The components of the provision for income taxes for the year ended December 31, 1986 is as follows:

	<u>1986</u>	<u>1985</u>
Federal Income Tax Expense		
Payable to Pratt Hotel Corp.		
Current	\$ 751,000	\$ 303,000
Deferred	5,682,000	4,178,000
State		
Current	1,090,000	851,000
Deferred	<u>285,000</u>	<u>270,000</u>
	<u>\$ 7,808,000</u>	<u>\$ 5,602,000</u>

The difference between the statutory tax rate (46%) and the effective Federal tax rate (59.1%) is primarily attributable to the non-deductibility of the depreciation expense related to the going private transaction (Note 1), investment tax credits and insurance contingency costs.

As of December 31, 1986, the Company has investment tax and jobs tax credits of approximately \$5,048,000 which are available only for Federal income tax return purposes and expire as follows:

<u>Expiration Period</u>	<u>Amount</u>
1994	\$1,295,000
1995	791,000
1996	1,071,000
1997	512,000
1998	<u>1,379,000</u>
	<u>\$5,048,000</u>

Future utilization of these tax credits will result in reinstatement of deferred income taxes. Deferred income taxes primarily result from the use of accelerated methods of depreciation for Federal income tax purposes.

Pursuant to provisions of the Tax Reform Act of 1986, the Company's tax credit carryforwards available at December 31, 1986 are subject to future year reductions of up to 35% to correlate the value of such carryforward amounts with tax rate reductions legislated under the Act.

Effective January 1, 1985, the Company entered into a tax sharing agreement with PHC. Under this agreement, the Company records income taxes based upon what the amount would have been had the Company filed a separate return and whereby any current tax liability is forwarded to PHC. The agreement further provides that PHC will be responsible for the payment of all deferred income taxes of the Company and that PHC can require payments from the Company in amounts up to the Company's deferred income tax liability. Accordingly, the deferred income taxes have been recorded as a current liability as of December 31, 1986. During 1986 and 1985, \$800,000 and \$1,000,000 respectively of deferred federal income taxes was paid to PHC.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company has a Management Agreement with PHC, which was subsequently assigned to Pratt Hotel Management, Inc. ("PHM"). Pursuant to the Management Agreement, PHM is responsible for the supervision, direction and control of the day-to-day operation of the hotel/casino for an initial term of ten years, which term may be extended by PHM if certain minimum operating results are achieved. In accordance with the provisions of this Management Agreement, PHM is entitled to receive annually (1) a basic consulting fee of 1½% of "adjusted gross revenues" (as defined) and, (2) if annual "gross operating profits" (as defined) exceed \$5,000,000, incentive compensation of between 5% and 7½% of gross operating profits in excess of certain stated amounts. Total charges to operations for the twelve months ended December 31, 1986 and 1985 were \$6,365,000 and \$5,574,000, respectively. Consultant and incentive fees of \$312,000 and \$402,000 were due to PHC at December 31, 1986 and 1985, respectively.

The Company has a License Agreement with PPI, which entered into a parallel agreement with Hughes Properties, Inc., for the use of the trade name "Sands". The term of the agreement extends until September 2, 2002. The Company is required to pay monthly royalties equal to 3% of "gross room charges", as defined, which totaled \$283,000 and \$306,000 in 1986 and 1985, respectively. Such amounts are included in general and administrative expenses in the accompanying financial statements.

Included in the accompanying financial statements is \$495,000 at December 31, 1986 and 1985, due from officers of the Company. The amounts bear interest at 9% and 10% and are payable through 1988. Included in Investments, Advances and Receivables at December 31, 1986 and 1985 is \$11,109,000 and \$10,847,000, respectively, due from Casino Corp. of which \$10,597,000 pertains to the June, 1984 acquisition by Casino Corp. of \$465,811 shares of it's class A common stock.

As of December 31, 1986 and 1985, \$302,000 and \$177,000, respectively, were due from Greate Bay Hotel Corporation and are included in receivables and patron checks in the accompanying Balance Sheets.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company has incurred certain obligations under Section 144 of the Casino Control Act. A summary of accumulated obligations is as follows at December 31, 1986:

<u>Year</u>	<u>Amount</u>
1987	2,880,000
1988	3,110,000
	<u>\$ 5,990,000</u>

NOTE 7 - NON-OPERATING INCOME (EXPENSES)

For the twelve month periods ended December 31, 1986 and 1985, Non-Operating Income consisted of the following:

	<u>1986</u>	<u>1985</u>
Interest income-temporary investments	\$585,000	\$805,000
Loss on disposition of property and equipment	<u>-</u>	<u>(4,000)</u>
Total non-operating income	<u>\$585,000</u>	<u>\$801,000</u>

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 1986 and 1985 consisted of the following:

	<u>1986</u>	<u>1985</u>
Land	\$ 35,764,000	\$ 26,727,000
Buildings	112,930,000	106,774,000
Furniture, fixtures and equipment	61,455,000	55,731,000
Construction in progress	<u>6,661,000</u>	<u>2,716,000</u>
	216,810,000	191,948,000
Less: accumulated depreciation and amortization	<u>52,072,000</u>	<u>40,008,000</u>
Total property and equipment	<u>\$164,738,000</u>	<u>\$151,940,000</u>

During 1985, Casino Corp. became a wholly-owned subsidiary of Hotel Corp. as a result of the acquisition of the minority interest then outstanding. To give effect to this transaction and preceding stock acquisitions, purchase adjustments have been recorded in the accompanying financial statements effective January 1, 1985. The effect of recording such purchase adjustments was to increase property and equipment and shareholder's equity by \$47,272,000. Depreciation expense of \$2,347,000 and \$2,286,000 relating to these adjustments is included in the accompanying statement of income for 1986 and 1985, respectively. This expense is not deductible for Federal income tax purposes.

NOTE 9 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 1986 and 1985, the caption Prepaid Expenses and Other Current Assets is comprised of the following:

	<u>1986</u>	<u>1985</u>
Prepaid advertising and promotions	\$ 525,000	\$ 659,000
Prepaid licenses and permits	399,000	385,000
Prepaid taxes	849,000	1,151,000
Prepaid operating supplies	581,000	104,000
Prepaid air charters	180,000	180,000
Deposits	172,000	1,109,000
Prepaid rent	168,000	150,000
Prepaid insurance	999,000	361,000
Prepaid slot parts	315,000	237,000
Other deferred charges	931,000	1,006,000
Other	330,000	273,000
	<hr/>	<hr/>
Total prepaid expenses and other current assets	<u>\$ 5,449,000</u>	<u>\$ 5,615,000</u>

NOTE 10 - INVESTMENTS, ADVANCES AND RECEIVABLES

As of December 31, 1986 and 1985, the caption Investments, Advances & Receivables is comprised of the following:

	<u>1986</u>	<u>1985</u>
Investments in Subsidiaries:		
Advanced Casino Systems	\$ 74,000	\$ 74,000
S & S Boxing	-	82,000
	<hr/>	<hr/>
	74,000	156,000
Due from Greate Bay Casino Corporation	11,109,000	10,847,000
Construction Loan Receivable	429,000	492,000
Due from Officers	450,000	320,000
CRDA Bonds	6,198,000	2,347,000
Other	75,000	75,000
	<hr/>	<hr/>
Total investments, advances and receivables	<u>\$ 18,335,000</u>	<u>\$ 14,237,000</u>

NOTE 11 - OTHER ACCRUED EXPENSES

As of December 31, 1986 and 1985, the caption Other Accrued Expenses is comprised of the following:

	<u>1986</u>	<u>1985</u>
Accrued salaries and wages	\$ 1,557,000	\$ 1,281,000
Accrued vacation	1,505,000	1,346,000
Accrued legal & professional	19,000	90,000
Other accrued expenses	1,749,000	1,225,000
Accrued interest on debt	1,706,000	1,550,000

NOTE 11 - OTHER ACCRUED EXPENSES (CONTINUED)

	1986	1985
Accrued progressive slot machine jackpots	4,917,000	4,325,000
Accrued C.C.C. inspection fees	272,000	323,000
Accrued D.G.E. inspection fees	138,000	115,000
Accrued casino license fees	138,000	154,000
Accrued Insurance	860,000	262,000
F.I.C.A. payable	246,000	202,000
Federal withholding tax	214,000	202,000
N.J. withholding tax	99,000	23,000
S.U.I. payable	259,000	192,000
Gaming revenue tax	291,000	197,000
N.J. sales tax	100,000	81,000
Other	398,000	221,000
	<u>14,468,000</u>	<u>11,789,000</u>
Total other accrued expenses	<u>\$ 14,468,000</u>	<u>\$ 11,789,000</u>

NOTE 12 - OTHER CURRENT LIABILITIES

As of December 31, 1986 and 1985, the caption Other Current Liabilities is comprised of the following:

	1986	1985
CRDA Bonds Payable	\$ 564,000	\$ 527,000*
Unredeemed gaming chips liability	848,000	712,000
Unredeemed token liability	90,000	67,000
Casino customer deposits	311,000	143,000
Unclaimed wages	168,000	142,000
Advance deposits	50,000	54,000
Food Court complimentary liability	133,000	132,000
Pratt Hotel Corp.	312,000	402,000
Deferred trade out liability	47,000	317,000
Red Carpet Slot liability	406,000	224,000
Other	111,000	27,000
	<u>3,040,000</u>	<u>2,747,000</u>
Total Other Current Liabilities	<u>\$ 3,040,000</u>	<u>\$ 2,747,000</u>

* Reclassified for comparative purposes.

NOTE 13 - PROMOTIONAL ALLOWANCES AND EXPENSES

A summary of Promotional Allowances and Expenses incurred during the three month period ended December 31, 1986 is as follows:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>No. of Recipients</u>	<u>Dollar Amount</u>	<u>No. of Recipients</u>	<u>Dollar Amount</u>
Rooms	25,403	\$ 686,000		\$ -
Food	124,259	1,284,000		-
Beverage	344,858	2,069,000		-
Travel	12,897	-	5,374	1,401,000
Theatre	9,462	307,000		-
Parking		76,000	968	5,000
Bus Tour Coupon		-	325,774	3,217,000
Exchange Coin		-	108,957	762,000
Food Court - Other		-	141,892	333,000
Red Carpet Certificates		-	23,287	288,000
Other	4,561	<u>37,000</u>		<u>288,000</u>
 Total Promotional Allowances and Expenses		 <u>\$4,459,000</u>		 <u>\$6,006,000</u>

A summary of Promotional Allowances and Expenses incurred during the twelve month period ended December 31, 1986 is as follows:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>No. of Recipients</u>	<u>Dollar Amount</u>	<u>No. of Recipients</u>	<u>Dollar Amount</u>
Rooms	101,230	\$ 2,844,000		\$ -
Food	480,845	4,910,000		-
Beverage	1,382,478	8,296,000		-
Travel		-	24,224	5,478,000
Theatre	51,234	1,494,000		-
Parking	40,336	323,000	16,564	107,000
Bus Tour Coupon		-	1,296,057	12,995,000
Exchange Coin		-	480,896	3,334,000
Food Court - Other		-	401,385	1,232,000
Red Carpet Certificates		-	95,410	1,145,000
Other	27,549	<u>221,000</u>		<u>1,145,000</u>
 Total Promotional Allowances and Expenses		 <u>\$18,088,000</u>		 <u>\$24,291,000</u>

NOTE 14 - EXTRAORDINARY ITEM LITENILE SANDS HOTEL & CASINO

During May, 1985, the Company wrote-off approximately \$688,000 as a result of the refinancing of the First Mortgage/revolving credit line. This amount represents unamortized fees and a prepayment penalty of approximately \$540,000 and \$148,000, respectively.

ATTACHED SCHEDULE OF PAID IN CAPITAL

YEAR ENDED DECEMBER 31, 1985

any Contribution	\$ 5,900
any caused by step-up of P&E	17,271
any Distributions	<u>(36,457)</u>
	<u>\$ 16,725</u>

TRADING NAME OF LICENSEE SANDS HOTEL & CASINO

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

ATTACHED SCHEDULE OF PAID IN CAPITAL

YEAR ENDED DECEMBER 31, 1985

Equity Contribution	\$ 5,900
Equity caused by step-up of PP&E	47,272
Capital Distributions	<u>(36,447)</u>
	<u>\$ 16,725</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$ 7,975		
	Undeposited patrons' checks			
2	Returned patrons' checks	14,896		
3	Total patrons' checks	22,871	\$ 11,589	\$ 11,282
4	Hotel Receivables	784	19	765
	Other Receivables:			
5	Receivables due from officers and employees.....	139		
6	Receivables due from affiliates	4,770		
7	Other accounts and notes receivables	2,464		
8	Total other receivables	7,373		7,373
9	Totals (Form 305).....	\$ 31,028	\$ 11,608	\$ 19,420

UNDEPOSITED PATRONS' CHECKS ACTIVITY		AMOUNT (h)
LINE (f)	DESCRIPTION (g)	
10	Beginning Balance (January 1)	\$ 7,350
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	196,539
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(148,197)
13	Checks collected through deposits	(41,042)
14	Checks transferred to returned checks	(6,675)
15	Other adjustments	\$ 7,975
16	Ending Balance	
17	"Hold" Checks Included In Balance On Line 16	\$ 1,178
18	Provision For Uncollectible Patrons' Checks .....	.60
19	Provision As A Percent Of Counter Checks Issued	

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack	43,875	268,742	16.3	62
2	Craps	33,585	208,995	16.1	18
3	Roulette	9,658	34,014	28.4	12
4	Big Six	1,787	3,652	48.9	3
5	Baccarat	7,413	45,709	16.2	2
6	Other table games				
7	Total table games revenue	96,318	\$ 561,112	17.2 %	97
			HANDLE		
			\$	%	
8	\$.05 slot machines	3,228	19,547	16.5	77
9	\$.25 slot machines	42,156	288,695	14.7	774
10	\$1.00 slot machines	12,290	116,077	10.6	141
11	Other slot machines	35,943	334,260	10.8	439
12	Total coin-operated devices revenue	93,617	\$ 758,577	12.3 %	1,431
13	Progressive jackpot adjustment	(592)			
14	Total coin-operated devices revenue after adjustment	93,025			
15	Other income	-			
16	Total revenue	189,343			
	Expenses:				
17	Payroll and payroll related expenses	29,370			
18	Licenses and taxes	18,686			
19	Provision for uncollectible patrons' checks	1,178			
20	Other	3,579			
21	Total	52,813			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	136,530			
	Complimentary services and casino management fees:				
23	Complimentary services	7,801			
24	Casino management fees	-			
25	Total	7,801			
26	Departmental Income (Loss)	\$ 128,729			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
:ss.
COUNTY OF Atlantic :

Francis X. McCarthy, being duly sworn according to law upon my oath
Name

deposes and says:

1. I have examined this Annual Report.
2. All the information contained in this Report has been prepared in conformity with Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Annual Report is accurate to the best of my knowledge and belief.



Signature

VP FINANCE

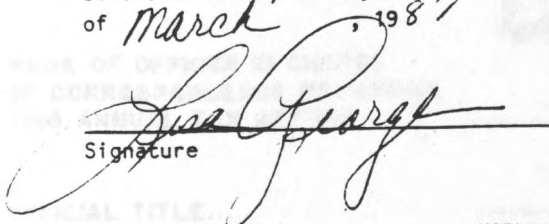
Title

1015-11

License Number

On Behalf Of:

Subscribed and sworn to
before me this 13th day
of March, 1987



Signature

GREATE BAY HOTEL & CASINO, INC.
Casino Licensee

LISA GEORGE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires SEPT. 12, 1990

Basis of Authority
to Take Oaths

GROSS REVENUE
ANNUAL TAX RETURN

LICENSEE GREATE BAY HOTEL & CASINO, INC.

ADDRESS INDIANA AVENUE & BRIGHTON PARK
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN

FRANCIS X. MCCARTHY

VICE PRESIDENT, FINANCE

OFFICIAL TITLE

ADDRESS

INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 96,317	
2	Coin-operated devices revenue	93,618	
3	Total revenues		\$ 189,935
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 1,178	
5	Maximum adjustment (4% of line 3)	\$ 7,597	
6	Adjustment (the lesser of line 4 or line 5)		1,178
7	Gross revenues (line 3 less line 6)		\$ 188,757
8	Tax on gross revenues - current year (8% of line 7)		\$ 15,101
9	Audit or other adjustments to tax on gross revenues in prior years		
10	Total tax on gross revenues (line 8 plus or minus line 9)		15,101
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 865	
12	February	874	
13	March	1,359	
14	April	1,179	
15	May	1,088	
16	June	1,618	
17	July	1,377	
18	August	1,391	
19	September	1,545	
20	October	1,145	
21	November	1,185	
22	December	1,192	
23	January	283	
24	Total deposits made for tax on current year's gross revenues		(15,101)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits		
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)		\$ -0-

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
 :SS.
COUNTY OF Atlantic :

FRANCIS X. MCCARTHY, being duly sworn according
Name

to law upon my oath deposes and says:

1. I have examined this Gross Revenue Annual Tax Return.
2. All the information contained in this Return has been prepared in conformity with the Casino Control Commission's Gross Revenue Annual Tax Return Instructions and Uniform Chart of Accounts.
3. The information contained in this Return is accurate to the best of my knowledge and belief.

Francis X. McCarthy
Signature

VP FINANCE
Title

1015-11
License Number

Subscribed and sworn to
before me this 13th day
of March, 1987.

Lisa George
Signature

LISA GEORGE
NOTARY PUBLIC NEW JERSEY
My Commission Expires SEPT. 12, 1990

Basis of Authority
to Take Oaths

On Behalf Of:

GREATE BAY HOTEL & CASINO, INC.
Casino Licensee

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE GREATE BAY HOTEL & CASINO, INC.

ADDRESS INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

FRANCIS X. MCCARTHY

OFFICIAL TITLE.....

VICE PRESIDENT, FINANCE

ADDRESS.....

INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	17	309	155	464
2	Gaming	788	14,419		14,419
3	Slots	85	1,862		1,862
4	Casino accounting	280	5,484		5,484
5	Other	232	\$ 5,035	\$	\$ 5,035
6	Total-casino	1,402	27,109	155	27,264
7	ROOMS	230	3,243	80	3,323
8	FOOD AND BEVERAGE	588	7,403		7,403
	OTHER OPERATED DEPARTMENTS				
9	Hotel Accounting	82	1,358		1,358
10		86	948		948
11					
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	16	781	593	1,374
21	Accounting and auditing	35	963	97	1,060
22	Security	38	654	58	712
23	Other administrative and general department ..	165	3,227	223	3,450
24	MARKETING	33	718		718
25	GUEST ENTERTAINMENT	63	799	91	890
26	PROPERTY OPERATION AND MAINTENANCE	34	931		931
		2,772	\$ 48,134	\$ 1,297	\$ 49,431

Trading Name of Licensee SANDS HOTEL & CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 19 86

3/13/87
Date

[Handwritten Signature]
Signature
VP FINANCE
Title

TRADING NAME OF LICENSEE Sands Hotel & Casino

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 86

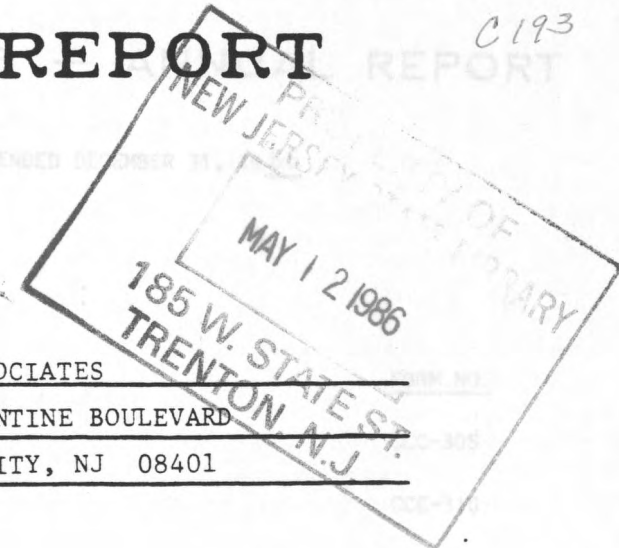
(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	500	15,500	10,237	\$ 54.86	66.0 %	18,211	\$ 30.84
2	FEBRUARY	500	14,000	10,175	\$ 57.13	72.7 %	18,352	\$ 31.67
3	MARCH	500	15,500	12,093	\$ 60.20	78.0 %	21,635	\$ 33.65
4	1ST QUARTER TOTALS		45,000	32,505	\$ 57.56	72.2 %	58,198	\$ 32.15
5	APRIL	500	15,000	11,204	\$ 66.04	74.7 %	20,064	\$ 36.88
6	MAY	500	15,500	12,066	\$ 66.77	77.8 %	21,938	\$ 36.73
7	JUNE	500	15,000	13,228	\$ 68.86	88.2 %	23,820	\$ 38.24
8	2ND QUARTER TOTALS		45,000	36,498	\$ 67.30	80.2 %	65,822	\$ 37.32
9	JULY	500	15,500	13,888	\$ 76.02	89.6 %	25,746	\$ 41.01
10	AUGUST	500	15,500	14,570	\$ 72.78	94.0 %	26,959	\$ 39.33
11	SEPTEMBER	500	15,000	12,586	\$ 64.20	83.9 %	22,320	\$ 36.20
12	3RD QUARTER TOTALS		46,000	41,044	\$ 71.24	89.2 %	75,025	\$ 38.98
13	OCTOBER	500	15,500	13,183	\$ 67.95	85.1 %	24,035	\$ 37.27
14	NOVEMBER	500	15,000	12,760	\$ 60.24	85.1 %	23,499	\$ 32.71
15	DECEMBER	500	15,500	10,661	\$ 52.79	68.8 %	20,032	\$ 28.10
16	4TH QUARTER TOTALS		46,000	36,604	\$ 60.85	79.6 %	67,566	\$ 32.96
17	ANNUAL TOTALS		182,000	146,651	\$ 64.63	80.6 %	266,611	\$ 35.55

TRADING NAME OF LICENSEE MARINA S MARINA HOTEL CASINO

974-901

ANNUAL REPORT

C193



LICENSEE MARINA ASSOCIATES
ADDRESS 1725 BRIGANTINE BOULEVARD
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT GEORGE RINALDI
OFFICIAL TITLE VICE PRESIDENT OF FINANCE
ADDRESS 1725 BRIGANTINE BOULEVARD
ATLANTIC CITY, NJ 08401

MAR 18 10 32 AM '87

CASINO CONTROL COMMISSION
DIVISION OF REVENUE
EVALUATION OF FINANCIAL STATEMENTS

TRADING NAME OF LICENSEE HARRAH'S MARINA HOTEL CASINO

LIST OF FORMS — ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1986

LINE NO.	DESCRIPTION (b)	12/31/85	12/31/86
ASSETS			
1	Cash	10,357	5,951
2	Accounts Receivable	28,185	1,018
3	Notes Receivable	1,138	1,138
4	Prepaid Expenses	36,786	36,786
5	Investments	4,729	4,729
6	Property, Plant, and Equipment - Net	218,261	218,261
7	Other Assets	8,434	8,434
8	Total Assets	315,916	315,916
LIABILITIES AND EQUITY			
9	Accounts Payable	1,000	6,168
10	Notes Payable	-	-
11	Other Liabilities	-	-
12	Debt	-	-
13	Equity	314,916	314,916
14	Total Liabilities and Equity	315,916	315,916

TITLE	FORM NO.
Balance Sheets	CCC-305
Statements of Income (Year)	CCC-310
Statements of Income (Three Months)	CCC-315
Statements of Changes in Stockholders' Equity	CCC-320
Statements of Changes in Partners' or Proprietor's Equity	CCC-325
Statements of Changes in Financial Position	CCC-330
Notes to Financial Statements	
Schedule of Receivables and Patrons' Checks	CCC-340
Casino Departmental Schedule	CCC-345
Statement of Conformity and Accuracy	CCC-350

The accompanying notes are an integral part of the financial statements. These statements cannot be read without using information contained in the notes.

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	ASSETS		
	Current Assets:	\$	\$
1	Cash	10,187	5,951
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$ 6,194 ; 19 <u>85</u> , \$ 6,216)	55,042	28,185
4	Inventories	2,726	1,018
5	Prepaid expenses and other current assets	1,041	1,132
6	Total current assets	68,996	36,286
7	Investments, Advances, And Receivables (Note 2).....	12,906	4,779
8	Property And Equipment - Net	226,858	219,261
9	Other Assets	8,156	5,649
10	Total Assets	\$ 316,916	\$ 265,975
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
11	Accounts payable	1,886	6,668
12	Notes payable	-0-	-0-
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other (Note 3).....	13,549	585
15	Income taxes payable and accrued	1,750	1,038
16	Other accrued expenses (Note 8).....	9,341	11,044
17	Other current liabilities (Note 9).....	19,271	28,855
18	Total current liabilities	45,797	48,190
	Long-Term Debt:		
19	Due to affiliates	-0-	-0-
20	Other (Note 3).....	86,653	75,302
21	Deferred Credits	-0-	-0-
22	Other Liabilities	387	200
23	Commitments And Contingencies (Note 5 & 6)		
24	Total Liabilities	132,837	123,692
25	Stockholders', Partners', Or Proprietor's Equity	184,079	142,283
26	Total Liabilities And Equity	\$ 316,916	\$ 265,975

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	236,989	215,536
2	Rooms	19,776	14,190
3	Food and beverage	39,344	35,291
4	Other	8,180	7,874
5	Total revenue	304,289	272,891
6	Less: promotional allowances (Note 7)	30,413	28,018
7	Net revenue	273,876	244,873
	Costs And Expenses:		
8	Cost of goods and services	156,280	136,690
9	Selling, general, and administrative	38,280	39,246
10	Provision for doubtful accounts	1,495	1,724
11	Total	196,055	177,660
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	77,821	67,213
13	Depreciation and amortization	12,297	7,828
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other (Note 11)	5,872	4,416
17	Interest expense - external (Note 10)	6,617	1,497
18	Income (Loss) From Operations	53,035	53,472
19	Nonoperating income (expense) - net	535	244
20	Investment alternative tax and related income (expense) - net.....	-0-	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	53,570	53,716
22	Provision (Credit) for income taxes (Note 12)	4,774	4,948
23	Income (Loss) Before Extraordinary Items	48,796	48,768
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ 48,796	\$ 48,768

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	57,827	50,258
2	Rooms	4,338	3,186
3	Food and beverage	8,522	8,312
4	Other	1,859	2,200
5	Total revenue	72,546	63,956
6	Less: promotional allowances .....(Note 7).....	6,551	7,288
7	Net revenue	65,995	56,668
	Costs And Expenses:		
8	Cost of goods and services	36,737	35,183
9	Selling, general, and administrative	8,687	8,233
10	Provision for doubtful accounts	(111)	(402)
11	Total	45,313	43,014
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	20,682	13,654
13	Depreciation and amortization	3,189	2,387
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other .....(Note 11).....	1,395	1,142
17	Interest expense - external	1,664	1,231
18	Income (Loss) From Operations	14,434	8,894
19	Nonoperating income (expense) - net	(162)	196
20	Investment alternative tax and related income (expense) - net.....	-0-	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	14,272	9,090
22	Provision (Credit) for income taxes .....(Note 12).....	1,286	825
23	Income (Loss) Before Extraordinary Items	12,986	8,265
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-0-	-0-
25	Net Income (Loss)	\$ 12,986	\$ 8,265

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)	N/A		N/A	
2	Sale of stock				
3	.....			
4	Ending balance				
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)				
10	.....			
11	.....			
12	Ending balance				
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)				
26	Prior period adjustments				
27	Net income (loss)				
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance				
32	Ending Stockholders' Equity		\$ N/A		\$ N/A

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

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31 19, 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ 31,763	\$ 31,763
2	Additional capital invested	-0-	-0-
3	.....	-0-	-0-
4	Ending balance	31,763	31,763
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	210,258	161,490
6	Prior period adjustments	-0-	-0-
7	Net income (loss)	48,796	48,768
8	.....	-0-	-0-
9	Ending balance	259,054	210,258
	Capital Withdrawals:		
10	Beginning balance (January 1)	(99,738)	(32,738)
11	Additional capital withdrawals	(7,000)	(67,000)
12	.....	
13	Ending balance	(106,738)	(99,738)
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	(-0-)	(-0-)
15	.....	
16	.....	
17	Ending balance	(-0-)	(-0-)
18	Ending Partners' Or Proprietor's Equity	\$ 184,079	\$ 142,283

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 19,86 AND 1985
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 86	(d) 1985
	Sources Of Funds:	\$	\$
1	Income (loss) before extraordinary items	48,796	48,768
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	11,807	7,828
3	Amortization of other assets	490	-0-
4	Deferred income taxes - noncurrent	-0-	-0-
5	(Gain) loss on dispositions of property and equipment	376	385
6	.....	
7	.....	
8	.....	
9	Total		
10	Extraordinary items		
11	Total funds provided (used) by operations	61,469	56,981
12	Proceeds from dispositions of property and equipment	385	1,651
13	Proceeds from long-term debt	24,900	67,000
14	Additions to deferred credits and other liabilities	187	-0-
15	Proceeds from issuance of stock or capital contributions	-0-	-0-
16	.....	
17	.....	
18	.....	
19	.....	
20	Total funds provided	86,941	125,632
	Uses Of Funds:		
21	Additions to property and equipment	20,165	67,445
22	Investment in casino reinvestment obligations	8,127	4,779
23	Other additions to investments, advances, and receivables	-0-	-0-
24	Increase in other assets	2,997	2,294
25	Reductions of long-term debt	13,549	1,610
26	Dividends declared or capital distributions	7,000	67,000
27	Decrease in Other Liabilities	-0-	254
28	.....	
29	.....	
30	.....	
31	Total funds used	51,838	143,382
32	Increase (Decrease) In Working Capital.....	\$ 35,103	\$ (17,750)
	Summary Of Changes In Components Of Working Capital:	\$	\$
33	Cash	4,236	(202)
34	Marketable securities	-0-	-0-
35	Receivables and patrons' checks	26,857	(896)
36	Inventories	1,708	166
37	Prepaid expenses and other current assets	(91)	(186)
38	Accounts payable	4,782	1,349
39	Notes payable	-0-	-0-
40	Current portion of long-term debt	(12,964)	134
41	Income taxes payable and accrued	(712)	(1,038)
42	Other accrued expenses	1,703	(4,251)
43	Other current liabilities	9,584	(12,826)
44	Increase (Decrease) In Working Capital	\$ 35,103	\$ (17,750)

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

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies:

Organization -

Marina Associates (The Company), doing business as Harrah's Marina Hotel Casino, operates as a general partnership. On July 31, 1983, the partnership redeemed the capital contribution and paid previously undistributed earnings attributable to a limited partner and the form of organization was changed from a limited to a general partnership. As a result, Holiday Inns, Inc., through its subsidiaries, became the sole owner of the Company.

Gaming Revenues -

Gaming revenues are the net win from gaming activities and represent the difference between amounts wagered and amounts won by patrons.

Promotional Allowances -

Gross revenues include the retail value of complimentary food, beverage and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. The cost of promotional allowances is charged to operations.

Inventories -

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

Property and Equipment -

Property and equipment is carried at cost and is depreciated on the straight-line method using rates based on the following estimated useful lives:

Buildings, leaseholds and improvements	40 years
Furniture, fixtures and equipment	3-10 years

The interest associated with borrowings used to finance the construction and expansion of the hotel/casino during the construction period has been capitalized and is being amortized over the estimated useful life of the complex.

Pre-opening Expenses -

Costs incurred prior to opening were deferred and charged to operations over a three-year period using the straight-line method.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

Income Taxes -

The accompanying financial statements do not include a provision for Federal income taxes, since any income or losses allocated to the partners are reportable for Federal income tax purposes by the individual partners.

In accordance with regulations prescribed by the New Jersey Casino Control Act, the Company files a State income tax return on behalf of the partners.

NOTE 2: Property and Equipment:

Property and equipment consist of the following:

	<u>DECEMBER 31</u>	
	<u>1986</u>	<u>1985</u>
Land and land improvements	\$ 29,031,000	\$ 26,439,000
Buildings, leaseholds and improvements	186,132,000	147,522,000
Furniture, fixtures and equipment	48,096,000	34,760,000
Construction in progress	2,090,000	38,582,000
	<u>265,349,000</u>	<u>247,303,000</u>
Less accumulated depreciation and amortization	(38,491,000)	(28,042,000)
Property and equipment, net	<u>\$226,858,000</u>	<u>\$219,261,000</u>

NOTE 3: Long-Term Debt:

Long-term debt consisted of the following:

	<u>DECEMBER 31</u>	
	<u>1986</u>	<u>1985</u>
Mortgage payable (a)	\$ 8,302,000	\$ 8,437,000
Other notes payable (b)	91,900,000	67,450,000
	<u>100,202,000</u>	<u>75,887,000</u>
Less long-term debt due within one year	(13,549,000)	(585,000)
	<u>\$86,653,000</u>	<u>\$75,302,000</u>

	<u>1986</u>	<u>1985</u>
Harrah's New Jersey, Inc.	\$18,972,000	\$18,972,000
Harrah's Tahoe	14,900	2,000
Harrah's Entertainment Corporation	25,477,000	0
Harrah's Reno	0	2,000
Total Due from Affiliates	<u>\$44,343,000</u>	<u>\$21,974,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

- (a) The mortgage payable, dated September 14, 1978, provides for interest and principal payments as follows:
- From September 15, 1982, through September 14, 1999, principal and interest at 8.9% is payable in equal monthly installments of \$73,333. An additional principal payment of \$1,584,000 is due September 14, 1999.
 - Thereafter, principal and interest at 8.9% is payable in 60 equal monthly installments.

The mortgage note is collateralized by a lien on certain of the Company's land.

- (b) Other notes payable consist of a term loan with First Tennessee Bank acting as agent for a consortium of six banks; total revolving credit line of \$100 million dated May 31, 1985, with \$91.9 million borrowed to date. Principal is payable in 16 quarterly installments with interest thereon, if due, commencing August 31, 1987. Interest due is based on the renegotiation term of each loan, and is due quarterly unless renegotiation is for more than 360 days, which it then would be due semiannually. The Company's credit arrangement requires certain restrictions in regards to partnership capital, whereas Harrah's Marina will not allow its net partnership capital to be less than \$130,000,000 through March 31, 1986, \$135,000,000 through September 30, 1986, or \$150,000,000 thereafter until the notes are paid in full. The revolving credit facilities require annual commitment fees of .375 percent of the available credit and is due each quarter.

The aggregate maturities of long-term debt in future fiscal years ending

1987	\$13,549,000
1988	23,136,000
1989	23,151,000
1990	23,167,000
Thereafter	17,199,000
	<u>\$100,202,000</u>

NOTE 4: Due From Affiliates:

Due from Affiliates consisted of the following unsecured, non-interest bearing inter-company amounts at December 31, 1986, and 1985. Due from affiliates are classified as receivables:

Due from Affiliates -	1986	1985
Harrah's New Jersey, Inc.	\$18,972,000	\$18,972,000
Harrah's Tahoe	14,000	1,000
Holiday Corporation	25,477,000	0
Harrah's Reno	0	3,000
Total Due from Affiliates	<u>\$44,463,000</u>	<u>\$18,976,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

Note 5: Commitments and Contingencies:

Leases -

The Company has several operating leases relating to a storage warehouse, parking areas, computer equipment, transportation equipment and shoreline land. These leases have various expiration dates through 2003. Rental expenses for the years ended December 31, 1986 and December 31, 1985 were approximately \$1,608,967, and \$1,231,000, respectively.

Future minimum lease payments due under these leases are as follows:

1987	\$1,787,000
1988	1,608,000
1989	1,499,000
1990	1,436,000
Thereafter	<u>2,894,000</u>
	<u>\$9,224,000</u>

Commitments -

The Company has a commitment fee associated with the First Tennessee loan (Note 3). The fee is based on the difference between the actual amount borrowed and the total credit line and is calculated at .375% per annum and is due quarterly.

NOTE 6: Investment Obligation:

Section 144 of the New Jersey Casino Control Act, as amended in 1984, requires a casino licensee to make investments in New Jersey or pay an investment alternative tax if it fails to do so. For each of the calendar years 1979 to 1983, a casino licensee whose gross casino revenues exceed its cumulative investment (the "cumulative investment"), must either make investments in an amount equivalent to 2% of its gross casino revenues or pay an investment alternative tax in the same amount within five years of the applicable calendar year. The cumulative investment of a casino licensee includes the real property and improvement costs associated with its hotel/casino complex.

Commencing with calendar year 1984, and continuing for twenty-five years thereafter, a casino licensee must either obtain investment tax credits in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by making qualified investments or by the purchase of bonds at below market rates from the newly created Casino Reinvestment Development Authority. In addition, commencing with obligations incurred after 1983, payments of a casino licensee's obligation must be made quarterly.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

At December 31, 1986, the Company's investment obligation was payable as follows:

1987	\$ 3,485,000
1988	<u>3,992,000</u>
	\$ <u>7,477,000</u>

The Company intends to file a petition with the Casino Control Commission for a determination of the eligibility of a direct investment project in Atlantic City. In the opinion of management, this project will be eligible for credit in complete satisfaction of the investment obligation, and the Company will not be required to purchase bonds or pay the investment alternative tax. Accordingly, no liability has been recorded in the financial statements for this obligation.

NOTE 7: Promotional Allowances:

Promotional allowances for the three months ended December 31, 1986, consist of:

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	NUMBER OF RECIPIENTS	DOLLAR AMOUNT	NUMBER OF RECIPIENTS	DOLLAR AMOUNT
Rooms	21,000	\$1,809,000	-0-	-0-
Food	284,000	2,842,000	-0-	-0-
Beverage	653,000	1,634,000	-0-	-0-
Travel	-0-	-0-	52,000	291,000
Theatre	14,000	266,000	-0-	-0-
Coupon Redemption of				
Cash & Tokens	-0-	-0-	261,000	3,262,000
Other	-0-	-0-	32,000	191,000 *
	<u>972,000</u>	<u>\$ 6,551,000</u>	<u>345,000</u>	<u>\$3,744,000</u>

* Other comps are mainly comprised of tips, flowers, gift shop comps, phone calls, cigars, Harbour Holiday packages, and service charges for room service. For financial recording and reporting purposes, such complimentarys are combined in one expense account.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

Promotional allowances for the twelve months ended December 31, 1986, consist of:

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	NUMBER OF RECIPIENTS	DOLLAR AMOUNT	NUMBER OF RECIPIENTS	DOLLAR AMOUNT
Rooms	\$ 90,000	\$ 7,688,000	0	0
Food	1,396,000	13,964,000	0	0
Beverage	2,968,000	7,421,000	0	0
Travel	0	0	276,000	1,520,000
Theatre	69,000	1,340,000	0	0
Coupon Redemption of				
Cash & Tokens	0	0	1,014,000	12,677,000
Other	0	0	134,000	805,000 *
	<u>\$4,523,000</u>	<u>\$30,413,000</u>	<u>\$1,424,000</u>	<u>\$15,002,000</u>

* Other comps are mainly comprised of tips, flowers, gift shop comps, phone calls, cigars, Harbour Holiday packages, and service charges for room service. For financial recording and reporting purposes, such complimentarys are combined in one expense account.

NOTE 8: Other Accrued Expenses:

Other accrued expenses as of December 31, 1986, consist of:

	1986	1985
Accrued salaries and wages	\$ 4,187,000	\$ 4,066,000
Taxes payable	550,000	153,000
Other accrued expenses	3,007,000	3,926,000
Accrued progressive slot liability	573,000	1,050,000
Accrued interest	606,000	1,403,000
Accrued CCC/DGE/Casino License fees	418,000	446,000
	<u>\$ 9,341,000</u>	<u>\$11,044,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 9: Other Current Liabilities

Other current liabilities as of December 31, 1986, consist of:

	<u>1986</u>	<u>1985</u>
Chip and token reserve	\$ 639,000	\$ 671,000
Patron deposits	229,000	176,000
Deferred trade	57,000	182,000
Other current liabilities	18,000	17,000
Due to Affiliates (see below)	18,328,000	27,809,000
	<u>\$19,271,000</u>	<u>\$28,855,000</u>

Due to Affiliates consist of the following unsecured, non-interest bearing inter-company amounts at December 31, 1986 and 1985. Due to Affiliates are classified as other current liabilities:

	<u>1986</u>	<u>1985</u>
Due to Affiliates -		
Harrah's Services, Inc.	\$ 19,000	\$ 19,000
Harrah's Associates	0	5,000
Holiday Inns - Hotel Group	3,706,000	727,000
Harrah's Holdings, Inc.	320,000	16,084,000
Harrah's Atlantic City, Inc.	13,909,000	3,204,000
Harrah's Las Vegas	3,000	1,000
Harrah's Reno	14,000	0
Holiday Corporation	0	7,650,000
Harrah's Holiday Inns of NJ	357,000	119,000
	<u>\$18,328,000</u>	<u>\$27,809,000</u>

NOTE 10: Interest Expense:

Interest expense as of December 31, 1986 and 1985 consist of:

	<u>1986</u>	<u>1985</u>
Gross interest expense	\$6,780,000	\$3,739,000
Capitalized interest	(163,000)	(2,242,000)
Net interest expense	<u>\$6,617,000</u>	<u>\$1,497,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 11: Charges from Affiliates

Unallocable charges from Harrah's Atlantic City for the quarter ended December 31, 1986 and for quarter ended December 31, 1985 are as follows:

	<u>1986</u>	<u>1985</u>
Executive	\$ 248,000	\$ 149,000
Business Development	0	0
Human Resources	59,000	223,000
Finance	212,000	90,000
Logistics	110,000	145,000
Management Information Systems	293,000	236,000
Sales and Marketing	0	19,000
Legal and Risk Management	96,000	39,000
Other	377,000	241,000
	<u>\$1,395,000</u>	<u>\$1,142,000</u>

Direct charges from Harrah's Atlantic City for the quarter ended December 31, 1986 and the quarter ended December 31, 1985, consist of:

	<u>1986</u>	<u>1985</u>
Business Development	\$ 0	\$ 0
Finance	0	134,000
Logistics	749,000	594,000
	<u>749,000</u>	<u>728,000</u>
Total Direct and Unallocable	<u>\$2,144,000</u>	<u>\$1,870,000</u>

Unallocable charges from Harrah's Atlantic City for the twelve months ended December 31, 1986 and the twelve months ended December 31, 1985 are as follows:

	<u>1986</u>	<u>1985</u>
Executive	\$ 947,000	\$ 658,000
Business Development	0	43,000
Human Resources	837,000	853,000
Finance	635,000	311,000
Logistics	445,000	392,000
Management Information Services	1,159,000	826,000
Sales and Marketing	0	35,000
Legal and Risk Management	398,000	227,000
Other	1,451,000	1,071,000
	<u>\$5,872,000</u>	<u>\$4,416,000</u>

SCHEDULE OF HARRAH'S MARINA HOTEL CASINO PATRONS' CHECKS

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 11: (cont'd)

Direct charges from Harrah's Atlantic City for the twelve months ended December 31, 1986 consist of:

	1986	1985
Business Development	\$ 0	\$ 200,000
Finance	245,000	601,000
Logistics	3,060,000	2,678,000
Total Direct and Unallocable	<u>\$9,177,000</u>	<u>\$7,895,000</u>

NOTE 12: Provision for State Income Taxes:

The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at the statutory rate (9%).

NOTE 13: Savings and Retirement Plan:

An employee Savings and Retirement Plan was established on October 1, 1985. This plan covers all non-union employees who have been employed at least one year with a minimum of one thousand hours worked. The company will match employee contributions up to 6% of gross pay. A participating employee is vested in company contributions according to their years of service. The company's contribution through the 12 months ended December 31, 1986 was \$2,080,163.

DESCRIPTION	AMOUNT
Beginning balance (January 1)	6,757
Checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' deposits)	196,318
Checks returned prior to deposit (excluding the unreturned portion of counter checks returned through partial redemptions, and including checks returned through transactions relating to consolidations, substitutions, and patrons' deposits)	142,428
Checks collected through deposits	27,813
Checks transferred to returned checks	5,701
Adjustments	8,322
Balance	0
Checks included in Balance On Line 18	0
Less: For Uncollectible Patrons' Checks	1,703
As A Percent Of Counter Checks Issued	0

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks	6,526		
2	Returned patrons' checks	8,020		
3	Total patrons' checks	14,546	\$ 6,014	\$ 8,532
4	Hotel Receivables	1,261	180	1,081
	Other Receivables:			
5	Receivables due from officers and employees.....	9		
6	Receivables due from affiliates	44,463		
7	Other accounts and notes receivables	957		
8	Total other receivables	45,429		45,429
9	Totals (Form 305).....	\$ 61,236	\$ 6,194	\$ 55,042

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 6,057
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	196,518
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(142,428)
13	Checks collected through deposits	(47,910)
14	Checks transferred to returned checks	(5,711)
15	Other adjustments	-0-
16	Ending Balance	\$ 6,526
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 1,302
19	Provision As A Percent Of Counter Checks Issued .....	.7

TRADING NAME OF LICENSEE HARRAH'S MARINA HOTEL CASINO

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack	43,948	275,148	16.0	77
2	Craps	44,333	266,665	16.6	24
3	Roulette	9,644	38,655	25.0	12
4	Big Six	2,137	4,733	45.2	3
5	Baccarat	2,868	31,965	9.0	2
6	Other table games				
7	Total table games revenue	102,930	\$ 617,166	16.7 %	118
			HANDLE		
			\$	%	
8	\$.05 slot machines	5,249	36,006	14.6	111
9	\$.25 slot machines	54,007	406,677	13.3	883
10	\$1.00 slot machines	26,988	256,751	10.5	269
11	Other slot machines	47,338	430,577	11.0	383
12	Total coin-operated devices revenue	133,582	\$ 1,130,011	11.8 %	1,646
13	Progressive jackpot adjustment	477			
14	Total coin-operated devices revenue after adjustment	134,059			
15	Other income				
16	Total revenue	236,989			
	Expenses:				
17	Payroll and payroll related expenses	45,588			
18	Licenses and taxes	19,827			
19	Provision for uncollectible patrons' checks	1,302			
20	Other	28,041			
21	Total	94,758			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	142,231			
	Complimentary services and casino management fees:				
23	Complimentary services	26,548			
24	Casino management fees	-0-			
25	Total	26,548			
26	Departmental Income (Loss)	\$ 115,683			

STATEMENT OF CONFORMITY AND ACCURACY

ANNUAL EMPLOYMENT
AND PAYROLL REPORT

STATE OF _____ :
COUNTY OF _____ :ss.

George M. Rinaldi, being duly sworn according to law upon my oath
Name _____

deposes and says: _____
1735 BRIGANTINE BOULEVARD

1. I have examined this Annual Report. _____
ATLANTIC CITY, N.J. 08401
2. All the information contained in this Report has been prepared in conformity with
Casino Control Commission's Annual Report Instructions and Uniform Chart of
Accounts.
3. The information contained in this Annual Report is accurate to the best of my
knowledge and belief.

George M. Rinaldi
Signature

Vice President of Finance
Title

03283-11
License Number

Subscribed and sworn to
before me this 13th day
of March, 1987

On Behalf Of:

Mary Jo L. Chatten
Signature

Marina Associates
Casino Licensee

MARY JO L. CHATTEN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires **DEC. 26, 1990**

Basis of Authority
to Take Oaths

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE HARRAH'S MARINA HOTEL CASINO

ADDRESS 1725 BRIGANTINE BOULEVARD

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

GEORGE M. RINALDI

OFFICIAL TITLE.....

VICE PRESIDENT OF FINANCE

ADDRESS.....

1725 BRIGANTINE BOULEVARD

ATLANTIC CITY, NJ 08401

MAR 19 10 29 AM '86
RECEIVED
EVALUATION

07,070

07,070

07,070

TRADING NAME OF LICENSEE

Harrah's Marina Hotel Casino

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
1	Administration	2			
2	Gaming	920			
3	Slots	129			
4	Casino accounting	93			
5	Other	558	\$	\$	\$
6	Total-casino	1,702	31,946		31,946
7	ROOMS	243	3,658		3,658
8	FOOD AND BEVERAGE	1,007	12,864		12,864
	OTHER OPERATED DEPARTMENTS				
9	Customer Services	23	188		188
10	Marina	2	116		116
11	Cafeteria	16	964		964
12	Communications	16	270		270
13	Gift Shop/Boutique	17	298		298
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	17	912		912
21	Accounting and auditing	39	1,081		1,081
22	Security	208	4,008		4,008
23	Other administrative and general department ..	144	1,990		1,990
24	MARKETING	34	872		872
25	GUEST ENTERTAINMENT	41	1,196		1,196
26	PROPERTY OPERATION AND MAINTENANCE	335	7,535		7,535
		3,844	\$ 67,898	\$	\$ 67,898

Trading Name of Licensee Harrah's Marina Hotel Casino

GROSS REVENUE ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

LICENSEE HARRAH'S MARINA HOTEL CASINO

ADDRESS For the Year Ended December 31, 1986

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

3/13/87
Date

George M. Rinaldi
Signature

Vice President of Finance
Title

NAME OF

OR LICENSEE

AND ANNUAL TAX RETURN

OFFICIAL TITLE

ADDRESS

**GROSS REVENUE
ANNUAL TAX RETURN**

LICENSEE HARRAH'S MARINA HOTEL CASINO

ADDRESS 1725 BRIGANTINE BLVD.

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

CASINO CONTROL COMMISSION

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN**

JOSEPH A. DOMENICO

OFFICIAL TITLE

OPERATIONS CONTROLLER

ADDRESS

1725 BRIGANTINE BLVD.

ATLANTIC CITY, NEW JERSEY 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$102,929,878
2	Coin-operated devices revenue	133,581,449
3	Total revenues	\$ 236,511,327
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 1,302,437
5	Maximum adjustment (4% of line 3)	\$ 9,460,453
6	Adjustment (the lesser of line 4 or line 5)	1,302,437
7	Gross revenues (line 3 less line 6)	\$ 235,208,890
8	Tax on gross revenues - current year (8% of line 7)	\$ 18,816,711
9	Audit or other adjustments to tax on gross revenues in prior years	16,692
10	Total tax on gross revenues (line 8 plus or minus line 9)	18,833,403
	Deposits made for tax on current year's gross revenues:	
11	January	\$1,065,624
12	February	1,177,585
13	March	1,665,123
14	April	1,358,176
15	May	1,377,329
16	June	1,864,064
17	July	1,692,077
18	August	1,869,795
19	September	1,901,605
20	October	1,434,849
21	November	1,434,766
22	December	1,591,253
23	January	384,465
24	Total deposits made for tax on current year's gross revenues	(18,816,711)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits	(16,692)
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)	\$ -0-

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1986

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	750	23,250	13,722	\$ 84.59	59.0 %	24,998	\$ 46.44
2	FEBRUARY	750	21,000	16,585	\$ 80.79	79.0 %	30,367	\$ 44.13
3	MARCH	750	23,250	18,427	\$ 83.54	79.3 %	34,041	\$ 45.22
4	1ST QUARTER TOTALS		67,500	48,734	\$ 82.90	72.2 %	89,406	\$ 45.19
5	APRIL	750	22,500	18,099	\$ 82.85	80.4 %	33,839	\$ 44.31
6	MAY	760	23,540	18,927	\$ 94.26	80.4 %	34,215	\$ 52.15
7	JUNE	760	22,800	20,553	\$ 94.14	90.1 %	41,106	\$ 47.07
8	2ND QUARTER TOTALS		68,840	57,579	\$ 90.63	83.6 %	109,160	\$ 47.81
9	JULY	760	23,560	20,617	\$ 107.53	87.5 %	44,113	\$ 50.26
10	AUGUST	760	23,560	22,561	\$ 106.88	95.8 %	42,277	\$ 57.04
11	SEPTEMBER	760	22,800	16,375	\$ 94.97	71.8 %	30,956	\$ 50.24
12	3RD QUARTER TOTALS		69,920	59,553	\$ 103.83	85.2 %	117,346	\$ 52.70
13	OCTOBER	760	23,560	18,730	\$ 88.57	79.5 %	36,418	\$ 45.55
14	NOVEMBER	760	22,800	18,089	\$ 87.26	79.3 %	34,279	\$ 46.04
15	DECEMBER	760	23,560	12,482	\$ 88.38	53.0 %	23,048	\$ 47.86
16	4TH QUARTER TOTALS		69,920	49,301	\$ 88.04	70.5 %	93,745	\$ 46.30
17	ANNUAL TOTALS		276,180	215,167	\$ 91.94	77.9 %	409,657	\$ 48.29

(1) DATE	(2) DISTRICT	(3) NUMBER OF OCCUPIED ROOMS	(4) EFFICIENCY RATE	(5) NUMBER OF GUESTS ACCOMMODATED	(6) AVERAGE RATE PER GUEST ACCOMMODATED
1		26,708	75.0%	26,708	\$ 46.44
2		26,267	79.0%	26,267	\$ 44.71
3		24,641	75.3%	24,641	\$ 45.77
4		26,406	75.1%	26,406	\$ 45.08
5		26,019	75.1%	26,019	\$ 44.36
6		26,118	75.1%	26,118	\$ 43.71
7		26,208	75.1%	26,208	\$ 43.71
8		24,116	75.1%	24,116	\$ 43.71
9		26,777	75.1%	26,777	\$ 43.71
10		24,209	75.1%	24,209	\$ 43.71
11		27,146	75.1%	27,146	\$ 43.71
12		26,128	75.1%	26,128	\$ 43.71
13		27,179	75.1%	27,179	\$ 43.71
14		24,566	75.1%	24,566	\$ 43.71
15		26,796	75.1%	26,796	\$ 43.71
16		27,167	75.1%	27,167	\$ 43.71
17		27,167	75.1%	27,167	\$ 43.71

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ANNUAL REPORT

PROPERTY OF
NEW JERSEY STATE LIBRARY
MAY 12 1986
TRENTON, N.J.

LICENSEE RESORTS INTERNATIONAL HOTEL, INC.
ADDRESS North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

FOR THE YEAR ENDED DECEMBER 31, 1986

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



MAR 18 19 35 AM '87

CASINO CONTROL COMMISSION
DIVISION OF REVENUE
TRENTON, N.J.

**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT** PETER R. BURNS
OFFICIAL TITLE VICE PRESIDENT - FINANCE
ADDRESS. North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

BALANCE SHEETS

DECEMBER 31, 1986 and 1985

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1986	(d) 1985
ASSETS			
	Current Assets:		
1	Cash	\$ 9,877	\$ 12,099
2	Marketable securities (Short-term Money Market At Cost)	5,590	33,370
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1986, \$3,778; 1985, \$3,495)	7,945	25,719
4	Inventories	3,130	3,583
5	Prepaid expenses and other current assets	1,612	1,877
6	Total current assets	28,154	76,648
7	Investments, Advances, And Receivables ....(Note 2).....	121,764	59,402
8	Property And Equipment - Net ....(Note 3).....	92,438	100,983
9	Other Assets ....(Note 4).....	5,250	6,254
10	Total Assets	\$247,606	\$243,287
LIABILITIES AND EQUITY			
	Current Liabilities:		
11	Accounts Payable	\$ 8,353	\$ 5,023
12	Notes Payable		
	Current portion of long-term debt: (Note 6)		
13	Due to affiliates		
14	Other	436	430
15	Income taxes payable and accrued		
16	Other accrued expenses ....(Note 5).....	27,699	29,613
17	Other current liabilities	4,985	4,470
18	Total current liabilities	41,473	39,536
	Long-Term Debt: (Note 6)		
19	Due to affiliates	195,916	195,825
20	Other	1,335	1,772
21	Deferred Credits ....(Note 8).....	770	843
22	Other Liabilities		
23	Commitments and Contingencies (Note 12)		
24	Total Liabilities.....	239,494	237,976
25	Stockholders', Partners', or Proprietor's Equity	8,112	5,311
26	Total Liabilities and Equity	\$247,606	\$243,287

1/86

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

CCC-305

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1986 and 1985

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1986	(d) 1985
	Revenue: (Note 1)		
1	Casino	\$236,415	\$240,493
2	Rooms	18,882	18,910
3	Food and beverage	33,703	36,085
4	Other	7,881	9,651
5	Total revenue	296,881	305,139
6	Less: promotional allowances ....(Note 7).....	30,220	32,676
7	Net revenue	266,661	272,463
	Costs And Expenses:		
8	Cost of goods and services	147,183	* 152,308
9	Selling, general, and administrative	43,884	* 45,094
10	Provision for doubtful accounts	1,743	1,778
11	Total	192,810	199,180
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	73,851	73,283
13	Depreciation and amortization	13,697	13,681
	Charges from affiliates: (Note 10)		
14	Interest	33,341	33,339
15	Management fees	2,915	2,815
16	Other	16,701	19,962
17	Interest expense - external	226	220
18	Income (Loss) From Operations	6,971	3,266
19	Nonoperating income (expense) - net ....(Note 11).....	(550)	3,997
20	Investment alternative tax and related expense .(Note 12)	(819)	(927)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	5,602	6,336
22	Provision (Credit) for income taxes	2,801	3,168
23	Income (Loss) Before Extraordinary Items	2,801	3,168
24	Extraordinary Items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	\$ 2,801	\$ 3,168

* Restated (See transmittal letter of March 16, 1987.)

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 1986 and 1985

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1986	(d) 1985
	Revenue: (Note 1)		
1	Casino	\$54,848	\$54,810
2	Rooms	4,455	4,488
3	Food and beverage	8,145	8,203
4	Other	1,450	2,258
5	Total revenue	68,898	69,759
6	Less: promotional allowances ....(Note 7).....	6,986	7,936
7	Net revenue	61,912	61,823
	Costs And Expenses:		
8	Cost of goods and services	34,603	33,876
9	Selling, general, and administrative	10,693	11,130
10	Provision for doubtful accounts	42	(172)
11	Total	45,338	44,834
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	16,574	16,989
13	Depreciation and amortization	3,400	3,626
	Charges from affiliates:		
14	Interest	8,336	8,333
15	Management fees	815	835
16	Other	4,087	6,311
17	Interest expense - external	45	52
18	Income (Loss) From Operations	(109)	(2,168)
19	Nonoperating income (expense) - net	56	149
20	Investment alternative tax and related expense	(191)	(177)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	(244)	(2,196)
22	Provision (Credit) for Income Taxes	(122)	(1,098)
23	Income (Loss) Before Extraordinary Items	(122)	(1,098)
24	Extraordinary Items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	(\$ 122)	(\$ 1,098)

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

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1986 and 1985
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1986		1985	
		(c) SHARES	(d) \$	(e) SHARES	(f) \$
	Common Stock (\$1 par value , 2,500 shares authorized)				
1	Beginning balance (January 1)	100	\$	100	\$
2	Sale of stock				
3					
4	Ending balance	100		100	
	Preferred Stock				
5	Beginning balance (January 1)				
6	Sale of stock				
7					
8	Ending balance				
	Additional Paid-In Capital	+++++		+++++	
9	Beginning balance (January 1)	+++++	2,490	+++++	2,490
10		+++++		+++++	
11		+++++		+++++	
12	Ending balance	+++++	2,490	+++++	2,490
	Treasury Stock				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock ...		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18					
19					
20	Ending balance		()		()
	Net Unrealized Loss on Noncurrent Marketable Equity Securities	+++++		+++++	
21	Beginning balance (January 1)	+++++		+++++	
22		+++++		+++++	
23		+++++		+++++	
24	Ending balance	+++++	()	+++++	()
	Retained Earnings:	+++++		+++++	
25	Beginning balance (January 1)	+++++	2,821	+++++	38,653
26	Prior period adjustments	+++++		+++++	
27	Net income (loss)	+++++	2,801	+++++	3,168
28	Dividends	+++++		+++++	(39,000)
29		+++++		+++++	
30		+++++		+++++	
31	Ending balance	+++++	5,622	+++++	2,821
32	Ending Stockholders' Equity	+++++	\$8,112	+++++	\$ 5,311

1/86

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

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TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
 (a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF CHANGES IN PARTNERS'
 OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1986 and 1985

(UNAUDITED)
 (\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 1986	(d) 1985
	Invested Capital:		
1	Beginning balance (January 1)	\$	\$
2	Additional capital invested		
3			
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)		
6	Prior period adjustments		
7	Net income (loss)		
8			
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	()
11	Additional capital withdrawals	()	()
12			
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)		
15			
16			
17	Ending balance		
18	Ending Partners' Or Proprietor's Equity	\$	\$

NOT APPLICABLE

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

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1986 and 1985
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1986	(d) 1985
	Sources Of Funds:		
1	Income (loss) before extraordinary items	\$ 2,801	\$ 3,168
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	12,637	12,985
3	Amortization of other assets	1,060	696
4	Deferred income taxes - noncurrent		
5	(Gain) loss on dispositions of property and equipment .	(31)	4
6	Equity (income)loss in joint ventures & subsidiary	(307)	111
7	Amortization of discount on debt	91	89
8	Increase of valuation allowance on CRDA bonds	819	* 927
9	Total	17,070	17,980
10	Extraordinary items		
11	Total funds provided (used) by operations	17,070	17,980
12	Proceeds from dispositions of property and equipment ...	128	152
13	Proceeds from long-term debt		
14	Additions to deferred credits and other liabilities ...		
15	Proceeds from issuance of stock or capital contributions		
16	Capital assets transferred to affiliates	358	1,029
17			
18			
19			
20	Total funds provided	17,556	19,161
	Uses Of Funds:		
21	Additions to property and equipment	4,547	9,551
22	Investment in casino reinvestment obligations	5,470	7,577
23	Other additions to investments, advances, and receivables	57,404	* 48,271
24	Increase in other assets	56	1,028
25	Reductions of long-term debt	437	429
26	Dividends declared or capital distributions		39,000
27	Reduction to deferred credits	73	74
28			
29			
30			
31	Total funds used	67,987	105,930
32	Increase (Decrease) In Working Capital	(\$50,431)	(\$ 86,769)
	Summary Of Changes In Components Of Working Capital:		
33	Cash	(\$ 2,222)	\$ 1,176
34	Marketable securities	(27,780)	(99,472)
35	Receivables and patrons' checks	(17,774)	8,795
36	Inventories	(453)	204
37	Prepaid expenses and other current assets	(265)	836
38	Accounts payable	(3,330)	1,785
39	Notes payable		
40	Current portion of long-term debt	(6)	(6)
41	Income taxes payable and accrued		
42	Other accrued expenses	1,914	(1,965)
43	Other current liabilities	(515)	1,878
44	Increase (Decrease) In Working Capital	(\$50,431)	(\$ 86,769)

* Restated (See transmittal letter of March 16, 1987)

1/86

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

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RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1986

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

General:

Resorts International Hotel, Inc. (the Company), a wholly owned subsidiary of Resorts International, Inc. (the Parent), owns and operates a casino/hotel complex located in Atlantic City, New Jersey.

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries except for one wholly owned subsidiary which is accounted for on the equity basis of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue recognition:

The Company records as revenue the win from gaming activities which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services and from theatre ticket sales are recognized at the time the related service is performed.

Promotional allowances:

Gross revenues include the retail value of complimentary rooms, food, beverage and other hotel services furnished to casino patrons. The retail value of these complimentary services is deducted as a promotional allowance to arrive at net revenues. The cost of complimentary services is charged to cost of goods and services and selling, general and administrative.

Inventories:

Inventories of provisions, supplies and spare parts are carried at the lower of cost (first-in, first-out) or market.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows: land improvements, 20 years; buildings and improvements, 20 years; furniture and equipment, 2-7 years.

Income taxes:

The Company's taxable income is included in the consolidated federal income tax return filed by the Parent. Based on an agreement with its Parent, the Company provides for federal and state income taxes using a combined tax rate of approximately 50%, except for those isolated transactions which materially affect the Company's effective tax rate, in which case the applicable transactions will be separately tax effected using the appropriate tax rate.

Effective January 1987, the Company's agreement with its Parent was amended to reflect changes in federal tax laws brought about by the Tax Reform Act of 1986 (the 1986 Act). Based on the tax rates included in the 1986 Act, the Company has agreed with its Parent that for 1987 it will provide for federal and state income taxes using a combined tax rate of 45%. For years subsequent to 1987, taxes will be provided using a combined tax rate of 40%, unless further changes in tax laws require another rate adjustment. Isolated transactions that materially affect the Company's effective tax rates will continue to be separately tax effected.

Reclassification:

Certain amounts for 1985 have been reclassified to conform to the 1986 presentation.

NOTE 2 - INVESTMENTS, ADVANCES AND RECEIVABLES:

(In Thousands of Dollars)

	DECEMBER 31,	
	1986	1985
Note receivable - RINJ	\$110,589	\$52,221
Deposits-State of New Jersey-CRDA	14,370	8,900
Valuation allowance on CDRA deposits	(4,087)	(2,764)
Other	892	1,045
	<u>\$121,764</u>	<u>\$59,402</u>

NOTE 3 - PROPERTY AND EQUIPMENT:

(In Thousands of Dollars)

	DECEMBER 31,	
	1986	1985
Land	\$ 7,172	\$ 7,172
Land and improvements	2,537	2,537
Building and improvements	106,296	105,182
Furniture, machinery and equipment	58,975	58,081
Construction in progress	1,544	89
	176,524	173,061
<u>Less - Accumulated depreciation</u>	<u>84,086</u>	<u>72,078</u>
	<u>\$ 92,438</u>	<u>\$100,983</u>

NOTE 4 - OTHER ASSETS:

(In Thousands of Dollars)

	<u>DECEMBER 31,</u>	
	<u>1986</u>	<u>1985</u>
Debt issuance costs	\$ 4,555	\$ 4,891
Other	695	1,363
	<u>\$ 5,250</u>	<u>\$ 6,254</u>

Debt issuance costs consist of underwriter's commissions, legal and accounting fees and other expenses associated with the issuance of 16-5/8% subordinated note payable to an affiliate are being amortized using the bonds outstanding method over the term of the note. Amortization expense was \$336,000 and \$336,000 in 1986 and 1985, respectively.

NOTE 5 - OTHER ACCRUED EXPENSES:

(In Thousands of Dollars)

	<u>DECEMBER 31,</u>	
	<u>1986</u>	<u>1985</u>
Accrued payroll	\$ 4,502	\$ 3,894
Progressive slot liability	6,143	7,563
Interest payable to affiliate	11,083	11,083
Other	5,971	7,073
	<u>\$ 27,699</u>	<u>\$ 29,613</u>

NOTE 6 - LONG-TERM DEBT:

(In Thousands of Dollars)

	<u>DECEMBER 31,</u>	
	<u>1986</u>	<u>1985</u>
Due to affiliate:		
16-5/8% subordinated note payable net of \$4,084,000 and \$4,175,000 unamortized discount	<u>\$195,916</u>	<u>\$195,825</u>
Other:		
9-1/2% mortgage note	\$ 910	1,274
Other mortgages and notes	861	928
	<u>1,771</u>	<u>2,202</u>
Less - Current portion	<u>436</u>	<u>430</u>
	<u>\$ 1,335</u>	<u>\$ 1,772</u>

The Company entered into a 16-5/8% subordinated note payable to an affiliate in August 1984. Interest is payable semi-annually on March 1, and September 1. Principal payments commence in the year 1994 with annual payments of \$15,000,000 through 2003 and final payment of \$50,000,000 in 2004. After giving effect to the discount recorded on the note, the effective interest rate is 17%.

The 9-1/2% mortgage note is secured by underlying operating property which had a net book value of approximately \$5,833,000 at the end of December 31, 1986. The mortgage agreement provides for equal quarterly payments of principal plus accrued interest through April 1989.

The other mortgage and notes are payable in various installments through 2003 and bear interest rates of 9%.

Minimum principal payments of long-term debt outstanding as of December 31, 1986: 1987 - \$436,000; 1988 - \$443,000; 1989 - \$268,000; 1990 - \$94,000; 1991 - \$99,000.

NOTE 7 - PROMOTIONAL ALLOWANCES AND PROMOTIONAL EXPENSES:

(In Thousands of Dollars)

Quarter Ended 12/31/86

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>
Rooms	45	\$ 2,006		
Food	236	2,471		
Beverage	603	1,212		
Travel			17	\$ 1,485
Coupon redemption:				
Cash			450	4,499
Food	201	1,006		
Admissions	19	279		
Parking			81	644
Other		12		253
Totals	<u>1,104</u>	<u>\$ 6,986</u>	<u>548</u>	<u>\$ 6,881</u>

In addition to the Company's plan described above, other employees are covered by various multi-employer pension plans to which contributions are made. Contributions by the Company were approximately \$140,000 and \$117,000 at December 31, 1986 and 1985, respectively.

Year Ended 12/31/86

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSE	
	NUMBER OF RECIPIENTS	AMOUNT	NUMBER OF RECIPIENTS	AMOUNT
Rooms	188	\$ 9,387		
Food	958	9,407		
Beverage	2,736	5,503		
Travel			70	\$ 6,571
Coupon redemption:				
Cash			1,863	18,633
Food	1,431	4,081		
Admissions	106	1,796		
Parking			389	3,112
Other		46		882
Totals	<u>5,419</u>	<u>\$30,220</u>	<u>2,322</u>	<u>\$29,198</u>

NOTE 8 - DEFERRED INCOME:

Deferred income represents the unamortized portion of a lump-sum payment made by a tenant at the inception, July 1983, of a fifteen year lease. This payment is being amortized and recorded in earnings in equal monthly installments over the life of the lease.

NOTE 9 - SAVINGS AND PENSION PLANS:

The Company has a defined contribution plan (Plan), in which substantially all non-union employees are eligible to participate. Employees of certain other affiliated companies are also eligible to participate in the Plan. Several amendments were made to the Plan effective July 1, 1985. Under the amended Plan, eligible participating employees may contribute up to a total of 4% of their annual cash compensation as a basic contribution and may also elect to contribute up to an additional 10% as a voluntary contribution. The Company and other subsidiaries of Resorts International, Inc. contribute an amount equal to 50% of their employees' basic contributions. The Company's contributions under the Plan were approximately \$627,000 and \$1,016,000 in 1986 and 1985, respectively.

In addition to the Company's plan described above, union employees are covered by various multi-employer pension plans to which contributions are made. Contributions by the Company were approximately \$640,000 and \$693,000 at December 31, 1986 and 1985, respectively.

NOTE 10 - CHARGES FROM AFFILIATES:

The Company has recorded income and expenses from affiliates and the Parent as follows:

(In Thousands of Dollars)

AFFILIATED COMPANY	TRANSACTION	YEAR ENDED	
		1986	1985
Resorts International Financing, Inc.	Interest charges	\$33,341	\$33,339
Resorts International, Inc.	Management fee	\$ 2,915	2,815
Resorts International, Inc.	Real estate taxes	\$ 4,814	\$ 7,023
	Insurance	4,681	4,097
Resorts International, Inc.	Relicensing costs	1,878	
	Interest income	(420)	(496)
	Other	928	1,089
		<u>11,881</u>	<u>11,713</u>
Resorts International, Inc. of New Jersey	Interest Income	(8,119)	(2,740)
	Property Rental	1,255	933
	Other	284	115
		<u>(6,580)</u>	<u>(1,692)</u>
International Intelligence, Inc.	Security fees	1,116	951
ANTL, Inc.	Aircraft rentals	8,014	6,477
Resorts of New York, Inc.	Sales office expenses	1,272	1,470
Others	Property rentals	457	512
	Other	541	531
		<u>\$16,701</u>	<u>\$19,962</u>

In 1984, the Company entered into an agreement with Resorts International, Inc. of New Jersey (RINJ) to lend up to \$125,000,000 during the period September 30, 1984 up to and including December 31, 1987 (termination date) for various purposes including the construction of a new casino/hotel complex in Atlantic City, New Jersey. RINJ shall pay interest monthly on the net outstanding principal amount at an interest rate per annum equal to the minimum posted rate to prime commercial borrowers of Citibank N.A. in effect on the first day of the then-current calendar quarter. It is the intent that this note will be converted into a term loan at the termination date at terms determined by the parties to be the then prevailing market condition for similar financing arrangements. The note receivable balance was \$110,589,000 and \$52,221,000 at December 31, 1986 and 1985, respectively and the related interest earned was \$8,119,000 and \$2,740,000 in 1986 and 1985, respectively.

During 1986, the Company made short-term advances to its Parent which were repaid by December 31, 1986. Interest on these advances was charged at an interest rate per annum equal to the minimum posted rate to prime commercial borrowers of Citibank, N.A. in effect on the first day of the then-current calendar quarter.

NOTE 11 - NONOPERATING INCOME(EXPENSE), NET:

(In Thousands of Dollars)

	YEAR ENDED DECEMBER 31,	
	1986	1985
Interest income	1,154	6,523
Corporate office expense	(396)	(450)
Equity income(loss) in joint ventures and subsidiary	\$ 307	(\$ 111)
Nonoperating rent		(1,400)
Aborted sale & refinancing costs	(189)	
Loss reserve for joint ventures	(1,450)	(550)
Other	24	(15)
	<u>(\$ 550)</u>	<u>\$3,997</u>

NOTE 12 - CONTINGENCY: OF RECEIVABLES AND PATRONS' CHECKS
 DECEMBER 31, 1986

The New Jersey Casino Control Act (the Act) generally requires a casino licensee to make investments equal to a percentage of the licensee's annual net casino win or pay an alternative tax. Under the Act the investment obligation of the Company, for the years 1979 through 1986 totals approximately \$30,800,000. Of that amount, management estimates that between \$11,000,000 and \$15,000,000 will be satisfied through housing related investments already made by the Company.

The Company expects that it may have to fulfill its remaining investment obligation by purchasing long-term bonds which will bear below-market interest rates. These bonds are to be issued by the Casino Reinvestment Development Authority (CRDA), a public authority created under the Act. As of December 31, 1986, the Company had deposited \$14,370,000 with the CRDA as deposits against its remaining investment obligation. Management expects that these deposits may ultimately be used to purchase CRDA bonds. These deposits, net of an estimated discount charged to expense to reflect the below-market interest rate payable on the bonds, were recorded as "Other Assets" in the Company's Consolidated Balance Sheets. The Company's remaining investment obligation, after deduction of the housing related investments and deposits with the CRDA, is not expected to exceed \$5,500,000. Amounts due will be payable in 1987 and 1988.

For the years 1986 and 1985, the Company recorded charges to expense of \$819,000 and \$927,000, respectively, to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its 1986 and 1985 investment obligations.

UNDEPOSITED PATRONS' CHECKS ACTIVITY

DESCRIPTION (A)	AMOUNT (B)
Year balance (January 1)	\$ 8,475
Patrons' checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, cancellations, and patrons' cash deposits)	705,403
Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and including checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(155,184)
Checks collected through deposits	(47,573)
Checks transferred to returned checks	(3,766)
Adjustments	5,225
Year-end balance	\$ 5,225
Checks included in balance on line 15	\$
Provision for uncollectible patrons' checks	\$ 1,742
ADD AS A % OF COUNTER CHECKS ISSUED	

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
DECEMBER 31, 1986
(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	(d) ALLOWANCE	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Undeposited patrons' checks	\$ 6,256		
2	Returned patron's checks	4,183		
3	Total patrons' checks	10,439	\$3,740	\$ 6,699
4	Hotel receivables	637	28	609
5	Receivables due from officers and employees	7		
6	Receivables due from affiliates			
7	Other accounts and notes receivable	640		
8	Total other receivables	647	10	637
9	Totals (Form 305)	\$11,723	\$3,778	\$ 7,945

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 9,475
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	205,405
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(155,184)
13	Checks collected through deposits	(47,674)
14	Checks transferred to returned checks	(5,766)
15	Other adjustments	
16	Ending balance	\$ 6,256
17	"Hold" Checks Included In Balance On Line 16	\$
18	Provision For Uncollectible Patrons' Checks	\$ 1,742
19	Provision AS A % Of Counter Checks Issued .....	.8 %

TRADING NAME OF LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 49,277	\$ 323,824	15.2 %	81
2	Craps	46,957	310,566	15.1	22
3	Roulette	9,808	36,259	27.0	11
4	Big Six	2,315	4,982	46.5	4
5	Baccarat	6,891	48,485	14.2	3
6	Other table games				
7	Total table games revenue	115,248	\$ 724,116	15.9 %	121
			HANDLE		
8	\$.05 slot machines	3,255	\$ 22,763	14.3 %	87
9	\$.25 slot machines	55,386	392,196	14.1	961
10	\$1.00 slot machines	26,677	204,109	13.1	212
11	Other slot machines	34,430	323,131	10.7	401
12	Total coin-operated devices revenue	119,748	\$ 942,199	12.7 %	1,661
13	Progressive jackpot adjustment	1,419			
14	Total coin-operated devices revenue after adjustment	121,167			
15	Other income				
16	Total revenue	236,415			
	Expenses:				
17	Payroll and payroll related expenses	42,463			
18	Licenses and taxes	19,827			
19	Provision for uncollectible patrons' checks	1,742			
20	Other	19,777			
21	Total	83,809			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	152,606			
	Complimentary services and casino management fees:				
23	Complimentary services	58,543			
24	Casino management fees				
25	Total				
26	Departmental Income (Loss)	\$ 94,063			

STATEMENT OF CONFORMITY AND ACCURACY

GROSS REVENUE

STATE OF NEW JERSEY

:

COUNTY OF ATLANTIC

:ss.

:

ANNUAL TAX RETURN

PETER R. BURNS, being duly sworn according to law upon my oath
Name

deposes and says:

Address North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

1. I have examined this Annual Report.
2. All the information contained in this Report has been prepared in conformity with Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Annual Report is accurate to the best of my knowledge and belief.

CASINO CONTROL COMMISSION

Peter R. Burns

Signature

STATE OF NEW JERSEY

VICE PRESIDENT - FINANCE

Title

00156-11

License Number

Subscribed and sworn to
before me this 16th day
of March, 1987.

On Behalf Of:

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN

Judith A. Bradley

Signature

RESORTS INTERNATIONAL HOTEL, INC.
Casino Licensee

JUDITH A. BRADLEY
Notary Public of New Jersey
My Commission Expires Dec. 27, 1987

Address North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

Basis of Authority to Take Oaths

GROSS REVENUE
ANNUAL TAX RETURN

LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

ADDRESS North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

FOR THE YEAR ENDED DECEMBER 31, 19 86

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN

PETER R. BURNS

OFFICIAL TITLE.....

VICE PRESIDENT - FINANCE

ADDRESS.....

North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

STATE OF NEW JERSEY

(UNAUDITED)

COUNTY OF ATLANTIC

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$ 115,248
2	Coin-operated devices revenue	119,748
3	Total revenues	\$ 234,996
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 1,742
5	Maximum adjustment (4% of line 3)	\$ 9,400
6	Adjustment (the lesser of line 4 or line 5)	1,742
7	Gross revenues (line 3 less line 6)	\$ 233,254
8	Tax on gross revenues - current year (8% of line 7)	\$ 18,660
9	Audit or other adjustments to tax on gross revenues in prior years	
10	Total tax on gross revenues (line 8 plus or minus line 9)	18,660
	Deposits made for tax on current year's gross revenues:	
11	January	\$ 966
12	February	1,092
13	March	1,649
14	April	1,457
15	May	1,532
16	June	1,804
17	July	1,632
18	August	1,784
19	September	2,102
20	October	1,524
21	November	1,360
22	December	1,430
23	January	328
24	Total deposits made for tax on current year's gross revenues	(18,660)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits	
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)	\$ NONE

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

ADDRESS North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

PETER R. BURNS

OFFICIAL TITLE.....

VICE PRESIDENT - FINANCE

ADDRESS.....

North Carolina Avenue & Boardwalk
Atlantic City, NJ 08404

TRADING NAME OF LICENSEE RESORTS INTERNATIONAL HOTEL, INC.**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 86

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	21			
2	Gaming	1,011			
3	Slots	307			
4	Casino accounting	12			
5	Other	327	\$	\$	\$
6	Total-casino	1,678	33,888	594	34,482
7	ROOMS	245	3,432	51	3,483
8	FOOD AND BEVERAGE	947	13,408	95	13,503
	OTHER OPERATED DEPARTMENTS				
9	Telephone	17	238		238
10	Service Station	4	69		69
11	Game Room	5	72		72
12	Health Club	16	297		297
13	Cloak Room	12	110		110
14	Other	13	212	12	224
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	9	158	350	508
21	Accounting and auditing	140	2,702	71	2,773
22	Security	230	4,542		4,542
23	Other administrative and general department ..	263	5,551	437	5,988
24	MARKETING	23	185		185
25	GUEST ENTERTAINMENT	87	1,798	71	1,869
26	PROPERTY OPERATION AND MAINTENANCE	125	3,667	42	3,709
	TOTALS - ALL DEPARTMENTS	3,814	\$ 70,329	\$ 1,723	\$ 72,052

Trading Name of Licensee RESORTS INTERNATIONAL HOTEL, INC.

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 1986

3/16/87

Date

Peter K. Krum

Signature

VICE PRESIDENT - FINANCE
Title

TRADING NAME OF LICENSEE Resorts International Hotel, Inc.

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 86

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	686	20,576	12,448	\$ 98.28	60.5 %	24,816	\$ 49.30
2	FEBRUARY	686	18,812	13,511	\$ 91.10	71.8 %	27,538	\$ 44.70
3	MARCH	685	20,765	16,110	\$ 95.28	77.6 %	31,044	\$ 49.44
4	1ST QUARTER TOTALS		60,153	42,069	\$ 94.82	69.9 %	83,398	\$ 47.83
5	APRIL	687	20,204	16,081	\$ 93.84	79.6 %	31,457	\$ 47.97
6	MAY	687	21,180	16,496	\$ 101.39	77.9 %	32,352	\$ 51.70
7	JUNE	687	20,071	16,460	\$ 106.08	82.0 %	32,217	\$ 54.20
8	2ND QUARTER TOTALS		61,455	49,037	\$ 100.49	79.8 %	96,026	\$ 51.32
9	JULY ±	688	21,328	19,152	\$ 115.12	89.8 %	39,422	\$ 55.93
10	AUGUST	688	21,328	19,768	\$ 119.06	92.7 %	41,445	\$ 56.79
11	SEPTEMBER	688	20,625	16,482	\$ 97.77	79.9 %	32,611	\$ 49.42
12	3RD QUARTER TOTALS		63,281	55,402	\$ 111.36	87.5 %	113,478	\$ 54.37
13	OCTOBER	688	21,191	17,958	\$ 93.88	84.7 %	35,215	\$ 47.87
14	NOVEMBER	688	20,613	18,057	\$ 91.53	87.6 %	35,004	\$ 47.22
15	DECEMBER	688	20,410	15,466	\$ 85.26	75.8 %	30,670	\$ 42.99
16	4TH QUARTER TOTALS		62,214	51,481	\$ 90.46	82.7 %	100,889	\$ 46.16
17	ANNUAL TOTALS		247,103	197,989	\$ 99.72	80.1 %	393,791	\$ 50.14

TRADING NAME OF LICENSEE TRUMP'S CASINO HOTEL & CASINO 974-901
ANNUAL REPORT C 193

NEW JERSEY
MAY 12 1986
185 W. STATE ST.
TRENTON, N.J.

LICENSEE TRUMP CASTLE ASSOCIATES
ADDRESS HURON AVENUE & BRIGANTINE BLVD.
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT Robert S. Fiore
OFFICIAL TITLE Vice President Finance & Treasurer
ADDRESS Huron Avenue & Brigantine Blvd
Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

LIST OF FORMS - ANNUAL REPORT

(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 1986

LINE NO.	DESCRIPTION (b)	(a) 19 <u>86</u>	(a) 19 <u>85</u>
ASSETS			
	ASSETS		
	Net Assets:		
	Fixed Assets	33,991	24,942
	Current Assets	7,247	6,073
	Total Assets	41,238	31,015
	LIABILITIES AND EQUITY		
	Liabilities	23,902	21,121
	Equity	17,336	9,894
	Total Liabilities and Equity	41,238	31,015
	LIABILITIES AND EQUITY		
	Liabilities	23,902	21,121
	Equity	17,336	9,894
	Total Liabilities and Equity	41,238	31,015

TITLE	FORM NO.
Balance Sheets	CCC-305
Statements of Income (Year)	CCC-310
Statements of Income (Three Months)	CCC-315
Statements of Changes in Stockholders' Equity	CCC-320
Statements of Changes in Partners' or Proprietor's Equity	CCC-325
Statements of Changes in Financial Position	CCC-330
Notes to Financial Statements	
Schedule of Receivables and Patrons' Checks	CCC-340
Casino Departmental Schedule	CCC-345
Statement of Conformity and Accuracy	CCC-350

BALANCE SHEETS

DECEMBER 31, 19 86 AND 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	33,991	24,942
2	Marketable securities	- 0 -	- 0 -
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>86</u> , \$ 1,511 ; 19 <u>85</u> , \$ 743)	7,246	6,073
4	Inventories	2,469	1,421
5	Prepaid expenses and other current assets (Note 4)	2,730	2,107
6	Total current assets	46,436	34,543
7	Investments, Advances, And Receivables	1,212	- 0 -
8	Property And Equipment - Net (Note 2)	308,198	313,966
9	Other Assets (Note 5)	16,059	18,249
10	Total Assets	\$ 371,905	\$ 366,758
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	6,017	8,428
12	Notes payable	- 0 -	- 0 -
	Current portion of long-term debt:		
13	Due to affiliates	- 0 -	- 0 -
14	Other	- 0 -	- 0 -
15	Income taxes payable and accrued	- 0 -	- 0 -
16	Other accrued expenses (Note 6)	10,747	8,429
17	Other current liabilities (Note 7)	7,138	4,264
18	Total current liabilities	23,902	21,121
	Long-Term Debt:		
19	Due to affiliates	302,118	300,716
20	Other	- 0 -	- 0 -
21	Deferred Credits	- 0 -	- 0 -
22	Other Liabilities	747	265
23	Commitments And Contingencies		
24	Total Liabilities	326,767	322,102
25	Stockholders', Partners', Or Proprietor's Equity	45,138	44,656
26	Total Liabilities And Equity	\$ 371,905	\$ 366,758

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u> *
	Revenue:		
<u>1</u>	Casino	\$ 224,990	\$ 114,946
<u>2</u>	Rooms	16,528	8,721
<u>3</u>	Food and beverage	34,126	18,640
<u>4</u>	Other	5,982	1,596
<u>5</u>	Total revenue	281,626	143,903
<u>6</u>	Less: promotional allowances .....(Note 11).....	29,868	15,400
<u>7</u>	Net revenue	251,758	128,503
	Costs And Expenses:		
<u>8</u>	Cost of goods and services	137,708	75,422
<u>9</u>	Selling, general, and administrative	46,542	18,807
<u>10</u>	Provision for doubtful accounts	1,641	748
<u>11</u>	Total	185,891	94,977
<u>12</u>	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	65,867	33,526
<u>13</u>	Depreciation and amortization	21,988	11,066
	Charges from affiliates:		
<u>14</u>	Interest	41,337	21,933
<u>15</u>	Management fees	- 0 -	- 0 -
<u>16</u>	Other	- 0 -	- 0 -
<u>17</u>	Interest expense - external	- 0 -	- 0 -
<u>18</u>	Income (Loss) From Operations	2,542	527
<u>19</u>	Nonoperating income (expense) - net .....(Note 8).....	2,060	1,553
<u>20</u>	Investment alternative tax and related income (expense) - net.....	(416)	- 0 -
<u>21</u>	Income (Loss) Before Income Taxes And Extraordinary Items.....	4,186	2,080
<u>22</u>	Provision (Credit) for income taxes	419	232
<u>23</u>	Income (Loss) Before Extraordinary Items	3,767	1,848
<u>24</u>	Extraordinary items (net of income taxes - 19 <u>86</u> \$ - 0 - ; 19 <u>85</u> \$ - 0 -)	- 0 -	- 0 -
<u>25</u>	Net Income (Loss)	\$ 3,767	\$ 1,848

*Restated to conform to 1986 presentation.
Opened June 17, 1985.

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

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Revenue:	\$	\$
1	Casino	56,060	50,609
2	Rooms	3,988	3,761
3	Food and beverage	8,578	7,880
4	Other	1,512	911
5	Total revenue	70,138	63,161
6	Less: promotional allowances .....(Note 11).....	8,040	6,589
7	Net revenue	62,098	56,572
	Costs And Expenses:		
8	Cost of goods and services	34,318	33,915
9	Selling, general, and administrative	10,919	9,841
10	Provision for doubtful accounts	576	(110)
11	Total	45,813	43,646
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	16,285	12,926
13	Depreciation and amortization	5,422	5,996
	Charges from affiliates:		
14	Interest	10,336	9,984
15	Management fees	- 0 -	- 0 -
16	Other	- 0 -	- 0 -
17	Interest expense - external	- 0 -	- 0 -
18	Income (Loss) From Operations	527	(3,054)
19	Nonoperating income (expense) - net .....(Note 8).....	647	793
20	Investment alternative tax and related income (expense) - net.....	(416)	- 0 -
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	758	(2,261)
22	Provision (Credit) for income taxes	77	(232)
23	Income (Loss) Before Extraordinary Items	681	(2,493)
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	- 0 -	- 0 -
25	Net Income (Loss)	\$ 681	\$ (2,493)

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>86</u>		19 <u>85</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)				
2	Sale of stock				
3	.....			
4	Ending balance				
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)				
10	.....			
11	.....			
12	Ending balance				
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)				
26	Prior period adjustments				
27	Net income (loss)				
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance				
32	Ending Stockholders' Equity		\$ N/A		\$ N/A

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

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31 19,86 and 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 86	(d) 19 85
	Invested Capital:		
1	Beginning balance (January 1)	\$ 66,196	\$ - 0 -
2	Additional capital invested	- 0 -	66,196
3	.....	- 0 -	- 0 -
4	Ending balance	66,196	66,196
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	1,848	- 0 -
6	Prior period adjustments	- 0 -	- 0 -
7	Net income (loss)	3,767	1,848
8	.....	- 0 -	- 0 -
9	Ending balance	5,615	1,848
	Capital Withdrawals:		
10	Beginning balance (January 1)	(23,388)	(- 0 -)
11	Additional capital withdrawals	(4,427)	(23,388)
12	Repayment of withdrawals	1,142	
13	Ending balance	(26,673)	(23,388)
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	(- 0 -)	(- 0 -)
15	.....	
16	.....	
17	Ending balance	(- 0 -)	(- 0 -)
18	Ending Partners' Or Proprietor's Equity	\$ 45,138	\$ 44,656

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 19, 86 AND 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>86</u>	(d) 19 <u>85</u>
	Sources Of Funds:		
1	Income (loss) before extraordinary items	\$ 3,767	\$ 1,848
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	19,685	9,413
3	Amortization of other assets	2,303	1,653
4	Deferred income taxes - noncurrent	- 0 -	- 0 -
5	(Gain) loss on dispositions of property and equipment	1	- 0 -
6	Accretion of Bonds	1,402	716
7	Valuation allowance of CRDA Bonds	416	
8			
9	Total	27,574	13,630
10	Extraordinary items	- 0 -	- 0 -
11	Total funds provided (used) by operations	27,574	13,630
12	Proceeds from dispositions of property and equipment	1,190	- 0 -
13	Proceeds from long-term debt	- 0 -	300,000
14	Additions to deferred credits and other liabilities	- 0 -	265
15	Proceeds from issuance of stock or capital contributions	1,142	66,196
16			
17			
18			
19			
20	Total funds provided	29,906	380,091
	Uses Of Funds:		
21	Additions to property and equipment	15,081	323,379
22	Investment in casino reinvestment obligations	1,629	- 0 -
23	Other additions to investments, advances, and receivables	- 0 -	- 0 -
24	Increase in other assets	- 0 -	- 0 -
25	Reductions of long-term debt	- 0 -	- 0 -
26	Dividends declared or capital distributions	4,427	23,388
27	Deferred Bond Cost	139	13,292
28	Deferred Preopening Cost	- 0 -	6,610
29	Reduction of Other Liabilities	24	
30			
31	Total funds used	21,300	366,669
32	Increase (Decrease) In Working Capital.....	\$ 8,606	\$ 13,422
	Summary Of Changes In Components Of Working Capital:		
33	Cash	\$ 9,049	\$ 24,942
34	Marketable securities	- 0 -	- 0 -
35	Receivables and patrons' checks	1,173	6,073
36	Inventories	1,048	1,421
37	Prepaid expenses and other current assets	623	2,107
38	Accounts payable	2,411	(8,428)
39	Notes payable	- 0 -	- 0 -
40	Current portion of long-term debt	- 0 -	- 0 -
41	Income taxes payable and accrued	(506)	- 0 -
42	Other accrued expenses	(2,318)	(8,429)
43	Other current liabilities	(2,874)	(4,264)
44	Increase (Decrease) In Working Capital	\$ 8,606	\$ 13,422

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

TRUMP'S CASTLE HOTEL & CASINO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Operation:

Trump's Castle Associates Limited Partnership (the "Partnership") was organized on May 24, 1985, as a New Jersey limited partnership. Donald J. Trump and Trump's Castle Hotel & Casino, Inc., a New Jersey corporation which is owned by Mr. Trump, are the general partners and Mr. Trump is the sole limited partner (the "Partners").

Revenue Recognition:

The Partnership records as revenue the win from gaming activities which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services are recognized at the time the related service is performed.

Promotional Allowances:

Gross revenues include the retail value of complimentary food, beverage and hotel services furnished to patrons. The retail value of these promotional allowances is deducted from gross revenue to arrive at net revenues. The cost of promotional allowances is charged to operations.

Income Taxes:

The accompanying financial statements do not include a provision for federal income taxes for the partnership, since any income or losses allocated to the Partners are reportable for federal income tax purposes by the Partners.

In accordance with regulations prescribed by the New Jersey Casino Control Act, the Company and the Partnership file a State income tax return. The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at (10%).

Allowance for Doubtful Accounts:

The allowance for doubtful accounts is maintained at a level considered adequate to provide for possible future losses. The Partnership has provided \$1,511,000 through December 31, 1986.

Inventories:

Food and beverage inventories are carried on a weighted average basis and all other inventories are carried at the lower of cost or market on a first in, first out basis.

Property and Equipment:

Property and equipment is recorded at cost and is depreciated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for furniture, fixtures and equipment are from three to eight years and 40 years for buildings.

Preopening Expenses:

All costs incurred prior to the opening of Trump's Castle have been deferred. These preopening expenses will be charged to operations over a three-year period using the straight-line method.

Original Issuance Discount and Bond Issuance Costs:

Original issue discount is accreted over the life of the related indebtedness using the effective interest method.

Costs associated with the issuance of the bonds are capitalized and amortized over the life of the bonds using the effective interest method.

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 1986 consisted of:

	<u>1986</u>	<u>1985</u>
Land	\$ 27,970	\$ 24,662
Buildings	237,106	238,122
Furniture, Fixtures and Equipment	63,930	59,071
Construction in Progress	3,386	1,524
Building Improvements	4,495	- 0 -
Total	<u>\$336,887</u>	<u>\$323,379</u>
Less Accumulated Depreciation	<u>28,689</u>	<u>9,413</u>
	<u>\$308,198</u>	<u>\$313,966</u>

NOTE 3 - LONG DEBT:

On June 27, 1985 Trump Castle Funding ("The Company") issued its Series A-1 and Series A-2 First Mortgage Bonds (the "Bonds") for proceeds of \$300,000,000. The proceeds of the bonds were loaned by the Company to the Partnership under terms which conform in all material respects with the terms of the Bonds, and were used by the Partnership to repay the interim bank financing.

The Series A-1 Bonds in an aggregate principal amount of \$226,800,000 bear interest at a rate of 13 3/4%, which is payable semiannually, with the principal due in full in 1997. These Bonds are redeemable at any time, subject to certain conditions, at the option of the Company, at the principal amount plus a premium of 13 3/4%, in the first year, which premium declines ratably each year to zero in the year of maturity. In addition, commencing in 1990, the Company will be required to annually make sinking fund payments in an amount sufficient to redeem 10% of the principal amount of the Series A-1 Bonds up to a maximum of 70% of the principal amount through 1996.

The Series A-2 Bonds in an aggregate principal amount of \$125,000,000 bear interest at a rate of 7% and were issued at a discount (net proceeds of \$73,200,000) at an effective interest rate of 13 3/4%. Interest will be payable semiannually and the principal will be due in full in 1999. These Bonds will be redeemable at any time, subject to certain conditions, at the option of the Company, at 100% of the stated principal amount thereof.

The Bonds are secured solely by an assignment to the Trustee of the Partnership's notes to the Company in the aggregate amount necessary to service Bonds and by a first mortgage on Partnership, excluding cash which may be distributed as described below (regardless of whether such cash has been distributed) and are non recourse to such distributable cash. The Partnership has issued a nonrecourse, limited guaranty of the payment of the principal of, premium, if any, and interest on the Bonds. The bonds are nonrecourse to the Partners of the Partnership and the shareholders of the Company and all other persons and entities (other than the Company and the Partnership). The Bonds cannot be subordinated to any other future borrowings by the Partnership or the Company.

The Bond indenture permits the quarterly distribution of available cash flow, as defined, to the Partners in excess of \$1,512,000. The Partnership must also maintain such cash flow in an aggregate amount of \$6,048,000 during each 12-month period ending June 30, 1986 through 1990. In addition, the Bond indenture limits additional borrowings

NOTE 6 - OTHER ACCRUED EXPENSES:

(In Thousands of Dollars)

Other accrued expenses consist of:

	1986	1985
and liens, certain activities of the Partnership and the Company, and the consolidation, merger and transfer of substantially all of the assets, among other provisions.	74	1,775

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS:

(In Thousands of Dollars)

Prepaid expenses consist of:	1986	1985
Casino License Fee	\$ 0	\$ 46
Slot Machine License	421	421
Insurance	1,085	398
License & Permits	34	12
Postage	5	9
Entertainment	40	105
Contracts	42	14
Other	663	357
Taxes		
Total Prepaid Expenses	<u>\$2,290</u>	<u>\$1,362</u>
Other current assets consist of:		
Deferred Production Costs	\$ 103	\$ 231
Deferred Menus	- 0 -	- 0 -
Deferred Uniforms	58	76
Chips & Tokens	149	438
Deferred - Other	130	- 0 -
Total Other Current Assets	<u>440</u>	<u>745</u>
Total Prepaid Expenses and Other	<u>\$2,730</u>	<u>\$2,107</u>

NOTE 5 - OTHER ASSETS - (NET):

(In Thousands of Dollars)

Other assets consist of:	1986	1985
Preopening Expenses (Net)	\$ 3,221	\$ 5,424
Deferred Bond Costs (Net)	12,838	12,825
Total Other Assets	<u>\$16,059</u>	<u>\$18,249</u>

Non-operating income for periods ended December 31,	1986	1985
Discount Earned	\$ 10	\$ 143
Interest Income	781	1,318
Total Non-Operating Income	<u>\$791</u>	<u>\$1,461</u>

NOTE 6 - OTHER ACCRUED EXPENSES:

(In Thousands of Dollars)

Other accrued expenses consist of:	1986	1985
Accrued Payroll	\$ 1,917	\$1,701
Accrued Interest	1,774	1,775
Accrued Advertising	514	716
Accrued Progressive Jackpots	2,893	1,405
Accrued Payroll Taxes	496	609
Accrued Sick/Vacation	2,588	1,571
Other Taxes	565	652
	<u> </u>	<u> </u>
Total Other Accrued Expenses	<u>\$10,747</u>	<u>\$8,429</u>

NOTE 7 - OTHER CURRENT LIABILITIES:

(In Thousands of Dollars)

Other current liabilities consist of:	1986	1985
Outstanding Chip Liability	\$ 820	\$ 586
Outstanding Token Liability	72	88
Patron Deposits	202	170
Accrued Utilities	372	460
Accrued Group Health Insurance	618	400
Accrued Insurance	505	- 0 -
A/P Other	1,297	2,560
Accrued Legal	86	- 0 -
Accrued CCC/DGE	598	- 0 -
Accrued Union	129	- 0 -
Accrued Construction	986	- 0 -
Accrued Inventories	749	- 0 -
Accrued Real Estate Tax	- 0 -	- 0 -
Accrued CRDA	704	- 0 -
	<u> </u>	<u> </u>
Total Other Current Liabilities	<u>\$7,138</u>	<u>\$4,264</u>

NOTE 8 - NON - OPERATING INCOME (EXPENSE) - NET:

(In Thousands of Dollars)

Non-operating income for periods ended December 31, 1986 consists of:

	<u>3 Months</u>	<u>12 Months</u>
Discount Earned	\$ 23	\$ 75
Interest Income	623	1,986
Gain(Loss) on Property Dispositions	<u>1</u>	<u>(1)</u>
Total Non-Operating Income	<u>\$647</u>	<u>\$2,060</u>

Non-operating income for periods ended December 31, 1985 consist of:

Discount Earned	\$ 10	\$ 15
Interest Income	<u>783</u>	<u>1,538</u>
Total Non-Operating Income	<u>\$793</u>	<u>\$1,553</u>

NOTE 9 - RETIREMENT SAVINGS PLAN:

On September 1, 1986, the Trump's Castle adopted a voluntary retirement savings plan for its nonunion employees. Eligible participating employees may elect to contribute up to 10% of their pre-tax earnings. The company contributes 50% of the first 3% of the participants contribution. Through December 31, 1986, Trump's Castle Contribution/Accrual amounted to \$145,300.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

The Partnership is subject to certain commitments with respect to its obligations to make certain road improvements near Trump's Castle. Although the amount of such commitments cannot be estimated at this time, such commitments may be material to the Partnership.

During June 1985, the New Jersey Casino Control Commission ("CCC") issued the Partnership a plenary license to operate Trump's Castle. A license is not transferable, is issued for a term of one year and must be acted upon by the CCC no later than 30 days prior to the expiration of the license then in force.

The New Jersey Casino Control Act, as amended in 1984, requires the Partnership to make qualified investments, as defined, in New Jersey, or pay an alternative tax after its first year of operations. Commencing July, 1986, the Partnership must either obtain investment tax credits, as defined, in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by the purchase of bonds at below market rates from the newly created Casino Reinvestment Development Authority ("CRDA") or by making qualified investments which must be approved by the CRDA. Such payments of the partnership's obligation must be made quarterly.

The total obligation for all periods through December 31, 1986, is \$1,628,543, for which deposits have been made of \$924,732. Since the bonds are expected to bear interest at below market rates, the partnership has charged to operations \$416,000 for the year ended 1986.

NOTE 11 - PROMOTIONAL ALLOWANCE AND PROMOTIONAL EXPENSES:

Promotional Expenses and Allowances and number of recipients for the year ended December 31, 1986 consisted of the following:

DESCRIPTION	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Amount</u>	<u>Number of Recipients</u>	<u>Amount</u>
Rooms	\$ 105,982	\$ 8,733		
Food	896,993	9,402		
Beverage	2,250,282	5,454		
Other:				
Travel	7,235	806	25,409	\$ 4,771
Cash Coupons			1,479,617	15,506
Food Coupons	900,180	4,845		
Admissions	45,535	522		
Other		106		286
Totals	\$4,206,207	\$29,868	1,505,026	\$20,563

Promotional Expenses and Allowance and number of recipients for the period September thru December 31, 1986 consisted of the following:

DESCRIPTION	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Numbers of Recipients</u>	<u>Amount</u>	<u>Number of Recipients</u>	<u>Amount</u>
Rooms	\$ 34,192	\$2,064		
Food	193,646	2,346		
Beverage	676,679	1,352		
Other:				
Travel	2,706	303	7,233	\$1,208
Cash Coupons			428,943	4,128
Food Coupons	223,997	1,869		
Admissions	6,973	76		
Other		30		115
Totals	\$1,138,193	\$8,040	436,176	\$5,451

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 86

CASINO DEPARTMENTAL SCHEDULE

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
Patrons' Checks:				
1	Undeposited patrons' checks	\$ 5,891		
2	Returned patrons' checks	1,466		
3	Total patrons' checks	7,357	\$ 1,500	\$ 5,857
4	Hotel Receivables	1,297	11	1,286
Other Receivables:				
5	Receivables due from officers and employees.....	24		
6	Receivables due from affiliates	- 0 -		
7	Other accounts and notes receivables	79		
8	Total other receivables	103	- 0 -	103
9	Totals (Form 305).....	\$ 8,757	\$ 1,511	\$ 7,246

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 4,315
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	182,870
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(141,627)
13	Checks collected through deposits	(38,201)
14	Checks transferred to returned checks	(1,466)
15	Other adjustments	- 0 -
16	Ending Balance	\$ 5,891
17	"Hold" Checks Included In Balance On Line 16	\$ - 0 -
18	Provision For Uncollectible Patrons' Checks	\$ 1,618
19	Provision As A Percent Of Counter Checks Issued .....	.8

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 46,246	\$ 304,894	15.2 %	74
2	Craps	45,123	284,055	15.9	24
3	Roulette	11,245	41,239	27.3	12
4	Big Six	2,162	4,751	45.5	4
5	Baccarat	6,432	42,681	15.1	3
6	Other table games	- 0 -	- 0 -	- 0 -	- 0 -
7	Total table games revenue	111,208	\$ 677,620	16.4 %	117
			HANDLE		
8	\$.05 slot machines	4,324	\$ 28,552	15.1	98
9	\$.25 slot machines	55,655	415,586	13.4	1,000
10	\$1.00 slot machines	18,291	168,993	10.8	229
11	Other slot machines	37,000	333,217	11.1	358
12	Total coin-operated devices revenue	115,270	\$ 946,348	12.2 %	1,685
13	Progressive jackpot adjustment	1,488			
14	Total coin-operated devices revenue after adjustment	113,782			
15	Other income	- 0 -			
16	Total revenue	224,990			
	Expenses:				
17	Payroll and payroll related expenses	36,395			
18	Licenses and taxes	18,057			
19	Provision for uncollectible patrons' checks	1,618			
20	Other	8,499			
21	Total	64,569			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	160,421			
	Complimentary services and casino management fees:				
23	Complimentary services	5,155			
24	Casino management fees	- 0 -			
25	Total	5,155			
26	Departmental Income (Loss)	\$ 155,266			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :
COUNTY OF ATLANTIC :ss.

TOM VENIER, being duly sworn according to law upon my oath
Name

deposes and says:

1. I have examined this Annual Report.
2. All the information contained in this Report has been prepared in conformity with Casino Control Commission's Annual Report Instructions and Uniform Chart of Accounts.
3. The information contained in this Annual Report is accurate to the best of my knowledge and belief.

Tom Venier
Signature

Director of Financial Accounting
Title

00711-11
License Number

Subscribed and sworn to
before me this 12th day
of March, 1987

On Behalf Of:

Sharon J. Miller
Signature

Casino Licensee

SHARON J. MILLER
NOTARY PUBLIC OF NEW JERSEY

My Commission Expires JUNE 18, 1991

Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE TRUMP CASTLE ASSOCIATES
ADDRESS HURON AVENUE & BRIGANTINE BLVD
ATLANTIC CITY, NJ 08406

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL TAX RETURN Robert S. Fiore

OFFICIAL TITLE..... Vice President Finance & Treasurer

ADDRESS..... Huron Avenue & Brigantine Blvd

Atlantic City, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 86

STATE OF NEW JERSEY

(UNAUDITED)

COUNTY OF ATLANTIC

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 111,208	
2	Coin-operated devices revenue	115,270	
3	Total revenues		\$ 226,478
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 1,618	
5	Maximum adjustment (4% of line 3)	\$ 6,794	
6	Adjustment (the lesser of line 4 or line 5)		1,618
7	Gross revenues (line 3 less line 6)		\$ 224,860
8	Tax on gross revenues - current year (8% of line 7)		\$ 17,989
9	Audit or other adjustments to tax on gross revenues in prior years		- 0 -
10	Total tax on gross revenues (line 8 plus or minus line 9)		17,989
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 1,214	
12	February	1,165	
13	March	1,260	
14	April	1,610	
15	May	1,462	
16	June	1,385	
17	July	2,012	
18	August	1,636	
19	September	1,518	
20	October	1,833	
21	November	1,338	
22	December	1,244	
23	January	312	
24	Total deposits made for tax on current year's gross revenues		(17,989)
	Settlement of prior years' tax on gross revenues		
25	resulting from audit or other adjustments - (deposits) credits		- 0 -
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)		\$ - 0 -

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE TRUMP'S CASTLE ASSOCIATES

ADDRESS HURON & BRIGANTINE BLVD

ATLANTIC CITY, NJ 08406

FOR THE YEAR ENDED DECEMBER 31, 1986

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

Robert S. Fiore

OFFICIAL TITLE

Vice President Finance & Treasurer

ADDRESS

Huron Avenue & Brigantine Blvd

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 86
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
1	Administration	29			
2	Gaming	1,027			
3	Slots	299			
4	Casino accounting	45			
5	Other	152	\$	\$	\$
6	Total-casino	1,552	29,461,418		29,461,418
7	ROOMS	200	2,555,290		2,555,290
8	FOOD AND BEVERAGE	1,042	12,828,032		12,828,032
	OTHER OPERATED DEPARTMENTS				
9	Communications	24	357,844		357,844
10	Gift Shop	17	205,959		205,959
11	Transportation	109	1,529,966		1,529,966
12	Wardrobe	27	433,051		433,051
13	Health Club	4	74,978		74,978
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	7		906,781	906,781
21	Accounting and auditing	318	3,552,861		3,552,861
22	Security	221	4,183,458		4,183,458
23	Other administrative and general department ..	205	4,204,498		4,204,498
24	MARKETING	25	538,282		538,282
25	GUEST ENTERTAINMENT	79	1,990,738		1,990,738
26	PROPERTY OPERATION AND MAINTENANCE	102	2,982,684		2,982,684
		3,932	\$ 64,899,059	\$ 906,781	\$ 65,805,840

15000 AVENUE DE TIENNETE
 SUITE 108
 TRUMP'S CASTLE HOTEL & CASINO
 3000 BAYVIEW AVENUE
 SUITE 108
 TRUMP'S CASTLE HOTEL & CASINO

Trading Name of Licensee TRUMP'S CASTLE HOTEL & CASINO

**ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE**

For the Year Ended December 31, 19 86

FOR THE 12 MONTHS ENDED December 31, 19 86

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCUMULATED	(I) AVERAGE RATE PER GUEST ACCUMULATED
1	JANUARY	605	18,623	11,141	\$ 95.35	59.8%	20,470	\$51.45
2	FEBRUARY	605	16,810	10,525	\$ 95.87	62.6%	19,379	\$52.00
3	MARCH	605	18,597	13,568	\$ 94.91	73.0%	20,602	\$50.00
4	1ST QUARTER TOTALS		54,030	35,334	\$ 95.33	65.4%	60,451	\$51.15
5	APRIL	605	17,534	12,705	\$ 84.12	72.5%	17,206	\$47.00
6	MAY	605	18,184	11,826	\$ 94.95	65.1%	17,222	\$50.00
7	JUNE	605	18,015	11,005	\$ 93.30	61.1%	15,004	\$46.00
8	2ND QUARTER TOTALS		52,733	44,736	\$ 90.92	64.1%	57,232	\$47.00
9	JULY	607	18,817	11,553	\$105.35	92.8%	13,072	\$57.00
10	AUGUST	607	18,790	11,000	\$108.84	94.2%	13,029	\$57.00
11	SEPTEMBER	607	18,165	11,773	\$ 97.11	64.9%	12,899	\$51.00
12	3RD QUARTER TOTALS		55,792	44,326	\$104.08	89.3%	49,000	\$55.00
13	OCTOBER	607	18,802	11,004	\$ 90.11	86.0%	30,559	\$47.00
14	NOVEMBER	607	18,123	11,008	\$ 91.40	85.0%	28,859	\$48.00
15	DECEMBER	607	18,595	11,006	\$106.03	78.2%	25,464	\$55.00
16	4TH QUARTER TOTALS		65,530	44,026	\$ 95.30	81.0%	84,882	\$50.52
17	ANNUAL TOTALS		219,075	173,512	\$ 96.74	79.2%	326,275	\$51.45

3/12/87
Date

Tom V...
Signature

Director of Financial Accounting
Title

TRADING NAME OF LICENSEE Trump's Castle Hotel & Casino

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 86

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	605	18,623	11,141	\$ 95.35	59.8%	20,470	\$ 51.90
2	FEBRUARY	605	16,810	10,525	\$ 95.87	62.6%	19,373	\$ 52.08
3	MARCH	605	18,597	13,668	\$ 94.91	73.5%	25,682	\$ 50.51
4	1ST QUARTER TOTALS		54,030	35,334	\$ 95.33	65.4%	65,525	\$ 51.41
5	APRIL	605	17,534	13,705	\$ 84.12	78.2%	26,206	\$ 43.99
6	MAY	605	18,184	13,826	\$ 94.96	76.0%	26,222	\$ 50.07
7	JUNE	605	18,015	15,805	\$ 93.30	87.7%	30,044	\$ 49.08
8	2ND QUARTER TOTALS		53,733	43,336	\$ 90.92	80.7%	82,472	\$ 47.78
9	JULY	607	18,817	17,363	\$ 105.35	92.3%	32,072	\$ 57.03
10	AUGUST	607	18,790	17,710	\$ 108.64	94.3%	33,329	\$ 57.73
11	SEPTEMBER	607	18,185	14,773	\$ 97.11	81.2%	27,999	\$ 51.24
12	3RD QUARTER TOTALS		55,792	49,846	\$ 104.08	89.3%	93,400	\$ 55.54
13	OCTOBER	607	18,802	16,164	\$ 90.11	86.0%	30,559	\$ 47.66
14	NOVEMBER	607	18,123	15,408	\$ 91.40	85.0%	28,859	\$ 48.80
15	DECEMBER	607	18,595	13,424	\$ 106.03	72.2%	25,464	\$ 55.90
16	4TH QUARTER TOTALS		55,520	44,996	\$ 95.30	81.0%	84,882	\$ 50.52
17	ANNUAL TOTALS		219,075	173,512	\$ 96.74	79.2%	326,279	\$ 51.44