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QUARTERLY REPORT

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LICENSEE ATLANTIC CITY SHOWBOAT, INC
ADDRESS P.O. BOX 840
ATLANTIC CITY, NEW JERSEY

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

RECEIVED
NEW JERSEY
AUG 17 Rec'd
CASINO CONTROL
COMMISSION

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT ...
OFFICIAL TITLE
ADDRESS

MARK MILLER
VICE PRESIDENT FINANCE
P.O. BOX 840
ATLANTIC CITY, NEW JERSEY

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

BALANCE SHEET

JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 19 92 | (d) 19 91 |
|-------------|--|------------|------------|
| | ASSETS | | |
| | Current Assets: | \$ | \$ |
| 1 | Cash | 25,684 | 30,274 |
| 2 | Marketable securities | | |
| 3 | Receivables and patrons' checks (net of allowances for doubtful accounts - 19_92_ \$ 3,023 ; 19_91_ \$ 4,551 ) .....NOTE 3. | 4,584 | 5,332 |
| 4 | Inventories | 1,905 | 1,953 |
| 5 | Prepaid expenses and other current assets..... | 3,667 | 3,614 |
| 6 | Total current assets | 35,840 | 41,173 |
| 7 | Investments, Advances, And Receivables NOTE 2 & 12 | 15,866 | 18,150 |
| 8 | Property And Equipment - Net NOTE 4 | 206,312 | 208,569 |
| 9 | Other Assets | 9,049 | 9,686 |
| 10 | Total Assets | \$ 267,067 | \$ 277,578 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | \$ | \$ |
| 11 | Accounts payable | 6,687 | 4,502 |
| 12 | Notes payable | | |
| | Current portion of long-term debt: | | |
| 13 | Due to affiliates | | |
| 14 | Other .....NOTE 7 | 2,138 | 3,089 |
| 15 | Income taxes payable and accrued..... | 394 | 273 |
| 16 | Other accrued expenses .....NOTE 5 | 13,033 | 13,143 |
| 17 | Other current liabilities .....NOTE 6 | 12,494 | 11,196 |
| 18 | Total current liabilities | 34,746 | 32,203 |
| | Long-Term Debt: | | |
| 19 | Due to affiliates .....NOTE 2 | 149,444 | 161,540 |
| 20 | Other .....NOTE 7 | 5,363 | 7,911 |
| 21 | Deferred Credits | 8,957 | 4,998 |
| 22 | Other Liabilities .....NOTE 2 | 10,430 | 24,881 |
| 23 | Commitments And Contingencies NOTE 13 | | |
| 24 | Total Liabilities | 208,940 | 231,533 |
| 25 | Stockholders', Partners', Or Proprietor's Equity..... | 58,127 | 46,045 |
| 26 | Total Liabilities And Equity | \$ 267,067 | \$ 277,578 |

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 ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 19 92 | (d) 19 91 |
|-------------|---|------------|------------|
| | Revenue: | | |
| 1 | Casino | \$ 126,777 | \$ 114,034 |
| 2 | Rooms | 5,475 | 4,903 |
| 3 | Food and beverage | 14,502 | 15,607 |
| 4 | Other | 2,183 | 1,933 |
| 5 | Total revenue | 148,937 | 136,477 |
| 6 | Less: Promotional allowances .....NOTE 11 | 11,319 | 10,953 |
| 7 | Net revenues | 137,618 | 125,524 |
| | Costs And Expenses: | | |
| 8 | Costs of goods and services | 79,893 | 76,770 |
| 9 | Selling, general, and administrative | 29,390 | 23,724 |
| 10 | Provision for doubtful accounts | 331 | 1,365 |
| 11 | Depreciation and amortization | 9,413 | 10,203 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees | | |
| 13 | Other | | |
| 14 | Total costs and expenses | 119,027 | 112,062 |
| 15 | Income (Loss) From Operations | 18,591 | 13,462 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates | (8,500) | (9,193) |
| 17 | Interest (expense) - external | (727) | (907) |
| 18 | Investment alternative tax and related income (expense) - net | (523) | (551) |
| 19 | Nonoperating income (expense) - net | 634 | 540 |
| 20 | Total other income (expenses) | (9,116) | (10,111) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items | 9,475 | 3,351 |
| 22 | Provision (credit) for income taxes .....NOTE 9 | 3,342 | 1,467 |
| 23 | Income (Loss) Before Extraordinary Items | 6,133 | 1,884 |
| 24 | Extraordinary items (net of income taxes - 19 92, \$ _____ ; 19 91, \$ _____) | | |
| 25 | Net Income (Loss) | \$ 6,133 | \$ 1,884 |

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 ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 19 92 | (d) 19 91 |
|-------------|---|-----------|-----------|
| 1 | Revenue: Casino | \$ 64,942 | \$ 60,931 |
| 2 | Rooms | 2,930 | 2,647 |
| 3 | Food and beverage | 7,571 | 8,710 |
| 4 | Other | 1,096 | 1,128 |
| 5 | Total revenue | 76,539 | 73,416 |
| 6 | Less: Promotional allowances .....NOTE 11 | 5,843 | 6,080 |
| 7 | Net revenues | 70,696 | 67,336 |
| 8 | Costs And Expenses: Costs of goods and services | 40,644 | 39,648 |
| 9 | Selling, general, and administrative | 15,735 | 12,106 |
| 10 | Provision for doubtful accounts | 161 | 586 |
| 11 | Depreciation and amortization | 3,976 | 5,126 |
| 12 | Charges from affiliates other than interest: Management fees | | |
| 13 | Other | | |
| 14 | Total costs and expenses | 60,516 | 57,466 |
| 15 | Income (Loss) From Operations | 10,180 | 9,870 |
| 16 | Other Income (Expenses): Interest (expense) - affiliates | (4,250) | (4,599) |
| 17 | Interest (expense) - external | (350) | (441) |
| 18 | Investment alternative tax and related income (expense) - net | (265) | (334) |
| 19 | Nonoperating income (expense) - net | 290 | 183 |
| 20 | Total other income (expenses) | (4,575) | (5,191) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items | 5,605 | 4,679 |
| 22 | Provision (credit) for income taxes | 2,030 | 1,970 |
| 23 | Income (Loss) Before Extraordinary Items | 3,575 | 2,709 |
| 24 | Extraordinary items (net of income taxes - 19 92, \$ _____ ; 19 91, \$ _____) | | |
| 25 | Net Income (Loss) | \$ 3,575 | \$ 2,709 |

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 ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|---|--------------|-------------|--------------|-------------|
| | | (c) SHARES | (d) DOLLARS | (e) SHARES | (f) DOLLARS |
| 1 | Common Stock: 2500 SHARES AUTHORIZED Beginning balance (January 1) | 1,500 | 76,909 | 1,500 | 76,909 |
| 2 | Sale of stock | | | | |
| 3 | ..... |  |  |  |  |
| 4 | Ending balance | 1,500 | 76,909 | 1,500 | 76,909 |
| 5 | Preferred Stock: Beginning balance (January 1) | | | | |
| 6 | Sale of stock | | | | |
| 7 | ..... |  |  |  |  |
| 8 | Ending balance | | | | |
| 9 | Additional Paid-in Capital: Beginning balance (January 1) | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 10 | ..... | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 11 | ..... | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 12 | Ending balance | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 13 | Treasury Stock: Beginning balance (January 1) | | () | | () |
| 14 | Purchase of additional stock | | () | | () |
| 15 | Sale or retirement of stock | | | | |
| 16 | Ending balance | | () | | () |
| 17 | Subscriptions Receivable For Capital Stock: Beginning balance (January 1) | | () | | () |
| 18 | ..... |  |  |  |  |
| 19 | ..... |  |  |  |  |
| 20 | Ending balance | | () | | () |
| 21 | Net Unrealized Loss On Noncurrent Marketable Equity Securities: Beginning balance (January 1) | XXXXXXXXXXXX | () | XXXXXXXXXXXX | () |
| 22 | ..... | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 23 | ..... | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 24 | Ending balance | XXXXXXXXXXXX | () | XXXXXXXXXXXX | () |
| 25 | Retained Earnings: Beginning balance (January 1) | XXXXXXXXXXXX | (24,915) | XXXXXXXXXXXX | (32,748) |
| 26 | Prior period adjustments | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 27 | Net income (loss) | XXXXXXXXXXXX | 6,133 | XXXXXXXXXXXX | 1,884 |
| 28 | Dividends | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 29 | ..... | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 30 | ..... | XXXXXXXXXXXX | | XXXXXXXXXXXX | |
| 31 | Ending balance | XXXXXXXXXXXX | (18,782) | XXXXXXXXXXXX | (30,864) |
| 32 | Ending Stockholder's Equity | XXXXXXXXXXXX | 58,127 | XXXXXXXXXXXX | 46,045 |

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 19 92 | (d) 19 91 |
|-------------|---|-----------|-----------|
| 1 | Net Cash Provided(Used) By Operating Activities | \$ 8,965 | \$ 2,935 |
| 2 | Cash Flows From Investing Activities: | | |
| 3 | Purchase of short-term investment securities | | |
| 4 | Proceeds from the sale of short-term investment securities | | |
| 5 | Cash outflows for property and equipment | (10,149) | (5,771) |
| 6 | Proceeds from disposition of property and equipment | 78 | 394 |
| 7 | Purchase of casino reinvestment obligatons | (1,446) | (1,288) |
| 8 | Purchase of other investments and loans/advances made | | |
| 9 | Proceeds from disposal of investments and collection of advances and long-term receivables | 2,445 | 3,136 |
| 10 | Cash outflows to acquire business entities | | |
| 11 | | | |
| 12 | Net Cash Provided (Used) By Investing Activities | (9,072) | (3,529) |
| 13 | Cash Flows From Financing Activities: | | |
| 14 | Cash proceeds from issuance of short-term debt | | |
| 15 | Payments to settle short-term debt | | |
| 16 | Cash proceeds from issuance of long-term debt | | |
| 17 | Cost of issuing debt | | |
| 18 | Payments to settle long-term debt | (2,035) | (1,432) |
| 19 | Cash proceeds from issuing stock or capital contributions | | |
| 20 | Purchases of treasury stock | | |
| 21 | Payments of dividends or capital withdrawals | | |
| 22 | | | |
| 23 | Net Cash Provided (Used) By Financing Activities | (2,035) | (1,432) |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents | (2,142) | (2,026) |
| 25 | Cash And Cash Equivalents At Beginning Of Years | 27,826 | 32,300 |
| 26 | Cash And Cash Equivalents At End Of Years | \$ 25,684 | \$ 30,274 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|----------|----------|
| 27 | Cash Paid During Period For: Interest (net of amount capitalized) | \$ 8,993 | \$ 9,331 |
| 28 | Income taxes | \$ 2,200 | \$ 650 |

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 19 92 | (d) 19 91 |
|-------------|--|-----------------|-----------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ 6,133 | \$ 1,884 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment | 9,413 | 10,203 |
| 31 | Amortization of other assets | 235 | 245 |
| 32 | Amortization of debt discount or premium | | |
| 33 | Deferred income taxes - current | | |
| 34 | Deferred income taxes - noncurrent | 2,049 | 1,025 |
| 35 | (Gain) loss on disposition of property and equipment | (33) | 327 |
| 36 | (Gain) loss on casino reinvestment obligations | 523 | 551 |
| 37 | (Gain) loss from other investment activities | 10 | |
| 38 | Net (increase) decrease in receivables and patrons' checks | 242 | 1,352 |
| 39 | Net (increase) decrease in inventories | (180) | 257 |
| 40 | Net (increase) decrease in other current assets | (1,628) | (1,119) |
| 41 | Net (increase) decrease in other assets | 1,213 | (53) |
| 42 | Net increase (decrease) in accounts payables | 143 | (653) |
| 43 | Net increase (decrease) in other current liabilities excluding debt | 258 | (2,878) |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt | | (6) |
| | Decrease in noncurrent mgmtnt fee payable | (9,413) | (8,109) |
| 46 | Write-off non-cash current asset..... | | (91) |
| 47 | Net Cash Provided (Used) By Operating Activities | \$ 8,965 | \$ 2,935 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|------------------|-----------------|
| 48 | Acquisition Of Property And Equipment: Additions to property and equipment | \$ 10,149 | \$ 5,771 |
| 49 | Less: Capital lease obligations incurred | | |
| 50 | Cash Outflows For Property And Equipment | \$ 10,149 | \$ 5,771 |
| | Acquisition Of Business Entries: | | |
| 51 | Property and equipment acquired | \$ | \$ |
| 52 | Goodwill acquired | | |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment | | |
| 54 | Long-term debt assumed | | |
| 55 | Issuance of stock or capital invested | | |
| 56 | Cash Outflows To Acquire Business Entries | \$ | \$ |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contributions | \$ | \$ |
| 58 | Less: Issuances to settle long-term debt | | |
| 59 | Consideration in acquisition of business entities | | |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions | \$ | \$ |

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(UNAUDITED)
(\$ IN THOUSANDS)

| ACCOUNTS RECEIVABLE BALANCES | | | |
|--|------------------------|------------------|--|
| DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE |
| Patrons' Checks: | \$ | | |
| Undeposited patrons' checks | 3,124 | | |
| Returned patrons' checks | 3,400 | | |
| Total patrons' checks | 6,524 | \$ 2,888 | \$ 3,636 |
| Hotel Receivables | 614 | 135 | 479 |
| Other Receivables: | | | |
| Receivables due from officers and employees..... | 0 | | |
| Receivables due from affiliates | 167 | | |
| Other accounts and notes receivables | 302 | | |
| Total other receivables | 469 | 0 | 469 |
| Totals (Form 205)..... | \$ 7,607 | \$ 3,023 | \$ 4,584 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | |
|--|---------------|
| DESCRIPTION (g) | AMOUNT (h) |
| Beginning Balance (January 1) | \$ 3,143 |
| Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) | 57,402 |
| 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) | (40,455) |
| Checks collected through deposits | (15,061) |
| Checks transferred to returned checks | (1,905) |
| Other adjustments | |
| Ending Balance | \$ 3,124 |
| "Hold" Checks Included In Balance On Line 16 | \$ |
| Provision For Uncollectible Patrons' Checks | \$ 286 |
| Provision As A Percent Of Counter Checks Issued | 0.5 % |

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

June 30, 1992 and 1991

1. Summary of Significant Accounting Policies

Nature of Operations

Atlantic City Showboat, Inc. (the Company), is a wholly-owned subsidiary of Ocean Showboat, Inc. (OSI), which is a wholly-owned subsidiary of Showboat, Inc. (SBO). OSI was incorporated in 1983 and is a holding company with its principal assets being investments in the Company and Ocean Showboat Finance Corporation (OSFC). OSFC was organized in December 1986 in connection with the sale of \$180,000,000 of 11.375% Mortgage-Backed Bonds Due 2002 (the Bonds). The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar, bowling, and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey (Atlantic City Showboat).

Disclosure

In accordance with the Quarterly Report Instructions, the Company has not submitted updated information for the summary of significant accounting policies, aggregate maturities of long term debt, future lease obligations and the reconciliation of the provision for income taxes to the statutory rate. There has been no significant changes to the information submitted in our December 31, 1991 Annual Report.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

2. Related Party Transactions

In November 1985, the Company and Showboat, Inc. (SBO) entered into a Parent Services Agreement whereby SBO agreed to provide the Company with executive, financial, data processing, legal, marketing, tax planning and compliance, and administrative services. SBO's services are intended to support and supplement the routine functions and responsibilities of the Company's staff and are not intended to substitute for the Company's performance or OSI's oversight responsibilities. In addition to the services outlined above, SBO has also granted the Company a nonexclusive right to the use of each of SBO's trademarks, service marks, trade names, and logos in the operations of the Company's business, including the registered trademark "Showboat."

In consideration for such services and license, the Company has agreed to pay SBO a fee equal to five percent of gross revenues, payable on a quarterly basis. The Indenture provides that this management fee may not be paid during any period in which certain tests are not met.

(Continued)

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements

2 . Continued

Related Party Transactions

In December 1990, SBO and the Company agreed effective January 1, 1990 to cancel and terminate the Company's obligation to pay management fees to SBO during the period from January 1, 1990 until the fees accrued prior to January 1, 1990 (approximately \$24,678,000 net of intercompany tax obligations) are paid in full to SBO and that upon payment in full the obligation to pay fees will recommence for periods beginning after payment of the accrued fees. Under the terms of the Indenture, accrued management fees can be paid once earnings before interest expense and income taxes on a rolling twelve-month basis is 1.5 times the interest expense for the next twelve months (Threshold). The multiple increases to 1.6 times effective July 1, 1992, and increases on each succeeding July 1, by .1 until July 1, 1996, when the multiple becomes and remains 2.0 for the remaining life of the issue. On March 22, 1991, the New Jersey Casino Control Commission ruled that all payments of management fees pursuant to the Parent Services Agreement must receive the prior approval of the Commission. During the six months ended June 30, 1992, the Company met the Threshold and with the approval of the Commission paid to SBO management fees, net of intercompany tax obligations, \$4,893,000. At June 30, 1992, the Company owed \$10,287,000 in accrued fees, net of intercompany tax obligations, to SBO for SBO's services rendered to the Company in accordance with the Parent Services Agreement and capitalized interest related to the original construction of Atlantic City Showboat.

On March 18, 1987, OSFC issued \$180,000,000 of Bonds, with interest payable semi-annually at the annual rate of 11.375%. The proceeds and related issuance costs of the Bonds were subsequently transferred to the Company in exchange for a promissory note containing the same terms and conditions to which OSFC is subject. OSFC is required to redeem, on March 15 in each year, commencing in 1994 and ending in 2001, \$18,000,000 of Bonds at a redemption price equal to 100% of the principal amount thereof. During the years ended December 31, 1991 and 1990, the Company purchased \$12,096,000 and \$18,460,000 face value, respectively, of the Bonds. The Company can apply these purchased Bonds toward the required redemptions which, if applied, would satisfy the requirement fully for March 15, 1994 and \$12,556,000 of the March 15, 1995 required redemption. However, the Company does not currently plan to apply the purchased Bonds.

The Bonds are secured by a leasehold mortgage on the Company's ground lease on the site of the Atlantic City Showboat, the Atlantic City Showboat complex, and certain personal property. The Bonds are unconditionally guaranteed by OSI. The Indenture places significant restrictions on the payment of dividends, the making of loans and advances by the Company to SBO and its Las Vegas subsidiaries, the payment of management fees to SBO, the incurrence of additional indebtedness by the Company (except for up to \$15,000,000 of short-term borrowings), and the Company's investment activities. At June 30, 1992, the restrictions in the Indenture did not permit OSI to pay dividends to SBO.

(Continued)

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements

2. Continued

Related Party Transactions

The Company's \$10,000,000 unsecured line of credit, originally scheduled to expire May 31, 1992, has been increased to \$15,000,000 and extended to September 30, 1992. At June 30, 1992, no funds had been drawn on this line of credit.

3. Receivables

As of June 30, 1992 and 1991, receivables consisted of the following (dollars in thousands):

| | 1992 | 1991 |
|--------------------------------------|----------|-------|
| Casino | \$ 6,524 | 8,702 |
| Hotel | 614 | 651 |
| Other | 469 | 530 |
| | 7,607 | 9,883 |
| Less allowance for doubtful accounts | 3,023 | 4,551 |
| | \$ 4,584 | 5,332 |

4. Property and Equipment

As of June 30, 1992 and 1991, Property and equipment consisted of the following: (dollars in thousands):

| | 1992 | 1991 |
|--|------------|---------|
| Building and improvements | \$ 198,392 | 195,607 |
| Furniture, fixtures & equipment | 68,503 | 56,014 |
| Properties under capital lease: | | |
| Building | 2,050 | 2,050 |
| Furniture, Fixtures & Equipment | 18,380 | 20,059 |
| Construction in progress | 3,538 | 2,065 |
| | 290,863 | 275,795 |
| Less accumulated depreciation and amortization | 84,551 | 67,226 |
| | \$ 206,312 | 208,569 |

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements

5. Other Accrued Expenses

As of June 30, 1992 and 1991, other accrued expenses consisted of the following (dollars in thousands) :

| | 1992 | 1991 |
|--------------------------------------|-----------|--------|
| Salaries and wages | \$ 3,825 | 2,868 |
| Taxes, other than taxes on income | 1,988 | 2,177 |
| Medical claims | 1,197 | 1,404 |
| Settlement Claims | 820 | 546 |
| Progressive slot liability | 946 | 2,160 |
| Accrued advertising and promotion | 123 | 453 |
| Accrued CCC/DGE fees and assessments | 579 | 681 |
| Other | 3,555 | 2,854 |
| | \$ 13,033 | 13,143 |

6. Other Current Liabilities

As of June 30, 1992 and 1991, other current liabilities consisted of the following (dollars in thousands) :

| | 1992 | 1991 |
|----------------------------------|----------|--------|
| Due to affiliates - interest | \$ 4,958 | 5,359 |
| Management fee payable - current | 7,000 | 4,958 |
| Other | 536 | 879 |
| | 12,494 | 11,196 |

7. Leases

The Company leases certain furniture and equipment and a warehouse under long-term lease agreements. The leases covering furniture and equipment, which expire through 1994, and a warehouse, which expires in 2001, are classified as capital leases. The Company has the option to purchase the warehouse from January 1, 1996 through March 31, 2001 at an option price of approximately \$1,928,000.

The Company is leasing 10 1/2 acres of Boardwalk property in Atlantic City, New Jersey for a term of 99 years commencing October 1983. Annual rent payments, which are payable monthly, commenced upon opening of the Atlantic City Showboat. The rent will be adjusted annually based upon increases or decreases in the Consumer Price Index, not to exceed 10% per year during the second through the sixth lease years. In April 1992, the annual rent increased \$244,000 to \$7,875,000. Under the lease, the Company is responsible for taxes, assessments, insurance and utilities.

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$4,250,000 and \$4,096,000 for the six months ended June 30, 1992 and 1991, respectively.

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

8. STOCK PLANS

On May 17, 1990, the shareholders of SBO approved a long-term incentive plan in which officers and key employees of the Company participate. Up to 600,000 shares of SBO common stock may be awarded to plan participants as either restricted shares or stock options. Restricted shares and options vest over a five-year period. The options are exercisable, subject to vesting, over ten years at option prices determined by the Compensation Committee and subject to the approval of the Board of Directors provided that the option price is not less than 75% of the fair market value of SBO's common stock determined on the date of grant of the options. As of June 30, 1992, 225,970 stock options have been granted at fair market value and 100,200 restricted shares have been issued from SBO shares purchased by the Company to its officers and key employees. The cost of the issued shares included in Investment, Advances and Receivables on the balance sheet is \$408,000 at June 30, 1992.

Unearned compensation representing restricted stock issued for future services was recorded on the date of grant at the market value of SBO's common stock of \$7.625 and is being amortized ratably from the date of grant over the five-year vesting period as it is earned. Compensation expense of \$68,000 was recognized for the six months ended June 30, 1992 and 1991. Unearned compensation at June 30, 1992 and 1991 is \$185,000 and \$324,000, respectively, and is included on the balance sheets in Deposits and Other Assets.

In April, 1992, the Board of Directors of the Company adopted the Showboat, Inc. 1992 Employee Stock Option Plan (the Plan) for all full-time and part-time employees. Showboat, Inc. reserved an aggregate of 1,000,000 shares of Showboat, Inc. Common stock for issuance under the Plan. The exercise price of an option shall not be less than the fair market value of Showboat, Inc.'s common stock on the date of grant. Options, all of which expire 10 years from the date of grant, are subject to a vesting schedule and continued affiliation with the Company.

9. INCOME TAXES

For the six months ended June 30, Income tax expense consisted of the following: (dollars in thousands)

| | <u>1992</u> | <u>1991</u> |
|-------------|-----------------|--------------|
| Federal: | | |
| Current | \$ 3,342 | 442 |
| Deferred | <u>0</u> | <u>1,025</u> |
| | 3,342 | 1,467 |
| State taxes | <u>-</u> | <u>-</u> |
| | <u>\$ 3,342</u> | <u>1,467</u> |

The income tax expense (benefit) for the six months ended June 30, reflects an estimate of the effective annual tax rate applicable to the filing periods ending June 30 of the following quarter.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements

10 . EMPLOYEE BENEFIT PLANS

Effective November 1, 1989, the Company amended its retirement and savings plan for eligible employees not covered by a collective bargaining agreement. Under the terms of the amended plan, eligible employees may defer up to 3% of their compensation, as defined, of which 100% of the deferred is matched by the Company. Eligible employees may contribute an additional 12% of their compensation which will not be matched by the Company. Amounts contributed by the Company vest over a five-year period. The Company contributed \$514,000, and \$276,000 to this plan for the six months ended June 30, 1992 and 1991, respectively.

The Company's union employees are covered by union-sponsored, collectively-bargained, multi-employer pension plans. Contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of man-hours worked. Contributions to the plans were \$1,867,000 and \$1,430,000 during the six months ended June 30, 1992 and 1991, respectively.

11 . PROMOTIONAL ALLOWANCES AND EXPENSES

For the six and three months ended June 30, 1992, Promotional allowances and expenses consisted of the following: (in thousands)

| | <u>Promotional Allowances</u> | | | |
|----------|-------------------------------|------------------|--------------------|-----------------|
| | Six Months Ended | | Three Months Ended | |
| | June 30, 1992 | | June 30, 1992 | |
| | <u>Recipients</u> | <u>Amount</u> | <u>Recipients</u> | <u>Amount</u> |
| Rooms | 38 | \$ 3,252 | 24 | \$ 1,709 |
| Food | 558 | 5,278 | 296 | 2,726 |
| Beverage | 2,662 | 2,080 | 1,323 | 1,036 |
| Other | 69 | 709 | 35 | 372 |
| | <u>3,327</u> | <u>\$ 11,319</u> | <u>1,678</u> | <u>\$ 5,843</u> |

| | <u>Promotional Expenses</u> | | | |
|--------|-----------------------------|------------------|--------------------|-----------------|
| | Six Months Ended | | Three Months Ended | |
| | June 30, 1992 | | June 30, 1992 | |
| | <u>Recipients</u> | <u>Amount</u> | <u>Recipients</u> | <u>Amount</u> |
| Coin | 1,129 | \$ 13,454 | 595 | \$ 7,044 |
| Travel | 6 | 1,038 | 3 | 592 |
| Other | - | 9 | - | - |
| | <u>1,135</u> | <u>\$ 14,501</u> | <u>598</u> | <u>\$ 7,636</u> |

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements

12 . NEW JERSEY INVESTMENT OBLIGATION

The New Jersey Casino Control Act (the Act) provides, among other things, for an assessment on a gaming license based upon its gross casino revenues after completion of its first full year of operation. This assessment may be satisfied by investing in qualified direct investments, purchasing bonds issued by the Casino Reinvestment Development Authority (CRDA), or paying an "alternative tax". In order for direct investments to be eligible, they must be approved by the CRDA.

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. At June 30, 1992 and 1991, investments, advances and receivables include \$8,342,000 and \$6,282,000, respectively, representing the Company's deposits with the CRDA of \$12,488,000 at June 30, 1992 and \$9,398,000 at June 30, 1991, net of a valuation allowance of \$4,146,000 and \$3,116,000, respectively.

13 . COMMITMENTS AND CONTINGENCIES

The Company is involved in various claims and legal actions arising in the ordinary course of business. Additionally, the Company is presently protesting an Internal Revenue Service (IRS) assessment based on audits of the Company for the tax years ending June 30, 1988, 1987 and 1986. Although the IRS assessment could result in a reduction of general business credit carryforwards, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.

STATEMENT OF CONFORMITY AND ACCURACY

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

MARK MILLER, being duly sworn according to law upon my oath
Name

deposes and says:

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

[Handwritten Signature]
Signature

VICE PRESIDENT/FINANCE
Title

3587-11
License Number

On Behalf Of:

Subscribed and sworn to
before me this 14th day
of August, 1992

Brenda Sue Wallace
Signature

ATLANTIC CITY SHOWBOAT, INC.
Casino Licensee

BRENDA SUE WALLACE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Jan. 30, 1995.

Basis of Authority
to Take Oaths

974-901
.C193

QUARTERLY REPORT

PROPERTY OF
NEW JERSEY STATE LIBRARY

AUG 28 1992

BOARDWALK REGENCY CORPORATION
185 W. STATE ST.
d/b/a CAESARS ATLANTIC CITY
TRENTON, N.J.

LICENSEE

ADDRESS

2100 Pacific Avenue
Atlantic City, New Jersey 08401

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



RECEIVED
NEW JERSEY
AUG 17 Rec'd
CASINO CONTROL
COMMISSION

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT . . .

Michael J. Walsh

OFFICIAL TITLE

Vice President of Finance

ADDRESS

2100 Pacific Avenue

Atlantic City, New Jersey 08401

BOARDWALK REGENCY CORPORATION
 TRADING NAME OF LICENSEE d/b/a CAESARS ATLANTIC CITY

LIST OF FORMS — QUARTERLY REPORT

(UNAUDITED)
 (\$ IN THOUSANDS)

FOR THE QUARTER ENDED JUNE 30, 1992

| ASSETS | | | |
|---|----------|--|--|
| TITLE | FORM NO. | | |
| Balance Sheets | CCC-205 | | |
| Statements of Income (Year-to-Date) | CCC-210 | | |
| Statements of Income (Three Months) | CCC-215 | | |
| Statements of Changes in Stockholders' Equity | CCC-220 | | |
| Statements of Changes in Partners' or Proprietor's Equity | CCC-225 | | |
| Statements of Cash Flows | CCC-235 | | |
| Notes to Financial Statements | CCC-240 | | |
| Schedule of Receivables and Patrons' Checks | CCC-250 | | |
| Statement of Conformity and Accuracy | | | |
| LIABILITIES AND EQUITY | | | |
| Accounts Payable | | | |
| Accounts Receivable | | | |
| Prepaid Expenses | | | |
| Deferred Credits | | | |
| Other Liabilities | | | |
| Total Liabilities | | | |
| Stockholders', Partners', or Proprietors' Equity | | | |
| Total Liabilities and Equity | | | |

The above summary is not intended to be a substitute for the full financial statements. For more information, please refer to the financial statements and notes thereto.

TRADING NAME OF LICENSEE: CAESARS ATLANTIC CITY

BALANCE SHEETS

JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------------------------------|--|------------|------------|
| ASSETS | | | |
| Current Assets: | | | |
| 1 | Cash | \$ 8,422 | \$ 9,857 |
| 2 | Marketable securities | - | - |
| 3 | Receivables and patrons' checks(net of allowance for doubtful accounts - 1992, \$11,231 ; 1991, \$11,467) | 13,019 | 16,611 |
| 4 | Inventories NOTE 1 | 3,832 | 3,783 |
| 5 | Prepaid expenses and other current assets NOTE 2 | 14,823 | 9,012 |
| 6 | Total current assets | 40,096 | 39,263 |
| 7 | Investments, Advances, and Receivables NOTES 3 & 14 | 2,374 | 1,529 |
| 8 | Property And Equipment - Net NOTES 1, 4, 10 & 14 | 277,551 | 281,100 |
| 9 | Other Assets NOTE 12 | 14,945 | 14,389 |
| 10 | Total Assets | \$ 334,966 | \$ 336,281 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities: | | | |
| 11 | Accounts payable | \$ 5,819 | \$ 6,868 |
| 12 | Notes payable NOTE 5 | 2,551 | 5,554 |
| Current portion of long-term debt : | | | |
| 13 | Due to affiliates | - | - |
| 14 | Other NOTE 10 | 279 | 4,981 |
| 15 | Income taxes payable and accrued NOTES 1 & 6 | 3,864 | 3,729 |
| 16 | Other accrued expenses NOTE 7 | 14,812 | 16,534 |
| 17 | Other current liabilities (including dividend payable) NOTE 8 | 16,049 | 3,393 |
| 18 | Total current liabilities | 43,374 | 41,059 |
| Long-Term Debt: | | | |
| 19 | Due to affiliates NOTE 9 | 68,300 | 86,592 |
| 20 | Other NOTE 10 | 11,176 | 11,411 |
| 21 | Deferred Credits NOTE 6 | 6,286 | 4,522 |
| 22 | Other Liabilities NOTE 11 | 6,810 | 7,838 |
| 23 | Commitments And Contingencies NOTE 14 | - | - |
| 24 | Total Liabilities | 135,946 | 151,422 |
| 25 | Stockholders', Partners', Or Proprietor's Equity | 199,020 | 184,859 |
| 26 | Total Liabilities And Equity | \$ 334,966 | \$ 336,281 |

The accompanying notes are an intergral 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 SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|------------|------------|
| | Revenue: | | |
| 1 | Casino NOTE 1 | \$ 167,405 | \$ 144,270 |
| 2 | Rooms | 8,229 | 7,868 |
| 3 | Food and beverage | 18,169 | 16,325 |
| 4 | Other | 4,858 | 6,020 |
| 5 | Total revenue | 198,661 | 174,483 |
| 6 | Less: Promotional allowances NOTES 1 & 15 | 20,917 | 17,830 |
| 7 | Net revenue | 177,744 | 156,653 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services | 88,925 | 81,375 |
| 9 | Selling, general and administrative | 38,364 | 33,586 |
| 10 | Provision for doubtful accounts | 2,294 | 1,987 |
| 11 | Depreciation and amortization NOTE 1 | 10,377 | 9,740 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees NOTE 13 | 5,250 | - |
| 13 | Other NOTE 13 | 6,920 | 4,415 |
| 14 | Total costs and expenses | 152,130 | 131,103 |
| 15 | Income (Loss) From Operations | 25,614 | 25,550 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates NOTES 5 & 9 | (4,188) | (5,571) |
| 17 | Interest (expense) - external | (592) | (940) |
| 18 | Investment alternative tax and related income (expense) - net NOTE 14 | (528) | (19) |
| 19 | Nonoperating income (expense) - net | 93 | 164 |
| 20 | Total other income (expenses) | (5,215) | (6,366) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items | 20,399 | 19,184 |
| 22 | Provision (credit) for income taxes NOTE 6 | 8,182 | 7,696 |
| 23 | Income (Loss) Before Extraordinary Items | 12,217 | 11,488 |
| 24 | Extraordinary Items (net of income taxes - 1992, \$; 1991, \$) | - | - |
| 25 | Net Income (Loss) | \$ 12,217 | \$ 11,488 |

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 JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-----------|-----------|
| | Revenue: | | |
| 1 | Casino NOTE 1 | \$ 85,624 | \$ 78,710 |
| 2 | Rooms | 4,330 | 4,383 |
| 3 | Food and beverage | 9,221 | 8,847 |
| 4 | Other | 2,511 | 2,890 |
| 5 | Total revenue | 101,686 | 94,830 |
| 6 | Less: Promotional allowances NOTES 1 & 15 | 10,440 | 9,512 |
| 7 | Net revenue | 91,246 | 85,318 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services | 44,783 | 41,981 |
| 9 | Selling, general and administrative | 20,134 | 18,445 |
| 10 | Provision for doubtful accounts | 1,847 | 1,375 |
| 11 | Depreciation and amortization NOTE 1 | 5,185 | 4,846 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees NOTE 13 | 2,686 | - |
| 13 | Other NOTE 13 | 3,348 | 2,616 |
| 14 | Total costs and expenses | 77,983 | 69,263 |
| 15 | Income (Loss) From Operations | 13,263 | 16,055 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates NOTES 5 & 9 | (2,084) | (2,723) |
| 17 | Interest (expense) - external | (295) | (469) |
| 18 | Investment alternative tax and related income (expense) - net NOTE 14 | (261) | (8) |
| 19 | Nonoperating income (expense) - net | 47 | 79 |
| 20 | Total other income (expenses) | (2,593) | (3,121) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items | 10,670 | 12,934 |
| 22 | Provision (credit) for income taxes NOTE 6 | 4,279 | 5,198 |
| 23 | Income (Loss) Before Extraordinary Items | 6,391 | 7,736 |
| 24 | Extraordinary Items (net of income taxes - 1992, \$; 1991, \$) | - | - |
| 25 | Net Income (Loss) | \$ 6,391 | \$ 7,736 |

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 STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|--|------------|-------------|------------|-------------|
| | | (c) SHARES | (d) DOLLARS | (e) SHARES | (f) DOLLARS |
| | Common Stock: No Par Value, 1,000 Shares 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) | | 46,065 | | 46,333 |
| 10 | CWI Buyout | | - | | (268) |
| 11 | _____ | | - | | - |
| 12 | Ending balance | | 46,065 | | 46,065 |
| | 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) | | 151,368 | | 125,936 |
| 26 | Prior period adjustments | | - | | - |
| 27 | Net Income (loss) | | 12,217 | | 11,488 |
| 28 | Dividends (Note 8) | | (12,000) | | (-) |
| 29 | _____ | | - | | - |
| 30 | _____ | | - | | - |
| 31 | Ending balance | | 151,585 | | 137,424 |
| 32 | Ending Stockholders' Equity | | \$ 199,020 | | \$ 184,859 |

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 SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|----------|----------|
| | 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 | () | () |
| | Ending Partners' Or | | |
| 18 | Proprietor's 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: CAESARS ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-----------|-----------|
| 1 | Net Cash Provided (Used) By Operating Activities | \$ 16,548 | \$ 19,428 |
| | Cash Flows From Investing Activities : | | |
| 2 | Purchase of short-term investment securities | - | - |
| 3 | Proceeds from the sale of short-term investment securities | - | - |
| 4 | Cash outflows for property and equipment | (7,789) | (3,003) |
| 5 | Proceeds from disposition of property and equipment | - | 74 |
| 6 | Purchase of casino reinvestment obligations | (1,695) | (364) |
| 7 | Purchase of other investments and loans/advances made | - | - |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables | - | - |
| 9 | Cash outflows to acquire business entities | - | - |
| 10 | | - | - |
| 11 | | - | - |
| 12 | Net Cash Provided (Used) By Investing Activities | (9,484) | (3,293) |
| | Cash Flows From Financing Activities : | | |
| 13 | Cash proceeds from issuance of short-term debt | 43,146 | 18,931 |
| 14 | Payments to settle short-term debt | (41,789) | (39,200) |
| 15 | Cash proceeds from issuance of long-term debt | - | 3,771 |
| 16 | Costs of issuing debt | - | - |
| 17 | Payments to settle long-term debt | (8,552) | (76) |
| 18 | Cash proceeds from issuing stock or capital contributions | - | - |
| 19 | Purchases of treasury stock | - | - |
| 20 | Payments of dividends or capital withdrawals | - | - |
| 21 | | - | - |
| 22 | | - | - |
| 23 | Net Cash Provided (Used) by Financing Activities | (7,195) | (16,574) |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents | (131) | (439) |
| 25 | Cash And Cash Equivalents At Beginning Of Period | 8,553 | 10,296 |
| 26 | Cash And Cash Equivalents At End Of Period | \$ 8,422 | \$ 9,857 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| 27 | 28 | (c) 1992 | (d) 1991 |
|-------------------------------------|--|-----------|----------|
| Cash Paid During Period For: | | | |
| | Interest (net of amount capitalized) | \$ 4,829 | \$ 6,513 |
| | Income taxes | \$ 10,945 | \$ 7,931 |

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|------------------|------------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ 12,217 | \$ 11,488 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment | 9,843 | 9,192 |
| 31 | Amortization of other assets | 534 | 548 |
| 32 | Amortization of debt discount or premium | - | - |
| 33 | Deferred income taxes - current | (536) | 258 |
| 34 | Deferred income taxes - noncurrent | 15 | 77 |
| 35 | (Gain) loss on disposition of property and equipment | - | (70) |
| 36 | (Gain) loss on casino reinvestment obligations | 528 | 19 |
| 37 | (Gain) loss from other investment activities | - | - |
| 38 | Net (increase) decrease in receivables and patrons' checks | (339) | (224) |
| 39 | Net (increase) decrease in inventories | 146 | (652) |
| 40 | Net (increase) decrease in other current assets | 152 | (765) |
| 41 | Net (increase) decrease in other assets | (1,028) | (1,362) |
| 42 | Net increase (decrease) in accounts payable | (1,015) | (1,771) |
| 43 | Net increase (decrease) in other current liabilities excluding debt | (2,867) | 2,932 |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt | (1,102) | (242) |
| 45 | | - | - |
| 46 | | - | - |
| 47 | Net Cash Provided (Used) By Operating Activities | \$ 16,548 | \$ 19,428 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|-----------------|-----------------|
| 48 | Acquisition Of Property And Equipment: | | |
| | Additions to property and equipment | \$ 7,789 | \$ 3,003 |
| 49 | Less: Capital lease obligations incurred | - | - |
| 50 | Cash Outflows For Property And Equipment | \$ 7,789 | \$ 3,003 |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired | \$ - | \$ - |
| 52 | Goodwill acquired | - | (268) |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment | - | - |
| 54 | Long-term debt assumed | - | - |
| 55 | Issuance of stock or capital invested | - | 268 |
| 56 | Cash Outflows To Acquire Business Entities | \$ - | \$ 0 |
| | Stock Issued Or Capital Contributions : | | |
| 57 | Total issuances of stock or capital contributions | \$ - | \$ (268) |
| 58 | Less: Issuances to settle long-term debt | - | - |
| 59 | Consideration in acquisition of business entities | - | (268) |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions | \$ - | \$ 0 |

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

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 a wholly-owned subsidiary of Caesars World, Inc., (CWI), a Florida corporation. BRC owns and operates Caesars Atlantic City Hotel/Casino (CAC) in Atlantic City, New Jersey.

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 capitalized interest recorded for the six months ended June 30, 1992 and 1991. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|----------------|
| Buildings and improvements | 10 to 40 years |
| Furniture, fixtures and equipment | 3 to 8 years |

Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance are expensed. The cost and accumulated depreciation applicable to assets retired are removed from the accounts and the resultant gain or loss on disposition is recognized.

Income Taxes

BRC is included in CWI's consolidated Federal income tax return. Pursuant to a tax reimbursement agreement, BRC

BOARDWALK REGENCY CORPORATION
(d, b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd):

Income Taxes (cont'd)

records income taxes based upon what the amount would have been, had BRC filed a separate return. In addition, when the potential tax benefits to CWI exceed the benefits that BRC could have derived as a separate entity, CWI will reimburse BRC for these excess benefits. The reimbursement of the excess benefits will be made before the earlier of the last year in which those benefits are available to BRC or the last year in which BRC is a member of CWI's consolidated group for Federal income tax purposes. Interest on the excess benefits will accrue at 7% per annum from the date CWI files a tax return in which such tax benefits are realized. Deferred income taxes are provided for timing differences between book and tax recognition of revenues and expenses.

In February 1992, the Financial Accounting Standards Board issued a Statement of Financial Accounting Standards Number 109 (SFAS 109) on accounting for income taxes. BRC is required to adopt the accounting and disclosure rules prescribed by SFAS 109 no later than its fiscal year beginning August 1, 1993, although earlier adoption is permitted. Implementation of SFAS 109 may involve either restating net income for prior years or recognizing a cumulative adjustment in the year of adoption. The immediate effect of adopting SFAS 109 will depend principally on enacted tax rates at the date of adoption. BRC has not yet determined the impact of the adoption of SFAS 109 on BRC's financial statements.

Disclosures

Certain disclosures have been omitted in conformance with the Casino Control Commission's quarterly instruction that usually are required for a fair presentation of the financial statements in accordance with generally accepted accounting principles. The omitted disclosures pertain to the aggregate maturities of long term debt and future minimum lease payments for operating and capital leases. The disclosures were omitted because there was not a material change in the information previously disclosed in the Company's annual financial statements for the year ended December 31, 1991.

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 2. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

| | <u>1992</u> | <u>1991</u> |
|----------------------------|-----------------|----------------|
| | (In Thousands) | |
| Deferred income taxes..... | \$12,529 | \$6,500 |
| Other..... | <u>2,294</u> | <u>2,512</u> |
| | <u>\$14,823</u> | <u>\$9,012</u> |

NOTE 3. INVESTMENTS, ADVANCES, AND RECEIVABLES:

| | <u>1992</u> | <u>1991</u> |
|---|----------------|----------------|
| | (In Thousands) | |
| CRDA deposits..... | \$3,254 | \$1,839 |
| CRDA bonds receivable..... | <u>521</u> | <u>479</u> |
| | 3,775 | 2,318 |
| Less: valuation allowance on CRDA investments..... | <u>1,401</u> | <u>789</u> |
| | <u>\$2,374</u> | <u>\$1,529</u> |

NOTE 4. PROPERTY AND EQUIPMENT:

| | <u>1992</u> | <u>1991</u> |
|---|------------------|------------------|
| | (In Thousands) | |
| Land..... | \$ 51,504 | \$ 46,895 |
| Buildings and improvements..... | 253,231 | 247,771 |
| Furniture, fixtures and equipment | 84,340 | 77,766 |
| Construction in progress..... | 2,435 | 1,350 |
| Properties under capital leases. | <u>12,340</u> | <u>15,178</u> |
| | 403,850 | 388,960 |
| Less: accumulated depreciation and amortization..... | <u>126,299</u> | <u>107,860</u> |
| | <u>\$277,551</u> | <u>\$281,100</u> |

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 5. NOTES PAYABLE:

CWI maintains, for the benefit of CWI and its subsidiaries (including BRC), a \$250,000,000 unsecured credit arrangement with a syndicate of banks. The credit arrangement consists of a \$100,000,000 term loan and a \$150,000,000 revolving credit facility available to be used by CWI and its affiliates, including BRC, for working capital needs and general corporate purposes. The revolving credit facility bears interest at one-quarter percent below the prime rate (6.5% at June 30, 1992) or an alternate negotiated rate and expires September, 1993.

The unsecured credit arrangement and the indenture for CWI's 13.5% subordinated notes, contain affirmative and negative covenants and among other things, require the maintenance of certain financial ratios, limits CWI's, CNJ's and BRC's ability to incur additional debt, repurchase shares and sell certain assets, and restricts mergers, consolidations and similar transactions with respect to CWI and its subsidiaries.

In August 1992 CWI issued \$150,000,000 of 8 7/8% Senior Subordinated Notes due August 15, 2002. The proceeds together with bank borrowings are being used to repurchase CWI indebtedness including the 13 1/2% Subordinated Notes. The new Senior Subordinated Notes contain covenants similar to the 13 1/2% Subordinated Notes including restrictions on subsidiaries including BRC.

In May 1989 BRC entered into an unsecured \$50,000,000 revolving line of credit with Desert Palace, Inc. (DPI), a wholly-owned subsidiary of CWI. The revolving line of credit carries interest at the prime rate, a \$75,000 annual commitment fee, which commenced on May 31, 1989, and has a term of five years. In 1992 and 1991, the maximum amount outstanding at any month-end was \$9,960,000 and \$21,864,000, respectively, the average of the month-end amounts outstanding was \$7,150,000 and \$15,084,000, respectively, and the weighted average interest rate was 6.5% and 8.9%, respectively. At June 30, 1992 and 1991, the outstanding balance on the revolving line of credit was \$2,551,000 and \$5,554,000, respectively.

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 6. INCOME TAXES:

The provision for income taxes for the three months ended June 30, 1992 and 1991 is comprised of the following:

| | <u>1992</u> | <u>1991</u> |
|--------------|----------------|----------------|
| | (In Thousands) | |
| Current: | | |
| Federal..... | \$6,676 | \$5,671 |
| State..... | 2,027 | 1,690 |
| Deferred: | | |
| Federal..... | (516) | 221 |
| State..... | (5) | 114 |
| | <u>\$8,182</u> | <u>\$7,696</u> |

Deferred credits of \$6,286,000 and \$4,522,000 at June 30, 1992 and 1991, respectively, represent deferred income taxes which result from temporary differences between income for financial reporting purposes and income for tax purposes. The most significant temporary differences relate to depreciation, certain accrued liabilities and the allowances for CRDA investments required by the Casino Control Act.

The provision for income taxes for the six months ended June 30, 1992 and 1991 differs from the amount computed at the statutory rate as follows:

| | <u>1992</u> | <u>1991</u> |
|---|----------------|----------------|
| | (In Thousands) | |
| Federal income tax at statutory rate. | \$6,935 | \$6,523 |
| State income taxes, net of federal benefit..... | 1,212 | 1,140 |
| Other, net..... | <u>35</u> | <u>33</u> |
| | <u>\$8,182</u> | <u>\$7,696</u> |

The Internal Revenue Service has examined CWI's consolidated Federal income tax returns through Fiscal 1988 and is currently examining the returns for Fiscal 1989 and 1990.

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 7. OTHER ACCRUED EXPENSES:

| | <u>1992</u> | <u>1991</u> |
|--------------------------------------|-----------------|-----------------|
| | (In Thousands) | |
| Salaries, wages and vacation pay.... | \$ 3,681 | \$ 2,218 |
| Insurance..... | 3,591 | 2,861 |
| Taxes, other than income taxes..... | 1,612 | 3,496 |
| Emperors Club Scrip..... | 1,143 | 849 |
| Progressive slots..... | 698 | 1,877 |
| Legal..... | 694 | 2,118 |
| Other..... | <u>3,393</u> | <u>3,115</u> |
| | <u>\$14,812</u> | <u>\$16,534</u> |

NOTE 8. OTHER CURRENT LIABILITIES:

| | <u>1992</u> | <u>1991</u> |
|------------------------------|-----------------|----------------|
| | (In Thousands) | |
| Dividend payable to CNJ..... | \$12,000 | \$ - |
| Due to CWI..... | 2,019 | 984 |
| Due to DPI..... | 649 | 814 |
| Other..... | <u>1,381</u> | <u>1,595</u> |
| | <u>\$16,049</u> | <u>\$3,393</u> |

In June 1992, BRC declared a \$12,000,000 dividend, payable to CNJ. BRC will satisfy this dividend, no later than October 27, 1992, as cash from operations becomes available.

NOTE 9. LONG-TERM NOTE, DUE TO AFFILIATES:

| | <u>1992</u> | <u>1991</u> |
|--|-----------------|-----------------|
| | (In Thousands) | |
| DPI term note due June 1, 1996, interest at 11.45%..... | \$68,300 | \$ - |
| DPI term note due June 1, 1992, interest at 11.45%..... | - | 81,862 |
| DPI term note due May 1, 1994, interest at 11.30%..... | - | 4,730 |
| | <u>\$68,300</u> | <u>\$86,592</u> |

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 9. LONG-TERM NOTE, DUE TO AFFILIATES (cont'd):

In June 1991, BRC executed an \$81,862,000 term note due June 1, 1996 that replaced the term note due June 1, 1992. Interest is accrued monthly and paid quarterly at the annual rate of 11.45 percent on the unpaid principal balance. The term note is unsecured and may be prepaid at any time without penalty.

NOTE 10. LONG-TERM DEBT, OTHER:

| | <u>1992</u> | <u>1991</u> |
|--|-----------------|-----------------|
| | (In Thousands) | |
| (a) Mortgage payable..... | \$ 1,951 | \$ 2,231 |
| (b) Capitalized lease obligation, net of amounts representing interest.. | <u>9,225</u> | <u>9,180</u> |
| | <u>\$11,176</u> | <u>\$11,411</u> |
| | | |
| | <u>1992</u> | <u>1991</u> |
| | (In Thousands) | |
| (a) Mortgage payable, interest at 8.0% maturing January 1999, secured by property..... | \$2,230 | \$2,486 |
| Less current maturities..... | <u>279</u> | <u>255</u> |
| | <u>\$1,951</u> | <u>\$2,231</u> |

BRC leased land upon which a portion of the casino is located under a noncancellable lease. On January 31, 1992, BRC exercised a \$6,500,000 purchase option for the leased land.

BRC also owns approximately 1.2 acres and leases approximately 6 acres of property in Atlantic City, including an entire block of Boardwalk frontage, which may be suitable for development of a casino/hotel. The capitalized lease requires annual lease payments of \$875,000 and may be purchased for \$13,000,000. The purchase option price will increase by \$500,000 in August 1997 and another \$500,000 every 10 years thereafter.

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 10. LONG-TERM DEBT, OTHER (cont'd):

| | <u>1992</u> | <u>1991</u> |
|---|----------------|-----------------|
| | (In Thousands) | |
| (b) Capital lease obligations, net amounts representing interest... | \$9,225 | \$13,906 |
| Less current maturities..... | <u>-0-</u> | <u>4,726</u> |
| | <u>\$9,225</u> | <u>\$ 9,180</u> |

Rent expense for the six months ended June 30, 1992 and 1991 was \$1,324,000 and \$1,545,000, respectively.

NOTE 11. OTHER LIABILITIES:

| | <u>1992</u> | <u>1991</u> |
|-----------------------|----------------|----------------|
| | (In Thousands) | |
| Insurance claims..... | \$4,555 | \$6,003 |
| Other..... | <u>2,255</u> | <u>1,835</u> |
| | <u>\$6,810</u> | <u>\$7,838</u> |

NOTE 12. PENSION PLANS:

BRC participates in CWI's defined benefit pension plans (the Plans) covering any officer or other employee designated as a key executive of CWI or its subsidiaries. The benefits are based on years of service (not to exceed 30) and the employee's highest five years of compensation during the last ten years of employment. BRC has funded the vested benefits of certain current employees by making contributions to a revocable trust. Income earned by the trusts accrue to the benefit of BRC. At June 30, 1992, the amount in these revocable trusts was \$1,311,000 and was recorded as "Other Assets". Such trusts shall become irrevocable in the event of a change of control of CWI (as defined). Pension expense was \$186,000 and \$177,000 for the six months ended June 30, 1992 and 1991, respectively. The actuarially computed present value of the accumulated benefit obligation relating to participants employed by BRC was \$1,309,000 at July 31, 1991. The liability accrued with respect to the Plan at July 31, 1991 was \$1,960,000.

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 12. PENSION PLANS (cont'd):

BRC also has an Individual Retirement Account Plan which is generally available to all full-time, non-union employees who have at least one year of service and are not covered under any qualified retirement plan. The expense of this plan was \$373,000 and \$355,000 for the six months ended June 30, 1992 and 1991, 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 13. RELATED TRANSACTIONS:

BRC has recorded expenses for the six months ended June 30, 1992 and 1991 from CWI and affiliates as follows:

| <u>Affiliate</u> | <u>Transaction</u> | <u>1992</u> | <u>1991</u> |
|-------------------------------|----------------------|----------------|----------------|
| | | (In Thousands) | |
| Caesars World, Inc. | Management Fee | <u>\$5,250</u> | <u>\$ -</u> |
| Caesars World Marketing Corp. | Reservation Offices | \$2,892 | \$2,048 |
| Caesars Palace Corp | Tradename Fee | 2,400 | 800 |
| Caesars World, Inc. | Insurance, Allocated | | |
| | Wages & Benefits | <u>1,628</u> | <u>1,567</u> |
| | | <u>\$6,920</u> | <u>\$4,415</u> |

NOTE 14. COMMITMENTS AND CONTINGENCIES:

New Jersey Investment Obligation

The New Jersey Casino Control Act provides, among other things, for an investment obligation on licensees based upon their gross casino revenues. This obligation may be satisfied by investing in qualified eligible direct investments, by purchasing bonds issued by the Casino Reinvestment Development Authority (CRDA), and/or by making qualified contributions. As of June 30, 1992, all BRC investment obligations had been satisfied or prepaid.

BOARDWALK REGENCY CORPORATION
(d/b/a CAESARS ATLANTIC CITY)
(unaudited)

NOTE 14. COMMITMENTS AND CONTINGENCIES (cont'd):

Litigation

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

NOTE 15. COMPLIMENTARIES:

Promotional Allowances

(\$ Amounts in Thousands)

| | Three Months Ended June 30, 1992 | | Six Months Ended June 30, 1992 | |
|----------|-------------------------------------|-----------------|-----------------------------------|-----------------|
| | <u>Recipients</u> | <u>Amounts</u> | <u>Recipients</u> | <u>Amounts</u> |
| Rooms | 54,437 | \$ 2,957 | 102,502 | \$ 5,926 |
| Food | 230,392 | 4,538 | 457,138 | 9,193 |
| Beverage | 444,025 | 2,366 | 882,375 | 4,626 |
| Theatre | 11,010 | 422 | 24,278 | 881 |
| Other | <u>3,758</u> | <u>157</u> | <u>7,159</u> | <u>291</u> |
| | <u>743,622</u> | <u>\$10,440</u> | <u>1,473,452</u> | <u>\$20,917</u> |

Promotional Expenses

(\$ Amounts in Thousands)

| | Three Months Ended June 30, 1992 | | Six Months Ended June 30, 1992 | |
|-------------------|-------------------------------------|-----------------|-----------------------------------|-----------------|
| | <u>Recipients</u> | <u>Amounts</u> | <u>Recipients</u> | <u>Amounts</u> |
| Coin | 665,642 | \$ 6,780 | 1,223,263 | \$12,614 |
| Travel | 10,709 | 3,472 | 21,782 | 6,741 |
| Special Events | 3,529 | 709 | 7,263 | 1,437 |
| Other | <u>46,533</u> | <u>1,761</u> | <u>98,690</u> | <u>2,969</u> |
| | <u>726,413</u> | <u>\$12,722</u> | <u>1,350,998</u> | <u>\$23,761</u> |

TRADING NAME OF LICENSEE: CAESARS ATLANTIC CITY

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992
(UNAUDITED)
(\$ IN THOUSANDS)

| ACCOUNTS RECEIVABLE BALANCES | | | | |
|------------------------------|---|------------------------|------------------|---|
| LINE (a) | DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE-- (e) NET OF ALLOWANCE |
| | Patron Checks: | | | |
| 1 | Undeposited patrons' checks | \$ 8,819 | | |
| 2 | Returned patrons' checks | 13,776 | | |
| 3 | Total patrons' checks | 22,595 | \$ 11,124 | \$ 11,471 |
| 4 | Hotel Receivables | 1,040 | 107 | 933 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees | 3 | - | |
| 6 | Receivables due from affiliates | 194 | - | |
| 7 | Other accounts and notes receivables | 418 | - | |
| 8 | Total other receivables | 615 | - | 615 |
| 9 | Totals (Form 205) | \$ 24,250 | \$ 11,231 | \$ 13,019 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|--------------------------------------|---|---------------|
| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
| 10 | Beginning Balance (January 1) | \$ 5,923 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits). | 143,231 |
| 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 consolidation, substitutions, and patrons' cash deposits) | (98,572) |
| 13 | Checks collected through deposits | (41,798) |
| 14 | Checks transferred to returned checks | 35 |
| 15 | Other adjustments | - |
| 16 | Ending Balance | \$ 8,819 |
| 17 | "Hold" Checks Included Balance on Line 16 | \$ - |
| 18 | Provision For Uncollectible Patrons' Checks | \$ 2,293 |
| 19 | Provision As A Percent Of Counter Checks Issued | 1.6% |

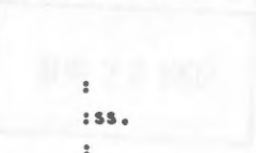
STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY

COUNTY OF ATLANTIC

MICHAEL J. WALSH

Name



, being duly sworn according to law upon my oath

deposes and says:

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

M. Walsh

Signature

VICE PRESIDENT FINANCE

Title

1482-11

License Number

Subscribed and sworn to
before me this 14th day
of August, 1992

Geraldine R. Agnew
Signature

On Behalf Of: .

BOARDWALK REGENCY CORPORATION

Casino Licensee

GERALDINE ROSE AGNEW
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 8/13/94

Basis of Authority
to Take Oaths

QUARTERLY REPORT

974.901
C 193

AUG 28 1992

LICENSEE GNOC, CORP. (Bally's Grand)
ADDRESS P.O. Box 1737, Boston and Pacific Avenues
Atlantic City, New Jersey 08401

FOR THE QUARTER ENDED JUNE 30, 1992

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



RECEIVED
NEW JERSEY
AUG 17 Rec'd
CASINO CONTROL
COMMISSION

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT. . .
OFFICIAL TITLE
ADDRESS

Donna Graham
Corporate Controller
P.O. Box 1737, Boston and Pacific Avenues
Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE: GNOC, CORP. (BALLY'S GRAND)

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 1992

| TITLE | FORM NO. |
|---|----------|
| Balance Sheets | CCC-205 |
| Statements of Income (Year-to-Date) | CCC-210 |
| Statements of Income (Three Months) | CCC-215 |
| Statements of Changes in Stockholders' Equity | CCC-220 |
| Statements of Changes in Partners' or Proprietor's Equity | CCC-225 |
| Statements of Cash Flows | CCC-235 |
| Notes to Financial Statements | |
| Schedule of Receivables and Patrons' Checks | CCC-240 |
| Statement of Conformity and Accuracy | CCC-250 |

The accompanying forms are an integral part of our financial statements.
 Valid experience must be shown without delay information furnished to the state.

Revised to conform to 1992 provisions.

CCC-201

CCC-201

BALANCE SHEETS

JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|------------|------------|
| | ASSETS | | |
| | Current Assets: | \$ | \$ |
| 1 | Cash | 3,147 | 7,672 |
| 2 | Marketable securities NOTE 2 . . | 10,725 | 5,700 |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$12,000 ; 1991, \$14,347) | 2,930 | 5,104 * |
| 4 | Inventories | 1,346 | 1,326 |
| 5 | Prepaid expenses and other current assets NOTE 3 . . | 20,869 | 19,028 * |
| 6 | Total current assets | 39,017 | 38,830 |
| 7 | Investments, Advances, and Receivables NOTE 4 . . | 1,704 | 3,759 * |
| 8 | Property And Equipment - Net NOTE 5 . . | 241,750 | 247,617 |
| 9 | Other Assets NOTE 6 . . | 110,845 | 116,498 |
| 10 | Total Assets | \$ 393,316 | \$ 406,704 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| 11 | Accounts payable | \$ 988 | \$ 1,942 * |
| 12 | Notes payable NOTE 7 . . | - | 2,700 |
| | Current portion of long-term debt | | |
| 13 | Due to affiliates NOTE 10 . . | 4,850 | - |
| 14 | Other | - | - |
| 15 | Income taxes payable and accrued | 3,249 | 3,847 |
| 16 | Other accrued expenses NOTE 8 . . | 18,066 | 22,256 * |
| 17 | Other current liabilities NOTE 9 . . | 2,936 | 3,647 * |
| 18 | Total current liabilities | 30,089 | 34,392 |
| | Long-Term Debt: | | |
| 19 | Due to affiliates NOTE 10 . . | 260,249 | 266,751 |
| 20 | Other | - | - |
| 21 | Deferred Credits NOTE 11 . . | 9,417 | 9,324 |
| 22 | Other Liabilities NOTE 12 . . | 30,725 | 29,892 |
| 23 | Commitments And Contingencies NOTE 19 . . | - | - |
| 24 | Total Liabilities | 330,480 | 340,359 |
| 25 | Stockholders', Partners', Or Proprietor's Equity NOTE 13 . . | 62,836 | 66,345 |
| 26 | Total Liabilities And Equity | \$ 393,316 | \$ 406,704 |

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 SIX MONTHS ENDED JUNE 30, 1992 and 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|------------|------------|
| | Revenue: | \$ | \$ |
| 1 | Casino | 98,044 | 91,765 |
| 2 | Rooms | 8,866 | 7,806 |
| 3 | Food and beverage | 12,936 | 12,854 |
| 4 | Other | 3,359 | 2,952 |
| 5 | Total revenue | 123,205 | 115,377 |
| 6 | Less: Promotional allowances NOTE 14.. | 15,294 | 13,495 |
| 7 | Net revenue | 107,911 | 101,882 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services | 46,632 | 45,616 * |
| 9 | Selling, general, and administrative. | 34,705 | 31,795 * |
| 10 | Provision for doubtful accounts | 542 | 730 * |
| 11 | Depreciation and amortization | 9,101 | 8,758 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees | - | - |
| 13 | Other | 3,130 | 2,216 * |
| 14 | Total costs and expenses | 94,110 | 89,115 |
| 15 | Income (Loss) From Operations | 13,801 | 12,767 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense)-affiliates | (16,346) | (16,512) |
| 17 | Interest (expense)-external. | - | (600) |
| 18 | Investment alternative tax and related income (expense) - net .. | (119) | (113) |
| 19 | Nonoperating income (expense) - net NOTE 17.. | 918 | 513 |
| 20 | Total other income (expenses) | (15,547) | (16,712) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items. ... | (1,746) | (3,945) |
| 22 | Provision (credit) for income taxes NOTE 18.. | 235 | (869) |
| 23 | Income (Loss) Before Extraordinary Items | (1,981) | (3,076) |
| 24 | Extraordinary items (net of income taxes - 1992, \$ - ; 1991, \$ -) | - | - |
| 25 | Net Income (Loss) | \$ (1,981) | \$ (3,076) |

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: GNOC, CORP. (BALLY'S GRAND)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|----------|----------|
| | Revenue: | \$ | \$ |
| 1 | Casino | 51,847 | 49,895 |
| 2 | Rooms | 5,043 | 4,450 |
| 3 | Food and beverage | 6,873 | 7,142 |
| 4 | Other | 1,880 | 1,475 |
| 5 | Total revenue | 65,643 | 62,962 |
| 6 | Less: Promotional allowances NOTE 14. | 8,204 | 7,254 |
| 7 | Net revenue | 57,439 | 55,708 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services | 24,196 | 24,113 * |
| 9 | Selling, general, and administrative | 17,993 | 16,867 * |
| 10 | Provision for doubtful accounts | 253 | 441 * |
| 11 | Depreciation and amortization | 4,582 | 4,496 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees | - | - |
| 13 | Other NOTE 16. | 1,575 | 1,134 * |
| 14 | Total costs and expenses | 48,599 | 47,051 |
| 15 | Income (Loss) From Operations | 8,840 | 8,657 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense)-affiliates | (8,166) | (8,254) |
| 17 | Interest (expense)-external | - | (300) |
| 18 | Investment alternative tax and related income (expense) - net .. | (61) | (63) |
| 19 | Nonoperating income (expense)-net NOTE 17. | 485 | 321 |
| 20 | Total other income (expenses) | (7,742) | (8,296) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items. | 1,098 | 361 |
| 22 | Provision (credit) for income taxes NOTE 18. | 790 | 509 |
| 23 | Income (Loss) Before Extraordinary Items | 308 | (148) |
| 24 | Extraordinary items (net of income taxes - 1992, \$ - ; 1991, \$ -) | - | - |
| 25 | Net Income (Loss) | \$ 308 | \$ (148) |

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: GNOC, CORP. (BALLY'S GRAND)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|--|------------|-------------|------------|-------------|
| | | (c) SHARES | (d) DOLLARS | (e) SHARES | (f) DOLLARS |
| | Common Stock: | | \$ | | \$ |
| 1 | Beginning balance (January 1) | 3,002,500 | 30 | 3,002,500 | 30 |
| 2 | Sale of stock. | | | | |
| 3 | _____ | | | | |
| 4 | Ending balance. | 3,002,500 | 30 | 3,002,500 | 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) | | 65,712 | | 65,712 |
| 10 | Capital contribution | | | | |
| 11 | _____ | | | | |
| 12 | Ending balance. | | 65,712 | | 65,712 |
| | 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) | | (925) | | 3,679 |
| 26 | Prior period adjustments. | | | | |
| 27 | Net income (loss). | | (1,981) | | (3,076) |
| 28 | Dividends. | | () | | () |
| 29 | _____ | | | | |
| 30 | _____ | | | | |
| 31 | Ending balance. | | (2,906) | | 603 |
| 32 | Ending Stockholders' Equity. | | \$ 62,836 | | \$ 66,345 |

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: GNOC, CORP. (BALLY'S GRAND)

STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

- NOT APPLICABLE -

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------|-----------|
| | Invested Capital: | \$ | \$ |
| 1 | Beginning balance (January 1) | | 1,533 |
| 2 | Additional capital invested. | | |
| 3 | ..... |  |  |
| 4 | Ending balance. | | |
| | Accumulated Income (Loss): | | |
| 5 | Beginning balance (January 1) | | (100) |
| 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.

TRADING NAME OF LICENSEE: GNOC, CORP. (BALLY'S GRAND)

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| Line (a) | Description (b) | (c) 1992 | (d) 1991 |
|-------------|--|----------|------------|
| 1 | Net Cash Provided (Used) By Operating Activities | \$ 1,914 | \$ 3,312 * |
| | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities | (5,875) | - |
| 3 | Proceeds from the sale of short-term investment securities | - | 1,575 |
| 4 | Cash outflows for property and equipment | (5,966) | (887) * |
| 5 | Proceeds from disposition of property and equipment | - | 192 * |
| 6 | Purchase of casino reinvestment obligations | (238) | (225) * |
| 7 | Purchase of other investments and loans/advances made | - | - * |
| 8 | Proceeds from disposal of investment and collection of advances and long-term receivables | 868 | 1,146 |
| 9 | Cash outflows to acquire business entities | - | - |
| 10 | Short-term advance to Bally's Park Place, Inc. | 9,000 | (5,000) * |
| 11 | _____ | - | - |
| 12 | Net Cash Provided (Used) By Investing Activities | (2,211) | (3,199) * |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt | - | - |
| 14 | Payments to settle short-term debt | (2,700) | - |
| 15 | Cash proceeds from issuance of long-term debt | - | - |
| 16 | Costs of issuing debt | - | - |
| 17 | Payments to settle long-term debt | - | - |
| 18 | Cash proceeds from issuing stock or capital contribution | - | - |
| 19 | Purchases of treasury stock | - | - |
| 20 | Payments of dividends or capital withdrawals | - | - |
| 21 | _____ | - | - |
| 22 | _____ | - | - |
| 23 | Net Cash Provided (Used) By Financing Activities | (2,700) | - |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents | (2,997) | 113 |
| 25 | Cash And Cash Equivalents At Beginning Of Year | 6,144 | 7,559 |
| 26 | Cash And Cash Equivalents At End Of Year | \$ 3,147 | \$ 7,672 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|--|-----------|-----------|
| | Cash Paid During Year For: | | |
| 27 | Interest (net of amount capitalized) | \$ 17,232 | \$ 17,278 |
| 28 | Income taxes | \$ - | \$ - |

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

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

TRADING NAME OF LICENSEE: GNOC, CORP. (BALLY'S GRAND)

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| Line (a) | Description (b) | (c) 1992 | (d) 1991 |
|----------|---|-----------------|-------------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ (1,981) | \$ (3,076) |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment. | 6,542 | 6,287 |
| 31 | Amortization of other assets. | 2,559 | 2,471 |
| 32 | Amortization of debt discount or premium. | (886) | (766) |
| 33 | Deferred income taxes - current. | 62 | (1,282) * |
| 34 | Deferred income taxes - noncurrent. | (615) | (124) * |
| 35 | (Gain) loss on disposition of property and equipment. | - | - |
| 36 | (Gain) loss on casino reinvestment obligations. | 119 | 113 |
| 37 | (Gain) loss from other investment activities. | - | - |
| 38 | Net (increase) decrease in receivables and patrons' checks. | 1,158 | 694 * |
| 39 | Net (increase) decrease in inventories. | (6) | 733 |
| 40 | Net (increase) decrease in other current assets. | (1,431) | 382 * |
| 41 | Net (increase) decrease in other assets. | - | (502) |
| 42 | Net increase (decrease) in accounts payables. | (1,112) | (515) * |
| 43 | Net increase (decrease) in other current liabilities excluding debt. | (2,912) | (1,512) * |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt. | 417 | 409 |
| 45 | | - | - |
| 46 | | - | - |
| 47 | Net Cash Provided (Used) By Operating Activities. | \$ 1,914 | \$ 3,312 * |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|-----------------|-----------------|
| | Acquisition Of Property And Equipment: | | |
| 48 | Additions to property and equipment. | \$ 5,966 | \$ 887 * |
| 49 | Less: Capital lease obligations incurred. | - | - |
| 50 | Cash Outflows For Property And Equipment. | \$ 5,966 | \$ 887 * |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired. | \$ - | \$ - |
| 52 | Goodwill acquired. | - | - |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment. | - | - |
| 54 | Long-term debt assumed. | - | - |
| 55 | Issuance of stock or capital invested. | - | - |
| 56 | Cash Outflows To Acquire Business Entities. | \$ - | \$ - |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contributions. | \$ - | \$ - |
| 58 | Less: Issuances to settle long-term debt. | - | - |
| 59 | Consideration in acquisition of business entities. | - | - |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions. | \$ - | \$ - |

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Method of Presentation

GNOC, CORP. (the "Company") is a wholly owned subsidiary of GNAC, CORP. ("GNAC"). The financial statements include the transactions between the Company, GNAC and other affiliates.

Certain reclassifications have been made to the prior period financial statements to conform with the 1992 presentation.

(1) 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, beverage and other promotional allowances provided to customers without charge.

(2) Marketable Securities

Marketable securities are carried at the lower of aggregate cost or market value.

(3) Cost in Excess of Acquired Assets

Bally Manufacturing Corporation ("Bally") acquired GNAC, including the Company, other related properties and real estate property leases from Golden Nugget, Inc. ("GNI") in a transaction which has been accounted for as a purchase. The excess of the total acquisition cost and debt assumed over the fair value of net assets acquired is being amortized by the Company over forty years.

(4) Property and Equipment

All property and equipment are depreciated over their estimated useful lives using the straight line method for financial statement purposes and accelerated methods for income tax purposes.

(5) Debt Premium

Debt premium is amortized by the bonds outstanding method over the term of the issue.

(6) Income Taxes

Taxable income or loss of the Company is included in the consolidated federal income tax return of Bally.

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(6) Income Taxes (cont.)

The Company's Annual Report for the year ended December 31, 1991 disclosed certain significant income tax issues relating to tax accounting methods used by Bally's fitness center subsidiaries which resulted in a substantial assessment. In July 1992, Bally and the Internal Revenue Service ("IRS") reached a settlement (subject to the IRS's Joint Committee review) with respect to certain of the issues. The remaining assessment including interest (estimated as of June 30, 1992) is approximately \$82 million if the IRS were to prevail on these issues. Bally intends to vigorously oppose and, if necessary, litigate the IRS' proposed deficiencies with respect to these issues. Bally estimates that if the proposed deficiencies are fully litigated, the ultimate resolution of these issues is not likely to occur for approximately three years.

B. Disclosures Not Presented

Certain disclosures have not been presented in these Notes to Financial Statements since they would duplicate disclosures contained in the Casino Control Commission Annual Report for the year ended December 31, 1991. The notes excluded are Pension Costs, Lease and Other Commitments.

NOTE 2 - MARKETABLE SECURITIES

Marketable securities as of June 30, 1992 and 1991 consisted of repurchase agreements, at cost which approximates market.

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|---|---------------------|---------------------|
| Deferred federal and state income tax | \$10,320,000 | \$11,137,000 |
| Advances to Bally's Park Place, Inc. | 8,000,000 | 5,000,000 |
| Refundable federal income tax | - | 1,062,000 |
| Prepaid state gaming taxes and licenses | 958,000 | 1,079,000 |
| Prepaid Bally expenses (see Note 16) | 770,000 | - |
| Prepaid operating expenses | 525,000 | 296,000 |
| Prepaid insurance expenses | 185,000 | 386,000 |
| Other | 111,000 | 68,000 |
| | <u>\$20,869,000</u> | <u>\$19,028,000</u> |
| | ===== | ===== |

Funds were advanced to Bally's Park Place in 1992 and 1991. The advances are payable on demand by the Company. The interest rate on such advances is the prime rate of a major bank with such interest payable at the end of each month. Intercompany interest income earned on funds advanced was \$651,000 and \$14,000 for the six months ended June 30, 1992 and 1991, respectively.

NOTE 4 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of June 30, 1992 and 1991 consisted of New Jersey Casino Reinvestment related assets (net of discount) of \$1,704,000 and \$3,759,000, respectively.

The Company donated \$23,000 for the six months ended June 30, 1991 to the Casino Reinvestment Development Authority ("CRDA"), reducing the Company's obligations on deposit at the CRDA by such amount. The Company received \$12,000 for the six months ended June 30, 1991 in credits to be applied against future CRDA obligations.

Such CRDA credits receivable as of June 30, 1992 and 1991 have been reclassified to Other Assets (see Note 6).

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--|----------------------|----------------------|
| Buildings and leasehold improvements | \$187,622,000 | \$187,390,000 |
| Furniture, fixtures and equipment | 64,989,000 | 62,163,000 |
| Land and improvements | 51,867,000 | 51,776,000 |
| Construction in progress | 4,570,000 | 634,000 |
| | <u>309,048,000</u> | <u>301,963,000</u> |
| Less accumulated depreciation and amortization | (67,298,000) | (54,346,000) |
| | <u>\$241,750,000</u> | <u>\$247,617,000</u> |

NOTE 6 - OTHER ASSETS

Other assets as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--|----------------------|----------------------|
| Cost in excess of acquired assets, net | \$110,108,000 | \$113,284,000 |
| CRDA credits receivable | 737,000 | 3,214,000 |
| | <u>\$110,845,000</u> | <u>\$116,498,000</u> |

See Note 1 for discussion of cost in excess of acquired assets.

For the six months ended June 30, 1992 and 1991, the Company expensed \$971,000 and \$900,000 respectively, representing amortization of CRDA credits.

NOTE 7 - NOTES PAYABLE

The Company received an advance of \$2,700,000 from Bally's Park Place in December 1990. The advance was repaid in full as of June 30, 1992. The interest rate was based on the prime rate of Bally's Park Place's agent bank with such interest payable at the end of each quarter. Intercompany interest paid on this advance was \$73,000 and \$120,000 for the six months ended June 30, 1992 and 1991, respectively.

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 8 - OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|---|---------------------|---------------------|
| Accrued payroll | \$ 7,598,000 | \$ 9,060,000 |
| Accrued interest | 4,860,000 | 4,260,000 |
| Accrued progressive jackpot liability | 1,403,000 | 3,218,000 |
| Accrued self insurance claims | 1,034,000 | 736,000 |
| Accrued sales, use and luxury taxes | 431,000 | 416,000 |
| Accrued legal fees | 326,000 | 395,000 |
| Accrued casino win tax | 182,000 | 444,000 |
| Accrued casino license fee | 339,000 | 599,000 |
| Accrued Casino Control Commission and Division of Gaming Enforcement fees | 331,000 | 404,000 |
| Accrued New Jersey casino reinvestment liability | 125,000 | 620,000 |
| Accrued audit fees | 120,000 | 145,000 |
| Other | 1,317,000 | 1,959,000 |
| | <u>\$18,066,000</u> | <u>\$22,256,000</u> |

NOTE 9 - OTHER CURRENT LIABILITIES

Other current liabilities as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--|--------------------|--------------------|
| Unredeemed gaming chips and tokens | \$1,172,000 | \$1,243,000 |
| Estimated liability - deferred bus coupons | 223,000 | 363,000 |
| Customer deposits | 88,000 | 105,000 |
| Advance room deposits | 27,000 | 28,000 |
| Due to Bally Gaming, Inc | 699,000 | 26,000 |
| Due to Bally's Park Place | 641,000 | 613,000 |
| Due to Bally's Las Vegas | 85,000 | 1,000 |
| Due to Bally | 1,000 | 1,190,000 |
| Due to Bally Systems, Inc. | - | 78,000 |
| | <u>\$2,936,000</u> | <u>\$3,647,000</u> |

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 10 - LONG TERM DEBT-DUE TO AFFILIATES

Long term debt-due to affiliates as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--|----------------------|----------------------|
| 13-1/4% (effective rate of 13.3%) Mortgage-Backed Notes of \$259,000,000 principal amount, interest payable semiannually, maturing in 1995 (including unamortized premium of \$6,099,000 at June 30, 1992 and \$7,751,000 at June 30, 1991). | \$265,099,000 | \$266,751,000 |
| Less current maturities | 4,850,000 | - |
| | <u>\$260,249,000</u> | <u>\$266,751,000</u> |
| | ===== | ===== |

In June 1985, the Company consummated the public sale of \$299 million principal amount of 13-1/4% Mortgage-Backed Notes ("the Notes") due June 1, 1995. The Notes are unconditionally guaranteed by GNAC and are secured by a first mortgage lien and security interest on the Company's Boardwalk Casino Hotel.

As a result of the purchase of the Company by Bally, the Notes were valued at \$312,829,000 at March 1, 1987, based upon an imputed interest rate.

Sinking fund requirements for 1992 have been met. Remaining sinking fund requirements are \$4,850,000 in 1993 and \$14,950,000 in 1994.

NOTE 11 - DEFERRED CREDITS

Deferred credits as of June 30, 1992 and 1991 consisted of deferred federal and state income taxes.

NOTE 12 - OTHER LIABILITIES

Other liabilities as of June 30 consisted of advances due to affiliates and other liabilities as follows:

| | <u>1992</u> | <u>1991</u> |
|--|---------------------|---------------------|
| GNAC | \$30,725,000 | \$29,891,000 |
| Bally's Grand Marketing Corp. (a New York Corp.) | - | 1,000 |
| | <u>\$30,725,000</u> | <u>\$29,892,000</u> |
| | ===== | ===== |

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 13 - STOCKHOLDER'S EQUITY

At June 30, 1992 and 1991, 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 six months ended June 30, 1992 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 | 83,197 | \$ 5,769,000 | - | \$ - |
| Food | 544,657 | 5,687,000 | - | - |
| Beverage | 1,327,525 | 2,589,000 | - | - |
| Travel | - | - | 28,869 | 1,269,000 |
| Other: | | | | |
| Coin | - | - | 779,107 | 9,750,000 |
| Entertainment | 15,467 | 292,000 | 543 | 67,000 |
| Retail | 17,704 | 885,000 | - | - |
| Gifts | - | - | 86,178 | 810,000 |
| Other | 3,592 | 72,000 | 44,087 | 284,000 |
| Total other | <u>36,763</u> | <u>1,249,000</u> | <u>909,915</u> | <u>10,911,000</u> |
| TOTAL | <u>1,992,142</u> | <u>\$15,294,000</u> | <u>938,784</u> | <u>\$12,180,000</u> |
| | ===== | ===== | ===== | ===== |

Promotional expenses and allowances and number of recipients for the three months ended June 30, 1992 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 | 44,747 | \$3,288,000 | - | \$ - |
| Food | 271,548 | 2,903,000 | - | - |
| Beverage | 683,739 | 1,334,000 | - | - |
| Travel | - | - | 15,577 | 661,000 |
| Other: | | | | |
| Coin | - | - | 438,101 | 5,364,000 |
| Entertainment | 9,683 | 188,000 | 349 | 43,000 |
| Retail | 9,046 | 452,000 | - | - |
| Gifts | - | - | 46,918 | 384,000 |
| Other | 1,880 | 39,000 | 26,648 | 148,000 |
| Total other | <u>20,609</u> | <u>679,000</u> | <u>512,016</u> | <u>5,939,000</u> |
| TOTAL | <u>1,020,643</u> | <u>\$8,204,000</u> | <u>527,593</u> | <u>\$6,600,000</u> |
| | ===== | ===== | ===== | ===== |

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 15 - JACKPOT PAYOUTS IN MERCHANDISE - NET

Jackpot payouts in merchandise which were charged to operations for the six months ended June 30, 1992 consisted of the following:

| | <u>Number of Recipients</u> | <u>Dollar Amount</u> |
|----------------|-----------------------------|----------------------|
| Motor Vehicles | 1 === | \$43,000 ===== |

NOTE 16 - CHARGES FROM AFFILIATES - OTHER

The charges from affiliates for the six months ended June 30 consisted of the following:

| <u>Affiliate</u> | <u>Nature of Charge</u> | <u>1992</u> | <u>1991</u> |
|--------------------|----------------------------------|--------------------|--------------------|
| GNAC | Rent | \$ 642,000 | \$ 642,000 |
| Bally | Allocated costs and expenses (a) | 925,000 | - |
| Bally's Park Place | Rent | 348,000 | 348,000 |
| | Allocated costs and expenses (b) | <u>1,215,000</u> | <u>1,226,000</u> |
| | | <u>\$3,130,000</u> | <u>\$2,216,000</u> |
| | | ===== | ===== |

(a) Costs and expenses allocated from Bally include certain insurance, executive and other corporate overhead costs. In May 1992, Bally received approval from the Commission to authorize payment by the Company of its 1992 portion of executive and other Bally corporate overhead costs (see Note 3).

(b) Costs and expenses allocated from Bally's Park Place relate to certain administrative and support operations of the Company and Bally's Park Place which are consolidated.

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 17 - NON-OPERATING INCOME (EXPENSE) - NET

Non-operating income for the six months ended June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|------------------------------|------------------|------------------|
| Interest and dividend income | \$916,000 | \$464,000 |
| Rental income | - | 46,000 |
| Other non-operating income | 2,000 | 3,000 |
| | <u>\$918,000</u> | <u>\$513,000</u> |
| | ===== | ===== |

NOTE 18 - INCOME TAXES

The income tax provision for the six months ended June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|-----------|-------------------|---------------------|
| Current: | | |
| Federal | \$ 788,000 | \$ 488,000 |
| State | - | 49,000 |
| | <u>788,000</u> | <u>537,000</u> |
| Deferred: | | |
| Federal | (553,000) | (1,154,000) |
| State | - | (252,000) |
| | <u>(553,000)</u> | <u>(1,406,000)</u> |
| | <u>\$ 235,000</u> | <u>\$ (869,000)</u> |
| | ===== | ===== |

For the six months ended June 30, 1992 and 1991, the effective income tax rates varied from the federal statutory rate (34%) due principally to the non-deductible amortization of cost in excess of acquired assets and permanent differences resulting from applying purchase accounting.

GROC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 19 - CONTINGENCIES

The Company participates in four multi-casino progressive slot machine systems. The primary obligation for payment of these progressive jackpots resides with a trust established by the participating casinos to pay the winners. Winners are paid one-twentieth of the jackpot at the time of winning and the remainder in equal installments over the next nineteen years. The trusts are responsible to fund these liabilities through the purchase of annuities or certain United States obligations. In the event the trusts are unable to meet their obligations, each participating casino, including the Company, is jointly and severally liable for the payment. At June 30, 1992, the total funded amount of jackpots won is estimated to be \$13,702,000, which approximates the present value of these future payments. The present value of jackpots outstanding and not won at June 30, 1992 is estimated to be \$1,917,000. At June 30, 1992, the trusts had cash and cash equivalents on hand estimated to be \$3,678,000. Management believes that a final outcome of this matter will not have a material adverse effect on the Company's financial position or its liquidity.

| | | | |
|--|----------|-----------|----------|
| Estimated liability for progressive jackpots | \$ 1,917 | \$ 13,702 | \$ 3,678 |
| Estimated cash and cash equivalents | | | |
| | | | |

UNRECORDED PATRONS' CHECKS ACTIVITY

| DESCRIPTION | AMOUNT |
|---|----------|
| Beginning balance (January 1) | 2,501 |
| Amounts recorded (including counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' checks) | 43,919 |
| Amounts returned prior to deposit (including the unrecorded portion of amounts received through partial redemptions, and including checks returned to patrons relating to consolidations, substitutions, and patrons' checks) | (25,321) |
| Amounts returned through deposits | (13,307) |
| Amounts recorded as returned checks | (1,792) |
| Ending balance | 6,000 |
| Amounts included in Balance On Loan 16 | |
| Amounts for Consolidation Patrons' Checks | 1,000 |
| Amounts for A Partial Of Counter Checks Issued | 1,000 |

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(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. | \$ 2,492 | | |
| 2 | Returned patrons' checks. | 11,957 | | |
| 3 | Total patrons' checks. | 14,449 | \$ 11,926 | \$ 2,523 |
| 4 | Hotel Receivables. | 425 | 74 | 351 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees. | - | | |
| 6 | Receivables due from affiliates. | - | | |
| 7 | Other accounts and notes receivables. | 56 | | |
| 8 | Total other receivables. | 56 | - | 56 |
| 9 | Totals (Form 205). | \$ 14,930 | \$ 12,000 | \$ 2,930 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|--------------------------------------|---|---------------|
| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
| 10 | Beginning Balance (January 1). | \$ 2,898 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits). | 44,919 |
| 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). | (29,995) |
| 13 | Checks collected through deposits. | (13,567) |
| 14 | Checks transferred to returned checks. | (1,763) |
| 15 | Other adjustments. | - |
| 16 | Ending Balance. | \$ 2,492 |
| 17 | "Hold" Checks Included In Balance On Line 16. | \$ - |
| 18 | Provision For Uncollectible Patrons' Checks. | \$ 487 |
| 19 | Provision As A Percent Of Counter Checks Issued. | 1.08 % |

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QUARTERLY REPORT

NEW JERSEY STATE LIBRARY

AUG 28 1992

LICENSEE Bally's Park Place, Inc. New Jersey
ADDRESS Park Place and the Boardwalk
Atlantic City, NJ 08401

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT Vicki Lynn Guveiyian
OFFICIAL TITLE Controller
ADDRESS Park Place and the Boardwalk
Atlantic City, NJ 08401

RECEIVED
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1992
CASINO CONTROL
COMMISSION

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

JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------------------------|---|-------------|-------------|
| ASSETS | | | |
| | Current Assets: | | |
| 1 | Cash | \$ 9,013 | \$ 8,985 |
| 2 | Marketable securities | --- | --- |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$6,160; 1991, \$7,350) | 5,919 | 6,576 |
| 4 | Inventories | 2,374 | 3,284 |
| 5 | Prepaid expenses and other current assets | 9,790 | 6,796 |
| 6 | Total current assets | 27,096 | 25,641 |
| 7 | Investments, Advances, and Receivables | 83,880 | 87,032 |
| 8 | Property and Equipment - Net | 490,791 | 503,261 |
| 9 | Other Assets | 15,127 | 15,291 |
| 10 | Total Assets | \$ 616,894 | \$ 631,225 |
| LIABILITIES AND EQUITY | | | |
| | Current Liabilities: | | |
| 11 | Accounts payable | \$ 9,657 | \$ 7,688 |
| 12 | Notes payable | --- | --- |
| | Current portion of long-term debt: | | |
| 13 | Due to affiliates | 8,000 | 5,000 |
| 14 | Other | 41 | 38 |
| 15 | Income taxes payable and accrued | 908 | 3,075 |
| 16 | Other accrued expenses | 37,049 | 34,835 |
| 17 | Other current liabilities | 6,134 | 1,622 |
| 18 | Total current liabilities | 61,789 | 52,258 |
| | Long Term Debt: | | |
| 19 | Due to affiliates | 350,000 | 350,000 |
| 20 | Other | 34,801 | 55,844 |
| 21 | Deferred Credits | 15,224 | 12,674 |
| 22 | Other Liabilities | 20,410 | 27,000 |
| 23 | Commitments And Contingencies | | |
| 24 | Total Liabilities | 482,224 | 497,776 |
| 25 | Stockholders', Partners', or Proprietors' Equity | 134,670 | 133,449 |
| 26 | Total Liabilities and Equity | \$ 616,894 | \$ 631,225 |

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 SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------|---|-------------|-------------|
| | REVENUE: | | |
| 1 | Casino | \$ 131,675 | \$ 129,536 |
| 2 | Rooms | 17,261 | 15,921 |
| 3 | Food and Beverage | 19,012 | 17,899 |
| 4 | Other | 4,220 | 6,496 |
| 5 | Total Revenue | 172,168 | 169,852 |
| 6 | Less: Promotional allowances NOTE 7.. | (17,326) | (17,849) |
| 7 | Net Revenue | 154,842 | 152,003 |
| | COSTS AND EXPENSES: | | |
| 8 | Costs of Goods and Services | 84,823 | 80,738 |
| 9 | Selling, General, and Administrative | 31,687 | 31,400 |
| 10 | Provision for Doubtful Accounts | 363 | 1,047 |
| 11 | Depreciation and Amortization | 14,956 | 14,766 |
| | Charges from affiliates other than interest: | | |
| 12 | Management Fees | --- | --- |
| 13 | Other | --- | --- |
| 14 | Total costs and expenses | 131,829 | 127,951 |
| 15 | Income (Loss) From Operations | 23,013 | 24,052 |
| | Other Income (Expenses) | | |
| 16 | Interest (expense) - affiliates NOTE 8.. | (20,743) | (20,690) |
| 17 | Interest (expense) - external NOTE 8.. | (2,683) | (3,457) |
| 18 | Investment alternative tax and related income (expense) - net NOTE 12.. | (462) | (478) |
| 19 | Nonoperating income (expense) - net NOTE 13.. | 2,466 | 3,256 |
| 20 | Total other income (expenses) | (21,422) | (21,369) |
| 21 | Income (Loss) Before Income Taxes and Extraordinary Items | 1,591 | 2,683 |
| 22 | Provision (credit) for income taxes NOTE 9.. | 749 | 1,296 |
| 23 | Income (Loss) Before Extraordinary Items | 842 | 1,387 |
| 24 | Extraordinary items (net of income taxes - 19__, \$; 19__, \$) | --- | --- |
| 25 | Net Income (Loss) | \$ 842 | \$ 1,387 |

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 JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------|---|-------------|-------------|
| | REVENUE: | | |
| 1 | Casino | \$ 69,283 | \$ 69,341 |
| 2 | Rooms | 10,127 | 9,167 |
| 3 | Food and Beverage | 10,377 | 9,696 |
| 4 | Other | 1,616 | 3,499 |
| 5 | Total Revenue | 91,403 | 91,703 |
| 6 | Less: Promotional allowances NOTE 7.. | (8,804) | (9,384) |
| 7 | Net Revenue | 82,599 | 82,319 |
| | COSTS AND EXPENSES: | | |
| 8 | Costs of Goods and Services | 43,236 | 41,026 |
| 9 | Selling, General, and Administrative | 17,434 | 16,999 |
| 10 | Provision for Doubtful Accounts | 232 | 585 |
| 11 | Depreciation and Amortization | 7,353 | 7,347 |
| | Charges from affiliates other than interest: | | |
| 12 | Management Fees | --- | --- |
| 13 | Other NOTE 1.. | --- | --- |
| 14 | Total costs and expenses | 68,255 | 65,957 |
| 15 | Income (Loss) From Operations | 14,344 | 16,362 |
| | Other Income (Expenses) | | |
| 16 | Interest (expense) - affiliates NOTE 8.. | (10,372) | (10,346) |
| 17 | Interest (expense) - external NOTE 8.. | (1,319) | (1,529) |
| 18 | Investment alternative tax and related income (expense) - net NOTE 12.. | (125) | (145) |
| 19 | Nonoperating income (expense) - net NOTE 13.. | 1,247 | 1,610 |
| 20 | Total other income (expenses) | (10,569) | (10,410) |
| 21 | Income (Loss) Before Income Taxes and Extraordinary Items | 3,775 | 5,952 |
| 22 | Provision (credit) for income taxes NOTE 9.. | 1,692 | 2,463 |
| 23 | Income (Loss) Before Extraordinary Items | 2,083 | 3,489 |
| 24 | Extraordinary items (net of income taxes - 19__, \$; 19__, \$) | --- | --- |
| 25 | Net Income (Loss) | \$ 2,083 | \$ 3,489 |

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 AND TOWER
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
 (\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|--|---------------|-------------------|---------------|-------------------|
| | | SHARES (c) | DOLLARS (d) | SHARES (e) | DOLLARS (f) |
| | <i>Common Stock:</i> | | | | |
| 1 | Beginning balance (January 1) | 100 | \$ 93,987 | 100 | \$ 93,987 |
| 2 | Sale of stock | | | | |
| 3 | _____ | | | | |
| 4 | Ending balance | 100 | 93,987 | 100 | 93,987 |
| | <i>Preferred Stock:</i> | | | | |
| 5 | Beginning balance (January 1) | --- | --- | --- | --- |
| 6 | Sale of stock | | | | |
| 7 | _____ | | | | |
| 8 | Ending balance | --- | --- | --- | --- |
| | <i>Additional Paid-in Capital:</i> | | | | |
| 9 | Beginning balance (January 1) | | 34,652 | | 34,652 |
| 10 | _____ | | | | |
| 11 | _____ | | | | |
| 12 | Ending balance | | 34,652 | | 34,652 |
| | <i>Treasury Stock:</i> | | | | |
| 13 | Beginning balance (January 1) | --- | --- | --- | --- |
| 14 | Purchase of additional stock | | | | |
| 15 | Sale or retirement of stock | | | | |
| 16 | Ending balance | --- | --- | --- | --- |
| | <i>Subscriptions Receivable For Capital stock:</i> | | | | |
| 17 | Beginning balance (January 1) | --- | --- | --- | --- |
| 18 | _____ | | | | |
| 19 | _____ | | | | |
| 20 | Ending balance | --- | --- | --- | --- |
| | <i>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</i> | | | | |
| 21 | Beginning balance (January 1) | | --- | | --- |
| 22 | _____ | | | | |
| 23 | _____ | | | | |
| 24 | Ending balance | | --- | | --- |
| | <i>Retained Earnings:</i> | | | | |
| 25 | Beginning balance (January 1) | | 5,189 | | 3,423 |
| 26 | Prior period adjustments | | | | |
| 27 | Net income (loss) | | 842 | | 1,387 |
| 28 | Dividends | | | | |
| 29 | _____ | | | | |
| 30 | _____ | | | | |
| 31 | Ending balance | | 6,031 | | 4,810 |
| 32 | Ending Stockholders' Equity | | \$ 134,670 | | \$ 133,449 |

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE CASINO HOTEL AND TOWER

STATEMENT OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)
NOT APPLICABLE

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------|--|-------------|-------------|
| | 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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | Description (b) | 1992 (c) | 1991 (d) |
|-------------|---|-------------|-------------|
| 1 | Net Cash Provided (Used) By Operating Activities | \$ 9,345 | \$ 24,155 |
| | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities | --- | --- |
| 3 | Proceeds from the sale of short-term investment securities | --- | --- |
| 4 | Purchase outflows for property and equipment | (7,916) | (4,877) |
| 5 | Proceeds from disposition of property and equipment | --- | --- |
| 6 | Purchase of casino reinvestment obligations | (2,385) | (1,005) |
| 7 | Purchase of other investments and loans/advances made | (2,240) | (1,683) |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables | 23 | 19 |
| 9 | Cash outflows to acquire business entities | --- | --- |
| 10 | _____ | --- | --- |
| 11 | _____ | --- | --- |
| 12 | Net Cash Provided (Used) By Investing Activities | (12,518) | (7,546) |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt | --- | --- |
| 14 | Payments to settle short-term debt | --- | --- |
| 15 | Cash proceeds from issuance of long-term debt | 59,000 | 19,500 |
| 16 | Costs of issuing debt | --- | --- |
| 17 | Payments to settle long-term debt | (53,020) | (42,518) |
| 18 | Cash proceeds from issuing stock or capital contributions | --- | --- |
| 19 | Purchases of treasury stock | --- | --- |
| 20 | Payments of dividends or capital withdrawals | --- | --- |
| 21 | Advance from Bally and affiliates | (6,300) | 5,000 |
| 22 | _____ | --- | --- |
| 23 | Net Cash Provided (Used) By Financing Activities | (320) | (18,018) |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents | (3,493) | (1,409) |
| 25 | Cash And Cash Equivalents At Beginning Of Period | 12,506 | 10,394 |
| 26 | Cash And Cash Equivalents At End Of Period | \$ 9,013 | \$ 8,985 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|--|-----------|-----------|
| 27 | Cash Paid During Period For: Interest (net of amount capitalized) | \$ 22,991 | \$ 24,038 |
| 28 | Income taxes | \$ 599 | \$ --- |

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | Description (b) | 1992 (c) | 1991 (d) |
|-------------|---|-------------|-------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ 842 | \$ 1,387 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment | 13,211 | 13,000 |
| 31 | Amortization of other assets | 955 | 852 |
| 32 | Amortization of debt discount or premium | --- | --- |
| 33 | Deferred income taxes - current | (777) | (1,196) |
| 34 | Deferred income taxes - noncurrent | 2,445 | 748 |
| 35 | (Gain) loss on disposition of property and equipment | --- | --- |
| 36 | (Gain) loss on casino reinvestment obligations | 462 | 478 |
| 37 | (Gain) loss from other investment activities | 121 | 203 |
| 38 | Net (increase) decrease in receivables and patrons' checks | (1,330) | 3,031 |
| 39 | Net (increase) decrease in inventories | (251) | 1,644 |
| 40 | Net (increase) decrease in other current assets | (1,973) | (928) |
| 41 | Net (increase) decrease in other assets | (887) | 126 |
| 42 | Net increase (decrease) in accounts payables | (657) | (2,248) |
| 43 | Net increase (decrease) in other current liabilities excluding debt | (3,157) | 4,588 |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt | (519) | 1,500 |
| 45 | Net book value of disposals | 70 | 56 |
| 46 | CRDA obligation amortization | 790 | 914 |
| 47 | Net Cash Provided (Used) By Operating Activities | \$ 9,345 | \$ 24,155 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|----------|----------|
| | Acquisition Of Property And Equipment: | | |
| 48 | Additions to property and equipment | \$ 7,916 | \$ 4,877 |
| 49 | Less: Capital lease obligations incurred | --- | --- |
| 50 | Cash Outflows For Property And Equipment | \$ 7,916 | \$ 4,877 |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired | \$ --- | \$ --- |
| 52 | Goodwill acquired | --- | --- |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment | --- | --- |
| 54 | Long-term debt assumed | --- | --- |
| 55 | Issuance of stock or capital invested | --- | --- |
| 56 | Cash Outflows To Acquire Business Entities | \$ --- | \$ --- |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contributions | \$ --- | \$ --- |
| 58 | Less: Issuances to settle long-term debt | --- | --- |
| 59 | Consideration in acquisition of business entities | --- | --- |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions | \$ --- | \$ --- |

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE CASINO HOTEL AND TOWER

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(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 | \$ 1,225 | | |
| 2 | Returned patrons' checks | 6,147 | | |
| 3 | Total patrons' checks | 7,372 | \$ 6,050 | \$ 1,322 |
| 4 | Hotel Receivables | 1,499 | 330 | 1,169 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees | 3 | | |
| 6 | Receivables due to affiliates | 2,270 | | |
| 7 | Other accounts and notes receivables | 1,155 | | |
| 8 | Total other receivables | 3,428 | --- | 3,428 |
| 9 | Totals (Form 205) | \$ 12,299 | \$ 6,380 | \$ 5,919 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|--------------------------------------|--|---------------|
| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
| 10 | Beginning Balance (January 1) | \$ 1,502 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) | 33,275 |
| 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) | (26,738) |
| 13 | Checks collected through deposits | (5,736) |
| 14 | Checks transferred to returned checks | (1,078) |
| 15 | Other adjustments | 0 |
| 16 | Ending Balance | \$ 1,225 |
| 17 | "Hold" Checks Included In Balance On Line 16 | \$ 0 |
| 18 | Provision For Uncollectible Patrons' Checks | \$ 229 |
| 19 | Provision As A Percent Of Counter Checks Issued | 0.7% |

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
COUNTY OF Atlantic :

Vicki Lynn Guveiyian, being duly sworn according to law upon my oath
Name

deposes and says:

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

[Handwritten Signature]
Signature

Controller
Title

#000558-11
License Number

Subscribed and sworn to before me this 14th day of August, 1992

On Behalf Of:

[Handwritten Signature: Cheryl Ann Ruggles]
Signature

Bally's Park Place, Inc. NJ
Casino Licensee

CHERYL ANN RUGGLES
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Feb. 16, 1994
Basis of Authority to Take Oaths

BALLY'S PARK PLACE CASINO HOTEL & TOWER
Note 1 - Notes to Financial Statements
For the Six Months Ended June 30, 1992 and 1991
(Unaudited)

The accompanying financial statements of Bally's Park Place Casino Hotel and Tower (the "Company") should be read in conjunction with the consolidated financial statements in the Casino Control Commission Annual Report for the year ended December 31, 1991.

Please refer to the Annual Report for the following:

1. Summary of Significant Accounting Policies
2. Leases (except rent expense for the periods)
3. Provision for Income Taxes, Reconciliation to Statutory Rate
4. Pension Plans
5. Reinvestment Obligation
6. Capital Stock-Description of Features
7. Contingent Liabilities

Certain reclassifications have been made to the 1991 statements to conform to the 1992 presentation.

Investments in Subsidiaries

The Company has three wholly owned subsidiaries, B.W. Realty, Inc. (which operated a motel in Atlantic City until January 1992), Bally Warwick, Inc. (which owns several condominiums in a building in Atlantic City for sale and lease) and Bally's Park Place Realty Company (which owns land in Atlantic City). The investments in these subsidiaries are reflected in the accompanying financial statements using the equity method.

Transactions with related parties

The accompanying financial statements reflect an allocation of costs and expenses from Bally Manufacturing Corporation ("Bally") of \$1,802,000 for certain insurance, executive and other Bally corporate overhead costs (no such costs were allocated for the six months ended June 30, 1991). Certain management personnel of the Company are active in the management of Bally. No allocation of the Company's cost of services to Bally or Bally subsidiaries has occurred.

In May 1992, Bally received approval from the Casino Control Commission (the "Commission") to authorize payment by the Company of its 1992 and 1991 portion of stockholder costs and its 1992 portion of executive and other Bally corporate overhead costs.

In May 1991, the Company's common stock was pledged to Bally's bank lenders as collateral in connection with Bally's restructuring. The pledge was released in July 1992.

In April 1990, the Company advanced Bally \$50,000,000 secured by a promissory note allowing for payment on demand by the Company. The Company has no current intention of requesting payment. In addition, Bally's ability to repay the \$50,000,000 may be affected by its financial difficulties. The

BALLY'S PARK PLACE CASINO HOTEL & TOWER
Note 1 - Notes to Financial Statements
For the Six Months Ended June 30, 1992 and 1991
(Unaudited)

Company earns interest on the outstanding balance at the prime rate of its agent bank with such interest payable at the end of each quarter. Intercompany interest earned on this advance was \$808,000 and \$1,509,000 for the three months ended June 30, 1992 and 1991 respectively and \$1,616,000 and \$2,643,000 for the six months ended June 30, 1992 and 1991, respectively.

In December 1990, the Company advanced GNOC Corp. ("Bally's Grand"), another wholly owned subsidiary of Bally, \$2,700,000. This advance, which was payable on demand by the Company, was paid in June 1992. The Company earns interest on the outstanding balance at the prime rate of its agent bank with such interest payable at the end of each quarter. Intercompany interest earned on this advance for the three months ended June 30, 1992 and 1991 was \$29,000 and \$59,000 respectively, and \$73,000 and \$120,000 for the six months ended June 30, 1992 and 1991, respectively.

At June 30, 1992 and 1991, the Company owed Bally's Grand \$8,000,000 and \$5,000,000, respectively, for advances used by the Company to reduce the outstanding balance under its revolving credit agreement. The Company pays interest on the outstanding balance at the prime rate of its agent bank with such interest payable at the end of each month. The principal balance is due upon demand by Bally's Grand. Intercompany interest expense on the advance from Bally's Grand was \$330,000 and \$14,000 for the three months ended June 30, 1992 and 1991, respectively, and \$651,000 and \$14,000 for the six months ended June 30, 1992 and 1991, respectively.

The Company purchased slot machines and related services from other Bally subsidiaries for aggregate amounts of \$1,268,000 and \$219,000 for the three months ended June 30, 1992 and 1991, respectively, and \$2,050,000 and \$343,000 for the six months ended June 30, 1992 and 1991 respectively.

The Company leases surface area parking lots and an administrative facility to Bally's Grand. Rental income was \$174,000 for each of the three month periods ended June 30, 1992 and 1991 and \$348,000 for each of the six month periods ended June 30, 1992 and 1991. Certain administrative and support operations of the Company and Bally's Grand are consolidated. The Company allocated direct costs to Bally's Grand of \$613,000 and \$639,000 for the three months ended June 30, 1992 and 1991, respectively and \$1,215,000 and \$1,226,000 for the six months ended June 30, 1992 and 1991, respectively, related to these consolidated operations.

Income taxes

For the six months ended June 30, 1992 and 1991, the income tax rate varied from the federal statutory rate of 34% (47.08% and 48.30%, respectively) due principally to state income taxes, net of related income tax benefit.

The Company files a consolidated federal income tax return with Bally. As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, the Internal Revenue Service ("IRS") has completed an audit of Bally's consolidated federal income tax returns for the calendar years 1983 and 1984. During the audit, the IRS raised certain significant issues principally related to the tax accounting method used by Bally's fitness center subsidiaries to report income from membership contracts which resulted in a substantial assessment. In July 1992, Bally and the IRS reached a settlement

BALLY'S PARK PLACE CASINO HOTEL & TOWER
Note 1 - Notes to Financial Statements
For the Six Months Ended June 30, 1992 and 1991
(Unaudited)

(subject to the IRS' Joint Committee review) with respect to the tax accounting method used to report income from membership contracts. The settlement of this issue eliminates previously disclosed concerns regarding a material adverse effect on Bally's liquidity with respect to the tax accounting method used to report income from membership contracts.

As a result of the proposed tax settlement for 1983 and 1984 between Bally and the IRS, the Company may be subject to additional payments to Bally or the IRS pursuant to the terms of the tax sharing agreement between Bally and the Company. The Company, in conjunction with Bally, is presently evaluating the extent of the payment due. Currently, the anticipated amount due, including interest, could approximate \$5 million. The Company anticipates resolution of this matter within the next six to twelve months. Payment of any tax deficiency will not have a material effect on the Company's financial position or results of operations, as the Company adequately provided deferred and current taxes related to this matter.

Also as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, the IRS has completed an audit of the federal income tax returns of certain of Bally's fitness center subsidiaries for periods ending on the day these subsidiaries were acquired. The IRS is asserting that these subsidiaries owe approximately \$82.0 million, including interest (estimated as of June 30, 1992) with respect to issues arising pursuant to Bally's election to treat the purchases of stock of these subsidiaries as if they were purchases of assets. Bally intends to vigorously oppose and, if necessary, litigate the IRS' proposed deficiencies with respect to these issues. Bally estimates that if the issues are fully litigated, the ultimate resolution of these issues is not likely to occur for approximately three years.

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 2 - Prepaid Expenses and
 Other Current Assets
 June 30,
 (Unaudited)

| | <u>1992</u> | <u>1991</u> |
|--|----------------------|----------------------|
| | <u>\$ 1992,000</u> | <u>\$ 1991,000</u> |
| Deferred Income Taxes | \$ 6,635,000 | \$ 4,739,000 |
| Prepaid Insurance | 1,690,000 | 560,000 |
| Other * | <u>1,465,000</u> | <u>1,497,000</u> |
| | <u>\$ 9,790,000</u> | <u>\$ 6,796,000</u> |
| Accumulated Depreciation and Amortization | <u>252,911,000</u> | <u>228,682,000</u> |
| Property and Equipment, Net | <u>\$490,791,000</u> | <u>\$503,261,000</u> |

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

BALLY'S PARK PLACE CASINO HOTEL & TOWER

Note 3 - Property, Plant and Equipment

June 30,
(Unaudited)

| | <u>1992</u> | <u>1991</u> |
|--|----------------------|----------------------|
| Land | \$ 64,169,000 | \$ 64,152,000 |
| Buildings, Leasehold Improvements | 537,750,000 | 535,785,000 |
| Furniture, Fixtures and Equipment | 137,471,000 | 129,826,000 |
| Construction in Progress | <u>4,312,000</u> | <u>2,187,000</u> |
| | 743,702,000 | 731,950,000 |
| Less Accumulated Depreciation and Amortization | <u>252,911,000</u> | <u>228,689,000</u> |
| Property and Equipment, Net | <u>\$490,791,000</u> | <u>\$503,261,000</u> |

The indentures relating to the 11 7/8% First Mortgage Notes and the revolving credit agreement contain covenants restricting the Company's operations, total indebtedness, encumbrances on property and equipment. Under the mortgage note and the revolving credit agreement, sale, transfer or lease of assets, the amount of additional debt which may be incurred, and coverage of fixed charges. Payments of dividends are restricted in amount. At June 30, 1992, approximately \$1,000,000 was available to pay

In 1992, the Company and the banks participating in its \$100,000,000 revolving credit agreement, which was due to expire on June 30, 1992, entered into an agreement to extend the credit facility for two years. The new agreement expires on June 30, 1994 at which time the Company has the option to pay the outstanding balance or convert the outstanding balance to a term loan with four semiannual installments beginning December 31, 1994. The revolving credit agreement provides for maximum borrowings up to \$100,000,000. The rate of interest on the borrowings (weighted average rate of interest as of June 30, 1992) remains at the Company's option, based upon the prime rate or certain other short-term rates. The annual fee on the revolving credit agreement was increased from 3/8 of 1 percent to 1/2 of 1 percent. In connection with the signing of the agreement the Company paid to the banks a fee of 1/2 percent (\$375,000) of the total permitted borrowings, which will be amortized over the two year extension period. Two additional covenants, relating to the minimum coverage of current maturities of long-term debt and fixed charges, were included in the extension agreement. The unused amount of the revolving credit agreement at June 30, 1992 is \$44,000,000. In June 1991, the Company granted a first mortgage on and security interest in all the property and equipment used in securing the Notes. The banks rank pari passu in right of payment with the holders of the Notes.

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 4 - Long-Term Debt, Affiliates and Other
 June 30,
 (Unaudited)

Long-Term Debt

| | 1992 | 1991 |
|---------------------------------------|----------------|-----------|
| | (In thousands) | |
| Due to affiliates: | | |
| 11 7/8% First Mortgage Notes due 1999 | \$350,000 | \$350,000 |
| 13 7/8% Mortgage-Backed due 2003 | — | — |
| | \$350,000 | \$350,000 |
| Other: | | |
| Revolving credit agreement | \$ 31,000 | \$ 52,000 |
| Other secured and unsecured debt | 3,801 | 3,844 |
| | \$ 34,801 | \$ 55,844 |

The Indentures relating to the 11 7/8% First Mortgage Notes and the revolving credit agreement contain covenants restricting the Company's investment policies, total indebtedness, encumbrances on property and equipment securing the mortgage note and the revolving credit agreement, sale, transfer or lease of assets, the amounts of additional debt which may be incurred, and minimum coverage of fixed charges. Payments of dividends are restricted in amount, and at June 30, 1992, approximately \$1,000,000 was available to pay dividends.

In June 1992, the Company and the banks participating in its \$100,000,000 revolving credit agreement, which was due to expire on June 30, 1992, entered into an agreement to extend the credit facility for two years. The new expiration date is June 30, 1994 at which time the Company has the option to pay the outstanding balance or convert the outstanding balance to a term loan payable in four semiannual installments beginning December 31, 1994. The extended revolving credit agreement provides for maximum borrowings up to \$75,000,000. The rate of interest on the borrowings (weighted average rate of 5.80% at June 30, 1992) remains at the Company's option, based upon the agent bank's prime rate or certain other short-term rates. The annual fee on the unused commitment was increased from 3/8 of 1 percent to 1/2 of 1 percent. In addition, at the signing of the agreement the Company paid to the banks a fee of 1/2 of 1 percent (\$375,000) of the total permitted borrowings, which will be amortized over the two year extension period. Two additional covenants, providing for minimum coverage of current maturities of long-term debt and fixed charges, were included in the extension agreement. The unused amount of the credit line at June 30, 1992 is \$44,000,000. In June 1991, the Company granted to the banks a mortgage on and security interest in all the property and equipment securing the Notes. The banks rank pari passu in right of payment with the holders of the Notes.

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 5 - Deferred Credits
 June 30,
 (Unaudited)

| | 1992 | 1991 |
|---|---------------------------|---------------------|
| Deferred Federal Income Taxes | \$ 5, <u>\$15,224,000</u> | <u>\$12,674,000</u> |
| Long-Term Compensation (discounted \$1,000 in 1992) | 13,329,000 | — |
| Pension Obligation (discounted \$100 in 1992) | <u>1,495,000</u> | — |
| | <u>\$20,410,000</u> | <u>\$27,900,000</u> |

In connection with the employment of certain officers, the Company has an Supplemental Executive Retirement Plan. The participants earn benefits based on years of service and compensation. The Company recognizes this expense over the expected length of the officers' employment.

In January 1992, the Company and the New Jersey Department of the Treasury entered into an agreement settling a dispute regarding 1983 qualified mortgage bonds. The Company is obligated to make payments totalling \$2,250,000 through 1995 and 1996 and to participate in certain approved low income mortgage programs.

BALLY'S PARK PLACE CASINO HOTEL & TOWER

Note 6 - Other Liabilities

June 30,

(Unaudited)

| | 1992 | 1991 |
|--|---------------------|---------------------|
| Accrued S.E.R.P. | \$ 5,586,000 | \$27,000,000 |
| Deferred Long-Term Compensation (net of unamortized discount of \$3,271,000 in 1992) | 13,329,000 | --- |
| 1983 Reinvestment Obligation (net of unamortized discount of \$380,000 in 1992) | <u>1,495,000</u> | <u>---</u> |
| | <u>\$20,410,000</u> | <u>\$27,000,000</u> |

In connection with the employment of certain officers, the Company has an unfunded Supplemental Executive Retirement Plan. The participants earn benefits based on years of service and compensation. The Company recognizes this expense over the expected length of the officers' employment.

In January 1992, the Company and the New Jersey Department of the Treasury entered into an agreement settling a dispute regarding 1983 qualified investments. The Company is obligated to make payments totalling \$2,250,000 between 1992 and 1996 and to participate in certain approved low income mortgage guarantee programs.

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 7 - Complimentary Services
 For the Three Months Ended June 30, 1992
 (Unaudited)

| | <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 | 35,263 | \$ 3,950,000 | | |
| Food | 289,015 | 3,196,000 | | |
| Beverage | 792,096 | 1,584,000 | | |
| Parking | -0- | -0- | | |
| Shows | 3,321 | 56,000 | | |
| Other | 582 | 18,000 | | |
| Travel | | | 41,059 | \$ 821,000 |
| Coupon Redemption - Cash | | | 362,934 | 5,248,000 |
| Other | | | 5,000 | <u>250,000</u> |
| Total Amount of Services | | <u>\$ 8,804,000</u> | | <u>\$ 6,319,000</u> |

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 7 - Complimentary Services
 For the Six Months Ended June 30, 1992
 (Unaudited)

| | <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 | 64,580 | \$ 6,994,000 | (18,000) | (44,000) |
| Food | 551,075 | 6,034,000 | \$10,372,000 | \$10,346,000 |
| Beverage | 1,557,116 | 3,114,000 | | |
| Parking | 146,018 | 1,022,000 | | |
| Shows | 6,653 | 113,000 | \$ 1,324,000 | \$ 1,541,000 |
| Other | 1,613 | 49,000 | (5,000) | (12,000) |
| Travel | | | \$ 78,671 | \$ 1,573,000 |
| Coupon Redemption - Cash | | | 618,792 | 8,874,000 |
| Other | | | 7,329 | 366,000 |
| | | | <u>For the Six Months Ended June 30,</u> | |
| Total Amount of Services | | <u>\$17,326,000</u> | | <u>\$10,813,000</u> |

| | <u>1992</u> | <u>1991</u> |
|---------------|---------------------|---------------------|
| Various loans | \$ 2,693,000 | \$ 3,481,000 |
| Interest | (10,000) | (24,000) |
| | <u>\$ 2,683,000</u> | <u>\$ 3,457,000</u> |

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 8 - Interest Expense
 For the Three Months Ended June 30,
 (Unaudited)

| | <u>1992</u> | <u>1991</u> |
|----------------------------------|---------------------|---------------------|
| <u>Charges From Affiliates</u> | | |
| Bally's Park Place Funding, Inc. | \$10,390,000 | \$10,390,000 |
| Capitalized interest | <u>(18,000)</u> | <u>(44,000)</u> |
| | <u>\$10,372,000</u> | <u>\$10,346,000</u> |
| <u>External Sources</u> | | |
| Interest on various loans | \$ 1,324,000 | \$ 1,541,000 |
| Capitalized interest | <u>(5,000)</u> | <u>(12,000)</u> |
| | <u>\$ 1,319,000</u> | <u>\$ 1,529,000</u> |

For the Six Months Ended June 30,

| | <u>1992</u> | <u>1991</u> |
|----------------------------------|---------------------|---------------------|
| <u>Charges From Affiliates</u> | | |
| Bally's Park Place Funding, Inc. | \$20,781,000 | \$20,781,000 |
| Capitalized interest | <u>(38,000)</u> | <u>(91,000)</u> |
| | <u>\$20,743,000</u> | <u>\$20,690,000</u> |
| <u>External Sources</u> | | |
| Interest on various loans | \$ 2,693,000 | \$ 3,481,000 |
| Capitalized interest | <u>(10,000)</u> | <u>(24,000)</u> |
| | <u>\$ 2,683,000</u> | <u>\$ 3,457,000</u> |

BALLY'S PARK PLACE CASINO HOTEL & TOWER

Note 9 - Provision for Income Taxes

For the Three Months Ended June 30,
(Unaudited)

| | <u>1992</u> | <u>1991</u> |
|--------------------|---------------------|---------------------|
| Current: | | |
| Federal | \$ 1,254,000 | \$ 2,057,000 |
| State | <u>377,000</u> | <u>664,000</u> |
| | 1,631,000 | 2,721,000 |
| Deferred: | | |
| Federal | 47,000 | (197,000) |
| State | <u>14,000</u> | <u>(61,000)</u> |
| | 61,000 | (258,000) |
| Total Income Taxes | <u>\$ 1,692,000</u> | <u>\$ 2,463,000</u> |

For the Six Months Ended June 30,

| | <u>1992</u> | <u>1991</u> |
|--------------------|-------------------|---------------------|
| Current: | | |
| Federal | \$ (756,000) | \$ 1,290,000 |
| State | <u>(163,000)</u> | <u>454,000</u> |
| | (919,000) | 1,744,000 |
| Deferred: | | |
| Federal | 1,279,000 | (343,000) |
| State | <u>389,000</u> | <u>(105,000)</u> |
| | 1,668,000 | (448,000) |
| Total Income Taxes | <u>\$ 749,000</u> | <u>\$ 1,296,000</u> |

Reconciliation of Deferred Income Taxes

For the Six Months Ended June 30,

(Unaudited)

| | <u>1992</u> | <u>1991</u> |
|------------|------------------|------------------|
| Short-term | \$ (777,000) | \$(1,196,000) |
| Long-term | <u>2,445,000</u> | <u>748,000</u> |
| | <u>1,668,000</u> | <u>(448,000)</u> |

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 10 - Investments, Advances and Receivables
 June 30,
 (Unaudited)

| | 1992 | 1991 |
|--|---------------------|---------------------|
| <u>Other long-term investments and receivables:</u> | | |
| Receivable from sale of retail merchandise | \$ --- | \$ 1,324,000 |
| Total long-term receivables | \$ --- | \$ 1,324,000 |
| Investment in subsidiaries - equity: | | |
| Bally Warwick, Inc. - 100% owned | 4,321,000 | 4,393,000 |
| B.W. Realty, Inc. - 100% owned | 4,896,000 | 6,079,000 |
| Total investments in subsidiaries - equity | 9,217,000 | 10,472,000 |
| Casino Reinvestment Development Authority funds (less discount of \$6,405,000 in 1992 and \$4,732,000 in 1991) | 6,404,000 | 4,233,000 |
| Jacobs Family Terrace Mortgage Receivable (less reserve of \$175,000 in 1992 and 1991) | 2,671,000 | 2,710,000 |
| Bally's Park Place Realty Company | 15,630,000 | 15,630,000 |
| Bally Manufacturing Corporation | 50,000,000 | 50,000,000 |
| Bally's Grand | -0- | 2,700,000 |
| Less current portion | <u>(42,000)</u> | <u>(37,000)</u> |
| Total Investments, Advances and Receivables | <u>\$83,880,000</u> | <u>\$87,032,000</u> |

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 11 - Other Accrued Expenses
 June 30,
 (Unaudited)

| | <u>1992</u> | <u>1991</u> |
|----------------------|---------------------|---------------------|
| Payroll | \$ 7,757,000 | \$ 7,473,000 |
| Progressive Jackpots | 2,467,000 | 3,221,000 |
| Interest | 15,602,000 | 16,128,000 |
| *Miscellaneous | <u>11,223,000</u> | <u>8,013,000</u> |
| Total | <u>\$37,049,000</u> | <u>\$34,835,000</u> |

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

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 12 - Reinvestment Obligation
 June 30, 1992
 (Unaudited)

The Company, pursuant to the New Jersey Casino Control Act (the "Act"), is subject to making qualified investments, as specified by the Act or become liable for an alternative tax (2.5% of gross casino revenues). The Company has fulfilled its obligation under the Act by making deposits to the Casino Reinvestment Development Authority (the "CRDA") and by direct investments.

At June 30, 1992 and 1991, the Company had \$11,783,000 and \$8,216,000 respectively, in remaining bond purchase commitments on deposit with the CRDA. The Company has purchased \$1,026,000 and \$749,000 in bonds from the CRDA as of June 30, 1992 and 1991, respectively.

| | 1992 | 1991 |
|-----------------------------------|---------------------|---------------------|
| \$ 1,287,000 | <u>227,000</u> | <u>225,000</u> |
| \$ 1,610,000 | <u>\$ 1,287,000</u> | <u>\$ 1,610,000</u> |
| For the Six Months Ended June 30, | | |
| | 1992 | 1991 |
| \$ 2,200,000 | <u>\$ 2,200,000</u> | <u>\$ 3,033,000</u> |
| Income or (loss) of | | |
| subsidiaries: | | |
| (86,000) | (86,000) | (171,000) |
| (35,000) | (35,000) | (32,000) |
| <u>387,000</u> | <u>387,000</u> | <u>426,000</u> |
| <u>\$ 2,455,000</u> | <u>\$ 2,455,000</u> | <u>\$ 3,256,000</u> |

BALLY'S PARK PLACE CASINO HOTEL & TOWER
 Note 13 - Non-Operating Income
 For the Three Months Ended June 30,
 (Unaudited)

| | <u>1992</u> | <u>1991</u> |
|---|---------------------|---------------------|
| Interest income | \$ 1,094,000 | \$ 1,456,000 |
| Equity in income or (loss) of unconsolidated subsidiaries: | | |
| B. W. Realty, Inc. | (56,000) | (34,000) |
| Bally Warwick, Inc. | (18,000) | (17,000) |
| Other | <u>227,000</u> | <u>205,000</u> |
| Total | <u>\$ 1,247,000</u> | <u>\$ 1,610,000</u> |

For the Six Months Ended June 30,

| | <u>1992</u> | <u>1991</u> |
|---|---------------------|---------------------|
| Interest income | \$ 2,200,000 | \$ 3,033,000 |
| Equity in income or (loss) of unconsolidated subsidiaries: | | |
| B. W. Realty, Inc. | (86,000) | (171,000) |
| Bally Warwick, Inc. | (35,000) | (32,000) |
| Other | <u>387,000</u> | <u>426,000</u> |
| Total | <u>\$ 2,466,000</u> | <u>\$ 3,256,000</u> |

BALLY'S PARK PLACE CASINO HOTEL & TOWER
Note 14 - Commitments and Contingencies
June 30, 1992
(Unaudited)

The Company participates in four multi-casino progressive slot systems. The primary obligation for payment of these progressive jackpots resides with a trust established by the participating casinos to pay the winners. Winners are paid one-twentieth of the jackpot amount at the time of winning, and the remainder in equal installments over the next nineteen years. The trusts are responsible to fund this liability through the purchase of an annuity or certain United States obligations. In the event the trusts are unable to meet their obligations, each participating casino, including the Company, is jointly and severally liable for the payment. At June 30, 1992, the total funded amount of jackpots won is estimated to be \$13,807,000, which approximates the present value of these future payments. The present value of jackpots outstanding and not won at June 30, 1992 is estimated to be \$1,917,000. At June 30, 1992, the trusts had cash and cash equivalents on hand estimated to be \$3,678,000. Management does not believe the operations of these multi-casino progressive slot systems will have any material effect on its financial position or liquidity.

FOR THE QUARTER ENDED JUNE 30, 1992

The Company has guaranteed, in the event of nonpayment by Bally, the payment of all compensation and benefits pursuant to an employment agreement between Bally and Bally's Chairman and Chief Executive Officer. If Bally is unable to make payments according to the terms of the employment agreement, the Company would be required, pursuant to current resolutions of the Commission, to obtain Commission approval prior to making such payment.

Management believes that a final outcome of these matters will not have a material effect on the Company's financial position or its liquidity.

IN CHARGE
OFFICE REGARDING
REPORT,

RAYMOND A. WILKA

SR. VICE PRESIDENT OF FINANCE
& CORP. DEVELOPMENT

INDIANA AVENUE AT THE BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

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QUARTERLY REPORT

THE CLARIDGE AT PARK PLACE, INC.

INDIANA AVENUE AT THE BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

RECEIVED
NEW JERSEY
AUG 17 1992
CASINO CONTROL
COMMISSION

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT:

RAYMOND A. SPERA

OFFICIAL TITLE:

SR. VICE PRESIDENT OF FINANCE
& CORP. DEVELOPMENT

ADDRESS:

INDIANA AVENUE AT THE BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

TRADING NAME OF LICENSEE: THE CLARIDGE CASINO HOTEL

BALANCE SHEETS
 JUNE 30, 1992 AND 1991
 (UNAUDITED)
 (\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (B) | (C) 1992 | (D) 1991 |
|-------------|--|-----------|-----------|
| | ASSETS | | |
| | CURRENT ASSETS: | | |
| 1 | CASH..... | \$ 5,155 | \$ 7,229 |
| 2 | MARKETABLE SECURITIES..... | -0- | -0- |
| 3 | RECEIVABLES & PATRONS CHECKS (NET OF ALLOW. FOR DOUBTFUL ACCOUNTS - 1992, \$1,388; 1991, \$2,278..... | 17,092 | 16,607 |
| 4 | INVENTORIES..... | 2,231 | 2,290 |
| 5 | PREPAID EXPENSES & OTHER CURRENT ASSETS..... | 1,788 | 2,845 |
| 6 | TOTAL CURRENT ASSETS..... | 26,266 | 28,971 |
| 7 | INVESTMENTS, ADVANCES & RECEIVABLES...(NOTE 3)..... | 126,345 | 131,888 |
| 8 | PROPERTY & EQUIPMENT - NET OF ACCUM. DEPRECIATION OF \$10,069 & \$10,296..... | 3,819 | 3,595 |
| 9 | OTHER ASSETS.....(NOTE 4)..... | 536 | 371 |
| 10 | TOTAL ASSETS..... | \$156,966 | \$164,825 |
| | LIABILITIES & EQUITY | | |
| | CURRENT LIABILITIES: | | |
| 11 | ACCOUNTS PAYABLE..... | \$ 2,267 | \$ 3,309 |
| 12 | NOTES PAYABLE..... | -0- | -0- |
| | CURRENT PORTION OF LONG-TERM DEBT: | | |
| 13 | DUE TO AFFILIATES..... | -0- | -0- |
| 14 | OTHER.....(NOTE 7)..... | 1,436 | 4,274 |
| 15 | INCOME TAXES PAYABLE & ACCRUED..... | 1,337 | 97 |
| 16 | OTHER ACCRUED EXPENSES.....(NOTE 5)..... | 10,588 | 10,979 |
| 17 | OTHER CURRENT LIABILITIES.....(NOTE 6)..... | 21,144 | 20,966 |
| 18 | TOTAL CURRENT LIABILITIES..... | 36,772 | 39,625 |
| | LONG TERM DEBT: | | |
| 19 | DUE TO AFFILIATES..... | -0- | -0- |
| 20 | OTHER.....(NOTE 7)..... | 45,534 | 55,714 |
| 21 | DEFERRED CREDITS..... | 3,789 | 2,055 |
| 22 | OTHER LIABILITIES.....(NOTE 8)..... | 61,106 | 63,407 |
| 23 | COMMITMENTS & CONTINGENCIES (NOTE 1) | | |
| 24 | TOTAL LIABILITIES..... | 147,201 | 160,801 |
| 25 | STOCKHOLDERS', PARTNERS, OR PROPRIETOR'S EQUITY..... | 9,765 | 4,024 |
| 26 | TOTAL LIABILITIES & EQUITY..... | \$156,966 | \$164,825 |

THE ACCOMPANYING NOTES ARE IN INTEGRAL PART OF THE
 FINANCIAL STATEMENTS. VALID COMPARISONS CANNOT BE MADE
 WITHOUT USING INFORMATION CONTAINED IN THE NOTES.

* Certain reclassifications have been made to the 1991 Balance Sheet to conform to the 1992 presentation.

STATEMENTS OF INCOME
 FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
 (UNAUDITED)
 (\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (B) | (C) 1992 | (D) 1991 |
|-------------|--|-----------|-----------|
| | ASSETS | | |
| | REVENUE: | | |
| 1 | CASINO..... | \$ 72,030 | \$ 63,641 |
| 2 | ROOMS..... | 5,014 | 4,824 |
| 3 | FOOD & BEVERAGE..... | 9,759 | 9,758 |
| 4 | OTHER..... | 1,581 | 1,159 |
| 5 | TOTAL REVENUE..... | 88,384 | 79,382 |
| 6 | LESS: PROMOTIONAL ALLOWANCES.....(NOTE 10)..... | 8,254 | 7,282 |
| 7 | NET REVENUE..... | 80,130 | 72,100 |
| | COSTS & EXPENSES: | | |
| 8 | COST OF GOODS & SERVICES..... | 44,712 | 41,381 |
| 9 | SELLING, GENERAL & ADMINISTRATIVE..... | 20,532 | 18,445 |
| 10 | PROVISION FOR DOUBTFUL ACCOUNTS..... | 269 | 279 |
| 11 | DEPRECIATION & AMORTIZATION..... | 626 | 594 |
| | CHARGES FROM AFFILIATES OTHER THAN INTEREST: | | |
| 12 | MANAGEMENT FEES..... | -0- | -0- |
| 13 | OTHER.....(NOTE 13)..... | 54 | 60 |
| 14 | TOTAL COSTS & EXPENSES..... | 66,193 | 60,759 |
| 15 | INCOME (LOSS) FROM OPERATIONS..... | 13,937 | 11,341 |
| | OTHER INCOME (EXPENSES): | | |
| 16 | INTEREST (EXPENSES) - AFFILIATES.....(NOTE 13)..... | (216) | (216) |
| 17 | INTEREST (EXPENSES) - EXTERNAL..... | (2,096) | (3,188) |
| 18 | INVESTMENT ALT. TAX & RELATED INCOME (EXPENSE) - NET... | (658) | (687) |
| 19 | NONOPERATING INCOME (EXPENSE) - NET....(NOTES 9 & 13).. | (7,481) | (8,795) |
| 20 | TOTAL OTHER INCOME (EXPENSE)..... | (10,451) | (12,886) |
| 21 | INCOME (LOSS) BEFORE INCOME TAXES & EXTRAORDINARY ITEMS | 3,486 | (1,545) |
| 22 | PROVISION (CREDIT) FOR INCOME TAXES..(NOTE 12)..... | 1,268 | (525) |
| 23 | INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS..... | 2,218 | (1,020) |
| 24 | EXTRAORDINARY ITEMS (NET OF INCOME TAXES - 1992, \$ -0-; 1991, \$-0-)...... | -0- | -0- |
| 25 | NET INCOME (LOSS)..... | \$ 2,218 | \$(1,020) |

THE ACCOMPANYING NOTES ARE IN INTEGRAL PART OF THE
 FINANCIAL STATEMENTS. VALID COMPARISONS CANNOT BE MADE
 WITHOUT USING INFORMATION CONTAINED IN THE NOTES.

1/89

CCC-210

* Certain reclassifications have been made to the 1991 Income Statement to conform to the 1992 presentation.

TRADING NAME OF LICENSEE: THE CLARIDGE CASINO HOTEL

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (B) | (C) 1992 | (D) 1991 |
|-------------|---|-----------|-----------|
| | ASSETS | | |
| | REVENUE: | | |
| 1 | CASINO..... | \$ 37,890 | \$ 35,138 |
| 2 | ROOMS..... | 2,832 | 2,782 |
| 3 | FOOD & BEVERAGE..... | 5,077 | 5,516 |
| 4 | OTHER..... | 745 | 631 |
| 5 | TOTAL REVENUE..... | 46,544 | 44,067 |
| 6 | LESS: PROMOTIONAL ALLOWANCES.....(NOTE 10)..... | 4,122 | 4,005 |
| 7 | NET REVENUE..... | 42,422 | 40,062 |
| | COSTS & EXPENSES: | | |
| 8 | COST OF GOODS & SERVICES..... | 22,899 | 21,597 |
| 9 | SELLING, GENERAL & ADMINISTRATIVE..... | 10,605 | 9,722 |
| 10 | PROVISION FOR DOUBTFUL ACCOUNTS..... | 129 | 148 |
| 11 | DEPRECIATION & AMORTIZATION..... | 315 | 304 |
| | CHARGES FROM AFFILIATES OTHER THAN INTEREST: | | |
| 12 | MANAGEMENT FEES..... | -0- | -0- |
| 13 | OTHER..... | 27 | 27 |
| 14 | TOTAL COSTS & EXPENSES..... | 33,975 | 31,798 |
| 15 | INCOME (LOSS) FROM OPERATIONS..... | 8,447 | 8,264 |
| | OTHER INCOME (EXPENSES): | | |
| 16 | INTEREST (EXPENSES) - AFFILIATES..... | (108) | (108) |
| 17 | INTEREST (EXPENSES) - EXTERNAL..... | (1,019) | (1,583) |
| 18 | INVESTMENT ALT. TAX & RELATED INCOME (EXPENSE) - NET... | (288) | (382) |
| 19 | NONOPERATING INCOME (EXPENSE) - NET..... | (3,938) | (4,660) |
| 20 | TOTAL OTHER INCOME (EXPENSE)..... | (5,353) | (6,733) |
| 21 | INCOME (LOSS) BEFORE INCOME TAXES & EXTRAORDINARY ITEMS | 3,094 | 1,531 |
| 22 | PROVISION (CREDIT) FOR INCOME TAXES..... | 1,185 | 521 |
| 23 | INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS..... | 1,909 | 1,010 |
| 24 | EXTRAORDINARY ITEMS (NET OF INCOME TAXES) | -0- | -0- |
| 25 | NET INCOME (LOSS)..... | \$ 1,909 | \$ 1,010 |

THE ACCOMPANYING NOTES ARE IN INTEGRAL PART OF THE FINANCIAL STATEMENTS. VALID COMPARISONS CANNOT BE MADE WITHOUT USING INFORMATION CONTAINED IN THE NOTES.

1/89

CCC-215

* CERTAIN RECLASSIFICATIONS HAVE BEEN MADE TO THE 1991 INCOME STATEMENT TO CONFORM TO THE 1992 PRESENTATION.

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
 FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
 (UNAUDITED)
 (\$ IN THOUSANDS)

| LINE A) | DESCRIPTION (B) | 1992 | | 1991 | |
|------------|--|------------|-------------|------------|-------------|
| | | (C) SHARES | (D) DOLLARS | (E) SHARES | (F) DOLLARS |
| | COMMON STOCK: (PAR VALUE \$0.10, AUTHORIZED & OUTSTANDING 1,000 SHARES) | | | | |
| 1 | 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 | ENDING BALANCE..... | | \$4,999 | | \$ 4,999 |
| | TREASURY STOCK: | | | | |
| 12 | BEGINNING BALANCE (JANUARY 1)..... | | | | |
| 13 | PURCHASE OF ADDITIONAL STOCK..... | | | | |
| 14 | SALE OR RETIREMENT OF STOCK..... | | | | |
| 15 | ENDING BALANCE..... | | | | |
| | SUBSCRIPTIONS RECEIVABLE FOR CAPITAL STOCK: | | | | |
| 16 | BEGINNING BALANCE (JANUARY 1)..... | | | | |
| 17 | _____ | | | | |
| 18 | ENDING BALANCE..... | | | | |
| | NET UNREALIZED LOSS ON NONCURRENT MARKETABLE EQUITY SECURITIES: | | | | |
| 19 | BEGINNING BALANCE (JANUARY 1)..... | | | | |
| 20 | _____ | | | | |
| 21 | ENDING BALANCE..... | | | | |
| | RETAINED EARNINGS: | | | | |
| 22 | BEGINNING BALANCE (JANUARY 1)..... | | \$2,547 | | \$ 44 |
| 23 | PRIOR PERIOD ADJUSTMENTS..... | | | | |
| 24 | NET INCOME (LOSS)..... | | 2,218 | | (1,020) |
| 25 | DIVIDENDS..... | | | | |
| 26 | _____ | | | | |
| 27 | ENDING BALANCE..... | | 4,765 | | (976) |
| 28 | ENDING STOCKHOLDERS' EQUITY..... | | \$9,765 | | \$ 4,024 |

THE ACCOMPANYING NOTES ARE IN INTEGRAL PART OF THE
 FINANCIAL STATEMENTS. VALID COMPARISONS CANNOT BE MADE
 WITHOUT USING INFORMATION CONTAINED IN THE NOTES.

TRADING NAME OF LICENSEE: THE CLARIDGE CASINO HOTEL

STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETORS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (B) | (C) 1992 | (D) 1991 |
|-------------|--|----------|----------|
| | INVESTED CAPITAL: | | |
| 1 | BEGINNING BALANCE (JANUARY 1)..... | | |
| 2 | ADDITIONAL CAPITAL INVESTED..... | | |
| 3 | ..... |  |  |
| 4 | ENDING BALANCE..... | | |
| | ACCUMULATED INCOME (LOSS): | | |
| 5 | BEGINNING BALANCE..... | | |
| 6 | PRIOR PERIOD ADJUSTMENTS..... | | |
| 7 | NET INCOME (LOSS)..... | | |
| 8 | ..... |  |  |
| 9 | ENDING BALANCE..... | | |
| | CAPITAL WITHDRAWALS: | | |
| 10 | BEGINNING BALANCE..... | | |
| 11 | ADDITIONAL CAPITAL WITHDRAWALS..... | | |
| 12 | ..... |  |  |
| 13 | ENDING BALANCE..... | | |
| | NET UNREALIZED LOSS ON NONCURRENT MARKETABLE EQUITY SECURITIES: | | |
| 14 | BEGINNING BALANCE..... | | |
| 15 | | | |
| 16 | | | |
| 17 | ENDING BALANCE..... | | |
| 18 | ENDING PARTNERS' OR PROPRIETOR'S EQUITY..... | | |

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4/86

CCC-225

NOT APPLICABLE

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS. VALID COMPARISONS CANNOT BE MADE
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CCC-225

TRADING NAME OF LICENSEE: THE CLARIDGE CASINO HOTEL

STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
 (UNAUDITED)
 (\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (B) | (C) 1992 | (D) 1991 |
|-------------|--|----------|----------|
| 1 | NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES..... | \$ 3,410 | \$ (133) |
| | CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| 2 | PURCHASE OF SHORT-TERM INVESTMENT SECURITIES..... | | |
| 3 | PROCEEDS FROM THE SALE OF SHORT-TERM INV. SECURITIES... | | |
| 4 | CASH OUTFLOWS FOR PROPERTY & EQUIPMENT..... | (488) | (313) |
| 5 | PROCEEDS FROM DISPOSITION OF PROPERTY & EQUIPMENT..... | 24 | 18 |
| 6 | PURCHASE OF CASINO REINVESTMENT OBLIGATION..... | (355) | (151) |
| 7 | PURCHASE OF OTHER INVESTMENTS & LOANS/ADVANCES MADE.... | (1,482) | (579) |
| 8 | PROCEEDS FROM DISPOSAL OF INVESTMENTS & COLLECTION OF ADVANCES & LONG TERM RECEIVABLES..... | 4,506 | 4,699 |
| 9 | CASH OUTFLOWS TO ACQUIRE BUSINESS ENTITIES..... | | |
| 10 | | | |
| 11 | | | |
| 12 | NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES..... | 2,205 | 3,674 |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| 13 | CASH PROCEEDS FROM ISSUANCE OF SHORT-TERM DEBT..... | -0- | |
| 14 | PAYMENTS TO SETTLE SHORT-TERM DEBT..... | -0- | (900) |
| 15 | CASH PROCEEDS FROM ISSUANCE OF LONG-TERM DEBT..... | | |
| 16 | COSTS OF ISSUING DEBT..... | | |
| 17 | PAYMENTS TO SETTLE LONG-TERM DEBT..... | (5,097) | (483) |
| 18 | CASH PROCEEDS FROM ISSUING STOCK OR CAPITAL CONTRIB.... | | |
| 19 | PURCHASES OF TREASURY STOCK..... | | |
| 20 | PAYMENTS OF DIVIDENDS OR CAPITAL WITHDRAWALS..... | | |
| 21 | | | |
| 22 | | | |
| 23 | NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES..... | (5,097) | (1,383) |
| 24 | NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS..... | 518 | 2,158 |
| 25 | CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD..... | 4,637 | 5,071 |
| 26 | CASH & CASH EQUIVALENTS AT END OF PERIOD..... | \$ 5,155 | \$ 7,229 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|----------|----------|
| 27 | CASH PAID DURING YEAR FOR: | | |
| 28 | INTEREST (NET OF AMOUNT CAPITALIZED)..... | \$ 2,096 | \$ 3,188 |
| | INCOME TAXES..... | \$ 351 | \$ 255 |

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 FINANCIAL STATEMENTS. VALID COMPARISONS CANNOT BE MADE
 WITHOUT USING INFORMATION CONTAINED IN THE NOTES.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (B) | (C) 1992 | (D) 1991 |
|-------------|---|----------|------------|
| | NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| 29 | NET INCOME (LOSS)..... | \$ 2,218 | \$ (1,020) |
| | NON-CASH ITEMS INCLUDED INCOME & CASH ITEMS EXCLUDED FROM INCOME: | | |
| 30 | DEPRECIATION & AMORTIZATION OF PROPERTY & EQUIPMENT.... | 531 | 556 |
| 31 | AMORTIZATION OF OTHER ASSETS..... | 95 | 38 |
| 32 | AMORTIZATION OF DEBT DISCOUNT OR PREMIUM..... | | |
| 33 | DEFERRED INCOME TAXES - CURRENT..... | | |
| 34 | DEFERRED INCOME TAXES - NONCURRENT..... | 179 | (525) |
| 35 | (GAIN) LOSS ON DISPOSITION OF PROPERTY & EQUIPMENT.... | (13) | (18) |
| 36 | (GAIN) LOSS ON CASINO REINVESTMENT OBLIGATIONS..... | 658 | 687 |
| 37 | (GAIN) LOSS FROM OTHER INVESTMENT ACTIVITIES..... | | |
| 38 | NET (INCREASE) DECREASE IN RECEIVABLES AND PATRONS' CHECKS EXCLUDING RECLASS FROM LONG TERM OF \$283 and \$(116)..... | (41) | (319) |
| 39 | NET (INCREASE) DECREASE IN INVENTORIES..... | (190) | (293) |
| 40 | NET (INCREASE) DECREASE IN OTHER CURRENT ASSETS *.... | (359) | (451) |
| 41 | NET (INCREASE) DECREASE IN OTHER ASSETS..... | (246) | (228) |
| 42 | NET INCREASE (DECREASE) IN ACCOUNTS PAYABLE..... | 614 | 663 |
| 43 | NET INCREASE (DECREASE) IN OTHER CURRENT LIABILITIES EXCLUDING DEBT..... | 1,688 | 4,428 |
| 44 | NET INCREASE (DECREASE) IN OTHER NONCURRENT LIABILITIES EXCLUDING DEBT..... | (1,303) | (3,284) |
| 45 | DISCOUNT ON WRAPAROUND MORTGAGE RECEIVABLE..... | (421) | (367) |
| 46 | | | |
| 47 | NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES..... | \$ 3,410 | \$ (133) |

* EXCLUDING DECREASE IN CURRENT PORTION OF CRDA CREDIT OF \$515 AND \$114

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|--------|--------|
| 48 | ACQUISITION OF PROPERTY & EQUIPMENT: | | |
| 49 | ADDITIONS TO PROPERTY & EQUIPMENT..... | \$ 488 | \$ 313 |
| 50 | LESS: CAPITAL LEASE OBLIGATIONS ACQUIRED..... | | |
| | CASH OUTFLOWS FOR PROPERTY & EQUIPMENT..... | \$ 488 | \$ 313 |
| 51 | ACQUISITION OF BUSINESS ENTITIES: | | |
| 52 | PROPERTY & EQUIPMENT ACQUIRED..... | \$ | \$ |
| 53 | GOODWILL ACQUIRED..... | | |
| 54 | NET ASSETS ACQUIRED OTHER THAN CASH, GOODWILL & PROPERTY & EQUIPMENT..... | | |
| 55 | LONG TERM DEBT ASSUMED..... | | |
| 56 | ISSUANCE OF STOCK OR CAPITAL INVESTED..... | | |
| | CASH OUTFLOWS TO ACQUIRE BUSINESS ENTITIES..... | \$ -0- | \$ -0- |
| 57 | STOCK ISSUED OR CAPITAL CONTRIBUTIONS: | | |
| 58 | TOTAL ISSUANCES OF STOCK OR CAPITAL CONTRIBUTIONS..... | \$ | \$ |
| 59 | LESS: ISSUANCES TO SETTLE LONG TERM DEBT..... | | |
| 60 | CONSIDERATION IN ACQUISITION OF BUSINESS ENTITIES | | |
| | CASH PROCEEDS FROM ISSUING STOCK OR CAPITAL CONTRIB..... | \$ -0- | \$ -0- |

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THE CLARIDGE CASINO HOTEL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992 AND 1991

(1) Business

(a) 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 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.

(b) Claridge Expansion

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 theater 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 then 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 and certain existing agreements and certain Webb commitments were amended on March 17, 1986.

(c) Restructuring

On October 27, 1988, the parties with an economic interest in the Corporation and New Claridge executed an agreement (the "Restructuring Agreement") with respect to the restructuring (the "Restructuring") of the Claridge. On June 16, 1989 the Restructuring was concluded pursuant to the terms of the Restructuring Agreement, and resulted in New Claridge's first mortgage balance being reduced from \$89,015,000 to \$74,557,000. The implementation of this agreement resulted in a reorganization of the ownership interests in the Corporation, modifications of the rights and obligations of the five banks which are the participants in New Claridge's first mortgage loan (the "First Mortgage Lenders"), satisfaction and termination of the obligations and commitments of Webb and DEWNJ, and modifications of the lease agreements between New Claridge and the Partnership.

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Had the parties not executed the Restructuring Agreement, New Claridge would probably have exhausted its working capital resources by December 1988, would not have been relicensed for the license period beginning October 31, 1988 through October 31, 1989, and would have had to consider filing for protection in bankruptcy.

(d) Other Significant Events

Claridge License Renewal

On October 7, 1991, New Claridge was issued a two year license by the New Jersey Casino Control Commission (the "Commission") for the period commencing October 31, 1991. New Claridge is required to submit to the Commission by April 30, 1993 a plan to satisfy the balloon payment due on the term loan on January 1, 1994, pursuant to the terms of the first mortgage loan agreement ("Loan Agreement"), with implementation of the plan by June 30, 1993.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements are prepared in accordance with generally accepted accounting principles.

(b) Cash

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

(c) 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.

(d) 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 CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(e) Inventories

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

(f) Furniture and Equipment

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

(3) Investments, Advances, and Receivables

Investments, Advances, and Receivables at June 30, 1992 and 1991 are summarized as follows:

| | <u>1992</u> | <u>1991</u> |
|--|------------------|----------------|
| | (in thousands) | |
| \$127,000,000 Expandable Wraparound Mortgage 14%, maturities through September 30, 2000 (net of \$13,751,000 discount and \$14,566,000 discount at June 30, 1992 and 1991, respectively) | \$ 96,249 | 100,934 |
| Deferred interest receivable, due September 30, 2000 | 20,000 | 20,000 |
| FF&E promissory note, 14% | 6,043 | 5,464 |
| FF&E promissory note - expansion, 14% | 11,755 | 12,838 |
| Reinvestment Obligations | 1,102 | 745 |
| Reinvestment Obligation Credit | <u>103</u> | <u>1,368</u> |
| | 135,252 | 141,349 |
| Less Current Installments: | | |
| Receivables | 8,907 | 8,251 |
| Reinvestment Obligation Credit | <u>-0-</u> | <u>1,210</u> |
| | <u>\$126,345</u> | <u>131,888</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 was to service the First Mortgage and the Partnership's debt under the Purchase Money Second Mortgage indebtedness. 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. Principal payments required under the Expandable Wraparound Mortgage commenced in 1988. During the six months ended June 30, 1992, \$3,000,000 in principal payments were made.

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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. During the six months ended June 30, 1992, \$945,000 in FF & E Promissory Note principal payments were made.

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.

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 operations 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 proceeding 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 Rated 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. New Claridge has deposited its reinvestment funds with the State Treasurer. Year to date through June 30, 1992, \$162,000 has been deposited with the State. On March 16, 1987 CRDA had its first bond issue of which New Claridge's mandatory share was \$602,000. On April 30, 1987 a second bond issue was executed. New Claridge's portion amounted to \$1,052,000. Additional bond issuances executed through June 30, 1992 have totalled \$321,000. All purchases were made from funds already deposited. These funds deposited are earning

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

interest at a 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 records a valuation allowance of approximately one-third; during the six months ended June 30, 1992, the valuation allowance recorded totalled \$115,000. 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 June 30, 1992 and 1991 is \$272,000 and \$85,000 respectively.

On December 1, 1989, New Claridge made a donation to the CRDA in the amount of \$6,659,000. The amount donated represented amounts previously paid to the CRDA and included all of New Claridge's obligations (a) incurred from January 1, 1984 through September 30, 1989; and (b) incurred prior to January 1, 1984 allocable to Atlantic City which had not, as of November 30, 1989, been applied to the purchase of bonds. In exchange for the donation, New Claridge received a credit equal to \$3,396,000, (fifty-one percent of its donation), to be applied to its obligation commencing after September 30, 1989. During the fourth quarter of 1989 New Claridge recorded an expense of \$1,102,000 to write-down the book value of the donated amount to \$3,396,000. A second donation was made to the CRDA, effective July 1, 1990, of funds previously paid to the CRDA which were allocable to the purchase of obligations of the New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises ("SBMWE"). In exchange for this donation, which was in the amount of \$429,000, New Claridge received a credit equal to \$219,000 (fifty-one percent of the donation), to be applied to obligations commencing after June 30, 1990. During the third quarter of 1990, New Claridge recorded an expense of \$71,000 to write-down the book value of the donated amount to \$219,000. For the six months ended June 30, 1992, New Claridge has recorded expense of \$543,000, representing the amount of the credits applied to the first and second quarter of 1992 obligations. As of June 30, 1992, the credit received from the first donation had been used in its entirety.

In addition, it was determined on January 15, 1990 that certain bonds issued by the CRDA and purchased by New Claridge pursuant to its investment obligation as required by the Casino Control Act, had become impaired and that the payment of interest and principal was uncertain. New Claridge's investment in these bonds totals \$1,654,000. These bonds as issued were to pay interest at approximately two-thirds of market rate. Consequently, New Claridge had recorded a valuation allowance of approximately \$538,000 at the time of purchase in 1987. Given the uncertainty regarding the receipt of principal and interest, New Claridge recorded an additional valuation allowance of \$1,116,000 during the fourth quarter of 1989 so as to fully reserve its investment.

At December 31, 1987, New Claridge also had a contingent liability to make a qualified investment in satisfaction of its pre-December 1984 investment obligation. Because no such qualified investment was made by December 31, 1988, New Claridge funded its obligation and accordingly \$333,000 was deposited with the State in 1988.

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS

- (4) Other Assets 1992 and 1991, Due to Affiliates includes \$3.6 million due to Partnership. On June 16, 1989 pursuant to the terms of the Partnership Agreement, the Partnership transferred to the Hotel all its cash other than funds needed to pay expenses incurred through or at the closing of the Hotel. The Hotel is secured by an unsecured promissory note and is secured by a first mortgage on the Hotel. Other assets at June 30, 1992 and 1991 consist of the following:

| | <u>1992</u> | <u>1991</u> |
|---|----------------|-------------|
| | (in thousands) | |
| Intangible assets (net of accumulated amortization of \$235 and \$82 at June 30, 1992 and 1991, respectively) | \$373 | 249 |
| Refundable deposits, non-current | 118 | 122 |
| Other | <u>45</u> | <u>-0-</u> |
| | <u>\$536</u> | <u>371</u> |

- (5) Other Accrued Expenses

Other accrued expenses at June 30, 1992 and 1991 consist of the following:

| | <u>1992</u> | <u>1991</u> |
|--------------------------------------|-----------------|---------------|
| | (in thousands) | |
| Progressive jackpot liability | \$ 2,912 | 2,947 |
| Accrued payroll and related benefits | 4,340 | 4,874 |
| Accrued interest payable | 1,314 | 882 |
| Other | <u>2,022</u> | <u>2,276</u> |
| | <u>\$10,588</u> | <u>10,979</u> |

- (6) Other Current Liabilities

Other current liabilities at June 30, 1992 and 1991 consist of the following:

| | <u>1992</u> | <u>1991</u> |
|-------------------------------|-----------------|---------------|
| | (in thousands) | |
| Due to affiliates | \$ 3,600 | 3,600 |
| Deferred rent, current | 15,078 | 14,474 |
| Auto/general claims liability | 1,458 | 1,998 |
| Other | <u>1,008</u> | <u>894</u> |
| | <u>\$21,144</u> | <u>20,966</u> |

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

As of June 30, 1992 and 1991, Due to Affiliates includes \$3.6 million due to the Partnership. On June 16, 1989 pursuant to the terms of the Restructuring Agreement, the Partnership loaned to New Claridge \$3.6 million representing all its cash other than funds needed to pay expenses incurred through or at the closing of the Restructuring. This loan is evidenced by an unsecured promissory note and is not due and payable until such time as the full or partial satisfaction of the Wraparound Mortgage and the First Mortgage has been made in connection with a refinancing or sale of all or a partial interest in the Claridge. Interest, which accrues at 12% per annum, is payable in full upon maturity.

As of June 30, 1992, the amount of deferred rent of \$15,078,000 represents the maximum deferral allowed in accordance with the terms of the Operating Lease Agreement and Expansion Operating Lease Agreement, as amended. Payment of the deferred rent is contingent upon the realization of profits or distributions from a sale or further refinancing.

(7) Long-term Debt

Long-term debt at June 30, 1992 and 1991 consists of the following:

| | <u>1992</u> | <u>1991</u> |
|------------------------------|------------------|---------------|
| | (in thousands) | |
| First Mortgage Note (a) | \$ 46,970 | 59,988 |
| Revolving line of credit (b) | <u>-0-</u> | <u>-0-</u> |
| | 46,970 | 59,988 |
| Less current installments | <u>1,436</u> | <u>4,274</u> |
| | <u>\$ 45,534</u> | <u>55,714</u> |

(a) On June 16, 1989, the First Mortgage balance was reduced in accordance with the Restructuring Agreement from \$89,015,000 to \$74,557,000. The Loan Agreement, which constitutes an amendment to New Claridge's First Mortgage Agreement, was amended subsequent to the Restructuring, on September 29, 1989, and again on April 23, 1991. The current terms of the Loan Agreement require principal payments on the term loan of \$1.2 million annually (payable in equal monthly installments), for 1992 and 1993, with a balloon payment due on January 1, 1994. Interest on the term loan, which is payable monthly in arrears, accrues at a rate equal to the "prime rate" of Marine Midland Bank, N.A., plus one and one-half (1 1/2%) percent on a per annum basis.

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

New Claridge is also required to pay, quarterly, to the First Mortgage Lenders, for permanent application to the outstanding principal balance of the first mortgage loan, any excess cash flow, as defined in the Loan Agreement. In April, 1992, New Claridge made principal payments totalling \$1,766,000, representing its excess cash flow, as calculated per the terms of the Loan Agreement, for the first quarter of 1992. In June 1992, New Claridge made partial prepayments, totalling \$2,500,000, of its anticipated excess cash flow for the quarter ended June 30, 1992. In July 1992, New Claridge paid the balance of its excess cash flow for the second quarter in the amount of \$236,000; this amount is classified as current installments of long-term debt at June 30, 1992.

Quarterly co-agent fees equal to one fortieth of one percent of the average daily outstanding balance of the First Mortgage during the quarter are required. In addition, New Claridge is required to pay quarterly a commitment fee equal to .5% per annum of the unused portion of the revolving working capital line.

On December 1, 1989, the First Mortgage Lenders agreed to the donation of certain funds, already deposited with the CRDA, to the CRDA. The First Mortgage Lenders required New Claridge to make quarterly principal payments as a permanent reduction to the term loan balance, in an amount equal to one-half of the net savings (the amount of the credit used less the interest income lost due to the donation of the funds) for each quarter. The remaining one-half of the net savings is available to New Claridge. During the six months ended June 30, 1992, New Claridge made principal payments totalling \$231,000 under this agreement.

The terms of the Loan Agreement also limit the amount New Claridge can expend for capital expenditures to \$3.5 million per annum. New Claridge is permitted to carry over to the first quarter of the succeeding year up to \$350,000 not expended during any year. In addition, the terms of the Loan Agreement restrict the amount of any "delayed payments" (payments made in a succeeding year for items delivered in any subject year) to a maximum amount of \$1 million.

- b) Pursuant to the terms of the Loan Agreement as amended on the closing of the Restructuring, the First Mortgage Lenders established a revolving working capital facility in the amount of \$5.4 million subject to increase to up to \$7.5 million to the extent that during 1989 New Claridge made payments of principal other than scheduled payments of principal on the first mortgage loan. On September 29, 1989, the Loan Agreement was amended further to provide for increases in the revolving working capital facility to up to \$11 million to the extent New Claridge made principal payments other than scheduled principal payments after September 30, 1989.

| | | |
|----------------------------|--------|--------|
| Income - other | 17 | 37 |
| Operating income/(expense) | 232 | (124) |
| Provision for bad debts | 245 | 365 |
| Change in assets | 18 | 18 |
| Net expense | 11,000 | 10,720 |
| | 11,000 | 10,720 |

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Effective April 23, 1991, the Loan Agreement was again amended to decrease the revolving working capital facility from \$11 million to \$7.5 million. In addition, the interest on the working capital facility borrowings, which is payable monthly in arrears, was increased from the prime rate plus 1% to the prime rate plus 1.5%.

At June 30, 1992 and 1991, there were no outstanding borrowings on the revolving working capital facility.

(8) Other Liabilities

Other liabilities at June 30, 1992 and 1991 consist of the following:

| | <u>1992</u> | <u>1991</u> |
|-------------------------------|------------------|---------------|
| | (in thousands) | |
| Deferred rent | \$ 41,106 | 43,407 |
| Other non-current liabilities | <u>20,000</u> | <u>20,000</u> |
| Total | <u>\$ 61,106</u> | <u>63,407</u> |

Pursuant to the Restructuring Agreement, Webb retained an interest, which was assigned to the United Way of Arizona on April 2, 1991, as a creditor, equal to \$20 million plus interest at a rate of 15% per annum, compounded quarterly, commencing December 1, 1988, in any proceeds ultimately recovered from operations and/or the sale or refinancing of the Claridge facility in excess of the first mortgage loan ("Contingent Payment"), which amount is payable under certain circumstances. Consequently, New Claridge deferred the recognition of \$20 million of forgiveness income with respect to the Contingent Payment obligation. Interest on the Contingent Payment obligation has been recorded in the accompanying financial statements since the likelihood of paying such amount is not considered probable at this time. As of June 30, 1992, accrued interest would have amounted to approximately \$13,900.00.

(9) Other Nonoperating Income (Expense) - Net

Other nonoperating income (expense) - net for the six months ended June 30, 1992 and 1991 consists of the following:

| | <u>1992</u> | <u>1991</u> |
|---------------------------------------|-------------------|-----------------|
| | (in thousands) | |
| Interest income - Wraparound Mortgage | \$ 9,482 | 9,888 |
| Interest income - other | 77 | 92 |
| Other nonoperating income/(expense) | 252 | (129) |
| Facilities/maintenance fee | 265 | 265 |
| Gain on disposal of assets | 13 | 18 |
| Partnership rent expense | <u>(17,570)</u> | <u>(18,929)</u> |
| Total | <u>\$ (7,481)</u> | <u>(8,795)</u> |

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(10) Complimentary Services

Complimentary services for the three and six months ended June 30, 1992 are summarized as follows:

For the three months ended June 30, 1992

Promotional Allowances

| | <u>Number of Recipients</u> | <u>Dollar Amount</u> |
|----------|-----------------------------|----------------------|
| Room | 20,004 | \$1,007,225 |
| Food | 140,788 | 1,735,282 |
| Beverage | 252,152 | 1,275,612 |
| Showroom | <u>17,091</u> | <u>103,288</u> |
| Total | <u>430,035</u> | <u>\$4,121,407</u> |

Promotional Expenses

| | <u>Number of Recipients</u> | <u>Dollar Amount</u> |
|---------------------------------------|-----------------------------|----------------------|
| Coupon Redemption of Cash & Tokens | 486,665 | \$4,488,046 |
| Travel | 787 | 66,905 |
| Parking | 27,235 | 202,547 |
| Other | <u>51,729</u> | <u>265,752</u> |
| Total | <u>566,416</u> | <u>\$5,023,250</u> |

For the six months ended June 30, 1992

Promotional Allowances

| | <u>Number of Recipients</u> | <u>Dollar Amount</u> |
|----------|-----------------------------|----------------------|
| Room | 37,660 | \$1,954,562 |
| Food | 270,406 | 3,497,856 |
| Beverage | 466,853 | 2,433,340 |
| Showroom | <u>51,112</u> | <u>368,247</u> |
| Total | <u>826,031</u> | <u>\$8,254,005</u> |

Promotional Expenses

| | <u>Number of Recipients</u> | <u>Dollar Amount</u> |
|---------------------------------------|-----------------------------|----------------------|
| Coupon Redemption of Cash & Tokens | 839,313 | \$8,103,894 |
| Travel | 1,610 | 148,105 |
| Parking | 50,637 | 363,624 |
| Other | <u>77,089</u> | <u>469,610</u> |
| Total | <u>968,649</u> | <u>\$9,085,233</u> |

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(11) Operating Lease

New Claridge leases the Hotel Assets and 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.

Basic lease payments under the Operating Lease as amended (as described below), as of June 30, 1992 are as follows:

| | |
|-------------------|-------------------|
| 07/01/92-06/30/93 | \$ 30,235 |
| 07/01/93-06/30/94 | 30,539 |
| 07/01/94-06/30/95 | 30,738 |
| 07/01/95-06/30/96 | 31,256 |
| 07/01/96-06/30/97 | 36,740 |
| Later Years | <u>53,419</u> |
| Total Minimum | <u>\$ 212,927</u> |

Also, 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 six months ended June 30, 1992 and 1991 rental expense for all operating leases amounted to \$18,764,000 and \$19,831,000 respectively, of which \$(4,289,000) and \$(3,283,000) 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. The total Expansion Operating Lease to be paid in 1992 is \$4,358,000. 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 or less than \$2,500,000 and not to be greater than 10% more than the basic annual rent for the immediately preceding lease year in each lease year thereafter.

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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 (including air rights) for their fair market value at the time the option is exercised.

Statement of Financial Accounting Standards ("SFAS") #13 requires that rental payment be recorded on a level basis throughout the lease term for those operating leases which include provisions for escalating payments. The Operating Lease requires basic rental payments to be made in equal monthly installments escalating yearly up to \$43,375,000 (annualized) in 1998. Under SFAS #13, basic rent expense prior to the closing of the Restructuring was recognized on a leveled basis each year. Therefore, in the early years of the lease term, required cash payments were significantly lower than the related expense recognized for financial reporting purposes. In conjunction with the closing of the Restructuring, the Operating Lease Agreement and the Expansion Operating Lease Agreement were amended to provide for the deferral of \$15,078,000 of rental payments during the period July 1, 1988 through the beginning of 1992, and to provide for the abatement of basic rent thereafter. During the third quarter of 1991, the maximum deferral of basic rent allowable under the Operating Lease of \$15,078,000 was reached. On August 1, 1991, the Operating Lease Agreement and Expansion Operating Lease Agreement were amended to revise the abatement as follows: commencing January 1, 1991, for each calendar year through 1998, the lease abatements shall not exceed \$10 million in any one calendar year, and \$38,820,000 in the aggregate.

Effective with the closing of the Restructuring on June 16, 1989, lease expense recognized on a level basis is reduced prospectively, from the use of a revised schedule of rent levelling relative to the abatement of certain rental payments beginning in 1992.

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(12) Income Taxes

The provision/(credit) for income taxes as of June 30, 1992 and 1991 is comprised of the following:

| | <u>1992</u> | <u>1991</u> |
|----------|----------------|--------------|
| | (in thousands) | |
| Current | \$1,089 | -0- |
| Deferred | <u>179</u> | <u>(525)</u> |
| | <u>\$1,268</u> | <u>(525)</u> |

The deferred income tax provision/(credit) reflects the results of income and expense items that are reported in different years for financial purposes and income tax purposes, including bad debt expense, rent leveling, Wrap Mortgage discount expense and income related to debt forgiveness.

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

| | <u>1992</u> | <u>1991</u> |
|---------------------------------------|----------------|--------------|
| | (in thousands) | |
| Federal income tax at statutory rates | \$1,078 | (525) |
| State income tax less federal benefit | <u>190</u> | <u>-0-</u> |
| | <u>\$1,268</u> | <u>(525)</u> |

New Claridge is included in the consolidated income tax return of its parent, the Corporation. At June 30, 1992 and 1991 there are no available net operating loss carryforwards for financial statement purposes. As a result of the Second Mortgage forgiveness in 1990, the remaining financial statement net operating losses were utilized which resulted in the recording of net deferred taxes of approximately \$2,580,000. As a result of the restructuring in 1989, the amount of debt forgiven resulted in the loss or reduction of various tax attributes including tax operating loss carryforward of \$ 37,592,000, unused tax credits of \$1,041,000, and reduction in tax basis of assets by \$81,251,000. This also resulted in the reduction of net operating loss carryforwards for financial statement purposes in the amount of \$98,000,000 and the loss of all tax credit carryforwards for financial statement purposes. As a result of the reduction in tax basis of assets, future cash payments for income taxes will significantly exceed income tax expense for financial statement purposes in future years.

THE CLARIDGE CASINO HOTEL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

13) Related Party Transactions

- (a) At the closing of the Restructuring on June 16, 1989, the Partnership loaned to New Claridge all cash and cash equivalents remaining in the Partnership other than funds needed to pay expenses incurred through or at the closing of the Restructuring. Interest on this loan accrues at 12% per year. For the six months ended June 30, 1992 and 1991 interest expense due to affiliates was \$216,000 and \$216,000 respectively.
- (b) In conjunction with the Restructuring, the Maintenance Services Contract was assigned by DEWNJ to New Claridge; consequently, certain charges are paid directly to the Partnership. The costs of these services for the six months ended June 30, 1992 and 1991 amounted to \$54,000 and \$60,000, respectively.
- (c) 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 six months ended June 30, 1992 and 1991 New Claridge has earned interest income of \$9,482,000 and \$9,888,000 respectively, and incurred lease expense of 17,570,000 and \$18,929,000, respectively.
- (d) In February 1992, the Corporation's Board of Directors adopted a Long-Term Incentive Plan ("Plan") in which certain key employees of the Corporation and/or New Claridge participate. The Plan provides for the grant of the 273,938 shares of the Corporation's Class A stock, which were held as treasury shares of the Corporation, and for the issuance of 100 Equity Units. The aggregate value of the 100 Equity Units is equal to 5.41 percent of certain amounts as further defined in the Plan. Specified portions of the awarded treasury shares and Equity Units held by participants shall vest upon the attainment of specific goals as described in the Plan. The treasury shares and Equity Units fully vest upon a further restructuring or a change in control as defined. Payment with respect to the Equity Units will only be made (a) upon the occurrence of a transaction in which substantially all of the assets and business operations of the Claridge entities are transferred to one or more entities in a merger, sale of assets or other acquisition-type transaction, or (b) if any change of control of the Corporation occurs, as defined in the Plan.

On April 15, 1992, the Casino Control Commission approved the Plan, and the treasury shares were delivered to the participants. A participant is entitled to vote all awarded treasury shares whether or not vested in such shares.

TRADING NAME OF LICENSEE: THE CLARIDGE CASINO HOTEL
SCHEDULE OF RECEIVABLES & PATRONS' CHECKS
 JUNE 30, 1992
 (UNAUDITED)
 (\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

| LINE (A) | DESCRIPTION (B) | ACCT. BAL. (C) | ALLOWANCE (D) | A/R NET OF ALLOW. (E) |
|-------------|---|-------------------|------------------|--------------------------|
| | PATRONS' CHECKS: | | | |
| 1 | UNDEPOSITED PATRONS' CHECKS..... | \$ 937 | | |
| 2 | RETURNED PATRONS' CHECKS..... | 1,482 | | |
| 3 | TOTAL PATRONS' CHECKS..... | 2,419 | \$ 1,358 | \$ 1,061 |
| 4 | HOTEL RECEIVABLES..... | 360 | 17 | 343 |
| | OTHER RECEIVABLES: | | | |
| 5 | RECEIVABLES DUE FROM OFFICERS & EMPLOYEES.... | 8 | | |
| 6 | RECEIVABLES DUE FROM AFFILIATES..... | 15,434 | | |
| 7 | OTHER ACCOUNTS & NOTES RECEIVABLES..... | 259 | | |
| 8 | TOTAL OTHER RECEIVABLES..... | 15,701 | 13 | 15,688 |
| 9 | TOTALS (FORM 305)..... | \$ 18,480 | \$ 1,388 | \$ 17,092 |

UNDEPOSITED PATRONS' CHECKS ACTIVITY

| LINE (F) | DESCRIPTION (G) | (H) AMOUNT |
|-------------|--|------------|
| 10 | BEGINNING BALANCE (JANUARY 1)..... | \$ 1,138 |
| 11 | COUNTER CHECKS ISSUED (EXCLUDING COUNTER CHECKS ISSUED THROUGH TRANSACTIONS RELATING TO CONSOLIDATION, PARTIAL REDEMPTIONS, SUBSTITUTIONS, & PATRONS CASH DEPOSITS)..... | 23,638 |
| 12 | CHECKS REDEEMED PRIOR TO DEPOSIT (EXCLUDING THE UNREDEEMED PORTION OF COUNTER CHECKS REDEEMED THROUGH PARTIAL REDEMPTIONS, & EXCLUDING CHECKS REDEEMED THROUGH TRANSACTIONS RELATING TO CONSOLIDATION, SUBSTITUTIONS, & PATRONS CASH DEPOSITS)..... | (18,253) |
| 13 | CHECKS COLLECTED THROUGH DEPOSITS..... | (4,954) |
| 14 | CHECKS TRANSFERRED TO RETURNED CHECKS..... | (632) |
| 15 | OTHER ADJUSTMENTS..... | |
| 16 | ENDING BALANCE..... | \$ 937 |
| 17 | "HOLD" CHECKS INCLUDED IN BALANCE ON LINE 16..... | |
| 18 | PROVISION FOR UNCOLLECTIBLE PATRONS' CHECKS..... | \$ 236 |
| 19 | PROVISION AS A PERCENT OF COUNTER CHECKS ISSUED..... | 1.0% |

THE ACCOMPANYING NOTES ARE IN INTEGRAL PART OF THE
 FINANCIAL STATEMENTS. VALID COMPARISONS CANNOT BE MADE
 WITHOUT USING INFORMATION CONTAINED IN THE NOTES.

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY

COUNTY OF ATLANTIC

RAYMOND A. SPERA, BEING DULY SWORN ACCORDING TO LAW UPON MY OATH DEPOSES AND SAYS:

1. I HAVE EXAMINED THIS QUARTERLY REPORT.
2. ALL THE INFORMATION CONTAINED IN THIS REPORT HAS BEEN PREPARED IN CONFORMITY WITH CASINO CONTROL COMMISSION'S QUARTERLY REPORT INSTRUCTIONS AND UNIFORM CHART OF ACCOUNTS.
3. THE INFORMATION CONTAINED IN THIS QUARTERLY REPORT IS ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

QUARTER ENDED _____ 19__

Raymond A. Spera
RAYMOND A. SPERA

SR. VICE PRESIDENT OF FINANCE & CORPORATE DEVELOPMENT

CASINO CONTROL COMMISSION

LISC. #: 002369-11

ON BEHALF OF THE CLARIDGE AT PARK PLACE, INC.
(CASINO LICENSEE)

STATE OF NEW JERSEY

SUBSCRIBED AND SWORN TO BEFORE ME ON THIS _____ DAY OF _____, 1992.

SIGNATURE

BASIS OF AUTHORITY TO TAKE OATHS

John R. Rosen
Vice President, Finance
Irillana Avenue & Brighton Park
Atlantic City, New Jersey 08401

974.901
c193

QUARTERLY REPORT

PROPERTY OF
NEW JERSEY STATE LIBRARY

AUG 28 1992

TRADING NAME OF LICENSEE
185 W. STATE ST.
TRENTON, N.J.
LICENSEE Greate Bay Hotel & Casino, Inc.
ADDRESS Indiana Avenue & Brighton Park
Atlantic City, New Jersey 08401

FOR THE QUARTER ENDED June 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT . . .

John R. Rauen

OFFICIAL TITLE

Vice President, Finance

ADDRESS

Indiana Avenue & Brighton Park

Atlantic City, New Jersey 08401

RECEIVED
NEW JERSEY
AUG 11 1992
CASINO CONTROL
COMMISSION

TRADING NAME OF LICENSEE Sands Hotel & Casino

BALANCE SHEETS

June 30, 1992 and 1991

(UNAUDITED)

(\$ IN THOUSANDS)

TRADING NAME OF LICENSEE Sands Hotel & Casino

LIST OF FORMS - QUARTERLY REPORT

| ASSETS | | 1992 | 1991 |
|--|------------|------------|------------|
| FOR THE QUARTER ENDED <u>June 30</u> , 1992 | | | |
| Current assets: | | \$ 8,817 | \$ 13,730 |
| Cash and cash equivalents | | 7,425 | 11,315 |
| Accounts receivable and patrons' checks (net of allowance for doubtful accounts - 1992, \$ 18,440 ; 1991, \$ 17,402) | Note 5 | 1,392 | 2,415 |
| Prepaid expenses and other current assets | Note 11 | 0 | 0 |
| Total current assets | | 8,817 | 13,730 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities: | | \$ 244,679 | \$ 245,853 |
| Accounts payable | Note 3, 4 | 18,827 | 18,345 |
| Statements of Income (Year-to-Date) | CCC-210 | 169,126 | 181,491 |
| Statements of Income (Three Months) | CCC-215 | 12,197 | 11,962 |
| Statements of Changes in Stockholders' Equity | CCC-220 | | |
| Statements of Changes in Partners' or Proprietor's Equity | CCC-225 | 7,287 | 6,478 |
| Statements of Cash Flows | CCC-235 | 9,496 | 8,999 |
| Notes to Financial Statements | Note 2 | 4,952 | 3,707 |
| Schedule of Receivables and Patrons' Checks | CCC-240 | 2,958 | 407 |
| Statement of Conformity and Accuracy | CCC-250 | 7,324 | 5,834 |
| Due to affiliates | Note 9 | 16,334 | 20,029 |
| Due to other liabilities | Note 5, 10 | 5,833 | 4,887 |
| Deferred credits | | 89,138 | 51,771 |
| Other liabilities | | 176,847 | 176,416 |
| Minority interests | | 0 | 0 |
| Contingent liabilities | Note 5 | 0 | 0 |
| Commitments and contingencies | | 0 | 0 |
| Other liabilities | | 239,757 | 247,570 |
| Stockholders', Partners', or Proprietor's Equity | | 0 | 0 |
| Total liabilities and equity | | 244,679 | 245,853 |

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TRADING NAME OF LICENSEE Sands Hotel & Casino

BALANCE SHEETS

June 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------------------------|---|------------|------------|
| ASSETS | | | |
| | Current Assets: | \$ | \$ |
| 1 | Cash..... | 9,611 | 13,720 |
| 2 | Marketable securities..... | - | - |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$ 18,448 ; 1991, \$ 17,402).....Note 5.... | 34,464 | 36,385 |
| 4 | Inventories..... | 3,218 | 2,901 |
| 5 | Prepaid expenses and other current assets.....Note 11.... | 3,227 | 4,169 |
| 6 | Total current assets..... | 50,520 | 57,175 |
| 7 | Investments, Advances, And Receivables.....Note 5, 8. | 14,827 | 15,245 |
| 8 | Property And Equipment - Net.....Note 11.... | 169,126 | 181,491 |
| 9 | Other Assets..... | 12,197 | 11,942 |
| 10 | Total Assets..... | \$ 246,670 | \$ 265,853 |
| LIABILITIES AND EQUITY | | | |
| | Current Liabilities: | \$ | \$ |
| 11 | Accounts payable..... | 7,287 | 6,416 |
| 12 | Notes payable.....Note 3, 5. | 9,496 | 8,000 |
| | Current portion of long-term debt: | | |
| 13 | Due to affiliates.....Note 2.... | 4,952 | 3,707 |
| 14 | Other.....Note 2.... | 8,908 | 907 |
| 15 | Income taxes payable and accrued..... | 7,326 | 5,834 |
| 16 | Other accrued expenses.....Note 9.... | 16,336 | 20,020 |
| 17 | Other current liabilities.....Note 5, 10 | 5,833 | 6,887 |
| 18 | Total current liabilities..... | 60,138 | 51,771 |
| | Long-Term Debt: | | |
| 19 | Due to affiliates.....Note 2.... | 174,819 | 179,410 |
| 20 | Other.....Note 2.... | 1,075 | 9,983 |
| 21 | Deferred Credits..... | | |
| 22 | Other Liabilities.....Note 5.... | 3,725 | 6,375 |
| 23 | Commitments And Contingencies | | |
| 24 | Total Liabilities..... | 239,757 | 247,539 |
| 25 | Stockholders', Partners', Or Proprietor's Equity..... | 6,913 | 18,314 |
| 26 | Total Liabilities And Equity..... | \$ 246,670 | \$ 265,853 |

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 Sands Hotel & Casino

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED June 30, 1992 and 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-------------|------------|
| | Revenue: | \$ | \$ |
| 1 | Casino..... | 119,368 | 111,965 |
| 2 | Rooms..... | 4,879 | 5,073 |
| 3 | Food and beverage..... | 15,538 | 13,817 |
| 4 | Other..... | 1,873 | 1,262 |
| 5 | Total revenue..... | 141,658 | 132,117 |
| 6 | Less: Promotional allowances.....Note 12.. | 13,599 | 11,797 |
| 7 | Net revenue..... | 128,059 | 120,320 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services..... | 58,471 | 52,533 |
| 9 | Selling, general, and administrative.....Note 5... | 45,632 | 43,811 |
| 10 | Provision for doubtful accounts..... | 1,502 | 1,916 |
| 11 | Depreciation and amortization..... | 8,614 | 9,011 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees.....Note 5... | 3,064 | 2,846 |
| 13 | Other..... | - | - |
| 14 | Total costs and expenses..... | 117,283 | 110,117 |
| 15 | Income (Loss) From Operations..... | 10,776 | 10,203 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates.....Note 5... | <11,604> | <12,032> |
| 17 | Interest (expense) - external..... | <118> | <1,571> |
| 18 | Investment alternative tax and related income (expense) - net..... | <769> | <1,312> |
| 19 | Nonoperating income (expense) - net.....Note 6... | 2,060 | 2,414 |
| 20 | Total other income (expenses)..... | <10,431> | <12,501> |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items..... | 345 | <2,298> |
| 22 | Provision (credit) for income taxes.....Note 4... | 781 | <184> |
| 23 | Income (Loss) Before Extraordinary Items..... | <436> | <2,114> |
| 24 | Extraordinary items (net of income taxes - 19____, \$; 19____, \$)..... | | |
| 25 | Net Income (Loss)..... | \$ \$ <436> | \$ <2,114> |

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 Sands Hotel & Casino

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED June 30, 1992 and 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|----------|----------|
| | Revenue: | \$ | \$ |
| 1 | Casino..... | 62,387 | 61,735 |
| 2 | Rooms..... | 2,559 | 2,704 |
| 3 | Food and beverage..... | 8,067 | 7,578 |
| 4 | Other..... | 923 | 552 |
| 5 | Total revenue..... | 73,936 | 72,569 |
| 6 | Less: Promotional allowances.....Note 12.. | 6,881 | 6,259 |
| 7 | Net revenue..... | 67,055 | 66,310 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services..... | 29,597 | 27,426 |
| 9 | Selling, general, and administrative..... | 24,052 | 23,522 |
| 10 | Provision for doubtful accounts..... | 929 | 1,026 |
| 11 | Depreciation and amortization..... | 4,345 | 4,528 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees..... | 1,681 | 1,744 |
| 13 | Other..... | - | - |
| 14 | Total costs and expenses..... | 60,604 | 58,246 |
| 15 | Income (Loss) From Operations..... | 6,451 | 8,064 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates..... | <5,829> | <6,055> |
| 17 | Interest (expense) - external..... | 488 | <777> |
| 18 | Investment alternative tax and related income (expense) - net..... | <372> | <752> |
| 19 | Nonoperating income (expense) - net..... | 1,000 | 1,171 |
| 20 | Total other income (expenses)..... | <4,713> | <6,413> |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items..... | 1,738 | 1,651 |
| 22 | Provision (credit) for income taxes..... | 1,017 | 1,126 |
| 23 | Income (Loss) Before Extraordinary Items..... | 721 | 525 |
| 24 | Extraordinary items (net of income taxes - 1992, \$; 1991, \$)..... | | |
| 25 | Net Income (Loss)..... | \$ 721 | \$ 525 |

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 Sands Hotel & Casino

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED June 30, 1992 and 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | | (d) 1991 | |
|-------------|------------------------------------|------------|-------------|------------|-------------|
| | | (c) SHARES | (d) DOLLARS | (e) SHARES | (f) DOLLARS |
| | No Par Value; authorized | | | | |
| | Common Stock: 2,500 shares | | \$ | | \$ |
| 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)..... | +++++ | 6,538 | +++++ | 19,738 |
| 10 | Dividends..... | +++++ | <6,538> | +++++ | <6,600> |
| 11 | ..... | +++++ |  | +++++ |  |
| 12 | Ending balance..... | +++++ | 0 | +++++ | 13,138 |
| | 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)..... | +++++ | 3,911 | +++++ | 3,790 |
| 26 | Prior period adjustments..... | +++++ | | +++++ | |
| 27 | Net income (loss)..... | +++++ | <436> | +++++ | <2,114> |
| 28 | Dividends..... | +++++ | (62) | +++++ | () |
| 29 | ..... | +++++ |  | +++++ |  |
| 30 | ..... | +++++ |  | +++++ |  |
| 31 | Ending balance..... | +++++ | 3,413 | +++++ | 1,676 |
| | Ending Stockholders' | +++++ | \$ | +++++ | \$ |
| 32 | Equity..... | +++++ | 6,913 | +++++ | 18,314 |

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 SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY

FOR THE Six MONTHS ENDED JUNE 30, 1992 and 1991
(UNAUDITED)

| LINE (a) | DESCRIPTION (b) | NOT APPLICABLE | |
|-------------|--|----------------|----------|
| | | (c) 1992 | (d) 1991 |
| | 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.

TRADING NAME OF LICENSEE Sands Hotel & Casino

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE | DESCRIPTION | (c) 1992 | (d) 1991 |
|------|--|----------|-----------|
| (a) | (b) | | |
| 1 | Net Cash Provided (Used) By Operating Activities..... | \$ 7,692 | \$ 3,274 |
| | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities..... | | |
| 3 | Proceeds from the sale of short-term investment securities..... | | |
| 4 | Purchase outflows for property and equipment..... | <1,244> | <2,407> |
| 5 | Proceeds from disposition of property and equipment..... | 91 | 387 |
| 6 | Purchase of casino reinvestment obligations..... | <689> | <244> |
| 7 | Purchase of other investments and loans/advances made..... | | |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables..... | | |
| 9 | Cash outflows to acquire business entities..... | | |
| 10 | | | |
| 11 | | | |
| 12 | Net Cash Provided (Used) By Investing Activities..... | <1,842> | <2,264> |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt..... | 9,996 | 3,000 |
| 14 | Payments to settle short-term debt..... | <8,500> | - |
| 15 | Cash proceeds from issuance of long-term debt..... | | |
| 16 | Costs of issuing debt..... | <233> | - |
| 17 | Payments to settle long-term debt..... | <2,795> | <452> |
| 18 | Cash proceeds from issuing stock or capital contributions..... | | |
| 19 | Purchases of treasury stock..... | | |
| 20 | Payments of dividends or capital withdrawals..... | <6,600> | <6,600> |
| 21 | Net borrowings from (advances to) Affiliates..... | <1,120> | 4,369 |
| 22 | | | |
| 23 | Net Cash Provided (Used) By Financing Activities..... | <9,252> | 317 |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents..... | <3,402> | 1,327 |
| 25 | Cash And Cash Equivalents At Beginning Of Period..... | 13,013 | 12,393 |
| 26 | Cash And Cash Equivalents At End Of Period..... | \$ 9,611 | \$ 13,720 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|-----------|-----------|
| | Cash Paid During Period For: | | |
| 27 | Interest (net of amount capitalized)..... | \$ 12,145 | \$ 11,641 |
| 28 | Income taxes..... | \$ 123 | \$ 2,562 |

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 Sands Hotel & Casino

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|----------|----------|
| | Net Cash Flows From Operating Activities: | \$ | \$ |
| 29 | Net income (loss)..... | <436> | <2,114> |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment..... | 7,683 | 8,138 |
| 31 | Amortization of other assets..... | 931 | 873 |
| 32 | Amortization of debt discount or premium..... | 180 | 180 |
| 33 | Deferred income taxes - current..... | | |
| 34 | Deferred income taxes - noncurrent..... | <419> | <467> |
| 35 | (Gain) loss on disposition of property and equipment..... | | |
| 36 | (Gain) loss on casino reinvestment obligations..... | 769 | 1,312 |
| 37 | (Gain) loss from other investment activities..... | | |
| 38 | Net (increase) decrease in receivables and patrons' checks..... | 2,515 | <2,046> |
| 39 | Net (increase) decrease in inventories..... | <148> | 186 |
| 40 | Net (increase) decrease in other current assets..... | <997> | <1,193> |
| 41 | Net (increase) decrease in other assets..... | <1,108> | 908 |
| 42 | Net increase (decrease) in accounts payables..... | 966 | <1,514> |
| 43 | Net increase (decrease) in other current liabilities excluding debt..... | 331 | <1,237> |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt..... | | |
| 45 | Net <decrease> increase in progressive jackpot accrual..... | <2,575> | 248 |
| 46 | | | |
| 47 | Net Cash Provided (Used) By Operating Activities..... | \$ 7,692 | \$ 3,274 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|---|----------|----------|
| 48 | Acquisition Of Property and Equipment: | \$ | \$ |
| | Additions to property and equipment..... | 1,244 | 2,407 |
| 49 | Less: Capital lease obligations incurred..... | | |
| 50 | Cash Outflows For Property And Equipment..... | \$ 1,244 | \$ 2,407 |
| | Acquisition Of Business Entities: | \$ | \$ |
| 51 | Property and equipment acquired..... | | |
| 52 | Goodwill acquired..... | | |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment..... | | |
| 54 | Long-term debt assumed..... | | |
| 55 | Issuance of stock or capital invested..... | | |
| 56 | Cash Outflows To Acquire Business Entities..... | \$ | \$ |
| | Stock Issued Or Capital Contributions: | \$ | \$ |
| 57 | Total issuances of stock or capital contributions..... | | |
| 58 | Less: Issuances to settle long-term debt..... | | |
| 59 | Consideration in acquisition of business entities..... | | |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions..... | \$ | \$ |

SANDS HOTEL & CASINO

Wholly Owned Subsidiary of Pratt Casino Properties, Inc.

Notes to Financial Statements

(Unaudited)

TRADING NAME OF LICENSEE Sands Hotel & Casino

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(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..... | 5,279 | | |
| 2 | Returned patrons' checks..... | 23,019 | | |
| 3 | Total patrons' checks..... | 28,298 | <18,350> | 9,948 |
| 4 | Hotel Receivables..... | 910 | <98> | 812 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees..... | - | | |
| 6 | Receivables due from affiliates..... | 4,774 | | |
| 7 | Other accounts and notes receivables..... | 18,930 | | |
| 8 | Total other receivables..... | 23,704 | | |
| 9 | Totals (Form 205)..... | \$ 52,912 | \$ <18,448> | \$ 34,464 |

UNDEPOSITED PATRONS' CHECKS ACTIVITY

| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
|-------------|---|---------------|
| 10 | Beginning Balance (January 1)..... | \$ 6,249 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)..... | 100,974 |
| 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)..... | (74,448) |
| 13 | Checks collected through deposits..... | (22,294) |
| 14 | Checks transferred to returned checks..... | (5,202) |
| 15 | Other adjustments..... | - |
| 16 | Ending Balance..... | \$ 5,279 |
| 17 | "Hold" Checks Included in Balance On Line 16..... | \$ - |
| 18 | Provision For Uncollectible Patrons' Checks..... | \$ 1,475 |
| 19 | Provision As A Percent Of Counter Checks Issued..... | 1.46 % |

SANDS HOTEL & CASINO
 (A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
 (unaudited)

Note 1 - Organization and Business

Greate Bay Hotel & Casino, Inc. ("GBH&C") is a New Jersey Corporation and a wholly-owned subsidiary of Pratt Casino Properties, Inc. ("Pratt Casino Properties"). Pratt Casino Properties, a Delaware corporation, is wholly owned by Pratt Hotel Corporation ("Pratt"), also a Delaware corporation. Pratt Casino Properties was incorporated during October 1987, and acquired the ownership of GBH&C through contributions of capital by its parent.

During the six month period ended June 30, 1992, there were no changes in GBH&C's significant accounting policies as previously reported. In addition, there are no significant differences in the footnotes presented herein versus those reported in GBH&C's annual report at December 31, 1991 to the Casino Control Commission.

Note 2 - Long-term Debt

Long-term debt as of June 30, 1992 and 1991 is as follows:

| | <u>1992</u> | <u>1991</u> |
|---|---------------------------|--------------------------|
| 11.75% first mortgage notes, due 1994, net of discounts of \$752,000 and \$1,113,000 respectively (A) | \$168,571,000 | \$171,917,000 |
| 16.5% promissory note due 1998 (B) | 11,200,000 | 11,200,000 |
| Term loan due 1993 (C) | 8,000,000 | 8,000,000 |
| Note payable to bank (D) | 1,500,000 | 2,400,000 |
| Other | <u>483,000</u> | <u>490,000</u> |
| | 189,754,000 | 194,007,000 |
| Less: Current maturities | <u><13,860,000></u> | <u><4,614,000></u> |
| | <u>\$175,894,000</u> | <u>\$189,393,000</u> |

(A) On August 6, 1987, GBH&C borrowed from an affiliate \$173,030,000 of seven-year nonrecourse first mortgage notes (the "Notes"). The Notes bear interest at 11.75% per annum, payable monthly; interest only was payable during the first four years. Commencing in August 1991, principal and interest became payable in monthly installments of \$2,049,000 based on a 15-year amortization schedule with the unpaid balance of \$158,310,000 due during August 1994.

SANDS HOTEL & CASINO
 (A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
 (unaudited)

Note 2 - Long-term Debt - (continued)

The mortgage indenture contains various provisions that, among other things, restrict the ability of GBH&C to incur additional secured indebtedness, create additional liens on the property or sell the property. Additionally, maintenance of certain cash balances is required, as well as a requirement that a minimum of \$5,000,000 be committed annually for property and fixtures renewals, replacements and betterments. Substantially all of GBH&C's assets are pledged as collateral and the Notes are guaranteed to the extent of \$10,000,000 by Pratt.

- (B) The note is payable to an affiliate, bears interest at 16.5% per annum, payable semi-annually in March and September, and matures in March 1998.
- (C) The note bears interest at the London Interbank Offered Rate ("LIBOR") plus 2.625% per annum through September 1992, and at LIBOR plus 3.625% per annum through maturity. Interest on the note is payable quarterly and at maturity in March 1993. The note requires, among other things, that GBH&C maintain certain financial ratios and places restrictions on the amount of new borrowings or increases in existing debt. The loan is collateralized by a first mortgage on the land and improvements which comprise the Sands Hotel & Casino administrative offices complex and is guaranteed by Pratt and Pratt Casino Properties.
- (D) The note bears interest at 1.25 percentage points above the bank's prime lending rate (one percentage point prior to June 1, 1992), provides for equal monthly principal payments of \$75,000 and matures in March 1994.

Scheduled payments of long-term debt at June 30, 1992 amounted to:

| | |
|-----------------|------------------------|
| 1992 (6 months) | \$ 2,858,000 |
| 1993 | 14,158,000 |
| 1994 | 161,828,000 |
| 1995 | 9,000 |
| 1996 | 10,000 |
| Thereafter | <u>11,643,000</u> |
| Total Payments | \$190,506,000 ===== |

Indebtedness of GBH&C amounting to \$18,000,000 consisting of (i) the \$8,000,000 term loan and (ii) \$10,000,000 of other credit facilities (See Note 3), in addition to indebtedness amounting to \$8,801,000 of Pratt will become subject to refinancing or renewal in 1993. GBH&C and Pratt anticipate that they will be able to refinance the debt maturing in 1993 and renew or pay down the credit facilities not refinanced; however, there can be no assurance that such refinancing or renewal will occur or that replacement financing can be obtained, if required.

SANDS HOTEL & CASINO
(A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
(unaudited)

Note 2 - Long-term Debt - (continued)

Substantially all of GBH&C's assets are pledged in connection with its long-term indebtedness. Additionally, these agreements contain certain cross-default provisions, including default on indebtedness by its affiliates.

Note 3 - Short-term credit facilities

As of June 30, 1992, GBH&C had \$2,000,000 outstanding on its bank line of credit. Interest on borrowings under the line of credit is calculated at one percentage point above the prime lending rate of the bank. During August 1992, GBH&C repaid this borrowing and is currently in negotiations with the bank regarding the terms of a new credit facility.

Additionally, GBH&C has a separate \$4,000,000 revolving line of credit. As of June 30, 1992, no borrowings were outstanding on this line of credit. During April 1992, the line of credit was extended to March 29, 1993. The revolving credit agreement requires a 30-day repayment period during each consecutive twelve-month period. Pursuant to such repayment provision, the outstanding balance of \$4,000,000 was repaid on June 29, 1992. Interest on borrowings under the line of credit is at LIBOR plus 2.625% through September 1992 and LIBOR plus 3.625% to maturity. The line of credit agreement contains numerous restrictive covenants, including the maintenance of certain financial ratios and limitations on additional borrowings.

In April 1992, Pratt Casino Properties arranged a \$3,000,000 secured bank credit facility, the proceeds of which were to be made available to GBH&C for the maintenance of certain required minimum cash balances and, in certain circumstances, for liquidity or other working capital purposes. Amounts borrowed under the facility are secured by an equivalent amount of United States Treasury securities. In connection therewith, certain principal shareholders of Pratt have guaranteed the credit facility and, in certain circumstances, may be required to collateralize amounts borrowed on the facility with their personal assets. Amounts borrowed by GBH&C under this credit facility will bear interest at 2% above the treasury securities rate determined on the date of the borrowing and payable on a monthly basis. Unless renewed and extended, the credit facility will expire in April 1993. As of June 30, 1992, GBH&C has borrowed \$1,496,000 on this facility which was repaid on July 2, 1992. An additional \$1,500,000 was borrowed at that time.

SANDS HOTEL & CASINO
(A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
(unaudited)

Note 3 - Short-term credit facilities - (continued)

During May 1992, Hollywood Casino Corporation ("HCC"), the parent of Pratt, arranged for a \$6,000,000 loan to be made available to GBH&C in order to finance its capital expenditures program and for short-term liquidity needs. As of June 30, 1992 GBH&C had borrowed the \$6,000,000 for such purposes. Additionally, HCC established a liquidity fund to provide additional funds as needed by HCC and its subsidiaries, including GBH&C. As of June 30, 1992, HCC had \$14,000,000 in the liquidity fund, \$3,000,000 of which is reserved for subsidiaries other than Pratt and GBH&C. As a result of the receipt of the arbitration award during August 1992 by GBH&C (See Note 12), HCC is required to reduce the amount available in its liquidity fund by approximately \$8,000,000. Borrowings by GBH&C under this credit arrangement are due on demand, or if no demand is made, on April 1, 1998 and bear interest at the greater of (a) one percentage point above the bank prime interest rate or (b) LIBOR plus 2.625% per annum through September 1992 (LIBOR plus 3.625% per annum from October 1992 through March 29, 1993).

Note 4 - Income Taxes

GBH&C is included in Pratt's consolidated federal income tax return. Pursuant to agreements between GBH&C, Pratt Casino Properties and Pratt, GBH&C's provision for federal income taxes is based on the amount of tax which would be provided if a separate federal income tax return were filed. Both federal and state income tax provisions or benefits are based upon estimates of the results of operations for the current annual period and reflect the nondeductibility for income tax purposes of certain items, including certain depreciation and amortization expenses. Quarterly income tax provisions or benefits are determined by applying the resulting effective income tax rates to the results of operations for the quarter.

The components of the provision for income taxes for the six months ended June 30, 1992 and 1991 are as follows:

| | 1992 | 1991 |
|-------------------------------------|------------|--------------|
| Federal Income Tax Provision | | |
| (Benefit) | | |
| Current | \$ 907,000 | \$ 240,000 |
| Deferred | <321,000> | <358,000> |
| State Income Tax Provision | | |
| (Benefit) | | |
| Current | 293,000 | 43,000 |
| Deferred | <98,000> | <109,000> |
| Total Provision (Benefit) | | |
| for Income Taxes: | \$ 781,000 | \$ <184,000> |

SANDS HOTEL & CASINO
 (A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
 (unaudited)

Note 5 - Related Party Transactions

GBH&C has a management agreement with Pratt Casino Management, Inc., ("PCMI"), a subsidiary of Pratt. Pursuant to the management agreement, PCMI is responsible for the supervision, direction and control of the day-to-day operation of the hotel/casino. In accordance with the provisions of this management agreement, PCMI is entitled to receive annually a basic consulting fee of 1.5% of "adjusted gross revenues", as defined, and, if annual "gross operating profits" as defined, exceed \$5,000,000, incentive compensation of between 5% and 7.5% of gross operating profits in excess of certain stated amounts. Total charges to operations for the six months ended June 30, 1992 and 1991 were \$3,064,000 and \$2,846,000 respectively and are included in management fees charged from affiliates in the accompanying financial statements. Consultant and incentive fees of \$2,837,000 and \$2,043,000 were due to PCMI at June 30, 1992 and 1991 respectively, and are included in other current liabilities in the accompanying financial statements.

GBH&C has a License Agreement with PPI, (an affiliate) which entered into a parallel agreement with an unrelated third party. The license agreement provides for a license fee equal to the greater of (i) 3% of room charges, as defined, or (ii) \$100,000 for each property using the name. Such charges amounted to \$146,000 and \$152,000 for the six months ended June 30, 1992 and 1991, respectively. Such amounts are included in selling, general, and administrative expenses in the accompanying financial statements.

For the six months ended June 30, 1992 and 1991 the Company recognized the following amounts in interest charges to affiliates:

| | 1992 | 1991 |
|-------------------------------|--------------|--------------|
| 11.75% First Mortgage Notes | \$10,201,000 | \$10,346,000 |
| 16.5% Promissory Note | 924,000 | 924,000 |
| Cash Advances from Affiliates | 479,000 | 762,000 |
| Totals | \$11,604,000 | \$12,032,000 |

At June 30, 1992 GBH&C had cash advances receivable from affiliates including interest totalling \$13,248,000. In addition, GBH&C had cash advances payable to affiliates including interest totalling \$4,587,000. These amounts are included in receivables and patrons' checks, investments, advances, and receivables, other current liabilities and other non-current liabilities, respectively, in the accompanying financial statements. Advances to affiliates and from affiliates bear interest at 16.5% per annum. Additionally, at June 30, 1992 GBH&C had lines of credit outstanding to affiliates of \$7,496,000 (see Note 3). These amounts are included in Notes Payable in the accompanying financial statements.

SANDS HOTEL & CASINO
(A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
(unaudited)

Note 6 - Non-Operating Income (Expenses)

For the six months ended June 30, 1992 and 1991, interest income of \$2,060,000 and \$2,414,000 was earned on temporary investments, on deposits made with the Casino Reinvestment Development Authority, and other sources.

Note 7 - Property and Equipment

Property and equipment as of June 30, 1992 and 1991 consisted of the following:

| | 1992 | 1991 |
|---|---------------|---------------|
| Land | \$ 37,554,000 | \$ 37,554,000 |
| Buildings | 169,461,000 | 169,583,000 |
| Furniture, fixtures and equipment | 94,340,000 | 93,258,000 |
| Construction in progress | 444,000 | 520,000 |
| | 301,799,000 | 300,915,000 |
| Less: accumulated depreciation and amortization | <132,673,000> | <119,424,000> |
| Total property and equipment | \$169,126,000 | \$181,491,000 |

Note 8 - Investments, Advances and Receivables

At June 30, 1992 and 1991, the line item Investments, Advances and Receivables is comprised of the following:

| | 1992 | 1991 |
|--|--------------|--------------|
| Investments with the Casino Reinvestment Development Authority (net of allowance of \$4,857,000 and \$4,751,000 at June 30, 1992 and 1991, respectively) | \$ 6,282,000 | \$ 6,153,000 |
| Cash advances to affiliate - Noncurrent | 8,518,000 | 9,040,000 |
| Other items | 27,000 | 52,000 |
| Total Investments, Advances and Receivables | \$14,827,000 | \$15,245,000 |

SANDS HOTEL & CASINO
(A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
(unaudited)

Note 9 - Other Accrued Expenses

As of June 30, 1992 and 1991, the line item Other Accrued Expenses is comprised of the following:

| | <u>1992</u> | <u>1991</u> | Dollar Amount |
|---------------------------------|----------------------|----------------------|------------------|
| Accrued jackpot liability | 1,564,000 | 3,958,000 | |
| Accrued payroll and other taxes | 1,885,000 | 1,975,000 | |
| Accrued interest | 1,962,000 | 2,134,000 | |
| Accrued insurance | 2,414,000 | 2,309,000 | |
| Accrued salaries and wages | 4,147,000 | 3,136,000 | |
| Other accrued expenses | 4,364,000 | 6,508,000 | |
| | <u>\$ 16,336,000</u> | <u>\$ 20,020,000</u> | |

Note 10 - Other Current Liabilities

As of June 30, 1992 and 1991, the line item Other Current Liabilities is comprised of the following:

| | <u>1992</u> | <u>1991</u> | Dollar Amount |
|-------------------|---------------------|---------------------|------------------|
| Due to affiliates | \$ 3,650,000 | \$ 5,403,000 | |
| Other | 2,183,000 | 1,484,000 | |
| | <u>\$ 5,833,000</u> | <u>\$ 6,887,000</u> | |

Note 11 - Prepaid Expenses and Other Current Assets

At June 30, 1992 and 1991, the line item Prepaid Assets and Other Current Assets is comprised of the following:

| | <u>1992</u> | <u>1991</u> | Dollar Amount |
|---|---------------------|---------------------|------------------|
| Prepaid expenses | \$ 2,700,000 | \$ 2,285,000 | |
| Deposits | 453,000 | 336,000 | |
| Current portion of deferred credits on deposit with the Casino Reinvestment Development Authority | 74,000 | 1,548,000 | |
| | <u>\$ 3,227,000</u> | <u>\$ 4,169,000</u> | |

SANDS HOTEL & CASINO
(A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
(unaudited)

Note 12 - Promotional Allowances and Expenses

A summary of Promotional Allowances and Expenses incurred during the six month period ended June 30, 1992 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 | 75,022 | \$2,754,000 | - | \$ - |
| Food | 441,556 | 5,078,000 | - | - |
| Beverage | 812,025 | 4,872,000 | - | - |
| Travel | - | - | 13,010 | 3,375,000 |
| Theatre | 10,270 | 549,000 | - | - |
| Bus Tour Coupon | - | - | - | - |
| Exchange Coin | - | - | 359,944 | 5,538,000 |
| Complimentary Coin | - | - | - | - |
| Distribution Program | - | - | 97,222 | 4,071,000 |
| Food Court - Other | - | - | 76,808 | 538,000 |
| Other | 43,261 | <u>346,000</u> | 69,297 | <u>2,088,000</u> |
| Total Promotional Allowances and Expenses | | \$13,599,000 | | \$15,610,000 |
| | | ===== | | ===== |

A summary of Promotional Allowances and Expenses incurred during the three month period ended June 30, 1992 is as follows:

| | <u>No. of Recipients</u> | <u>Dollar Amount</u> | <u>No. Of Recipients</u> | <u>Dollar Amount</u> |
|--|--------------------------|----------------------|--------------------------|----------------------|
| Rooms | 25,940 | \$1,352,000 | - | \$ - |
| Food | 220,323 | 2,534,000 | - | - |
| Beverage | 422,302 | 2,534,000 | - | - |
| Travel | - | - | 6,745 | 1,750,000 |
| Theatre | 4,005 | 294,000 | - | - |
| Bus Tour Coupon | - | - | - | - |
| Exchange Coin | - | - | 197,000 | 2,986,000 |
| Complimentary Coin | - | - | - | - |
| Distribution Program | - | - | 54,132 | 2,049,000 |
| Food Court - Other | - | - | 43,021 | 301,000 |
| Other | 20,865 | <u>167,000</u> | 35,509 | <u>1,070,000</u> |
| Total Promotional Allowances and Expenses | | \$ 6,881,000 | | \$ 8,156,000 |
| | | ===== | | ===== |

SANDS HOTEL & CASINO
(A Wholly Owned Subsidiary of Pratt Casino Properties, Inc.)
Notes to Financial Statements
(unaudited)

Note 13 - Commitments and Contingencies

In January 1989, the American Arbitration Association issued a determination in favor of GBH&C on its claim against a construction management company for damages due to improper performance in the completion of the renovation of the Sands Hotel & Casino during 1983 and 1984. The arbitration award, including interest through January 31, 1989, totalled \$14,524,000 and, on July 28, 1989, the Superior Court of New Jersey confirmed this arbitration award into a judgment. Although the construction management company sought reconsideration of the Superior Court's confirmation of the arbitration award, the confirmation of the award into a judgment was reaffirmed. The construction management company filed an appeal of the determination of the Superior Court confirming the arbitration award into a judgment and, in a unanimous opinion dated May 29, 1991, the Appellate Division of the Superior Court affirmed the determination of the Superior Court confirming the arbitration award into a judgment. Although the construction management company's first application for certification addressed to the Supreme Court of New Jersey was denied, the construction management company's application to the Supreme Court of New Jersey for reconsideration was granted as to three (3) specified issues. On August 6, 1992, the Supreme Court of New Jersey affirmed the judgement in favor of GBH&C and against the construction management company. On August 10, 1992, GBH&C collected \$17,590,000, which included the award and post-judgement interest less certain amounts due the construction management company.

Note 14 - Progressive Jackpot

Recent regulations approved by the New Jersey Casino Control Commission (the "Commission") allow casino licensees to establish time limits for offering progressive slot machine jackpots to customers. Upon the expiration of the stated time limits, and upon providing proper notice to casino customers, casino licensees are afforded certain relief including the reduction or removal of the progressive jackpot from the gaming floor. Accordingly, during the quarter ended June 30, 1992, GBH&C removed certain progressive jackpots from the gaming floor, resulting in the reversal of approximately \$2.7 million of progressive jackpot liabilities and the corresponding recognition of an equal amount of income from operations.

Note 15 - Reclassifications

Certain reclassifications have been made to the 1991 financial statements to conform to the 1992 financial statement presentation.

974-901
6-197

STATEMENT OF CONFORMITY AND ACCURACY

QUARTERLY REPORT

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

John R. Rauen, being duly sworn according to law upon my oath
NAME
deposes and says:

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

[Signature]
Signature
John R. Rauen
Vice President, Finance
Title

866-11
License Number

Subscribed and sworn to
before me this 14th day
of Aug., 1992

[Signature]
Signature
KAREN E. ERGLER
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Nov. 18, 1993

On Behalf Of:
Greate Bay Hotel & Casino, Inc.
Casino Licensee

Basis of Authority
to Take Oaths

974-901
C193

QUARTERLY REPORT

For the Quarter PROPERTY OF 1992
NEW JERSEY STATE LIBRARY

AUG 28 1992

FORM NO.
CCC-205
CCC-210
CCC-215
CCC-220
CCC-225

LICENSEE MARINA ASSOCIATES
ADDRESS 185 W. STATE ST.
1725 BRIGANTINE BOULEVARD
ATLANTIC CITY, NJ 08401

FOR THE QUARTER ENDED June 30, **19**92

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



RECEIVED
NEW JERSEY
AUG 14, Rec'd
1992
CASINO CONTROL
COMMISSION

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT . . . JOSEPH A. DOMENICO
OFFICIAL TITLE. VICE PRESIDENT OF FINANCE
ADDRESS 1725 BRIGANTINE BOULEVARD
ATLANTIC CITY, NJ 08401

LIST OF FORMS - QUARTERLY REPORT

June 30, 1992 and 1991
 For the Quarter Ended: June 30, 1992

(Unaudited)
 (\$ in Thousands)

| DESCRIPTION | (c) 1992 | FORM NO. |
|---|------------------|------------------|
| <u>TITLE</u> | | |
| Balance Sheets ASSETS | | CCC-205 |
| Statements of Income (Year-to-Date) | \$ 3,107 | CCC-210 |
| Statements of Income (Three Months) | 0 | CCC-215 |
| Statements of Changes in Stockholders' Equity | 2,189 | CCC-220 |
| Statements of Changes in Partners' or Proprietor's Equity | 21,806 | CCC-225 |
| Statements of Cash Flows | 29,802 | CCC-235 |
| Notes to Financial Statements | 1,939 | |
| Schedule of Receivables and Patrons' Checks | \$312,436 | CCC-240 |
| Statement of Conformity and Accuracy | | CCC-250 |
| LIABILITIES | | |
| Accounts payable | \$ 2,927 | \$ 3,238 |
| Accrued liabilities | 0 | 0 |
| Portion of long-term debt: | | |
| - Mortgages | 0 | 0 |
| - Other | 108 | 105 |
| - Total | 108 | 105 |
| Accounts payable and accrued expenses | 931 | 1,180 |
| Accrued expenses | 13,478 | 15,823 |
| Contract liabilities | 282 | 313 |
| Other contract liabilities | 17,722 | 19,961 |
| Other liabilities | | |
| - Other | 0 | 0 |
| - Total | 108 | 116 |
| Other liabilities | 0 | 0 |
| Other liabilities | 32,752 | 48,032 |
| Other liabilities and contingencies | | |
| - Total | 50,362 | 48,129 |
| Partners', Partners', or Proprietor's Equity | 260,054 | 295,363 |
| Liabilities and Equity | \$312,436 | \$343,492 |

Financial statements are an integral part of the financial statements.
 No opinion can be made without using information contained in the notes.

BALANCE SHEETS

June 30, 1992 and 1991

(Unaudited)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-----------|-----------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash | \$ 8,107 | \$ 8,846 |
| 2 | Marketable Securities | 0 | 0 |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992 \$4,132; 1991 \$4,805 | 8,276 | 9,768 |
| 4 | Inventories | 2,189 | 1,925 |
| 5 | Prepaid expenses and other current assets (Note 3) | 3,234 | 2,815 |
| 6 | Total current assets | 21,806 | 23,354 |
| 7 | Investments, Advances and Receivables .(Note 5) | 29,802 | 372,764 |
| 8 | Property and Equipment - Net(Note 2) | 257,889 | 244,341 |
| 9 | Other Assets | 1,939 | 3,033 |
| 10 | Total Assets | \$311,436 | \$643,492 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities | | |
| 11 | Accounts payable | \$ 2,927 | \$ 3,228 |
| 12 | Notes payable | 0 | 0 |
| | Current portion of long-term debt: | | |
| 13 | Due to affiliates | 0 | 0 |
| 14 | Other(Note 4) | 108 | 105 |
| 15 | Income taxes payable and accrued | 931 | 1,280 |
| 16 | Other accrued expenses(Note 9) | 13,474 | 15,035 |
| 17 | Other current liabilities | 282 | 313 |
| 18 | Total current liabilities | 17,722 | 19,961 |
| | Long-Term Debt: | | |
| 19 | Due to affiliates | 0 | 0 |
| 20 | Other(Note 4) | 108 | 116 |
| 21 | Deferred Credits | 0 | 0 |
| 22 | Other Liabilities(Note 10) | 32,752 | 28,052 |
| 23 | Commitments and Contingencies(Note 6) | | |
| 24 | Total Liabilities | 50,582 | 48,129 |
| 25 | Stockholders', Partners', or Proprietor's Equity | 260,854 | 595,363 |
| 26 | Total Liabilities and Equity | \$311,436 | \$643,492 |

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 Six Months Ended June 30, 1992 and 1991

(Unaudited)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------|-----------|
| | Revenue: | | |
| 1 | Casino | \$139,205 | \$137,397 |
| 2 | Rooms | 9,752 | 7,783 |
| 3 | Food and Beverage | 18,037 | 18,209 |
| 4 | Other | 4,337 | 4,024 |
| 5 | Total revenue | 171,331 | 167,413 |
| 6 | Less: Promotional Allowance (Note 8) . . . | 19,512 | 16,771 |
| 7 | Net revenue | 151,819 | 150,642 |
| | Costs and Expenses: | | |
| 8 | Cost of goods and services | 86,010 | 83,428 |
| 9 | Selling, general, and administrative | 28,992 | 32,962 |
| 10 | Provision for doubtful accounts | 1,029 | 1,109 |
| 11 | Depreciation and amortization | 6,141 | 6,393 |
| | Charges from affiliates other than interest: | | |
| 12 | Management Fees | 0 | 0 |
| 13 | Other | 0 | 0 |
| 14 | Total costs and expenses | 122,172 | 123,892 |
| 15 | Income (Loss) from Operations | 29,647 | 26,750 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates | 0 | 0 |
| 17 | Interest (expense) - external | (12) | (166) |
| 18 | Investment alternative tax and related income (expense) - net | (222) | (683) |
| 19 | Nonoperating income (expense) - net | 278 | 411 |
| 20 | Total other income (expenses) | 44 | (438) |
| 21 | Income (Loss) Before Income Taxes and Extraord. Items | 29,691 | 26,312 |
| 22 | Provision (credit) for income taxes . (Note 11) . . | 2,774 | 2,376 |
| 23 | Income (Loss) Before Extraordinary Items | 26,917 | 23,936 |
| 24 | Extraordinary items (net of income taxes - 1992, \$0; 1992, \$0) | 0 | 0 |
| 25 | Net Income (Loss) | \$ 26,917 | \$ 23,936 |

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 1992 and 1991

For the Three Months Ended June 30, 1992 and 1991

(Unaudited)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-----------|-----------|
| | Revenue: | | |
| 1 | Casino | \$ 73,364 | \$ 75,796 |
| 2 | Rooms | 5,547 | 4,186 |
| 3 | Food and beverage | 9,429 | 10,134 |
| 4 | Other | 2,311 | 2,355 |
| 5 | Total revenue | 90,651 | 92,471 |
| 6 | Less: Promotional allowance (Note 8) . . . | 10,865 | 9,289 |
| 7 | Net revenue | 79,786 | 83,182 |
| | Costs and Expenses: | | |
| 8 | Cost of goods and services | 44,118 | 43,944 |
| 9 | Selling, general, and administrative | 15,701 | 19,865 |
| 10 | Provision for doubtful accounts | 453 | 603 |
| 11 | Depreciation and amortization | 3,079 | 3,161 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees | 0 | 0 |
| 13 | Other | 0 | 0 |
| 14 | Total costs and expenses | 63,351 | 67,573 |
| 15 | Income (Loss) from Operations | 16,435 | 15,609 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates | 0 | 0 |
| 17 | Interest (expense) - external | (5) | (137) |
| 18 | Investment alternative tax and related income (expense) - net | (77) | (242) |
| 19 | Nonoperating income (expense) - net | 159 | 214 |
| 20 | Total other income (expenses) | 77 | (165) |
| 21 | Income (loss) before income taxes and extraord. items | 16,512 | 15,444 |
| 22 | Provision (credit) for income taxes . (Note 11) . . | 1,536 | 1,471 |
| 23 | Income (loss) before extraordinary items | 14,976 | 13,973 |
| 24 | Extraordinary items (net of income taxes - 1992, \$0; 1991, \$0) | 0 | 0 |
| 25 | Net Income (Loss) | \$ 14,976 | \$ 13,973 |

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 Six Months Ended June 30, 1992 and 1991

(Unaudited)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|--|------------|-------------|------------|-------------|
| | | (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 | +++++ | | +++++ | |
| 26 | Prior period adjustments | +++++ | | +++++ | |
| 27 | Net income (loss) | +++++ | | +++++ | |
| 28 | Dividends | +++++ | () | +++++ | () |
| 29 | _____ | +++++ | | +++++ | |
| 30 | _____ | +++++ | | +++++ | |
| 31 | Ending balance | +++++ | | +++++ | |
| 32 | Ending Stockholders' Equity | +++++ | \$ | +++++ | \$ |

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: HARRAH'S CASINO HOTEL, ATLANTIC CITY

**STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY**

For the Six Months Ended June 30, 1992 and 1991

(Unaudited)

(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-------------|------------|
| | Invested Capital: | | |
| 1 | Beginning balance (January 1) | \$141,594 | \$141,594 |
| 2 | Additional capital invested | 0 | 0 |
| 3 | | 0 | 0 |
| 4 | Ending balance | 141,594 | 141,594 |
| | Additional Income (Loss): | | |
| 5 | Beginning balance (January 1) | 596,211 | 536,571 |
| 6 | Prior period adjustments | 0 | 0 |
| 7 | Net income (loss) | 26,917 | 23,936 |
| 8 | | 0 | 0 |
| 9 | Ending balance | 623,128 | 560,507 |
| | Capital Withdrawals: | | |
| 10 | Beginning balance (January 1) | (481,557) | (106,738) |
| 11 | Additional capital withdrawals | (22,311) | (0) |
| 12 | | 0 | 0 |
| 13 | Ending balance | (503,868) | (106,738) |
| | Net Unrealized Loss on Noncurrent Marketable equity securities: | | |
| 14 | Beginning balance (January 1) | (0) | (0) |
| 15 | | 0 | 0 |
| 16 | | 0 | 0 |
| 17 | Ending balance | (0) | (0) |
| 18 | Ending Partner's or Proprietor's Equity | \$260,854 | \$595,363 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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 CASH FLOWS

For the Six Months Ended June 30, 1992 and 1991
(Unaudited)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-----------|-----------|
| 1 | Net Cash Provided (Used) by Operating Activities . . . | \$ 35,831 | \$ 37,579 |
| | Cash Flows from Investing Activities: | | |
| 2 | Purchase of short-term investment securities | 0 | 0 |
| 3 | Proceeds from the sale of short-term investment sec. | 0 | 0 |
| 4 | Purchase outflows for property and equipment | (12,864) | (9,266) |
| 5 | Proceeds from disposition of property and equipment . | 368 | 4,009 |
| 6 | Purchase of casino reinvestment obligations | (1,365) | (1,401) |
| 7 | Purchase of other investments and loan/advances made | 0 | (34,289) |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables | 1,346 | 1,186 |
| 9 | Cash outflows to acquire business entities | 0 | 0 |
| 10 | _____ | 0 | 0 |
| 11 | _____ | 0 | 0 |
| 12 | Net Cash Provided (Used) by Investing Activities . . . | (12,515) | (39,761) |
| | Cash Flows from Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt | 0 | 0 |
| 14 | Payments to settle short-term debt | 0 | 0 |
| 15 | Cash proceeds from issuance of long-term debt | 0 | 0 |
| 16 | Costs of issuing debt | 0 | 0 |
| 17 | Payments to settle long-term debt | (48) | (58) |
| 18 | Cash proceeds from issuing stock or capital contrib. | 0 | 0 |
| 19 | Purchases of treasury stock | 0 | 0 |
| 20 | Payments of dividends or capital withdrawals | (23,308) | 0 |
| 21 | _____ | 0 | 0 |
| 22 | _____ | 0 | 0 |
| 23 | Net Cash Provided (Used) by Financing activities . . . | (23,356) | (58) |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents . | (40) | (2,240) |
| 25 | Cash and Cash Equivalents at Beginning of Period . . . | 8,147 | 11,086 |
| 26 | Cash and Cash Equivalents at End of Period | \$ 8,107 | \$ 8,846 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|--|----------|----------|
| | Cash Paid During Period for: | | |
| 27 | Interest (net of amount capitalized) | \$ 18 | \$ 19 |
| 28 | Income Taxes | \$ 3,400 | \$ 2,275 |

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 CASH FLOWS

For the Six Months Ended June 30, 1992 and 1991
(Unaudited)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-----------|-----------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ 26,917 | \$ 23,936 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property & equip. | 6,122 | 6,383 |
| 31 | Amortization of other assets | 19 | 10 |
| 32 | Amortization of debt discount or premium | 0 | 0 |
| 33 | Deferred income taxes - current | 0 | 0 |
| 34 | Deferred income taxes - noncurrent | 0 | 0 |
| 35 | (Gain) loss on disposition of property & equipment | 8 | (14) |
| 36 | (Gain) loss on casino reinvestment obligations . . | 222 | 683 |
| 37 | (Gain) loss from other investment activities . . . | 0 | 0 |
| 38 | Net (increase) Decrease in receivables and patrons' checks | 822 | 634 |
| 39 | Net (increase) decrease in inventories | (22) | 303 |
| 40 | Net (increase) decrease in other current assets . . | (1,244) | (1,670) |
| 41 | Net (increase) decrease in other assets | (870) | (371) |
| 42 | Net increase (decrease) in accounts payables . . . | 132 | 471 |
| 43 | Net increase (decrease) in other current liabilities excluding debt | (313) | 3,917 |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt | 4,045 | 3,297 |
| 45 | Interest income earned on Marina | (7) | 0 |
| 46 | District Roadway Account | 0 | 0 |
| 47 | Net Cash Provided (Used) by Operating Activities . . . | \$ 35,831 | \$ 37,579 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|-----------|----------|
| | Acquisition of Property and Equipment: | | |
| 48 | Additions to property and equipment | \$ 12,864 | \$ 9,364 |
| 49 | Less: capital lease obligations incurred | 0 | 98 |
| 50 | Cash Outflows for Property and Equipment | \$ 12,864 | \$ 9,266 |
| | Acquisition of Business Entities: | | |
| 51 | Property and equipment acquired | \$ 0 | \$ 0 |
| 52 | Goodwill acquired | 0 | 0 |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment | 0 | 0 |
| 54 | Long-term debt assumed | 0 | 0 |
| 55 | Issuance of stock or capital invested | 0 | 0 |
| 56 | Cash Outflows To Acquire Business Entities | \$ 0 | \$ 0 |
| | Stock Issued or Capital Contributions | | |
| 57 | Total issuances of stock or capital contributions . . | \$ 0 | \$ 0 |
| 58 | Less: issuances to settle long-term debt, and | 0 | 0 |
| 59 | Consideration in acquisition of business entities . . | 0 | 0 |
| 60 | Cash Proceeds from Issuing Stock Or Capital Contrib . . | \$ 0 | \$ 0 |

TRADING NAME OF LICENSEE: HARRAH'S CASINO HOTEL, ATLANTIC CITY
 SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY
 BY BALANCE SHEET LINE ITEM NOT RECORDED ON STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 1992

(Unaudited)
 (\$ in Thousands)

Non-Cash Transactions:

| | | | |
|-----------|---|-----------|-------------|
| <u>3</u> | Reclass Interest Receivable to Long-Term | \$ 48 | |
| | Total Line 3 | | \$ 48 |
| <u>5</u> | Donation Credit from CRDA Funds Expensed from Other Assets | \$ 162 | |
| | Reclass of Donation Credit from Investments, Advances and Receivables | 48 | |
| | Total Line 5 | | \$ 210 |
| <u>7</u> | Reclass of Investment Previously Reported as a Construction Cost | \$ (17) | |
| | Reclass Interest Receivable to Long-Term Current Receivables | (48) | |
| | Donation Credit from CRDA Funds Expensed from Other Current Assets | (162) | |
| | Reclass of Donation Credit from Investments, Advances and Receivables | (48) | |
| | Total Line 7 | | \$ (275) |
| <u>8</u> | Reclass Items Previously Reported as Deferred Charges | \$ (126) | |
| | Excess of Construction Retainage Released over Construction Retainage Withheld | (112) | |
| | Capitalized Interest Passed through from Parent | (997) | |
| | Reclass of Investment Previously Reported as a Construction Cost | 17 | |
| | Reclass Grant Money to PP&E | 100 | |
| | Total Line 8 | | \$ (1,118) |
| <u>9</u> | Reclass Items Previously Reported as Deferred Total Line 9 | \$ 126 | \$ 126 |
| <u>11</u> | Excess of Construction Retainage Released over Construction Retainage Withheld Total Line 11 | \$ 112 | \$ 112 |
| <u>22</u> | Reclass Grant Money to PP&E Total Line 22 | \$ (100) | \$ (100) |
| <u>25</u> | Capitalized Interest Passed through from Parent Applied Against Capital <u>Withdrawal</u> Total Line 25 | \$ 997 | \$ 997 |
| | Grand Total | | \$ <u>0</u> |

| FORM CCC-305 BALANCE SHEETS | | | | CCC-335 CASH FLOW | | | |
|-----------------------------|----------------------------|----------|----------|-------------------|----------|----------|------------|
| LINE NO. | DESCRIPTION | BALANCES | | INCREASE DECREASE | AMOUNT | LINE NO. | DIFFERENCE |
| | | CURRENT | 12/31/91 | | | | |
| 1 | CASH | 8,107 | 8,147 | (40) | (40) | 24 | 0 |
| | | | | | | 2 | |
| | | | | | | 3 | |
| 2 | MARKETABLE SEC. | 0 | 0 | 0 | | | |
| 3 | RECEIV. & PATRONS' CHECKS | 8,276 | 9,146 | (870) | 822 | 38 | 48 |
| 4 | INVENTORIES | 2,189 | 2,167 | (22) | (22) | 39 | 0 |
| 5 | PPD. EXP. & OTHER CURRENT | 3,234 | 2,200 | 1,034 | (1,244) | 40 | 210 |
| | | | | | (1,365) | 6 | |
| | | | | | 0 | 7 | |
| | | | | | 1,346 | 8 | |
| | | | | | 222 | 36 | |
| | | | | | 0 | 37 | |
| 7 | INVEST., ADVANCES & REC. | 29,802 | 29,730 | 72 | 203 | | (275) |
| | | | | | 368 | 5 | |
| | | | | | 6,122 | 30 | |
| | | | | | 8 | 35 | |
| | | | | | (12,864) | 48 | |
| | | | | | 0 | 51 | |
| | | | | | (7) | | |
| 8 | PROPERTY & EQUIP. - NET | 257,889 | 250,398 | 7,491 | (6,373) | | (1,118) |
| | | | | | 0 | 16 | |
| | | | | | 19 | 31 | |
| | | | | | (871) | 41 | |
| | | | | | 0 | 52 | |
| 9 | OTHER ASSETS | 1,939 | 1,214 | (725) | (851) | | 126 |
| 11 | ACCOUNTS PAYABLE | 2,927 | 2,683 | 244 | 132 | 42 | 112 |
| 12 | NOTES PAYABLE | 0 | 0 | | 0 | 13 | |
| | CURRENT PORT. - L/T DEBT: | | | | 0 | 14 | |
| 13 | DUE AFFILIATES | 0 | 0 | | 0 | 15 | |
| 14 | OTHER | 108 | 73 | | (48) | 17 | |
| | LONG-TERM DEBT: | | | | 0 | 32 | |
| 19 | DUE AFFILIATES | 0 | 0 | | | 49 | |
| 20 | OTHER | 108 | 191 | | 0 | 54 | |
| | | | | | 0 | 58 | |
| | TOTAL | 216 | 264 | (48) | (48) | | 0 |
| 15 | INCOME TAXES PAY. & ACC. | 931 | 1,557 | | 0 | 33 | |
| 16 | OTHER ACCRUED EXP. | 13,474 | 12,821 | | 938 | 43 | |
| 17 | OTHER CURRENT LIABILITIES | 282 | 622 | | | | |
| | TOTAL | 14,687 | 15,000 | (313) | (313) | | 0 |
| | | | | | 0 | 34 | |
| 21 | DEFERRED CREDITS | 0 | 0 | | 378 | 44 | |
| 22 | OTHER LIABILITIES | 32,752 | 28,807 | | | | |
| | TOTAL | 32,752 | 28,807 | 3,945 | 4,045 | | (100) |
| | | | | | 0 | 19 | |
| | | | | | (23,308) | 20 | |
| | | | | | 26,917 | 29 | |
| | | | | | 0 | 57 | |
| 25 | STOCKHS.', PARTS.', EQUITY | 260,854 | 256,248 | (4,606) | 3,609 | | 997 |

HARRAH'S CASINO HOTEL, ATLANTIC CITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies:

Organization - Marina Associates (The Company), doing business as Harrah's Casino Hotel, Atlantic City, operates as a general partnership. The Promus Companies, Inc., through its subsidiaries, is 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, theater, 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.

When management determines that some element of property and equipment is to be disposed of, its net realizable value is estimated and a write-down is recorded if the estimated net realizable value is less than the net book value.

A valuation allowance is included as a component of accumulated depreciation.

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

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.

HARRAH'S CASINO HOTEL, ATLANTIC CITY
 NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 2: Property and Equipment:

Property and equipment consist of the following:

| | JUNE 30 | |
|--|------------------|------------------|
| | 1992 | 1991 |
| | (000's) | |
| Land and land improvements | \$ 28,292 | \$ 27,763 |
| Buildings, leaseholds and improvements | 226,571 | 223,645 |
| Furniture, fixtures and equipment | 66,416 | 62,563 |
| Construction in progress | 7,256 | 7,980 |
| Equipment held under capital leases | 345 | 279 |
| C-I-P NE Inlet Redevelopment Project | 28,215 | 11,451 |
| | <u>\$357,095</u> | <u>\$333,681</u> |
| Less accumulated depreciation | (99,206) | (89,340) |
| Property and equipment, net | <u>\$257,889</u> | <u>\$244,341</u> |

The Northeast Inlet Redevelopment Project is an approved CRDA project sponsored by Harrah's. The project includes 130 townhomes, a retail strip center and a mid-rise apartment building. Seventy-six of the townhomes are to be sold and the balance are to be rented. Partial rental operations began in February 1992. Currently contained in the C-I-P account are the retail strip center and the mid-rise apartment building.

NOTE 3: Prepaid Expenses and Other Current Assets:

| | JUNE 30 | |
|-------------------------------|-----------------|-----------------|
| | 1992 | 1991 |
| | (000's) | |
| Prepaid Slot Tax | \$ 942 | \$ 891 |
| Prepaid Insurance | 62 | 14 |
| Prepaid Air Charters | 714 | 344 |
| Prepaid Marketing | 707 | 741 |
| Prepaid - Other | 704 | 825 |
| Donated Credit for CRDA Funds | 105 | 0 |
| | <u>\$ 3,234</u> | <u>\$ 2,815</u> |

NOTE 4: Long-Term Debt:

Marina Associates has three thirty-six month leases on computer equipment. The leases are payable in monthly installments of \$1,634, \$3,259, and \$4,401.

Long-term debt consists of the following:

| | JUNE 30 | |
|--------------------------------|---------------|---------------|
| | 1992 | 1991 |
| | (000's) | |
| Capital lease obligation | \$ 216 | \$ 221 |
| Obligation due within one year | (108) | (105) |
| | <u>\$ 108</u> | <u>\$ 116</u> |

HARRAH'S CASINO HOTEL, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 4: Long-Term Debt (Cont.):

The future minimum lease payments as of June 30, 1992, were as follows:

| | | |
|--|--------------|-----------|
| 1992 | \$ 2,293,343 | \$ 72,024 |
| 1992 | 1,876,878 | 111,528 |
| 1993 | 1,089,302 | 58,716 |
| | 437,381 | \$242,268 |
| | 311,893 | |
| | 2,224,000 | (25,516) |
| Less amounts representing interest | | \$216,752 |
| Total Obligations Under Capital Leases | \$ 7,254,879 | \$216,752 |

Company has entered into several long-term contracts for entertainment.

NOTE 5: Investments, Advances and Receivables:

| | JUNE 30 | |
|--|------------------|------------------|
| | 1992 | 1991 |
| | (000's) | |
| Notes Receivable | \$ 2,356 | \$ 2,383 |
| Investment in CRDA Bonds - Net of Valuation Adj. | 2,152 | 2,020 |
| Reinvestment Obligation Deposits - Net of Val. Adj. | 1,306 | 1,170 |
| Due from Affiliates | 22,036 | 365,413 |
| Funds Advanced to Northeast Inlet Redevelopment Project to be reimbursed by a UDAG Grant | 743 | 743 |
| Investment in Developer's Component of CRDA Project | 1,061 | 1,035 |
| Interest Receivable | 148 | 0 |
| | <u>\$ 29,802</u> | <u>\$372,764</u> |

Due from Affiliates consists of the following unsecured, non-interest bearing inter-company amounts at June 30, 1992 and 1991.

| | JUNE 30 | |
|---------------------------|------------------|------------------|
| | 1992 | 1991 |
| | (000's) | |
| Harrah's New Jersey, Inc. | \$ 18,962 | \$ 18,962 |
| Harrah's Lake Tahoe | 156 | 143 |
| Embassy Suites, Inc. | 2,286 | 346,069 |
| Harrah's Del Rio | 128 | 128 |
| Harrah's Reno | 393 | 0- |
| Bill's Casino | 111 | 111 |
| Total Due from Affiliates | <u>\$ 22,036</u> | <u>\$365,413</u> |

NOTE 6: 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 six months ended June 30, 1992 and 1991, were approximately \$1,459,464 and \$1,204,131 respectively.

HARRAH'S CASINO HOTEL, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 6: Commitments and Contingencies (Cont.):

Future minimum lease payments due under these leases are as follows:

| | |
|------------|---------------------|
| 1993 | \$ 2,295,345 |
| 1994 | 1,876,828 |
| 1995 | 1,089,382 |
| 1996 | 457,382 |
| 1997 | 311,892 |
| Thereafter | <u>1,224,000</u> |
| | <u>\$ 7,254,829</u> |

The Company has entered into several long-term contracts for entertainment, marketing and laundry. The future commitments follow:

| | |
|------------|----------------------|
| 1993 | \$ 2,159,349 |
| 1994 | 2,146,839 |
| 1995 | 1,896,839 |
| 1996 | 1,747,044 |
| 1997 | 1,747,044 |
| Thereafter | <u>3,494,088</u> |
| | <u>\$ 13,191,203</u> |

NOTE 7: 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 CASINO HOTEL, ATLANTIC CITY
 NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 7: Investment Obligation (Cont.):

The Company has filed a petition with the Casino Reinvestment Development Authority and has received final approval for a direct investment project in Atlantic City. This project will be eligible for credit in satisfaction of the investment obligation, and the Company will not be required to continue purchasing bonds or pay the investment alternative tax. Accordingly, no liability has been recorded in the financial statements for the Atlantic City portion of the company's obligation.

The Company, in the absence of receiving approval for a direct investment project, will have to purchase bonds in order to satisfy obligations outside of Atlantic City as well as obligations of the New Jersey Development Authority for Small Business, Minorities and Women's Enterprises. At June 30, 1992, the Company has established a valuation allowance of \$307,067 to provide for the charge against operations which would be incurred at the time that these bonds were issued. The charge against operations would reflect the below market rate interest paid by the bonds.

NOTE 8: Promotional Allowances:

Promotional allowances for the six months ended June 30, 1992, consist of:

| | PROMOTIONAL ALLOWANCES | | PROMOTIONAL EXPENSES | |
|---------------------------------------|------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| | NUMBER OF RECIPIENTS (000's) | DOLLAR AMOUNT (000's) | NUMBER OF RECIPIENTS (000's) | DOLLAR AMOUNT (000's) |
| Rooms | 70 | \$6,083 | 0 | \$ 0 |
| Food | 837 | 8,372 | 0 | 0 |
| Beverage | 1,292 | 3,231 | 0 | 0 |
| Travel | 0 | 0 | 40 | 4,003 |
| Theatre | 91 | 1,826 | 0 | 0 |
| Coupon Redemption of Cash & Tokens | 0 | 0 | 606 | 7,573 |
| Rooms Off-Premises | 0 | 0 | N/A | 23 |
| Other* | 0 | 0 | 160 | 798 |
| | <u>2,290</u> | <u>\$19,512</u> | <u>806</u> | <u>\$12,397</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 complimentaries are combined in one expense account.

HARRAH'S CASINO HOTEL, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 8: Promotional Allowances (Cont.):

Promotional allowances for the three months ended June 30, 1992, consist of:

| | PROMOTIONAL ALLOWANCES | | PROMOTIONAL EXPENSES | |
|----------------------|------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| | NUMBER OF RECIPIENTS (000's) | DOLLAR AMOUNT (000's) | NUMBER OF RECIPIENTS (000's) | DOLLAR AMOUNT (000's) |
| Rooms | 43 | \$ 3,759 | 0 | \$ 0 |
| Food | 445 | 4,454 | 0 | 0 |
| Beverage | 668 | 1,671 | 0 | 0 |
| Travel | 0 | 0 | 20 | 1,985 |
| Theatre | 49 | 981 | 0 | 0 |
| Coupon Redemption of | | | | |
| Cash & Tokens | 0 | 0 | 338 | 4,217 |
| Rooms Off-Premises | 0 | 0 | N/A | 2 |
| Other* | 0 | 0 | 94 | 468 |
| | <u>1,205</u> | <u>\$10,865</u> | <u>452</u> | <u>\$6,672</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 9: Other Accrued Expenses:

Other accrued expenses consist of the following:

| | JUNE 30 | |
|-------------------------------------|------------------|------------------|
| | 1992 | 1991 |
| Accrued salaries and wages | \$ 7,241 | \$ 7,415 |
| Taxes payable | 569 | 959 |
| Other accrued expenses | 3,506 | 4,483 |
| Accrued progressive slot liability | 1,271 | 1,416 |
| Accrued CCC/DGE/Casino License fees | 637 | 647 |
| Accrued Megabucks Handle Fees | 239 | 102 |
| Accrued Interest L-T-D | 11 | 13 |
| | <u>\$ 13,474</u> | <u>\$ 15,035</u> |
| | ===== | ===== |

HARRAH'S CASINO HOTEL, ATLANTIC CITY
 NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 10: Other Liabilities:

Other liabilities consist of the following:

| | JUNE 30 | |
|-----------------------------|------------------|------------------|
| | 1992 | 1991 |
| Long Term due to Affiliates | \$ 30,375 | \$ 25,943 |
| Other Liabilities | 972 | 764 |
| Def Income - ACIA Grant | 785 | 1,140 |
| Def Income - CRDA Grant | 141 | 205 |
| NJHMFA Funding Liability | 479 | 0 |
| | <u>\$ 32,752</u> | <u>\$ 28,052</u> |

Due to Affiliates consist of the following unsecured, non-interest bearing inter-company amounts.

| | JUNE 30 | |
|-----------------------------------|------------------|------------------|
| | 1992 | 1991 |
| Due to Affiliates - | | |
| Harrah's Holdings, Inc. | \$ 623 | \$ 590 |
| Harrah's Atlantic City, Inc. | 29,406 | 24,917 |
| Harrah's Reno | 0 | 92 |
| Harrah's Holiday Inns of NJ, Inc. | 293 | 293 |
| Holiday Casino, Inc. | 53 | 51 |
| | <u>\$ 30,375</u> | <u>\$ 25,943</u> |

NOTE 11: 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 (9.375%).

NOTE 12: 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 six months ended June 30, 1992, was \$1,442,804.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

June 30, 1992

(Unaudited)
(\$ in Thousands)

| Accounts Receivable Balances | | | | |
|------------------------------|--|------------------------|------------------|--|
| LINE (a) | DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE |
| | Patron's Checks | | | |
| 1 | Undeposited patrons' checks | \$ 3,343 | | |
| 2 | Returned patrons' checks . . | 6,637 | | |
| 3 | Total patron's checks . . | 9,980 | \$ 4,123 | \$ 5,857 |
| 4 | Hotel Receivables | 948 | 9 | 939 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees . . | 12 | | |
| 6 | Receivables due from affiliates | 0 | | |
| 7 | Other accounts and notes receivables | 1,468 | | |
| 8 | Total other receivables . | 1,480 | 0 | 1,480 |
| 9 | Totals (Form 205) | \$ 12,408 | \$ 4,132 | \$ 8,276 |

UNDEPOSITED PATRON'S CHECKS ACTIVITY

| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
|-------------|--|---------------|
| 10 | Beginning Balance (January 1) | \$ 3,187 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) . | 67,672 |
| 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) | (44,677) |
| 13 | Checks collected through deposits | (20,530) |
| 14 | Checks transferred to returned checks | (2,309) |
| 15 | Other adjustments | |
| 16 | Ending Balance | \$ 3,343 |
| 17 | "Hold" Checks Included in Balance on Line 16 | \$ 0 |
| 18 | Provision for Uncollectible Patrons' Checks | \$ 995 |
| 19 | Provision as a Percent of Counter Checks Issued | 1.5 % |

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QUARTERLY REPORT

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LICENSEE RESORTS INTERNATIONAL HOTEL, INC

ADDRESS 1133 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING

THIS QUARTERLY REPORT..... JOHN R. SPINA

OFFICIAL TITLE..... SENIOR VICE PRESIDENT - FINANCE & ADMINISTRATION

ADDRESS..... 1133 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

CCC-201

TRADING NAME OF LICENSEE: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

LIST OF FORMS – QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 1992

| DESCRIPTION | 1992 | 1991 |
|---|----------|------------|
| TITLE | FORM NO. | |
| ASSETS | | |
| Balance Sheets | CCC-205 | |
| Statements of income (Year to Date) Money Market At Cost | CCC-210 | 11,281 |
| Statements of income (Three Months) 1991, 48297 NOTE 2 | CCC-215 | 58,464 |
| Statements of Changes in Stockholders' Deficit | CCC-220 | 1,875 |
| Statements of Changes in Partners' or Proprietor's Equity | CCC-225 | 77,902 |
| Statements of Cash Flows NOTE 3 | CCC-235 | 145,275 |
| Notes to Financial Statements | | 265 |
| Schedule of Receivables and Patrons' Checks | CCC-240 | 229,888 |
| Statement of Conformity and Accuracy | CCC-250 | 3,921 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Accounts Payable | | 582 |
| Notes Payable | | 1,295 |
| Accounts Payable and accrued | | 15,218 |
| Notes Payable NOTE 4 | | 30,277 |
| Notes Payable NOTE 5 | | 72,394 |
| Notes Payable | | 85,879 |
| Notes Payable | | 90,838 |
| Notes Payable NOTE 6 | | 91,872 |
| Notes Payable | | 325,000 |
| Notes Payable | | 325,000 |
| Notes Payable NOTE 7 | | 1,253 |
| Notes Payable | | 1,612 |
| Notes Payable NOTE 14 | | 524 |
| Notes Payable | | 417,299 |
| Notes Payable NOTE 13 | CCC-201 | 114,735 |
| Notes Payable and Stockholders' Deficit | | 1,149,380 |
| Total Liabilities and Stockholders' Deficit | | \$ 243,140 |

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: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

BALANCE SHEETS

JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------|--|-------------|-------------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash..... | \$ 9,752 | \$ 11,261 |
| 2 | Marketable securities (Short-term Money Market At Cost)..... | 8,884 | 3,728 |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$5425 ; 1991, \$6297 ;...NOTE 2... | 55,134 | 58,464 |
| 4 | Inventories..... | 1,553 | 1,675 |
| 5 | Prepaid expenses and other current assets..... | 2,521 | 2,774 |
| 6 | Total current assets..... | 77,844 | 77,902 |
| 7 | Investments, Advances, and Receivables..... | 6,681 | 5,445 |
| 8 | Property and Equipment - Net.....NOTE 3... | 157,490 | 145,276 |
| 9 | Other Assets..... | 1,127 | 265 |
| 10 | Total Assets..... | \$ 243,142 | \$ 228,888 |
| | LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| | Current Liabilities: | | |
| 11 | Accounts payable..... | \$ 2,601 | \$ 3,921 |
| 12 | Notes payable..... | | |
| 13 | Current portion of long-term debt:.....NOTE 6... | | |
| 14 | Due to affiliates..... | | |
| 14 | Other..... | 582 | 1,295 |
| 15 | Income taxes payable and accrued..... | | |
| 16 | Other accrued liabilities.....NOTE 4... | 15,228 | 20,277 |
| 17 | Other current liabilities.....NOTE 5... | 72,394 | 65,879 |
| 18 | Total current liabilities..... | 90,805 | 91,372 |
| 19 | Long-Term Debt:.....NOTE 6... | | |
| 19 | Due to affiliates..... | 325,000 | 325,000 |
| 20 | Other..... | 1,253 | 1,842 |
| 21 | Deferred Credits.....NOTE 7... | 541 | 524 |
| 22 | Other Liabilities..... | | |
| 23 | Commitments and Contingencies.....NOTE 14... | | |
| 24 | Total Liabilities..... | 417,599 | 418,738 |
| 25 | Stockholders' Deficit.....NOTE 13.. | (174,457) | (189,850) |
| 26 | Total Liabilities and Stockholders' Deficit..... | \$ 243,142 | \$ 228,888 |

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: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|---------------------------------|--|-------------|-------------|
| REVENUE: | | | |
| 1 | Casino..... | \$ 114,678 | \$ 105,733 |
| 2 | Rooms..... | 7,447 | 6,853 |
| 3 | Food and beverage..... | 15,486 | 14,888 |
| 4 | Other..... | 3,096 | 3,135 |
| 5 | Total revenue..... | 140,707 | 130,609 |
| 6 | Less: promotional allowances.....NOTE 8.. | 12,066 | 11,411 |
| 7 | Net revenue..... | 128,641 | 119,198 |
| COSTS AND EXPENSES: | | | |
| 8 | Cost of goods and services..... | 81,083 | 77,915 |
| 9 | Selling, general, and administrative..... | 27,298 | 26,148 |
| 10 | Provision for doubtful accounts..... | 889 | 2,048 |
| 11 | Depreciation and amortization..... | 5,776 | 4,548 |
| 12 | Charges from affiliates other than interest:.....NOTE 10.. | | |
| 12 | Management fees..... | 4,187 | 3,896 |
| 13 | Other..... | 1,137 | 251 |
| 14 | Total costs and expenses..... | 120,370 | 114,806 |
| 15 | Income (Loss) From Operations..... | 8,271 | 4,392 |
| Other Income (Expenses): | | | |
| 16 | Interest (expense) - affiliates..... | | |
| 17 | Interest (expense) - external..... | (219) | (294) |
| 18 | Investment alternative tax and related inc.(exp).....NOTE 14.. | (707) | (795) |
| 19 | Nonoperating income - net.....NOTE 11.. | 3,180 | 3,329 |
| 20 | Total other income | 2,254 | 2,240 |
| 21 | Income Before Income Taxes And Extraordinary Items..... | 10,525 | 6,632 |
| 22 | Provision for income taxes.....NOTE 1,12 | 4,210 | 2,653 |
| 23 | Income Before Extraordinary Items..... | 6,315 | 3,979 |
| 24 | Extraordinary items (net of income taxes - 1992, \$ 0 ; 1991, \$ 0)..... | | |
| 25 | Net Income | \$ 6,315 | \$ 3,979 |

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: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
INCOME STATEMENT
FOR THE THREE MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|---------------------------------|--|-------------|-------------|
| REVENUE: | | | |
| 1 | Casino..... | \$ 58,851 | \$ 57,728 |
| 2 | Rooms..... | 4,104 | 3,956 |
| 3 | Food and beverage..... | 8,166 | 8,222 |
| 4 | Other..... | 1,728 | 1,703 |
| 5 | Total revenue..... | 72,849 | 71,609 |
| 6 | Less: promotional allowances.....NOTE 8.. | 6,341 | 6,471 |
| 7 | Net revenue..... | 66,508 | 65,138 |
| COSTS AND EXPENSES: | | | |
| 8 | Cost of goods and services.....NOTE 13 | 40,712 | 40,775 |
| 9 | Selling, general, and administrative..... | 13,634 | 13,878 |
| 10 | Provision for doubtful accounts..... | 374 | 665 |
| 11 | Depreciation and amortization..... | 2,990 | 2,808 |
| | Charges from affiliates other than interest:.....NOTE 10.. | | |
| 12 | Management fees..... | 2,168 | 2,135 |
| 13 | Other..... | 1,015 | 139 |
| 14 | Total costs and expenses..... | 60,893 | 60,400 |
| 15 | Income (Loss) From Operations..... | 5,615 | 4,738 |
| Other Income (Expenses): | | | |
| 16 | Interest (expense) - affiliates..... | | |
| 17 | Interest (expense) - external..... | (104) | (146) |
| 18 | Investment alternative tax and related inc.(exp).....NOTE 14.. | (264) | (91) |
| 19 | Nonoperating income - net.....NOTE 11.. | 1,459 | 1,455 |
| 20 | Total other income | 1,091 | 1,218 |
| 21 | Income Before Income Taxes And Extraordinary Items..... | 6,706 | 5,956 |
| 22 | Provision for income taxes.....NOTE 1,12 | 2,681 | 2,653 |
| 23 | Income Before Extraordinary Items..... | 4,025 | 3,303 |
| 24 | Extraordinary items (net of income taxes - 1992, \$ 0 ; 1991, \$ 0)..... | | |
| 25 | Net Income | \$ 4,025 | \$ 3,303 |

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: MERV GRIFFIN'S RESORTS CASINO HOTEL

(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|--|------------|--------------|------------|--------------|
| | | (c) SHARES | (d) DOLLARS | (e) SHARES | (f) DOLLARS |
| | 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..... | | | | |
| | Excess of Liabilities over Assets at Reorganization | | | | |
| 9 | Beginning balance (January 1).....NOTE 13.. | | (198,829) | | (198,829) |
| 10 | ..... |  |  |  |  |
| 11 | ..... |  |  |  |  |
| 12 | Ending balance..... | | (198,829) | | (198,829) |
| | Treasury Stock: | | | | |
| 13 | Beginning balance (January 1)..... | | | | |
| 14 | Purchase of additional stock..... | | | | |
| 15 | Sale or retirement of stock..... | | | | |
| 16 | Ending balance..... | | | | |
| | Subscription 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)..... | | 18,057 | | 5,000 |
| 26 | Prior period adjustments..... | | | | |
| 27 | Net income..... | | 6,315 | | 3,979 |
| 28 | Dividends..... | | | | |
| 29 | ..... |  |  |  |  |
| 30 | ..... |  |  |  |  |
| 31 | Ending balance..... | | 24,372 | | 8,979 |
| 32 | Ending Stockholders' Deficit..... | | \$ (174,457) | | \$ (189,850) |

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: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|--|--|-------------|-------------|
| Invested Capital: | | | |
| 1 | Beginning Balance (January 1)..... | \$ (11,722) | \$ (10,884) |
| 2 | Additional capital invested..... | | |
| 3 | Ending Balance..... | | |
| Accumulated Income (Loss): | | | |
| 4 | Beginning Balance (January 1)..... | | |
| 5 | Prior period adjustments..... | | |
| 6 | Net income (loss)..... | (13,020) | (12,175) |
| 7 | Ending Balance..... | | |
| Capital Withdrawals: | | | |
| 10 | Beginning Balance (January 1)..... | () | () |
| 11 | Additional capital invested..... | () | () |
| 12 | Ending Balance..... | () | () |
| Net Unrealized Loss On Noncurrent Marketable Equity Securities: | | | |
| 14 | Beginning Balance (January 1)..... | 5,715 | 24 |
| 15 | Ending Balance..... | 1,745 | 803 |
| 16 | Ending Balance..... | 16,392 | 14,007 |
| 17 | Ending Partners' Or Proprietor's Equity..... | \$ | \$ |
| 18 | | | |

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

CCC-225

TRADING NAME OF LICENSEE: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------|---|-------------|-------------|
| | Net Cash Provided by Operating Activities..... | \$ 9,717 | \$ 13,768 |
| 1 | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities..... | | |
| 3 | Proceeds from the sale of short-term investments securities..... | | |
| 4 | Cash outflows for property and equipment..... | (11,722) | (10,884) |
| 5 | Proceeds from disposition of property and equipment..... | | 7 |
| 6 | Purchase of casino reinvestment obligations..... | (1,298) | (1,295) |
| 7 | Purchase of other investments and loans/advances made..... | | |
| 8 | Proceeds from disposal of investments and collections of advances and long-term receivables..... | | |
| 9 | Cash outflows to acquire business entities..... | | |
| 10 | | | |
| 11 | | | |
| 12 | Net Cash Used In Investing Activities..... | (13,020) | (12,172) |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt..... | | |
| 14 | Payments to settle short-term debt..... | (662) | (728) |
| 15 | Cash proceeds from issuance of long-term debt..... | | |
| 16 | Costs of issuing debt..... | | |
| 17 | Payments to settle long-term-debt..... | | |
| 18 | Cash proceeds from issuing stock or capital contributions..... | | |
| 19 | Purchases of treasury stock..... | | |
| 20 | Payments of dividends or capital withdrawals..... | | |
| 21 | Payments for recapitalization cost..... | | |
| 22 | <u>Advances from (repayments to) parent company and affiliates</u> | 5,715 | 24 |
| 23 | Net Cash Used In Financing Activities..... | 5,053 | (704) |
| 24 | Net Increase (Decrease) in Cash And Cash Equivalents..... | 1,750 | 892 |
| 25 | Cash And Cash Equivalents At Beginning Of Year..... | 16,886 | 14,097 |
| 26 | Cash And Cash Equivalents At End Of Year..... | \$ 18,636 | \$ 14,989 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|--------|-----------|
| 27 | Cash Paid During Year For: | | |
| | Interest (net of amount capitalized)..... | \$ 225 | \$ 10,149 |
| 28 | Income taxes..... | \$ | \$ |

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

TRADING NAME OF LICENSEE: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------|---|-----------------|------------------|
| | Net Cash Provided by Operating Activities: | | |
| 29 | Net income | \$ 6,315 | \$ 3,979 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization for property and equipment..... | 5,776 | 4,545 |
| 31 | Amortization of other assets..... | | 3 |
| 32 | Amortization of debt discount or premium..... | | |
| 33 | Deferred income taxes - current..... | | |
| 34 | Deferred income taxes - noncurrent..... | | |
| 35 | (Gain) loss on disposition of property and equipment..... | 7 | 327 |
| 36 | Loss on casino reinvestment obligations..... | 707 | 795 |
| 37 | (Gain) loss from other investment activities..... | | |
| 38 | Net decrease in receivables and patrons' checks..... | 1,340 | 416 |
| 39 | Net (increase) decrease in inventories..... | (84) | 74 |
| 40 | Net decrease in other current assets..... | (994) | 197 |
| 41 | Net (increase) decrease in other assets..... | (893) | 46 |
| 42 | Net increase (decrease) in accounts payable..... | 262 | (145) |
| 43 | Net increase (decrease) in other current liabilities excluding debt..... | (2,686) | 3,548 |
| 44 | Net decrease in other noncurrent liabilities excluding debt..... | (33) | (17) |
| 45 | Other..... | | |
| 46 | | | |
| 47 | Net Cash Provided By Operating Activities..... | \$ 9,717 | \$ 13,768 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|---|--------------------|--------------------|
| 48 | Acquisition Of Property And Equipment: | | |
| 49 | Additions to property and equipment..... | \$ (11,722) | \$ (11,919) |
| 50 | Less: Capital lease obligations incurred..... | | 1,035 |
| 50 | Cash Outflows For Property And Equipment..... | \$ (11,722) | \$ (10,884) |
| 51 | Acquisition Of Business Entities: | | |
| 52 | Property and equipment acquired..... | \$ | \$ |
| 53 | Goodwill acquired..... | | |
| 54 | Net assets acquired other than cash, goodwill, and property and equipment..... | | |
| 55 | Long-term debt assumed..... | | |
| 56 | Issuance of stock or capital invested..... | | |
| 56 | Cash Outflows To Acquire Business Entities..... | \$ | \$ |
| 57 | Stock Issued Or Capital Contributions: | | |
| 58 | Total issuances of stock or capital contributions..... | \$ | \$ |
| 59 | Less: Issuances to settle long-term debt..... | | |
| 60 | Consideration in acquisition of business entities..... | | |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions..... | \$ | \$ |

TRADING NAME OF LICENSEE: MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
JUNE 30, 1992
(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..... | \$ 3,137 | | |
| 2 | Returned patrons' checks..... | 6,432 | | |
| 3 | Total Patrons' Checks..... | 9,569 | 5,405 | 4,164 |
| 4 | Hotel Receivables..... | 516 | \$ 20 | \$ 496 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees..... | (2) | | |
| 6 | Receivables due from affiliates..... | 50,000 | | |
| 7 | Other accounts and notes receivables..... | 476 | | |
| 8 | Total Other Receivables..... | 50,474 | | 50,474 |
| 9 | Total (Form 305)..... | \$ 60,559 | \$ 5,425 | \$ 55,134 |

UNDEPOSITED PATRONS' CHECKS ACTIVITY

| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
|-------------|---|---------------|
| 10 | Beginning Balance (January 1)..... | \$ 3,727 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)..... | 62,409 |
| 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)..... | (51,740) |
| 13 | Checks collected through deposits..... | (8,793) |
| 14 | Checks transferred to returned checks..... | (2,466) |
| 15 | Other adjustments..... | |
| 16 | Ending Balance..... | \$ 3,137 |
| 17 | "Hold" Checks Included In Balance On Line 16..... | \$ |
| 18 | Provision For Uncollectible Patrons' Checks..... | \$ 847 |
| 19 | Provision As A Percent Of Counter Checks Issued..... | 1.4 % |

MERV GRIFFIN'S RESORTS CASINO HOTEL
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 1992

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Resorts International Hotel, Inc. ("RIH"), a wholly-owned subsidiary of Resorts International, Inc. ("RII"), owns and operates Merv Griffin's Resorts Casino Hotel ("Resorts Casino Hotel"), a casino/hotel complex located in Atlantic City, New Jersey.

While the accompanying financial information is unaudited, management of RIH believes that all adjustments necessary for a fair presentation of these financial statements have been made and all such adjustments are of a normal recurring nature.

Principles of Consolidation

The consolidated financial statements include the accounts of RIH and its subsidiaries except for one insignificant 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

RIH 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.

Cash Equivalents

RIH considers all of its short-term money market securities purchased with maturities of three months or less to be cash equivalents.

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 depreciated over their useful lives using the straight-line method for financial reporting purposes.

Casino Reinvestment Development Authority ("CRDA") Obligations

Under the New Jersey Casino Control Act ("Casino Control Act"), RIH is obligated to purchase CRDA bonds, which will bear a below market interest rate, or make an alternative qualifying investment. RIH charges to expense an estimated discount related to CRDA investment obligations as of the date the obligation arises based on fair market interest rates of similar quality bonds in existence as of that date. On the date RIH actually purchases the CRDA bond, the estimated discount previously recorded is adjusted to reflect the actual terms of the bonds issued and the then existing fair market interest rate for similar quality bonds. The discount on CRDA bonds purchased is amortized to interest income over the life of the bonds using the effective interest rate method.

Income Taxes

RIH and RII's other domestic subsidiaries file consolidated federal income tax returns with RII.

RIH has agreed with RII that it will provide for federal and state income taxes using a combined rate of 40%. Material transactions which would be subject to combined tax rates that are significantly different from the 40% rate will be separately tax effected. The resulting liability is settled on a current basis.

NOTE 2 - RECEIVABLES AND PATRONS' CHECKS

Components of receivables at June 30, were as follows:

(In Thousand of Dollars)

| | <u>1992</u> | <u>1991</u> |
|--------------------------------------|-----------------|-----------------|
| Gaming | \$ 9,569 | \$12,286 |
| Less allowance for doubtful accounts | <u>(5,405)</u> | <u>(5,930)</u> |
| | 4,164 | 6,356 |
| Non-gaming | | |
| Hotel and related | 516 | 665 |
| Other | <u>474</u> | <u>685</u> |
| | 990 | 1,350 |
| Less allowance for doubtful accounts | <u>(20)</u> | <u>(367)</u> |
| | 970 | 983 |
| Receivable due from affiliate | <u>50,000</u> | <u>51,125</u> |
| | <u>\$55,134</u> | <u>\$58,464</u> |

In 1988, RIH loaned \$50,000,000 pursuant to a pre-arranged back-to-back loan to Resorts International (Bahamas) 1984 Limited ("RIB"), an indirect wholly-owned subsidiary of RII, in exchange for a promissory note. Such note is payable on demand and bears interest at 13 1/2% per annum, with interest payments due each May 1 and November 1. The note is guaranteed by certain of RIB's subsidiaries. The guarantees are secured by mortgages on the Paradise Island Resort & Casino, the Ocean Club Golf & Tennis Resort, and the Paradise Beach Resort on Paradise Island in The Bahamas, and all furniture, machinery and equipment used in connection therewith. The RIB promissory note and the mortgages securing payment thereof have been assigned as part of the collateral for new debt securities issued by RII pursuant to the Second Amended Joint Plan of Reorganization dated as of May 31, 1990 (the "Plan") (see Note 6).

NOTE 3 - PROPERTY AND EQUIPMENT - NET

Property and equipment at June 30, are summarized as follows:

(In Thousands of Dollars)

| | <u>1992</u> | <u>1991</u> |
|------------------------------------|------------------|------------------|
| Land and land rights | \$ 53,250 | \$ 53,250 |
| Land improvements | 130 | 82 |
| Hotel and other buildings | 86,440 | 76,818 |
| Furniture, machinery and equipment | 29,715 | 20,784 |
| Construction in progress | <u>4,757</u> | <u>832</u> |
| | 174,292 | 151,766 |
| Less accumulated depreciation | <u>(16,802)</u> | <u>(6,490)</u> |
| | <u>\$157,490</u> | <u>\$145,276</u> |

Substantially all of RIH's property and equipment has been pledged as collateral for new debt securities issued by RII pursuant to the Plan. See Note 6.

NOTE 4 - OTHER ACCRUED LIABILITIES

Components of other accrued expenses at June 30, were as follows:

(In Thousands of Dollars)

| | <u>1992</u> | <u>1991</u> |
|--|-----------------|-----------------|
| Accrued payroll and related taxes and benefits | \$ 9,959 | \$10,184 |
| Progressive slot liability | 709 | 3,622 |
| Litigation reserve | 2,500 | 2,795 |
| Accrued gaming taxes, fees and related assessments | 833 | 1,562 |
| Professional fees | 260 | 768 |
| Utilities | 173 | 491 |
| Various taxes | 305 | 273 |
| Other | <u>489</u> | <u>582</u> |
| | <u>\$15,228</u> | <u>\$20,277</u> |

NOTE 5 - OTHER CURRENT LIABILITIES

Components of other current liabilities at June 30, were as follows:

(In Thousands of Dollars)

| | <u>1992</u> | <u>1991</u> |
|----------------------------|-----------------|-----------------|
| Inter-Company | \$65,382 | \$58,616 |
| CRDA Bond Disc. | 5,000 | 5,000 |
| CRDA Bond Obligation | 728 | 712 |
| Customer Deposit Liability | 146 | 246 |
| Deferred Revenue | 49 | 52 |
| Tenant Deposits | 32 | 48 |
| Unclaimed Wage Liability | 19 | 48 |
| Other | <u>1,038</u> | <u>1,157</u> |
| | <u>\$72,394</u> | <u>\$65,879</u> |

NOTE 6 - LONG-TERM DEBT

Components of long-term debt at June 30, were as follows:

(In Thousands of Dollars)

| | <u>1992</u> | <u>1991</u> |
|-----------------------------------|------------------|------------------|
| Due to affiliates: | | |
| 13 7/8% note payable to affiliate | \$200,000 | \$200,000 |
| 13 1/2% note payable to affiliate | <u>125,000</u> | <u>125,000</u> |
| | <u>\$325,000</u> | <u>\$325,000</u> |
| Other: | | |
| Capitalized lease obligations | \$1,835 | \$3,137 |
| Less - current portion | <u>582</u> | <u>1,295</u> |
| | <u>\$1,253</u> | <u>\$1,842</u> |

Long-Term Debt: Due to Affiliate

In 1988, Griffin Resorts Inc. ("GRI"), a subsidiary of RII, issued \$325,000,000 principal amount of notes (the "Securities"). GRI loaned the proceeds of the Securities to RIH in exchange for (i) two promissory notes payable to GRI, which GRI, in turn, pledged to the Trustees for the Securities; (ii) a first mortgage on the Resorts Casino Hotel and the other properties owned by RIH, and a first priority security interest in the personal property of RIH granted to the Collateral Agent for the Securities; and (iii) the assignment of RIB's promissory note for \$50,000,000 and mortgage securing such note (see Note 2).

RIH paid the issuance costs of the Securities which amounted to \$20,300,000. The promissory notes issued by RIH were written to mirror the terms of GRI's publicly held notes with the intent that RIH pay interest to GRI on GRI's interest payment dates so that GRI would have cash available to make its interest payments to the public on those dates.

Pursuant to the Plan, the Securities were cancelled. RIH's notes payable to GRI were not cancelled; their terms were modified and such amended notes were pledged as collateral for certain new debt securities ("New Debt Securities") issued by RII. Subsequently, the notes were further amended (the "Second Amended Notes"); their sole purpose remains to collateralize RII's New Debt Securities. The Second Amended Notes are payable on demand after April 15, 1994 and are non-interest bearing, but the principal due upon demand by GRI accretes according to a schedule. As of April 15, 1994, the principal amount of the notes would accrete to \$446,150,000. However, GRI and RIH have entered into an intercompany agreement whereby GRI will not require payment of the amount in excess of the original \$325,000,000 principal amount of the notes unless GRI is instructed to do so by the Indenture Trustee or other collateral pledgee of the New Debt Securities. At June 30, 1992 the accretion in principal amount of these notes in excess of \$325,000,000 amounted to \$56,139,000.

See Note 3 for a summary of RIH's property and equipment balances, which were restated to their estimated fair value as of August 31, 1990, in conjunction with the reorganization of RII.

The indentures for RII's new debt securities restrict RIH from the incurrence of additional indebtedness, with certain exceptions.

Long-Term Debt: Other

RIH is the lessee of computer equipment, slot machines and printing equipment under capital leases expiring in various years through 1996. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their useful lives or their related lease terms.

Property debt under capital leases at June 30, are summarized as follows:

(In Thousands of Dollars)

| | |
|---------------------|---------------|
| Computer equipment | \$1,551 |
| Slot machines | 119 |
| Printing equipment | 147 |
| Lighting equipment | 18 |
| Accum Depreciation | (851) |
| Capital Leases, Net | <u>\$ 984</u> |

Interest rates on capital leases vary from 13.7% to 33.3%.

Minimum principal payments of Long-Term Debt: Other outstanding at June 30, 1992 are as follows:

(In Thousands of Dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|--|--------|------|------|------|------|---------|
| | \$ 339 | 631 | 729 | 98 | 38 | \$1,835 |

NOTE 7 - DEFERRED CREDITS

Deferred credits represent the unrecognized portion of a lump-sum payment made by a tenant at the inception, July 1983, of a fifteen year lease. As of June 1, 1990 management extended the life of the lease by ten years to end June 30, 2008. This payment is being recognized and recorded, in earnings, in equal monthly installments over the life of the lease. The recognized portions were \$492,000 and \$524,000 for the six months ended June 30, 1992 and 1991, respectively.

NOTE 8 - PROMOTIONAL ALLOWANCES AND PROMOTIONAL EXPENSES

Components of promotional allowances and promotional expenses for the three months ended June 30, 1992 were as follows:

(In Thousands of Dollars)

| | PROMOTIONAL ALLOWANCES | | PROMOTIONAL EXPENSE | |
|------------------------|------------------------|----------------|----------------------|----------------|
| | NUMBER OF RECIPIENTS | AMOUNT | NUMBER OF RECIPIENTS | AMOUNT |
| Rooms | 27 | \$1,860 | | |
| Food | 276 | 2,760 | | |
| Beverage | 124 | 497 | | |
| Travel | | | 5 | \$ 610 |
| Coupon redemption: | | | | |
| Cash | | | 508 | 5,080 |
| Food | 29 | 147 | | |
| Food-Air | 42 | 427 | | |
| Admissions | 36 | 435 | | |
| Retail | 2 | 103 | | |
| Junket air | | | 12 | 437 |
| Casino Caravan Fees | | | 16 | 47 |
| Charter Market Expense | | | 38 | 154 |
| Other | 10 | 112 | 11 | 286 |
| | <u>546</u> | <u>\$6,341</u> | <u>590</u> | <u>\$6,614</u> |

Components of promotional allowances and promotional expenses for the six months ended June 30, 1992 were as follows:

(In Thousands of Dollars)

| | PROMOTIONAL ALLOWANCES | | PROMOTIONAL EXPENSE | |
|------------------------|------------------------|---------------|----------------------|-----------------|
| | NUMBER OF RECIPIENTS | AMOUNT | NUMBER OF RECIPIENTS | AMOUNT |
| Rooms | 52 | \$3,610 | | |
| Food | 543 | 5,433 | | |
| Beverage | 258 | 1,033 | | |
| Travel | | | 10 | \$1,073 |
| Coupon redemption: | | | | |
| Cash | | | 1,007 | 10,072 |
| Food | 57 | 287 | | |
| Food-Air | 67 | 672 | | |
| Admissions | 72 | 862 | | |
| Retail | 3 | 152 | | |
| Junket air | | | 18 | 679 |
| Casino Caravan Fees | | | 29 | 87 |
| Charter Market Expense | | | 62 | 248 |
| Other | 15 | 17 | 18 | 449 |
| | <u>1,067</u> | <u>12,066</u> | <u>1,144</u> | <u>\$12,608</u> |

NOTE 9 - SAVINGS AND PENSION PLANS

RIH has a defined contribution plan (the "Savings 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 Savings Plan. Under the Savings 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. RIH and other subsidiaries of RII contribute an amount equal to 50% of their employees' basic contributions and, on a discretionary basis, may make additional contributions. RIH's contributions under the Savings Plan were approximately \$329,000 and \$313,000 for the six months ended June 30, 1992 and 1991, respectively.

Union employees are covered by various multi-employer pension plans to which contributions are made by RIH and other unrelated employers. Contributions by RIH were approximately \$424,000 and \$356,000 for the six months ended June 30, 1992 and 1991, respectively.

NOTE 10 - CHARGES FROM AFFILIATES

RIH recorded the following expenses for the six months ended June 30, from RII and other affiliates:

(In Thousands of Dollars)

| <u>AFFILIATED COMPANY</u> | <u>TRANSACTION</u> | <u>1992</u> | <u>1991</u> |
|-----------------------------|--------------------|----------------|----------------|
| Resorts International, Inc. | Management fee | <u>\$4,187</u> | <u>\$3,896</u> |
| Resorts International, Inc. | Insurance | \$ 889 | \$ 164 |
| | Property Rental | <u>163</u> | <u>164</u> |
| | | 1,052 | 164 |
| PIVI | Flights | 75 | 73 |
| Parking, Inc. | Parking Fees | | 12 |
| Chalks Airlines, Inc. | Flights | | 2 |
| Other | | <u>10</u> | <u> </u> |
| | | <u>\$1,137</u> | <u>\$ 251</u> |

NOTE 11 - NONOPERATING INCOME, NET

Components of nonoperating income, net for the six months ended June 30, were as follows:

(In Thousands of Dollars)

| | <u>1992</u> | <u>1991</u> |
|---------------------------------|----------------|----------------|
| Interest income | \$ 339 | \$ 443 |
| Interest income from affiliates | 3,375 | 3,375 |
| Corporate office expense | (90) | (110) |
| Restructuring/refinancing costs | (410) | |
| Gain (loss) on fixed assets | (7) | (327) |
| R & D Colorado | (29) | |
| Other | <u>2</u> | <u>(52)</u> |
| | <u>\$3,180</u> | <u>\$3,329</u> |

NOTE 12 - INCOME TAXES

For federal tax purposes RIH has net operating loss carryforwards of approximately \$188,000,000 at December 31, 1991, which expire in 2003 through 2005. The reorganization resulted in a change in ownership of the consolidated group of which RIH is a part. Therefore all of these loss carryforwards are limited in their availability to offset future taxable income.

For state tax purposes RIH has net operating loss carryforwards of approximately \$180,000,000 at December 31, 1991, which expire in 1995 through 1997.

NOTE 13 - STOCKHOLDERS' DEFICIT

At August 31, 1990, in conjunction with accounting for RII's reorganization, RIH's accumulated deficit was eliminated. This deficit was first reclassified to offset the balance of capital in excess of par, with the remainder recorded as excess of liabilities over assets at reorganization.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

CRDA

The Casino Control Act, as originally adopted, required a licensee to make investments equal to 2% of the licensee's net casino win (as defined under the Casino Control Act) (the "investment obligation") for each calendar year, commencing in 1979, in which such net casino win exceeded its "cumulative investments" (as defined in the Casino Control Act). A licensee had five years from the end of each calendar year to satisfy this investment obligation or become liable for an "alternative tax" in the same amount. In 1984, the New Jersey legislature amended the Casino Control Act so that these provisions now apply only to investment obligations for the years 1979 through 1983.

Effective for 1984 and subsequent years, the amended Casino Control Act requires a licensee to satisfy its investment obligation by purchasing bonds to be issued by the CRDA, or by making other investments authorized by the CRDA, in an amount equal to 1.25% of a licensee's net casino win.

If the investment obligation is not satisfied, then the licensee will be subject to an investment alternative tax of 2.5% of net casino win. Since 1985, a licensee has been required to make quarterly deposits with the CRDA against its current year investment obligation.

An analysis of RIH's investment obligations under the Casino Control Act and RIH's means of settlement since 1979 follows:

(In Thousands of Dollars)

| | <u>1979-1983</u> | <u>1984-1992</u> | <u>TOTAL</u> |
|---|------------------|------------------|-----------------|
| Investment obligations | \$(21,637) | \$(24,607) | \$(46,244) |
| Means of settlement: | | | |
| Housing related investments under audit | 13,104 | | 13,104 |
| Housing related investments previously approved | 1,000 | | 1,000 |
| CRDA deposits/bond purchases | <u>7,533</u> | <u>23,879</u> | <u>31,412</u> |
| Remaining investment obligation at June 30, 1992 which was deposited in July 1992 | <u>\$ - 0 -</u> | <u>\$ (728)</u> | <u>\$ (728)</u> |

With regard to the housing related investments under audit, in January 1988, the CRDA notified RIH of its interpretation as to the periods of time during which expenditures could be made to satisfy investment obligations. This interpretation differs from RIH's and if found to be correct would decrease the amount of RIH's qualifying expenditures by approximately \$5,000,000 to \$6,000,000. RIH believes that its interpretation is correct and intends to contest this issue.

RIH also received a letter dated November 9, 1989, from the State of New Jersey Department of the Treasury (the "Treasury") stating that the housing related investments made by RIH were not sufficient to meet its investment obligation for the years 1979 through 1983. The letter also stated that alternative tax in the amount of \$21,637,000 was due for those years, in addition to penalties and interest thereon which amounted to \$12,514,000 as of the date of the letter. As set forth in the table above, RIH believes that \$8,533,000 of such obligations have been settled in cash (\$7,533,000) and by previously approved housing related investments (\$1,000,000).

Also, RIH has received an audit report issued by an agency acting on behalf of the Treasury identifying qualifying credits from housing related investments of \$10,165,000. This leaves a total of \$2,939,000 of housing related investments under audit in question. RIH has notified the Treasury that it takes exception to the Treasury's computation of amounts due. Further, RIH believes that the \$2,939,000 of housing related investments in question will be found, under further audit, to have been satisfied. There was no communication between RIH and the Treasury on this matter during 1992.

STATEMENT OF CONFORMITY AND ACCURACY

If the CRDA's interpretation as to the periods of time during which qualifying expenditures can be made is found to be correct, or if the Treasury's issue is determined adversely, RIH could be required to pay the relevant amount in cash to the CRDA. In the opinion of management, based upon advice of counsel, the aggregate liability, if any, arising from these issues will not have a material adverse effect on the accompanying financial statements.

As reflected in the table above, through June 30, 1992, RIH had made CRDA deposits/bond purchases totaling \$31,412,000. However, in August 1989 RIH sought and received approval of the CRDA to make a donation of \$12,048,000 in exchange for which RIH would be relieved of its obligation to purchase CRDA bonds of \$18,193,000. Because RIH already had the \$18,193,000 for bond purchases on deposit with the CRDA, the difference between this amount and the amount of the donation, or \$6,145,000, was refunded to RIH in August 1989. Thus, at June 30, 1992, RIH had a remaining balance of \$4,790,000 face value of bonds issued by the CRDA and had \$8,429,000 on deposit with the CRDA. These bonds and 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 RIH's Balance Sheets.

RIH records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charges for discounts on obligations were \$707,000 and \$795,000, for the six months ended June 30, 1992 and 1991, respectively.

[Handwritten Signature]
Signature

DIRECTOR - FINANCIAL ACCOUNTING
Title

081763-11
License Number

On Behalf Of:

MERV GRIFFIN'S RESORTS CASINO HOTEL

I have read and sworn to
this on this 14th day
of August, 1992.
[Handwritten Signature]
BARRY WING
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 06-12-1993

Authority to Take Oaths

EXC-250

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY

COUNTY OF ATLANTIC

:
:ss.
:

LUCY McLAUGHLIN, being duly sworn according to law upon
Name

my oath deposes and says:

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

L. McLaughlin
Signature

DIRECTOR - FINANCIAL ACCOUNTING
Title

003703-11
License Number

Subscribed and sworn to
before me this 14th day
of August, 1992.

On Behalf Of:

Naomi Harris
Signature

MERV GRIFFIN'S RESORTS CASINO HOTEL

NAOMI HARRIS
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 12, 1995

Basis of Authority to Take Oaths

Department of Finance
Brighton Avenue and the Boardwalk
Atlantic City, NJ 08401

974.901
c193

QUARTERLY REPORT

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AUG 28 1992

LICENSEE Adamant 185 W. STATE ST
of New Jersey, Inc.
dba Tropical Casino and Entertainment Resort

ADDRESS Brighton Avenue & the Boardwalk
Atlantic City, New Jersey 08401

FOR THE QUARTER ENDED June 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT . . . Lester Brzozowski
OFFICIAL TITLE. Vice President of Finance
ADDRESS Brighton Avenue and the Boardwalk
Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TropWorld Casino and Entertainment Resort

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED June 30, 1992

| <u>TITLE</u> | <u>FORM NO.</u> |
|--|-----------------|
| Balance Sheets | CCC-205 |
| Statements of Income (Year-to-Date) | CCC-210 |
| Statements of Income (Three Months) | CCC-215 |
| Statements of Changes in Stockholders' Equity | CCC-220 |
| Statements of Changes in Partners' or Proprietor's Equity | CCC-225 |
| Statements of Cash Flows | CCC-235 |
| Notes to Financial Statements | |
| Schedule of Receivables and Patrons' Checks | CCC-240 |
| Statement of Conformity and Accuracy | CCC-250 |

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1992
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COMMISSION

BALANCE SHEETS

JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------------------------|---|-------------|-------------|
| ASSETS | | | |
| | Current Assets: | | |
| 1 | Cash..... | \$12,232 | \$9,038 |
| 2 | Marketable securities..... | 0 | 0 |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$9,288; 1991, \$9,963)..... | 15,116 | 16,597 |
| 4 | Inventories..... | 2,651 | 2,865 |
| 5 | Prepaid expenses and other current assets..... (Note II-3, II-8, III-1) | 11,219 | 5,565 |
| 6 | Total current assets..... | 41,218 | 34,065 |
| 7 | Investments, Advances, And Receivables..... (Note II-7, III-2)..... | 65,485 | 70,925 |
| 8 | Property And Equipment - Net..... (Note II-1)..... | 231,536 | 240,885 |
| 9 | Other Assets..... (Note II-3, II-9)..... | 18,382 | 652 |
| 10 | Total Assets..... | \$356,621 | \$346,527 |
| LIABILITIES AND EQUITY | | | |
| | Current Liabilities: | | |
| 11 | Accounts payable..... | \$2,607 | \$2,669 |
| 12 | Notes payable..... | 0 | 0 |
| | Current portion of long-term debt: | | |
| 13 | Due to affiliates..... | 0 | 0 |
| 14 | Other..... (Note II-2)..... | 2,754 | 2,652 |
| 15 | Income taxes payable and accrued..... | 0 | (662) |
| 16 | Other accrued expenses..... (Note III-3)..... | 25,011 | 25,686 |
| 17 | Other current liabilities..... | 2,579 | 2,621 |
| 18 | Total current liabilities..... | 32,951 | 32,966 |
| | Long-Term Debt: | | |
| 19 | Due to affiliates..... (Note II-2)..... | 140,000 | 140,000 |
| 20 | Other..... (Note II-2)..... | 5,171 | 6,099 |
| 21 | Deferred Credits..... (Note II-3)..... | 0 | 0 |
| 22 | Other Liabilities..... (Note II-7, III-4)..... | 25,088 | 35,872 |
| 23 | Commitments And Contingencies (Note II-4) | | |
| 24 | Total Liabilities..... | 203,210 | 214,937 |
| 25 | Stockholders', Partners', Or Proprietor's Equity..... | 153,411 | 131,590 |
| 26 | Total Liabilities And Equity..... | \$356,621 | \$346,527 |

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 SIX MONTHS ENDING JUNE 30, 1992 AND 1991

* Revised
August 15,
1992

(UNAUDITED)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991 (d) |
|-------------|---|-------------|-------------|
| | Revenue: | | |
| 1 | Casino..... | \$151,009 | \$134,454 |
| 2 | Rooms..... | 9,815 | 9,951 |
| 3 | Food and beverage..... | 16,669 | 16,042 |
| 4 | Other..... | 5,276 | 5,015 |
| 5 | Total revenue..... | 182,769 | 165,462 |
| 6 | Less: Promotional allowances..... (Note II-5, II-6) | 20,148 | 18,019 |
| 7 | Net revenue..... | 162,621 | 147,443 |
| | Costs and Expenses: | | |
| 8 | Cost of goods and services..... (Note II-6, II-7) | 82,777 | 76,083 |
| 9 | Selling, general, and administrative..... (Note II-7) | 42,021 | 40,092 |
| 10 | Provision for doubtful accounts..... | 625 | 848 |
| 11 | Depreciation and amortization..... | 8,070 | 7,913 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees..... | 0 | 0 |
| 13 | Other..... | 0 | 0 |
| 14 | Total costs and expenses..... | 133,493 | 124,936 |
| 15 | Income (loss) from operations..... | 29,128 | 22,507 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates..... (Note II-2) | (9,450) | (9,450) |
| 17 | Interest (expense) - external..... (Note II-2) | (1,249) | (1,536) |
| 18 | Investment alternative tax & related income (exp)-net.... (Note II-4) | (573) | (504) |
| 19 | Nonoperating income (expense) - net..... (Note III-5) | (18,801) | (19,490) |
| 20 | Total other income (expenses)..... | (30,073) | (30,980) |
| 21 | Income(Loss) Before Income Tax & Extraordinary Items..... | (945) | (8,473) |
| 22 | Provision (credit) for income taxes..... (Note II-8)..... | (353) | 0 |
| 23 | Income (Loss) Before Extraordinary Items..... | (592) | (8,473) |
| | Extraordinary items (net of income taxes - | | |
| 24 | 1992, \$ 23,400 ; 1991, \$ -0-) (Note II-8,II-9)..... | (23,400) | 0 |
| 25 | Net Income (Loss)..... | \$22,808 | (\$8,473) |

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 QUARTER ENDING JUNE 30, 1992 AND 1991

* Revised
August 15,
1992

| | | (UNAUDITED) (\$ in Thousands) | |
|-------------|--|----------------------------------|--------------|
| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991* (d) |
| | Revenue: | | |
| 1 | Casino..... | \$79,507 | \$72,447 |
| 2 | Rooms..... | 5,304 | 5,353 |
| 3 | Food and beverage..... | 8,946 | 8,273 |
| 4 | Other..... | 2,886 | 2,577 |
| 5 | Total revenue..... | 96,643 | 88,650 |
| 6 | Less: Promotional allowances..... (Note II-5, II-6)..... | 11,382 | 9,260 |
| 7 | Net revenue..... | 85,261 | 79,390 |
| | Costs and Expenses: | | |
| 8 | Cost of goods and services..... (Note II-6, II-7)..... | 43,037 | 39,538 |
| 9 | Selling, general, and administrative..... (Note II-7)..... | 22,145 | 20,946 |
| 10 | Provision for doubtful accounts..... | 47 | 39 |
| 11 | Depreciation and amortization..... | 4,113 | 3,939 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees..... | 0 | 0 |
| 13 | Other..... | 0 | 0 |
| 14 | Total costs and expenses..... | 69,342 | 64,462 |
| 15 | Income (loss) from operations..... | 15,919 | 14,928 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates..... (Note II-2)..... | (4,725) | (4,725) |
| 17 | Interest (expense) - external..... (Note II-2)..... | (616) | (672) |
| 18 | Investment alternative tax & related income (exp)-net.... (Note II-4)..... | (303) | (260) |
| 19 | Nonoperating income (expense) - net..... (Note III-5)..... | (9,058) | (9,371) |
| 20 | Total other income (expenses)..... | (14,702) | (15,028) |
| 21 | Income(Loss) Before Income Tax & Extraordinary Items..... | 1,217 | (100) |
| 22 | Provision (credit) for income taxes..... (Note II-8)..... | 579 | 0 |
| 23 | Income (Loss) Before Extraordinary Items..... | 638 | (100) |
| | Extraordinary items (net of income taxes - | | |
| 24 | 1992, \$ -0- ; 1991, \$ -0-)...... (Note II-8, II-9)..... | 0 | 0 |
| 25 | Net Income (Loss)..... | \$638 | (\$100) |

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 SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|--|------------|-------------|------------|-------------|
| | | (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 | 70,609 | 78,902 |
| 6 | Sale of stock..... | | | | |
| 7 | _____ | | | | |
| 8 | Ending balance..... | 70,609 | 78,902 | 70,609 | 78,902 |
| | Additional Paid-in Capital: | | | | |
| 9 | Beginning balance (January 1)..... | | 53,883 | | 53,883 |
| 10 | _____ | | | | |
| 11 | _____ | | | | |
| 12 | Ending balance..... | | 53,883 | | 53,883 |
| | 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)..... | | (2,183) | | 7,277 |
| 26 | Prior period adjustments..... | | | | |
| 27 | Net income (loss)..... | | (592) | | (8,473) |
| 28 | Dividends..... | | | | |
| 29 | Extraordinary item..... | | | | |
| 30 | Change in acct method.(Note II-8, II-9) | | 23,400 | | 0 |
| 31 | Ending balance..... | | 20,625 | | (1,196) |
| 32 | Ending Stockholders' Equity..... | | \$153,411 | | \$131,590 |

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 CASH FLOWS
 TRADING NAME OF LICENSEE TropWorld Casino and Entertainment Resort
**STATEMENTS OF CHANGES IN PARTNERS'
 OR PROPRIETOR'S EQUITY**

FOR THE six MONTHS ENDED June 30, 19 92 AND 19 91

(UNAUDITED)
 (\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 19 ____ | (d) 19 ____ |
|-------------|--|-------------|-------------|
| | 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.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDING JUNE 30, 1992 AND 1991

* Revised
August 15,
1992

(UNAUDITED)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991* (d) |
|-------------|--|-------------|--------------|
| 1 | Net Cash Provided (Used) By Operating Activities..... | (\$3,087) | \$10,792 |
| | <i>Cash Flows From Investing Activities:</i> | | |
| 2 | Purchase of short-term investment securities..... | | |
| 3 | Proceeds from the sale of short-term investment securities..... | | |
| 4 | Cash outflows for property and equipment..... | (3,075) | (4,002) |
| 5 | Proceeds from disposition of property and equipment..... | 0 | 589 |
| 6 | Purchase of casino reinvestment obligations..... | (1,864) | (1,677) |
| 7 | Purchase of other investments and loans/advances made..... | (543) | (1,706) |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables..... | 8,802 | 743 |
| 9 | Cash outflows to acquire business entities..... | | |
| 10 | ..... |  |  |
| 11 | ..... |  |  |
| 12 | Net Cash Provided (Used) By Investing Activities..... | 3,320 | (6,053) |
| | <i>Cash Flows From Financing Activities:</i> | | |
| 13 | Cash proceeds from issuance of short-term debt..... | | |
| 14 | Payments to settle short-term debt..... | | |
| 15 | Cash proceeds from issuance of long-term debt..... | | |
| 16 | Costs of issuing debt..... | | |
| 17 | Payments to settle long-term debt..... | (1,286) | (1,332) |
| 18 | Cash proceeds from issuing stock or capital contributions..... | | |
| 19 | Purchases of treasury stock..... | | |
| 20 | Payments of dividends or capital withdrawals..... | | |
| 21 | ..... |  |  |
| 22 | ..... |  |  |
| 23 | Net Cash Provided (Used) By Financing Activities..... | (1,286) | (1,332) |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents..... | (1,053) | 3,407 |
| 25 | Cash And Cash Equivalents At Beginning Of Period..... | 13,285 | 5,631 |
| 26 | Cash And Cash Equivalents At End Of Period..... | \$12,232 | \$9,038 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|----------|----------|
| 27 | Cash Paid During Period For: Interest (net of amount capitalized)..... | \$10,758 | \$10,841 |
| 28 | Income taxes..... | \$0 | \$0 |

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

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDING JUNE 30, 1992 AND 1991

*Revised
August 15,
1992

(UNAUDITED)
(\$ in Thousands)

| LINE (a) | DESCRIPTION (b) | 1992 (c) | 1991* (d) |
|-------------|---|------------------|-----------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss)..... | \$22,808 | (\$8,473) |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment..... | 8,066 | 7,784 |
| 31 | Amortization of other assets..... | 4 | 129 |
| 32 | Amortization of debt discount or premium..... | | |
| 33 | Deferred income taxes - current..... | (6,109) | 0 |
| 34 | Deferred income taxes - noncurrent..... | (17,644) | 0 |
| 35 | (Gain) loss on disposition of property and equipment..... | (238) | 818 |
| 36 | (Gain) loss on casino reinvestment obligations..... | 573 | 504 |
| 37 | (Gain) loss from other investment activities..... | | |
| 38 | Net (increase) decrease in receivables and patrons' checks..... | 1,156 | 1,638 |
| 39 | Net (increase) decrease in inventories..... | (152) | (131) |
| 40 | Net (increase) decrease in other current assets..... | (1,157) | (1,083) |
| 41 | Net (increase) decrease in other assets..... | (2) | 61 |
| 42 | Net increase (decrease) in accounts payables..... | (1,531) | (1,648) |
| 43 | Net increase (decrease) in other current liabilities excluding debt..... | 1,758 | 2,882 |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt..... | (9,546) | 9,178 |
| 45 | Net (increase) decrease in accrued interest income..... | (1,073) | (867) |
| 46 | | | |
| 47 | Net Cash Provided (Used) By Operating Activities..... | (\$3,087) | \$10,792 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|------------------|------------------|
| | Acquisition Of Property And Equipment: | | |
| 48 | Additions to property and equipment..... | (\$3,484) | (\$4,721) |
| 49 | Less: Capital lease obligations incurred..... | * (409) | * (719) |
| 50 | Cash Outflows For Property And Equipment..... | (\$3,075) | (\$4,002) |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired..... | | |
| 52 | Goodwill acquired..... | | |
| 53 | Net assets acquired other than cash, goodwill, and property & equipment..... | | |
| 54 | Long-term debt assumed..... | | |
| 55 | Issuance of stock or capital invested..... | | |
| 56 | Cash Outflows To Acquire Business Entities..... | | |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuance of stock or capital contributions..... | | |
| 58 | Less: Issuances to settle long-term debt..... | | |
| 59 | Consideration in acquisition of business entities..... | | |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions..... | | |

* Capital lease obligations of \$530 and \$1,853 were incurred for 1992 and 1991 respectively, when Adamar entered into new property and equipment leases. Capital lease obligation retirements of \$121 and \$1,134 were incurred for 1992 and 1991, respectively. A note receivable in the amount of \$225 was issued for the sale of fixed assets.

ADAMAR OF NEW JERSEY, INC.
 DBA TROPWORLD CASINO AND ENTERTAINMENT RESORT
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 1. DISCLOSURES NOT PRESENTED

Certain footnotes have not been presented in these Notes to Consolidated Financial Statements. These footnotes would be a duplicate of items contained in the Casino Control Commission Annual Report for the year ended December 1991.

The specific footnotes not presented are the summary of significant accounting policies and lease obligations. The footnotes contained in the December 31, 1991 Annual Report should be read in conjunction with these financial statements.

II. SIGNIFICANT INFORMATION

NOTE 1. PROPERTY AND EQUIPMENT

At June 30, 1992 and 1991, the components of Property and Equipment consisted of:

| | <u>1992</u> | <u>1991</u> |
|----------------------------------|-----------------------|-----------------------|
| Land | \$ 39,217,000 | \$ 38,028,000 |
| Building, furniture and fixtures | 280,212,000 | 277,714,000 |
| Less accumulated depreciation | (89,645,000) | (79,543,000) |
| Construction in progress | <u>1,752,000</u> | <u>4,686,000</u> |
| Total property and equipment | <u>\$ 231,536,000</u> | <u>\$ 240,885,000</u> |

NOTE 2. LONG-TERM DEBT

At June 30, 1992 and 1991, Long-Term Debt consisted of:

| | <u>1992</u> | <u>1991</u> |
|---|-----------------------|-----------------------|
| Note payable to Aztar Mortgage Funding, Inc.; 13.50%; due 1996; | \$ 140,000,000 | \$ 140,000,000 |
| Obligations under capital leases | <u>7,925,000</u> | <u>8,751,000</u> |
| | 147,925,000 | 148,751,000 |
| Less current portion | <u>(2,754,000)</u> | <u>(2,652,000)</u> |
| Long-term portion | <u>\$ 145,171,000</u> | <u>\$ 146,099,000</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:

| | | | |
|------------|--|----|--------------------|
| 1992 | | \$ | 1,291,000 |
| 1993 | | | 2,577,000 |
| 1994 | | | 2,197,000 |
| 1995 | | | 1,182,000 |
| 1996 | | | 140,634,000 |
| Thereafter | | | 44,000 |
| Total | | \$ | <u>147,925,000</u> |

NOTE 3. DEFERRED CREDITS

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

NOTE 4. 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 a biennial basis. The license was renewed on October 28, 1991, effective November 26, 1991, for a period of two years. Management has received no indication that future renewals will not be granted.

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 these 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 Commission imposes an annual tax of eight percent on gross revenue. Pursuant to legislation adopted in 1984, casino licensees are required to invest an additional one and one-quarter percent of gross casino revenue for the purchase of bonds to be issued by the Casino Reinvestment Development Authority ("CRDA") or make other approved investments equal to that amount; in the event the investment requirement is not met, the casino licensee is subject to a tax of two and one-half percent of gross casino revenue. 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 and published by a national bond index at the time of the CRDA bond issuance. The Company's reinvestment obligation for 1992 and 1991, respectively, was \$1,864,000 and \$1,677,000 for the purchase of CRDA bonds and, accordingly, the Company recorded a loss provision of \$573,000 and \$504,000 to recognize the effect of the below market interest rate the bonds would have borne had they been issued on June 30, 1992 and 1991.

NOTE 5. COMPLIMENTARY SERVICES

The amount of promotional allowances and promotional expenses for the six months ended June 30, 1992 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 | 110,232 | \$ 6,573,000 | -0- | \$ -0- |
| Food | 718,143 | 7,038,000 | 53,016 | 520,000 |
| Beverage | 2,573,898 | 3,319,000 | -0- | -0- |
| Travel | -0- | -0- | 2,132 | 746,000 |
| Tivoli Pier/ Showroom/ Comedy Stop | 86,143 | 724,000 | 10,099 | 202,000 |
| Coin Payouts | -0- | -0- | 1,211,370 | 15,670,000 |
| Other | <u>249,429</u> | <u>2,494,000</u> | <u>24,142</u> | <u>241,000</u> |
| Total | <u>3,737,845</u> | <u>\$ 20,148,000</u> | <u>1,300,759</u> | <u>\$ 17,379,000</u> |

The amount of promotional allowances and promotional expenses for the quarter ended June 30, 1992 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 | 62,814 | \$ 3,751,000 | -0- | \$ -0- |
| Food | 404,526 | 3,965,000 | 28,858 | 283,000 |
| Beverage | 1,358,257 | 1,796,000 | -0- | -0- |
| Travel | -0- | -0- | 1,256 | 440,000 |
| Tivoli Pier/ Showroom/ Comedy Stop | 61,296 | 504,000 | 7,924 | 159,000 |
| Coin Payouts | -0- | -0- | 638,786 | 8,383,000 |
| Other | <u>136,597</u> | <u>1,366,000</u> | <u>12,362</u> | <u>123,000</u> |
| Total | <u>2,023,490</u> | <u>\$ 11,382,000</u> | <u>689,186</u> | <u>\$ 9,388,000</u> |

NOTE 6. JACKPOT PAYOUTS

Jackpot Payouts for the six months ending June 30, 1992 are:

| | <u>Payouts Included In Promotional Allowances</u> | | <u>Other Payouts</u> | |
|----------------|---|--------------------------|------------------------------|--------------------------|
| | <u>Number of Payouts</u> | <u>Dollar Amount</u> | <u>Number of Payouts</u> | <u>Dollar Amount</u> |
| Motor Vehicles | <u>-0-</u> | <u>\$ -0-</u> | <u>12*</u> | <u>\$ 180,000</u> |
| Total | <u>-0-</u> | <u>\$ -0-</u> | <u>12</u> | <u>\$ 180,000</u> |

Jackpot payouts for the quarter ending June 30, 1992 are:

| | <u>Payouts Included In Promotional Allowances</u> | | <u>Other Payouts</u> | |
|----------------|---|--------------------------|------------------------------|--------------------------|
| | <u>Number of Payouts</u> | <u>Dollar Amount</u> | <u>Number of Payouts</u> | <u>Dollar Amount</u> |
| Motor Vehicles | <u>-0-</u> | <u>\$ -0-</u> | <u>5*</u> | <u>\$ 75,000</u> |
| Total | <u>-0-</u> | <u>\$ -0-</u> | <u>5</u> | <u>\$ 75,000</u> |

*Note: Cash was taken by twelve patrons instead of motor vehicles.

NOTE 7. RELATED PARTIES

Due to affiliates is reflected in Other Liabilities. The identity of the affiliates and corresponding balances are:

| | <u>1992</u> | <u>1991</u> |
|-------------------------------------|----------------------|----------------------|
| Due to Aztar Corporation | \$ -0- | \$ 11,941,000 |
| Due to Atlantic-Deauville, Inc. | 262,000 | 22,000 |
| Due to Ramada New Jersey, Inc. | 1,898,000 | 1,123,000 |
| Due to Adamar Garage Corporation | 12,429,000 | 8,467,000 |
| Due to Aztar Mortgage Funding, Inc. | <u>5,407,000</u> | <u>5,407,000</u> |
| | <u>\$ 19,996,000</u> | <u>\$ 26,960,000</u> |

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

| | 1992 | 1991 |
|-------------------------------|----------------------|----------------------|
| Advances to Aztar Corporation | \$ 7,295,000 | \$ -0- |
| Advances to Tropicana West | <u>5,870,000</u> | <u>21,408,000</u> |
| | 13,165,000 | 21,408,000 |
| Note receivable - | | |
| Adamar Garage Corporation | <u>17,052,000</u> | <u>17,052,000</u> |
| | <u>\$ 30,217,000</u> | <u>\$ 38,460,000</u> |

A note payable to Aztar Mortgage Funding, Inc. in the amount of \$140,000,000 is included in Long-term debt to affiliates (see Note II-2).

For the six months ended June 30, 1992 and 1991 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:

| | 1992 | 1991 |
|--|---------------------|---------------------|
| <u>Cost of Goods and Services</u> | | |
| Executive Deferred Compensation Plan | \$ 4,000 | \$ 2,000 |
| Property insurance | 226,000 | 228,000 |
| Workman's compensation | 361,000 | 345,000 |
| Other | <u>1,000</u> | <u>-0-</u> |
| | <u>\$ 592,000</u> | <u>\$ 575,000</u> |
| | | |
| | 1992 | 1991 |
| <u>Selling, General and Administrative</u> | | |
| Insurance (1) | \$ 453,000 | \$ 576,000 |
| Executive deferred compensation plan | 18,000 | 11,000 |
| Workman's compensation | 73,000 | 92,000 |
| Long-term incentive | 417,000 | 428,000 |
| Restricted Stock | 79,000 | 79,000 |
| Other | <u>8,000</u> | <u>-0-</u> |
| | <u>1,048,000</u> | <u>1,186,000</u> |
| Total | <u>\$ 1,640,000</u> | <u>\$ 1,761,000</u> |

(1) Insurance amounts include various premiums and claim settlements.

NOTE 8. INCOME TAXES

The provision/(benefit) for income taxes recorded in the second quarter of 1992 is entirely a deferred benefit. Increases from the statutory rate for 1992 are primarily related to state taxes and the non-deductible nature of certain business expenses.

There was no benefit for income taxes recorded in the 1991 second quarter primarily because the Company had a larger-than-seasonal loss and was in an operating loss carryforward position.

During the first quarter of 1992 the Company adopted the provisions of Statement of Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). For a discussion of SFAS 109 see "Note 9: Cumulative Effect of Accounting Change".

At January 1, 1992, the following tax benefits are available to offset future income:

| | <u>Financial</u> | | <u>Tax Basis</u> | |
|--------------------------|------------------|---------------|------------------|--------------|
| | <u>Federal</u> | <u>State</u> | <u>Federal</u> | <u>State</u> |
| Net operating losses | \$16,600,000 | \$102,800,000 | \$60,400,000 | \$79,300,000 |
| AMT net operation losses | 16,800,000 | -0- | 62,400,000 | -0- |
| Charitable contributions | 500,000 | 500,000 | 500,000 | 500,000 |
| General business credits | 1,100,000 | -0- | 1,100,000 | -0- |

These tax benefits for income tax purposes will expire in the years 2001 through 2005 unless first offset against taxable income.

For income tax purposes Adamar is included in the Aztar consolidated Federal income tax return. Aztar allocates the current and deferred tax expense using a modified separate return method.

The Internal Revenue Service is examining the consolidated income tax returns for 1986 through 1989. The State of New Jersey is examining the Adamar separate income tax returns for 1983 through 1986. Management believes that adequate provision for income taxes and interest has been made in the financial statements.

NOTE 9. CUMULATIVE EFFECT OF ACCOUNTING CHANGE

In February 1992, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), which supersedes Statement of Financial Accounting Standards No. 96 with the same title ("SFAS 96"). SFAS 96 was never adopted by the Company. The Company adopted the provisions of SFAS 109 in the first quarter of 1992 and elected not to restate prior year financial statements. The effect from prior years of adopting SFAS 109 as of the beginning of 1992 is a net tax benefit of \$23,400,000 and is reflected in the Statement of Income as the Cumulative effect of accounting change.

The income tax effects of temporary differences between financial and income tax reporting that give rise to a significant portion of the deferred income tax assets and liabilities at January 1, 1992, under the provisions of SFAS 109, are as follows:

| | <u>Deferred Income Taxes</u> | |
|---------------------------------|------------------------------|--------------------|
| | <u>Assets</u> | <u>Liabilities</u> |
| Net operating loss carryforward | \$ 28,112 | |
| Accrued rent expense | 4,653 | |
| Accrued bad debt expense | 4,257 | |
| Accrued liabilities | 1,781 | |
| Accrued compensation | 1,021 | |
| Other | 799 | |
| Depreciation and amortization | -0- | \$ (8,878) |
| | <u>\$ 40,623</u> | <u>\$ (8,878)</u> |

The Company has provided a valuation allowance of \$8,345,000 against the deferred income tax assets.

III. SUPPORTING SCHEDULES FOR MATERIAL ITEMS

NOTE 1. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At June 30, 1992 and 1991, Prepaid Expenses and Other Current Assets consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--------------------------------|----------------------|---------------------|
| Current deferred federal taxes | \$ 4,827,000 | \$ -0- |
| Current deferred state taxes | 1,282,000 | -0- |
| Other | <u>5,110,000</u> | <u>5,565,000</u> |
| | <u>\$ 11,219,000</u> | <u>\$ 5,565,000</u> |

NOTE 2. INVESTMENTS, ADVANCES, AND RECEIVABLES

NOTE 2. INVESTMENTS, ADVANCES, AND RECEIVABLES

At June 30, 1992 and 1991, Investments, Advances, and Receivables consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|---------------------------|----------------------|----------------------|
| Due from affiliates | \$ 13,165,000 | \$ 21,408,000 |
| CRDA investment | 17,772,000 | 15,150,000 |
| Mortgage receivable | 17,099,000 | 16,918,000 |
| Note receivable - | | |
| Adamar Garage Corporation | 17,052,000 | 17,052,000 |
| Long-term note receivable | <u>397,000</u> | <u>397,000</u> |
| Total | <u>\$ 65,485,000</u> | <u>\$ 70,925,000</u> |

NOTE 3. OTHER ACCRUED EXPENSES

At June 30, 1992 and 1991, Other Accrued Expenses consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|------------------------------------|----------------------|----------------------|
| Accrued payroll taxes and benefits | \$ 7,017,000 | \$ 7,396,000 |
| Accrued progressive slot win | 5,902,000 | 6,734,000 |
| Accrued miscellaneous | 2,381,000 | 2,062,000 |
| Deferred rent | 3,819,000 | 3,819,000 |
| Other | <u>5,892,000</u> | <u>5,675,000</u> |
| Total | <u>\$ 25,011,000</u> | <u>\$ 25,686,000</u> |

NOTE 4. OTHER LIABILITIES

At June 30, 1992 and 1991, Other Liabilities consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|-------------------|----------------------|----------------------|
| Due to affiliates | \$ 19,996,000 | \$ 26,960,000 |
| Deferred rent | <u>5,092,000</u> | <u>8,912,000</u> |
| Total | <u>\$ 25,088,000</u> | <u>\$ 35,872,000</u> |

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(UNAUDITED)

(\$ IN THOUSANDS)

NOTE 5. NON-OPERATING INCOME/(EXPENSE)

For the period ending June 30, 1992 and 1991, Non-operating income/(expense) consisted of the following:

| DESCRIPTION | 1992 | 1991 |
|----------------------------|------------------------|------------------------|
| Interest income | \$ 3,271,000 | \$ 3,522,000 |
| Administrative fee | 50,000 | 50,000 |
| Leased land rental | 2,771,000 | 2,771,000 |
| Maintenance reimbursement | 6,030,000 | 6,140,000 |
| Gain/(Loss) on disposition | 238,000 | (818,000) |
| Rent expense | <u>(31,161,000)</u> | <u>(31,155,000)</u> |
| Total | \$ (18,801,000) | \$ (19,490,000) |

UNDEPOSITED PATRONS' CHECKS ACTIVITY

| DESCRIPTION | AMOUNT |
|---|----------|
| Balance (January 1) | \$ 1,773 |
| Checks issued (excluding counter checks issued through transactions of consolidations, partial redemptions, substitutions, and patrons' deposits) | 58,862 |
| Checks returned prior to deposit (excluding the unredeemed portion of counter checks returned through partial redemptions, and excluding checks returned through transactions relating to consolidations, substitutions, and patrons' deposits) | (31,758) |
| Checks collected through deposits | (18,536) |
| Checks forfeited to returned checks | (2,300) |
| Other | 63,062 |
| Checks included in Balance On Line 16 | 60 |
| Unaccountable Patrons' Checks | \$ 25 |
| Less 1 Percent Of Counter Checks Issued | (1,000) |

CCC-240

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(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..... | \$3,062 | | |
| 2 | Returned patrons' checks..... | 12,887 | | |
| 3 | Total patrons' checks..... | 15,949 | (\$9,021) | \$6,928 |
| 4 | Hotel Receivables..... | 1,029 | (267) | 762 |
| Other Receivables: | | | | |
| 5 | Receivables due from officers and employees.... | 17 | | |
| 6 | Receivables due from affiliates..... | 0 | | |
| 7 | Other accounts and notes receivables..... | 7,409 | | |
| 8 | Total other receivables..... | 7,426 | | 7,426 |
| 9 | Totals (Form 205)..... | \$24,404 | (\$9,288) | \$15,116 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|--------------------------------------|---|---------------|
| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
| 10 | Beginning Balance (January 1)..... | \$3,773 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)..... | 59,982 |
| 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)..... | (41,755) |
| 13 | Checks collected through deposits..... | (16,635) |
| 14 | Checks transferred to returned checks..... | (2,303) |
| 15 | Other adjustments..... | 0 |
| 16 | Ending Balance..... | \$3,062 |
| 17 | "Hold" Checks Included In Balance On Line 16..... | \$0 |
| 18 | Provision For Uncollectable Patrons' Checks..... | \$625 |
| 19 | Provision As A Percent Of Counter Checks Issued..... | 1.0% |

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :
COUNTY OF ATLANTIC : ss.

Lester Brzozowski, being duly sworn according to law upon my oath
Name

deposes and says:

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

Lester Brzozowski

Signature

Vice President of Finance

Title

03032-11

License Number

Subscribed and sworn to
before me this 14th day
of August, 1992

Dolores Durfor
Signature

On Behalf Of:

TropWorld Casino & Entertainment Resort
Casino Licensee

DOLORES DURFOR
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Aug. 22, 1993

Basis of Authority
to Take Oaths

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

974.901

e193

QUARTERLY REPORT

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FOR THE QUARTER ENDED June 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



RECEIVED
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CASINO CONTROL
COMMISSION

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT . . .

Thomas P. Venier

OFFICIAL TITLE

Sr. Vice President of Finance

ADDRESS

Huron Avenue & Brigantine Boulevard

Atlantic City, N. J. 08401

BALANCE SHEETS

LIST OF FORMS — QUARTERLY REPORT

(\$ IN THOUSANDS)

FOR THE QUARTER ENDED JUNE 30, 1992

| (a) | (b) | (c) 1992 | (d) 1991 |
|-------------------------------|---|-----------------|-----------------|
| ASSETS | | | |
| 1 | Cash | \$15,075 | \$12,089 |
| 2 | Accounts receivable | 0 | 0 |
| 3 | Notes and patrons' checks (net of allowance for doubtful 1992, \$2,524; 1991, \$3,419) | 6,673 | 8,115 |
| 4 | Prepaid expenses | 1,957 | 2,101 |
| 5 | Inventory and other current assets | 8,869 | 3,703 |
| 6 | Total Assets | \$32,574 | \$26,008 |
| LIABILITIES AND EQUITY | | | |
| 7 | Accounts payable | 0 | 0 |
| 8 | Notes payable | 0 | 0 |
| 9 | Other liabilities | 0 | 0 |
| 10 | Partners' or Proprietor's Equity | 32,574 | 26,008 |
| 11 | Total Liabilities and Equity | \$32,574 | \$26,008 |
| 12 | Total | \$32,574 | \$26,008 |
| 13 | Total | \$32,574 | \$26,008 |
| 14 | Total | \$32,574 | \$26,008 |
| 15 | Total | \$32,574 | \$26,008 |
| 16 | Total | \$32,574 | \$26,008 |
| 17 | Total | \$32,574 | \$26,008 |
| 18 | Total | \$32,574 | \$26,008 |
| 19 | Total | \$32,574 | \$26,008 |
| 20 | Total | \$32,574 | \$26,008 |
| 21 | Total | \$32,574 | \$26,008 |
| 22 | Total | \$32,574 | \$26,008 |
| 23 | Total | \$32,574 | \$26,008 |
| 24 | Total | \$32,574 | \$26,008 |
| 25 | Total | \$32,574 | \$26,008 |
| 26 | Total | \$32,574 | \$26,008 |
| 27 | Total | \$32,574 | \$26,008 |
| 28 | Total | \$32,574 | \$26,008 |
| 29 | Total | \$32,574 | \$26,008 |
| 30 | Total | \$32,574 | \$26,008 |
| 31 | Total | \$32,574 | \$26,008 |
| 32 | Total | \$32,574 | \$26,008 |
| 33 | Total | \$32,574 | \$26,008 |
| 34 | Total | \$32,574 | \$26,008 |
| 35 | Total | \$32,574 | \$26,008 |
| 36 | Total | \$32,574 | \$26,008 |
| 37 | Total | \$32,574 | \$26,008 |
| 38 | Total | \$32,574 | \$26,008 |
| 39 | Total | \$32,574 | \$26,008 |
| 40 | Total | \$32,574 | \$26,008 |
| 41 | Total | \$32,574 | \$26,008 |
| 42 | Total | \$32,574 | \$26,008 |
| 43 | Total | \$32,574 | \$26,008 |
| 44 | Total | \$32,574 | \$26,008 |
| 45 | Total | \$32,574 | \$26,008 |
| 46 | Total | \$32,574 | \$26,008 |
| 47 | Total | \$32,574 | \$26,008 |
| 48 | Total | \$32,574 | \$26,008 |
| 49 | Total | \$32,574 | \$26,008 |
| 50 | Total | \$32,574 | \$26,008 |
| 51 | Total | \$32,574 | \$26,008 |
| 52 | Total | \$32,574 | \$26,008 |
| 53 | Total | \$32,574 | \$26,008 |
| 54 | Total | \$32,574 | \$26,008 |
| 55 | Total | \$32,574 | \$26,008 |
| 56 | Total | \$32,574 | \$26,008 |
| 57 | Total | \$32,574 | \$26,008 |
| 58 | Total | \$32,574 | \$26,008 |
| 59 | Total | \$32,574 | \$26,008 |
| 60 | Total | \$32,574 | \$26,008 |
| 61 | Total | \$32,574 | \$26,008 |
| 62 | Total | \$32,574 | \$26,008 |
| 63 | Total | \$32,574 | \$26,008 |
| 64 | Total | \$32,574 | \$26,008 |
| 65 | Total | \$32,574 | \$26,008 |
| 66 | Total | \$32,574 | \$26,008 |
| 67 | Total | \$32,574 | \$26,008 |
| 68 | Total | \$32,574 | \$26,008 |
| 69 | Total | \$32,574 | \$26,008 |
| 70 | Total | \$32,574 | \$26,008 |
| 71 | Total | \$32,574 | \$26,008 |
| 72 | Total | \$32,574 | \$26,008 |
| 73 | Total | \$32,574 | \$26,008 |
| 74 | Total | \$32,574 | \$26,008 |
| 75 | Total | \$32,574 | \$26,008 |
| 76 | Total | \$32,574 | \$26,008 |
| 77 | Total | \$32,574 | \$26,008 |
| 78 | Total | \$32,574 | \$26,008 |
| 79 | Total | \$32,574 | \$26,008 |
| 80 | Total | \$32,574 | \$26,008 |
| 81 | Total | \$32,574 | \$26,008 |
| 82 | Total | \$32,574 | \$26,008 |
| 83 | Total | \$32,574 | \$26,008 |
| 84 | Total | \$32,574 | \$26,008 |
| 85 | Total | \$32,574 | \$26,008 |
| 86 | Total | \$32,574 | \$26,008 |
| 87 | Total | \$32,574 | \$26,008 |
| 88 | Total | \$32,574 | \$26,008 |
| 89 | Total | \$32,574 | \$26,008 |
| 90 | Total | \$32,574 | \$26,008 |
| 91 | Total | \$32,574 | \$26,008 |
| 92 | Total | \$32,574 | \$26,008 |
| 93 | Total | \$32,574 | \$26,008 |
| 94 | Total | \$32,574 | \$26,008 |
| 95 | Total | \$32,574 | \$26,008 |
| 96 | Total | \$32,574 | \$26,008 |
| 97 | Total | \$32,574 | \$26,008 |
| 98 | Total | \$32,574 | \$26,008 |
| 99 | Total | \$32,574 | \$26,008 |
| 100 | Total | \$32,574 | \$26,008 |

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

JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------|-----------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash | \$15,075 | \$12,089 |
| 2 | Marketable securities | 0 | 0 |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$2,524; 1991, \$3,419) | 6,678 | 8,115 |
| 4 | Inventories | 1,957 | 2,104 |
| 5 | Prepaid expenses and other current assets | 6,868 | 3,706 |
| 6 | Total current assets | 30,578 | 26,014 |
| 7 | Investments, Advances, And Receivables | 1,283 | 646 |
| 8 | Property And Equipment - Net | 345,456 | 356,719 |
| 9 | Other Assets | 762 | 11,204 |
| 10 | Total Assets | \$378,079 | \$394,583 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| 11 | Accounts payable | \$4,872 | \$5,925 |
| 12 | Notes payable | 0 | 13,000 |
| | Current portion of long-term debt: | | |
| 13 | Due to affiliates | 0 | 317,316 |
| 14 | Other | 0 | 50,000 |
| 15 | Income taxes payable and accrued | 0 | 0 |
| 16 | Other accrued expenses | 11,444 | 34,890 |
| 17 | Other current liabilities | 18,068 | 14,906 |
| 18 | Total current liabilities | 34,384 | 436,037 |
| | Long-Term Debt: | | |
| 19 | Due to affiliates | 226,814 | 0 |
| 20 | Other | 45,000 | 0 |
| 21 | Deferred Credits | 0 | 0 |
| 22 | Other Liabilities | 7 | 8 |
| 23 | Commitments And Contingencies | | |
| 24 | Total Liabilities | 306,205 | 436,045 |
| 25 | Stockholders', Partners', Or Proprietor's Equity | 71,874 | (41,462) |
| 26 | Total Liabilities and Equity | \$378,079 | \$394,583 |

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 SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------|------------|
| | Revenue: | | |
| 1 | Casino..... | \$113,347 | \$90,578 |
| 2 | Rooms | 8,076 | 7,546 |
| 3 | Food and beverage | 16,608 | 15,506 |
| 4 | Other | 3,673 | 5,852 |
| 5 | Total revenue | 141,704 | 119,482 |
| 6 | Less: Promotional allowances .....(NOTE 13)..... | 16,207 | 14,904 |
| 7 | Net revenue | 125,497 | 104,578 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services | 72,491 | 64,608 |
| 9 | Selling, general, and administrative | 35,787 | 30,038 |
| 10 | Provision for doubtful accounts | 1,284 | 1,536 |
| 11 | Depreciation amd amortization | 10,661 | 10,809 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees .....(NOTE 16)..... | 170 | 0 |
| 13 | Other | 0 | 0 |
| 14 | Total costs and expenses | 120,393 | 106,991 |
| 15 | Income (Loss) From Operations | 5,104 | (2,413) |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) – affiliates.....(NOTE 3,5)..... | (20,936) | (21,166) |
| 17 | Interest (expense) – external .....(NOTE 4)..... | (2,275) | (3,094) |
| 18 | Investment alternative tax and related income (expense) – net.....(NOTE 11)..... | (819) | (1,268) |
| 19 | Nonoperating income (expense) – net .....(NOTE 10)..... | (5,846) | (312) |
| 20 | Total other income (expenses) | (29,876) | (25,840) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items | (24,772) | (28,253) |
| 22 | Provision (credit) for income taxes .....(NOTE 1)..... | 0 | 0 |
| 23 | Income (Loss) Before Extraordinary Items | (24,772) | (28,253) |
| 24 | Extraordinary items (net of income taxes – 1992, \$ 126,837,000; 1991, \$0) | 126,837 | 0 |
| 25 | Net Income (Loss) | \$102,065 | (\$28,253) |

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 JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------|------------|
| | Revenue: | | |
| 1 | Casino..... | \$57,517 | \$44,616 |
| 2 | Rooms | 4,444 | 3,954 |
| 3 | Food and beverage | 8,455 | 8,128 |
| 4 | Other | 2,142 | 2,320 |
| 5 | Total revenue | 72,558 | 59,018 |
| 6 | Less: Promotional allowances .....(NOTE 13)..... | 8,031 | 6,980 |
| 7 | Net revenue | 64,527 | 52,038 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services | 37,178 | 32,310 |
| 9 | Selling, general, and administrative | 18,266 | 14,149 |
| 10 | Provision for doubtful accounts | 567 | 982 |
| 11 | Depreciation amd amortization | 5,255 | 5,460 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees .....(NOTE 16)..... | 170 | 0 |
| 13 | Other | 0 | 0 |
| 14 | Total costs and expenses | 61,436 | 52,901 |
| 15 | Income (Loss) From Operations | 3,091 | (863) |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) – affiliates.....(NOTE 3,5)..... | (10,460) | (10,575) |
| 17 | Interest (expense) – external .....(NOTE 4)..... | (1,114) | (1,501) |
| 18 | Investment alternative tax and related income (expense) – net.....(NOTE 11)..... | (372) | (743) |
| 19 | Nonoperating income (expense) – net .....(NOTE 10)..... | (4,094) | (421) |
| 20 | Total other income (expenses) | (16,040) | (13,240) |
| 21 | Income (Loss) Before Income Taxes And Extraordinary Items | (12,949) | (14,103) |
| 22 | Provision (credit) for income taxes .....(NOTE 1)..... | 0 | 0 |
| 23 | Income (Loss) Before Extraordinary Items | (12,949) | (14,103) |
| 24 | Extraordinary items (net of income taxes – 1992, \$ 128,187,000; 1991, \$0) | 128,187 | 0 |
| 25 | Net Income (Loss) | \$115,238 | (\$14,103) |

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 SIX MONTHS ENDED JUNE 30, 1992 and 1991

NOT APPLICABLE

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 1992 | | 1991 | |
|-------------|-------------------------------------|------------|-------------|------------|-------------|
| | | (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.

STATEMENTS OF GASH FLOWS
**STATEMENTS OF CHANGES IN PARTNERS'
 OR PROPRIETOR'S EQUITY**

FOR THE SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)
 (\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------------|-------------------|
| | Invested Capital: | | |
| 1 | Beginning balance (January 1) | \$71,196 | \$71,196 |
| 2 | Additional capital invested | 33,217 | 0 |
| 3 | ..... | 0 | 0 |
| 4 | Ending balance | 104,413 | 71,196 |
| | Accumulated Income (Loss): | | |
| 5 | Beginning balance (January 1) | (96,154) | (45,955) |
| 6 | Prior period adjustments | 0 | 0 |
| 7 | Net income (loss) | 102,065 | (28,253) |
| 8 | ..... | 0 | 0 |
| 9 | Ending balance | 5,911 | (74,208) |
| | Capital Withdrawals: | | |
| 10 | Beginning balance (January 1) | (38,450) | (38,450) |
| 11 | Additional capital withdrawals | 0 | 0 |
| 12 | ..... | 0 | 0 |
| 13 | Ending balance | (38,450) | (38,450) |
| | Net Unrealized Loss On Noncurrent Marketable Equity Securities: | | |
| 14 | Beginning balance (January 1) | 0 | 0 |
| 15 | ..... | 0 | 0 |
| 16 | ..... | 0 | 0 |
| 17 | Ending balance | 0 | 0 |
| 18 | Ending Partners' Or Proprietor's Equity | \$71,874 | (\$41,462) |

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|------------|----------|
| 1 | Net Cash Provided (Used) By Operating Activities | (\$27,939) | \$4,676 |
| | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities..... | 0 | 0 |
| 3 | Proceeds from the sale of short-term investment securities..... | 0 | 0 |
| 4 | Cash outflows for property and equipment..... | (4,505) | (2,322) |
| 5 | Proceeds from disposition of property and equipment..... | 0 | 1,841 |
| 6 | Purchase of casino reinvestment obligations..... | (668) | (150) |
| 7 | Purchase of other investments and loans/advances made..... | 0 | 0 |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables..... | 0 | 0 |
| 9 | Cash outflows to acquire business entities..... | 0 | 0 |
| 10 | Redemption of A-1 Bonds..... | 0 | 0 |
| 11 | ..... | 0 | 0 |
| 12 | Net Cash Provided (Used) By Investing Activities..... | (5,173) | (631) |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt..... | 0 | 0 |
| 14 | Payments to settle short-term debt..... | 0 | 0 |
| 15 | Cash proceeds from issuance of long-term debt..... | 0 | 0 |
| 16 | Costs of issuing debt..... | 0 | 0 |
| 17 | Payments to settle long-term debt..... | 0 | 0 |
| 18 | Cash proceeds from issuing stock or capital contributions..... | 0 | 0 |
| 19 | Purchases of treasury stock..... | 0 | 0 |
| 20 | Payments of dividends or capital withdrawals..... | 0 | 0 |
| 21 | ..... | 33,217 | 0 |
| 22 | ..... | 0 | 0 |
| 23 | Net Cash Provided (Used) By Financing Activities..... | 33,217 | 0 |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents..... | 105 | 4,045 |
| 25 | Cash And Cash Equivalents At Beginning Of Period..... | 14,970 | 8,044 |
| 26 | Cash And Cash Equivalents At End Of Period..... | \$15,075 | \$12,089 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|---------|---------|
| 27 | Cash Paid During Period For: | | |
| 28 | Interest (net of amount capitalized)..... | \$2,711 | \$5,453 |
| | Income taxes..... | 0 | 0 |

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

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 and 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|------------|------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss)..... | \$102,065 | (\$28,253) |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment..... | 10,226 | 10,360 |
| 31 | Amortization of other assets..... | 435 | 449 |
| 32 | Amortization of debt discount or premium..... | 2,055 | 1,402 |
| 33 | Deferred income taxes – current..... | 0 | 0 |
| 34 | Deferred income taxes – noncurrent..... | 0 | 0 |
| 35 | (Gain) loss on disposition of property and equipment..... | 0 | (58) |
| 36 | (Gain) loss on casino reinvestment obligations..... | 819 | 1,268 |
| 37 | (Gain) loss from other investment activities..... | 0 | 0 |
| 38 | Net (increase) decrease in receivables and patrons' checks..... | 1,118 | 6,371 |
| 39 | Net (increase) decrease in inventories..... | (106) | 669 |
| 40 | Net (increase) decrease in other current assets..... | (3,119) | (297) |
| 41 | Net (increase) decrease in other assets..... | (1,055) | (395) |
| 42 | Net increase (decrease) in accounts payables..... | (1,456) | (5,213) |
| 43 | Net increase (decrease) in other current liabilities excluding debt..... | (10,734) | 18,373 |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt..... | 0 | 0 |
| 45 | ..... | (128,187) | 0 |
| 46 | ..... | 0 | 0 |
| 47 | Net Cash Provided (Used) By Operating Activities..... | (\$27,939) | \$4,676 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|---|---------|---------|
| 48 | Acquisition Of Property And Equipment: | | |
| | Additions to property and equipment..... | \$4,505 | \$2,322 |
| 49 | Less: Capital lease obligations incurred..... | 0 | 0 |
| 50 | Cash Outflows For Property And Equipment..... | \$4,505 | \$2,322 |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired..... | \$0 | \$0 |
| 52 | Goodwill acquired..... | 0 | 0 |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment..... | 0 | 0 |
| 54 | Long-term debt assumed..... | 0 | 0 |
| 55 | Issuance of stock or capital invested..... | 0 | 0 |
| 56 | Cash Outflows To Acquire Business Entities..... | \$0 | \$0 |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contributions..... | \$0 | \$0 |
| 58 | Less: Issuances to settle long-term debt..... | 0 | 0 |
| 59 | Consideration in acquisition of business entities..... | 0 | 0 |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions..... | \$0 | \$0 |

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(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 | \$3,931 | | |
| 2 | Returned patrons' checks | 3,118 | | |
| 3 | Total patrons' checks | 7,049 | \$2,370 | \$4,679 |
| 4 | Hotel Receivables | 825 | 154 | 671 |
| 5 | Other Receivables: | | | |
| | Receivables due from officers and employees | 18 | | |
| 6 | Receivables due from affiliates | 655 | | |
| 7 | Other accounts and notes receivables | 655 | | |
| 8 | Total other receivables | 1,328 | 0 | 1,328 |
| 9 | Totals (Form 305) | \$9,202 | \$2,524 | \$6,678 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|--------------------------------------|---|---------------|
| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
| 10 | Beginning Balance (January 1) | \$4,204 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) | 72,262 |
| 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)..... | (59,917) |
| 13 | Checks collected through deposits | (10,707) |
| 14 | Checks transferred to returned checks | (1,911) |
| 15 | Other adjustments | 0 |
| 16 | Ending Balance | \$3,931 |
| 17 | "Hold" Checks Included In Balance On Line 16 | \$0 |
| 18 | Provision For Uncollectible Patrons' Checks | 1,151 |
| 19 | Provision As A Percent Of Counter Checks Issued | 1.6% |

STATEMENT OF CONFORMITY AND ACCURACY


TRUMP'S CASTLE HOTEL & CASINO

NOTES TO FINANCIAL STATEMENTS

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

Thomas P. Venier, being duly sworn according to law upon my oath
deposes and says:

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



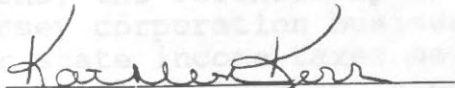
Signature

Sr. Vice President Finance
Title

00711-11
License Number

Subscribed and sworn to
before me this 14th day
of August, 1992

On behalf Of:



Signature

Trump's Castle Hotel & Casino
Casino Licensee

KATHLEEN KERR
Notary Public of New Jersey
My Commission Expires May 11, 1994

Basis of Authority
to Take Oaths

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 formed as a limited partnership in 1985 for the sole purpose of acquiring and operating Trump Castle Casino Resort by the Bay ("Trump Castle"). The Partnership converted to a general partnership in February 1992. The current partners and their respective ownership interests are Donald J. Trump, 49.995%, the Managing General Partner, Trump's Castle Hotel and Casino, Inc. ("TCHC"), .01% and TC/GP, Inc. ("TCGP"), 49.995%.

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/Deferred Credits:

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

Under the New Jersey Casino Control Commission regulations, the Partnership is required to file a consolidated New Jersey corporation business tax return. However, no provision for state income taxes has been reflected in the accompanying financial statements, since the Partnership has experienced operating losses during the periods contained in this report.

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 \$2,524,000 through June 30, 1992.

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 assets. Estimated useful lives for furniture, fixtures and equipment are from three to eight years and 40 years for buildings.

Original Issuance Discount and Bond Issuance Costs:

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

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment as of June 30:

| | 1992 | 1991 |
|-----------------------------------|----------------|-----------|
| | (In thousands) | |
| Land | \$ 33,423 | \$ 31,558 |
| Buildings | 235,170 | 235,170 |
| Furniture, Fixtures and Equipment | 96,826 | 93,068 |
| Construction in Progress | 1,447 | 573 |
| Building/Leasehold Improvements | 112,123 | 109,535 |
| | ----- | ----- |
| TOTAL | \$478,989 | \$469,904 |
| Less Accumulated Depreciation | (133,533) | (113,185) |
| | ----- | ----- |
| Net Property and Equipment | \$345,456 | \$356,719 |
| | ===== | ===== |

NOTE 3 - LONG TERM DEBT:

Trump's Castle Funding (the "Company") was incorporated on May 28, 1985 solely to serve as a financing company to raise funds through the issuance of its 13-3/4% First Mortgage Bonds, Series A-1, due 1997 (the "Series A-1 Bonds") and 7% First Mortgage Bonds, Series A-2, due 1999 (the "Series A-2 Bonds," and together with the Series A-1 Bonds, the "Old Bonds"), the proceeds of which were loaned to the Partnership. In return for such proceeds, the Partnership issued a promissory note (the "Old Partnership Note") to the Company in a principal amount equal to the aggregate principal amount of the Old

Bonds and with similar payment terms. In addition, the Partnership directly guaranteed the payment of the principal of, premium, if any, and interest on the Old Bonds (the "Old Guaranty"). On the Effective Date, the Old Partnership Note and Old Guaranty were discharged, the Partnership issued a new promissory note (the "Partnership Note") and a new guaranty (the "Guaranty") and the Old Bonds were exchanged for the Company's 9.50% Mortgage Bonds, due 1998 (the "New Bonds") and shares of common stock of TCGP (the "Common Stock").

On March 9, 1992, the Company, the Partnership, and its general partners filed a voluntary petition for relief under Chapter 11 of title 11, United States Code (the "Bankruptcy Code") and filed a Plan of Reorganization (the "Plan"). The Plan was confirmed by the Bankruptcy Court on May 5, 1992 and the Plan was consummated on May 29, 1992 (the "Effective Date"). Pursuant to the terms of the Plan, the Old Bonds were exchanged for the New Bonds and Common Stock (Note 3) and certain modifications were made to the terms of the bank borrowings (Note 4), and amounts owed to Donald J. Trump (Note 5). The issuance of the Common Stock resulted in approximately 50% of the beneficial ownership interest in the Partnership being transferred to the holders of Old Bonds.

In accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," the New Bonds have been stated at the present value of amounts to be paid, determined at current interest rates (effective rate of approximately 17.5%). The effective interest rate of the New Bonds was determined based on the trading price of the New Bonds for a specific period. Stating the debt at its present value resulted in a reduction of approximately \$96,896,000 in the carrying amount of the New Bonds. This gain will be offset by increased interest costs over the period of the New Bonds to accrete such bonds to their face value at maturity.

On the Effective Date, TCGP received a 50% beneficial interest in Trump's Castle Hotel & Casino, Inc., a partner in the Partnership, and was admitted as a partner in the Partnership, giving TCGP a 50% beneficial interest in the Partnership. On the Effective Date, the partners executed the Amended and Restated Partnership Agreement (the "Partnership Agreement"), which provides, among other things, for a Board of Partners Representatives (the "Board") to oversee the business and operations of the Partnership. Pursuant to the terms of the Partnership Agreement, Donald J. Trump was appointed the Managing General Partner of the Partnership responsible for its day-to-day operations, and has the right to appoint four of the seven members of the Board; the remaining members of the Board are appointed by TCGP through the holders of its Common Stock. Upon the occurrence of certain events, TCGP has the right to appoint four members to the Board, and Donald J. Trump has the right to appoint three.

The Plan resulted in an extraordinary gain totaling approximately \$128,187,000, including the \$96,896,000 discussed above, \$18,000,000 representing the forgiveness of the bank debt (Note 3), and \$23,805,000 representing a discharge of accrued interest and accretion on indebtedness, less the write-off of unamortized loan issuance costs of \$9,514,000. On the Effective Date, 35,447 of additional units

(Note 3) were issued in lieu of the Bond Carryforward Amount and the Effective Date Amount, as defined. Additionally, the Plan resulted in a discharge of related party indebtedness in the approximate amount of \$33,325,000 which has been accounted for as a contribution to capital (Note 5).

Upon consummation of the Plan on May 29, 1992, each \$1,000 principal amount of the Company's Series A-1 Bonds or \$1,000 accreted amount as of December 15, 1990 of Series A-2 Bonds was exchanged for a Unit consisting of \$1,000 in principal amount of the Company's New Bonds, together with one share of the Common Stock of TCGP and certain other payments. The New Bonds and Common Stock trade together as a Unit and may not be transferred separately, except upon the occurrence of certain events. The New Bonds bear interest at 9.50% per annum from the date of issuance, payable semi-annually on each February 15 and August 15, commencing August 15, 1992. The Company is required to pay interest in cash to holders of New Bonds outstanding on the immediately preceding August 1 or February 1 at varying rates per annum (the "Mandatory Cash Amounts") as follows:

| <u>Period</u> | <u>Mandatory Cash Rate (Per Annum)</u> |
|---|--|
| From issuance to August 15, 1992 | 5.00% |
| From August 15, 1992 to February 15, 1993 | 6.00 |
| From February 15, 1993 to August 15, 1993 | 7.00 |
| From August 15, 1993 to February 15, 1994 | 8.00 |
| From February 15, 1994 and thereafter | 9.50 |

For interest payment dates on or before February 15, 1994, the difference between interest calculated at the rate of 9.50% per annum and the Mandatory Cash Amount (the "Additional Amount") is payable to holders of New Bonds in cash to the extent that Excess Available Cash, as defined, of the Partnership is available for such purpose and in additional Units to the extent that Excess Available Cash is less than the Additional Amount.

The New Bonds are secured by an assignment to First Bank National Association, the trustee under the indenture pursuant to which the New Bonds were issued (the "Indenture"), of a promissory note of the Partnership to the Company (the "Partnership Note") in an amount and with payment terms necessary to service the New Bonds. The Partnership Note is secured by a mortgage on Trump Castle and substantially all of the other assets of the Partnership (the "Mortgage"). The New Bonds are guaranteed as to payment of principal and interest, on a nonrecourse basis by the Partnership and are secured by a mortgage on the Partnership's real property.

The New Bonds are subject to redemption at any time, in whole, but not in part, at specified prices. Upon the redemption of the New Bonds, the Common Stock will cease to trade as a Unit with the New Bonds, and will trade separately.

NOTE 4 - BANK BORROWINGS:

On February 16, 1988, the Company and the Partnership entered into a \$50,000,000 revolving credit facility with Midlantic National Bank ("Midlantic"), later converted to a term loan in August 1990 ("Term Loan") to finance a portion of the cost of constructing a helipad on the roof of Trump's Castle's parking garage and a new hotel tower, including a ballroom. In June 1990, the Partnership borrowed \$13,000,000 from Midlantic under an unsecured line of credit pursuant to a grid note (the "Grid Note"). Pursuant to the Plan, the terms of both of these loans were modified. The restructured Term Loan bears interest at 9% per annum over the first three years and will adjust to a market rate if the maturity thereof is extended in accordance with its terms. Additionally, the principal amount of the Term Loan was reduced to \$38,000,000. The amended Term Loan will mature three years from the Effective Date and is secured by a mortgage lien on Trump's Castle that is prior to the lien securing the New Bonds. The restructured Grid Note bears interest at 8.5% per annum for the first three years and will be adjusted to a market rate if the maturing thereof is extended in accordance with its terms. The outstanding principal amount of the Grid Note has been reduced to \$7,000,000 and the Grid Note has been converted into a demand note, although Midlantic has agreed not to demand payment for a period of three years from the Effective Date so long as no Event of Default has occurred thereunder.

NOTE 5 - OTHER BORROWINGS:

The Partnership borrowed \$28,264,878 from Donald J. Trump, one of its general partners which included \$9,889,000 of Series A-1 Bonds (face value \$12,480,000) the proceeds of which were used to partially satisfy the June 1990 interest and sinking fund requirements of the Old Bonds. Pursuant to the Plan the above obligations were canceled and contributed to capital and Donald J. Trump received in exchange thereof a priority interest in the Partnership (the "Trump Priority Interest"). The Trump Priority Interest will initially be \$15,000,000 and the Partnership will be required to pay a priority return thereon semi-annually at a rate per annum of up to 9.50%. The priority return on capital will be paid currently out of certain cash in excess of the First Tier Sweep Amount, as defined, or under certain circumstances, the Third Tier Sweep Amount, as defined. To the extent not paid in full, the Trump Priority Interest will be entitled to a priority distribution upon dissolution of the Partnership.

In December 1990, Fred Trump, the father of Donald J. Trump, placed \$3,500,000 in cash on deposit with the Partnership's casino cage, which was recorded by the Partnership as a gaming patron deposit. Counter checks totaling \$3,500,000 were issued against the deposit, for which Fred Trump received gaming chips valued at \$3,500,000. These gaming chips were included in the outstanding chip liability on the Partnership's books at March 31, 1992. To date, Fred Trump has not redeemed the gaming chips for cash. Any redemption of such gaming chips must be done in accordance with the Indenture.

NOTE 6 - OTHER ASSETS - (NET):

| | <u>1992</u> | <u>1991</u> |
|-----------------------------|----------------|-------------|
| | (In thousands) | |
| Deferred Loan Cost | \$ 0 | \$ 392 |
| Deferred Bond Costs (Net) | 0 | 10,041 |
| Other Non-Current Assets | 762 | 771 |
| Deferred Marina Improvement | 0 | 0 |
| | ----- | ----- |
| TOTAL OTHER ASSETS | \$ 762 | \$11,204 |
| | ===== | ===== |

NOTE 7 - ACCOUNTS PAYABLE:

| | <u>1992</u> | <u>1991</u> |
|------------------------|----------------|-------------|
| | (In thousands) | |
| Accounts Payable Trade | \$ 4,046 | \$4,939 |
| Patron Deposits | 769 | 122 |
| Other | 57 | 864 |
| | ----- | ----- |
| TOTAL ACCOUNTS PAYABLE | \$ 4,872 | \$ 5,925 |
| | ===== | ===== |

NOTE 8 - OTHER ACCRUED EXPENSES:

| | <u>1992</u> | <u>1991</u> |
|--------------------------------|----------------|-------------|
| | (In thousands) | |
| Accrued Payroll & Taxes | \$ 3,600 | \$ 4,198 |
| Accrued Interest | 2,727 | 23,573 |
| Accrued Advertising/Promotions | 63 | 585 |
| Accrued Progressive Jackpots | 304 | 1,882 |
| Accrued Sick/Vacation | 4,205 | 3,995 |
| Other | 545 | 657 |
| | ----- | ----- |
| TOTAL OTHER ACCRUED EXPENSES | \$11,444 | \$34,890 |
| | ===== | ===== |

NOTE 9 - OTHER CURRENT LIABILITIES:

| | <u>1992</u> | <u>1991</u> |
|---------------------------------|----------------|-------------|
| | (In thousands) | |
| Outstanding Chip Liability | \$ 4,348 | \$ 4,300 |
| Outstanding Token Liability | 580 | 628 |
| Patron Deposits | 43 | 102 |
| Accrued Utilities | 105 | 165 |
| Accrued Group Health insurance | 2,035 | 1,647 |
| Accrued Insurance | 1,688 | 1,793 |
| A/P Other | 7,295 | 3,710 |
| Accrued Legal | 442 | 1,477 |
| Accrued CCC/DGE | 558 | 591 |
| Construction Retainage | 2 | 204 |
| Accrued Inventories | 389 | 217 |
| Accrued CRDA | 583 | 72 |
| | ----- | ----- |
| TOTAL OTHER CURRENT LIABILITIES | \$18,068 | \$14,906 |
| | ===== | ===== |

NOTE 10 - NON-OPERATING INCOME (EXPENSES) - NET:

Non-operating income for quarter ended June 30, 1992:

| | <u>Three Months</u> | |
|--------------------------------|---------------------|-------------|
| | <u>1992</u> | <u>1991</u> |
| | (In thousands) | |
| Discount Earned | \$ 0 | \$ 0 |
| Interest Income | 70 | 145 |
| Gain/(Loss) Disp. of Equipment | 0 | 58 |
| Debt Restructuring | (4,164) | (624) |
| | ----- | ----- |
| | \$ (4,094) | \$ (412) |
| | ===== | ===== |

Non-operating income for six months ended June 30, 1992:

| | <u>Six Months</u> | |
|--------------------------------|-------------------|-------------|
| | <u>1992</u> | <u>1991</u> |
| | (In thousands) | |
| Discount Earned | \$ 0 | \$ 0 |
| Interest Income | 152 | 254 |
| Gain/(Loss) Disp. of Equipment | 0 | 58 |
| Debt Restructuring | (5,998) | (624) |
| | ----- | ----- |
| | \$ (5,846) | \$ (312) |
| | ===== | ===== |

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

In May 1989, the New Jersey Casino Control Commission ("CCC") issued the Partnership a license to operate Trump Castle. A license is not transferable, is issued for a term of two years, and must be acted upon by the CCC no later than 30 days prior to the expiration of the license then in force. The continued operations of the Partnership are subject to its retaining its operating license.

On May 8, 1991, the CCC renewed the casino license of the Partnership through May 16, 1993, subject to the conditions that both the Partnership and Donald J. Trump demonstrate their financial stability through May 16, 1993 at a subsequent CCC proceeding. On June 20, 1991, the CCC determined that Donald J. Trump, as a natural person qualifier, had by clear and convincing evidence established his financial stability, integrity, and responsibility through May 16, 1993 but required that by July 31, 1991 Donald J. Trump file with the CCC and the Division final

executed contracts effectuating agreements with certain lender banks to which Donald J. Trump and certain of his Affiliates are a party. On June 26, 1991, the CCC required that the Partnership (a) by July 31, 1991 agree upon definitive documentation reflecting a previously agreed upon outline of principal terms; (b) by July 31, 1991 file with the SEC the Registration Statement outlining a Plan of Reorganization; and (c) within forty-five days of the registration Statement being declared effective by the SEC, file a Petition with the United States Bankruptcy Court for approval of the Plan. On March 9, 1992, the Company, the Partnership, and its general partners filed a voluntary petition for relief under Chapter 11 of title 11, United States Code (the "Bankruptcy Code") and filed a Plan of Reorganization (the "Plan"). The Plan was confirmed by the Bankruptcy Court on May 5, 1992 and the Plan was consummated on May 29, 1992 (the "Effective Date"). Pursuant to the terms of the Plan, the Old Bonds were exchanged for the New Bonds and Common Stock (Note 3) and certain modifications were made to the terms of the bank borrowings (Note 4), and amounts owed to Donald J. Trump (Note 5). The issuance of the Common Stock resulted in approximately 50% of the beneficial ownership interest in the Partnership being transferred to the holders of Old Bonds.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY OBLIGATIONS

The New Jersey Casino Control Act requires the Partnership to make qualified investments, as defined, in New Jersey, or pay an investment alternative tax.

Commencing 12 months after the date of opening (June 17, 1985) and continuing for a period of 25 years thereafter, 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 interest rates from the Casino Reinvestment Development Authority (CRDA) or by making qualified investments which must be approved by the CRDA. The Partnership is required to make quarterly deposits with the CRDA to satisfy its investment obligation.

In April 1990, the Partnership modified its agreement with the Casino Reinvestment Development Authority (CRDA) under which it is required to purchase bonds to satisfy the investment alternative tax on gross revenues.

Under the modified terms of the agreement, the Partnership has donated approximately \$9,588,000 in deposits to the CRDA in exchange for satisfaction of an equivalent amount of its prior bond purchase commitments, as well as receiving future tax credits in the amount of approximately \$4,890,000 which credits are to be utilized to satisfy substantial portions of the Partnership's investment alternative tax obligations over approximately the next three to four quarters.

The Partnership made an additional donation of its existing CRDA deposits during the third quarter of 1991, totaling approximately \$524,000, in exchange for satisfaction of an equivalent amount of its prior bond purchase commitments, in addition to receiving future tax credits totaling approximately \$267,000.

As a result of this agreement, the Partnership has charged \$532,000 for the six months ending June 30, 1992 to operations, which represents application of a portion of the tax credits, as well as the effect of below market interest rates associated with the bond purchase commitment.

Additionally, the Partnership has charged \$278,000 and \$257,000 respectively to its second quarter of 1992 and 1991 results to give effect to the CRDA donations. These charges represent the write down of the asset value of the CRDA deposits to the value of the tax credits issued to the Partnership by the CRDA.

ROADWAY IMPROVEMENTS

The Partnership, along with another Atlantic City casino, has entered into a joint venture agreement with the New Jersey Department of Transportation to fund the construction of certain roadway improvements in the Atlantic City Marina District. The agreement requires that the Partnership make cash contributions totaling \$8,000,000. As of June 30, 1992, the Partnership had made contributions totaling approximately \$5,840,000.

NOTE 12 - EMPLOYEE BENEFIT PLANS:

Effective November 1, 1986, the Company adopted a retirement savings plan for its non-union employees under Section 401K of the Internal Revenue Code. The plan allows employees of the Partnership to defer up to 15% of their income on a pre-tax basis through contributions to the plan.

The Partnership will match 50% of eligible employees' contributions up to a maximum of 4% of an individual's earnings. Effective January 1, 1992, the Partnership will match 50% of eligible employees' contributions up to a maximum of 5% of an individual's earnings.

The Partnership recorded charges of approximately \$375,000 for matching contributions for the six months ended June 30, 1992.

The Partnership made payments to various trustee pension plans under industry-wide union agreements. The payments are based on the hours worked by or gross wages paid to covered employees. It is not practical to determine the

amount of payments ultimately used to fund pension benefit plans or the current financial condition of these plans. Under the Employee Retirement Income Security Act, the Partnership may be liable for its share of the plans unfunded liability, if any, if the plans are terminated.

NOTE 13 - PROMOTIONAL ALLOWANCE AND PROMOTIONAL EXPENSES:

Promotional Allowances and Expenses and number of recipients for three months ended June 30, 1992 consisted of the following:

| | <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 | 33,733 | \$ 2,541,000 | 0 | \$ 0 |
| Food | 273,300 | 4,122,000 | 0 | 0 |
| Beverage | 256,000 | 1,091,000 | 0 | 0 |
| Travel | 0 | 0 | 9,628 | 1,685,000 |
| Cash Coupons | 0 | 0 | 631,567 | 5,577,000 |
| Admissions | 8,840 | 221,000 | 30 | 2,970 |
| Other/Gifts | 11,200 | 56,000 | 6,460 | 323,000 |
| TOTALS | 583,073 | \$ 8,031,000 | 647,685 | \$ 7,587,970 |

Promotional Allowances and Expenses and number of recipients for six months ended June 30, 1992 consisted of the following:

| | <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 | 65,160 | \$ 4,887,000 | 0 | \$ 0 |
| Food | 575,800 | 8,637,000 | 0 | 0 |
| Beverage | 494,500 | 2,102,000 | 0 | 0 |
| Travel | 0 | 0 | 18,394 | 3,219,000 |
| Cash Coupons | 0 | 0 | 1,298,856 | 11,547,000 |
| Admissions | 19,280 | 482,000 | 98 | 4,675 |
| Other/Gifts | 19,800 | 99,000 | 11,640 | 582,000 |
| TOTALS | 1,174,540 | \$16,207,000 | 1,328,988 | \$15,352,675 |

NOTE 14 - JACKPOT PAYOUTS:

Jackpot payouts in the form of merchandise which are included in cost of goods and services consisted of the following:

For The Three Months
Ended 6/30/92

| | | 1992 | 1991 |
|----------------|----------------------|----------------|------|
| | Number of Recipients | (In Thousands) | |
| | | Amount | |
| Motor Vehicles | 0 | \$ 70 | 0 |
| | -- | ----- | |
| TOTALS | 0 | \$ | 0 |
| | == | ===== | |

For The Six Months
Ended 6/30/92

| | Number of Recipients | Amount |
|----------------|----------------------|--------|
| Motor Vehicles | 0 | \$ 0 |
| | -- | ----- |
| TOTALS | 0 | \$ 0 |
| | == | ===== |

NOTE 15 - EXTRAORDINARY ITEM:

Since June 1990, various purported class actions have been commenced on behalf of the holders of Trump's Castle Bonds and the publicly traded bonds of the Other Trump Casinos. Pursuant to an Order of the New Jersey District Court, on or about March 1, 1991, plaintiffs in the class actions filed an amended and consolidated complaint that superseded the complaints originally filed in those three actions. On July 30, 1991, counsel for the parties in the above litigation reached an agreement in principal pursuant to which Trump's Castle Associates created a settlement fund in the amount of \$1,350,000 in cash. This settlement fund is presented as an extraordinary item for these financial statements.

The Plan resulted in an extraordinary gain totaling approximately \$128,187,000, including the \$96,896,000 discussed above, \$18,000,000 representing the forgiveness of the bank debt (Note 3), and \$23,805,000 representing a discharge of accrued interest and accretion on indebtedness, less the write-off of unamortized loan issuance costs of \$9,514,000. On the Effective Date, 35,447 of additional units (Note 3) were issued in lieu of the Bond Carryforward Amount and the Effective Date Amount, as defined. Additionally, the Plan resulted in a discharge of related party indebtedness in the approximate amount of \$33,325,000 which has been accounted for as a contribution to capital (Note 5).

974.001
0193

NOTE 16 - RELATED PARTY TRANSACTIONS

The Partnership has recorded expenses for the three months ended June 30, 1992 and 1991 from Trump's Castle Management Corp. ("TCM") as follows:

| <u>Affiliate</u> | <u>Transaction</u> | <u>1992</u> | <u>1991</u> |
|---------------------------------|--------------------|----------------|-------------|
| | | (In Thousands) | |
| Trump's Castle Management Corp. | Management Fee | \$ 170 | \$ 0 |
| | | ===== | ===== |

ADDRESS 1000 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

NAME OF OFFICER IN CHARGE

OR AUTHORIZED REPRESENTATIVE

NAME OF ENTITY

R. BRUCE MCKEE

TITLE

VICE PRESIDENT - FINANCE

ADDRESS

1000 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

974.901
C193

QUARTERLY REPORT

LICENSEE TRUMP TAJ MAHAL CASINO RESORT

ADDRESS 1000 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING

THIS QUARTERLY REPORT..... R. BRUCE MCKEE

OFFICIAL TITLE..... VICE PRESIDENT - FINANCE

ADDRESS..... 1000 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

LIST OF FORMS – QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 1992.

| TITLE | FORM NO. |
|---|----------|
| Balance Sheets | CCC-205 |
| Statements of Income (Year-to-Date) | CCC-210 |
| Statements of Income (Three Months) | CCC-215 |
| Statements of Changes in Stockholders' Equity | CCC-220 |
| Statements of Changes in Partners' or Proprietor's Equity | CCC-225 |
| Statements of Cash Flows | CCC-235 |
| Notes to Financial Statements | |
| Schedule of Receivables and Patrons' Checks | CCC-240 |
| Statement of Conformity and Accuracy | CCC-250 |

RECEIVED
NEW JERSEY
AUG 11 Rec'd
CASINO CONTROL
COMMISSION

BALANCE SHEETS

JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | JUNE (c) 1992 | JUNE (d) 1991 |
|------------------------------------|--|------------------|------------------|
| ASSETS | | | |
| Current Assets: | | | |
| 1 | Cash and cash investments..... | \$ 30,538 | \$ 44,304 |
| 2 | Marketable securities..... | - | - |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$5,550; 1991, \$7,348)..... | 14,693 | 17,309 |
| 4 | Inventories..... | 2,878 | 3,248 |
| 5 | Prepaid expenses and other current assets..... | 6,246 | 1,898 |
| 6 | Total current assets..... | 54,355 | 66,759 |
| 7 | Investment, Advances, and Receivables - CRDA..... | 3,007 | 620 |
| 8 | Property and Equipment - Net..... NOTE 2..... | 752,482 | 776,542 |
| 9 | Other Assets..... | 890 | 787 |
| 10 | Total Assets..... | \$ 810,734 | \$ 844,708 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities: | | | |
| 11 | Accounts Payable..... | \$ 8,127 | \$ 8,137 |
| 12 | Notes Payable..... | - | 35,523 |
| Current portion of long-term debt: | | | |
| 13 | Due to affiliates..... NOTES 1 & 3..... | - | 700,000 |
| 14 | Other..... NOTES 1 & 3..... | 552 | 45,223 |
| 15 | Income taxes payable and accrued..... | - | - |
| 16 | Other accrued expenses..... NOTE 4..... | 37,791 | 138,915 |
| 17 | Other current liabilities..... NOTE 5..... | 5,385 | 28,422 |
| 18 | Total current liabilities..... | 51,855 | 956,220 |
| Long-Term Debt: | | | |
| 19 | Due to affiliates..... NOTES 1 & 3..... | 543,302 | - |
| 20 | Other..... NOTES 1 & 3..... | 48,562 | 577 |
| 21 | Deferred Credits..... | - | - |
| 22 | Other Liabilities..... NOTE 7..... | 24,412 | - |
| 23 | Commitments and Contingencies..... NOTE 11..... | - | - |
| 24 | Total Liabilities..... | 668,131 | 956,797 |
| 25 | Stockholders', Partners', or Proprietor's Equity..... | 142,603 | (112,089) |
| 26 | Total Liabilities and Equity..... | \$ 810,734 | \$ 844,708 |

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

SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-------------|-------------|
| | REVENUE: | | |
| 1 | Casino..... | \$ 197,535 | \$ 185,610 |
| 2 | Rooms..... | 19,445 | 19,843 |
| 3 | Food and Beverage..... | 29,293 | 29,359 |
| 4 | Other..... | 7,906 | 5,423 |
| 5 | Total Revenue..... | 254,179 | 240,235 |
| 6 | Less: Promotional allowances..... NOTE 6..... | 29,976 | 28,886 |
| 7 | Net Revenue..... | 224,203 | 211,349 |
| | COSTS AND EXPENSES: | | |
| 8 | Cost of Goods and Services..... | 111,125 | 101,222 * |
| 9 | Selling, General and Administrative..... | 61,425 | 64,389 * |
| 10 | Provision for Doubtful Accounts..... | 3,794 | 3,847 |
| 11 | Depreciation and Amortization..... | 18,132 | 17,988 |
| | Charges from Affiliates other than Interest:..... | - | - |
| 12 | Management Fees..... NOTE 9..... | - | 4,179 |
| 13 | Other..... NOTE 9..... | 2,162 | 820 * |
| 14 | Total Costs and Expenses..... | 196,638 | 192,445 |
| 15 | Income (Loss) From Operations..... | 27,565 | 18,904 |
| | Other Income (Expenses): | | |
| 16 | Interest (Expenses) - Affiliates..... NOTE 3..... | (48,547) | (48,385) |
| 17 | Interest (Expenses) - External..... NOTE 3..... | (2,628) | (3,649) |
| 18 | Investment Alternative Tax and Related Income (Expense) - Net..... | (1,201) | (620) |
| 19 | Nonoperating Income (Expense) - Net..... NOTE 8..... | 511 | (8,899) |
| 20 | Total other Income (Expenses)..... | (51,865) | (61,553) |
| 21 | Income (Loss) Before Income Taxes and Extraordinary Items..... | (24,300) | (42,649) |
| 22 | Provision (Credit) for Income Taxes..... | - | - |
| 23 | Income (Loss) Before Extraordinary Items..... | (24,300) | (42,649) |
| 24 | Extraordinary Items (Net of Incomes Taxes)..... | - | - |
| 25 | Net Income (Loss)..... | \$ (24,300) | \$ (42,649) |

* Certain reclassifications have been made to the 1991 financial statement to conform to the 1992 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: TRUMP TAJ MAHAL CASINO RESORT

STATEMENTS OF INCOME

THREE MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|--|--|------------|-------------|
| REVENUE: | | | |
| 1 | Casino..... | \$ 104,524 | \$ 100,918 |
| 2 | Rooms..... | 10,918 | 10,661 |
| 3 | Food and Beverage..... | 15,775 | 15,008 |
| 4 | Other..... | 4,022 | 3,009 |
| 5 | Total Revenue..... | 135,239 | 129,596 |
| 6 | Less: Promotional allowances..... NOTE 6..... | 16,103 | 14,433 |
| 7 | Net Revenue..... | 119,136 | 115,163 |
| COSTS AND EXPENSES: | | | |
| 8 | Cost of Goods and Services..... | 57,345 | 52,051 * |
| 9 | Selling, General and Administrative..... | 30,763 | 33,437 * |
| 10 | Provision for Doubtful Accounts..... | 1,989 | 2,226 |
| 11 | Depreciation and Amortization..... | 9,024 | 8,892 |
| Charges from Affiliates other than Interest: | | | |
| 12 | Management Fees..... NOTE 9..... | - | 2,253 |
| 13 | Other..... NOTE 9..... | 1,156 | 351 * |
| 14 | Total Costs and Expenses..... | 100,277 | 99,210 |
| 15 | Income (Loss) From Operations..... | 18,859 | 15,953 |
| Other Income (Expenses): | | | |
| 16 | Interest (Expenses) - Affiliates..... NOTE 3..... | (24,414) | (24,193) |
| 17 | Interest (Expenses) - External..... NOTE 3..... | (1,325) | (1,810) |
| 18 | Investment Alternative Tax and Related Income (Expense) - Net..... | (629) | (620) |
| 19 | Nonoperating Income (Expense) - Net..... NOTE 8..... | 258 | (5,598) |
| 20 | Total other Income (Expenses)..... | (26,110) | (32,221) |
| 21 | Income (Loss) Before Income Taxes and Extraordinary Items..... | (7,251) | (16,268) |
| 22 | Provision (Credit) for Income Taxes..... | - | - |
| 23 | Income (Loss) Before Extraordinary Items..... | (7,251) | (16,268) |
| 24 | Extraordinary Items (Net of Incomes Taxes)..... | - | - |
| 25 | Net Income (Loss)..... | \$ (7,251) | \$ (16,268) |

* Certain reclassifications have been made to the 1991 financial statement to conform to the 1992 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: TRUMP TAJ MAHAL CASINO RESORT

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992

UNAUDITED

(\$ IN THOUSANDS)

NOT APPLICABLE

| LINE | DESCRIPTION | 19 | | 19 | |
|------|---|------------|-------------|------------|-------------|
| | | (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..... | | | | |
| | Ending Stockholders' | | | | |
| 32 | 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 PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|--|--|------------|--------------|
| Invested Capital: | | | |
| 1 | Beginning Balance..... | \$ 123,745 | \$ 75,001 |
| 2 | Capital Contributions..... | 0 | 0 |
| 3 | ..... | 0 | 0 |
| 4 | Ending Balance..... | 123,745 | 75,001 |
| Accumulated Income (Loss): | | | |
| 5 | Beginning Balance..... | 44,072 | (144,441) |
| 6 | Prior Period Adjustments..... | 0 | 0 |
| 7 | Net Income (Loss)..... | (24,300) | (42,649) |
| 8 | ..... | 0 | 0 |
| 9 | Ending Balance..... | 19,772 | (187,090) |
| Capital Withdrawals: | | | |
| 10 | Beginning Balance..... | - | - |
| 11 | Additional Capital Withdrawals..... | - | - |
| 12 | Partnership Distribution..... NOTE 11..... | (914) | - |
| 13 | Ending Balance..... | (914) | 0 |
| Net Unrealized Loss On Noncurrent Marketable Equity Securities: | | | |
| 14 | Beginning Balance..... | - | - |
| 15 | ..... | - | - |
| 16 | ..... | - | - |
| 17 | Ending Balance..... | 0 | 0 |
| 18 | Ending Partners' or Proprietor's Equity..... | \$ 142,603 | \$ (112,089) |

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

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------|-----------|
| 1 | Net Cash Provided (Used) by Operating Activities..... | \$ 3,156 | \$ 20,085 |
| | Cash Flows from Investing Activities: | | |
| 2 | Purchase of Short-Term Investment Securities..... | - | - |
| 3 | Proceeds from the Sale of Short-Term Investment Securities..... | - | - |
| 4 | Purchase Outflows for Property and Equipment..... | (4,481) | 3,291 |
| 5 | Proceeds from Disposition of Property and Equipment..... | - | - |
| 6 | Purchase of Casino Reinvestment Obligations..... | (1,237) | (1,240) |
| 7 | Purchase of Other Investments and Loans/Advances Made..... | - | - |
| 8 | Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables..... | - | - |
| 9 | Cash Outflows to Acquire Business Entities..... | - | - |
| 10 | | - | - |
| 11 | | - | - |
| 12 | Net Cash Provided (Used) by Investing Activities..... | (5,718) | 2,051 |
| | Cash Flows from Financing Activities: | | |
| 13 | Cash Proceeds from Issuance of Short-Term Debt..... | - | - |
| 14 | Payments to Settle Short-Term Debt..... | - | - |
| 15 | Cash Proceeds from Issuance of Long-Term Debt..... | 8,000 | 0 |
| 16 | Costs of Issuing Debt..... | - | - |
| 17 | Payments to Settle Long-Term Debt..... | (5,345) | (292) |
| 18 | Cash Proceeds from Issuing Stock or Capital Contributions..... | - | - |
| 19 | Purchases of Treasury Stock..... | - | - |
| 20 | Payments of Dividends or Capital Withdrawals..... | - | - |
| 21 | Issuance of Additional Bonds..... | 8,844 | - |
| 22 | Partnership Distribution..... | (914) | 0 |
| 23 | Net Cash Provided (Used) by Financing Activities..... | 10,585 | (292) |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents..... | 8,023 | 21,844 |
| 25 | Cash and Cash Equivalents at Beginning of Period..... | 22,515 | 22,460 |
| 26 | Cash and Cash Equivalents at End of Period..... | \$ 30,538 | \$ 44,304 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|-----------|--------|
| | Cash Paid During Period for: | | |
| 27 | Interest (Net of Amount Capitalized)..... | \$ 36,775 | \$ 104 |
| 28 | Income Taxes..... | \$ - | \$ - |

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

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-------------|-------------|
| | Net Cash Flows from Operating Activities: | | |
| 29 | Net Income (Loss)..... | \$ (24,300) | \$ (42,649) |
| | Noncash Items Included in Income and Cash Items Excluded from Income: | | |
| 30 | Depreciation and Amortization of Property and Equipment..... | 18,134 | 17,988 |
| 31 | Amortization of Other Assets..... | - | - |
| 32 | Amortization of Debt Discount or Premium..... | 6,334 | 0 |
| 33 | Deferred Income Taxes - Current..... | - | - |
| 34 | Deferred Income Taxes - Noncurrent..... | - | - |
| 35 | (Gain) Loss on Disposition of Property and Equipment..... | - | - |
| 36 | (Gain) Loss on Casino Reinvestment Obligations..... | 36 | 620 |
| 37 | (Gain) Loss from Other Investment Activities..... | - | - |
| 38 | Net (Increase) Decrease in Receivables and Patrons' Checks..... | 2,380 | 1,015 |
| 39 | Net (Increase) Decrease in Inventories..... | 189 | 1,317 |
| 40 | Net (Increase) Decrease in Other Current Assets..... | (3,613) | (50) |
| 41 | Net (Increase) Decrease in Other Assets..... | (88) | (21) |
| 42 | Net Increase (Decrease) in Accounts Payables..... | 3,608 | (15,900) |
| 43 | Net Increase (Decrease) in Other Current Liabilities Excluding Debt..... | 2,023 | 57,765 |
| 44 | Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt..... | (2,278) | 0 |
| 45 | Net Increase in Notes Payable..... | - | - |
| 46 | Costs related to lease guarantees..... | 731 | 0 |
| 47 | Net Cash Provided (Used) by Operating Activities..... | \$ 3,156 | \$ 20,085 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|------------|------------|
| | Acquisition of Property and Equipment: | | |
| 48 | Additions to Property and Equipment..... | \$ (4,481) | \$ (3,291) |
| 49 | Less: Capital Lease Obligations Incurred..... | - | - |
| 50 | Cash Outflows for Property and Equipment..... | \$ (4,481) | \$ (3,291) |
| | Acquisition of Business Entities: | | |
| 51 | Property and Equipment Acquired..... | \$ N/A | \$ N/A |
| 52 | Goodwill Acquired..... | - | - |
| 53 | Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment..... | - | - |
| 54 | Long-Term Debt Assumed..... | - | - |
| 55 | Issuance of Stock or Capital Invested..... | - | - |
| 56 | Cash Outflows to Acquire Business Entities..... | \$ - | \$ - |
| | Stock Issued or Capital Contributions: | | |
| 57 | Total Issuances of Stock or Capital Contributions..... | \$ N/A | \$ N/A |
| 58 | Less: Issuances to Settle Long-Term Debt..... | - | - |
| 59 | Consideration in Acquisition of Business Entities..... | - | - |
| 60 | Cash Proceeds from Issuing Stock or Capital Contributions..... | \$ - | \$ - |

**TRUMP TAJ MAHAL CASINO RESORT
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 1992

(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation:

Trump Taj Mahal Associates was formed on June 23, 1988, as a New Jersey limited partnership. As part of the Plan of Reorganization, the Partnership was converted to a general partnership in December, 1990. The current partners and their respective ownership interests are Trump Taj Mahal, Inc. ("TTMI"), 49.995%, the Trump Taj Mahal Corporation ("Trump Corp."), .01%, and TM/GP Corporation ("TMGP"), the managing general partner, a wholly owned subsidiary of Taj Mahal Holding Corp. ("Holding") 49.995%.

Trump Taj Mahal Funding, Inc., (the "Company") is a wholly owned subsidiary of the Partnership and was incorporated on June 3, 1988 for the purpose of raising funds through the issuance of its 14% First Mortgage Bonds, Series A, due 1998 (the "Old Bonds"), the proceeds of which were loaned to the Partnership for construction of the Taj Mahal. The Old Bonds were subsequently exchanged for the Company's 11.35% Mortgage Bonds, Series A, due 1999 (the "New Bonds"), as more fully described in Note 3. Since the Company has no business operations, its ability to repay the principal and interest on the New Bonds is completely dependent on the operations of the Partnership.

The accompanying financial statements have been prepared by the Partnership without audit. In the opinion of the Partnership, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position, results of operations and changes in cash flows for the periods presented, have been made.

The casino industry in Atlantic City is seasonal in nature, therefore, results of operations for the three and six months ended June 30, 1992 are not necessarily indicative of the operating results for a full year.

Plan of Reorganization:

On July 16, 1991, the Company, the Partnership, and its general partners filed a voluntary petition for relief under chapter 11 of title 11, United States Code (the "Bankruptcy Code"). On July 17, 1991 these entities filed a Plan of Reorganization, as amended (the "Plan"). The Plan was confirmed by the Bankruptcy Court on August 28, 1991 and the Plan was consummated October 4, 1991 (the "Effective Date").

NOTE 1 - LONG TERM DEBT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pursuant to the terms of the Plan, the Company's 14% First Mortgage Bonds, Series A due 1998 (the "Old Bonds") were exchanged for the Company's 11.35% Mortgage Bonds, due 1999, (the "New Bonds") and certain modifications were made to the terms of bank borrowings, and amounts owed to both Donald J. Trump and his affiliates. In addition, approximately 50% of the ownership interest in the Partnership was transferred to the holders of the Old Bonds.

In accordance with AICPA Statement of Position 90-7, "Financial Reporting By Entities in Reorganization Under the Bankruptcy Code", the New Bonds when issued were stated at the present value of amounts to be paid. The effective interest rate of the New Bonds was determined based on the trading price of the New Bonds for a specific period. Stating the debt at its approximate present value resulted in a reduction of approximately \$204,276,000 in the carrying amount of the New Bonds. The gain is being offset by increased interest costs over the period of the New Bonds to accrete such bonds to their face value at maturity. At June 30, 1992 the unaccrued balance of this discount approximated \$195,000,000. The current interest rates of other borrowings approximated their stated interest rates as of the Effective Date.

NOTE 2 - PROPERTY AND EQUIPMENT

| | <u>1992</u> | <u>June 30,</u> <u>1991</u> |
|-----------------------------------|------------------|--------------------------------|
| | (in thousands) | |
| Land | \$ 37,291 | \$ 37,291 |
| Buildings | 636,585 | 629,925 |
| Furniture, fixtures and equipment | 140,965 | 135,592 |
| Leasehold improvements | <u>24,276</u> | <u>24,276</u> |
| Total | 839,117 | 827,084 |
| Less Accumulated Depreciation | <u>(86,635)</u> | <u>(50,542)</u> |
| Net Property and Equipment | <u>\$752,482</u> | <u>\$776,542</u> |

NOTE 3 - LONG TERM DEBT

Long term debt consisted of the following at June 30:

| | <u>1992</u> | <u>1991</u> |
|---|---------------------------|------------------|
| | (in thousands) | |
| <u>Long-term Portion</u> | | |
| Due to affiliates: | | |
| Trump Taj Mahal Funding, Inc. | \$738,302 | \$ - |
| Unamortized discount | <u>(195,000)</u> | <u>-</u> |
| Net | <u>\$543,302</u> | <u>\$ -</u> |
| Other: | | |
| Bank term loan | \$ 45,379 | \$ - |
| Working Capital line of credit | 3,000 | - |
| Other | <u>183</u> | <u>577</u> |
| Total other | <u>\$ 48,562</u> | <u>\$ 577</u> |
| <u>Current Portion</u> | | |
| Due to affiliates: | | |
| Trump Taj Mahal Funding, Inc. | \$ - | \$675,000 |
| Trump line of credit | <u>-</u> | <u>25,000</u> |
| | <u>\$ -</u> | <u>\$700,000</u> |
| Other: | | |
| Bank term loan | \$ 153 | \$ 44,668 |
| Other | <u>399</u> | <u>555</u> |
| Total other | <u>\$ 552</u> | <u>\$ 45,223</u> |
| | Six months ended June 30, | |
| | <u>1992</u> | <u>1991</u> |
| | (in thousands) | |
| <u>Interest Expense Affiliates</u> | | |
| Trump Taj Mahal Funding, Inc. | \$ 41,482 | \$ 47,250 |
| Accretion - bond discount | 6,334 | - |
| Trump line of credit | - | 1,135 |
| Accretion - lease guarantee | <u>731</u> | <u>-</u> |
| Total | <u>\$ 48,547</u> | <u>\$ 48,385</u> |
| <u>Interest Expense External</u> | | |
| Bank term loan | \$ 2,160 | \$ 2,221 |
| Other | 62 | 1,428 |
| Working Capital line of credit | <u>406</u> | <u>-</u> |
| Total | <u>\$ 2,628</u> | <u>\$ 3,649</u> |

NOTE 3 - LONG TERM DEBT (continued)

| | Three months ended June 30, | |
|---|-----------------------------|------------------|
| | <u>1992</u> | <u>1991</u> |
| | (in thousands) | |
| <u>Interest Expense Affiliates</u> | | |
| Trump Taj Mahal Funding, Inc. | \$ 20,784 | \$ 23,625 |
| Accretion - bond discount | 3,258 | - |
| Trump line of credit | - | 568 |
| Accretion - lease guarantee | <u>372</u> | <u>-</u> |
| Total | <u>\$ 24,414</u> | <u>\$ 24,193</u> |
| <u>Interest Expense External</u> | | |
| Bank term loan | \$ 1,079 | \$ 1,138 |
| Other | 19 | 672 |
| Working Capital line of credit | <u>227</u> | <u>-</u> |
| Total | <u>\$ 1,325</u> | <u>\$ 1,810</u> |

Borrowings:

The New Bonds bear interest at 11.35% per annum payable semi-annually on May 15 and November 15. Interest on the New Bonds must be paid in cash on each interest-payment date at the rate of 9.375% per annum (the "Mandatory Cash Interest Amount"). In addition to the Mandatory Cash Interest Amount, on each May 15, an additional amount of interest (the "Additional Amount") in cash or additional New Bonds, or a combination thereof, is payable equal to the difference between 11.35% of the outstanding principal amount of the New Bonds and the Mandatory Cash Interest Amount paid on that date and the immediately preceding November 15. To the extent that there is Excess Available Cash Flow ("EACF") of the Partnership, as defined, for the immediately preceding calendar year, the Company will pay the Additional Amount in cash up to 10.28% and the balance thereof may be paid at the option of the Company in cash or additional New Bonds provided that an equivalent amount of cash is used to purchase or redeem New Bonds. For the period from the Effective Date through December 31, 1991, there was no EACF. Accordingly, the Company has satisfied the Additional Amount on May 15, 1992 through the issuance of approximately \$8,844,000 in additional New Bonds.

In November 1991, the Partnership obtained a working capital line of credit in the amount of \$25,000,000 with a maturity of five years. Interest on advances under the line is at prime plus 4% with a minimum of 9% per annum. The Agreement provides for a 1% annual fee and a 3/4% unused line fee and contains various covenants during the term of the facility. During 1992, \$8,000,000 was borrowed against the line, of which \$3,000,000 was outstanding at June 30, 1992.

NOTE 4 - OTHER ACCRUED EXPENSES AND PROMOTIONAL EXPENSE

| | Six Months ended June 30, 1992 | June 30, | |
|---------------------------|--------------------------------|------------------|------------------|
| | | 1992 | 1991 |
| | | (in thousands) | |
| Accrued CRDA obligation | | \$ 2,921 | \$ - |
| Accrued interest | | 8,715 | 113,346 |
| Accrued payroll & related | | 10,510 | 12,181 |
| Progressive jackpot | | 2,403 | 3,530 |
| Real estate taxes | | 2,271 | - |
| Other | | ** 10,971 | ** 9,858 |
| Total | | <u>\$ 37,791</u> | <u>\$138,915</u> |

** None of the individual components of Other exceed 5% of the total.

NOTE 5 - OTHER CURRENT LIABILITIES

| | | June 30, | |
|------------------------------|--|-----------------|------------------|
| | | 1992 | 1991 |
| | | (in thousands) | |
| Advanced deposits | | \$ 679 | \$ - |
| Unredeemed chip liability | | 1,496 | 951 |
| Insurance reserves | | 2,516 | 3,050 |
| Other | | <u>668</u> | <u>1,669</u> |
| | | 5,359 | 5,670 |
| Affiliates: | | | |
| Trump Taj Mahal Realty Corp. | | - | 2,152 |
| Trump's Castle Associates | | 247 | 162 |
| Trump Plaza Associates | | (323) | (181) |
| Helicopter Air Service | | (43) | (43) |
| Donald J. Trump | | 145 | - |
| Trump Hotel Management Corp. | | <u>-</u> | <u>20,662</u> |
| Other | | <u>26</u> | <u>22,752</u> |
| Total | | <u>\$ 5,385</u> | <u>\$ 28,422</u> |

NOTE 6 - PROMOTIONAL ALLOWANCE AND PROMOTIONAL EXPENSE

Six Months ended June 30, 1992

| | <u>PROMOTIONAL ALLOWANCES</u> | | <u>PROMOTIONAL EXPENSE</u> | |
|--------------------|----------------------------------|---|----------------------------------|--|
| | <u># OF</u> <u>RECIPIENTS</u> | <u>DOLLAR</u> <u>AMOUNTS</u> (in thousands) | <u># OF</u> <u>RECIPIENTS</u> | <u>DOLLARS</u> <u>AMOUNTS</u> (in thousands) |
| Rooms | 85,679 | \$11,168 | | \$ |
| Food | 607,902 | 8,227 | | |
| Beverage | 2,244,082 | 4,285 | | |
| Travel | | | 14,719 | 2,021 |
| Coupon Food | 422,027 | 4,456 | | |
| Admissions | 64,924 | 1,373 | | |
| Other | 29,698 | 467 | | |
| Gifts | | | 2,632 | 136 |
| Coin | | | 1,331,109 | 17,428 |
| Cage Disbursements | | | 1,593 | 1,441 |
| Theater - outside | | | 9,782 | 209 |
| Outside Limo | | | 33,159 | 1,089 |
| Other | | | 2,991 | 627 |
| Total | <u>3,454,312</u> | <u>\$29,976</u> | <u>1,395,985</u> | <u>\$22,951</u> |

Three Months ended June 30, 1992

| | <u>PROMOTIONAL ALLOWANCES</u> | | <u>PROMOTIONAL EXPENSE</u> | |
|--------------------|----------------------------------|---|----------------------------------|--|
| | <u># OF</u> <u>RECIPIENTS</u> | <u>DOLLAR</u> <u>AMOUNTS</u> (in thousands) | <u># OF</u> <u>RECIPIENTS</u> | <u>DOLLARS</u> <u>AMOUNTS</u> (in thousands) |
| Rooms | 44,859 | \$ 6,052 | | \$ |
| Food | 311,611 | 4,219 | | |
| Beverage | 1,157,819 | 2,184 | | |
| Travel | | | 7,191 | 982 |
| Coupon Food | 262,684 | 2,821 | | |
| Admissions | 34,589 | 568 | | |
| Other | 14,710 | 259 | | |
| Gifts | | | 1,621 | 69 |
| Coin | | | 732,052 | 9,572 |
| Cage Disbursements | | | 894 | 845 |
| Theater - outside | | | 7,883 | 127 |
| Outside Limo | | | 17,621 | 546 |
| Other | | | 1,509 | 350 |
| Total | <u>1,826,272</u> | <u>\$16,103</u> | <u>768,771</u> | <u>\$12,491</u> |

NOTE 7 - OTHER LIABILITIES

Other liabilities at June 30, consisted of the following (in thousands):

| | <u>1992</u> | <u>1991</u> |
|------------------------------|-----------------|----------------|
| | (in thousands) | (in thousands) |
| Deferred taxes | \$ 7,155 | \$ 7,511 |
| Insurance reserves | 1,837 | - |
| Accrued interest - Long Term | 1,822 | - |
| Accounts payable - Long Term | 1,881 | 3,313 |
| Lease guarantee | 10,180 | - |
| Other | <u>1,537</u> | <u>-</u> |
| | <u>\$24,412</u> | <u>\$ -</u> |

NOTE 8 - NON-OPERATING INCOME (EXPENSE)

| | Six months ended June 30, | |
|---------------------|---------------------------|-------------------|
| | <u>1992</u> | <u>1991</u> |
| | (in thousands) | |
| Litigation expense | \$ - | \$ (1,750) |
| Restructuring costs | - | (7,673) |
| Interest Income | <u>511</u> | <u>524</u> |
| | <u>\$ 511</u> | <u>\$ (8,899)</u> |

| | Three months ended June 30, | |
|--|-----------------------------|-------------|
| | <u>1992</u> | <u>1991</u> |
| | (in thousands) | |

| | | |
|---------------------|---------------|-------------------|
| Litigation expense | \$ - | \$ (1,750) |
| Restructuring costs | - | (4,143) |
| Interest Income | <u>258</u> | <u>295</u> |
| | <u>\$ 258</u> | <u>\$ (5,598)</u> |

| | Three and six months ended June 30, | |
|----------------------------------|-------------------------------------|-----------------|
| | <u>1992</u> | <u>1991</u> |
| Motor vehicles - jackpot payouts | <u>2,87,870</u> | <u>2,87,870</u> |

NOTE 9 - CHARGES FROM AFFILIATES

Casino License Renewal

| | Three months ended June 30, | |
|--------------------------|-----------------------------|-----------------|
| | <u>1992</u> | <u>1991</u> |
| | (in thousands) | |
| Management Fees | <u>\$ 0</u> | <u>\$ 2,253</u> |
| Other: | | |
| Rent | \$ 682 | \$ 313 |
| Allocated salaries | 98 | 38 |
| Trump Services Agreement | <u>376</u> | <u>-</u> |
| | <u>\$ 1,156</u> | <u>\$ 351</u> |

On April 6, 1992, the CCC renewed the casino license of the Partnership through April 26, 1993 subject to certain continuing reporting and compliance conditions.

Legal Proceedings

| | Six months ended June 30, | |
|------------------------------|---------------------------|-----------------|
| | <u>1992</u> | <u>1991</u> |
| | (in thousands) | |
| Management Fees | <u>\$ 0</u> | <u>\$ 4,179</u> |
| Other: | | |
| Rent | \$ 1,363 | \$ 762 |
| Allocated salaries | 184 | 58 |
| Trump Services Agreement | 615 | - |
| Trump Hotel Management Corp. | <u>-</u> | <u>-</u> |
| | <u>\$ 2,162</u> | <u>\$ 820</u> |

NOTE 10 - JACKPOT PAYOUTS IN MERCHANDISE

The Company purchased motor vehicles to be used as jackpot payouts. These motor vehicles were accounted for as operating expenses of the Slot Department which are included in the accompanying statements of income as costs of goods and services.

| | Three and six months ended June 30, | |
|----------------------------------|-------------------------------------|-------------|
| | <u>1992</u> | <u>1991</u> |
| Motor vehicles - jackpot payouts | <u>\$ 87,830</u> | <u>\$ 0</u> |

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Casino License Renewal:

The Company and the Partnership are subject to regulation and licensing by the New Jersey Casino Control Commission (the "CCC"). The Partnership's casino license must be renewed periodically, is not transferable, is dependent upon the financial stability of the Partnership and can be revoked at anytime. Due to the uncertainty of any license renewal application, there can be no assurance that the license will be renewed. Upon revocation, suspension for more than 120 days, or failure to renew the casino license due to the Partnership's financial condition or for any other reason, the Casino Control Act provides for the mandatory appointment of a conservator to take possession of the hotel and casino's business and property, subject to all valid liens, claims and encumbrances.

On April 6, 1992, the CCC renewed the casino license of the Partnership through April 26, 1993 subject to certain continuing reporting and compliance conditions.

Legal Proceedings

The Partnership, its Partners, certain of its employees and the Company are involved in various legal proceedings incurred in the normal course of business, including certain claims initiated in the Bankruptcy Court. In the opinion of the Partnership and its counsel, the expected disposition of these proceedings would not have a material effect on the Partnership's or the Company's financial condition.

Partnership Distribution:

The Partnership is obligated to reimburse Holding for its operating expenses which consist of directors and officers liability insurance, board of director fees and expenses, and administrative expenses. Total expenses for the three and six months ended June 30, 1992 approximated \$513,000 and \$914,000 respectively.

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

STATEMENT OF RECEIVABLES AND PATRONS' CHECKS

STATE OF NEW JERSEY
COUNTY OF ATLANTIC

JUNE 30, 1992

(UNAUDITED)
(\$ IN THOUSANDS)

| ACCOUNTS RECEIVABLE BALANCE | | | | |
|-----------------------------|--|------------------------|------------------|--|
| LINE (a) | DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE- NET OF ALLOWANCE (e) |
| Patrons' Checks: | | | | |
| 1 | Undeposited Patrons' Checks..... | \$ 9,152 | | |
| 2 | Returned Patrons' Checks..... | 8,160 | | |
| 3 | Total Patrons' Checks..... | 17,312 | \$ (5,154) | \$ 12,158 |
| 4 | Hotel Receivables..... | 2,593 | (396) | 2,197 |
| Other Receivables: | | | | |
| 5 | Receivables Due From Officers and Employees..... | 0 | | |
| 6 | Receivables Due From Affiliates..... | 0 | | |
| 7 | Other Accounts and Notes Receivables..... | 338 | | |
| 8 | Total Other Receivables..... | 338 | 0 | 338 |
| 9 | Totals (Form 205)..... | \$ 20,243 | \$ (5,550) | \$ 14,693 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|--------------------------------------|---|---------------|
| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
| 10 | Beginning Balance (January 1)..... | \$ 8,945 |
| 11 | Counter Checks Issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)..... | 135,194 |
| 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)..... | (101,016) |
| 13 | Checks Collected Through Deposits..... | (26,276) |
| 14 | Checks Transferred to Returned Checks..... | (7,694) |
| 15 | Other Adjustments..... | 0 |
| 16 | Ending Balance..... | \$ 9,153 |
| 17 | "Hold" Checks Included in Balance on Line 16..... | \$ 0 |
| 18 | Provision for Uncollectible Patrons' Checks..... | \$ 3,729 |
| 19 | Provision as a Percent of Counter Checks Issued..... | 2.8% |

QUARTERLY REPORT

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :

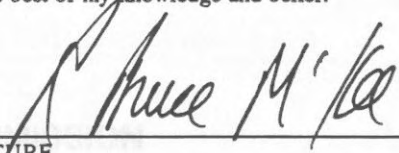
LICENSEE: TRUMP REALTY :SS. REALTY & CASINO

COUNTY OF ATLANTIC :

ADDRESS: MISSISSIPPI AVENUE & BOARDWALK
ATLANTIC CITY, NJ 08401

R. BRUCE MCKEE , being duly sworn according to law upon my oath deposes and says:
NAME

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

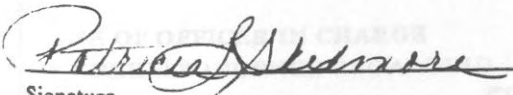

SIGNATURE

Vice President - Finance
TITLE

0548-11
LICENSE NUMBER

Subscribed and Sworn to before me
this 14th day of August, 1992.

On Behalf Of:


Signature

Trump Taj Mahal Associates
Casino Licensee

PATRICIA L. SKIDMORE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires August 23, 1996
Basis of Authority
to Take Oaths

FRANCIS X. MCCOY
SENIOR VICE PRESIDENT OF FINANCE & ADMINISTRATION
MISSISSIPPI AVENUE & BOARDWALK
ATLANTIC CITY, NJ 08401

QUARTERLY REPORT

974.901
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NEW JERSEY STATE LIBRARY

AUG 28 1992

LICENSEE: TRUMP PLAZA HOTEL & CASINO
TRENTON, N.J.

ADDRESS: MISSISSIPPI AVENUE & BOARDWALK
ATLANTIC CITY, NJ 08401

FOR THE QUARTER ENDED JUNE 30, 1992

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

RECEIVED
NEW JERSEY
AUG 14, 1992 Rec'd
CASINO CONTROL
COMMISSION

NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING

THIS QUARTERLY REPORT.....FRANCIS X. MCCARTHY, JR

OFFICIAL TITLE.....SENIOR VICE PRESIDENT OF FINANCE & ADMINISTRATION

ADDRESS.....MISSISSIPPI AVENUE & BOARDWALK
ATLANTIC CITY, NJ 08401

TRADING NAME OF LICENSEE: TRUMP PLAZA HOTEL & CASINO

LIST OF FORMS – QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 1992

| (a) | (b) DESCRIPTION | (c) 1992 | (d) 1991 |
|--|--|------------|------------|
| | ASSETS | | |
| | Current Assets: | | |
| | Cash..... | \$ 9,733 | \$ 7,047 |
| | Marketable securities..... | - | - |
| TITLE | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$20,608; 1991, \$21,437)..... | 12,325 | 13,357 |
| Balance Sheets | Prepaid expenses and other current assets..... NOTE 2 | 3,949 | 5,391 |
| | Property and Equipment - Net..... NOTE 4 | 301,375 | 311,073 |
| Statements of Income (Three Months) | | 38,857 | |
| Statements of Income (Year-to-Date) | | 8,418 | |
| Statements of Changes in Partners' or Proprietor's Equity | | 32,504 | |
| Statements of Cash Flows | | \$ 309,150 | \$ |
| Notes to Financial Statements | | | |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| Schedule of Receivables and Patron Checks | Notes Payable..... | \$ 934 | \$ 1,056 |
| Statement of Conformity and Accuracy | Due to affiliates..... NOTE 8 | - | 25,360 |
| | Other..... NOTE 9 | 8,970 | 9,521 |
| | Income taxes payable and accrued..... | - | - |
| | Other accrued expenses..... NOTE 8 | 24,583 | 23,582 |
| | Other current liabilities..... NOTE 7 | 7,035 | 8,330 |
| | Total current liabilities..... | 60,542 | 74,529 |
| | Long-Term Debt: | | |
| | Due to affiliates..... NOTE 8 | 206,800 | 206,800 |
| | Other..... NOTE 9 | 21,921 | 37,712 |
| | Deferred Credits..... NOTE 10 | 840 | 2,883 |
| | Other Liabilities..... NOTE 14 | 67,814 | - |
| | Commitments and Contingencies..... NOTE 16 | - | - |
| | Total Liabilities..... | 357,117 | 318,224 |
| | Stockholders', Partners', or Proprietor's Equity..... | 11,334 | 67,282 |
| | Total Liabilities and Equity..... | \$ 368,451 | \$ 385,506 |

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 SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|------------------------------------|---|------------|------------|
| ASSETS | | | |
| Current Assets: | | | |
| 1 | Cash..... | \$ 9,723 | \$ 7,047 |
| 2 | Marketable securities..... | - | - |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 1992, \$20,688; 1991, \$21,032)..... | 12,225 | 13,037 |
| 4 | Inventories..... | 2,916 | 3,035 |
| 5 | Prepaid expenses and other current assets.....NOTE 2..... | 3,993 | 5,531 |
| 6 | Total current assets..... | 28,857 | 28,650 |
| 7 | Investments, Advances, and Receivables.....NOTE 3..... | 5,418 | 6,220 |
| 8 | Property and Equipment - Net.....NOTE 4..... | 301,979 | 311,073 |
| 9 | Other Assets.....NOTE 5..... | 32,904 | 38,287 |
| 10 | Total Assets..... | \$ 369,158 | \$ 384,230 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities: | | | |
| 11 | Accounts Payable..... | \$ 7,418 | \$ 9,724 |
| 12 | Notes Payable..... | 934 | 1,056 |
| Current portion of long-term debt: | | | |
| 13 | Due to affiliates.....NOTE 8..... | - | 25,000 |
| 14 | Other.....NOTE 9..... | 8,970 | 9,521 |
| 15 | Income taxes payable and accrued..... | - | - |
| 16 | Other accrued expenses.....NOTE 6..... | 24,883 | 22,592 |
| 17 | Other current liabilities.....NOTE 7..... | 7,835 | 8,630 |
| 18 | Total current liabilities..... | 50,040 | 76,523 |
| Long-Term Debt: | | | |
| 19 | Due to affiliates.....NOTE 8..... | 225,000 | 200,000 |
| 20 | Other.....NOTE 9..... | 24,621 | 37,712 |
| 21 | Deferred Credits.....NOTE 10..... | 349 | 2,053 |
| 22 | Other Liabilities.....NOTE 14..... | 57,814 | - |
| 23 | Commitments and Contingencies.....NOTE 15..... | - | - |
| 24 | Total Liabilities..... | 357,824 | 316,288 |
| 25 | Stockholders', Partners', or Proprietor's Equity..... | 11,334 | 67,942 |
| 26 | Total Liabilities and Equity..... | \$ 369,158 | \$ 384,230 |

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 JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-------------|------------|
| | Revenue: | | |
| 1 | Casino..... | \$ 67,021 | \$ 55,799 |
| 2 | Rooms..... | 7,352 | 6,627 |
| 3 | Food and beverage..... | 11,426 | 10,256 |
| 4 | Other..... | 2,046 | 1,779 |
| 5 | Total revenue..... | 87,845 | 74,461 |
| 6 | Less: Promotional allowances.....NOTE 11.. | 10,058 | 7,985 |
| 7 | Net revenue..... | 77,787 | 66,476 |
| | Costs and Expenses: | | |
| 8 | Costs of goods and services..... | 42,377 | 37,212 |
| 9 | Selling, general, and administrative..... | 21,296 | 18,946 |
| 10 | Provision for doubtful accounts..... | (82) | 1,069 |
| 11 | Depreciation and amortization..... | 3,981 | 4,082 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees..... | 208 | - |
| 13 | Other..... | 523 | 2,185 |
| 14 | Total costs and expenses..... | 68,303 | 63,494 |
| 15 | Income (Loss) from Operations..... | 9,484 | 2,982 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates.....NOTE 12.. | (6,978) | (7,913) |
| 17 | Interest (expense) - external..... | (1,121) | (721) |
| 18 | Investment alternative tax and related income (expense) - net..... | (728) | (577) |
| 19 | Nonoperating income (expense) - net.....NOTE 13.. | (2,460) | 394 |
| 20 | Total other income (expense)..... | (11,287) | (8,817) |
| 21 | Income (Loss) before Income Taxes and Extraordinary Items.. | (1,803) | (5,835) |
| 22 | Provision (credit) for income taxes.....NOTE 16.. | (198) | (508) |
| 23 | Income (Loss) before Extraordinary Items..... | (1,605) | (5,327) |
| 24 | Extraordinary items (net of income taxes - 1992, \$ - ; 1991, \$ -).....NOTE 15.. | (38,205) | - |
| 25 | Net Income (Loss)..... | \$ (39,810) | \$ (5,327) |

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 SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|---|-------------|-------------|
| | Revenue: | | |
| 1 | Casino..... | \$ 133,419 | \$ 111,437 |
| 2 | Rooms..... | 12,966 | 12,301 |
| 3 | Food and beverage..... | 22,219 | 20,764 |
| 4 | Other..... | 4,092 | 3,609 |
| 5 | Total revenue..... | 172,696 | 148,111 |
| 6 | Less: Promotional allowances.....NOTE 11.. | 19,491 | 17,736 |
| 7 | Net revenue..... | 153,205 | 130,375 |
| | Costs and Expenses: | | |
| 8 | Costs of goods and services..... | 81,886 | 73,768 |
| 9 | Selling, general, and administrative..... | 41,081 | 40,375 |
| 10 | Provision for doubtful accounts..... | 2,075 | 2,861 |
| 11 | Depreciation and amortization..... | 8,141 | 8,038 |
| | Charges from affiliates other than interest: | | |
| 12 | Management fees..... | 208 | - |
| 13 | Other..... | 1,057 | 4,315 |
| 14 | Total costs and expenses..... | 134,448 | 129,357 |
| 15 | Income (Loss) from Operations..... | 18,757 | 1,018 |
| | Other Income (Expenses): | | |
| 16 | Interest (expense) - affiliates.....NOTE 12.. | (14,220) | (15,960) |
| 17 | Interest (expense) - external..... | (2,369) | (1,350) |
| 18 | Investment alternative tax and related income (expense) - net..... | (1,410) | (1,145) |
| 19 | Nonoperating income (expense) - net.....NOTE 13.. | (4,649) | 567 |
| 20 | Total other income (expense)..... | (22,648) | (17,888) |
| 21 | Income (Loss) before Income Taxes and Extraordinary Items.. | (3,891) | (16,870) |
| 22 | Provision (credit) for income taxes.....NOTE 16.. | (380) | (1,539) |
| 23 | Income (Loss) before Extraordinary Items..... | (3,511) | (15,331) |
| 24 | Extraordinary items (net of income taxes - 1992, \$ - ; 1991, \$ -).....NOTE 15.. | (38,205) | - |
| 25 | Net Income (Loss)..... | \$ (41,716) | \$ (15,331) |

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 SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|------------------|------------------|
| | Invested Capital: | | |
| 1 | Beginning balance (January 1)..... | \$ 50,707 | \$ 50,707 |
| 2 | Additional capital invested..... | - | - |
| 3 | ..... | - | - |
| 4 | Ending balance..... | 50,707 | 50,707 |
| | Accumulated Income (Loss): | | |
| 5 | Beginning balance (January 1)..... | 50,511 | 79,741 |
| 6 | Prior period adjustments..... | - | - |
| 7 | Net income (loss)..... | (41,716) | (15,331) |
| 8 | ..... | - | - |
| 9 | Ending balance..... | 8,795 | 64,410 |
| | Capital Withdrawals: | | |
| 10 | Beginning balance (January 1)..... | (47,175) | (47,175) |
| 11 | Additional capital withdrawals..... | - | - |
| 12 | Preferred Partnership Interest Distribution..... | (993) | - |
| 13 | Ending balance..... | (48,168) | (47,175) |
| | 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..... | \$ 11,334 | \$ 67,942 |

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

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|-----------|----------|
| 1 | Net Cash Provided (Used) by Operating Activities | \$ 10,312 | \$ 1,605 |
| | Cash Flows from Investing Activities: | | |
| 2 | Purchase of short-term investment securities..... | - | - |
| 3 | Proceeds from the sale of short-term invest. securities..... | - | - |
| 4 | Cash outflows for property and equipment..... | (2,843) | (2,127) |
| 5 | Proceeds from disposition of property and equipment..... | 34 | 56 |
| 6 | Purchase of casino reinvestment obligations..... | (397) | (324) |
| 7 | Purchase of other investments and loans/advances made.... | (2,231) | (288) |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables..... | - | - |
| 9 | Cash outflows to acquire business entities..... | - | - |
| 10 | Casino Reinvestment Obligation Donation..... | 312 | - |
| 11 | Accrued dividends..... | 623 | - |
| 12 | Net Cash Provided (Used) by Investing Activities..... | (4,502) | (2,683) |
| | Cash Flows from Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt..... | 1,523 | 1,056 |
| 14 | Payments to settle short-term debt..... | (985) | (53) |
| 15 | Cash proceeds from issuance of long-term debt..... | 25,052 | 25,000 |
| 16 | Costs of issuing debt..... | - | - |
| 17 | Payments to settle long-term debt..... | (31,207) | (27,883) |
| 18 | Cash proceeds from issuing stock or capital contribution..... | - | - |
| 19 | Purchases of treasury stock..... | - | - |
| 20 | Payments of dividends or capital withdrawals..... | - | - |
| 21 | Increase preferred partnership interest distribution..... | (993) | - |
| 22 | Preferred stock accretion..... | 48 | - |
| 23 | Net Cash Provided (Used) by Financing Activities..... | (6,562) | (1,880) |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents..... | (752) | (2,958) |
| 25 | Cash and Cash Equivalents at Beginning of Period..... | 10,475 | 10,005 |
| 26 | Cash and Cash Equivalents at End of Period..... | \$ 9,723 | \$ 7,047 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|---|-----------|-----------|
| | Cash Paid During Period For: | | |
| 27 | Interest (net of amount capitalized)..... | \$ 15,614 | \$ 17,339 |
| 28 | Income taxes..... | \$ - | \$ - |

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

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | (c) 1992 | (d) 1991 |
|-------------|--|------------------|-----------------|
| | Net Cash Flows from Operating Activities: | | |
| 29 | Net income (loss)..... | \$ (41,716) | \$ (15,331) |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property & equipment.... | 7,698 | 7,592 |
| 31 | Amortization of other assets..... | 443 | 446 |
| 32 | Amortization of debt discount or premium..... | - | - |
| 33 | Deferred income taxes - current..... | - | - |
| 34 | Deferred income taxes - noncurrent..... | (380) | (1,475) |
| 35 | (Gain) loss on disposition of property and equipment..... | (34) | 1 |
| 36 | (Gain) loss on casino reinvestment obligation..... | 1,410 | 1,145 |
| 37 | (Gain) loss from other investment activities..... | - | - |
| 38 | Net (increase) decrease in receivables and patrons' checks..... | 419 | 4,740 |
| 39 | Net (increase) decrease in inventories..... | (15) | 66 |
| 40 | Net (increase) decrease in other current assets..... | (713) | (881) |
| 41 | Net (increase) decrease in other assets..... | 208 | (501) |
| 42 | Net (increase) decrease in accounts payable..... | 155 | 1,820 |
| 43 | Net (increase) decrease in other current liabilities excluding debt..... | 4,287 | 3,983 |
| 44 | | - | - |
| 45 | Extraordinary Loss..... | 38,205 | - |
| 46 | Increase in distribution payable to Funding..... | 345 | - |
| 47 | Net Cash Provided (Used) by Operating Activities..... | \$ 10,312 | \$ 1,605 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|---|-------------------|-------------------|
| | Acquisition of Property and Equipment: | | |
| 48 | Additions to property and equipment..... | \$ (2,843) | \$ (2,127) |
| 49 | Less: Capital lease obligations incurred..... | - | - |
| 50 | Cash Outflows for Property and Equipment..... | \$ (2,843) | \$ (2,127) |
| | Acquisition of Business Entities: | | |
| 51 | Property and equipment acquired..... | \$ - | \$ - |
| 52 | Goodwill acquired..... | - | - |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment..... | - | - |
| 54 | Long-term debt assumed..... | - | - |
| 55 | Issuance of stock or capital invested..... | - | - |
| 56 | Cash Outflows to Acquire Business Entities..... | \$ - | \$ - |
| | Stock Issued or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contribution..... | \$ 993 | \$ - |
| 58 | Less: Issuances to settle long-term debt..... | (993) | - |
| 59 | Consideration in acquisition of business entities..... | - | - |
| 60 | Cash Proceeds from Issuing Stock or Capital Contributions.... | \$ - | \$ - |

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Trump Plaza Associates, (the "Company"), doing business as Trump Plaza Hotel and Casino ("Trump Plaza") was organized in June 1982 as a general partnership under the laws of the State of New Jersey for the purpose of acquiring, completing the construction of and operating Trump Plaza. In return for the proceeds of the 12 7/8% First Mortgage Bonds (the "Old Bonds"), the Company issued a promissory note (the "Old Partnership Note") to Trump Plaza Funding, Inc. ("TPF") in a principal amount equal to the aggregate principal amount of the Old Bonds and with similar payment terms. In addition, the Company directly guaranteed the payment of the principal of, premium, if any, and interest on the Old Bonds (the "Old Guaranty"). As part of a prepackaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code (the "Plan") consummated on May 29, 1992 (the "Effective Date") the Old Partnership Note and the Old Guaranty were discharged, and the Company issued a new promissory note (the "Partnership Note") and a new guaranty (the "Guaranty") to reflect the terms of the 12% Mortgage Notes (the "New Bonds"). See Note 1B - Plan of Reorganization.

B. Plan of Reorganization

On March 9, 1992, the Company filed the Plan under Chapter 11 of the United States Bankruptcy Code of 1978, as amended. The Plan was confirmed by order of the United States Bankruptcy Court for the District of New Jersey on April 30, 1992, and consummated on May 29, 1992.

On May 29, 1992, each \$1,000 principal amount of the Old Bonds and 11% Notes ("Notes") was exchanged for \$900 principal amount of New Bonds, twelve shares of 9.34% Participating Cumulative Redeemable Preferred Stock, with a liquidation value of \$25.00 per share (the "Preferred Stock") and twelve shares of Common Stock, par value \$.00001 per share (the "Common Stock"). Each share of Preferred Stock trades as a unit with one share of Common Stock, such shares are transferable only as a unit. See Note 14 - Other Liabilities. The New Bonds mature on September 15, 2002 and are not subject to any sinking fund requirement. The Company is required to redeem all outstanding shares of the Preferred Stock on September 15, 2004 at \$25 per share.

The Plan resulted in the exchange of \$250,000,000 of Old Bonds and Notes for \$225,000,000 of New Bonds and \$75,000,000 of Preferred Stock. In accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code", the New Bonds and Preferred Stock have been stated at the present value of amounts to be paid, determined at current interest rates (effective rate of approximately 12% and 13%, respectively). The effective interest rate of the New Bonds and Preferred Stock was determined based on the trading price for a specified period subsequent to issuance. Stating the New Bonds and Preferred Stock at their approximate present value of \$225,000,000 and \$57,750,000, respectively, resulted in an extraordinary loss of approximately \$32,750,000.

On the Effective Date, the Company entered into a services agreement with Trump Plaza Management Corp. ("TPM"), a corporation beneficially owned by Donald J. Trump (the "Services Agreement"). The Services Agreement provides that TPM will provide to the Company, from time to time when reasonably requested, consulting and other

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS

B. Plan of Reorganization, cont.

services on a non-exclusive basis, relating to marketing, advertising, promotional and other similar and related services (the "Services") with respect to the business and operations of the Company. TPM is not required to devote any prescribed amount of time to the performance of its duties. In consideration for the Services, the Company pays TPM each year an annual fee of \$1,000,000 in equal monthly installments, and reimburses TPM on a monthly basis for all reasonable out-of-pocket expenses incurred by TPM in performing its obligations under the Services Agreement, up to certain aggregate amounts.

NOTE 2: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|----------------------------------|--------------------|--------------------|
| Prepaid taxes | \$ 866,000 | \$ 819,000 |
| Prepaid insurance | 1,421,000 | 1,307,000 |
| Prepaid air transportation costs | 36,000 | 93,000 |
| Prepaid rent | 219,000 | 171,000 |
| Prepaid advertising costs | 312,000 | 108,000 |
| Prepaid special event costs | 52,000 | 41,000 |
| Prepaid CRDA expense | 66,000 | 2,332,000 |
| Prepaid service contracts | 130,000 | 151,000 |
| Prepaid sewerage costs | 305,000 | 268,000 |
| Prepaid entertainment | 125,000 | - |
| Other | <u>461,000</u> | <u>241,000</u> |
| | <u>\$3,993,000</u> | <u>\$5,531,000</u> |

NOTE 3: INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--|--------------------|--------------------|
| Advances due from - | | |
| Trump Seashore Associates | \$1,291,000 | \$1,362,000 |
| The Trump Organization | - | 14,000 |
| Trump Taj Mahal Associates | 900,000 | - |
| Trump Crystal Tower Associates | 363,000 | - |
| Helicopter Air Services, Inc. | - | 357,000 |
| Trump Sports & Entertainment | - | 75,000 |
| Other Affiliated Companies | 44,000 | 9,000 |
| Due from Partners | - | 1,842,000 |
| Casino reinvestment bonds and escrow deposit, net of valuation adjustment - (1992) \$1,410,000; (1991) \$1,276,000 | <u>2,820,000</u> | <u>2,561,000</u> |
| | <u>\$5,418,000</u> | <u>\$6,220,000</u> |

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 4: PROPERTY AND EQUIPMENT - NET

Property and equipment as of June 30 consisted of the following:

| | 1992 | 1991 |
|--|----------------------|----------------------|
| Land and land improvements | \$ 34,827,000 | \$ 34,747,000 |
| Buildings | 293,485,000 | 292,085,000 |
| Furniture, fixtures and equipment | 71,813,000 | 67,955,000 |
| Leasehold improvements | 2,377,000 | 2,378,000 |
| Construction in progress | <u>1,790,000</u> | <u>1,520,000</u> |
| | 404,292,000 | 398,685,000 |
| Less - Accumulated depreciation & amortization | <u>(102,313,000)</u> | <u>(87,612,000)</u> |
| Net property and equipment | <u>\$301,979,000</u> | <u>\$311,073,000</u> |

NOTE 5: OTHER ASSETS

Other assets as of June 30 consisted of the following:

| | 1992 | 1991 |
|--------------------------|----------------------|----------------------|
| Land rights, net | \$ 30,612,000 | \$ 30,982,000 |
| Debt issuance costs, net | - | 5,889,000 |
| Deposits | 637,000 | 212,000 |
| Other deferred charges | <u>1,655,000</u> | <u>1,204,000</u> |
| | <u>\$ 32,904,000</u> | <u>\$ 38,287,000</u> |

NOTE 6: OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30 consisted of the following:

| | 1992 | 1991 |
|---|----------------------|----------------------|
| Accrued payroll | \$ 6,987,000 | \$ 8,124,000 |
| Accrued progressive jackpot liabilities | 2,283,000 | 4,641,000 |
| Accrued interest | 2,470,000 | 1,495,000 |
| Accrued gaming taxes payable | 282,000 | 583,000 |
| Accrued Casino Control Commission & Division of Gaming Enforcement fees | 643,000 | 715,000 |
| Accrued utilities | 176,000 | 254,000 |
| Accrued union benefits | 406,000 | 296,000 |
| Accrued health insurance benefits | 1,156,000 | 416,000 |
| Accrued sales, use & luxury tax | 568,000 | 1,266,000 |
| Accrued professional costs | 2,432,000 | 157,000 |
| Accrued special event costs | 573,000 | 325,000 |
| Accrued rent | - | 1,745,000 |
| Accrued repairs & maintenance cost | 142,000 | 163,000 |
| Accrued property taxes | 2,398,000 | 669,000 |
| Accrued bank service charges | 69,000 | 100,000 |
| Accrued restructuring expense | 1,139,000 | - |
| Accrued Preferred Stock dividends | 623,000 | - |
| Accrued Income Taxes on Preferred Stock dividends | 329,000 | - |
| Other | <u>2,207,000</u> | <u>1,643,000</u> |
| | <u>\$ 24,883,000</u> | <u>\$ 22,592,000</u> |

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 7: OTHER CURRENT LIABILITIES

Other current liabilities as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--|---------------------|---------------------|
| Unredeemed chip/token liability | \$ 3,139,000 | \$ 2,835,000 |
| Patron deposits | 234,000 | 265,000 |
| Casino reinvestment liability | 704,000 | 153,000 |
| Reserve for insurance claims | 2,402,000 | 2,218,000 |
| Advance room/theatre deposits | 131,000 | 209,000 |
| Advances due to Trump's Castle Associates | 207,000 | 264,000 |
| Advances due to Trump Penthouse Parcel | 41,000 | 119,000 |
| Advances due to Seashore Four Associates | 603,000 | 393,000 |
| Advances due to Taj Mahal Associates | - | 131,000 |
| Advances due to Trump Crystal Tower Associates | - | 1,677,000 |
| Unclaimed wages | 331,000 | 302,000 |
| Other | <u>43,000</u> | <u>64,000</u> |
| | <u>\$ 7,835,000</u> | <u>\$ 8,630,000</u> |

NOTE 8: LONG-TERM DEBT-DUE TO AFFILIATES

Long-term debt-due to affiliates as of June 30 consisted of the following:

| | <u>1992</u> | <u>1991</u> |
|--|----------------------|----------------------|
| 12% promissory note, interest payable semi-annually, maturing in 2002. | \$225,000,000 | \$ - |
| 12 7/8% promissory note, interest payable semi-annually, maturing in 1998. | - | 225,000,000 |
| Less current maturities | <u>-</u> | <u>25,000,000</u> |
| | <u>\$225,000,000</u> | <u>\$200,000,000</u> |

On May 29, 1992 TPF issued \$900 principal amount of New Bonds, among other securities, in exchange for each \$1,000 principal amount of the outstanding Old Bonds and the Company's Notes to Belmont Fund L.P., a Bermuda Limited Partnership ("Belmont") and Fidelity Capital, an investment Fund ("Fidelity"), a mutual fund business trust. This resulted in an exchange of \$250,000,000 of Old Bonds and Notes for \$225,000,000 of New Bonds, the Preferred Stock and the Common Stock. In exchange for the New Bonds, the Company issued a Promissory Note (the "Promissory Note") to TPF.

The New Bonds mature on September 15, 2002, and are not subject to any sinking fund requirement. The New Bonds bear interest at the rate of 12% per annum from the date of issuance, payable semi-annually on each March 15 and September 15, commencing September 15, 1992. The New Bonds are secured by a mortgage (the "Amended Mortgage") on the assets constituting the real property owned and leased by the Company and substantially all of the Company's other fixed assets, all of which

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 8: LONG-TERM DEBT-DUE TO AFFILIATES, cont.

constitute the casino/hotel known as the Trump Plaza. The lien of the Amended Mortgage ranks senior to the liens securing other indebtedness of the Company other than certain existing mortgages, a working capital facility and certain other indebtedness permitted by the New Indenture. In addition, the Company issued its non-recourse Guaranty of the payment of principal of, premium, if any, and interest on the New Bonds. The Guaranty is secured by a mortgage on the assets of the Company described above on a parity with the lien of the Amended Mortgage (the "Guaranty Mortgage").

NOTE 9: LONG-TERM DEBT - OTHER

Long-term debt - other as of June 30 consisted of the following:

| | 1992 | 1991 |
|---|---------------|---------------|
| Promissory notes payable, interest payable monthly, maturing in 1996 | \$ - | \$25,000,000 |
| 10% note payable to Harrah's Atlantic City, Inc., interest payable monthly, maturing in 1993 (A) | 8,471,000 | 11,859,000 |
| Mortgage notes payable in monthly installments, including interest, with interest rates ranging from 10.0% to 11.0%. The notes are due at various dates between 1992 and 1998 and are secured by certain real property. | 7,456,000 | 10,332,000 |
| Regency Hotel Obligations (B) | 17,500,000 | - |
| Other notes, secured by automobile equipment | 164,000 | 42,000 |
| | 33,591,000 | 47,233,000 |
| Less current maturities | 8,970,000 | 9,521,000 |
| | \$ 24,621,000 | \$ 37,712,000 |

(A) Interest on the note accrues at the rate of 10% per annum and is payable monthly. The entire principal amount is due May 16, 1993.

(B) On the Effective Date, the Company rejected its lease of the Trump Regency Hotel (the "Regency Lease") and issued on that date a promissory note in the principal amount of approximately \$17,500,000 (the "Regency Note") in settlement of its obligations under the Regency lease.

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 9: LONG-TERM DEBT - OTHER, cont.

(B) The Regency Note matures on March 15, 2003. The original principal amount of the Regency Note will be reduced by the amount, if any, of recovery in respect of a disputed property tax claim, which claim has been assigned by the owner of the Trump Regency Hotel to the holder of the Regency Note. The Regency Note bears interest payable semi-annually on unpaid principal at the rate of 9.14% per annum. Payments of principal in the amount of \$1,000,000 are due and payable annually from the Partnership commencing December 15, 1995 until maturity. In addition, Donald J. Trump has assigned a portion of his interest in Excess Available Cash (as defined in the amended Partnership Agreement) from the Partnership to be applied to further payments of principal with respect to the Regency Note in each of 1996, 1997, 1998 and 1999 in the amounts of \$2,000,000, \$3,000,000, \$4,000,000 and the remaining amount due, respectively, with, and to the extent of, a portion of his share of Excess Available Cash. Any such payments would reduce the principal balance of the Regency Note. In addition, the Company has agreed to continue operating the Trump Regency Hotel at its expense until September 30, 1992.

The aggregate maturities of long-term debt - other in each of the years subsequent to 1992 are:

| | |
|------------|---------------------|
| 1993 | \$ 8,970,000 |
| 1994 | 903,000 |
| 1995 | 3,034,000 |
| 1996 | 1,513,000 |
| 1997 | 1,447,000 |
| Thereafter | <u>17,724,000</u> |
| | <u>\$33,591,000</u> |

NOTE 10: DEFERRED CREDITS

Deferred credits as of June 30, 1992 and 1991 consisted of deferred state income taxes.

NOTE 11: PROMOTIONAL ALLOWANCES AND EXPENSES

Promotional allowances and expenses for the three months and six months ended June 30, 1992 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 | 27,194 | \$ 3,140,000 | 597 | \$ 45,000 |
| Food | 324,768 | 4,333,000 | - | - |
| Beverage | 699,142 | 2,098,000 | - | - |
| Travel | - | - | 5,799 | 869,000 |
| Theatre | 15,173 | 298,000 | 4,002 | 161,000 |
| Coin Bonus | - | - | 586,320 | 5,170,000 |
| Tips | - | - | 4,463 | 112,000 |
| Player Gifts | - | - | 85 | 290,000 |
| Other | <u>18,921</u> | <u>189,000</u> | <u>2,809</u> | <u>69,000</u> |
| TOTAL | <u><u>1,085,198</u></u> | <u><u>\$10,058,000</u></u> | <u><u>604,075</u></u> | <u><u>\$ 6,716,000</u></u> |

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 11: PROMOTIONAL ALLOWANCES AND EXPENSES, cont.

Six months ended:

| | <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 | 53,880 | \$ 5,725,000 | 881 | \$ 66,000 |
| Food | 652,291 | 8,528,000 | - | - |
| Beverage | 1,417,498 | 4,253,000 | - | - |
| Travel | - | - | 11,594 | 1,738,000 |
| Theatre | 33,116 | 657,000 | 5,220 | 210,000 |
| Coin Bonus | - | - | 1,172,640 | 9,471,000 |
| Tips | - | - | 10,488 | 263,000 |
| Player Gifts | - | - | 170 | 1,024,000 |
| Other | 32,826 | 328,000 | 5,587 | 139,000 |
| TOTAL | <u>2,189,611</u> | <u>\$19,491,000</u> | <u>1,206,580</u> | <u>\$12,911,000</u> |

NOTE 12: INTEREST (EXPENSE) - AFFILIATES

Interest (Expense) - Affiliates for the six months ended June 30, 1992 and 1991 consisted of the 12-7/8% Promissory Note and the applicable interest on the 12% Promissory Note which was exchanged for the 12 7/8% Promissory Note on May 29, 1992, the Effective Date of the Plan.

NOTE 13: NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) - net for the three months and six months ended June 30 consisted of the following:

| | <u>Three months ended</u> | | <u>Six months ended</u> | |
|---|---------------------------|------------------|-------------------------|------------------|
| | <u>1992</u> | <u>1991</u> | <u>1992</u> | <u>1991</u> |
| Interest income | \$ 139,000 | \$124,000 | \$ 241,000 | \$265,000 |
| Gain (Loss) on disposal of property and equipment | 26,000 | (1,000) | 34,000 | (1,000) |
| Litigation expense | (684,000) | - | (1,078,000) | - |
| Restructuring cost | (1,967,000) | - | (3,927,000) | - |
| Other nonoperating income | 26,000 | 271,000 | 81,000 | 303,000 |
| | <u>\$(2,460,000)</u> | <u>\$394,000</u> | <u>\$(4,649,000)</u> | <u>\$567,000</u> |

TRUMP PLAZA ASSOCIATES
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 14: OTHER LIABILITIES

Other liabilities as of June 30, consisted of the following:

| | 1992 | 1991 |
|---|--------------|------|
| Preferred Partnership Interest (A) | \$57,798,000 | \$ - |
| Deferred Income Taxes relating to accretion of Preferred Partnership Interest | 16,000 | - |
| | \$57,814,000 | \$ - |

- (A) On May 29, 1992, TPF issued its 9.34% Preferred Stock and its Common Stock, together with New Bonds, of which both are non-recourse obligations of the Company, in exchange for each \$1,000 Old Bonds and Notes Payable to Belmont and Fidelity (as more fully described in Note 8 - Long-term debt due to Affiliates).

The Preferred Stock has a liquidation preference of \$25 per share. Regular semi-annual dividends on each share of Preferred Stock of \$2.335 per annum accrue from the date of issuance, whether or not declared. Dividends on the Preferred Stock, together with any tax liabilities, are payable by TPF in cash to the extent of certain required priority cash distribution to TPF by the Company (the "Preferred Distribution"). Under certain circumstances, all or a portion of dividend payment on the Preferred Stock may be paid in additional shares of Preferred Stock. The Preferred Stock (including the related Common Stock) is subject to optional redemption, in whole or in part, at the Company's discretion at any time and to mandatory redemption on September 15, 2004, in each case at a redemption price of \$25 per share, plus accrued and unpaid dividends to the date of redemption. The Company has the right to acquire Preferred Stock units in the open market from time to time with Excess Available Cash (as defined in the amended Partnership Agreement) and the Preferred Stock so acquired will be retired. The Preferred Stock will be accreted over the respective periods to its face value at maturity.

NOTE 15: COMMITMENTS AND CONTINGENCIES

A. Casino License Renewal

The operation of an Atlantic City hotel and casino is subject to significant regulatory controls which affect virtually all of its operations. Under the New Jersey Casino Control Act (the "Act") the Company is required to maintain certain licenses.

In May 1991, the New Jersey Casino Control Commission ("CCC") renewed the Company's license to operate Trump Plaza. The license is not transferable, is issued for a term of two years and must be acted upon by the CCC no later than 30 days prior to the expiration of the license. The continued operations of the Company are subject to its retaining its operating license.

This license must be renewed in May, 1993, is not transferable and will include a review of the financial stability of the Company. Upon revocation, suspension for more than 120 days, or failure to renew the casino license, the Act provides for the mandatory appointment of a conservator to take possession of the hotel and casino's business and property, subject to all valid liens, claims and encumbrances.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

NOTE 15: COMMITMENTS AND CONTINGENCIES, cont.

B. Extraordinary Loss

The extraordinary loss consists of the effect of stating the New Bonds and Preferred Stock at the present value of amounts to be paid determined at current interest rates (effective rate of approximately 12% and 13%, respectively). The effective interest rate of the New Bonds and Preferred Stock was determined based on the trading price for a specified period subsequent to issuance. (\$32,750,000 - See Note 1B Plan of Reorganization) and the write-off of \$5,455,000 of unamortized loan costs relating to the Old Bonds and Note.

C. Casino Reinvestment Development Authority Obligations

On June 30, 1992, Trump Plaza Associates submitted a formal application before the Casino Reinvestment Development Authority ("CRDA") to make a donation to purchase bonds under the Securities Purchase Contract in the amount of \$312,000.

The Company's future tax credits, resulting from the June 30, 1992, donation with the CRDA at June 30, 1992, amounted to \$66,000 which is included as other current assets in the accompanying balance sheets to be utilized to satisfy portions of the Company's investment alternative tax obligations for the third quarter of 1992.

For the six months ended June 30, 1992, the Company charged \$93,000 to operations to give effect to the utilization of tax credits received in connection with the above mentioned donation. As a result of this agreement, the Company had for the six months ended June 30, 1992, charged \$49,000 as an investment alternative tax expense to reduce deposits previously made to the amount of the future tax credits received.

Investments, advances and receivables also include \$2,175,000 of below market interest rate bonds issued by the CRDA and \$2,054,000 of deposits paid towards the purchase of below market interest rate bonds.

NOTE 16: PROVISION (CREDIT) FOR INCOME TAXES

The provision (credit) for state income taxes for the three and six months ended June 30 consisted of the following:

| | Three months ended | | Six months ended | |
|----------|---------------------|---------------------|---------------------|-----------------------|
| | 1992 | 1991 | 1992 | 1991 |
| Current | \$ - | \$ 955,000 | \$ - | \$ (64,000) |
| Deferred | (198,000) | (1,463,000) | (380,000) | (1,475,000) |
| Total | <u>\$ (198,000)</u> | <u>\$ (508,000)</u> | <u>\$ (380,000)</u> | <u>\$ (1,539,000)</u> |

1. "Cash" includes in Balance on Line 12

2. Provision for Uncollectible Patrons' Checks

3. Provision as a percent of Casino Credits Issued

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, 1992

(UNAUDITED)
(\$ IN THOUSANDS)

| ACCOUNTS RECEIVABLE BALANCES | | | | |
|------------------------------|--|------------------------|------------------|---|
| LINE (a) | DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE- NET OF ALLOWANCE (e) |
| 1 | Patrons' Checks: Undeposited patrons' checks..... | \$ 3,908 | | |
| 2 | Returned patrons' checks..... | 26,020 | | |
| 3 | Total patrons' checks..... | 29,928 | \$ 20,366 | \$ 9,562 |
| 4 | Hotel Receivables..... | 1,796 | 322 | 1,474 |
| 5 | Other Receivables: Receivables due from officers and employees..... | 22 | | |
| 6 | Receivables due from affiliates..... | - | | |
| 7 | Other accounts and notes receivables..... | 1,167 | | |
| 8 | Total other receivables..... | 1,189 | - | 1,189 |
| 9 | Totals (Form 205)..... | \$ 32,913 | \$ 20,688 | \$ 12,225 |

| UNDEPOSITED PATRONS' CHECKS ACTIVITY | | |
|--------------------------------------|--|---------------|
| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
| 10 | Beginning Balance (January 1)..... | \$ 5,432 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)..... | 101,977 |
| 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)..... | (43,231) |
| 13 | Checks collected through deposits..... | (55,188) |
| 14 | Checks transferred to returned checks..... | (5,082) |
| 15 | Other adjustments..... | - |
| 16 | Ending Balance..... | \$ 3,908 |
| 17 | "Hold Checks" included in Balance on Line 16..... | \$ - |
| 18 | Provision for Uncollectible Patrons' Checks..... | \$ 2,473 |
| 19 | Provision as a percent of Counter Checks Issued..... | 2.4% |

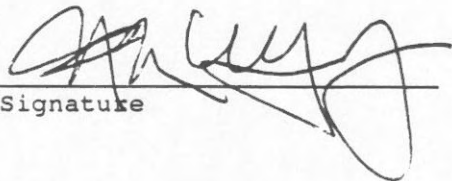
STATEMENT OF CONFORMITY AND ACCURACY

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

FRANCIS X. MCCARTHY, JR., being duly sworn according to law upon my oath
Name

deposes and says:

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

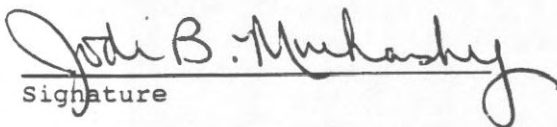

Signature

SR. VP OF FINANCE & ADMIN.
Title

001015-11
License Number

Subscribed and sworn to
before me this 14th day
of August, 1992

On Behalf Of:


Signature

TRUMP PLAZA ASSOCIATES
Casino Licensee

JOHN R. MUCHAPSKY
CLERK OF SUPERIOR COURT OF NEW JERSEY
My Commission Expires Sept. 22, 1993

Basis of Authority
to Take Oaths