

# ANNUAL REPORT

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

**ADDRESS** Iowa and the Boardwalk  
Atlantic City, New Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



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

**OFFICIAL TITLE . . . . .** Vice President of Finance

**ADDRESS. . . . .** Iowa and the Boardwalk  
Atlantic City, New Jersey 08401

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE Tropicana Hotel/Casino

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1985

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

## SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(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 .....	\$ 7,752		
2	Returned patrons' checks .....	9,898		
3	Total patrons' checks .....	17,650	\$ (9,005)	\$ 8,645
4	Hotel Receivables .....	327	( 38)	289
	Other Receivables:			
5	Receivables due from officers and employees.....	14		
6	Receivables due from affiliates .....	903		
7	Other accounts and notes receivables .....	736		
8	Total other receivables .....	1,653		1,653
9	Totals (Form 305).....	\$ 19,630	\$ (9,043)	\$ 10,587

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	\$ 10,144
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) .....	219,912
13	Checks collected through deposits .....	( 166,823)
14	Checks transferred to returned checks .....	( 43,964)
15	Other adjustments .....	( 11,513)
16	Ending Balance .....	\$ 7,752
17	"Hold" Checks Included In Balance On Line 16 .....	
18	Provision For Uncollectible Patrons' Checks .....	\$ 3,119
19	Provision As A Percent Of Counter Checks Issued .....	1.4

# STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(S IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino .....	\$ 210,792	\$ 220,804
2	Rooms .....	14,495	14,862
3	Food and beverage .....	32,355	36,833
4	Other .....	6,033	6,641
5	Total revenue .....	263,675	279,140
6	Less: promotional allowances ..... Note II-7.....	28,310	33,665
7	Net revenue .....	235,365	245,475
	Costs And Expenses:		
8	Cost of goods and services ..... Note II-8.....	131,011	128,669
9	Selling, general, and administrative ..... Note II-8.....	52,475	58,887
10	Provision for doubtful accounts .....	3,161	2,661
11	Total .....	186,647	190,217
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	48,718	55,258
13	Depreciation and amortization .....	8,065	9,042
	Charges from affiliates:		
14	Interest ..... Note II-9.....	-	12,753
15	Management fees ..... Note II-8.....	473	184
16	Other ..... Note II-8.....	43,799	6,285
17	Interest expense - external ..... Note II-9.....	4,023	7,075
18	Income (Loss) From Operations .....	(7,642)	19,919
19	Nonoperating income (expense) - net ..... Note III-6.....	19,975	2,326
20	Investment alternative tax and related income (expense) - net.....	(804)	(710)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	11,529	21,535
22	Provision (Credit) for income taxes ..... Note II-10.....	5,303	11,145
23	Income (Loss) Before Extraordinary Items .....	6,226	10,390
24	Extraordinary items (net of income taxes - 19 <u>85</u> \$ -0- ; 19 <u>84</u> , \$ -0- ) Note II-11.....	-	7,731
25	Net Income (Loss) .....	\$ 6,226	\$ 18,121

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

## BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> Restated
<b>ASSETS</b>			
Current Assets:			
1	Cash .....	\$ 20,712	\$ 4,441
2	Marketable securities .....	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$9,043 ; 19 <u>84</u> , \$ 6,997 )Note.II-8...	10,587	12,339
4	Inventories .....	1,770	1,832
5	Prepaid expenses and other current assets ..... Note.III-1.....	1,550	2,122
6	Total current assets .....	34,619	20,734
7	Investments, Advances, And Receivables Note.III-2 & II-8.....	233,667	73,636
8	Property And Equipment - Net ..... Note.II-1.....	85,015	88,322
9	Other Assets .....	2,061	2,546
10	Total Assets .....	\$ 355,362	\$ 185,238
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities:			
11	Accounts payable .....	\$ 16,977	\$ 2,170
12	Notes payable .....	-0-	-0-
Current portion of long-term debt:			
13	Due to affiliates .....	-0-	-0-
14	Other .....	-0-	-0-
15	Income taxes payable and accrued .....	4,635	4,231
16	Other accrued expenses ..... Note.III-3.....	172	1,143
17	Other current liabilities ..Note.II-8 & Note.III-4.....	12,227	11,669
18	Total current liabilities .....	37,131	28,090
Long-Term Debt:			
19	Due to affiliates .....	-0-	-0-
20	Other ..... Note.II-2.....	20,697	22,231
21	Deferred Credits ..... Note.II-3.....	2,263	1,457
22	Other Liabilities ..... Note.III-5.....	169,814	14,229
23	Commitments And Contingencies .....		
24	Total Liabilities .....	229,905	66,007
25	Stockholders', Partners', Or Proprietor's Equity Note.II-4 & II-12	125,457	119,231
26	Total Liabilities And Equity .....	\$ 335,362	\$ 185,238

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

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> Restated
	Revenue:		
1	Casino .....	\$ 49,201	\$ 49,492
2	Rooms .....	3,184	3,474
3	Food and beverage .....	7,363	8,834
4	Other .....	1,508	1,367
5	Total revenue .....	61,256	63,217
6	Less: promotional allowances ..... <u>Note II-7</u>	6,261	8,130
7	Net revenue .....	54,995	55,087
	Costs And Expenses:		
8	Cost of goods and services .....	31,371	30,326
9	Selling, general, and administrative .....	13,852	12,296
10	Provision for doubtful accounts .....	921	1,014
11	Total .....	46,144	43,636
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	8,851	11,451
13	Depreciation and amortization .....	2,046	2,105
	Charges from affiliates:		
14	Interest .....	-0-	2,200
15	Management fees .....	114	54
16	Other .....	11,275	5,155
17	Interest expense - external .....	1,064	1,129
18	Income (Loss) From Operations .....	(5,648)	808
19	Nonoperating income (expense) - net .....	4,573	2,509
20	Investment alternative tax and related income (expense) - net.....	43	(710)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(1,032)	2,607
22	Provision (Credit) for income taxes .....	(602)	1,813
23	Income (Loss) Before Extraordinary Items .....	(430)	794
24	Extraordinary items (net of income taxes - 1985, \$ -0- ; 1984, \$ -0- ) .....	-0-	292
25	Net Income (Loss) .....	\$ (430)\$	1,086

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>85</u>		19 <u>84</u>	
		SHARES	\$ DOLLARS	SHARES	\$ 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) .....				
6	Sale of stock .....		78,902		
7	See Schedule 320-A .....				
8	Ending balance .....		78,902	70,609	78,902
	Additional Paid-in Capital:				
9	Beginning balance (January 1) .....				
10	See Schedule 320-A .....		29,565		
11					29,565
12	Ending balance .....		29,565		29,565
	Treasury Stock:				
13	Beginning balance (January 1) .....		( )		( )
14	Purchase of additional stock .....		( )		( )
15	Sale or retirement of stock .....		( )		( )
16	Ending balance .....		( )		( )
	Subscriptions Receivable For				
	Capital Stock:				
17	Beginning balance (January 1) .....		( )		( )
18					
19					
20	Ending balance .....		( )		( )
	Net Unrealized Loss On Noncurrent				
	Marketable Equity Securities:				
21	Beginning balance (January 1) .....		( )		( )
22					
23					
24	Ending balance .....		( )		( )
	Retained Earnings:				
25	Beginning balance (January 1) .....				(33,783)
26	Prior period adjustments .....		10,763		
27	Net income (loss) .....		6,226		18,121
28	Dividends .....		( )		( )
29					
30	Elimination of deficit at June 29,				
31	Ending balance .....		16,989		26,425
	Ending Stockholders'				
32	Equity .....		\$ 125,457		\$ 119,231

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

SCHEDULE 320-A

**Preferred Stock**

Beginning Balance (January 1)	\$ -0-
Assignment of Mortgage Receivable in Exchange for Preferred Stock - Class B	50,000
Conversion of Inter-Company Debt to Preferred Stock - Class A	28,902
	<hr/>
Ending Balance	\$ 78,902

**Additional Paid-In Capital**

Beginning Balance (January 1)	\$ -0-
Contribution from Parent (RNJHC) - See Note I	4,565
Contribution from Parent (RHOC - See Note II-12)	26,425
Conversion of Inter-Company Debt	251,000
Dividend	(226,000)
Elimination of Deficit at June 29, 1984-See Note II-12	(26,425)
	<hr/>
Ending Balance	\$ 29,565

The accompanying notes are an integral part of the financial statements. This document should be read in conjunction with the financial statements and notes thereto.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

TRADING NAME OF LICENSEE Tropicana Hotel/Casino

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 1984

(UNAUDITED)  
(\$ IN THOUSANDS)

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

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 CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(c) 19 <u>84</u> Restated
	<b>Sources Of Funds:</b>		
1	Income (loss) before extraordinary items .....	\$ 6,226	\$ 10,390
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment .....	8,020	8,333
3	Amortization of other assets .....	942	397
4	Deferred income taxes - noncurrent .....	806	512
5	(Gain) loss on dispositions of property and equipment .....	11	158
6	.....		
7	.....		
8	.....		
9	Total .....		
10	Extraordinary items .....	16,005	20,845
11	Total funds provided (used) by operations .....	-0-	7,731
12	Proceeds from dispositions of property and equipment .....	16,005	28,576
13	Proceeds from long-term debt .....	449	212,797
14	Additions to deferred credits and other liabilities .....	2,500	-0-
15	Proceeds from issuance of stock or capital contributions .....	-0-	-0-
16	Other Assets .....	-0-	360,892
17	Other Liabilities .....	1,406	-0-
18	.....	155,585	-0-
19	.....		
20	Total funds provided .....	175,945	602,265
	<b>Uses Of Funds:</b>		
21	Additions to property and equipment .....	5,173	30,113
22	Investment in casino reinvestment obligations .....	1,934	1,863
23	Other additions to investments, advances, and receivables .....	159,960	69,910
24	Increase in other assets .....	-0-	1,859
25	Reductions of long-term debt .....	4,034	178,999
26	Dividends declared or capital distributions .....	-0-	226,000
27	Other Liabilities .....	-0-	100,616
28	.....		
29	.....		
30	.....		
31	Total funds used .....	171,101	609,360
32	Increase (Decrease) In Working Capital .....	\$ 4,844	\$ (7,095)
	<b>Summary Of Changes In Components Of Working Capital:</b>		
33	Cash .....	\$ 16,271	\$ (4,337)
34	Marketable securities .....	-0-	(13)
35	Receivables and patrons' checks .....	(1,752)	1,702
36	Inventories .....	( 62)	120
37	Prepaid expenses and other current assets .....	( 572)	(314)
38	Accounts payable .....	(14,807)	(220)
39	Notes payable .....	-0-	-0-
40	Current portion of long-term debt .....	(404)	(953)
41	Income taxes payable and accrued .....	971	(269)
42	Other accrued expenses .....	2,236	(2,252)
43	Other current liabilities .....	2,963	(559)
44	Increase (Decrease) In Working Capital .....	\$ 4,844	\$ (7,095)

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

ADAMAR OF NEW JERSEY, INC.  
DBA TROPICANA HOTEL/CASINO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1985

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

Inventories

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

Property and equipment

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

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

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

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

Deferred charges

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

## Casino Revenue

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

## Complimentaries

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

## Income taxes

The Company is included in Ramada's consolidated corporate federal income tax return. Investment tax credits relating to purchases of property are credited to operations in the year the credits are used to reduce federal income taxes currently payable (flow-through method). Deferred income taxes represent the tax effect of differences in the timing of income and expense recognition for tax purposes versus financial statement reporting purposes.

## SALE/LEASEBACK TRANSACTION

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

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

AREI financed the acquisition of its interest in AGP through a combination of \$38,050,000 in net equity contributions from private investors and distributions of proceeds from \$205,850,000 of borrowings by AGP. The AGP borrowings consist of (i) a non-recourse term loan in the amount of \$125,000,000 (the First Mortgage) by a consortium of financial institutions, collateralized by a first mortgage lien on, among other things, AGP's property and equipment, the Company's land

underlying the Tropicana building, and certain other assets owned by the Company, (ii) a loan of \$50,000,000 (the Junior Participation) by Ramada, collateralized by a junior participation in the First Mortgage, and (iii) a non-recourse note \$30,850,000 (the Second Mortgage) from Ramada, collateralized by a third priority lien on the same assets which collateralize the First Mortgage.

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

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

On November 20, 1984 Ramada assigned the Junior Participation to the Company for Class B Preferred Stock of \$50,000,000. The Junior Participation is due in varying installments commencing 1988 through 1990. Interest accrues at a rate equal to LIBOR plus 1-5/8% and is payable in arrears quarterly.

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

## II. SIGNIFICANT INFORMATION

### NOTE 1. PROPERTY AND EQUIPMENT

At December 31, 1985 and 1984, the components of property and equipment consisted of:

	<u>1985</u>	<u>1984</u>
Land	\$ 35,348,000	\$ 35,348,000
Building, furniture & fixtures	67,375,000	62,686,000
Less accumulated depreciation	<u>(17,708,000)</u>	<u>( 9,712,000)</u>
Total Property and Equipment	<u>\$ 85,015,000</u>	<u>\$ 88,322,000</u>

### NOTE 2. LONG-TERM DEBT

At December 31, 1985 and 1984, long-term debt consisted of:

	<u>1985</u>	<u>1984</u>
Notes payable; 9% to prime less 1-1/2%, maturities to 2009	\$ 509,000	\$ 1,210,000

LONG-TERM DEBT (CONTINUED)

Mortgages payable 10% maturities to 1994	333,000	336,000
Obligations under capital leases	<u>24,490,000</u>	<u>24,916,000</u>
	25,332,000	26,462,000
Less current portion	<u>( 4,635,000)</u>	<u>( 4,231,000)</u>
Long-term portion	<u>\$ 20,697,000</u>	<u>\$ 22,231,000</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:

1986	\$ 4,635,000
1987	5,469,000
1988	6,328,000
1989	7,385,000
1990	723,000
Thereafter	<u>792,000</u>
TOTAL	<u>\$25,332,000</u>

NOTE 3. DEFERRED CREDITS

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

NOTE 4. CAPITAL STOCK

The authorized, issued, and outstanding shares of capital stock at December 31, 1985 were as follows:

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

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

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

NOTE 5. LEASE OBLIGATIONS

The Company is a party to non-cancelable lease agreements involving land, buildings, and equipment. The leases extend for varying periods up to 30 years and generally provide for the payment of taxes, insurance and maintenance (executory costs) by the leasee. Some of these leases have provisions for renewal options primarily under similar terms, and/or options to purchase at various dates.

In Connection with the sale/leaseback transaction of the Company, the leaseback has been principally treated as an operating lease except for that portion related to furniture and equipment which has been capitalized. The initial term of the operating lease is 10 years, with options to extend the term for three consecutive terms of 10 years each. The basic rent will be adjusted for changes in the Consumer Price Index every two years, beginning in 1986. The lease also provides for the payment of certain executory costs by Adamar. In addition, Ramada has an option to repurchase the buildings and non-gaming assets from AGP in 1994 (See "Sale/Leaseback Transaction").

Minimum future lease obligations on non-cancelable lease at December 31, 1985 are as follows (in thousands):

<u>YEAR</u>	<u>OPERATING</u>	<u>CAPITAL</u>
1986	\$ 43,218	\$ 9,229
1987	42,536	9,200
1988	42,368	9,052
1989	42,368	8,890
1990	42,322	865
Thereafter	<u>162,276</u>	<u>121</u>
Total	<u>\$375,088</u>	<u>\$37,357</u>
Amount representing executory costs		(2,238)
Amount representing interest		<u>(10,629)</u>
Net present value		24,490
Less current portion		<u>(4,610)</u>
Long-term portion		<u>\$19,880</u>

Total rental expense under operating leases for 1985 and 1984 amounted to \$46,094,000 and \$8,678,000, respectively.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Licensing

On November 26, 1982, the Company was granted a permanent gaming license by the New Jersey Casino Control Commission. The license is renewable on an annual basis and was renewed on November 20, 1985. Management has received no indication that future renewals will not be granted.

Land lease

The Company has entered into an agreement providing for the lease of land adjacent to the Tropicana Hotel/Casino to an outside party. As part of the agreement, the lessee has constructed a parking structure on that site and has charge of the parking operation for the term of the land lease. The Company is committed to pay the lessee an amount, if any, to assure that over the ninety-five year terms of the land lease, the parking structure has gross

revenues of at least (i) \$1,600,000 (adjusted, after the tenth year, for changes in the Consumer Price index) between September 15th of each year and May 15th of the next year and (ii) \$1,700,000 (increased each year by \$100,000 and calculated cumulatively) between May 16th and September 14th of each year.

#### Laundry Service

The Company has contracted with an unaffiliated company for laundry and dry cleaning services. The contract expires June 30, 1991, and has, at December 31, 1985, minimum commitment of \$2,909,000.

#### Legal Actions

The Company's appeal for real estate taxes assessed by and paid to the City of Atlantic City for tax years 1984, 1983, and 1982 was settled during the second quarter of 1985. The settlement resulted in a refund of \$575,000 due to a reduction in the 1982 tax assessment. Such amount has been included as a reduction of the property tax expense for the quarter ended July 4, 1985. The existing assessment for 1984 and 1983 remained unchanged.

Several class action and derivative lawsuits were filed during the 1981 in federal jurisdictions and in a Delaware state court naming Ramada Inns, Inc. and certain of its current and former directors and officers as defendants. Among other things, the allegations include mismanagement, waste, and misrepresentation or lack of timely disclosure of certain facts regarding Ramada's purchase of Las Vegas Tropicana, and the acquisition and construction of the Atlantic City Tropicana. Settlement of these actions were approved by the courts on October 24, 1984. The total liability of Ramada is currently estimated not to exceed \$1,800,000, after allowance for amounts covered by insurance. In the third quarter of 1984, Ramada recorded a provision for such settlements.

The New Jersey Casino Control Act imposes an annual tax on gross revenue (as defined) in the amount of eight percent. Pursuant to legislation adopted in 1984, casino licensees will be required to invest an additional one and one-quarter percent of gross revenues for the purchase of bonds to be issued by the Casino Reinvestment Development Authority ("CRDA") or make other approved investments equal to that same amount. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase, as defined and published by a national bond index at the time of the CRDA bond insurance. Adamar anticipates meeting its 1985 reinvestment obligation by purchasing CRDA bonds and, accordingly, recorded a loss provision of \$804,000 to recognize the effect of the below market interest rate the bonds would have borne had they been issued on December 31, 1985. In the event the investment requirement is not met, the casino licensee is subject to a tax on gross revenues in the amount of two and one-half percent.

NOTE 7. COMPLIMENTARY SERVICES

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

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	85,000	\$ 7,603,000	2,000	\$ 23,000
Food	1,292,000	12,657,000	38,000	384,000
Beverage	4,543,000	6,290,000	-0-	-0-
Travel	-0-	-0-	8,000	2,972,000
Showroom/Boxing	133,000	1,246,000	7,000	131,000
Coin Payouts	-0-	-0-	2,498,000	18,075,000
Other	51,000	514,000	44,000	436,000
<b>TOTAL</b>	<u>6,104,000</u>	<u>\$28,310,000</u>	<u>2,597,000</u>	<u>\$22,021,000</u>

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

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	19,000	\$ 1,650,000	1,000	\$ 1,000
Food	270,000	2,646,000	10,000	108,000
Beverage	883,000	1,163,000	-0-	-0-
Travel	-0-	-0-	2,000	808,000
Showroom/Boxing	44,000	410,000	1,000	18,000
Coin Payouts	-0-	-0-	515,000	4,364,000
Other	39,000	392,000	12,000	118,000
<b>TOTAL</b>	<u>1,255,000</u>	<u>\$ 6,261,000</u>	<u>541,000</u>	<u>\$ 5,417,000</u>

NOTE 8. RELATED PARTIES

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

	<u>1985</u>	<u>1984</u>
Advances from Ramada, New Jersey, Inc.	\$ 227,000	\$ 5,000
Advances from Atlantic Deauville, Inc.	259,000	164,000
Advances from Ramada Inns, Inc.	-0-	-0-
Advances from Tropicana West	-0-	11,000
<b>TOTAL</b>	<u>\$ 486,000</u>	<u>\$ 180,000</u>
	<u>1985</u>	<u>1984</u>
Due to Ramada Inns, Inc.	<u>\$165,253,000</u>	<u>\$13,774,000</u>
<b>TOTAL</b>	<u>\$165,253,000</u>	<u>\$13,774,000</u>

NOTE 8. RELATED PARTIES (continued)

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

	<u>1985</u>	<u>1984</u>
Advances to Ramada Inns, Inc.	\$ 884,000	\$ 6,000
Advances to Ramada New Jersey, Inc.	-0-	-0-
Advances to Atlantic Deauville, Inc.	<u>19,000</u>	<u>4,000</u>
<b>TOTAL</b>	<u>\$ 903,000</u>	<u>\$ 10,000</u>

	<u>1985</u>	<u>1984</u>
Due from Ramada Inns, Inc.	<u>\$177,280,000</u>	<u>\$21,773,000</u>

For the twelve months ended December 31, 1985 and 1984 the Company incurred management fees from Ramada Inns, Inc. of \$473,000 and \$184,000 respectively.

The nature of "Charges from affiliates - other" for the twelve months ended December 31, 1985 and 1984 are as follows:

	<u>1985</u>	<u>1984</u>
Basic rent due to AGP	\$ 42,322,000	\$ 4,623,000
Rent	1,477,000	1,592,000
Management seminar	-0-	41,000
Casino publication	<u>-0-</u>	<u>29,000</u>
<b>TOTAL</b>	<u>\$ 43,799,000</u>	<u>\$ 6,285,000</u>

For the twelve months ended December 31, 1985 and 1984 the Company incurred charges from affiliates which are indicated in the accompanying Statements of Income as Costs of goods and services and Selling, general and administrative. The nature of the charges and dollar amounts are as follows:

<u>COST OF GOODS AND SERVICES</u>	<u>1985</u>	<u>1984</u>
Room Charges - Deauville	\$ 42,000	\$ 194,000
Medical Claim Settlements	1,000	85,000
Payroll Reimbursements	-0-	6,000
Travel Reimbursements	1,000	( 31,000)
Telephone Charges - Deauville	-0-	( 12,000)
Executive Deferred Compensation	9,000	15,000
Cleaning - Deauville Offices	3,000	9,000
Workers Compensation Offices Adjustment (1)	-0-	( 9,000)
Miscellaneous Purchases	<u>22,000</u>	<u>5,000</u>
	<u>\$ 78,000</u>	<u>\$ 262,000</u>

NOTE 8. RELATED PARTIES (Continued)

<u>SELLING, GENERAL AND ADMINISTRATIVE</u>	<u>1985</u>	<u>1984</u>
Insurance (2)	\$ 17,000	\$ 745,000
Room Charges - Deauville	8,000	135,000
Legal & Professional Fees	15,000	174,000
Banking Charges (FNSB of SJ)	26,000	73,000
Leased Automobile Expenses	26,000	22,000
Miscellaneous Purchases	29,000	21,000
Executive Deferred Compensation Plan	<u>104,000</u>	<u>69,000</u>
	<u>225,000</u>	<u>1,239,000</u>
<b>TOTALS</b>	<u><u>\$303,000</u></u>	<u><u>\$1,501,000</u></u>

NOTE 9. INTEREST

Interest expense of \$4,023,000 in the twelve months of 1985 is comprised of interest on capital leases, notes and mortgages. Ramada allocated interest charges of \$19,461,000 for the period ending November 19, 1984. The charges were computed at 8% per annum in 1984 applied to the average month-end total assets less current liabilities. As of November 20, 1984 Ramada no longer allocated interest to the Company. The balance of \$367,000 is comprised of interest on capital leases, notes, and mortgages.

	<u>1985</u>	<u>1984</u>
Gross interest expense	\$4,272,000	\$7,501,000
Less capitalized interest	<u>(249,000)</u>	<u>(426,000)</u>
<b>TOTAL INTEREST EXPENSE</b>	<u><u>\$4,023,000</u></u>	<u><u>\$7,075,000</u></u>

NOTE 10. INCOME TAXES/BENEFITS

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

	<u>1985</u>		<u>1984</u>	
	<u>CURRENT</u>	<u>DEFERRED</u>	<u>CURRENT</u>	<u>DEFERRED</u>
Federal	\$3,806,000	\$575,000	\$ -0-	\$8,695,000
State	<u>691,000</u>	<u>231,000</u>	<u>1,938,000</u>	<u>512,000</u>
<b>TOTAL</b>	<u><u>\$4,497,000</u></u>	<u><u>\$806,000</u></u>	<u><u>\$1,938,000</u></u>	<u><u>\$9,207,000</u></u>

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

NOTE 10. INCOME TAX/BENEFITS (Continued)

	<u>1985</u>	<u>1984</u>
Computed expected tax expense	46.0%	46.0%
Increase (Decrease) in tax resulting from State taxes, net	4.8%	6.1%
Investment tax credit	<u>(4.8)%</u>	<u>(0.4)%</u>
<b>FEDERAL TAX TOTAL</b>	<u><b>46.0%</b></u>	<u><b>51.7%</b></u>

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

NOTE 11. EXTRAORDINARY TERMS

Tax benefits of net operating losses amounting to \$7,731,000 in 1984 arising in prior years, were used to offset federal taxes which would have otherwise been provided for the twelve months ended December 31, 1984. The tax provision is shown as a charge equivalent to federal income taxes, and the net operating loss benefit as an extraordinary credit in the accompanying statement of operations.

NOTE 12. STOCKHOLDER'S EQUITY

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

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

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

III. SUPPORTING SCHEDULES FOR MATERIAL ITEMS

NOTE 1. PREAPID EXPENSES AND OTHER CURRENT ASSETS

At December 31, 1985 and 1984, Prepaid expenses and other current assets consisted of the following:

	<u>1985</u>	<u>1984</u>
Prepaid Slot Machine Licenses	\$ 364,000	\$ 358,000
Prepaid Rent	46,000	212,000
Prepaid NJ current corporate license	617,000	496,000
Prepaid licenses	81,000	77,000
Other	<u>442,000</u>	<u>979,000</u>
TOTAL	<u>\$1,550,000</u>	<u>\$2,122,000</u>

NOTE 2. INVESTMENT, ADVANCES, & RECEIVABLES

At December 31, 1985 and 1984, Investments, Advances, & Receivables consisted of the following:

	<u>1985</u>	<u>1984</u>
Investment alternative tax	\$ 3,797,000	\$ 1,863,000
Mortgage receivable	52,590,000	50,000,000
Due from Ramada Inns, Inc.	<u>177,280,000</u>	<u>21,773,000</u>
TOTAL	<u>\$233,667,000</u>	<u>\$73,636,000</u>

NOTE 3. OTHER ACCRUED EXPENSES

At December 31, 1985 and 1984, Other accrued expenses consisted of the following:

	<u>1985</u>	<u>1984</u>
Accrued payroll, payroll taxes and benefits	\$ 7,435,000	\$ 6,902,000
Accrued advertising	984,000	1,324,000
Accrued rent	118,000	477,000
Accrued taxes	713,000	573,000
Accrued progressive slot win	579,000	232,000
Accrued CC * DGE	626,000	208,000
Accrued ESS	185,000	308,000
Accrued miscellaneous	943,000	854,000
Other	<u>644,000</u>	<u>791,000</u>
TOTAL	<u>\$12,227,000</u>	<u>\$11,669,000</u>

NOTE 4. OTHER CURRENT LIABILITIES

At December 31, 1985 and 1984, Other current liabilities consisted of the following:

	<u>1985</u>	<u>1984</u>
Reinvestment obligation	\$ 600,000	\$2,794,000
Advances from affiliates	486,000	180,000
Accrued construction payables	1,232,000	4,931,000
Other	<u>802,000</u>	<u>972,000</u>
<b>TOTAL</b>	<b><u>\$3,120,000</u></b>	<b><u>\$8,877,000</u></b>

NOTE 5. OTHER LIABILITIES

At December 31, 1985 and 1984, Other liabilities consisted of the following:

	<u>1985</u>	<u>1984</u>
Due to Ramada	\$165,253,000	\$13,774,000
Deferred rent	<u>4,561,000</u>	<u>455,000</u>
<b>TOTAL</b>	<b><u>\$169,814,000</u></b>	<b><u>\$14,229,000</u></b>

NOTE 6. NON-OPERATING INCOME (EXPENSE)

For the period ending December 31, 1985 and 1984, Non-operating income (expense) consisted of the following:

	<u>1985</u>	<u>1984</u>
Interest income	\$ 5,539,000	\$ 705,000
Management fee reimbursement	493,000	62,000
Leased land rental	5,486,000	687,000
Maintenance reimbursement	8,468,000	1,030,000
Loss on dispositions of property	<u>( 11,000)</u>	<u>( 158,000)</u>
<b>TOTAL</b>	<b><u>\$19,975,000</u></b>	<b><u>\$2,326,000</u></b>

## CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack .....	\$ 47,998	\$ 330,488	14.5 %	76
2	Craps .....	35,813	236,636	15.1	26
3	Roulette .....	9,623	36,532	26.3	11
4	Big Six .....	2,384	4,810	49.5	3
5	Baccarat .....	10,382	60,239	17.2	3
6	Other table games .....	-	-	-	-
7	Total table games revenue .....	106,200	\$ 668,705	15.9 %	119
			HANDLE		
8	\$ .05 slot machines .....	3,181	20,458	15.5 %	73
9	\$ .25 slot machines .....	59,689	446,459	13.4	784
10	\$1.00 slot machines .....	31,127	292,199	10.7	231
11	Other slot machines .....	10,862	85,056	12.8	364
12	Total coin-operated devices revenue .....	104,859	\$ 844,172	12.4 %	1,452
13	Progressive jackpot adjustment .....	(267)			
14	Total coin-operated devices revenue after adjustment .....	104,592			
15	Other income .....	-			
16	Total revenue .....	210,792			
	Expenses:				
17	Payroll and payroll related expenses .....	35,063			
18	Licenses and taxes .....	18,129			
19	Provision for uncollectible patrons' checks	3,199			
20	Other .....	4,717			
21	Total .....	61,108			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	149,684			
	Complimentary services and casino management fees:				
23	Complimentary services .....	155			
24	Casino management fees .....	-			
25	Total .....	155			
26	Departmental Income (Loss) .....	\$ 149,529			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey

COUNTY OF Atlantic

:  
:ss.  
:

Lester Brzozowski

Name

, being duly sworn according to law upon my oath

deposes and says:

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

Lester Brzozowski

Signature

Vice President of Finance

Title

03032-11

License Number

Subscribed and sworn to  
before me this 14<sup>th</sup> day  
of March, 1986

Dolores Durfor  
Signature

DOLORES DURFOR

NOTARY PUBLIC OF NEW JERSEY

On Behalf Of:

Tropicana Hotel/Casino

Casino Licensee

Basis of Authority  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

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

**ADDRESS** Iowa and the Boardwalk  
Atlantic City, New Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

John McLaughlin

**OFFICIAL TITLE.....**

Controller

**ADDRESS.....**

Iowa and the Boardwalk

Atlantic City, New Jersey 08401

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration .....	29			
2	Gaming .....	851			
3	Slots .....	135			
4	Casino accounting .....	334			
5	Other .....	185	\$	\$	
6	Total-casino .....	1,534	26,414		26,414
7	ROOMS .....	205	4,721		4,721
8	FOOD AND BEVERAGE .....	897	10,129		10,129
	OTHER OPERATED DEPARTMENTS				
9	Telephone	21	279		279
10	Gift Shop	23	361		361
11	Parking/Transportation	138	1,748		1,748
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	11	116	885	1,001
21	Accounting and auditing .....	191	2,196		2,196
22	Security .....	207	3,807		3,807
23	Other administrative and general department ..	81	1,493		1,493
24	MARKETING .....	66	852		852
25	GUEST ENTERTAINMENT .....	37	854		854
26	PROPERTY OPERATION AND MAINTENANCE .....	84	2,071		2,071
27	TOTALS - ALL DEPARTMENTS .....	3,495	\$ 55,041	\$ 885	\$ 55,926

Trading Name of Licensee Tropicana Hotel/Casino

GROSS REVENUE  
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

LICENSEE TROPICANA HOTEL & CASINO

ADDRESS TOWNSHIP OF BOARDWALK  
For the Year Ended December 31, 1985  
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

March 15, 1986  
Date

TO THE

John McLaughlin  
Signature

Signature

CASINO CONTROL COMMISSION

Controller

Title

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
OF THE COMMISSION REGARDING  
ANNUAL TAX RETURN

Leslar Drzozowski

OFFICIAL TITLE

Vice President, Finance

ADDRESS

c/o TROPICANA HOTEL & CASINO

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** TROPICANA HOTEL & CASINO

**ADDRESS** Iowa Avenue @ Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 85

TO THE

## CASINO CONTROL COMMISSION

OF THE

## STATE OF NEW JERSEY



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

Lester Brzozowski

**OFFICIAL TITLE**

Vice President, Finance

**ADDRESS**

c/o TROPICANA HOTEL & CASINO

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 106,199	
2	Coin-operated devices revenue .....	104,859	
3	Total revenues .....		\$ 211,058
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 3,199	
5	Maximum adjustment (4% of line 3) .....	\$ 8,442	
6	Adjustment (the lesser of line 4 or line 5) .....		3,199
7	Gross revenues (line 3 less line 6) .....		\$ 207,859
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 16,629
9	Audit or other adjustments to tax on gross revenues in prior years .....		
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		16,629
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 849	
12	February .....	1,159	
13	March .....	1,216	
14	April .....	1,578	
15	May .....	1,292	
16	June .....	1,279	
17	July .....	1,924	
18	August .....	1,517	
19	September .....	1,728	
20	October .....	1,349	
21	November .....	1,212	
22	December .....	1,332	
23	January .....	194	
24	Total deposits made for tax on current year's gross revenues .....		( 16,629 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -0-

STATEMENT OF CONFORMITY AND ACCURACY

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

LESTER BRZOZOWSKI

Name

, being duly sworn according

to law upon my oath deposes and says:

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

*Lester Brzozowski*

Signature

VICE PRESIDENT/FINANCE

Title

03032-II

License Number

Subscribed and sworn to before me this 4<sup>th</sup> day of *March*, 1986.

*Dolores Durfor*  
Signature

DOLORES DURFOR

NOTARY PUBLIC OF NEW JERSEY

My Commission Expires Aug. 22, 1988

Basis of Authority to Take Oaths

On Behalf Of:

TROPICANA HOTEL/CASINO  
Casino Licensee

TRADING NAME OF LICENSEE Tropicana Hotel/Casino

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1985

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	516	14,448	11,274	\$ 84.18	78.0 %	20,636	\$ 45.99
2	FEBRUARY	516	18,060	15,684	\$ 76.97	86.8 %	30,126	\$ 40.07
3	MARCH	516	14,448	12,417	\$ 79.23	85.9 %	24,018	\$ 40.96
4	1ST QUARTER TOTALS		46,956	39,375	\$ 79.75	83.9 %	74,780	\$ 41.99
5	APRIL	516	14,448	13,297	\$ 84.85	92.0 %	25,565	\$ 44.13
6	MAY	516	18,060	16,489	\$ 84.12	91.3 %	31,869	\$ 43.53
7	JUNE	516	14,448	12,997	\$ 93.61	90.0 %	24,472	\$ 49.72
8	2ND QUARTER TOTALS		46,956	42,783	\$ 87.23	91.1 %	81,906	\$ 45.56
9	JULY	516	14,448	13,048	\$117.63	90.3 %	26,252	\$ 58.47
10	AUGUST	516	18,060	16,495	\$113.18	91.3 %	32,640	\$ 57.20
11	SEPTEMBER	516	14,448	11,676	\$ 89.69	80.8 %	22,481	\$ 46.58
12	3RD QUARTER TOTALS		46,956	41,219	\$107.93	87.8 %	81,373	\$ 54.67
13	OCTOBER	516	14,448	12,420	\$ 89.08	86.0 %	24,072	\$ 45.96
14	NOVEMBER	515	18,060	15,393	\$ 84.49	85.2 %	29,353	\$ 44.31
15	DECEMBER	515	14,420	10,784	\$ 80.77	74.8 %	21,086	\$ 41.31
16	4TH QUARTER TOTALS		46,928	38,597	\$ 84.93	82.2 %	74,511	\$ 43.99
17	ANNUAL TOTALS		187,796	161,974	\$ 90.13	86.2 %	312,570	\$ 46.71

# ANNUAL REPORT

974-901  
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**LICENSEE** BALLY'S PARK PLACE, NJ  
**ADDRESS** PARK PLACE AND THE BOARDWALK  
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL REPORT . . . . . C. Patrick McKoy

OFFICIAL TITLE . . . . . Vice President & Treasurer

ADDRESS . . . . . Park Place and The Boardwalk  
(609) 340-2400

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

DECEMBER 31, 19 85

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

TITLE	AMOUNT BALANCE (A)	ALLOWANCE (B)	ACCOUNTS RECEIVABLE (C) NET OF ALLOWANCE
Balance Sheets	9,427	5,750	3,677
Statements of Income (Year)	287	50	237
Statements of Income (Three Months)	305		
Statements of Changes in Stockholders' Equity			
Statements of Changes in Partners' or Proprietor's Equity	1,040		
Statements of Changes in Financial Position	1,435		
Notes to Financial Statements	11,149	5,800	5,349
Schedule of Receivables and Patrons' Checks			
Casino Departmental Schedule			
Statement of Conformity and Accuracy			
			4,782
			128,311
			111,705
			13,782
			4,350
			5,276
			585
			5

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

## ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$ 3,276		
	Undeposited patrons' checks .....			
2	Returned patrons' checks .....	6,151		
3	Total patrons' checks .....	9,427	\$ 5,750	\$ 3,677
4	Hotel Receivables .....	287	50	237
	Other Receivables:			
5	Receivables due from officers and employees.....	395		
6	Receivables due from affiliates .....	---		
7	Other accounts and notes receivables .....	1,040		
8	Total other receivables .....	1,435	---	1,435
9	Totals (Form 305).....	\$ 11,149	\$ 5,800	\$ 5,349

## UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 4,782
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	128,331
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) .....	( 111,705 )
13	Checks collected through deposits .....	( 13,782 )
14	Checks transferred to returned checks .....	( 4,350 )
15	Other adjustments .....	---
16	Ending Balance .....	\$ 3,276
17	"Hold" Checks Included In Balance On Line 16 .....	\$ ---
18	Provision For Uncollectible Patrons' Checks .....	\$ 585
19	Provision As A Percent Of Counter Checks Issued .....	.5

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
( \$ IN THOUSANDS )

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:	\$	\$
1	Casino .....	224,521	237,700
2	Rooms .....	17,118	15,787
3	Food and beverage .....	29,070	35,168
4	Other .....	5,566	4,130
5	Total revenue .....	276,275	292,785
6	Less: promotional allowances ..... Note 8	(15,958)	(21,447)
7	Net revenue .....	260,317	271,338
	Costs And Expenses:		
8	Cost of goods and services .....	144,104	151,419
9	Selling, general, and administrative .....	33,822	33,389
10	Provision for doubtful accounts .....	610	749
11	Total .....	178,536	185,557
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	81,781	85,781
13	Depreciation and amortization .....	23,338	24,315
	Charges from affiliates:		
14	Interest ..... Note 9	11,935	11,849
15	Management fees .....	---	---
16	Other ..... Note 7	1,150	1,100
17	Interest expense - external ..... Note 9	1,363	1,371
18	Income (Loss) From Operations .....	43,995	47,146
19	Nonoperating income (expense) - net .....	---	---
20	Investment alternative tax and related income (expense) - net.....	---	---
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	43,995	47,146
22	Provision (Credit) for income taxes ..... Note 10	20,500	23,900
23	Income (Loss) Before Extraordinary Items .....	23,495	23,246
24	Extraordinary items (net of income taxes - 19 <u>  </u> , \$                   ; 19 <u>  </u> , \$                    ) .....	---	---
25	Net Income (Loss) .....	\$ 23,495	\$ 23,246

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

## BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	ASSETS		
	Current Assets:	\$	\$
1	Cash .....	6,955	6,959
2	Marketable securities ..... Note 2 .....	2,125	3,000
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$5,800 ; 19 <u>84</u> , \$5,800 ) .....	5,349	5,857
4	Inventories .....	2,969	2,969
5	Prepaid expenses and other current assets .....	824	715
6	Total current assets .....	18,222	19,500
7	Investments, Advances, And Receivables ..... Note 11 .....	17,482	6,486
8	Property And Equipment - Net ..... Note 3 .....	299,254	293,309
9	Other Assets .....	7,313	7,799
10	Total Assets .....	\$ 342,271	\$ 327,094
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
11	Accounts payable .....	6,088	6,003
12	Notes payable .....	---	---
	Current portion of long-term debt:		
13	Due to affiliates .....	---	---
14	Other ..... Note 4 .....	4,779	5,368
15	Income taxes payable and accrued .....	6,447	4,870
16	Other accrued expenses ..... Note 12 .....	21,615	18,141
17	Other current liabilities .....	1,535	2,041
18	Total current liabilities .....	40,464	36,423
	Long-Term Debt:		
19	Due to affiliates ..... Note 4 .....	99,567	99,535
20	Other ..... Note 4 .....	2,023	13,903
21	Deferred Credits ..... Note 5 .....	13,671	14,318
22	Other Liabilities .....	---	---
23	Commitments And Contingencies .....		
24	Total Liabilities .....	155,725	164,179
25	Stockholders', Partners', Or Proprietor's Equity .....	186,546	162,915
26	Total Liabilities And Equity .....	\$ 342,271	\$ 327,094

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

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:	\$	\$
1	Casino .....	52,924	55,110
2	Rooms .....	3,719	3,318
3	Food and beverage .....	6,872	8,078
4	Other .....	1,752	1,063
5	Total revenue .....	65,267	67,569
6	Less: promotional allowances ..... Note 8	(3,852)	(4,849)
7	Net revenue .....	61,415	62,720
	Costs And Expenses:		
8	Cost of goods and services .....	34,689	36,550
9	Selling, general, and administrative .....	7,503	9,135
10	Provision for doubtful accounts .....	(96)	101
11	Total .....	42,096	45,786
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	19,319	16,934
13	Depreciation and amortization .....	6,293	6,046
	Charges from affiliates:		
14	Interest ..... Note 9	3,081	2,724
15	Management fees .....	---	---
16	Other ..... Note 7	288	275
17	Interest expense - external ..... Note 9	175	273
18	Income (Loss) From Operations .....	9,482	7,616
19	Nonoperating income (expense) - net .....	---	---
20	Investment alternative tax and related income (expense) - net.....	---	---
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	9,482	7,616
22	Provision (Credit) for income taxes ..... Note 10	4,400	3,750
23	Income (Loss) Before Extraordinary Items .....	5,082	3,866
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	---	---
25	Net Income (Loss) .....	\$ 5,082	\$ 3,866

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>85</u>		19 <u>84</u>	
		SHARES	DOLLARS	SHARES	DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1) Note 6.....	100	93,700	100	93,572
2	Sale of stock .....	-0-	-0-	-0-	-0-
3	Increase in investment by parent.....	-0-	136	-0-	128
4	Ending balance .....	100	93,836	100	93,700
	Preferred Stock:				
5	Beginning balance (January 1) .....	-0-	-0-	-0-	-0-
6	Sale of stock .....	-0-	-0-	-0-	-0-
7	.....				
8	Ending Balance .....	-0-	-0-	-0-	-0-
	Additional Paid-in Capital:				
9	Beginning balance (January 1) .....		-0-		-0-
10	.....		-0-		-0-
11	.....		-0-		-0-
12	Ending balance .....		-0-		-0-
	Treasury Stock:				
13	Beginning balance (January 1) .....	-0-	( -0- )	-0-	( -0- )
14	Purchase of additional stock .....	-0-	( -0- )	-0-	( -0- )
15	Sale or retirement of stock .....	-0-	-0-	-0-	-0-
16	Ending balance .....	-0-	( -0- )	-0-	( -0- )
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1) .....	-0-	( -0- )	-0-	( -0- )
18	.....				
19	.....				
20	Ending balance .....	-0-	( -0- )	-0-	( -0- )
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1) .....		( -0- )		( -0- )
22	.....				
23	.....				
24	Ending balance .....		( -0- )		( -0- )
	Retained Earnings:				
25	Beginning balance (January 1) .....		69,215		45,969
26	Prior period adjustments .....		-0-		-0-
27	Net income (loss) .....		23,495		23,246
28	Dividends .....		( -0- )		( -0- )
29	.....				
30	.....				
31	Ending balance .....		92,710		69,215
32	Ending Stockholders' Equity .....		\$ 186,546		\$ 162,915

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

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

NOT APPLICABLE

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 .....	\$	\$

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

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> *
	<b>Sources Of Funds:</b>	\$	\$
1	Income (loss) before extraordinary items .....	23,495	23,246
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment .....	22,376	21,046
3	Amortization of other assets .....	962	3,269
4	Deferred income taxes - noncurrent .....	(647)	1,301
5	(Gain) loss on dispositions of property and equipment .....		
6	.....		
7	.....		
8	.....		
9	<b>Total</b> .....	46,186	48,862
10	Extraordinary items .....	---	---
11	<b>Total funds provided (used) by operations</b> .....	46,186	48,862
12	Proceeds from dispositions of property and equipment .....	953	1,575
13	Proceeds from long-term debt .....	325	11,666
14	Additions to deferred credits and other liabilities .....	---	---
15	Proceeds from issuance of stock or capital contributions .....	136	128
16	<u>Increase in debt due to affiliates</u> .....	32	32
17	<u>Decrease in long-term mortgage receivable</u> .....	655	251
18	.....		
19	.....		
20	<b>Total funds provided</b> .....	48,287	62,514
	<b>Uses Of Funds:</b>		
21	Additions to property and equipment .....	29,338	49,532
22	Investment in casino reinvestment obligations .....	5,751	---
23	Other additions to investments, advances, and receivables .....	5,900	---
24	Increase in other assets .....	412	240
25	Reductions of long-term debt .....	12,205	5,868
26	Dividends declared or capital distributions .....		
27	.....		
28	.....		
29	.....		
30	.....		
31	<b>Total funds used</b> .....	53,606	55,640
32	<b>Increase (Decrease) In Working Capital</b> .....	\$ (5,319)	\$ 6,874
	<b>Summary Of Changes In Components Of Working Capital:</b>	\$	\$
33	Cash .....	(4)	(1,007)
34	Marketable securities .....	(875)	(12,850)
35	Receivables and patrons' checks .....	(508)	(773)
36	Inventories .....	---	688
37	Prepaid expenses and other current assets .....	109	(273)
38	Accounts payable .....	(85)	2,343
39	Notes payable .....	---	---
40	Current portion of long-term debt .....	589	(4,165)
41	Income taxes payable and accrued .....	(1,577)	23,015
42	Other accrued expenses .....	(3,474)	(696)
43	Other current liabilities .....	506	592
44	<b>Increase (Decrease) In Working Capital</b> .....	\$ (5,319)	\$ 6,874

\* Restated to conform with 1985 presentation

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

BALLY'S PARK PLACE CASINO HOTEL  
Note 1 - Summary of Significant Accounting Policies  
December 31, 1985

Basis of presentation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of all material inter-company transactions. Unless the context otherwise requires, reference to the Company (a New Jersey Corporation) includes its wholly-owned subsidiaries, Bally Warwick, Inc. and B. W. Realty, Inc.

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

Certain reclassifications have been made to the 1984 statements to conform to the 1985 presentation.

Casino revenue and promotional allowances

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

Inventories

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

Casino licensing costs

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

Deferred bond issuance costs and original issue debt discount

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

Capitalized interest

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

Property and equipment

Depreciation and amortization of property and equipment is provided on the straight-line method and totals \$22,376,000 and \$21,046,000 for 1985 and 1984 respectively.

BALLY'S PARK PLACE CASINO HOTEL  
Note 1 (continued)

Income taxes

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

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

First Fidelity Bank N.A.,  
 South Jersey

	1985	1984
Repurchase Agreement	<u>\$2,125,000</u>	<u>\$3,000,000</u>
Accumulated Depreciation and Amortization	<u>109,621,000</u>	<u>17,561,000</u>
Property and Equipment, Net	<u>6293,734,000</u>	<u>1291,372,000</u>

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

	1985	1984
Land	\$ 26,098,000	\$ 25,615,000
Buildings, Leasehold Improvements	287,165,000	266,678,000
Furniture, Fixtures and Equipment	95,612,000	88,604,000
	408,875,000	380,897,000
Less Accumulated Depreciation and Amortization	109,621,000	87,588,000
Property and Equipment, Net	\$299,254,000	\$293,309,000

BALLY'S PARK PLACE CASINO HOTEL  
 Note 4 - Long Term Debt - 1985  
 December 31, 1985

Date of Issue	Due	Interest rate	Maturity
Bank of America 10/20/80	10/20/85	10% - Purchase money debt \$185,281 note pay \$185,281 principal 2 yrs. pay 4%	10/20/85
First National State Bank of South Jersey 1922 Pacific Ave.	01/23/76	13% - 100% - \$2,795,750 per mo. Ballroom portion of \$129,052.84 payable ad or before 11/1/85	01/23/86
Mal Ginsberg Eastbourne Property	05/11/76	11% - Interest \$15,004 per mo. 10yr. term; final payment due 10/86	05/11/86
E. Dixon Eastbourne Property	05/11/79	10 yr. mortgage - 11% int. \$15,007/mo. final payment due 10/86	05/11/89
J. Toll Eastbourne Property	05/11/79	10 yr. mortgage - 11% int. \$15,007/mo. final payment due 9/86	05/11/89
A. C. Bessie & Son 16 S. Jefferson Ave. Atlantic City, NJ	12/01/80	9% - mortgage - \$2 million \$2,200,000 - outstanding 1/1/83. Final payment due 6/83	12/01/90
First National State Bank of South Jersey 300 West Parkway Drive 528 Harbor Township	01/20/84	9% - 100% - 100% install- ments. Monthly principal payments \$17,410.50. Total not based on price rate.	01/20/94

BALLY'S PARK PLACE CASINO HOTEL  
 Note 4 - Long-Term Debt - Other  
 December 31, 1985

Lender U. S. dollars	Original Date of note	Due Date of note	Interest rate, payment terms and collateral	Balance at 12/31/84	Additions	Reductions	Principal amount		
							Balance at December 31, 1985	Total	Current
2000 Pacific Avenue	10/03/82	9/85	10% - Purchase money mortgage & \$185,781 note payable. \$9,680.15 principal & int. per mo.	\$ 83,000	\$ --	\$ 83,000	\$ ---	\$ ---	\$ ---
First National State Bank of South Jersey 1922 Pacific Ave.	01/04/78	02/01/93	15yr. loan-8½%. \$2,360.56 per mo. Balloon payment of \$120,052.64 payable on or before 2/1/93.	224,000	--	10,000	214,000	11,000	203,000
Nat Ginsberg Eastbourne Property	05/11/79	11/86	11% interest-\$15,404 per mo. 10yr. loan; final payment due 11/86.	644,000	--	488,000	156,000	156,000	---
E. Beron Eastbourne Property	05/11/79	10/86	10 yr. mortgage-11% int. \$14,807/mo. Final payment due 10/86.	619,000	--	484,000	135,000	135,000	---
J. Toll Eastbourne Property	05/11/79	9/86	10 yr. mortgage-11% int. \$14,807/mo. Final payment due 9/86.	280,000	--	152,000	128,000	128,000	---
A. C. Rescue Mission 16 S. Indiana Ave. Atlantic City, NJ	12/01/80	12/31/85	5yr. mortgage-9% interest. \$2,282.11/mo. commencing 1/1/81. Final payment made 6/85.	191,000	--	191,000	--	--	--
First National State Bank of South Jersey 100 West Parkway Drive Egg Harbor Township	07/20/84	08/01/89	5yr. loan-monthly installments. Monthly principal payment \$17,410.66. Interest based on Prime Rate.	958,000	--	209,000	749,000	209,000	540,000

BALLY'S PARK PLACE CASINO HOTEL  
 Note 4 - Long-Term Debt-Other  
 December 31, 1985

Lender U. S. dollars	Original Date of note	Due Date of note	Interest rate, payment terms and collateral	Principal amount					
				Balance at 12/31/84	Additions	Reductions	Balance at December 31, 1985		
							Total	Current	Non-current
Girard/Mellon Bank	04/84	13 months from bank's re- quest	Credit line for \$50,000,000- Commitment Fee ¼ of 1% on unused balance; calculation based on 365-days; loan take downs calculated at Prime Rate (9½% at 12/31/85)	\$ 10,000,000	\$15,400,000	\$25,400,000	\$ ---	\$ ---	\$ ---
IBM-Equipment Purchase Contract	06/29/84	06/29/87	14½% interest. Thirty-six month contract	537,000	---	537,000	---	---	---
Girard Bank Michigan & Pacific Ave.	03/31/83	5yrs. from date of Acq. of 2nd parcel; No later than 8/15/88.	Interest fixed for 30, 90, or 180 days at one over LIBOR or floating with Girard Bank's PRIME. Principal equal to 20% of original amount due annu- ally. Collateral is a blanket mortgage secured by a 1st mortgage on both parcels - 1 and 2.	2,560,000	---	640,000	1,920,000	640,000	1,280,000
Rachlin Lease - Mortgage Arkansas & Boardwalk	01/01/79	01/01/86	99 year capitalized lease, interest imputed at 10½% purchase option on 1/01/86 for \$3,500,000	3,175,000	325,000	---	3,500,000	3,500,000	---
				<u>\$ 19,271,000</u>	<u>\$15,725,000</u>	<u>\$28,194,000</u>	<u>\$ 6,802,000</u>	<u>\$ 4,779,000</u>	<u>\$ 2,023,000</u>

Five-Year Aggregate Annual Maturities  
 of Long-term Debt

1986	1987	1988	1989	1990	Thereafter
<u>\$4,779,000</u>	<u>\$ 860,000</u>	<u>\$ 861,000</u>	<u>\$ 135,000</u>	<u>\$ 15,000</u>	<u>\$ 153,000</u>

BALLY'S PARK PLACE CASINO HOTEL  
 Note 4 - Long-Term Debt - Affiliates  
 December 31, 1985

Lender U. S. dollars	Original Date of note	Due Date of note	Interest rate, payment terms and collateral	Principal amount					
				Balance at 12/31/84	Additions	Reductions	Balance at December 31, 1985		
							Total	Current	Non-current
Bally's Park Place Funding, Inc.	09/01/83	09/01/2003	20 year Mortgage Interest at 13 7/8% payable semi-annually	<u>\$99,535,000</u>	<u>\$32,000</u>	--	<u>\$99,567,000</u>	--	<u>\$99,567,000</u>

BALLY'S PARK PLACE CASINO HOTEL

Note 5 - Deferred Credits

December 31,

	<u>1985</u>	<u>1984</u>
Deferred Federal Income Taxes	<u>\$13,671,000</u>	<u>\$14,318,000</u>

**BALLY'S PARK PLACE CASINO HOTEL**  
**Note 6 - Capital Stock - Description of Features**  
**For the Twelve Months Ended December 31, 1985 and 1984**

**COMMON STOCK:**

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

BALLY'S PARK PLACE CASINO HOTEL  
 Note 6 - Long Term Leases - Summary  
 December 31,

	1984	1985	1986	1987	1988	1989
Rental Expense						
Cap-expend International Services						
SI Green-Greenberg 17th St Cancellor, Philadelphia, PA Terms: 10/1/82 - 9/30/87	19,000	38,000				
Traveler Aviation Original Term: 8/15/82 - 8/15/87 Possible renegotiation		543,100				
Corvick & Smith 15007 Baltimore Bally (S.) Tr. Co. 2/1/82 - 2/1/86	16,000	31,000				1,000
400 Expressway Authority assigned Terms 3/1/83 - 2/1/86	297,000	295,000				48,000
60 Grand St New York Sales Office 665 Fifth Avenue, NY, NY Terms: 12/1/82 - 11/30/86	6,000	181,000				
2180 Third Avenue Assoc. Inc. Terms: 5/1/85 - 4/3/86	110,000				137,000	17,000
Executive News Terms: 8/2/85 - 8/2/86	8,000				13,000	9,000
4100 - Operating Lease Terms: 8/84 - 7/87		106,000				
Equipment Rental Expense	37,000	925,000				
Manufacturer Tables Group		2,273,000				
Bally Manufacturing (Airplane Charges)		205,000				
Miscellaneous Rent Expenses Total	640,000	\$9,662,000				\$ 26,000

\* Not the Indenture's Rent Expense

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

	Rental Expense			Minimum Non-Cancellable Rental Commitments			
	1985	1984	1986	1987	1988	1989	1990
Rental Expense							
*American International Airlines	\$ --	\$ 65,000	\$ --	\$ --	\$ --	\$ --	\$ --
*Strouse-Greenberg 17th & Chancellor, Philadelphia, PA Terms: 10/1/82 - 9/30/87	16,000	38,000	--	--	--	--	--
*Priester Aviation Original Terms: 8/15/82 - 8/15/83 Possible renegotiation	--	569,000	--	--	--	--	--
Gurwicz & Schiff (2507 Atlantic Realty Co.) Term 2/11/83 - 2/11/86	36,000	33,000	3,000	--	--	--	--
*NJ Expressway Authority original terms 3/1/81 - 3/1/86	297,000	295,000	48,000	--	--	--	--
*Roband - New York Sales Office 665 Fifth Avenue, NY, NY terms: 12/1/82 - 3/30/85	6,000	107,000	--	--	--	--	--
*780 Third Avenue Associates terms: 4/1/85 - 4/1/88	120,000	--	137,000	137,000	17,000	--	--
*Executive Mews terms: 8/2/85 - 8/2/88	6,000	--	15,000	15,000	9,000	--	--
*IBM - Operating Lease terms 8/84 - 7/87	--	104,000	--	--	--	--	--
*Equipment Rental Expense	359,000	928,000	--	--	--	--	--
*Innovative Travel Group	--	2,273,000	--	--	--	--	--
*Bally Manufacturing (Airplane Charges)	--	205,000	--	--	--	--	--
Miscellaneous Rent Expenses	--	5,000	--	--	--	--	--
Total	\$ 840,000	\$4,622,000	\$ 203,000	\$ 152,000	\$ 26,000	\$ --	\$ --

\* Not included in rent expense.

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

	Rental Expense		1986	Minimum Non-Cancellable Rental Commitments				
	1985	1984		1987	1988	1989	1990	Thereafter
<u>Rental Expense</u>								
Marlboro Blenheim	\$ 1,150,000	\$ 1,100,000	\$ 1,150,000	\$ 1,150,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 32,400,000

For the three months ended December 31,

Marlboro Blenheim	\$ 288,000	\$ 275,000
-------------------	------------	------------

BALLY'S PARK PLACE CASINO HOTEL  
 Note 8 - Complimentary Services  
 For the Twelve Months Ended December 31, 1985

	<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	38,488	\$ 4,774,000		
Food	102,620	5,131,000		
Beverage	3,015,500	6,031,000		
Health Spa	733	22,000		
Travel			93,200	\$ 1,864,000
Coupon Redemption - Cash			1,101,108	12,267,000
Shows			13,882	236,000
Rooms off premises			2,180	193,000
Other			9,080	454,000
Total Amount of Services		<u>\$15,958,000</u>		<u>\$15,014,000</u>

For the Three Months Ended December 31, 1985

Rooms	9,058	\$ 1,097,000		
Food	25,760	1,288,000		
Beverage	729,500	1,459,000		
Health Spa	266	8,000		
Travel			32,950	\$ 659,000
Coupon Redemption - Cash			243,640	3,147,000
Shows			3,941	67,000
Rooms off premises			356	27,000
Other			1,520	76,000
Total Amount of Services		<u>\$ 3,852,000</u>		<u>\$ 3,976,000</u>

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

	<u>1985</u>	<u>1984</u>
<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$13,875,000	\$13,875,000
Capitalized interest	<u>(1,940,000)</u>	<u>(2,026,000)</u>
	<u>\$11,935,000</u>	<u>\$11,849,000</u>
 <u>External Sources</u>		
Interest on various loans	\$ 1,586,000	\$ 1,606,000
Capitalized interest	<u>(223,000)</u>	<u>(235,000)</u>
	<u>\$ 1,363,000</u>	<u>\$ 1,371,000</u>

For the Three Months Ended December 31,

<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$ 3,469,000	\$ 3,469,000
Capitalized interest	<u>(388,000)</u>	<u>(745,000)</u>
	<u>\$ 3,081,000</u>	<u>\$ 2,724,000</u>
 <u>External Sources</u>		
Interest on various loans	\$ 191,000	\$ 354,000
Capitalized interest	<u>(16,000)</u>	<u>(81,000)</u>
	<u>\$ 175,000</u>	<u>\$ 273,000</u>

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

	1985	1984
Current:		
Federal	\$ 17,157,000	\$ 18,489,000
State	3,871,000	3,770,000
	21,028,000	22,259,000
Deferred:		
Federal	(435,000)	1,367,000
State	(93,000)	274,000
	(528,000)	1,641,000
Total Income Taxes	\$ 20,500,000	\$ 23,900,000

For the Three Months Ended December 31,

Current:		
Federal	\$ 3,127,000	\$ 1,329,000
State	745,000	75,000
	3,872,000	1,404,000
Deferred:		
Federal	434,000	1,947,000
State	94,000	399,000
	528,000	2,346,000
Total Income Taxes	\$ 4,400,000	\$ 3,750,000

Reconciliation of Deferred Taxes  
 For the Year Ended December 31,

	1985	1984
Short-term	\$ 119,000	\$ 340,000
Long-term	(647,000)	1,301,000
	\$ (528,000)	\$ 1,641,000

BALLY'S PARK PLACE CASINO HOTEL  
 Note 10 (Continued)

Reconciliation to the Statutory Federal Income Tax Rate		
	<u>1985</u>	<u>1984</u>
Tax at statutory rate	\$20,238,000	\$21,687,000
Increase (decrease):		
State income taxes, net of related federal income tax benefit	2,071,000	2,184,000
Amounts relating to prior years' tax	---	673,000
Investment tax credits	(1,290,000)	(800,000)
Other, net	<u>(519,000)</u>	<u>156,000</u>
	<u>\$20,500,000</u>	<u>\$23,900,000</u>
Receivable - officers:		
January 1,	\$ 122,000	\$ 122,000
Payments	<u>76,000</u>	<u>76,000</u>
December 31,	\$ 46,000	\$ 46,000
Portion: 1985; \$6,000 and 1984; \$6,000		
Terms:		
Quarterly payments of \$2,750		
Rate: 6%		
Mortgage loan		
Gillman, Chairman of the Board		
January 1,	\$ 774,000	\$ 774,000
December 31,	<u>774,000</u>	<u>774,000</u>
Portion: 1985; \$386,000 and 1984; \$-0-		
Terms: without interest until certain future stock prices occur		
Officers receivable - officers	<u>\$ 696,000</u>	<u>\$ 697,000</u>

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

Other long-term investments and receivables:

	<u>1985</u>	<u>1984</u>
Reese Palley/Martin Blatt (Mortgage - Marlboro Bleinheim)		
First Mortgage	\$ 2,398,000	\$ 2,500,000
Second Mortgage	<u>3,197,000</u>	<u>3,333,000</u>
Total other long-term receivables	\$ 5,595,000	\$ 5,833,000
5% tax exempt Atlantic County Improvement Authority note	5,900,000	---
Casino Reinvestment Development Authority funds	5,751,000	---
Notes receivable - officers	890,000 (1)	897,000 (1)
Notes receivable - employees	1,000	1,000
Less current portion	<u>(655,000)</u>	<u>(245,000)</u>
Total Investments, Advances and Receivables	<u>\$17,482,000</u>	<u>\$ 6,486,000</u>

(1) Notes receivable - officers:

(A) William Weinberger, President		
Balance January 1,	\$ 122,000	\$ 129,000
Less payments	<u>(6,000)</u>	<u>(6,000)</u>
Balance December 31,	\$ 116,000	\$ 123,000

Current portion: 1985; \$6,000 and 1984: \$6,000

Repayment Terms:

Due Date: Quarterly payments of \$2,750

Interest Rate: 4%

Collateral: Mortgage Loan

(B) Richard Gillman, Chairman of the Board		
Balance January 1,	<u>\$ 774,000</u>	<u>\$ 774,000</u>
Balance December 31,	<u>774,000</u>	<u>774,000</u>

Current portion: 1985; \$386,000 and 1984; \$-0-

Repayment Terms: without interest until certain  
future stock prices occur

Total notes receivable - officers	<u>\$ 890,000</u>	<u>\$ 897,000</u>
-----------------------------------	-------------------	-------------------

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

	<u>1985</u>	<u>1984</u>
Payroll	\$ 8,426,000	\$ 4,917,000
Progressive Jackpots	2,133,000	2,389,000
Interest	4,704,000	4,723,000
Miscellaneous*	<u>6,352,000</u>	<u>6,112,000</u>
Total	<u>\$21,615,000</u>	<u>\$18,141,000</u>

\* No item exceeds 5% of total current liabilities.

BALLY'S PARK PLACE CASINO HOTEL

Note 13 - Pension Plan

December 31, 1985

In connection with the employment agreement of an officer/director of the Company, the Company has established a Supplemental Executive Retirement Plan, under which the participant receives benefits based on years of service and compensation. The Company recognized the expense on this plan currently and is funding such costs through the purchase of certain insurance contracts.

Under the Act and regulations, the actual terms of such bonds are not yet available. However, the Act does provide for such bonds to bear interest at below market rates. As of December 31, 1985, long-term receivables includes \$5,751,000 of bonds with commitments paid or accrued, representing the obligations for 1984 and 1985. The Act also allows projects commenced by a casino licensee prior to December 31, 1984 to be submitted to the CRA for approval for credit against such licensee's alternative tax liability. Prior to December, 1984, the Company financed the development of a 72-unit condominium housing project in Atlantic City, financed in March, 1985 through the Company's donation of the land to the Atlantic County Improvement Authority. The Company believes this project is consistent with the primary goal of the recent legislation to provide housing in Atlantic City and will seek to obtain full credit against its investment alternative tax liability for 1985 and 1986 through approval of the housing project credit through the purchase of sufficient CRA bonds.

BALLY'S PARK PLACE CASINO HOTEL

Note 14 - Investment Obligation/Potential Alternative Tax  
December 31, 1985

The Casino Control Act ("Act") imposes on all casino licensees an investment obligation of 1.25% of gross casino revenues, as defined, or an investment alternative tax of 2.5% of gross casino revenues. The investment obligation is generally required to be satisfied through the purchase of bonds issued by the Casino Reinvestment Development Authority ("CRDA"). Since the CRDA has not yet promulgated its rules and regulations, the actual terms of such bonds are not yet available, however the Act does provide for such bonds to bear interest at below market rates. As of December 31, 1985, long-term receivables includes \$5,751,000 of bond purchase commitments paid or accrued, representing the obligations for 1984 and 1985. The Act also allows projects commenced by a casino licensee prior to December, 1984 to be submitted to the CRDA for approval for credit against such licensee's investment alternative tax liability. Prior to December, 1984, the Company commenced the development of a 72-unit condominium housing project in Atlantic City, financed in March, 1985 through the Company's donation of the building site and its acquisition of \$5,900,000 of 5% tax free, 3½ year notes issued by the Atlantic County Improvement Authority. The Company believes this project is consistent with the primary goal of the recent legislation to provide housing in Atlantic City and will seek to obtain full credit against its investment alternative tax liability for 1985 and 1984 through approval of the housing project or, absent such approval, through the purchase of sufficient CRDA bonds.

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack .....	48,583	280,653	17.3	76
2	Craps .....	32,399	202,321	16.0	22
3	Roulette .....	10,268	40,174	25.6	12
4	Big Six .....	3,126	6,561	47.7	4
5	Baccarat .....	4,552	35,297	12.9	3
6	Other table games .....	---	---	---	---
7	Total table games revenue .....	98,928	\$ 565,006	17.5 %	117
			HANDLE		
			\$	%	
8	\$.05 slot machines .....	5,295	33,332	15.9	102
9	\$.25 slot machines .....	66,785	454,555	14.7	1,030
10	\$1.00 slot machines .....	23,248	174,842	13.3	211
11	Other slot machines .....	30,010	231,515	13.0	253
12	Total coin-operated devices revenue .....	125,338	\$ 894,244	14.0 %	1,596
13	Progressive jackpot adjustment .....	255			
14	Total coin-operated devices revenue after adjustment .....	125,593			
15	Other income .....	---			
16	Total revenue .....	224,521			
	Expenses:				
17	Payroll and payroll related expenses .....	37,193			
18	Licenses and taxes .....	19,347			
19	Provision for uncollectible patrons' checks	585			
20	Other .....	3,177			
21	Total .....	60,302			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	164,219			
	Complimentary services and casino management fees:				
23	Complimentary services .....	27,100			
24	Casino management fees .....	---			
25	Total .....	27,100			
26	Departmental Income (Loss) .....	\$ 137,119			

STATEMENT OF CONFORMITY AND ACCURACY

ANNUAL EMPLOYMENT AND PAYROLL REPORT

STATE OF New Jersey :
COUNTY OF Atlantic :ss.

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

deposes and says:

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

/s/ C. Patrick McKoy
Signature

Vice President & Treasurer
Title

#00962-11
License Number

Subscribed and sworn to before me this 14th day of March, 1986

On Behalf Of:

Elizabeth P. Dowall
Signature

Bally's Park Place, NJ
Casino Licensee

ELIZABETH P. DOWALL
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Aug. 8, 1989

Basis of Authority to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** BALLY'S PARK PLACE, NJ  
**ADDRESS** PARK PLACE AND THE BOARDWALK  
ATLANTIC CITY, NEW Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 19 85

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

C. Patrick McKoy

**OFFICIAL TITLE**.....

Vice President & Treasurer

**ADDRESS**.....

Park Place and The Boardwalk

(609) 340-2400

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
<b>CASINO</b>					
1	Administration .....	14			
2	Gaming .....	933			
3	Slots .....	111			
4	Casino accounting .....	333			
5	Other .....	45	\$	\$	\$
6	<b>Total-casino .....</b>	<b>1,436</b>	<b>26,271</b>		<b>26,271</b>
7	<b>ROOMS .....</b>	<b>266</b>	<b>3,584</b>		<b>3,584</b>
8	<b>FOOD AND BEVERAGE .....</b>	<b>956</b>	<b>10,569</b>		<b>10,569</b>
<b>OTHER OPERATED DEPARTMENTS</b>					
9	Health Spa	57	403		403
10	Gas Station	8	135		135
11	Hat Check	16	124		124
12	Telephone	26	325		325
13	Beauty Salon	0	41		41
14	Shoe Salon	1	54		54
15					
16					
17					
18					
19					
<b>ADMINISTRATIVE AND GENERAL</b>					
20	Executive office .....	59	212	2,901	3,113
21	Accounting and auditing .....	106	1,811	84	1,895
22	Security .....	256	4,658		4,658
23	Other administrative and general department ..	173	2,544		2,544
24	<b>MARKETING .....</b>	<b>66</b>	<b>1,300</b>		<b>1,300</b>
25	<b>GUEST ENTERTAINMENT .....</b>	<b>112</b>	<b>535</b>		<b>535</b>
26	<b>PROPERTY OPERATION AND MAINTENANCE .....</b>	<b>323</b>	<b>5,820</b>		<b>5,820</b>
27	<b>TOTALS - ALL DEPARTMENTS .....</b>	<b>3,861</b>	<b>58,386</b>	<b>2,985</b>	<b>61,371</b>

Trading Name of Licensee Bally's Park Place Casino Hotel

GROSS REVENUE  
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

LICENSEE

ADDRESS

Park Place and The Boardwalk  
For the Year Ended December 31, 1985

FOR THE YEAR ENDED DECEMBER 31, 1985

March 15, 1986  
Date

TO THE

[Signature]  
Signature

CASINO CONTROL COMMISSION

Vice President & Treasurer  
Title

STATE OF NEW JERSEY



OFFICER IN CHARGE  
OF THE COMMISSION REGARDING  
ANNUAL TAX RETURN

E. Patrick McGee

OFFICIAL TITLE

Vice President & Treasurer

ADDRESS

Park Place and The Boardwalk

(609) 340-2400

# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** BALLY'S PARK PLACE, NJ

**ADDRESS** PARK PLACE AND THE BOARDWALK

ATLANTIC CITY, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 19<sup>85</sup>**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

C. Patrick McKoy

**OFFICIAL TITLE**

Vice President & Treasurer

**ADDRESS**

Park Place and The Boardwalk

(609) 340-2400

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

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

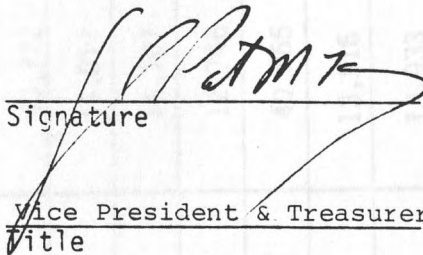
STATEMENT OF CONFORMITY AND ACCURACY

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

C. Patrick McKoy, being duly sworn according  
Name

to law upon my oath deposes and says:

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

  
Signature

Vice President & Treasurer  
Title

#00962-11  
License Number

On Behalf Of:

Bally's Park Place, NJ  
Casino Licensee

Subscribed and sworn to  
before me this 14th day  
of March, 1986.

Elizabeth P. Dowall  
Signature

**ELIZABETH P. DOWALL**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires Aug. 8, 1989

Basis of Authority  
to Take Oaths

TRADING NAME OF LICENSEE Bally's Park Place, NJ

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1985

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	512	15,872	11,410	\$ 86.39	71.9 %	22,013	\$ 44.78
2	FEBRUARY	510	14,280	10,609	\$ 83.17	74.3 %	19,940	\$ 44.25
3	MARCH	510	15,810	13,058	\$ 82.13	82.6 %	24,447	\$ 43.87
4	1ST QUARTER TOTALS		45,962	35,077	\$ 83.83	76.3 %	66,400	\$ 44.28
5	APRIL	510	15,300	13,018	\$ 86.51	85.1 %	23,818	\$ 47.28
6	MAY	510	15,810	13,991	\$ 88.86	88.5 %	25,496	\$ 48.76
7	JUNE	510	15,300	13,763	\$ 113.69	90.0 %	25,833	\$ 60.57
8	2ND QUARTER TOTALS		46,410	40,772	\$ 96.49	87.9 %	75,147	\$ 52.35
9	JULY	510	15,810	14,012	\$ 123.45	88.6 %	28,543	\$ 60.60
10	AUGUST	510	15,810	14,107	\$ 124.67	89.2 %	29,206	\$ 60.22
11	SEPTEMBER	510	15,300	12,746	\$ 97.41	83.3 %	24,499	\$ 50.68
12	3RD QUARTER TOTALS		46,920	40,865	\$ 115.75	87.1 %	82,248	\$ 57.51
13	OCTOBER	510	15,810	13,916	\$ 90.51	88.0 %	26,906	\$ 46.81
14	NOVEMBER	510	15,300	12,933	\$ 91.97	84.5 %	24,992	\$ 47.59
15	DECEMBER	510	15,810	8,826	\$ 94.31	55.8 %	16,030	\$ 51.92
16	4TH QUARTER TOTALS		46,920	35,675	\$ 91.98	76.0 %	67,928	\$ 48.30
17	ANNUAL TOTALS		186,212	152,389	\$ 97.68	81.8 %	291,723	\$ 51.03

# ANNUAL REPORT

974-901  
C 193

LICENSEE BOARDWALK REGENCY CORPORATION

ADDRESS 2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL REPORT

EDWARD J. SUTOR

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE

ADDRESS

2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE Caesars Atlantic City

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

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

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(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 .....	12,200		
2	Returned patrons' checks .....	19,087		
3	Total patrons' checks .....	31,287	\$ 16,060	\$ 15,227
4	Hotel Receivables .....	1,749	150	1,599
5	Other Receivables:			
	Receivables due from officers and employees.....	34		
6	Receivables due from affiliates .....			
7	Other accounts and notes receivables .....	1,144		
8	Total other receivables .....	1,178		1,178
9	Totals (Form 305).....	\$ 34,214	\$ 16,210	\$ 18,004

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 11,954
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	307,818
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) .....	( 231,663 )
13	Checks collected through deposits .....	( 71,238 )
14	Checks transferred to returned checks .....	( 4,671 )
15	Other adjustments .....	
16	Ending Balance .....	\$ 12,200
17	"Hold" Checks Included In Balance On Line 16 .....	\$ -0-
18	Provision For Uncollectible Patrons' Checks .....	\$ 3,945
19	Provision As A Percent Of Counter Checks Issued .....	1.3%

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(S IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino ..... (Note 1)	\$ 248,209	\$ 224,079
2	Rooms .....	17,540	14,836
3	Food and beverage .....	33,834	34,493
4	Other .....	17,068	14,818
5	Total revenue .....	316,651	288,226
6	Less: promotional allowances ..... (Notes 1 and 13)	35,065	35,215
7	Net revenue .....	281,586	253,011
	Costs And Expenses:		
8	Cost of goods and services .....	151,995	148,067
9	Selling, general, and administrative .....	61,037	51,243
10	Provision for doubtful accounts .....	4,164	2,858
11	Total .....	217,196	202,168
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	64,390	50,843
13	Depreciation and amortization ..... (Note 1)	16,093	10,267
	Charges from affiliates:		
14	Interest ..... (Notes 8 & 11)	19,296	12,436
15	Management fees .....		
16	Other ..... (Note 11)	2,194	1,716
17	Interest expense - external .....	4,209	6,495
18	Income (Loss) From Operations .....	22,598	19,929
19	Nonoperating income (expense) - net .....		
20	Investment alternative tax and related income (expense) - net. Note 12	( 3,527)	( 1,095)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	19,071	18,834
22	Provision (Credit) for income taxes ..... (Notes 1 and 5)	9,423	6,155
23	Income (Loss) Before Extraordinary Items .....	9,648	12,679
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	\$ 9,648	\$ 12,679

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

BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	ASSETS		
	Current Assets:		
1	Cash .....	\$ 7,266	\$ 6,456
2	Marketable securities .....		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$ 16,210 ; 19 <u>84</u> , \$ 15,976 ) .....	18,004	16,791
4	Inventories ..... (Note 1) .....	2,740	2,052
5	Prepaid expenses and other current assets .. (Note 2) .....	3,766	3,208
6	Total current assets .....	31,776	28,507
7	Investments, Advances, And Receivables .....	893	
8	Property And Equipment - Net (Notes 1, 3, and 9) .....	213,951	213,849
9	Other Assets .....	9,713	4,698
10	Total Assets .....	\$ 256,333	\$ 247,054
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable .....	\$ 6,818	\$ 11,280
12	Notes payable ..... (Note 4) .....	18,400	3,300
	Current portion of long-term debt:		
13	Due to affiliates .....		
14	Other ..... (Note 9) .....	900	1,661
15	Income taxes payable and accrued ..... (Note 1) .....	2,923	277
16	Other accrued expenses ..... (Note 6) .....	23,352	24,029
17	Other current liabilities ..... (Note 7) .....	31,953	46,368
18	Total current liabilities .....	84,346	86,915
	Long-Term Debt:		
19	Due to affiliates ..... (Note 8) .....	90,181	89,245
20	Other ..... (Note 9) .....	35,700	36,433
21	Deferred Credits .....	2,134	137
22	Other Liabilities .....		
23	Commitments And Contingencies (Note 12) .....		
24	Total Liabilities .....	212,361	212,730
25	Stockholders', Partners', Or Proprietor's Equity ..... (Note 11) .....	43,972	34,324
26	Total Liabilities And Equity .....	\$ 256,333	\$ 247,054

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino .....(Note 1).....	\$ 61,287	\$ 52,573
2	Rooms .....	4,026	3,796
3	Food and beverage .....	8,219	7,722
4	Other .....	4,962	2,993
5	Total revenue .....	78,494	67,084
6	Less: promotional allowances ..(Notes 1 and 13).....	8,501	7,718
7	Net revenue .....	69,993	59,366
	Costs And Expenses:		
8	Cost of goods and services .....	38,716	35,386
9	Selling, general, and administrative .....	15,112	9,503
10	Provision for doubtful accounts .....	1,362	1,051
11	Total .....	55,190	45,940
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	14,803	13,426
13	Depreciation and amortization ... (Note 1).....	3,934	3,315
	Charges from affiliates:		
14	Interest .....	4,521	4,788
15	Management fees .....		
16	Other ..... (Note 11).....	716	491
17	Interest expense - external .....	1,166	642
18	Income (Loss) From Operations .....	4,466	4,190
19	Nonoperating income (expense) - net .....		
20	Investment alternative tax and related income (expense) - net.....(Note 12)	261	(1,095)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	4,727	3,095
22	Provision (Credit) for income taxes ..(Notes 1 and 5).....	2,451	1,329
23	Income (Loss) Before Extraordinary Items .....	2,276	1,766
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	\$ 2,276	\$ 1,766

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
\$ IN THOUSANDS

LINE (a)	DESCRIPTION (b)	19 85		19 84	
		SHARES	DOLLARS	SHARES	DOLLARS
	Common Stock: (No Par Value; 1000 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)		5,912		5,912
10					
11					
12	Ending balance		5,912		5,912
	Treasury Stock:				
13	Beginning balance (January 1)		( )		( )
14	Purchase of additional stock		( )		( )
15	Sale or retirement of stock				
16	Ending balance		( )		( )
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		( )		( )
18					
19					
20	Ending balance		( )		( )
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		( )		( )
22					
23					
24	Ending balance		( )		( )
	Retained Earnings:				
25	Beginning balance (January 1)		27,042		49,363
26	Prior period adjustments				
27	Net income (loss)		9,648		12,679
28	Dividends (Note 11)		( )		( 35,000 )
29					
30					
31	Ending balance		36,690		27,042
32	Ending Stockholders' Equity		\$ 43,972		\$ 34,324

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

TRADING NAME OF LICENSEE Caesars Atlantic City

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Invested Capital:		
1	Beginning balance (January 1) .....	\$ N/A	\$ N/A
2	Additional capital invested .....		
3	.....		
4	Ending balance .....		
	Accumulated Income (Loss):		
5	Beginning balance (January 1) .....	N/A	N/A
6	Prior period adjustments .....		
7	Net income (loss) .....		
8	.....		
9	Ending balance .....		
	Capital Withdrawals:		
10	Beginning balance (January 1) .....	( N/A )	( N/A )
11	Additional capital withdrawals .....	( )	( )
12	.....		
13	Ending balance .....	( )	( )
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1) .....	( N/A )	( N/A )
15	.....		
16	.....		
17	Ending balance .....	( )	( )
18	Ending Partners' Or Proprietor's Equity .....	\$ N/A	\$ N/A

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

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

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	<b>Sources Of Funds:</b>		
1	Income (loss) before extraordinary items .....	\$ 9,648	\$ 12,679
2	Add (deduct) items not affecting working capital:		
3	Depreciation and amortization of property and equipment .....	15,234	9,959
4	Amortization of other assets .....	859	308
5	Deferred income taxes - noncurrent .....	2,386	(2,985)
6	(Gain) loss on dispositions of property and equipment .....	(277)	
7	<u>Amortization of discount on note payable</u> .....	936	591
8	<u>Provision for writedown of casino reinvestment oblig.</u> .....	3,527	1,095
9	<u>Total</u> .....	32,313	21,647
10	Extraordinary items .....		
11	Total funds provided (used) by operations .....	32,313	21,647
12	Proceeds from dispositions of property and equipment .....	1,900	735
13	Proceeds from long-term debt .....		88,877
14	Additions to deferred credits and other liabilities .....		
15	Proceeds from issuance of stock or capital contributions .....		
16			
17			
18			
19			
20	<u>Total funds provided</u> .....	34,213	111,259
	<b>Uses Of Funds:</b>		
21	Additions to property and equipment .....	16,959	82,911
22	Investment in casino reinvestment obligations .....	9,099	1,819
23	Other additions to investments, advances, and receivables .....	893	
24	Increase in other assets .....	691	400
25	Reductions of long-term debt .....	733	1,886
26	Dividends declared or capital distributions .....		35,000
27	<u>Decrease in other liabilities</u> .....		6
28			
29			
30			
31	<u>Total funds used</u> .....		
32	Increase (Decrease) In Working Capital .....	\$ 5,838	\$ (10,763)
	<b>Summary Of Changes In Components Of Working Capital:</b>		
33	Cash .....	\$ 810	\$ (1,763)
34	Marketable securities .....		
35	Receivables and patrons' checks .....	1,213	1,343
36	Inventories .....	688	326
37	Prepaid expenses and other current assets .....	558	906
38	Accounts payable .....	4,462	(2,367)
39	Notes payable .....	(15,100)	(3,300)
40	Current portion of long-term debt .....	761	3,915
41	Income taxes payable and accrued .....	(2,646)	677
42	Other accrued expenses .....	677	(1,815)
43	Other current liabilities .....	14,415	(8,685)
44	Increase (Decrease) In Working Capital .....	\$ 5,838	\$ (10,763)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies:

Description of Business

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

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

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

Revenue and Promotional Allowances

Casino revenue represents the net win from gaming wins and losses. The retail value of accommodations and 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. Capitalized interest was \$500,000 and \$2,256,000 for the twelve months ending December 31, 1985 and 1984, respectively. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

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

NOTE 1. Summary of Significant Accounting Policies (continued):

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.

Reclassifications

Certain reclassifications have been made in the 1984 financial statements in order to conform with the presentation used in 1985.

Income Taxes

CNJ and BRC are included in CWI's consolidated federal income tax return. Pursuant to a tax reimbursement agreement, BRC 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 CNJ and BRC could have derived as a separate group, 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 that 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. Investment tax credits are recorded as a reduction of income tax expense when the related assets are placed into service.

NOTE 2. Prepaid Expenses and Other Current Assets:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Taxes, licenses and fees.....	\$2,002	\$1,827
Advertising.....	100	491
Insurance.....	856	462
Due from affiliates-Deferred taxes.....	385	-
Other.....	423	428
	<u>\$3,766</u>	<u>\$3,208</u>

NOTE 3. Property and Equipment:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Land.....	\$ 19,619	\$ 19,864
Buildings and improvements .....	133,597	108,001
Furniture, fixtures and equipment .....	59,702	48,602
Construction in progress .....	2,173	23,103
Properties under capital leases:		
Land .....	9,055	9,055
Buildings .....	34,702	34,702
Furniture, fixtures and equipment .....	<u>10,658</u>	<u>10,843</u>
	269,506	254,170
Less accumulated depreciation and amortization	<u>55,555</u>	<u>40,321</u>
	<u>\$213,951</u>	<u>\$213,849</u>

NOTE 4. Notes Payable:

BRC currently maintains unsecured lines of credit of \$25,000,000 of which \$18,400,000 and \$3,300,000 was outstanding at December 31, 1985 and 1984, respectively. These lines bear interest at the prime rate or a lesser negotiated rate. BRC is expected to maintain 5% compensating balances under the lines of credit, although it may elect to pay fees in lieu of balances.

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

NOTE 5. Income Taxes:

The provision for income taxes for the twelve months ending December 31, 1985 and 1984 is comprised of the following:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Current:		
Federal .....	\$5,696	\$6,800
State .....	2,332	1,733
Deferred.....	<u>1,395</u>	<u>(2,378)</u>
	<u>\$9,423</u>	<u>\$6,155</u>

NOTE 5. Income Taxes (continued):

The tax effects of timing differences resulting in deferred income taxes for the twelve months ending December 31, 1985 and 1984 are as follows:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Difference between book and tax depreciation.....	\$ 5,243	\$ 2,343
Difference between book and tax expense for capitalized leases.....	(473)	(356)
Accrual for progressive slot liability.....	95	873
IRS audit adjustments	(1,252)	(5,213)
Insurance claims liability.....	(601)	-
Adjustment for casino reinvestment obligation writedown.....	(1,529)	-
Other.....	(88)	(25)
	<u>\$ 1,395</u>	<u>\$(2,378)</u>

The provision for income taxes for the twelve months ending December 31, 1985 and 1984 differs from the amount computed at the statutory rate as follows:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Federal income tax at statutory rate.....	\$8,983	\$8,664
State income taxes, net of federal benefit....	1,401	1,050
Investment tax credits.....	(849)	(1,183)
Settlement of IRS examinations.....	154	(2,314)
Other.....	(266)	(62)
	<u>\$9,423</u>	<u>\$6,155</u>

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

Caesars Atlantic City  
(a subsidiary of Caesars New Jersey, Inc.)  
(unaudited)

NOTE 6. Other Accrued Expenses:

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Rent .....	\$ 6,105	\$ 8,184
Salaries, wages and vacation pay .....	4,285	5,368
Progressive slot accrual .....	2,614	3,733
Interest.....	1,794	1,808
Workmen's compensation insurance.....	2,284	1,685
Taxes payable other than income.....	1,539	1,423
Insurance.....	1,222	984
Other .....	3,509	844
	<u>\$23,352</u>	<u>\$24,029</u>

NOTE 7. Other Current Liabilities:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Due to affiliates (a).....	\$29,924	\$43,424
Patron deposits.....	900	1,391
Unredeemed chips outstanding.....	1,108	933
Other.....	21	620
	<u>\$31,953</u>	<u>\$46,368</u>
(a) Federal income taxes payable to CWI.....	\$ 3,942	\$ (678)
Funds borrowed from CNJ and CWI to finance CAC's expansion program, and operational expenses, interest calculated at BRC's average borrowing rate.....	<u>25,982</u>	<u>44,102</u>
	<u>\$29,924</u>	<u>\$43,424</u>

NOTE 8. Long-term Debt, Due to Affiliates:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Unsecured note payable dated May 15, 1984 to CWFC, interest at 14½% payable semi- annually on May 15 and November 15, with an effective rate of 16.4%, principal due May 15, 1996, net of unamortized discount of \$9,819,000 at 12/31/85 and \$10,755,000 at 12/31/84.....	<u>\$90,181</u>	<u>\$89,245</u>

Caesars Atlantic City  
(a subsidiary of Caesars New Jersey, Inc.)  
(unaudited)

NOTE 9. Long-term Debt, Other:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
(a) Long-term debt.....	\$ 1,929	\$ 2,409
(b) Capitalized lease obligations.....	<u>33,771</u>	<u>34,024</u>
	<u>\$35,700</u>	<u>\$36,433</u>

	<u>1985</u>	<u>1984</u>
	(In thousands)	
(a) Mortgages payable and equipment contracts, interest ranging from 3% to 17%, maturing through 1997, secured by property and equipment.....	\$2,402	\$3,584
Less current maturities.....	<u>473</u>	<u>1,175</u>
	<u>\$1,929</u>	<u>\$2,409</u>

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

<u>Year Ending December 31,</u>	
	(In thousands)
1986 .....	\$ 473
1987 .....	372
1988 .....	561
1989 .....	761
1990 .....	76
Thereafter .....	<u>159</u>
	<u>\$2,402</u>

NOTE 9. Long-term Debt, Other (continued):

(b) Leases:

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

Major leased assets, which have been capitalized, include a portion of the CAC hotel/casino and the land on which the hotel/casino is situated. The lease expires in 2008, and is renewable for two additional 30-year periods. BRC has the right to purchase the property between 1988 and 1993 and a right to match any purchase offers for the property or the lease. The lease provides for a minimum rental of \$2,748,000 for the lease year beginning June 1, 1985, increasing by up to \$73,000 per year in each subsequent year, and a percentage rental of 19.3% of the hotel/casino's net profit (as defined). The percentage rental amounted to \$4,650,000 and \$4,668,000 for the twelve months ending December 31, 1985 and 1984, respectively.

Future minimum lease payments for all leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Operating</u>	<u>Capital</u>
	(In thousands)	
1986.....	\$ 1,668	\$ 3,833
1987.....	1,137	3,819
1988.....	1,114	3,817
1989.....	886	3,835
1990.....	729	3,840
Thereafter.....	<u>8,772</u>	<u>146,934</u>
Total minimum lease payments.....	<u>\$14,306</u>	166,078
Less amount representing interest.....		<u>131,880</u>
		34,198
Less current maturities of obligations under capital leases.....		<u>427</u>
		<u>\$ 33,771</u>

NOTE 9. Long-term Debt, Other (continued):

Rent expense for the twelve months ending December 31, 1985 and 1984 is comprised of the following:

	<u>1985</u>	<u>1984</u>
	(In thousands)	
Minimum rentals under operating leases.....	\$3,748	\$3,082
Contingent rentals under operating and capital leases.....	<u>4,650</u>	<u>4,668</u>
	<u>\$8,398</u>	<u>\$7,750</u>

NOTE 10. Pension Plans:

BRC participates in CWI's unfunded Executive Security Plan. The Plan is available to any officer or other employee designated as a key executive of CWI and its subsidiaries. Pension expense is determined under the aggregate method and was \$269,000 and \$253,000 for the twelve months ending December 31, 1985 and 1984, respectively.

BRC also has an Individual Retirement Account Plan which is available to all full-time employees who have at least one year of service and are not covered under any qualified retirement plan. The expense of this plan was \$511,000 and \$543,000 for the twelve months ending December 31, 1985 and 1984, 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 11. Related Party Transactions:

Intercompany Services

CWI, CNJ and CWFC have provided BRC with substantial funds to finance the recent expansion of the hotel/casino, lease deposits, operating capital and other purposes. CWI also provides certain assistance to BRC, including supervision of the hotel/casino operations and the furnishing of accounting, tax, legal and insurance services. BRC reimburses CWI and CNJ for the cost of such services, which amounted to \$2,194,000 and \$1,716,000 for the twelve months ending December 31, 1985 and 1984, respectively. The breakdown of these services is as follows:

NOTE 11. Related Party Transactions (continued):

	<u>1985</u>	<u>1984</u>
	(In thousands)	
General insurance.....	\$1,193	\$ 962
Reservations office expenses.....	338	386
Corporate office travel expenses.....	83	213
Advertising.....	272	65
Consulting.....	94	
Other.....	<u>214</u>	<u>90</u>
	<u>\$2,194</u>	<u>\$1,716</u>

Dividends

On July 9, 1984 and August 30, 1984, BRC paid dividends of \$15,000,000 and \$20,000,000, respectively, to its parent, CNJ.

NOTE 12. Commitments and Contingencies:

The New Jersey Casino Control Act (the "Act"), signed into law in 1977, provides, among other things, for an assessment on licensees based upon their gross casino revenues. This assessment may be satisfied by investing in qualified eligible investments, making eligible contributions or paying an "alternative tax". In order for investments to be eligible, they must be approved by the Casino Reinvestment Development Authority ("CRDA"). In December 1984, the applicable provisions of the Act pertaining to this assessment were significantly revised. Among the revisions were changes in the percentage assessment, the basis upon which the assessment is calculated and the definition of qualified investments. These revisions also established the general terms and conditions of bonds to be issued by CRDA which would also satisfy the investment obligation. The CRDA bonds may have terms as long as 50 years and will bear interest at two-thirds of market rates at issue date resulting in a lower than face value of such bonds. Due to limitations imposed by the Act as a result of the 1984 amendments, the Company has determined that it is likely that it will purchase such bonds in satisfaction of its obligations through 1985. Accordingly, BRC has recorded a valuation allowance of \$4,623,000 and \$1,095,000 related to the interest differential for the twelve months ended December 31, 1985 and 1984, respectively. Corresponding charges of \$3,527,000 and \$1,095,000 were made to income for the twelve months ended December 31, 1985 and 1984, respectively. Until such time as the bonds are issued, this valuation allowance may be adjusted depending upon the fluctuation in bond interest rates, the terms of the bonds to be issued and other relevant factors. The total obligation for all periods through December 31, 1985 is \$23,375,000, for which deposits have been made of \$10,918,000. The remainder of the obligation is due in varying installments through 1988.

NOTE 12. Commitments and Contingencies (continued):

Provisional Allowances

(\$ Amounts in thousands)

Litigation

BRC is a party to legal proceedings arising in the normal conduct of business. Included in such legal proceedings is a claim of approximately \$6,800,000 against BRC based on gambling losses allegedly incurred using embezzled funds by a former employee of the claimant. Among other theories, the claimant contends that BRC knew or should have known that the funds were stolen and accordingly must repay them. BRC has denied liability and intends to vigorously defend this claim. In August, 1984, the Division of Gaming Enforcement of New Jersey filed with the Casino Control Commission a complaint against BRC and certain of its present and former employees based on the transactions which are the subject of the above lawsuit; however, this complaint was settled with BRC agreeing to a one-day closure of the casino on November 30, 1985. Management believes that the final outcome of these matters will not have a material adverse effect upon BRC's financial position.

Provisional Expenses

(\$ Amounts in thousands)

	Twelve Months Ending December 31, 1985		Three Months Ending December 31, 1985	
	Receivables	Amount	Receivables	Amount
Accounts Receivable	1,848,575	\$28,599	478,312	\$9,367
Notes Receivable	19,711	3,209	1,271	713
Other Receivables	19,681	1,351	8,522	503
Due From	1,201	142	518	58
	1,239	1,188	293	297
	<u>1,891,487</u>	<u>\$35,489</u>	<u>491,926</u>	<u>\$20,976</u>

NOTE 13. Complimentaries:

Promotional Allowances

(\$ Amounts in thousands)

	<u>Twelve Months Ending December 31, 1985</u>		<u>Three Months Ending December 31, 1985</u>	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Rooms	137,828	\$ 7,495	31,808	\$1,744
Food	1,204,505	13,265	269,227	3,020
Beverage	4,321,473	8,075	1,151,999	1,998
Parking	506,078	3,920	121,168	952
Theatre	107,710	1,675	19,664	519
Other	36,135	635	6,278	268
	<u>6,313,729</u>	<u>\$35,065</u>	<u>1,600,144</u>	<u>\$8,501</u>

Promotional Expenses

(\$ Amounts in thousands)

	<u>Twelve Months Ending December 31, 1985</u>		<u>Three Months Ending December 31, 1985</u>	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Coin	1,848,575	\$20,599	438,012	\$6,367
Travel	19,711	3,209	4,475	715
Promotions	19,661	1,351	8,532	503
Offsite Ent.	1,301	142	516	54
Other	2,239	1,188	393	297
	<u>1,891,487</u>	<u>\$26,489</u>	<u>451,928</u>	<u>\$7,936</u>

TRADING NAME OF LICENSEE Caesars Atlantic City

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack .....	56,886	349,569	16.3	71
2	Craps .....	49,720	343,305	14.5	24
3	Roulette .....	10,053	42,077	23.9	10
4	Big Six .....	2,712	5,695	47.6	4
5	Baccarat .....	16,557	120,104	13.8	4
6	Other table games .....				
7	Total table games revenue .....	135,928	\$ 860,750	15.8 %	114
			HANDLE		
8	\$ .05 slot machines .....	3,406	24,083	14.1	85
9	\$ .25 slot machines .....	55,109	376,544	14.6	858
10	\$1.00 slot machines .....	13,504	110,917	12.2	189
11	Other slot machines .....	39,144	322,191	12.1	457
12	Total coin-operated devices revenue .....	111,163	\$ 833,735	13.3 %	1,589
13	Progressive jackpot adjustment .....	1,118			
14	Total coin-operated devices revenue after adjustment .....	112,281			
15	Other income .....				
16	Total revenue .....	248,209			
	Expenses:				
17	Payroll and payroll related expenses .....	44,766			
18	Licenses and taxes .....	21,736			
19	Provision for uncollectible patrons' checks .....	3,945			
20	Other .....	18,621			
21	Total .....	89,068			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	159,141			
	Complimentary services and casino management fees:				
23	Complimentary services .....	32,551			
24	Casino management fees .....				
25	Total .....	32,551			
26	Departmental Income (Loss) .....	\$ 126,590			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF \_\_\_\_\_ :

: ss.

COUNTY OF \_\_\_\_\_ :

Edward J. Sutor

Name

, being duly sworn according to law upon my oath

deposes and says:

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

Edward J. Sutor  
Signature

Vice President of Finance  
Title

00587-11  
License Number

Subscribed and sworn to  
before me this 17th day  
of March, 19 86

On Behalf Of:

June C. Gallagher  
Signature

Boardwalk Regency Corporation  
Casino Licensee

**JUNE C. GALLAGHER**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires **JUNE 13, 1990**

Basis of Authority  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** BOARDWALK REGENCY CORPORATION

**ADDRESS** 2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

**FOR THE YEAR ENDED DECEMBER 31, 1985**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Edward J. Sutor

**OFFICIAL TITLE**

Vice President of Finance

**ADDRESS**

2100 Pacific Avenue

Atlantic City, New Jersey 08401

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration .....	17			
2	Gaming .....	914			
3	Slots .....	103			
4	Casino accounting .....	65			
5	Other .....	714	\$	\$	\$
6	Total-casino .....	1,813	37,104	-	37,104
7	ROOMS .....	198	2,987		2,987
8	FOOD AND BEVERAGE .....	886	13,267		13,267
	OTHER OPERATED DEPARTMENTS				
9	Service Station	13	171		171
10	Parking	70	1,008		1,008
11	Beauty Salon	5	94		94
12	Health Club	8	141		141
13	Coat Room	5	43		43
14	Telephone	15	284		284
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	15	159	1,136	1,295
21	Accounting and auditing .....	83	1,985		1,985
22	Security .....	193	4,090		4,090
23	Other administrative and general department ..	175	2,014		2,014
24	MARKETING .....	20	554		554
25	GUEST ENTERTAINMENT .....	48	1,319		1,319
26	PROPERTY OPERATION AND MAINTENANCE .....	82	2,395		2,395
27	TOTALS - ALL DEPARTMENTS .....	3,629	\$ 67,615	\$ 1,136	\$ 68,751

Trading Name of Licensee CAESARS ATLANTIC CITY

GROSS REVENUE  
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1985

March 12, 1986  
Date

Edward J. Futer  
Signature

Vice President of Finance  
Title

CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
CORRESPONDENCE REGARDING  
ANNUAL TAX RETURN

EDWARD J. FUTER

VICE PRESIDENT OF FINANCE

2100 PINEHURST AVENUE  
ATLANTIC CITY, NEW JERSEY 08401

# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** BOARDWALK REGENCY CORPORATION

**ADDRESS** 2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 85**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

EDWARD J. SUTOR

**OFFICIAL TITLE**

VICE PRESIDENT OF FINANCE

**ADDRESS**

2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 135,928	
2	Coin-operated devices revenue .....	111,163	
3	Total revenues .....		\$ 247,091
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 3,831	
5	Maximum adjustment (4% of line 3) .....	\$ 9,883	
6	Adjustment (the lesser of line 4 or line 5) .....		3,831
7	Gross revenues (line 3 less line 6) .....		\$ 243,260
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 19,461
9	Audit or other adjustments to tax on gross revenues in prior years .....		0
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		19,461
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 1,156	
12	February .....	1,355	
13	March .....	1,600	
14	April .....	1,511	
15	May .....	1,647	
16	June .....	1,486	
17	July .....	2,323	
18	August .....	2,030	
19	September .....	1,641	
20	October .....	1,895	
21	November .....	1,484	
22	December .....	1,051	
23	January .....	281	
24	Total deposits made for tax on current year's gross revenues .....		( 19,461 * )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		0
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ 19,461

\* Does not foot due to rounding of each month's deposit.

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF :  
:ss.  
COUNTY OF :

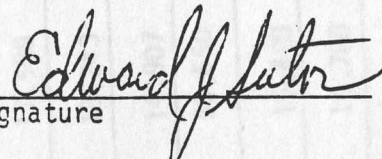
Edward J. Sutor

Name

, being duly sworn according

to law upon my oath deposes and says:

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



Signature

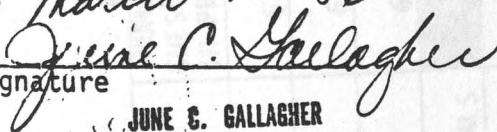
Vice President of Finance

Title

00587-11

License Number

Subscribed and sworn to  
before me this 14<sup>th</sup> day  
of March, 19 86

  
Signature

JUNE C. GALLAGHER

NOTARY PUBLIC OF NEW JERSEY

My Commission Expires JUNE 18, 1990

Basis of Authority  
to Take Oaths

On Behalf Of:

Boardwalk Regency Corporation

Casino Licensee

TRADING NAME OF LICENSEE Boardwalk Regency Corporation

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1985

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	641	19,375	11,993	\$ 91.06	61.9%	22,343	\$ 48.88
2	FEBRUARY	641	17,344	10,825	\$ 100.50	62.4%	20,705	\$ 52.54
3	MARCH	641	19,428	14,017	\$ 94.77	72.1%	25,969	\$ 51.15
4	1ST QUARTER TOTALS		56,147	36,835	\$ 95.25	65.6%	69,017	\$ 50.83
5	APRIL	641	18,043	15,209	\$ 95.45	84.3%	28,842	\$ 50.33
6	MAY	641	18,650	15,051	\$ 100.52	80.7%	28,153	\$ 53.74
7	JUNE	641	18,295	15,612	\$ 102.76	85.3%	30,191	\$ 53.14
8	2ND QUARTER TOTALS		54,988	45,872	\$ 99.60	83.4%	87,186	\$ 52.40
9	JULY	641	19,635	17,500	\$ 109.59	89.1%	25,979	\$ 73.82
10	AUGUST	641	19,712	18,243	\$ 110.45	92.5%	36,117	\$ 55.79
11	SEPTEMBER	641	18,997	14,907	\$ 99.38	78.5%	28,378	\$ 52.21
12	3RD QUARTER TOTALS		58,344	50,650	\$ 106.90	86.8%	90,474	\$ 59.84
13	OCTOBER	641	19,144	15,420	\$ 98.34	80.5%	27,921	\$ 54.31
14	NOVEMBER	641	18,477	14,780	\$ 96.79	80.0%	27,555	\$ 51.91
15	DECEMBER	641	19,239	11,595	\$ 93.09	60.3%	22,170	\$ 48.69
16	4TH QUARTER TOTALS		56,860	41,795	\$ 96.33	73.5%	77,646	\$ 51.85
17	ANNUAL TOTALS		226,339	175,152	\$ 100.01	77.4%	324,323	\$ 54.01

# ANNUAL REPORT

974-901  
C193

**LICENSEE** The Claridge at Park Place, Inc.  
**ADDRESS** Indiana Avenue and The Boardwalk  
Atlantic City, New Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



PROPERTY OF  
NEW JERSEY STATE LIBRARY  
12/1985

NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL REPORT . . . . . Jean I. Abbott  
OFFICIAL TITLE . . . . . Vice President/Controller  
ADDRESS . . . . . Indiana Avenue & The Boardwalk  
Atlantic City, New Jersey 08401

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	FORM NO. (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
1	Checks			
	Del patrons' checks .....	2,192		
	patrons' checks .....	2,998		
	<b>TITLE</b>		<b>FORM NO.</b>	
	counter checks .....	5,190		2,570
	Balance Sheets .....		CCC-305	
	Patrons' checks .....	727		630
	Statements of Income (Year) .....		CCC-310	
	Statements of Income (Three Months) .....		CCC-315	
	Statements of Changes in Stockholders' Equity .....	2,277	CCC-320	
	Statements of Changes in Partners' or Proprietor's Equity .....	1,133	CCC-325	
	Statements of Changes in Financial Position .....	3,868	CCC-330	3,830
	Notes to Financial Statements .....	2,785		2,010
	Schedule of Receivables and Patrons' Checks .....		CCC-340	
	Casino Departmental Schedule .....		CCC-345	
	Statement of Conformity and Accuracy .....		CCC-350	
16	Amount of checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' transfers) .....			2,924
17	Amount of checks issued prior to deposit (including the unredeemed portion of counter checks processed through partial redemptions, and excluding checks reissued through transactions relating to consolidations, substitutions, and patrons' transfers) .....			95,652
18	Amount of checks collected through deposits .....			72,156
19	Amount of checks collected through returned checks .....			10,810
20	Amount of checks transferred to returned checks .....			3,378
21	Amount of checks included in Balance on Line 16 .....			0-
22	Amount of Uncollectible Patrons' Checks .....			857
23	Percent of Counter Checks Issued .....			1.0

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 1985

(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 .....	2,192		
2	Returned patrons' checks .....	2,998		
3	Total patrons' checks .....	5,190	\$ 2,620	\$ 2,570
4	Hotel Receivables .....	727	117	610
	Other Receivables:			
5	Receivables due from officers and employees.....	8		
6	Receivables due from affiliates .....	2,727		
7	Other accounts and notes receivables .....	1,133		
8	Total other receivables .....	3,868	38	3,830
9	Totals (Form 305).....	\$ 9,785	\$ 2,775	\$ 7,010

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 2,924
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	85,652
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) .....	( 72,196 )
13	Checks collected through deposits .....	( 10,810 )
14	Checks transferred to returned checks .....	( 3,378 )
15	Other adjustments .....	-0-
16	Ending Balance .....	\$ 2,192
17	"Hold" Checks Included In Balance On Line 16 .....	\$ -0-
18	Provision For Uncollectible Patrons' Checks .....	\$ 857
19	Provision As A Percent Of Counter Checks Issued .....	1.0

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:	\$	\$
1	Casino .....	117,944	121,581
2	Rooms .....	13,330	13,469
3	Food and beverage .....	23,124	21,863
4	Other .....	3,106	3,382
5	Total revenue .....	157,504	160,295
6	Less: promotional allowances (Note 10.) .....	17,892	17,471
7	Net revenue .....	139,612	142,824
	Costs And Expenses:		
8	Cost of goods and services .....	75,938	75,069
9	Selling, general, and administrative .....	37,122	39,400
10	Provision for doubtful accounts .....	915	1,363
11	Total .....	113,975	115,832
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	25,637	26,992
13	Depreciation and amortization .....	2,909	2,721
	Charges from affiliates:		
14	Interest .....(Note 14.) .....	6,254	5,832
15	Management fees (Note 14.) .....	4,457	5,574
16	Other .....(Note 14.) .....	34,892	33,807
17	Interest expense - external .....	8,787	10,619
18	Income (Loss) From Operations .....	( 31,662)	( 31,561)
19	Nonoperating income (expense) - net ..(Note 9.) .....	16,938	16,907
20	Investment alternative tax and related income (expense) - net.....	-0-	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	( 14,724)	( 14,654)
22	Provision (Credit) for income taxes .....	26	85
23	Income (Loss) Before Extraordinary Items .....	( 14,750)	( 14,739)
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	-0-	-0-
25	Net Income (Loss) .....	\$ ( 14,750)	\$ ( 14,739)

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

BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	ASSETS		
	Current Assets:	\$	\$
1	Cash .....	2,872	4,697
2	Marketable securities <i>At cost which approximates market</i> .....	50	52
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$ 2,775 ; 19 <u>84</u> , \$ 3,385 ) .....	7,010	6,327
4	Inventories .....	2,716	2,570
5	Prepaid expenses and other current assets .....	702	666
6	Total current assets .....	13,350	14,312
7	Investments, Advances, And Receivables <i>(Note 3....)</i> .....	129,566	123,637
8	Property And Equipment - Net of Accum. Dep. of \$3,227 & 6,735...	4,944	5,710
9	Other Assets <i>(Note 4...)</i> .....	4,542	5,442
10	Total Assets .....	\$ 152,402	\$ 149,101
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
11	Accounts payable .....	5,686	6,105
12	Notes payable <i>(Note 7.)</i> .....	1,000	2,000
	Current portion of long-term debt:		
13	Due to affiliates .....	-0-	-0-
14	Other <i>(Note 7.)</i> .....	3,000	2,000
15	Income taxes payable and accrued .....	-0-	874
16	Other accrued expenses <i>(Note 5.)</i> .....	9,459	7,388
17	Other current liabilities <i>(Note 6.)</i> .....	18,905	11,389
18	Total current liabilities .....	38,050	29,756
	Long-Term Debt:		
19	Due to affiliates <i>(Note 7.)</i> .....	40,966	38,101
20	Other <i>(Note 7.)</i> .....	74,000	77,000
21	Deferred Credits .....	13	23
22	Other Liabilities <i>(Note 8...)</i> .....	32,671	22,639
23	Commitments And Contingencies <i>(Note 13)</i> .....		
24	Total Liabilities .....	185,700	167,649
25	Stockholders', Partners', Or Proprietor's Equity .....	( 33,298)	( 18,548)
26	Total Liabilities And Equity .....	\$ 152,402	\$ 149,101

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:	\$	\$
1	Casino .....	26,303	28,649
2	Rooms .....	2,846	3,056
3	Food and beverage .....	5,381	5,469
4	Other .....	770	923
5	Total revenue .....	35,300	38,097
6	Less: promotional allowances (Note 10) .....	4,005	4,715
7	Net revenue .....	31,295	33,382
	Costs And Expenses:		
8	Cost of goods and services .....	17,534	17,940
9	Selling, general, and administrative .....	10,252	10,035
10	Provision for doubtful accounts .....	208	15
11	Total .....	27,994	27,990
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....	3,301	5,392
13	Depreciation and amortization .....	673	906
	Charges from affiliates:		
14	Interest .....	1,653	1,493
15	Management fees .....	465	721
16	Other .....	8,935	8,460
17	Interest expense - external .....	2,097	2,643
18	Income (Loss) From Operations .....	( 10,522)	( 8,831)
19	Nonoperating income (expense) - net .....	4,396	4,227
20	Investment alternative tax and related income (expense) - net .....	-0-	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items .....	( 6,126)	( 4,604)
22	Provision (Credit) for income taxes .....	26	( 227)
23	Income (Loss) Before Extraordinary Items .....	( 6,152)	( 4,377)
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	-0-	-0-
25	Net Income (Loss) .....	\$ ( 6,152)	\$ ( 4,377)

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>85</u>		19 <u>84</u>	
		SHARES	DOLLARS	SHARES	DOLLARS
	Par value \$.10, authorized and out- standing 1,000 shares				
	Common Stock:				
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	.....				
12	Ending balance .....		4,999		4,999
	Treasury Stock:				
13	Beginning balance (January 1) .....		( )		( )
14	Purchase of additional stock .....		( )		( )
15	Sale or retirement of stock .....				
16	Ending balance .....		( )		( )
	Subscriptions Receivable For				
	Capital Stock:				
17	Beginning balance (January 1) .....		( )		( )
18	.....				
19	.....				
20	Ending balance .....		( )		( )
	Net Unrealized Loss On Noncurrent				
	Marketable Equity Securities:				
21	Beginning balance (January 1) .....		( )		( )
22	.....				
23	.....				
24	Ending balance .....		( )		( )
	Retained Earnings:				
25	Beginning balance (January 1) .....		( 23,548)		( 8,809)
26	Prior period adjustments .....				( 14,739)
27	Net income (loss) .....				( )
28	Dividends .....		( 14,750 )		( )
29	.....				
30	.....				
31	Ending balance .....		( 38,298)		( 23,548)
32	Ending Stockholders' Equity .....		(\$ 33,298)		\$(18,548)

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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements

December 31, 1985 and 1984

(1) Organization

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

(2) Summary of Significant Accounting Policies

(a) Cash

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

(b) Casino Receivables and Revenues

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

(c) Promotional Allowances

Promotional allowances are presented at retail value. The cost of providing these complimentary is included in the statement of earnings as operating costs. The aggregate retail value of complimentary was \$17,892,000 and \$17,471,000 for the year ended December 31, 1985 and 1984, respectively.

	1985	1984
	3,000	3,000
	7,054	3,513
	2,036	1,527
	<u>\$129,896</u>	<u>\$123,637</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(d) Inventories

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

(e) Furniture and Equipment

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

(f) Intangible Assets

Certain costs arising from the formation of New Claridge are amortized on a straight-line basis over a period of up to 5 years.

(g) Income Taxes

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

Pursuant to the Operating Lease, New Claridge is entitled to claim all investment tax credits relating to the Partnership's purchase of furniture, fixture and equipment replacements (FF&E Replacements), which purchase is funded by New Claridge. The amounts of such credits are added to rents payable to the Partnership under the Operating Lease.

(3) Investments, Advances, and Receivables

Investments, Advances, and Receivables at December 31, 1985 and 1984 are summarized as follows (in thousands):

	<u>1985</u>	<u>1984</u>
\$127,000,000 Expandable Wraparound Mortgage 14%, maturities through September 30, 2000 (net of \$15,534,000 discount and \$14,399,000 discount at December 31, 1985 and 1984 respectively)	\$111,466	112,601
Deferred interest receivable, due September 30, 2000	9,000	5,000
FF & E promissory note, 14%	7,064	4,513
Reinvestment Obligations	<u>2,036</u>	<u>1,523</u>
	<u>\$129,566</u>	<u>\$123,637</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

The Expandable Wraparound Mortgage Loan Agreement ("Expandable Wraparound Mortgage") was executed and delivered by the Partnership to New Claridge and is secured by all property of the Partnership. As part of the agreement, New Claridge will service the Partnership's debt under the Partnership's First Mortgage and Purchase Money Second Mortgage indebtedness (Note 7). The discounted portion of the Expandable Wraparound Mortgage is based on the same terms as those of the Purchase Money Second Mortgage.

\$20,000,000 in interest will be deferred between 1983 and 1988 and will be due upon maturity. No principal payments will be required under the Expandable Wraparound Mortgage until 1988.

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

On October 26, 1984 New Claridge entered into a financing agreement ("Purchase Agreement") with First Fidelity Bank N/A ("Bank") whereby the bank would purchase from New Claridge any FF & E promissory notes up to the aggregate sum of \$5 million. The purchase price would be one hundred (100%) percent of the outstanding principal amount of each FF&E promissory note, and would include a proportionate sale and assignment by New Claridge to the bank of New Claridge's interest in The Expandable Wraparound Mortgage and other Security Instruments, to the extent that they secure the purchased FF&E promissory notes. As additional consideration for the purchase of the promissory notes, New Claridge agreed to pay the Bank an amount equal to the excess, if any, that would be due as interest computed on a prime plus two (2%) percent basis. At any time on or after November 1, 1986 the bank may demand that New Claridge repurchase the notes. Furthermore, DEWNJ agreed to pay certain costs and expenses incurred by New Claridge in conjunction with the above agreement.

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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

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. As of December 31, 1985 no bonds have been issued for purchase. New Claridge has deposited its reinvestment funds with the State Treasurer. Through December 31, 1985 \$2,664,000 has been deposited with the State. These funds deposited are earning 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 has recorded a valuation allowance of \$981,000 for the year ended December 31, 1985. Until such time as the bonds are issued this valuation allowance may be adjusted due to potential fluctuations in bond interest rates and other factors, including the determination of the terms of the bonds. New Claridge's investment obligation at December 31, 1985 and 1984 is \$353,000 and \$1,523,000, respectively.

(4) Other Assets

Other assets at December 31, 1985 and 1984 consists of the following (in thousands):

	<u>1985</u>	<u>1984</u>
Intangible assets and deferred charges (net of amortization of \$4,061,000 and \$1,231,000 at December 31, 1985 and 1984, respectively.)	\$4,524	4,482
Deferred income taxes	18	960
	<u>\$4,542</u>	<u>5,442</u>

(5) Other Accrued Expenses

Other accrued expenses at December 31, 1985 and 1984, consists of the following (in thousands):

	<u>1985</u>	<u>1984</u>
Progressive jackpot liability	\$4,066	3,030
Accrued payroll and related benefits	3,287	2,532
Other	2,106	1,826
	<u>\$9,459</u>	<u>7,388</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL  
Notes to Financial Statements - Continued

(6) Other Current Liabilities

Other current liabilities at December 31, 1985 and 1984, consists of the following (in thousands):

	<u>1985</u>	<u>1984</u>
Deferred Fees	\$11,056	3,125
Receivable financing obligations	5,000	4,513
Due to affiliates	1,692	1,023
Reinvestment Obligation	353	1,523
Other	804	1,205
	<u>\$18,905</u>	<u>11,389</u>

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

(7) Long-term Debt

Long term debt at December 31, 1985 and 1984 consists of the following (in thousands):

	<u>1985</u>	<u>1984</u>
\$80,000,000 First Mortgage Note, prime plus 1%, maturities to 1993 (a)	\$ 77,000	79,000
\$47,000,000 Purchase Money Second Mortgage 14%, due September 30, 2000 (net of \$15,534,000 and \$14,399,000 discount at September 30, 1985 and 1984 respectively)	31,466	32,601
Deferred interest payable, due September 30, 2000 (b)	9,000	5,000
Unsecured 10% Notes (c)	1,500	2,500
	<u>118,966</u>	<u>119,101</u>
Less current installments	<u>4,000</u>	<u>4,000</u>
	<u>\$114,966</u>	<u>115,101</u>

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

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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

- (a) The approximate principal requirements on the long-term debt due under the First Mortgage for the next five years are as follows (in thousands):

1986	\$ 3,000
1987	5,000
1988	5,000
1989	7,000
1990	9,250
Thereafter	<u>47,750</u>

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 under the First Mortgage loan agreement.

- (b) The discounted portion of the Purchase Money Second Mortgage is due to the deferral to maturity of \$20,000,000 of interest occurring between 1983 and 1988. No principal payments are required under the Second Mortgage until maturity. Interest contractually due under the Second Mortgage amounted to \$6,580,000 and \$6,580,000 for the years ended December 31, 1985 and 1984. Amounts paid for the above periods amounted to \$2,580,000 and \$2,580,000 respectively, with the differences for the respective years being deferred.
- (c) The unsecured notes at December 31, 1985 and 1984 consist of the following (in thousands):

	<u>1985</u>	<u>1984</u>
\$1,000,000 loan bearing interest of prime plus 1% (10.75% at December 31, 1985)	\$1,000	-0-
\$500,000 loan bearing interest of 10% due December 31, 1989	500	500
\$2,000,000 loan bearing interest of prime plus 1% (11.75% at December 31, 1984)	-0-	2,000
	<u>\$1,500</u>	<u>2,500</u>

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

(8) Other Liabilities

Other liabilities at December 31, 1985 and 1984 consists of deferred rent of \$32,671,000 and \$22,769,000, respectively.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(9) Other Nonoperating Income (Expense) - net

Other nonoperating income (expense)-net for the year ended December 31, 1985 and 1984 consists of the following (in thousands):

	1985	1984
Interest income - Wraparound Mortgage	\$16,956	16,572
Insurance proceeds from Business Interruption Claim	0	280
Interest income - other	175	108
Miscellaneous income/(expense)	21	34
Loss on disposal of assets	(154)	(45)
Loss due to flood	(60)	(42)
<b>Total</b>	<b>\$16,938</b>	<b>16,907</b>

(10) Complimentary Services

Complimentary services for the three months and nine months ended December 31, 1985 are summarized as follows:

For the three months ended December 31, 1985

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	9,520	\$ 761,386
Food	193,365	1,781,810
Beverage	191,596	1,149,576
Showroom	27,167	311,509
<b>Total</b>	<b>421,648</b>	<b>\$4,004,281</b>

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash & Tokens	236,314	\$2,859,477
Travel	1,056	204,863
Gratuities	17,544	52,633
Other	N/A	119,985
<b>Total</b>	<b>254,914</b>	<b>\$3,236,958</b>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

For the year ended December 31, 1985

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	63,121	\$ 4,172,533
Food	959,042	7,800,860
Beverage	798,863	4,783,105
Showroom	<u>120,635</u>	<u>1,135,241</u>
Total	<u>1,941,661</u>	<u>\$17,891,739</u>

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash & Tokens	935,425	\$12,409,603
Travel	4,615	792,035
Gratuities	55,984	155,269
Other	<u>N/A</u>	<u>324,678</u>
Total	<u>996,024</u>	<u>\$13,681,585</u>

(11) Operating Lease

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

Minimum future lease payments under the Operating Lease as of December 31, 1985 are as follows (in thousands):

1986	\$ 22,450
1987	22,925
1988	27,255
1989	32,605
1990	34,815
Later Years	299,372
Total Minimum	<u>\$439,422</u>

In addition, additional rent payments are required based upon fixed assets purchased by the Partnership (the FF&E Replacements, note 3) and then leased to New Claridge. For the year ended December 31, 1985 and 1984 rental expense for all operating leases amounted to \$33,932,000 and \$33,286,000 respectively of which \$9,902,000 and \$17,452,000 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.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(12) Income Taxes

The provision for income taxes as of December 31, 1985 and 1984 is comprised of the following (in thousands):

	<u>1985</u>	<u>1984</u>
Current:		
Federal	\$(942)	860
State	26	85
Deferred	942	(860)
	<u>\$ 26</u>	<u>85</u>

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

	<u>1985</u>	<u>1984</u>
Difference between book and tax depreciation	-0-	(25)
Difference between book and tax treatment of rent expense	-0-	(8,028)
Amortization of organization fees previously expensed for book purposes	-0-	409
Accrual for progressive slot liability not deductible for tax purposes until paid	-0-	126
Unrecognized tax benefit of loss carryforward	-0-	6,272
Unrecognized tax credits	-0-	381
Refundable Deferred Income Taxes	942	-0-
Other	-0-	5
	<u>\$ 942</u>	<u>(860)</u>

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

	<u>1985</u>	<u>1984</u>
Federal income tax at statutory rates	\$(6,773)	(6,740)
State income-tax, net of Federal income tax benefit	14	46
Goodwill amortization not deductible for tax purposes	414	461
Other	46	46
Unrecognized tax benefit of loss carryforward	<u>6,325</u>	<u>6,272</u>
	<u>\$ 26</u>	<u>85</u>

## DEL WEBB'S CLARIDGE CASINO - HOTEL

### Notes to Financial Statements - Continued

New Claridge is included in the consolidated income tax return of its parent, the Corporation. At December 31, 1985 and 1984, there were available net operating loss carryforwards of \$37,972,000 and \$23,248,000, respectively. These losses result primarily from expenses for fees and rents which are not currently recognized for tax purposes. If such losses result in a reduction of income tax liability at a future date, the benefit will be recognized as an extraordinary item at the time. In addition, there were approximately \$980,000 in unused tax credits.

The Corporation incurred a loss for tax purposes of approximately \$3,022,000 in 1985. As a result of the carryback of this loss to prior years, the company has filed for a refund of \$906,000, which is included in other receivables. For tax purposes, there is available \$854,000 of unused tax credits. These credits, if not utilized, will expire as follows: \$465,000 in 1999 and \$389,000 in 2000.

#### (13) Contingencies

##### (a) Licensing

New Claridge's plenary casino license was renewed effective October 31, 1985 by the New Jersey Casino Control Commission (the "Commission") and, in accordance with the State of New Jersey regulation N.J.S.A. 5:12-87(e), will expire one year thereafter. Management of New Claridge is aware of no charges, objections or other facts which would provide a basis for the Commission to deny renewal of the casino license. Further, it is the opinion of Management that the likelihood of a denial to renew the casino license by the Commission is remote.

##### (b) Investment Obligation

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

##### (c) Casino Expansion

The Corporation, the Partnership and Webb entered into an agreement with DEWNJ pursuant to which DEWNJ undertook a study to determine the feasibility of expanding and improving the Claridge's casino and related facilities. The study was conducted by independent consultants in cooperation with DEWNJ and its affiliates. The study was completed in accordance with the agreement and submitted to the

## DEL WEBB'S CLARIDGE CASINO - HOTEL

### Notes to Financial Statements - Continued

Corporation, New Claridge, and the Partnership. In an effort to improve profitability and cash flow, New Claridge has begun to expand its facility. The expansion which is scheduled to be completed during the 4th quarter of 1986 will provide approximately 10,000 square feet of additional casino space as well as increased restaurant and public area space. The cost of the project is expected to approximate \$20 million. To finance the expansion New Claridge together with Webb and the Partnership committed to an agreement with the Bank which would increase the current first mortgage by an amount sufficient to finance the cost of the expansion. As a result of the expansion project and the increase in the first mortgage it is anticipated that certain existing agreements, (i.e. Management Agreement, Operating Lease, Purchase Money Second Mortgage, Expandable Wraparound Mortgage) and certain Webb Commitments will be amended.

- (d) New Claridge is a party to a civil action brought on October 19, 1984 in U.S. District Court, District of New Jersey by the United States Department of Labor which alleges violations of the Fair Labor Standards Act. The government is claiming back wages and liquidated damages in excess of \$1 million. Discovery in this matter has been completed and it is anticipated that it will proceed to trial between April to June 1986. It is the opinion of counsel for New Claridge that it has an adequate and viable defense to the allegations and that the government's case as to back wages and damages is overstated.

#### (14) Related Party Transactions

- (a) Pursuant to an exclusive management agreement ("Management Agreement") between New Claridge and DEWNJ, DEWNJ has agreed to manage the Claridge in a proper, efficient and competitive manner in accordance with standards not less than those existing at the time the agreement was entered into. The Management Agreement which has an initial term of 15 years, entitles DEWNJ to receive as compensation certain management fees based on various operating results. For the years ended December 31, 1985, and 1984, management fees were \$4,457,000 and \$5,574,000, respectively. Under the terms of the Management Agreement, Webb is obligated to defer the payment or allow the recapture of management fees and interest whenever New Claridge's cash flow is insufficient to meet its current obligations including payment of such fees.
- (b) Webb and DEWNJ have a direct and material interest in the Purchase Money Second Mortgage and other indebtedness of New Claridge. For the year ended December 31, 1985 and 1984, interest expense due to affiliates was \$6,254,000 and \$5,832,000 respectively.



TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLE (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack .....	24,351	159,484	15.3	46
2	Craps .....	21,744	145,862	14.9	12
3	Roulette .....	4,874	18,977	25.7	6
4	Big Six .....	1,371	3,057	44.8	2
5	Baccarat .....	1,507	10,790	14.0	2
6	Other table games .....	-0-	-0-	---	--
7	Total table games revenue .....	53,847	\$ 338,170	15.9 %	68
			HANDLE		
			\$	%	
8	\$ .05 slot machines .....	1,840	12,894	14.3	53
9	\$ .25 slot machines .....	34,355	262,378	13.1	577
10	\$1.00 slot machines .....	12,608	111,724	11.3	144
11	Other slot machines .....	17,015	161,883	10.5	214
12	Total coin-operated devices revenue .....	65,818	\$ 548,879	12.0 %	988
13	Progressive jackpot adjustment .....	( 1,721)			
14	Total coin-operated devices revenue after adjustment .....	117,944			
15	Other income .....	-0-			
16	Total revenue .....	117,944			
	Expenses:				
17	Payroll and payroll related expenses .....	21,622			
18	Licenses and taxes .....	11,787			
19	Provision for uncollectible patrons' checks .....	857			
20	Other .....	1,787			
21	Total .....	36,053			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	81,891			
	Complimentary services and casino management fees:				
23	Complimentary services .....	10,195			
24	Casino management fees .....	-0-			
25	Total .....				
26	Departmental Income (Loss) .....	\$ 71,696			

STATEMENT OF CONFORMITY AND ACCURACY

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

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

deposes and says:

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

Jean I. Abbott  
Signature

Vice President/Controller  
Title

01717-11  
License Number

Subscribed and sworn to  
before me this 14th day  
of March, 1986

On Behalf Of:

Eleanor A. Bryan  
Signature

The Claridge at Park Place, Inc.  
Casino Licensee

ELEANOR A. BRYAN  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires MARCH 8, 1988

Basis of Authority  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** The Claridge At Park Place, Inc.

**ADDRESS** Indiana Avenue and The Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Jean I. Abbott

**OFFICIAL TITLE .....**

Vice President/Controller

**ADDRESS .....**

Indiana Avenue and The Boardwalk

Atlantic City, NJ 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
<b>CASINO</b>					
1	Administration .....	25			
2	Gaming .....	683			
3	Slots .....	66			
4	Casino accounting .....	217			
5	Other .....	-0-	\$	\$	\$
6	Total-casino .....	991	17,671	-0-	17,671
7	ROOMS .....	147	2,449	-0-	2,449
8	FOOD AND BEVERAGE .....	475	8,016	-0-	8,016
<b>OTHER OPERATED DEPARTMENTS</b>					
9	Telephone	12	201	-0-	201
10	Transportation	94	1,385	-0-	1,385
11	Spa	7	109	-0-	109
12	Casino Marketing	63	1,183	-0-	1,183
13	Casino Credit	15	401	-0-	401
14					
15					
16					
17					
18					
19					
<b>ADMINISTRATIVE AND GENERAL</b>					
20	Executive office .....	19	215	610	825
21	Accounting and auditing .....	115	1,876	-0-	1,876
22	Security .....	136	2,431	-0-	2,431
23	Other administrative and general department ..	101	2,250	-0-	2,250
24	MARKETING .....				
25	GUEST ENTERTAINMENT .....	20	637	-0-	637
26	PROPERTY OPERATION AND MAINTENANCE .....	-0-	-0-	-0-	-0-
27	TOTALS - ALL DEPARTMENTS .....	2,195	\$ 38,824	\$ 610	\$ 39,434

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

GROSS REVENUE  
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

LICENSEE CLARIDGE CASINO-HOTEL, INC.

ADDRESS For the Year Ended December 31, 19 85

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 85

3/14/86

Date

TO Jean I. Abbott

Signature

Vice President/Controller

Title

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



OFFICER IN CHARGE  
CORRESPONDENCE REGARDING  
ANNUAL TAX RETURN

Jean I. Abbott

TITLE

Vice President/Controller

Indiana Avenue and The Boardwalk

Atlantic City, NJ 08401

**GROSS REVENUE  
ANNUAL TAX RETURN**

**LICENSEE** Claridge at Park Place, Inc.

**ADDRESS** Indiana Avenue & The Boardwalk  
Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 85**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Jean I. Abbott

**OFFICIAL TITLE** .....

Vice President/Controller

**ADDRESS** .....

Indiana Avenue and The Boardwalk

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 53,847	
2	Coin-operated devices revenue .....	65,818	
3	Total revenues .....		\$ 119,665
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 857	
5	Maximum adjustment (4% of line 3) .....	\$ 4,787	
6	Adjustment (the lesser of line 4 or line 5) .....		857
7	Gross revenues (line 3 less line 6) .....		\$ 118,808
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 9,505
9	Audit or other adjustments to tax on gross revenues in prior years .....		-0-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		9,505
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 570	
12	February .....	639	
13	March .....	719	
14	April .....	951	
15	May .....	778	
16	June .....	781	
17	July .....	1,028	
18	August .....	850	
19	September .....	902	
20	October .....	785	
21	November .....	696	
22	December .....	675	
23	January .....	131	
24	Total deposits made for tax on current year's gross revenues .....		( 9,505 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -0-

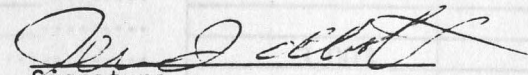
STATEMENT OF CONFORMITY AND ACCURACY

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

Jean I. Abbott, being duly sworn according  
Name

to law upon my oath deposes and says:

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

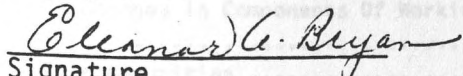
  
Signature

Vice President/Controller  
Title

01717-11  
License Number

Subscribed and sworn to  
before me this 14th day  
of March, 1986.

On Behalf Of:  
The Claridge at Park Place, Inc.  
Casino Licensee

  
Signature

**ELEANOR A. BRYAN**  
**NOTARY PUBLIC OF NEW JERSEY**  
My Commission Expires **MARCH 8, 1988**  
Basis of Authority  
to Take Oaths

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Sources Of Funds:	\$	\$
1	Income (loss) before extraordinary items .....	( 14,750)	( 14,739)
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment .....	1,698	1,556
3	Amortization of other assets .....	1,211	1,165
4	Deferred income taxes - noncurrent .....	942	( 860)
5	(Gain) loss on dispositions of property and equipment .....	154	45
6	<u>Deferred Rent</u> .....	9,902	17,452
7	<u>Write down of CRDA Deposit</u> .....	981	-0-
8	.....		
9	Total .....	138	4,619
10	Extraordinary items .....	-0-	-0-
11	Total funds provided (used) by operations .....	138	4,619
12	Proceeds from dispositions of property and equipment .....		90
13	Proceeds from long-term debt .....	2,865	2,493
14	Additions to deferred credits and other liabilities .....		
15	Proceeds from issuance of stock or capital contributions .....		
16	.....		
17	.....		
18	.....		
19	.....		
20	Total funds provided .....	3,003	7,202
	Uses Of Funds:		
21	Additions to property and equipment .....	1,086	1,161
22	Investment in casino reinvestment obligations .....	1,494	1,523
23	Other additions to investments, advances, and receivables .....	5,416	6,889
24	Increase in other assets .....	1,253	643
25	Reductions of long-term debt .....	3,000	2,000
26	Dividends declared or capital distributions .....		
27	<u>Decrease to Deferred Credits &amp; Other Liabilities</u> .....	10	1,212
28	.....		
29	.....		
30	.....		
31	Total funds used .....	12,259	13,428
32	Increase (Decrease) In Working Capital.....	\$ ( 9,256)	\$ ( 6,226)
	Summary Of Changes In Components Of Working Capital:	\$	\$
33	Cash .....	( 1,825)	( 823)
34	Marketable securities .....	( 2)	52
35	Receivables and patrons' checks .....	683	954
36	Inventories .....	146	479
37	Prepaid expenses and other current assets .....	36	( 367)
38	Accounts payable .....	419	( 640)
39	Notes payable .....	1,000	3,000
40	Current portion of long-term debt .....	( 1,000)	( 1,100)
41	Income taxes payable and accrued .....	874	( 874)
42	Other accrued expenses .....	( 2,071)	( 1,511)
43	Other current liabilities .....	( 7,516)	( 5,396)
44	Increase (Decrease) In Working Capital .....	\$ ( 9,256)	\$ ( 6,226)

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

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Invested Capital:		
1	Beginning balance (January 1) .....	\$	\$
2	Additional capital invested .....		
3	.....		
4	Ending balance .....		
	Accumulated Income (Loss):		
5	Beginning balance (January 1) .....		
6	Prior period adjustments .....		
7	Net income (loss) .....		
8	.....		
9	Ending balance .....		
	Capital Withdrawals:		
10	Beginning balance (January 1) .....	( )	( )
11	Additional capital withdrawals .....	( )	( )
12	.....		
13	Ending balance .....	( )	( )
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1) .....	( )	( )
15	.....		
16	.....		
17	Ending balance .....	( )	( )
18	Ending Partners' Or Proprietor's Equity .....	\$	\$

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

NOT APPLICABLE

# HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 85

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	504	15,500	10,802	\$ 74.87	69.7 %	19,546	\$ 41.38
2	FEBRUARY	504	14,112	10,398	\$ 78.65	73.7 %	19,234	\$ 42.52
3	MARCH	504	15,624	13,772	\$ 76.19	88.1 %	24,236	\$ 43.29
4	1ST QUARTER TOTALS		45,236	34,972	\$ 76.51	77.3 %	63,016	\$ 42.46
5	APRIL	504	15,120	12,646	\$ 80.21	83.6 %	23,443	\$ 43.27
6	MAY	504	15,500	12,822	\$ 88.27	82.7 %	32,017	\$ 35.35
7	JUNE	504	15,000	13,757	\$ 93.06	91.7 %	25,703	\$ 49.81
8	2ND QUARTER TOTALS		45,620	39,225	\$ 87.35	86.0 %	81,163	\$ 42.21
9	JULY	504	15,500	13,685	\$115.11	88.3 %	25,831	\$ 60.98
10	AUGUST	504	15,500	14,477	\$116.95	93.4 %	28,883	\$ 58.62
11	SEPTEMBER	504	14,500	13,038	\$ 88.12	89.9 %	24,427	\$ 47.03
12	3RD QUARTER TOTALS		45,500	41,200	\$107.22	90.5 %	79,141	\$ 55.82
13	OCTOBER	504	15,500	12,879	\$ 86.55	83.1 %	24,023	\$ 46.40
14	NOVEMBER	504	15,000	11,267	\$ 87.84	75.1 %	21,093	\$ 46.92
15	DECEMBER	504	15,500	10,537	\$ 69.99	68.0 %	19,230	\$ 38.35
16	4TH QUARTER TOTALS		46,000	34,683	\$ 81.94	75.4 %	64,346	\$ 44.17
17	ANNUAL TOTALS		182,356	150,080	\$ 89.03	82.3 %	287,666	\$ 46.45

# ANNUAL REPORT

974-901  
C-193  
PROPERTY OF  
NEW JERSEY STATE LIBRARY  
MAY 12 1986  
35 W. STATE ST.  
TRENTON, N. J.

**LICENSEE** ELSINORE SHORE ASSOCIATES  
**ADDRESS** 2500 BOARDWALK  
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL REPORT . . . . . R. BRUCE MCKEE  
OFFICIAL TITLE . . . . . VICE PRESIDENT, FINANCE  
ADDRESS . . . . . 2500 BOARDWALK  
ATLANTIC CITY, NEW JERSEY 08401

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1985

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

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(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 .....	3,190		
2	Returned patrons' checks .....	3,207		
3	Total patrons' checks .....	6,397	\$ 1,551	\$ 4,846
4	Hotel Receivables .....	889	37	852
	Other Receivables:			
5	Receivables due from officers and employees.....	10		
6	Receivables due from affiliates .....	177		
7	Other accounts and notes receivables .....	87		
8	Total other receivables .....	274		274
9	Totals (Form 305).....	\$ 7,560	\$ 1,588	\$ 5,972

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 5,072
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	108,312
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) .....	( 94,091 )
13	Checks collected through deposits .....	( 12,253 )
14	Checks transferred to returned checks .....	( 3,850 )
15	Other adjustments .....	—
16	Ending Balance .....	\$ 3,190
17	"Hold" Checks Included In Balance On Line 16 .....	\$ —
18	Provision For Uncollectible Patrons' Checks .....	\$ 985
19	Provision As A Percent Of Counter Checks Issued .....	.9

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL

(Debtor in Possession, Note 4)

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino .....	\$ 136,893	\$ 147,037
2	Rooms .....	10,207	10,191
3	Food and beverage .....	29,167	35,020
4	Other .....	4,948	7,249
5	Total revenue .....	181,215	199,497
6	Less: promotional allowances .. (Note 10) .....	27,040	31,505
7	Net revenue .....	154,175	167,992
	Costs And Expenses:		
8	Cost of goods and services .....	135,376	124,627
9	Selling, general, and administrative .....	14,881	19,856
10	Provision for doubtful accounts .....	1,016	725
11	Total .....	151,273	145,208
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	2,902	22,784
13	Depreciation and amortization .....	9,046	7,839
	Charges from affiliates: (Note 6)		
14	Interest .....	20,785	9,660
15	Management fees .....	3,281	3,990
16	Other .....	665	360
17	Interest expense - external .....	1,356	9,548
18	Income (Loss) From Operations .....	( 32,231 )	( 8,613 )
19	Nonoperating income (expense) - net .. (Note 9) .....	398	154
20	Investment alternative tax and related income (expense) - net (Note 8) .....	( 1,787 )	( 462 )
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	( 33,620 )	( 8,921 )
22	Provision (Credit) for income taxes .....		
23	Income (Loss) Before Extraordinary Items .....	( 33,620 )	( 8,921 )
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	\$ ( 33,620 )	\$ ( 8,921 )

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

**BALANCE SHEETS**

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	ASSETS		
	Current Assets:		
1	Cash ..... (Note 7b)	\$ 7,364	\$ 19,965
2	Marketable securities .....		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$ 1,588 ; 19 <u>84</u> , \$ 1,233 ) .....	5,972	7,548
4	Inventories ..... (Note 1)	1,449	1,578
5	Prepaid expenses and other current assets ..... (Note 2)	1,811	1,059
6	Total current assets .....	16,596	30,150
7	Investments, Advances, And Receivables .....	1,192	
8	Property And Equipment - Net ..... (Note 3)	146,445	146,677
9	Other Assets .....	4,489	4,440
10	Total Assets .....	\$ 168,722	\$ 181,267
	LIABILITIES AND EQUITY		
	Current Liabilities <del>excluding</del> liabilities subject to Chapter 11 proceedings:		
11	Accounts payable .....	2,305	6,371
12	Notes payable .....		
	Current portion of long-term debt:		
13	Due to affiliates .....	357	
14	Other .....		290
15	Income taxes payable and accrued .....		13
16	Other accrued expenses .....	8,133	9,499
17	Other current liabilities .....	959	15,635
18	Total .....	11,754	31,808
	Liabilities subject to Chapter 11 proceedings (Note 5)		
	Long-term Debt: (Note 6)	235,317	
19	Due to affiliates .....		168,000
20	Other .....		11,477
21	Deferred Credits .....		
22	Other Liabilities .....		14,711
23	Commitments And Contingencies (Notes 7 & 8)		
24	Total Liabilities .....	247,071	225,996
25	Stockholders', Partners', Or Proprietor's Equity ..... (Deficit)	( 78,349 )	( 44,729 )
26	Total Liabilities And Equity .....	\$ 168,722	\$ 181,267

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

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL

(Debtor in Possession, Note 4)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino .....	\$ 28,226	\$ 31,547
2	Rooms .....	2,763	2,304
3	Food and beverage .....	5,693	7,362
4	Other .....	862	1,200
5	Total revenue .....	37,544	42,413
6	Less: promotional allowances (Note 10) .....	6,088	6,738
7	Net revenue .....	31,456	35,675
	Costs And Expenses:		
8	Cost of goods and services .....	29,538	29,873
9	Selling, general, and administrative .....	2,676	4,170
10	Provision for doubtful accounts .....	396	275
11	Total .....	32,610	34,318
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	( 1,154 )	1,357
13	Depreciation and amortization .....	2,334	2,060
	Charges from affiliates: (Note 6)		
14	Interest .....	4,302	3,810
15	Management fees .....	408	849
16	Other .....	395	90
17	Interest expense - external .....	544	1,451
18	Income (Loss) From Operations .....	( 9,137 )	( 6,903 )
19	Nonoperating income (expense) - net (Note 9) .....	179	( 259 )
20	Investment alternative tax and related income (expense) - net (Note 8) .....	( 1,332 )	( 163 )
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	( 10,290 )	( 7,325 )
22	Provision (Credit) for income taxes .....		
23	Income (Loss) Before Extraordinary Items .....	( 10,290 )	( 7,325 )
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	\$ ( 10,290 )	\$ ( 7,325 )

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>85</u>		19 <u>84</u>	
		SHARES	DOLLARS	SHARES	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 .....		\$		\$

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.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL

(Debtor in Possession, Note 4)

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Invested Capital:		
1	Beginning balance (January 1) .....	\$ 20	\$ 20
2	Additional capital invested .....		
3			
4	Ending balance .....	20	20
	Accumulated Income (Loss):		
5	Beginning balance (January 1) .....	(44,749)	(35,828)
6	Prior period adjustments .....		
7	Net income (loss) .....	(33,620)	( 8,921)
8			
9	Ending balance .....	(78,369)	(44,749)
	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 .....	\$ (78,349)	\$ (44,729)

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

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	<b>Sources Of Funds:</b>		
1	Income (loss) before extraordinary items .....	\$ (33,620)	\$ (8,921)
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment .....	9,046	7,839
3	Amortization of other assets .....	245	696
4	Deferred income taxes - noncurrent .....		
5	(Gain) loss on dispositions of property and equipment .....		4
6	.....		
7	.....		
8	.....		
9	<b>Total</b> .....		
10	Extraordinary items .....		
11	Total funds provided (used) by operations .....	(24,329)	(382)
12	Proceeds from dispositions of property and equipment .....	24	21
13	Proceeds from long-term debt .....	5,232	98,000
14	Additions to deferred credits and other liabilities .....		11,790
15	Proceeds from issuance of stock or capital contributions .....		
16	.....		
17	.....		
18	.....		
19	.....		
20	<b>Total funds provided</b> .....	(19,073)	109,429
	<b>Uses Of Funds:</b>		
21	Additions to property and equipment .....	8,838	10,776
22	Investment in casino reinvestment obligations .....	1,192	
23	Other additions to investments, advances, and receivables .....		
24	Increase in other assets .....	294	3,882
25	Reductions of long-term debt .....	69	65,988
26	Dividends declared or capital distributions .....		
27	Reclassification of obligation to liabilities		
28	<u>subject to Chapter 11 proceedings</u> .....	199,351	
29	<u>Decrease in other liabilities</u> .....		27,229
30	.....		
31	<b>Total funds used</b> .....	209,744	107,875
32	<b>Increase (Decrease) In Working Capital</b> .....	\$ (228,817)	\$ 1,554
	<b>Summary of Changes in Components of Working Capital:</b>		
33	Liabilities subject to Chapter 11 Proceedings	\$ (235,317)	\$
34	Cash .....	\$ (12,601)	\$ 9,766
35	Marketable securities .....		
36	Receivables and patrons' checks .....	(1,576)	501
37	Inventories .....	(129)	(149)
38	Prepaid expenses and other current assets .....	752	112
39	Accounts payable .....	4,066	949
40	Notes payable .....		
41	Current portion of long-term debt .....	(67)	5,087
42	Income taxes payable and accrued .....	13	145
43	Other accrued expenses .....	1,366	(1,181)
44	Other current liabilities .....	14,676	(13,676)
	<b>Increase (Decrease) In Working Capital</b> .....	\$ (228,817)	\$ 1,554

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

EL SINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

1. Summary of significant accounting policies:

Organization and business:

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

On March 12, 1984, the New Jersey Casino Control Commission (CCC) approved a contract between Elsinore Corporation and PEI whereby Elsub would acquire from PEI all of the issued and outstanding capital stock of PNJ. ENJ owns an 84.3% interest in EAC, a limited partnership, which, in turn, owns 54.3% of the Partnership. Elsinore Corporation controls approximately 91.5% of the Partnership.

The contract purchase price was approximately \$53 million, payable one seventh in cash, with the balance in six equal annual principal installments plus interest at 10% on the unpaid principal balance (Notes 6 and 7).

In connection with the acquisition, the name of the Partnership was changed to Elsinore Shore Associates, trading as Elsinore's Atlantis Casino Hotel (Atlantis).

Accounting for casino revenues and promotional allowances:

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

Deferred charges:

Deferred charges are capitalized and amortized over their estimated useful life or the life of the corresponding loan, as applicable.

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

1. Summary of significant accounting policies (continued):

Inventories:

Inventories are stated at cost.

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Food and beverage provisions	\$ 478	\$ 489
Gift shop merchandise	97	240
Supplies	874	849
	<u>\$1,449</u>	<u>\$1,578</u>

Property and equipment and depreciation:

Property and equipment are stated at cost. Depreciation is provided by the straight-line method over the following estimated useful lives:

Buildings	50 years
Furniture and Equipment	3-10 years

Income taxes:

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

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

Reclassification:

Certain amounts in the 1984 financial statements have been reclassified to conform to the 1985 presentation.

2. Prepaid Expenses:

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Insurance	\$1,052	\$ 172
Slot machine tax	327	328
Other	432	559
	<u>\$1,811</u>	<u>\$1059</u>

ELSINORE SHORE ASSOCIATES  
 (DEBTOR-IN-POSSESSION - NOTE 4)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

3. Property and equipment

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Land	\$ 11,121	\$ 11,121
Buildings and improvements	135,985	131,734
Furniture, fixtures and equipment	33,620	30,249
	<u>\$180,726</u>	<u>\$173,104</u>
Accumulated depreciation	(35,213)	(27,260)
	<u>\$145,513</u>	<u>\$145,844</u>
China, glass, silver, linen, net	<u>932</u>	<u>833</u>
Total property and equipment (net)	<u><u>\$146,445</u></u>	<u><u>\$146,677</u></u>

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

As a result of working capital deficiencies and the other circumstances (Note 7), the Partnership filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code (Code) on November 14, 1985. The Partnership has been authorized to continue to operate its business as debtor-in-possession, subject to the control and supervision of the the United States Bankruptcy Court, District of New Jersey.

Elsinore Corporation has retained the services of an investment banking firm and several outside consultants to review the operations and debt structure of the Partnership and develop a new business plan. When finalized, the new business plan may be incorporated into a Plan of Reorganization to be submitted for approval by the creditors and court. Notwithstanding these efforts, there can be no assurances that any plan will be accepted by the creditors and court. If such a plan is not accepted, the possibility exists that the Chapter 11 proceedings will be transferred to the Corporate Reorganization Provisions of Chapter 7 of the Code, a trustee appointed and the Partnership's assets liquidated.

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

4. Chapter 11 proceedings and going concern basis of presentation (cont.):

No assurances can be given that the Partnership will have available to it sufficient resources and liquidity to provide for continued operation. The Partnership is attempting to secure debtor in possession financing. As currently contemplated this financing would be provided by Elsinore Corporation with the following considerations and/or restrictions:

1. Funds provided would be available to be used solely for current and future working capital needs of the Partnership;
2. Under no circumstances would the funds provided be used to pay pre-petition obligations (liabilities subject to Chapter 11 proceedings Note 5) and/or interest and principal obligations associated with the senior mortgage bonds (Note 6a);
3. Funds provided would be collateralized by a first lien on the Partnership's unencumbered assets, as well as the granting of a superpriority by order of the United States Bankruptcy Court; and
4. Funds provided would be repaid on a priority basis from the proceeds in the event of a sale of the property or other assets.

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

The CCC requires each casino to renew its license on an annual basis. The Partnership's casino license expires on April 13, 1986. As part of the renewal process, each licensee must demonstrate by clear and convincing evidence its financial stability, integrity and responsibility, in addition to demonstrating sufficient business ability and casino experience to establish the likelihood of maintaining a successful casino operation. There is no precedent to rely upon in determining the effect of a reorganization under Chapter 11 upon the Partnership's ability to meet the above described licensing criteria.

Interest of \$9,300	
Notes payable, property and equipment (Note 5, 6 & 7)	8,103
Due to Elsinore Corporation (Note 6a) including accrued interest of \$24	<u>1,396</u>
	<u>\$106,399</u>

ELSINORE SHORE ASSOCIATES  
DEBTOR IN POSSESSION (NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

4. Chapter 11 proceedings and going concern basis of presentation (cont.):

The financial statements have been prepared on the basis of principles of accounting applicable to a going concern. Accordingly, they do not purport to give effect to adjustments, if any, that may be necessary should the Partnership be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate and/or reclassify its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts or terms different from those reflected in the financial statements. The continuation of the Partnership as a going concern is contingent upon, among other factors, its ability to (1) renew its casino license, (2) formulate and file a Plan of Reorganization that will gain the approval of the creditors and confirmation of the court, (3) generate sufficient cash flow from operations to effectuate the Plan, and (4) continue normal trade terms with its suppliers. There can be no assurances that the Partnership has the resources and the ability to satisfy these requirements.

5. Liabilities subject to Chapter 11 proceedings:

Under provisions of the Bankruptcy Code, judicial and certain other actions against the Partnership cannot be commenced or continued for events occurring prior to the filing of the petition for reorganization without prior approval of the bankruptcy court. Substantially all liabilities due as of the date of filing such petition are subject to modification under a plan of reorganization to be presented for approval to the court and creditors, and, accordingly have been separately classified in the balance sheet.

Amounts included as liabilities subject to Chapter 11 proceedings in the December 31, 1985, balance sheet are as follows (in thousands):

<u>Collateralized obligations:</u>	(in thousands)
Due to Elsinore Finance Corporation (EFC) (Note 6a) including accrued interest of \$9,300	\$ 99,300
Notes payable, property and equipment (Note 6c, d & e)	6,103
Due to Elsinore Corporation (Note 6d) including accrued interest of \$24	<u>1,196</u>
	<u><u>\$106,599</u></u>

ELSINORE SHORE ASSOCIATES  
DEBTOR IN POSSESSION (NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

5. Liabilities subject to Chapter 11 proceedings (cont.):

General unsecured creditors:

Due to partners and affiliates (Note 6b):

	<u>EAC/ENJ</u>	ELSUB (in thousands)	<u>ELSINORE CORPORATION</u>	
Loans	\$39,000	\$39,000	\$3,903	
Accrued interest	6,859	6,513	211	
Management fees	3,138	8,704		
Overhead			133	
	<u>\$48,997</u>	<u>\$54,217</u>	<u>\$4,247</u>	
Less guaranteed loan to PEI (Note 7c)		<u>38,472</u>		
	<u>\$48,997</u>	<u>\$15,745</u>	<u>\$4,247</u>	\$68,989

Notes payable:

Bank, demand, interest at prime plus 1%	5,150
PEI (Note 6f and 7c):	
Management fees	5,567
Guaranteed loans	38,472

Accounts payable 6,699

Accrued expenses:

Reinvestment obligations (Note 8)	653
Other	228

Taxes other than income:

Real estate	2,017
Payroll, sales and other	<u>943</u>

\$128,718

ELSINORE SHORE ASSOCIATES  
 DEBTOR IN POSSESSION (NOTE 4)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

5. Liabilities subject to Chapter 11 proceedings (cont.):

Interest on unsecured debt and management fees:

Interest on unsecured debt and management fees has not been accrued subsequent to November 13, 1985, as such interest would not be allowed for purposes of determining the amounts of creditors' claims. The amounts of such items not accrued is as follows:

	ACCRUED INTEREST	Interest	Management Fees
	(in thousands)		
Notes payable	\$ 1,860,000	\$ 72	
Elsab	9,298,000	509	\$ 172
EAC/ENJ		509	172
Elsinore Corporation	8,953,000	55	
Other	20,111,000	50	
		<u>\$1,195</u>	<u>\$ 344</u>

	1985	1984	Maturity
Notes payable (c)	\$ 326	\$ 326	1993
Notes payable (c)	5,761	5,738	1994
Accounts payable, equipment (a)	14	33	1984-1986
Interest rates, payable (f)	6,103	5,287	
Current portion	<u>\$ 6,103</u>	<u>\$ 5,287</u>	

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

6. Long-term debt: (cont.):

On December 31, 1985, substantially all long-term debt was in default and classified as liabilities subject to Chapter 11 proceedings. Long-term debt on December 31, 1984 was as follows:

Partners and affiliates:

1984	LOANS DUE TO AFFILIATES	OTHER LIABILITIES		
		ACCRUED INTEREST	PARTNERS' FEE	TOTAL
EFC	\$ 90,000,000	\$ 1,860,000		\$ 1,860,000
EAC	39,000,000	\$ 9,298,000		9,298,000
ENJ			\$ 1,498,000	1,498,000
Elsub	39,000,000	8,953,000	7,064,000	16,017,000
	<u>\$168,000,000</u>	<u>\$20,111,000</u>	<u>\$ 8,562,000</u>	<u>\$28,673,000</u>
Less Current Portion		\$13,962,000		\$13,962,000
	<u>\$168,000,000</u>	<u>\$ 6,149,000</u>	<u>\$ 8,562,000</u>	<u>\$14,711,000</u>

Other:

	1985	1984	Maturity
Mortgage payable (c)	\$ 328	\$ 353	1993
Mortgage payable (c)	5,761	5,759	1994
Notes payable, equipment (e)	14	88	1984-1986
Management fees, payable (f)		5,567	
	<u>6,103</u>	<u>11,767</u>	
Less current portion		290	
	<u>\$ 6,103</u>	<u>\$11,477</u>	

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

6. Long-term debt (cont.):

- a. On November 13, 1984, the Partnership refinanced its Mortgage loan with \$115,000,000 principal amount senior mortgage bonds (Bonds) due November 1, 1999, issued by an affiliate, Elsinore Finance Corporation (EFC). The Bonds bear interest of 15 1/2% per annum with interest payments due May 1 and November 1 each year. The Bonds are collateralized, in part, by a \$90,000,000 note of the Partnership and a senior mortgage lien on the Atlantis. Subject to the effects of the Chapter 11 proceedings, terms of the note are virtually identical to those of the bonds. Accordingly, interest on the note is included in the accompanying statements of operation with interest expenses, rather than other charges, partners and affiliates. The note is further collateralized by a security interest in all Atlantis improvements which include all additions and improvements to Atlantis and contiguous property (unless utilized for parking) including furniture, furnishings, operating equipment and supplies, fixtures and machinery. The note is assigned to and held by a trustee for the benefit of the bondholders until all principal and interest on the Bonds have been paid in full.

The Bonds are redeemable on or after November 1, 1989 at the option of EFC, in whole or in part, together with accrued interest. The redemption price ranges from a high of 112% in 1989 on a decreasing sliding scale each year to 100% in 1994 and thereafter.

Prior to November 1, 1989, under certain circumstances the Bonds are redeemable at 110% of the principal amount thereof in the event of a sale or disposition of Atlantis. Sinking fund payments, sufficient to retire approximately \$9.6 million principal amount of Bonds annually, commencing November 1, 1990, are intended to retire 75% of the issue prior to maturity. EFC may deliver Bonds in lieu of cash as a credit against sinking fund payments. Certain covenants have been agreed to in connection with the Bond offering including limitations on dividends or stock purchases by Elsinore Corporation, and limitations on additional encumbrances on Atlantis. The terms of these covenants are more specifically outlined in the Indenture.

Elsinore Corporation has unconditionally guaranteed payment to bondholders of all amounts payable when due.

The Partnership did not make its interest payment to EFC in the amount of \$6,975,000 due November 1, 1985. Correspondingly, EFC did not meet its interest payment due November 1, 1985. The Indenture trustee and a bondholder have instituted suit against Elsinore Corporation, as guarantor. Elsinore Corporation has obtained the consent of the parties to stay these proceedings during the course of negotiations to reach an accord. In this regard, Elsinore Corporation has engaged an investment banking firm to assist in the structuring of an exchange for new series bonds.

ELSINORE SHORE ASSOCIATES  
 (DEBTOR-IN-POSSESSION - NOTE 4)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

6. Long-term debt (cont.):

No assurances can be given that any negotiation will be successful. Further, since an event of default exists in connection with the Chapter 11 proceedings and the Partnership's election to suspend its interest payment due on its note to EFC, demand could be reasserted for payment of the entire unpaid principal. In order to obtain payment the bondholders would be required to obtain relief from the automatic stay provisions of the Bankruptcy Code.

- b. The partner loans bear interest at 10% per annum and are repayable from available cash flow, as defined in the Partnership Agreement, determined as of December 31 of each year, in proportion to the outstanding balances of each partner to total partner loans. Subject to the effects of the Chapter 11 proceedings, all payments are applied first to accrued interest, second to management fees, and the balance to principal.

As compensation for assuming responsibility for managing the Partnership business, Elsub and ENJ are each guaranteed an annual fee equal to 1% of gross receipts of the Partnership as defined in the Partnership Agreement. Additionally, through November 13, 1985 (Note 5), the Partnership incurred a liability of \$30,000 per month to Elsinore Corporation for management services provided to the Partnership which is included with selling, general and administrative expenses. Management fees for 1985, and 1984 totaled \$3,281,000 and \$3,990,000 respectively. Other charges from affiliates for 1985 and 1984 were \$665,000, and \$360,000 respectively. Included in the 1985 charges from affiliates is \$357,000 for costs incurred subsequent to November 13, 1985 by Elsinore Corporation.

Interest charges from partners and affiliates for 1985 and 1984 were as follows:

	1985	(in thousands)	1984
EFC	\$13,768		\$ 1,860
EAC	\$ 3,391		3,900
ELSUB	3,391		3,900
ELSINORE CORPORATION	235		
	\$20,785		\$ 9,660

- c. On September 28, 1983, the Partnership acquired certain property in Atlantic City. As partial satisfaction of the purchase price, the Partnership assumed an existing mortgage note in the amount of \$412,000. Subject to the effects of the Chapter 11 proceedings, the note is payable in quarterly installments of principal and interest of \$16,000 from November 1, 1983 through May 1, 1993 with a final payment of \$11,000 due August 1, 1993. The note is collateralized by a mortgage on the property acquired.

ELSNORE SHORE ASSOCIATES  
 (DEBTOR-IN-POSSESSION - NOTE 4)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

6. Long-term debt (cont.):

The balance at December 31, 1985 is as follows:

Face amount, 9 1/2% stated interest	\$349,000
Less unamortized discount based on imputed interest of 12%	<u>21,000</u>
	<u>\$328,000</u>

Also, on September 28, 1983, as partial satisfaction of the purchase price, the Partnership issued a note in the amount of \$7,048,000. Subject to the effects of the Chapter 11 proceedings, the note is payable in monthly installments of principal and interest of approximately \$70,000 from February 8, 1984 through December 8, 1994 with a final payment of \$4,371,000 due January 8, 1994, net of a \$200,000 deposit paid prior to the purchase and allowed as an offset. The note is collateralized by a mortgage on the property acquired.

Additionally, for those payments that coincide with the quarterly payments referred to above, the Partnership would be allowed a credit of \$16,000 against the interest due.

The balance at December 31, 1985 is as follows:

Face amount, 9% stated interest, net of \$200,000 deposit	\$6,500,000
Less unamortized discount based on imputed interest of 12%	<u>739,000</u>
	<u>\$5,761,000</u>

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

6. Long-term debt (cont.):

- d. On October 11, 1985, the Partnership sold certain of its Atlantic City real property including the property referred to in c above to Elsinore Corporation. The agreement of sale provided for the assumption of existing mortgages totaling \$6,849,000 and required payment of \$5,000,000 in cash and a promissory note in an amount, not to exceed \$4,400,000, to be determined by an appraisal of the properties. The Partnership received \$1,000,000 from Elsinore Corporation in October, 1985. The note was to be due on October 18, 1990, and was to bear interest at the prime rate. The transaction was not fully concluded and in January, 1986, the Partnership requested approval from the Bankruptcy Court to rescind the transaction. The application to the Court seeks to convey the real property back to the Partnership from Elsinore Corporation and to grant a lien on the property to the Elsinore Corporation to the extent of funds advanced. The Partnership expects permission for the re-conveyance to be granted by the Court, although the lien in favor of Elsinore Corporation may be challenged by other parties. The proposed lien would be subordinated to existing mortgages on these specific properties. Upon approval by the Bankruptcy Court to rescind the transaction, the Partnership expects to issue a note payable to Elsinore Corporation for funds advanced to date and expenses related to this property paid by Elsinore Corporation. The note is expected to provide for interest at the rate of 10% per annum, which would be payable with principal upon the occurrence of one of the following events:
- 1) A sale of the properties by the Partnership and the delivery of a deed for such properties to a purchaser(s);
  - 2) An event of default under the note or the mortgage;
  - 3) The confirmation of a Plan of Reorganization of the Partnership under Chapter 11 of the Bankruptcy Code; or
  - 4) The conversion of the Partnership Chapter 11 proceeding into a liquidation proceeding under Chapter 7 of the Bankruptcy Code.
- e. The notes, which are collateralized by equipment that cost \$250,000 are payable in monthly installments of principal and interest of approximately \$5,000. Interest rates range from 14.5% to 17%.
- f. In connection with the acquisition of ENJ, the Partnership agreed to pay management fees earned through April 3, 1984 to PEI within six years. Subject to the effects of the Chapter 11 proceedings it has been management's intention not to satisfy this obligation before the final due date.

As more fully described in Note 7, PEI has demanded payment of all management fees.

Revised  
3/17/88

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

7. Commitments and contingencies:

a. Claims and lawsuits:

The Partnership is party to various claims and lawsuits arising in the normal course of business substantially all of which have been stayed by the Chapter 11 proceedings. In the opinion of management, the resolution of these matters will not materially affect the Partnership's financial position or results of operation.

b. Banking relations and restrictions on cash:

On October 2, 1985, the Partnership's lending bank denied further advances under its line of credit agreement, demanded payment of all outstanding borrowings within ninety days and subsequently offset \$300,000 in compensating balances against the amount borrowed. Additionally, \$765,000 of the Partnership funds deposited with an affiliated bank have been frozen to satisfy outstanding letters of credit. The Partnership believes that it was not, at the time, in default of any of its agreements with the banks and is pursuing litigation in the Bankruptcy court to compel return of these funds.

c. Acquisition of PEI's interest:

The Partnership has guaranteed Elsub's indebtedness to PEI in connection with the acquisition of ENJ but has not collateralized the obligation with any of its assets. On October 25, 1985, PEI alleged certain defaults and breaches of covenants of its Promissory Note and on November 8, 1985, demanded payment of all principal and accrued interest through November 12, 1985, together with all management fees (Notes 5 and 6) in the event that the alleged defaults and breaches were not cured on that date. The Partnership denied the allegations and on November 13, 1985, PEI filed an involuntary petition against Elsub for a proceeding under Chapter 11 of the United States Bankruptcy Code and simultaneously filed suit in Federal District Court against Elsinore Corporation, Elsinore Finance Corporation and the Partnership. Elsub has moved for an order to dismiss the Petition and has filed a counter claim against PEI. On November 14, 1985, the Partnership, as a result of Elsub being placed in Chapter 11, and other circumstances, filed a voluntary petition for Reorganization under Chapter 11, with the United States Bankruptcy Court, District of New Jersey and has continued the operation of its business as debtor-in-possession (Note 4).

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

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

7. Commitments and contingencies (cont.):

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

e. Lease commitments:

Subject to the effects of the Chapter 11 proceedings, future minimum rental payments at December 31, 1985 under agreements classified as operating leases with an initial or remaining noncancellable lease term in excess of one year are as follows:

Year Ending December 31,	Amount (in thousands)
1986	\$ 594
1987	505
1988	424
1989	397
1990	397
Thereafter	5,293

Rent Expense charged to operations under noncancellable, long-term operating leases for 1985 and 1984 was \$2,114,000 and \$1,974,000 respectively.

f. Pension Plan

The Partnership makes contributions to several multi-employer pension plans covering its union employees. The amount of unfunded liability to the pension plans, if any, are not currently subject to reasonable estimation. Subject to the effects of the Chapter 11 proceedings, the Partnership may become obligated to pay some portion of this unfunded liability, if any.

8. Casino Reinvestment Obligation

The New Jersey Casino Act (the Act) originally provided for an "investment obligation" or "investment alternative tax" of 2% of a licensee's gross casino revenues, for each calendar year in which revenues exceed its "cumulative investments", as defined in the Act. A licensee has five years from the end of each calendar year to satisfy this "investment obligation" by making eligible investments or it becomes liable to pay the "investment alternative tax" of equal amount. As of December 31, 1985, the investment obligations are approximately \$2,752,000 for the year 1982 and \$2,860,000 for the year 1983 to be invested by December 31, 1987 and 1988, respectively.

ELSINORE SHORE ASSOCIATES  
(DEBTOR-IN-POSSESSION - NOTE 4)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

8. Casino reinvestment obligation (cont.):

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

Since the CRDA is not yet functional, and redevelopment projects not yet identified, no bonds have been issued for purchase. In the interim, the Partnership deposited its reinvestment funds with the State Treasurer and committed to purchase bonds when they are first available. The State has agreed to pay interest on the reinvestment deposits at a rate approximating one third less than market. Since the bonds are also expected to bear interest at less than market, the Partnership has charged \$573,000 and \$650,000 for the 1985 and 1984, respectively, of its reinvestment obligation against operations, as a result of the less than fair market yield of the investment it expects to make.

Upon the clarification of the Act in 1985 which requires the satisfaction of pre-1984 obligations by purchase of bonds, the Partnership has accounted for its 1982 and 1983 obligations (described above) in a similar manner, and charged 1985 operations \$1,214,000 during the fourth quarter.

Additionally, the law provides for quarterly estimated payments of the reinvestment obligation during 1985 and thereafter.

On October 15, 1985, the Partnership petitioned the Casino Reinvestment Development Authority, (CRDA) for a two year deferral of its reinvestment obligation pursuant to the Casino Control Act. The Petition requests a deferral of quarterly installments required through July 15, 1987, including \$478,584 which was due October 15, 1985 and \$351,746 on January 15, 1986. That Petition has not been heard since CRDA is not yet operational. In order to qualify for said deferral, the Partnership must meet a standard of extreme financial hardship, as determined by the CCC. The CCC will not render a decision on the issue of extreme financial hardship until the Partnership demonstrates that it has entered into an executed contract with CRDA to purchase bonds, which is not possible until CRDA becomes operational. The Partnership has appealed the ruling of the CCC in an effort to obtain a deferral from CRDA without having to first enter into a contract with that agency.

ELSINORE SHORE ASSOCIATES  
 (DEBTOR-IN-POSSESSION - NOTE 4)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

8. Casino reinvestment obligation (cont.):

Failure to pay or underpayment of any quarterly payment when due can result in the Commission imposing a fine upon the licensee in the amount of 5% per month of the amount not paid or underpaid not to exceed a total of 25% of the amount not paid or underpaid. It is unclear if any such fine would be calculated as a percentage of the 1.25% payment obligation or 2.5% alternative tax obligation. No provision has been made in the financial statements for potential fines with regard to the outstanding reinvestment obligation.

The effect of the Chapter 11 proceedings on these obligations incurred prior to November 13, 1985, cannot be determined at this time. Such obligations recorded prior to that date have been included in liabilities subject to Chapter 11 proceedings.

9. Nonoperating income (expenses)

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Commissions credit card	(\$151,000)	(\$215,000)
Interest income	297,000	673,000
Cash call commission	213,000	237,000
Other	39,000	(541,000)
<b>Total nonoperating (net)</b>	<b><u>\$398,000</u></b>	<b><u>\$154,000</u></b>

EL SINORE'S ATLANTIS CASINO HOTEL  
 (DEBTOR-IN-POSSESSION - NOTE 4)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 1985 AND 1984

CASINO DEPARTMENTAL SCHEDULE

10. Promotional Allowances and Expenses

Promotional Allowances and Expenses consist of the following for the three months ended December 31, 1985:

	Promotional Allowance		Promotional Expense	
	# of Recipients	\$	# of Recipients	\$
Rooms	27,292	\$ 1,472,000		
Food	221,708	2,977,000		
Beverage	653,513	1,217,000		
Bus Tour Quarters			496,393	\$ 3,776,000
Travel			117,899	1,545,000
Theater	31,596	144,000		
Other	42,501	278,000	178,718	739,000
<b>Total</b>	<b>976,610</b>	<b>\$ 6,088,000</b>	<b>793,010</b>	<b>\$ 6,060,000</b>

Promotional Allowances and Expenses consist of the following for the year ended December 31, 1985:

	Promotional Allowance		Promotional Expense	
	# of Recipients	\$	# of Recipients	\$
Rooms	139,400	\$ 4,901,000		
Food	1,249,529	12,718,000		
Beverage	3,270,721	6,499,000		
Bus Tour Quarters			1,810,093	\$15,915,000
Travel			413,640	7,548,000
Theater	129,290	1,500,000		
(1) Other	284,405	1,422,000	535,092	3,313,000
<b>Total</b>	<b>5,073,345</b>	<b>\$27,040,000</b>	<b>2,758,825</b>	<b>\$26,776,000</b>

(1) Other Expense

	12 months	3 months
Sales & Promotion	\$ 3,043,000	\$ 527,000
Other	270,000	212,000
	<u>\$ 3,313,000</u>	<u>\$ 739,000</u>

TRADING NAME OF LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL  
 (Debtor in Possession, Note 4)

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack .....	33,091	214,150	15.5	61
2	Craps .....	20,591	139,065	14.8	16
3	Roulette .....	6,896	29,017	23.8	10
4	Big Six .....	1,775	3,519	50.4	3
5	Baccarat .....	4,085	34,354	11.9	3
6	Other table games .....	—	—	—	—
7	Total table games revenue .....	66,438	\$ 420,105	15.8%	92
			HANDLE	%	
8	\$ .05 slot machines .....	2,155	14,451	14.9	66
9	\$ .25 slot machines .....	43,228	312,522	13.8	836
10	\$1.00 slot machines .....	8,655	68,844	12.6	131
11	Other slot machines .....	18,022	156,522	11.5	272
12	Total coin-operated devices revenue .....	72,060	\$ 552,339	13.0%	1305
13	Progressive jackpot adjustment .....	1,605			
14	Total coin-operated devices revenue after adjustment .....	70,455			
15	Other income .....				
16	Total revenue .....	136,893			
	Expenses:				
17	Payroll and payroll related expenses .....	25,687			
18	Licenses and taxes .....	11,700			
19	Provision for uncollectible patrons' checks .....	985			
20	Other .....	8,578			
21	Total .....	46,950			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees .....	89,943			
	Complimentary services and casino management fees:				
23	Complimentary services .....	48,399			
24	Casino management fees .....				
25	Total .....	48,399			
26	Departmental Income (Loss) .....	\$ 41,544			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY

COUNTY OF ATLANTIC

:  
:ss.  
:

R. BRUCE MCKEE

Name

, being duly sworn according to law upon my oath

deposes and says:

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

*R. Bruce McKee*

Signature

VICE PRESIDENT, FINANCE

Title

0548-11

License Number

Subscribed and sworn to  
before me this 14<sup>th</sup> day  
of March, 1986

On Behalf Of:

*Pamela M. Herzog*  
Signature

ELSINORE SHORE ASSOCIATES

Casino Licensee

PAMELA M. HERZOG  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires OCT. 22, 1989

Basis of Authority  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** ELSINORE SHORE ASSOCIATES  
**ADDRESS** 2500 BOARDWALK  
ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

R. BRUCE MCKEE

**OFFICIAL TITLE.....**

VICE PRESIDENT, FINANCE

**ADDRESS.....**

2500 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
02 1	Administration .....	31			
03 2	Gaming .610.....	681			
3	Slots ..620.....	92			
4	Casino accounting ..907.....	305			
5	Other 630,640,650,651,652,653,.....	153	\$	\$	\$
6	Total-casino .654,655,656,657.....	1262	26,187,778		26,187,778
7	ROOMS 700,710,711,712,713,715.....	227	3,305,380		3,305,380
8	FOOD AND BEVERAGE ALL .800 .AREAS.....	711	10,921,537		10,921,537
	OTHER OPERATED DEPARTMENTS				
9	Coatroom 720	10	152,781		152,781
10	Arcade 721	3	9,691		9,691
11	Valet/Parking 722	85	1,165,560		1,165,560
12	Health Club 723	11	138,539		138,539
13	Gift Shop 724	15	223,712		223,712
14	Laundry/Valet 725	24	474,961		474,961
15	Telephone 726	18	258,002		258,002
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office 901,958.....	11	199,199	535,267	734,466
21	Accounting and auditing 906,908,909,910	70	1,356,417		1,356,417
22	Security ....911,912.....	181	3,447,284		3,447,284
23	Other administrative and general department 917,919,951,952,953,954,955,956, 957,962	132	2,806,242		2,806,242
24	MARKETING .....913,915,916,918.....	16	371,968		371,968
25	GUEST ENTERTAINMENT ..728.....	19	603,854		603,854
26	PROPERTY OPERATION AND MAINTENANCE ..920.....	67	2,151,113		2,151,113
27	TOTALS - ALL DEPARTMENTS .....	2862	\$ 53,774,018	\$ 535,267	\$ 54,309,285

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

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1985

March 14, 1986  
Date

A. Bruce McKeel  
Signature

VICE PRESIDENT, FINANCE  
Title

# GROSS REVENUE ANNUAL TAX RETURN

LICENSEE ELSINORE SHORE ASSOCIATES

ADDRESS 2500 BOARDWALK  
ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED DECEMBER 31, 19 85

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

R. BRUCE MCKEE

OFFICIAL TITLE.....

VICE PRESIDENT- FINANCE

ADDRESS.....

2500 BOARDWALK

ATLANTIC CITY, N.J. 08401

TRADING NAME OF LICENSEE EL SINORE'S ATLANTIS CASINO HOTEL  
(DEBTOR IN POSSESSION)

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue .....	\$66,438
2	Coin-operated devices revenue .....	72,060
3	Total revenues .....	<u>\$ 138,498</u>
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks .....	<u>\$ 985</u>
5	Maximum adjustment (4% of line 3) .....	<u>\$ 5,540</u>
6	Adjustment (the lesser of line 4 or line 5) .....	<u>985</u>
7	Gross revenues (line 3 less line 6) .....	<u>\$ 137,513</u>
8	Tax on gross revenues - current year (8% of line 7) .....	<u>\$ 11,001</u>
9	Audit or other adjustments to tax on gross revenues in prior years .....	<u>-0-</u>
10	Total tax on gross revenues (line 8 plus or minus line 9) .....	<u>11,001</u>
	Deposits made for tax on current year's gross revenues:	
11	January .....	<u>\$ 582</u>
12	February .....	<u>844</u>
13	March .....	<u>1,082</u>
14	April .....	<u>873</u>
15	May .....	<u>1,251</u>
16	June .....	<u>937</u>
17	July .....	<u>1,050</u>
18	August .....	<u>1,209</u>
19	September .....	<u>826</u>
20	October .....	<u>806</u>
21	November .....	<u>878</u>
22	December .....	<u>409</u>
23	January .....	<u>108</u>
24	Total deposits made for tax on current year's gross revenues .....	<u>( 10,855 )</u>
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....	<u>-0-</u>
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....	<u>\$ 146 *</u>

\*Represents amount related to period prior to November 14, 1985, date on which debtor filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Act.

STATEMENT OF CONFORMITY AND ACCURACY

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

R. BRUCE MCKEE, being duly sworn according  
Name

to law upon my oath deposes and says:

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

R. Bruce McKee  
Signature

VICE PRESIDENT, FINANCE  
Title

0548-11  
License Number

On Behalf Of:  
ELSINORE SHORE ASSOCIATES  
Casino Licensee

Subscribed and sworn to  
before me this 14<sup>th</sup> day  
of March, 1986.

Pamela M. Herzog  
Signature

**PAMELA M. HERZOG**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires OCT. 22, 1989  
Basis of Authority  
to Take Oaths

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 85

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	500	15,332	10,428	\$ 62.04	68.0 %	20,088	\$ 32.21
2	FEBRUARY	500	13,875	10,301	\$ 61.21	74.2 %	20,327	\$ 31.02
3	MARCH	500	15,390	12,118	\$ 61.37	78.7 %	23,434	\$ 31.73
4	1ST QUARTER TOTALS		44,597	32,847	\$ 61.53	73.7 %	63,849	\$ 31.65
5	APRIL	500	14,859	12,647	\$ 62.40	85.1 %	24,510	\$ 32.20
6	MAY	500	15,182	13,476	\$ 64.16	88.8 %	25,923	\$ 33.35
7	JUNE	500	14,742	13,824	\$ 63.77	93.8 %	26,018	\$ 33.88
8	2ND QUARTER TOTALS		44,783	39,947	\$ 63.47	89.2 %	76,451	\$ 33.16
9	JULY	500	15,306	14,544	\$ 71.86	95.0 %	29,756	\$ 35.12
10	AUGUST	500	15,220	14,828	\$ 68.74	97.4 %	29,424	\$ 34.64
11	SEPTEMBER	500	14,440	12,157	\$ 66.94	84.2 %	23,774	\$ 34.23
12	3RD QUARTER TOTALS		44,966	41,529	\$ 69.31	92.4 %	82,954	\$ 34.70
13	OCTOBER	500	15,065	12,855	\$ 89.27	85.3 %	25,036	\$ 45.84
14	NOVEMBER	500	14,748	11,763	\$ 85.24	79.8 %	23,202	\$ 43.22
15	DECEMBER	500	14,385	7,465	\$ 82.14	51.9 %	15,196	\$ 40.35
16	4TH QUARTER TOTALS		44,198	32,083	\$ 86.13	72.6 %	63,434	\$ 43.56
17	ANNUAL TOTALS		178,544	146,406	\$ 69.66	82.0 %	286,688	\$ 35.57

# ANNUAL REPORT

974-901  
C-193

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

FOR THE YEAR ENDED DECEMBER 31, 1985

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



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

**NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT** . . . . . Henry W. Hornbostel  
**OFFICIAL TITLE** . . . . . Vice President and Treasurer  
**ADDRESS** . . . . . Boston at Pacific Avenues  
P.O. Box 1737  
Atlantic City, NJ 08404

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

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

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1985

LINE	DESCRIPTION	ALLOTTMENT	ACCOUNTS RECEIVABLE
(A)	(B)	(C)	(D)
1	Patrons' Checks:		
2	Returned patrons' checks		
3	Returned patrons' checks		
4	Total returned checks		11,345
5	Balance Sheets	CCC-305	627
6	Statements of Income (Year)	CCC-310	
7	Statements of Income (Three Months)	CCC-315	
8	Statements of Changes in Stockholders' Equity	CCC-320	
9	<del>Statements of Changes in Proprietors' Equity</del>	<del>CCC-325</del>	696
10	Statements of Changes in Financial Position	CCC-330	12,446
11	Notes to Financial Statements		
12	Schedule of Receivables and Patrons' Checks	CCC-340	
13	Casino Departmental Schedule	CCC-345	
14	Statement of Conformity and Accuracy	CCC-350	
15	Opening Balance (January 1)		12,363
16	Checks issued (excluding double checks issued, checks issued to consolidations, party, restaurant, advertising, etc. (not in profits))		252,430
17	Checks returned prior to deposit (including the unreturned portion of counter checks redeemed through partial redemptions, and including checks returned through transactions relating to consolidations, restaurants, etc. (not in profits))		200,262
18	Checks collected through deposits		49,632
19	Checks transferred to returned checks		9,287
20	Other adjustments		
21	Balance		116,872
22	Checks included in Balance On Line 21		
23	Allowance for Uncollectible Patrons' Checks		
24	Line As A Percent Of Counter Checks Issued		

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE-NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited patrons' checks .....	\$ 10,812		
2	Returned patrons' checks .....	10,627		
3	Total patrons' checks .....	21,439	\$ 10,114	\$ 11,325
4	Hotel Receivables .....	484	57	427
	Other Receivables:			
5	Receivables due from officers and employees.....	15		
6	Receivables due from affiliates .....	-		
7	Other accounts and notes receivables .....	679		
8	Total other receivables .....	694		694
9	Totals (Form 305).....	\$ 22,617	\$ 10,171	\$ 12,446

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 12,563
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	252,450
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) .....	( 200,262 )
13	Checks collected through deposits .....	( 44,652 )
14	Checks transferred to returned checks .....	( 9,287 )
15	Other adjustments .....	
16	Ending Balance .....	\$ 10,812
17	"Hold" Checks Included In Balance On Line 16 .....	\$ -
18	Provision For Uncollectible Patrons' Checks .....	\$ 2,971
19	Provision As A Percent Of Counter Checks Issued .....	1.2

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

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1985 and ~~1984~~ The eight months ended  
December 31, 1984  
(UNAUDITED) (SEE NOTE 1)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> *
	Revenue:		
1	Casino .....	\$ 241,179	\$ 177,690
2	Rooms .....	17,830	12,382
3	Food and beverage .....	31,506	23,639
4	Other .....	8,820	5,172
5	Total revenue .....	299,335	218,883
6	Less: promotional allowances ..... (Note 14)...	35,822	23,174
7	Net revenue .....	263,513	195,709
	Costs And Expenses:		
8	Cost of goods and services .....	134,637	93,071
9	Selling, general, and administrative .....	42,274	29,584
10	Provision for doubtful accounts .....	3,041	2,295
11	Total .....	179,952	124,950
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	83,561	70,759
13	Depreciation and amortization .....	12,279	7,289
	Charges from affiliates:		
14	Interest ..... (Note 15) ..	43,227	14,213
15	Management fees ..... (Note 15) ..	14,975	10,900
16	Other ..... (Note 15) ..	24,414	15,441
17	Interest expense - external .....	560	1,172
18	Income (Loss) From Operations .....	(11,894)	21,744
19	Nonoperating income (expense) - net ..... (Note 16) ..	17,519	(11,394)
20	Investment alternative tax and related income (expense) - net ..... (Note 20)	(1,444)	(3,829)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	4,181	6,521
22	Provision (Credit) for income taxes ..... (Note 17) ..	1,062	1,306
23	Income (Loss) Before Extraordinary Items .....	3,119	5,215
24	Extraordinary items (net of income taxes - 1985, \$1,602 ; 1984, \$ 2,520 ) ..... (Note 9 & 10)	1,548	2,437
25	Net Income (Loss) .....	\$ 1,571	\$ 2,778

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

\*Restated to conform with 1985 presentation.

# BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED) (SEE NOTE 1)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> *
<b>ASSETS</b>			
Current Assets:			
1	Cash .....	\$ 5,304	\$ 7,471
2	Marketable securities .....(Note.2)...	230,706	64,162
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$10,171 ; 19 <u>84</u> , \$ 7,510 ) .....	12,446	14,700
4	Inventories .....	1,891	2,102
5	Prepaid expenses and other current assets .....(Note.3)...	5,068	4,314
6	Total current assets .....	255,415	92,749
7	Investments, Advances, And Receivables .....(Note.4)...	132,022	79,514
8	Property And Equipment - Net .....(Note.5)...	144,746	143,723
9	Other Assets .....(Note.6)...	67,844	45,809
10	Total Assets .....	\$ 600,027	\$ 361,795
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities:			
11	Accounts payable .....	\$ 4,343	\$ 4,956
12	Notes payable .....	-	-
Current portion of long-term debt:			
13	Due to affiliates .....	-	-
14	Other .....(Note.10)...	-	9
15	Income taxes payable and accrued .....	-	1,108
16	Other accrued expenses .....(Note.7)...	35,330	35,627
17	Other current liabilities .....(Note.8)...	2,360	2,601
18	Total current liabilities .....	42,033	44,301
Long-Term Debt:			
19	Due to affiliates .....(Note.9)...	418,712	184,035
20	Other .....(Note.10)...	1,865	1,823
21	Deferred Credits .....(Note.11)...	15,035	15,552
22	Other Liabilities .....(Note.12)...	39,706	34,979
23	Commitments And Contingencies .....	-	-
24	Total Liabilities .....	517,351	280,690
25	Stockholders', Partners', Or Proprietor's Equity .....(Note.13)...	82,676	81,105
26	Total Liabilities And Equity .....	\$ 600,027	\$ 361,795

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED) (SEE NOTE 1)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> *
	Revenue:		
1	Casino .....	\$ 56,799	\$ 58,720
2	Rooms .....	4,339	4,082
3	Food and beverage .....	6,932	7,587
4	Other .....	1,808	1,796
5	Total revenue .....	69,878	72,185
6	Less: promotional allowances ..... (Note 14)	8,064	7,934
7	Net revenue .....	61,814	64,251
	Costs And Expenses:		
8	Cost of goods and services .....	34,313	34,161
9	Selling, general, and administrative .....	7,903	9,411
10	Provision for doubtful accounts .....	812	989
11	Total .....	43,028	44,561
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	18,786	19,690
13	Depreciation and amortization .....	3,235	2,795
	Charges from affiliates:		
14	Interest ..... (Note 15)	13,861	6,175
15	Management fees ..... (Note 15)	3,501	3,548
16	Other ..... (Note 15)	8,246	6,370
17	Interest expense - external .....	140	215
18	Income (Loss) From Operations .....	(10,197)	587
19	Nonoperating income (expense) - net ..... (Note 16)	5,970	(13,712)
20	Investment alternative tax and related income (expense) - net ..... (Note 20)	(232)	(3,829)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(4,459)	(16,954)
22	Provision (Credit) for income taxes ..... (Note 17)	(638)	(8,575)
23	Income (Loss) Before Extraordinary Items .....	(3,821)	(8,379)
24	Extraordinary items (net of income taxes - 19 <u>85</u> , \$ 154 ; 19 <u>84</u> , \$ - ) ..... (Note 9)	149	-
25	Net Income (Loss) .....	\$ (3,970)	\$ (8,379)

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

\*Restated to conform with 1985 presentation.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR\* ENDED DECEMBER 31, 19 85 and ~~xxxx~~ The eight months ended December 31, 1984

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 85		1984	
		SHARES	DOLLARS	SHARES	DOLLARS
1	Common Stock: (May 1, 1984 and Beginning balance (January 1, 1985).....	3,002,500	\$ 30	3,002,500	\$ 78,327
2	Sale of stock .....				
3	.....				
4	Ending balance .....		30		78,327
	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	Trans. from Common Stock (Note 13)		78,297		-
11	.....				
12	Ending balance .....		78,297		-
	Treasury Stock:				
13	Beginning balance (January 1) .....		( )		( )
14	Purchase of additional stock .....		( )		( )
15	Sale or retirement of stock .....				
16	Ending balance .....		( )		( )
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1) .....		( )		( )
18	.....				
19	.....				
20	Ending balance .....		( )		( )
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1) .....		( )		( )
22	.....				
23	.....				
24	Ending balance .....		( )		( )
	Retained Earnings: (May 1, 1984 and Beginning balance (January 1, 1985).....		2,778		-
26	Prior period adjustments .....				
27	Net income (loss) .....		1,571		2,778
28	Dividends .....		( )		( )
29	.....				
30	.....				
31	Ending balance .....		4,349		2,778
32	Ending Stockholders' Equity .....		\$ 82,676		\$ 81,105

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

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR\* ENDED DECEMBER 31, 19 85 and ~~xxxxx~~ The eight months ended  
(UNAUDITED) December 31, 1984  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> *
	<b>Sources Of Funds:</b>		
1	Income (loss) before extraordinary items .....	\$ 3,119	\$ 5,215
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment .....	11,818	7,035
3	Amortization of other assets .....	462	302
4	Deferred income taxes - noncurrent .....	(517)	(2,136)
5	(Gain) loss on dispositions of property and equipment .....	2,586	200
6	Loss on redemption of mortgage notes .....	3,150	4,957
7	Amortization of orig. issue discount & debt issue costs .....	5,040	3,261
8	Abandonment loss .....	-	15,271
9	Total .....	25,658	34,105
10	Extraordinary items .....	(1,548)	(2,437)
11	Total funds provided (used) by operations .....	24,110	31,668
12	Proceeds from dispositions of property and equipment .....	1,062	67
13	Proceeds from long-term debt .....	298,162	224,402
14	Additions to deferred credits and other liabilities .....	4,727	52,667
15	Proceeds from issuance of stock or capital contributions .....	-	78,327
16			
17			
18			
19			
20	Total funds provided .....	328,061	387,131
	<b>Uses Of Funds:</b>		
21	Additions to property and equipment .....	16,489	166,296
22	Investment in casino reinvestment obligations .....	3,036	7,658
23	Other additions to investments, advances, and receivables .....	52,508	79,514
24	Increase in other assets .....	9,791	8,533
25	Reductions of long-term debt .....	69,046	45,285
26	Dividends declared or capital distributions .....		
27	Additions to land held for sale .....	12,257	31,397
28			
29			
30			
31	Total funds used .....	163,127	338,683
32	Increase (Decrease) In Working Capital .....	\$ 164,934	\$ 48,448
	<b>Summary Of Changes In Components Of Working Capital:</b>		
33	Cash .....	(2,167)	7,471
34	Marketable securities .....	166,545	64,162
35	Receivables and patrons' checks .....	(2,254)	14,700
36	Inventories .....	(211)	2,102
37	Prepaid expenses and other current assets .....	754	4,314
38	Accounts payable .....	613	(4,956)
39	Notes payable .....	-	-
40	Current portion of long-term debt .....	9	(9)
41	Income taxes payable and accrued .....	1,108	(1,108)
42	Other accrued expenses .....	296	(35,627)
43	Other current liabilities .....	241	(2,601)
44	Increase (Decrease) In Working Capital .....	\$ 164,934	\$ 48,448

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

\*Restated to conform with 1985 presentation.

NOTES TO FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Casino revenue and promotional allowances

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

(b) Marketable securities

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

(c) Property and equipment

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

(d) Original issue discount and debt issuance costs

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

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

(e) Income taxes

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

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

## NOTE 2 - MARKETABLE SECURITIES

Marketable securities as of December 31 consisted of the following:

	<u>1985</u>	<u>1984</u>
Equity securities	\$ 31,399,000	\$ 48,539,000
Debt securities	195,142,000	-
Other short-term interest bearing instruments	<u>4,165,000</u>	<u>15,623,000</u>
Aggregate cost - carrying value	\$ <u>230,706,000</u>	\$ <u>64,162,000</u>
Aggregate market value	\$ <u>232,784,000</u>	\$ <u>64,352,000</u>

At December 31, 1985, the net unrealized gain of \$2,078,000 consisted of gross unrealized gains of \$2,773,000 and gross unrealized losses of \$695,000.

Net realized gains (losses) on the sale of marketable securities are included in "Nonoperating income (expense)- net" in the accompanying statements of income and totaled \$597,000 for the year ended December 31, 1985 and (\$5,407,000) for the eight months ended December 31, 1984.

## NOTE 3 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	<u>1985</u>	<u>1984</u>
Prepaid insurance	\$ 1,407,000	\$ 923,000
Prepaid state gaming taxes and licenses	570,000	693,000
Prepaid operating expenses	2,288,000	2,564,000
Prepaid entertainment costs	385,000	6,000
Refundable federal income taxes	287,000	-
Other	<u>131,000</u>	<u>128,000</u>
	\$ <u>5,068,000</u>	\$ <u>4,314,000</u>

GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

NOTE 4 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of December 31 consisted of advances due from affiliates as follows:

	<u>1985</u>	<u>1984</u>
Golden Nugget Marketing Corp. (a Pennsylvania Corporation) \$	40,000	\$ 40,000
Golden Nugget Marketing Corp. (a New York Corporation)	-	365,000
Golden Nugget Marketing Corp. (a Florida Corporation)	176,000	50,000
Golden Nugget Marketing Corp. (an Ohio Corporation)	53,000	-
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	17,000	-
Leisure Time Tours	303,000	457,000
Golden Nugget, Inc.	129,177,000	78,396,000
GNLV, CORP.	1,166,000	-
TYOH Advertising, Inc.	1,090,000	-
Golden Nugget Finance Corp.	-	206,000
	<u>\$ 132,022,000</u>	<u>\$ 79,514,000</u>

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>1985</u>	<u>1984</u>
Land and improvements	\$ 10,114,000	\$ 13,559,000
Buildings and leasehold improvements	121,280,000	111,541,000
Furniture, fixtures and equipment	49,571,000	42,709,000
Construction in progress	<u>5,321,000</u>	<u>7,922,000</u>
	186,286,000	175,731,000
Less accumulated depreciation and amortization	<u>(41,540,000)</u>	<u>(32,008,000)</u>
	<u>\$ 144,746,000</u>	<u>\$ 143,723,000</u>

NOTE 6 - OTHER ASSETS

Other assets as of December 31 consisted of the following:

	<u>1985</u>	<u>1984</u>
Land held for sale	\$ 43,654,000	\$ 31,397,000
Debt issuance costs (net)	12,292,000	4,493,000
Long-term receivable	1,000,000	1,500,000
Deposits	5,000	104,000
Deferred casino license fee	-	387,000
New Jersey reinvestment (net of purchase discount)	10,694,000	7,658,000
Other	<u>199,000</u>	<u>270,000</u>
	<u>\$ 67,844,000</u>	<u>\$ 45,809,000</u>

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

**NOTE 7 - OTHER ACCRUED EXPENSES**

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

	<u>1985</u>	<u>1984</u>
Accrued payroll	\$ 6,172,000	\$ 5,055,000
Accrued progressive jackpot liability	3,364,000	4,036,000
Accrued interest	10,213,000	10,592,000
Accrued property taxes	-	395,000
Accrued New Jersey casino reinvestment liability	10,458,000	11,487,000
Accrued sales, use and luxury taxes	125,000	776,000
Accrued Casino Control Commission and Division of Gaming Enforcement Fee	463,000	217,000
Accrued casino license fee	314,000	70,000
Accrued health insurance claims	456,000	625,000
Accrued casino win tax	209,000	276,000
Accrued free bus costs	-	82,000
Accrued laundry costs	20,000	121,000
Other	<u>3,536,000</u>	<u>1,895,000</u>
	<u>\$ 35,330,000</u>	<u>\$ 35,627,000</u>

**NOTE 8 - OTHER CURRENT LIABILITIES**

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

	<u>1985</u>	<u>1984</u>
Customer deposits	\$ 699,000	\$ 1,215,000
Unredeemed gaming chips and tokens	1,557,000	1,154,000
Advance room deposits	104,000	89,000
Deferred federal and state income taxes	<u>-</u>	<u>143,000</u>
	<u>\$ 2,360,000</u>	<u>\$ 2,601,000</u>

**NOTE 9 - LONG TERM DEBT-DUE TO AFFILIATES**

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

	<u>1985</u>	<u>1984</u>
13 1/4% (effective rate of 13.3%) mortgage-backed notes of \$299,000,000 principal amount, interest payable semi- annually, maturing in 1995, sinking fund payments to retire \$14,950,000 principal amount annually commencing on June 1, 1991 and 20% of issue prior to maturity (net of unamortized original issue discount of \$815,000 at December 31, 1985). (A)	\$ 298,185,000	\$ -
8 3/8% (effective rate of 13.9%) unsecured notes of \$250,000,000 principal amount, interest payable semi- annually, maturing in 1993, sinking fund payments to retire \$25,000,000 principal amount due July 1, 1991 and 1992 (net of unamortized original issue discount of \$40,473,000 at December 31, 1985 and \$65,965,000 at December 31, 1984). (B)	<u>120,527,000</u> <u>\$ 418,712,000</u>	<u>184,035,000</u> <u>\$ 184,035,000</u>

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

**NOTE 9 - LONG TERM DEBT-DUE TO AFFILIATES, continued**

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

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

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

The reduction in the outstanding amount of the notes reflects the retirement for cash in 1985 of \$89,000,000 in principal amount of the notes. The transaction resulted in an extraordinary loss of \$1,548,000, net of income tax benefits of \$1,602,000, which represents the excess of the purchase price over the principal balance net of unamortized original issue discount and debt issue costs.

**NOTE 10 - LONG-TERM DEBT - OTHER**

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

	<u>1985</u>	<u>1984</u>
11-3/4% (effective rate of 15.5%) mortgage notes with interest payable semi-annually, maturing in 1994 (net of unamortized original issue discount of \$233,000 at December 31, 1985 and \$269,000 at December 31, 1984)	\$ 1,865,000	\$ 1,823,000
Other	-	9,000
	<u>1,865,000</u>	<u>1,832,000</u>
Less current maturities	-	( 9,000)
	<u>\$ 1,865,000</u>	<u>\$ 1,823,000</u>

The 11 3/4% mortgage notes are collateralized by the Company's casino-hotel complex. In May 1984, the noteholders approved amendments to the governing indenture which, among other things, permit the encumbrance of the casino-hotel with additional indebtedness without limitation as to amount. Any such additional indebtedness could rank equally with the 11 3/4% mortgage notes.

In May 1984, the Company repurchased approximately \$48 million principal amount of the notes. The transaction resulted in an extraordinary loss of \$2,437,000, net of income tax benefits of \$2,520,000 and concurrently satisfied the sinking fund requirements for the remaining years of the notes.

## GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

## NOTE 11 - DEFERRED CREDITS

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

## NOTE 12 - OTHER LIABILITIES

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

	<u>1985</u>	<u>1984</u>
Golden Nugget Transportation Corp. (formerly SCB Development Company, Inc.)	\$ 15,933,000	\$ 13,319,000
Atlantia Design and Furnishings, Inc.	11,937,000	16,084,000
GNAC, CORP.	5,391,000	1,259,000
GNLV, CORP.	-	107,000
Golden Nugget Aviation Corp.	4,105,000	2,846,000
Golden Nugget Marketing Corp. (an Illinois Corporation)	508,000	275,000
Golden Nugget Marketing Corp. (a Texas Corporation)	234,000	228,000
Golden Nugget Marketing Corp. (a Georgia Corporation)	159,000	159,000
Golden Nugget Marketing Corp. (a Mississippi Corporation)	34,000	-
Golden Nugget Marketing Corp. (a Louisiana Corporation)	10,000	10,000
Golden Nugget Marketing Corp. (a Maryland Corporation)	40,000	-
Golden Nugget Marketing Corp. (A New York Corporation)	480,000	-
Golden Nugget (Asia) LTD.	182,000	183,000
TYOH Advertising, Inc.	-	509,000
Golden Nugget Finance Corp.	<u>693,000</u>	<u>-</u>
	<u>\$ 39,706,000</u>	<u>\$ 34,979,000</u>

## NOTE 13 - STOCKHOLDER'S EQUITY

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

At December 31, 1985 and 1984 the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,500 were issued and outstanding.

GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES

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

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	108,340	\$ 12,583,000	-	\$ -
Food	607,696	14,689,000	-	-
Beverage	512,511	3,255,000	-	-
Travel	-	-	57,303	7,838,000
Other				
Coin	-	-	1,681,190	16,079,000
Entertainment	43,173	1,270,000	9,972	289,000
Parking	282,250	2,258,000	-	-
Retail	22,705	1,738,000	-	-
Beverage	-	-	299,015	1,895,000
Other	<u>524</u>	<u>29,000</u>	<u>47,633</u>	<u>645,000</u>
Total Other	<u>348,652</u>	<u>5,295,000</u>	<u>2,037,810</u>	<u>18,908,000</u>
TOTAL	<u>1,577,199</u>	<u>\$ 35,822,000</u>	<u>2,095,113</u>	<u>\$ 26,746,000</u>

## GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

## NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES, continued

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

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	27,619	\$ 3,106,000	-	\$ -
Food	117,687	3,114,000	-	-
Beverage	138,799	855,000	-	-
Travel	-	-	15,924	1,958,000
Other				
Coin	-	-	307,810	2,704,000
Entertainment	5,737	179,000	3,315	103,000
Parking	62,000	496,000	-	-
Retail	3,320	307,000	-	-
Beverage	-	-	74,351	458,000
Other	<u>101</u>	<u>7,000</u>	<u>13,351</u>	<u>207,000</u>
Total Other	<u>71,158</u>	<u>989,000</u>	<u>398,827</u>	<u>3,472,000</u>
TOTAL	<u>355,263</u>	\$ <u>8,064,000</u>	<u>414,751</u>	\$ <u>5,430,000</u>

## GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, Continued  
(Unaudited)

## NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES, continued

Promotional Expenses and Allowances and number of recipients for the eight months ended December 31, 1984 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	59,604	\$ 7,877,000	-	\$ -
Food	409,228	10,078,000	-	-
Beverage	368,829	2,409,000	-	-
Travel	-	-	57,640	6,051,000
Other				
Coin	-	-	1,377,274	10,748,000
Entertainment	19,811	390,000	6,814	149,000
Parking	188,715	1,510,000	-	-
Retail	13,781	896,000	-	-
Beverage	-	-	189,826	1,248,000
Other	<u>380</u>	<u>14,000</u>	<u>51,608</u>	<u>957,000</u>
Subtotal Other	<u>222,687</u>	<u>2,810,000</u>	<u>1,625,522</u>	<u>13,102,000</u>
TOTAL	<u>1,060,348</u>	\$ <u>23,174,000</u>	<u>1,683,162</u>	\$ <u>19,153,000</u>

GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES, continued

Promotional expenses and allowances and number of recipients for the three months ended December 31, 1984 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	19,044	\$ 2,627,000	-	\$ -
Food	14,138,510	3,424,000	-	-
Beverage	26,116,048	891,000	-	-
Travel	-	-	17,497	2,144,000
Other				
Coin	-	-	381,539	2,883,000
Entertainment	4,315	129,000	2,880	86,000
Parking	66,181	529,000	-	-
Retail	5,217	328,000	-	-
Beverage	-	-	64,826	498,000
Other	<u>152</u>	<u>6,000</u>	<u>27,875</u>	<u>397,000</u>
Subtotal Other	<u>75,865</u>	<u>992,000</u>	<u>477,120</u>	<u>3,864,000</u>
<b>TOTAL</b>	<b><u>349,467</u></b>	<b><u>\$ 7,934,000</u></b>	<b><u>494,617</u></b>	<b><u>\$ 6,008,000</u></b>

GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, Continued  
(Unaudited)

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 15 - CHARGES FROM AFFILIATES

The charges from affiliates for the three and twelve months ended December 31, 1985 and the three and eight months ended December 31, 1984 consisted of the following:

NATURE OF CHARGE FROM AFFILIATE	Twelve Months Ended	Eight Months Ended	Three Months Ended	
	1985	1984	1985	1984
Interest	\$ 43,227,000	\$ 14,213,000	\$ 13,861,000	\$ 6,175,000
Management Fees	14,975,000	10,900,000	3,501,000	3,548,000
Other (A)	24,414,000	15,441,000	8,426,000	6,370,000

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

These other expenses were allocated from the following affiliates:

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

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

NOTES TO FINANCIAL STATEMENTS, continued  
 (Unaudited)

NOTE 16 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense)-net for the three and twelve months ended December 31, 1985 and the three and eight months ended December 31, 1984 consisted of the following:

	Twelve Months Ended		Three Months Ended	
	1985	1984	1985	1984
Interest and dividend income	\$ 19,356,000	\$ 6,061,000	\$ 7,910,000	\$ 1,795,000
Realized gain/(loss) on sale of marketable securities	597,000	(5,407,000)	249,000	(5,444,000)
Write-down of marketable securities to market value	-	3,298,000	-	5,014,000
Loss on disposition of property, plant and equipment	(2,586,000)	(52,000)	(2,101,000)	(9,000)
Abandonment Loss	-	(15,271,000)	-	(15,271,000)
Other nonoperating income	1,025,000	339,000	333,000	339,000
Other nonoperating expense	(873,000)	(362,000)	(421,000)	(136,000)
	<u>\$ 17,519,000</u>	<u>\$ (11,394,000)</u>	<u>\$ 5,970,000</u>	<u>\$ (13,712,000)</u>

The components of the difference between a provision for income taxes computed at the statutory income tax rate and the Company's provision for income taxes for the year ended December 31, 1985 are as follows:

Computed at 46%	\$ 474,000
State taxes, net of federal tax benefit	34,000
Research and development exclusion	(337,000)
Investment tax credits	(904,000)
Other	710,000
	<u>\$ (13,712,000)</u>

GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, Continued  
(Unaudited)

NOTE 17 - INCOME TAXES

The income tax provision for the three and twelve months ended December 31, 1985 and the three and eight months ended December 31, 1984 consisted of the following:

	Twelve Months Ended		Eight Months Ended		Three Months Ended	
	1985		1984		1985	1984
Current:						
Federal	\$	33,000	\$	461,000	\$ 76,000	\$ (4,936,000)
State		<u>101,000</u>		<u>461,000</u>	<u>(431,000)</u>	<u>(3,424,000)</u>
		<u>134,000</u>		<u>922,000</u>	<u>(355,000)</u>	<u>(8,360,000)</u>
Deferred:						
Federal		(674,000)		(1,992,000)	(437,000)	(2,165,000)
State		-		(144,000)	-	1,950,000
		<u>(674,000)</u>		<u>(2,136,000)</u>	<u>(437,000)</u>	<u>(215,000)</u>
	\$	<u><u>(540,000)</u></u>	\$	<u><u>(1,214,000)</u></u>	\$ <u><u>(792,000)</u></u>	\$ <u><u>(8,575,000)</u></u>

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

Income (loss) before income taxes and extraordinary loss	\$	1,062,000	\$	1,306,000	\$	(638,000)	\$	(8,575,000)
Extraordinary loss on debt retirements		<u>(1,602,000)</u>		<u>(2,520,000)</u>		<u>(154,000)</u>		<u>-</u>
	\$	<u><u>(540,000)</u></u>	\$	<u><u>(1,214,000)</u></u>	\$	<u><u>(792,000)</u></u>	\$	<u><u>(8,575,000)</u></u>

Components of the differences between a provision for income taxes computed at the federal income tax statutory rate and the Company's provision for income taxes for the year ended December 31, 1985 are as follows:

Amount computed at 46%	\$	474,000
State income taxes, net of federal tax benefit		54,000
85% dividend exclusion		(837,000)
Investment tax credits		(904,000)
Minimum tax		350,000
Other		<u>323,000</u>
	\$	<u><u>(540,000)</u></u>

GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, Continued  
(Unaudited)

**NOTE 17 - INCOME TAXES, continued**

The difference between the provision (benefit) for income taxes computed at the federal income tax statutory rate and the Company's provision for income taxes for the eight months ended December 31, 1984 is the result of investment tax credits and the 85% domestic dividends exclusion.

Sources of deferred income taxes and the tax effect of each for the year ended December 31, 1985 are as follows:

Depreciation	\$ 1,922,000
Abandonment losses deferred for tax purposes	(616,000)
Deferred compensation	(201,000)
Imputed interest cost on New Jersey investment obligation	-
Investment tax credit carry forwards	(2,842,000)
Deferred minimum taxes	859,000
Other, net	<u>204,000</u>
	<u>\$ (674,000)</u>

At December 31, 1985, the Company has investment tax credit carryforwards for income tax purposes of approximately \$2,842,000 which expire in the year 2000. These carryforwards have been recognized in the financial statements as a reduction of deferred income taxes.

The deferred tax benefit for the eight months ended December 31, 1984 relates principally to the write-off of certain Marina area project costs and imputed interest costs on New Jersey investment obligation offset by excess of tax over book depreciation and accruals of estimated expenses.

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

NOTES TO FINANCIAL STATEMENTS, Continued  
(Unaudited)

**NOTE 18 - PENSION COSTS**

The Company made payments of \$489,000 in 1985 and \$458,000 in 1984 under the terms of various collective bargaining agreements to provide welfare benefits, including pension benefits, for covered employees. It is not practicable to determine the amount of these payments ultimately used to fund pension benefit plans or the current financial condition of these plans.

On December 1, 1985, the Company adopted a voluntary retirement savings plan ("RSVP") for its non-union employees (as defined). Eligible participating employees may elect to contribute up to 12% of their pre-tax earnings to RSVP. The Company contributes an amount equal to 50% of the first 4% of the participants contribution. The Company's contribution for 1985 amounted to \$100,000.

**NOTE 19 - LEASE COMMITMENTS**

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

Minimum lease commitments in effect at December 31, 1985 are as follows:

1986 . . . . .	\$ 7,656,000
1987 . . . . .	6,796,000
1988 . . . . .	6,792,000
1989 . . . . .	2,264,000
1990 . . . . .	-
Thereafter . . . . .	-
	<u>\$ 23,508,000</u>

Aggregate rent expense was \$2,267,000 and \$8,962,000 for the three and twelve months ended December 31, 1985, and \$2,265,000 and \$6,126,000 for the three and eight months ended December 31, 1984, respectively.

**NOTE 20 - OTHER COMMITMENTS**

In the fourth quarter of 1984, the Company recorded an operating expense of \$3,829,000, which represents the cost to the Company of complying with a "reinvestment" requirement contained in the New Jersey Casino Control Act (the "Act"). Under the Act, Atlantic City casinos are required to make qualified investments, as specified by the New Jersey State Legislature (the "Legislature"), or become liable for an "alternative tax". The amount of the required investment or alternative tax is calculated based on a licensee's gross casino revenues.

Prior to the fourth quarter of 1984, the Legislature had not definitely specified the types of investments that could be made to satisfy the requirements of the Act. Accordingly, the Company had reported a contingent liability with respect to the nature and potential amount of investments that would be required for casino revenues generated commencing with the year 1981. In December 1984, the Legislature specified a variety of qualifying investments which is much more limited than the Company had anticipated.

GNOC, CORP.

NOTES TO FINANCIAL STATEMENTS, continued  
(Unaudited)

CASINO DEPARTMENTAL SCHEDULE

NOTE 20 - OTHER COMMITMENTS, continued

Because of constraints imposed by the Legislature, it appears that the Company has no practical alternative other than to satisfy its cumulative obligations for the years 1981 through 1984 by purchasing certain municipal bonds. The qualifying bonds are highly speculative and bear interest at substantially lower than market rates for comparable investments. Accordingly, the Company recorded an expense in the amount of \$1,444,000 and \$3,829,000 for the periods ended December 31, 1985 and 1984, respectively, which represents a discount in the carrying value of the bonds necessary to reflect the investment at an appropriate market rate of interest.

LINE	DESCRIPTION	1985	1984
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TRADING NAME OF LICENSEE GNOC, CORP. (Golden Nugget)

## CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack .....	55,884	345,477	16.18	57
2	Craps .....	51,197	321,573	15.92	20
3	Roulette .....	9,950	39,313	25.31	10
4	Big Six .....	3,457	6,936	49.84	4
5	Baccarat .....	7,064	53,833	13.12	2
6	Other table games .....	-	-	-	--
7	Total table games revenue .....	127,552	\$ 767,132	16.63 %	93
			HANDLE	%	
8	\$ .05 slot machines .....	2,587	19,891	13.00	63
9	\$ .25 slot machines .....	45,409	340,248	13.35	701
10	\$1.00 slot machines .....	31,130	277,859	11.20	179
11	Other slot machines .....	33,829	317,592	10.65	259
12	Total coin-operated devices revenue .....	112,955	\$ 955,590	11.82 %	1202
13	Progressive jackpot adjustment .....	672			
14	Total coin-operated devices revenue after adjustment .....	113,627			
15	Other income .....	-0-			
16	Total revenue .....	241,179			
	Expenses:				
17	Payroll and payroll related expenses .....	36,079			
18	Licenses and taxes .....	21,015			
19	Provision for uncollectible patrons' checks .....	2,971			
20	Other .....	6,689			
21	Total .....	66,754			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees .....	174,425			
	Complimentary services and casino management fees:				
23	Complimentary services .....	9,118			
24	Casino management fees .....	-0-			
25	Total .....	9,118			
26	Departmental Income (Loss) .....	\$ 165,307			


STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :  
COUNTY OF Atlantic :ss.

Henry W. Hornbostel, being duly sworn according to law upon my oath  
Name

deposes and says:

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

  
Signature

Vice President and Treasurer  
Title

01174-11

License Number

Subscribed and sworn to  
before me this 14 day  
of March, 1986

On Behalf Of:

Latha A. Lillian  
Signature

Gnoc, Corp. (Golden Nugget)  
Casino Licensee

Attorney-at-Law  
Basis of Authority State of New Jersey  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** GNOG, CORP. (Golden Nugget)

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

**FOR THE YEAR ENDED DECEMBER 31, 1965**

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

Henry W. Hornbostel

**OFFICIAL TITLE.....**

Vice President and Treasurer

**ADDRESS.....**

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

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration .....	20			
2	Gaming .....	802			
3	Slots .....	60			
4	Casino accounting .....	272			
5	Other .....	66	\$	\$	\$
6	Total-casino .....	1,220	29,183	82	29,265
7	ROOMS .....	321	3,053	-	3,053
8	FOOD AND BEVERAGE .....	664	12,758	63	12,821
	OTHER OPERATED DEPARTMENTS				
9	Parking	59	844		844
10	Retail	26	420		420
11	Health Club/Pool Services	8	143		143
12	Beauty Salon	6	90		90
13	Arcade	2	30		30
14	Photographic Services	2	37		37
15	Cornwall Property	1	17		17
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	7	199	933	1,132
21	Accounting and auditing .....	131	1,526	86	1,612
22	Security .....	160	3,353	-	3,353
23	Other administrative and general department ..	97	4,665	109	4,774
24	MARKETING .....	70	2,033	159	2,192
25	GUEST ENTERTAINMENT .....	19	1,076		1,076
26	PROPERTY OPERATION AND MAINTENANCE .....	68	2,620		2,620
27	TOTALS - ALL DEPARTMENTS .....	2,861	\$ 62,047	\$ 1,432	\$ 63,479

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

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1985

March 14, 1986  
Date

[Handwritten Signature]  
Signature

Vice President and Treasurer  
Title

# GROSS REVENUE ANNUAL TAX RETURN

LICENSEE GROC, CORP. (Golden Nugget)

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

FOR THE YEAR ENDED DECEMBER 31, 19

TO THE

## CASINO CONTROL COMMISSION

OF THE

## STATE OF NEW JERSEY



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

Henry W. Hornbostel

OFFICIAL TITLE.....

Vice President and Treasurer

ADDRESS.....

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

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

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 1985

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 127,552	
2	Coin-operated devices revenue .....	112,955	
3	Total revenues .....		\$ 240,507
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 2,971	
5	Maximum adjustment (4% of line 3) .....	\$ 9,620	
6	Adjustment (the lesser of line 4 or line 5) .....		2,971
7	Gross revenues (line 3 less line 6) .....		\$ 237,536
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 19,003
9	Audit or other adjustments to tax on gross revenues in prior years .....		-0-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		19,003
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 1,007	
12	February .....	1,433	
13	March .....	1,449	
14	April .....	1,850	
15	May .....	1,482	
16	June .....	1,569	
17	July .....	2,167	
18	August .....	1,718	
19	September .....	1,631	
20	October .....	1,583	
21	November .....	1,391	
22	December .....	1,514	
23	January .....	209	
24	Total deposits made for tax on current year's gross revenues .....		( 19,003 )
	Settlement of prior years' tax on gross revenues		
25	resulting from audit or other adjustments - (deposits) credits .....		-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -0-



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

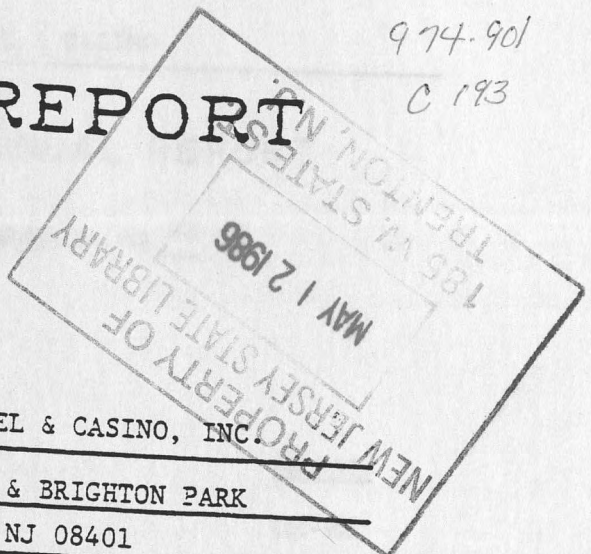
## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 85

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	522	14,545	8,644	\$ 129.95	59.4 %	16,922	\$ 66.38
2	FEBRUARY	522	12,819	9,185	\$ 124.68	71.7 %	18,218	\$ 62.86
3	MARCH	519	14,225	10,606	\$ 119.33	74.6 %	21,028	\$ 60.19
4	1ST QUARTER TOTALS		41,589	28,435	\$ 124.29	68.4 %	56,168	\$ 62.92
5	APRIL	519	13,993	10,567	\$ 120.71	75.5 %	20,738	\$ 61.51
6	MAY	519	15,689	11,570	\$ 141.86	73.7 %	22,635	\$ 72.51
7	JUNE	519	15,534	11,540	\$ 136.38	74.3 %	22,702	\$ 69.33
8	2ND QUARTER TOTALS		45,216	33,677	\$ 133.35	74.5 %	66,075	\$ 67.96
9	JULY	519	16,025	12,640	\$ 152.85	78.9 %	25,378	\$ 76.13
10	AUGUST	519	15,420	12,364	\$ 156.86	80.2 %	25,042	\$ 77.45
11	SEPTEMBER	519	15,164	10,549	\$ 131.32	69.6 %	20,725	\$ 66.84
12	3RD QUARTER TOTALS		46,609	35,553	\$ 147.86	76.3 %	71,145	\$ 73.89
13	OCTOBER	519	15,586	11,729	\$ 131.61	75.3 %	22,988	\$ 67.15
14	NOVEMBER	519	15,137	10,911	\$ 134.31	72.1 %	19,929	\$ 73.53
15	DECEMBER	519	15,715	8,476	\$ 148.00	53.9 %	14,732	\$ 85.15
16	4TH QUARTER TOTALS		46,438	31,116	\$ 137.02	67.0 %	57,649	\$ 73.96
17	ANNUAL TOTALS		179,852	128,781	\$ 136.24	71.6 %	251,037	\$ 69.89

ANNUAL REPORT

974-901  
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LICENSEE GREATE BAY HOTEL & CASINO, INC.  
ADDRESS INDIANA AVENUE & BRIGHTON PARK  
ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



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

LEE C. JOHNSON

OFFICIAL TITLE . . . . .

CORPORATE CONTROLLER

ADDRESS . . . . .

INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE SANDS HOTEL & CASINO

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

LINE NO.	DESCRIPTION	FORM NO.
1	Checks:	
2	Patrons' checks	
3	Patrons' checks	
4	Patrons' checks	
5	Patrons' checks	
6	Patrons' checks	
7	Patrons' checks	
8	Patrons' checks	
9	Patrons' checks	
10	Patrons' checks	
11	Patrons' checks	
12	Patrons' checks	
13	Patrons' checks	
14	Patrons' checks	
15	Patrons' checks	
16	Patrons' checks	
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38	Patrons' checks	
39	Patrons' checks	
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41	Patrons' checks	
42	Patrons' checks	
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88	Patrons' checks	
89	Patrons' checks	
90	Patrons' checks	
91	Patrons' checks	
92	Patrons' checks	
93	Patrons' checks	
94	Patrons' checks	
95	Patrons' checks	
96	Patrons' checks	
97	Patrons' checks	
98	Patrons' checks	
99	Patrons' checks	
100	Patrons' checks	

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	ACCOUNTS RECEIVABLE BALANCES		
		ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks .....	7,350		
2	Returned patrons' checks .....	12,375		
3	Total patrons' checks .....	19,725	\$ 10,390	\$ 9,335
4	Hotel Receivables .....	650	18	632
	Other Receivables:			
5	Receivables due from officers and employees.....	210		
6	Receivables due from affiliates .....	177		
7	Other accounts and notes receivables .....	1,836		
8	Total other receivables .....	2,223		2,223
9	Totals (Form 305).....	\$ 22,598	\$ 10,408	\$ 12,190

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 7,469
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	207,899
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) .....	( 158,281
13	Checks collected through deposits .....	( 42,189
14	Checks transferred to returned checks .....	( 7,548
15	Other adjustments .....	-
16	Ending Balance .....	\$ 7,350
17	"Hold" Checks Included In Balance On Line 16 .....	\$
18	Provision For Uncollectible Patrons' Checks .....	\$ 2,812
19	Provision As A Percent Of Counter Checks Issued .....	1.35

# STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino ..... (Note 2)	\$ 178,475	\$ 158,602
2	Rooms .....	10,271	9,897
3	Food and beverage .....	17,866	18,788
4	Other .....	4,253	7,175
5	Total revenue .....	210,865	194,462
6	Less: promotional allowances ..... (Notes 2 & 13)	17,393	19,846
7	Net revenue .....	193,472	174,616
	Costs And Expenses:		
8	Cost of goods and services .....	89,492	86,757
9	Selling, general, and administrative .....	58,276	62,427*
10	Provision for doubtful accounts .... (Note 2)	2,836	3,265
11	Total .....	150,604	152,449
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	42,868	22,167
13	Depreciation and amortization ..... (Note 2 & 1)	12,357	8,256
	Charges from affiliates:		
14	Interest .....		
15	Management fees ..... (Note 5)	5,574	3,800
16	Other .....		
17	Interest expense - external ..... (Note 2)	14,748	7,938
18	Income (Loss) From Operations .....	10,189	2,173
19	Nonoperating income (expense) - net ..... (Note 7)	801	492
20	Investment alternative tax and related income (expense) - net.....	693	599*
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	10,297	2,066
22	Provision (Credit) for income taxes ..... (Note 4)	5,602	313
23	Income (Loss) Before Extraordinary Items .....	4,695	1,753
24	Extraordinary items (net of income taxes - 19 <u>85</u> , \$ 323,000 ; 19 <u>84</u> , \$ 0 ) ..... (Note 14)	365	-
25	Net Income (Loss) ..... (Note 1)	\$ 4,330	\$ 1,753

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

\*Reclassified for comparative purposes.

## BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
ASSETS			
Current Assets:			
1	Cash .....	\$ 10,928	\$ 5,637
2	Marketable securities .....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$ 10,408 ; 19 <u>84</u> , \$ 9,583 ) ..(Note 2).	12,190	10,969
4	Inventories .....(Note 2)	1,210	1,248
5	Prepaid expenses and other current assets ..(Note 9)	5,615	4,061
6	Total current assets .....	29,943	21,915
7	Investments, Advances, And Receivables ..(Note 5 & Note 10)	14,237	12,095*
8	Property And Equipment - Net .....(Notes 2, 3 & 8)	151,940	107,582
9	Other Assets .....	4,805	876*
10	Total Assets .....	\$ 200,925	\$ 142,468
LIABILITIES AND EQUITY			
Current Liabilities:			
11	Accounts payable .....	\$ 7,647	\$ 9,900
12	Notes payable .....	-	-
Current portion of long-term debt:			
13	Due to affiliates .....	-	-
14	Other .....(Note 3)	7,136	13,387
15	Income taxes payable and accrued .....	4,628	619*
16	Other accrued expenses .....(Note 11)	11,789	10,251*
17	Other current liabilities ..(Note 12)	2,220	1,621
18	Total current liabilities .....	33,420	35,778
Long-Term Debt:			
19	Due to affiliates .....	-	-
20	Other .....(Note 3)	123,255	66,933
21	Deferred Credits .....	632	334*
22	Other Liabilities .....	-	1,012
23	Commitments And Contingencies (Note 6)	-	-
24	Total Liabilities .....	157,307	104,057
25	Stockholders', Partners', Or Proprietor's Equity .....	43,618	38,411
26	Total Liabilities And Equity .....	\$ 200,925	\$ 142,468

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

\*Reclassified for comparative purposes.

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# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino ..... (Note 2)	\$ 42,674	\$ 36,810
2	Rooms .....	2,271	2,335
3	Food and beverage .....	4,469	4,026
4	Other .....	935	1,197
5	Total revenue .....	50,349	44,368
6	Less: promotional allowances ..... (Notes 2 & 13)	3,930	4,247
7	Net revenue .....	46,419	40,121
	Costs And Expenses:		
8	Cost of goods and services .....	21,785	20,838
9	Selling, general, and administrative .....	14,177	12,964*
10	Provision for doubtful accounts .....	732	684
11	Total .....	36,694	34,486
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	9,725	5,635
13	Depreciation and amortization ..... (Note 2)	3,816	2,510
	Charges from affiliates:		
14	Interest .....		
15	Management fees .....	1,413	722
16	Other .....		
17	Interest expense - external ..... (Note 2)	4,608	2,329
18	Income (Loss) From Operations .....	(112)	74
19	Nonoperating income (expense) - net .....	341	96
20	Investment alternative tax and related income (expense) - net.....	175	599*
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	54	(429)
22	Provision (Credit) for income taxes .....	1,075	(588)
23	Income (Loss) Before Extraordinary Items .....	(1,021)	159
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	-	-
25	Net Income (Loss) .....	\$ (1,021)	\$ 159

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

\*Reclassified for comparative purposes.

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>85</u>		19 <u>84</u>	
		SHARES	DOLLARS	SHARES	DOLLARS
	(No par value; 100 shares authorized)				
1	Common Stock:				
	Beginning balance (January 1) .....	100	\$ 3,500	100	\$ 3,500
2	Sale of stock .....				
3	Ending balance .....	100	3,500	100	3,500
4	Preferred Stock:				
5	Beginning balance (January 1) .....				
6	Sale of stock .....				
7	Ending balance .....				
8	Additional Paid-in Capital:				
9	Beginning balance (January 1) .....		24,649		24,649
10	Equity Contribution .....		5,900		
11	See Attached Schedule .....		10,825		
12	Ending balance .....		41,374		24,649
13	Treasury Stock:				
14	Beginning balance (January 1) .....		( )		( )
15	Purchase of additional stock .....		( )		( )
16	Sale or retirement of stock .....		( )		( )
17	Ending balance .....		( )		( )
18	Subscriptions Receivable For				
19	Capital Stock:				
20	Beginning balance (January 1) .....		( )		( )
21	Ending balance .....		( )		( )
22	Net Unrealized Loss On Noncurrent				
23	Marketable Equity Securities:				
24	Beginning balance (January 1) .....		( )		( )
25	Ending balance .....		( )		( )
26	Retained Earnings:				
27	Beginning balance (January 1) .....		10,262		8,509
28	Prior period adjustments .....				
29	Net income (loss) .....		4,330		1,753
30	Dividends .....		( 15,848 )		( )
31	Ending balance .....		(1,256)		10,262
32	Ending Stockholders' Equity .....		\$ 43,618		\$ 38,411

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

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

ATTACHED SCHEDULE OF PAID IN CAPITAL

LINE NO.	DESCRIPTION	1977	1978
	Equity caused by step-up of PP&E	\$ 47,272	
	Capital Distributions	<u>(36,447)</u>	
	Balance	<u>\$ 10,825</u>	
	Additional capital invested		
	Balance		
	Income (Loss):		
	Beginning balance (January 1)		
	Period adjustments		
	Income (Loss)		
	Balance		
	Withdrawals:		
	Beginning balance (January 1)		
	Additional capital withdrawals		
	Balance		
	Unrealized Loss On Noncurrent		
	Equity Securities:		
	Beginning balance (January 1)		
	Balance		
	Balance of		
	Partner's Equity		

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

TRADING NAME OF LICENSEE SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS) NOT APPLICABLE

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 .....	\$	\$

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

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1985	1984
	<b>Sources Of Funds:</b>		
1	Income (loss) before extraordinary items .....	\$ 4,695	\$ 1,753
2	Add (deduct) items not affecting working capital:		
3	Depreciation and amortization of property and equipment .....	12,357	8,256
4	Amortization of other assets .....	270	433
5	Deferred income taxes - noncurrent .....	4	
6	(Gain) loss on dispositions of property and equipment .....	46	184
7	Amortization of Deferred Compensation .....		
8	.....		
9	.....		
10	Total .....	17,372	10,626
11	Extraordinary items .....	(365)	-
12	Total funds provided (used) by operations .....	17,007	10,626
13	Proceeds from dispositions of property and equipment .....	6	
14	Proceeds from long-term debt .....	123,584	48,023
15	Additions to deferred credits and other liabilities .....	-	81*
16	Proceeds from issuance of stock or capital contributions .....	5,900	
17	Asset Step up of Property, Plant & Equipment .....	47,272	
18	Decrease in Other Assets .....	559	
19	.....		
20	Total funds provided .....	194,328	58,730
21	<b>Uses Of Funds:</b>		
22	Additions to property and equipment .....	56,725	31,525
23	Investment in casino reinvestment obligations .....	2,347	-
24	Other additions to investments, advances, and receivables .....	-	11,216*
25	Increase in other assets .....	-	16*
26	Reductions of long-term debt .....	67,262	21,334
27	Dividends declared or capital distributions .....	52,295	
28	Cost of Refinancing .....	4,329	
29	Decrease in Other Liabilities .....	1,603	
30	.....		
31	Total funds used .....	184,561	64,091
32	Increase (Decrease) In Working Capital .....	\$ 9,767	\$ (5,361)
33	<b>Summary Of Changes In Components Of Working Capital:</b>		
34	Cash .....	\$ 5,291	\$ (3,148)
35	Marketable securities .....	-	-
36	Receivables and patrons' checks .....	1,221	537
37	Inventories .....	(38)	262
38	Prepaid expenses and other current assets .....	1,554	1,596
39	Accounts payable .....	2,253	2,048
40	Notes payable .....	-	-
41	Current portion of long-term debt .....	6,251	(5,094)
42	Income taxes payable and accrued .....	(4,628)	1,641*
43	Other accrued expenses .....	(1,538)	(3,239)*
44	Other current liabilities .....	(599)	36
	Increase (Decrease) In Working Capital .....	\$ 9,767	\$ (5,361)

\*Reclassified for comparative purposes.

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

GREATE BAY HOTEL & CASINO, INC.

(A Wholly Owned Subsidiary of Greate Bay Casino Corporation)

Notes to Financial Statements

(unaudited)

NOTE 1 - COMPANY'S ORGANIZATION AND BUSINESS

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

During 1985, Casino Corp. became a wholly-owned subsidiary of Hotel Corp. as a result of the acquisition of the minority interest then outstanding. As a result of this transaction, purchase adjustments have been recorded in the accompanying financial statements. Effective January 1, 1985, the effect of recording such purchase adjustments was to increase property and equipment and shareholder's equity by \$47,272,000. Depreciation expense which relates to these adjustments and included in the accompanying Statement of Income amount to approximately \$2,286,000. These expenses are not deductible for Federal Income Tax purposes, and have resulted in a reduction of net income of approximately \$797,000.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gaming Revenues

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

Promotional Allowances

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

### Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained at a level considered adequate to provide for possible future losses. The Company has provided \$2,836,000 and \$3,265,000 for doubtful accounts in 1985 and 1984, respectively.

### Inventories

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

### Property and Equipment

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

### Interest Expense

Interest and financing costs relating to the financing of property and equipment acquisitions are capitalized during the acquisition period and are amortized over the respective lives of the assets. Interest in amounts of \$14,000 and \$1,074,000 were capitalized as of December 31, 1985 and 1984, respectively.

NOTE 3 - LONG-TERM DEBT

Long-term debt as of December 31, 1985 and 1984 is as follows:

	<u>1985</u>	<u>1984</u>
First mortgage at (14%) (A)	\$123,826,000	\$ -
First mortgage/revolving credit line at 1½% above prime rate (A) (C)	-	72,976,000
Mortgage notes: at 10%	1,516,000	1,559,000
Working capital loans:		
at 2% above prime rate (B)	4,100,000	4,100,000
at ¾% above prime rate	-	1,500,000
Other	<u>949,000</u>	<u>185,000</u>
	130,391,000	80,320,000
Less: current portion	<u>7,136,000</u>	<u>13,387,000</u>
Long-term debt	<u>\$123,255,000</u>	<u>\$ 66,933,000</u>

(A) On June 1, 1985, the Company replaced its existing First Mortgage with a new First Mortgage. This First Mortgage is payable in equal monthly installments of \$1,681,037 including principal and interest, commencing July 1, 1985 through June 1, 1995. The balance of the loan is payable in June, 1995.

(B) Principal payment of \$4,100,000 is due February 28, 1986. Interest is payable quarterly.

(C) On September 1, 1985, the Company received a \$10,000,000 revolving line of credit from Midlantic National Bank. There were no drawdowns as of December 31, 1985. The interest rate on this line of credit is three-fourths (¾) percent above the prime lending rate of Midlantic National Bank.

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

Maturities of Long-term debt at December 31, 1985 for each of the succeeding five years are as follows:

For the twelve-month period ending December 31	Principal Payment
1986	\$ 7,136,000
1987	3,565,000
1988	3,818,000
1989	4,348,000
1990	4,996,000
Thereafter	<u>106,528,000</u>
	<u>\$130,391,000</u>

**NOTE 4 - INCOME TAXES**

The components of the provision for income taxes for the year ended December 31, 1985 is as follows:

	1985
Income Tax Payable to Pratt Hotel Corp.	
Current	\$ 303,000
Deferred	4,178,000
State	
Current	851,000
Deferred	<u>270,000</u>
	<u>\$ 5,602,000</u>

The difference between the statutory tax rate (46%) and the effective Federal tax rate (3.5%) is primarily attributable to the non-deductibility of the depreciation expense related to the going private transaction (Note 1) and investment tax credits.

As of December 31, 1985, the Company has investment tax and jobs tax credits of approximately \$5,048,000 which are available only for Federal income tax return purposes and expire as follows:

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

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

Effective January 1, 1985, the Company has entered into a tax sharing agreement with PHC. Under this agreement, the Company records income taxes based upon what the amount would have been had the Company filed a separate return and whereby any current tax liability is forwarded to PHC. The agreement further provides that PHC will be responsible for the payment of all deferred income taxes of the Company and that PHC can require payments from the Company in amounts up to the Company's deferred income tax liability. Accordingly, the deferred income taxes have been recorded as a current liability as of December 31, 1985. During 1985, PHC was forwarded \$696,000 representing deferred income taxes.

#### NOTE 5 - RELATED PARTY TRANSACTIONS

The Company has a Management Agreement with PHC, which was subsequently assigned to Pratt Hotel Management, Inc. ("PHM"). Pursuant to the Management Agreement, PHM is responsible for the supervision, direction and control of the day-to-day operation of the hotel/casino for an initial term of ten years, which term may be extended by PHM if certain minimum operating results are achieved. In accordance with the provisions of this Management Agreement, PHM is entitled to receive annually (1) a basic consulting fee of 1½% of "adjusted gross revenues" (as defined) and, (2) if annual "gross operating profits" (as defined) exceed \$5,000,000, incentive compensation of between 5% and 7½% of gross operating profits in excess of certain stated amounts. Total charges to operations for the twelve months ended December 31, 1985 and 1984 were \$5,574,000 and \$3,800,000, respectively. Consultant and incentive fees of \$402,000 and \$138,000 were due at December 31, 1985 and 1984.

The Company has a License Agreement with PPI, which entered into a parallel agreement with Hughes Properties, Inc., for the use of the trade name "Sands". The term of the agreement extends until September 2, 2002. The Company is required to pay monthly royalties equal to 3% of "gross room charges", as defined, which totaled \$306,000 and \$298,000 in 1985 and 1984, respectively. Such amounts are included in general and administrative expenses in the accompanying financial statements.

Included in Investments, Advances and Receivables in the accompanying financial statements at December 31, 1985 and 1984 is \$320,000 and \$350,000, respectively, due from officers of the Company. The amounts bear interest at 9% and 10% and are payable through 1987. Also included at December 31, 1985 is \$10,597,000 which pertains to the June 1984 acquisition by Casino Corp. of 465,811 shares of its Class A Common Stock.

As of December 31, 1985 and 1984, \$177,000 and \$226,000, respectively, were due from Greate Bay Hotel Corporation and are included in other receivables on line 3 of the accompanying Balance Sheets.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company has incurred certain obligations under Section 144 of the Casino Control Act. A summary of accumulated obligations is as follows at December 31, 1985:

<u>Year</u>	<u>Amount</u>
1986	\$ 1,830,000
1987	2,880,000
1988	<u>3,110,000</u>
	<u>\$ 7,820,000</u>

NOTE 7 - NON-OPERATING INCOME (EXPENSES)

For the twelve month periods ended December 31, 1985 and 1984, Non-Operating Income consisted of the following:

	<u>1985</u>	<u>1984</u>
Interest income-temporary investments	\$805,000	\$492,000
Loss on disposition of property and equipment	<u>(4,000)</u>	<u>-</u>
Total non-operating income	<u>\$801,000</u>	<u>\$492,000</u>

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 1985 and 1984 consisted of the following:

	<u>1985</u>	<u>1984</u>
Land	\$ 26,727,000	\$ 6,262,000
Buildings	106,774,000	87,741,000
Furniture, fixtures and equipment	55,731,000	40,813,000
Construction in progress	<u>2,716,000</u>	<u>421,000</u>
	191,948,000	135,237,000
Less: accumulated depreciation and amortization	<u>40,008,000</u>	<u>27,655,000</u>
Total property and equipment	<u>\$151,940,000</u>	<u>\$107,582,000</u>

The accounting treatment for various stock transaction purchases resulted in a step-up in basis of approximately \$47,272,000, of which \$27,515,000 is being amortized over 11.5 years.

NOTE 9 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 1985 and 1984, the caption Prepaid Expenses and Other Current Assets is comprised of the following:

	<u>1985</u>	<u>1984</u>
Prepaid advertising and promotions	\$ 659,000	\$ 1,513,000
Prepaid licenses and permits	385,000	464,000
Prepaid taxes	1,151,000	660,000
Miscellaneous prepaids	104,000	410,000
Prepaid air charters	180,000	167,000
Deposits	1,109,000	260,000
Prepaid rent	150,000	69,000
Prepaid insurance	361,000	94,000
Prepaid slot parts	237,000	161,000
Other deferred charges	1,006,000	111,000*
Other	273,000	152,000*
	<u>5,615,000</u>	<u>4,061,000</u>
Total prepaid expenses and other current assets	<u>\$ 5,615,000</u>	<u>\$ 4,061,000</u>

\* Reclassified for Comparative Purposes.

NOTE 10 - INVESTMENTS, ADVANCES AND RECEIVABLES

As of December 31, 1985 and 1984, the caption Investments, Advances & Receivables is comprised of the following:

	<u>1985</u>	<u>1984</u>
Investments in Subsidiaries	\$ 156,000	\$ 440,000
Investment CRDA Bonds	2,347,000	-
Construction Loan Receivable - Carnegie Deli	492,000	548,000
Due from Greate Bay Casino Corporation	10,847,000	10,597,000*
Due from Officers	320,000	350,000
Other	75,000	160,000
	<u>14,237,000</u>	<u>12,095,000</u>
Total investments, advances and receivables	<u>\$ 14,237,000</u>	<u>\$ 12,095,000</u>

NOTE 11 - OTHER ACCRUED EXPENSES

As of December 31, 1985 and 1984, the caption Other Accrued Expenses is comprised of the following:

	<u>1985</u>	<u>1984</u>
Accrued salaries and wages	\$ 1,281,000	\$ 984,000
Accrued vacation	1,346,000	1,175,000
Accrued legal & professional	90,000	290,000
Other accrued expenses	1,225,000	1,021,000
Accrued interest debt obligation	1,550,000	854,000
Accrued progressive slot machine jackpots	4,325,000	3,788,000
Accrued C.C.C. inspection fees	323,000	59,000
Accrued D.G.E. inspection fees	115,000	20,000
Accrued C.C.C. fund deficit	-	57,000
Accrued casino license fees	154,000	34,000
Trade out liability	-	64,000
S.U.I. payable	192,000	238,000*
F.U.T.A. payable	18,000	136,000*
N.J. sales tax	81,000	118,000*
Gaming revenue tax	197,000	191,000*
FICA Payable	202,000	142,000*
Federal Withholding tax	202,000	289,000*
Accrued insurance-General	262,000	403,000
Other	226,000	388,000*
	<u>\$ 11,789,000</u>	<u>\$ 10,251,000</u>

\* Reclassified for comparative purposes.

NOTE 12 - OTHER CURRENT LIABILITIES

As of December 31, 1985 and 1984, the caption Other Current Liabilities is comprised of the following:

	<u>1985</u>	<u>1984</u>
Unredeemed gaming chips liability	\$ 712,000	\$ 669,000
Unredeemed token liability	67,000	72,000
Casino customer deposits	143,000	284,000
Unclaimed wages	142,000	156,000
Advance deposits	54,000	90,000
Food Court complimentary liability	132,000	55,000
Pratt Hotel Corp.	402,000	138,000
Greate Bay Casino Corp.	-	155,000
Deferred trade out liability	317,000	-
Red Carpet Slot liability	224,000	-
Other	27,000	2,000
	<u>2,220,000</u>	<u>1,621,000</u>
Total Other Current Liabilities	<u>\$ 2,220,000</u>	<u>\$ 1,621,000</u>

NOTE 13 - PROMOTIONAL ALLOWANCES AND EXPENSES

A summary of Promotional Allowances and Expenses incurred during the three month period ended December 31, 1985 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	24,334	\$ 696,000	-	\$ -
Food	97,528	1,067,000	-	-
Beverage	301,962	1,812,000	-	-
Travel	-	-	6,202	1,418,000
Theatre	11,597	220,000	-	-
Parking	4,810	39,000	73,755	479,000
Bus Tour Coupon	-	-	370,187	3,437,000
Exchange Coin	-	-	110,806	751,000
Food Court - Other	-	-	205,713	381,000
Other	12,074	96,000	-	-
		<u>\$3,930,000</u>		<u>\$6,466,000</u>
Total Promotional Allowances and Expenses		<u>\$3,930,000</u>		<u>\$6,466,000</u>

CASINO DEPARTMENTAL ACCOUNTS

A summary of Promotional Allowances and Expenses incurred during the twelve month period ended December 31, 1985 is as follows:

DESCRIPTION	<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	97,299	\$ 2,963,000	-	\$ -
Food	401,903	4,377,000	-	-
Beverage	1,369,274	8,216,000	-	-
Travel	-	-	25,239	6,148,000
Theatre	70,051	1,347,000	-	-
Parking	15,810	127,000	245,838	1,635,000
Bus Tour Coupon	-	-	-	-
Exchange Coin	-	-	1,559,797	14,861,000
Food Court - Other	-	-	479,726	3,235,000
Other	45,552	<u>363,000</u>	330,678	<u>1,045,000</u>
<b>Total Promotional Allowances and Expenses</b>		<b><u>\$17,393,000</u></b>		<b><u>\$26,924,000</u></b>

NOTE 14 - EXTRAORDINARY ITEM

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

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLE (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack .....	41,259	264,513	15.6	59
2	Craps .....	35,437	220,605	16.1	20
3	Roulette .....	8,682	32,582	26.6	12
4	Big Six .....	1,742	3,542	49.2	2
5	Baccarat .....	6,286	43,529	14.4	2
6	Other table games .....	-	-	-	-
7	Total table games revenue .....	93,406	\$ 564,771	16.5 %	95
			HANDLE	%	
8	\$ .05 slot machines .....	2,722	\$ 18,062	15.1	79
9	\$ .25 slot machines .....	45,198	302,628	14.9	836
10	\$1.00 slot machines .....	11,489	95,146	12.1	151
11	Other slot machines .....	26,197	229,110	11.4	380
12	Total coin-operated devices revenue .....	85,606	\$ 644,946	13.3 %	1,446
13	Progressive jackpot adjustment .....	(537)			
14	Total coin-operated devices revenue after adjustment .....	85,069			
15	Other income .....	-			
16	Total revenue .....	178,475			
	Expenses:				
17	Payroll and payroll related expenses .....	29,638			
18	Licenses and taxes .....	16,893			
19	Provision for uncollectible patrons' checks .....	2,812			
20	Other .....	3,635			
21	Total .....	52,978			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	125,497			
	Complimentary services and casino management fees:				
23	Complimentary services .....	7,554			
24	Casino management fees .....	-			
25	Total .....	7,554			
26	Departmental Income (Loss) .....	\$ 117,943			

# STATEMENT OF CONFORMITY AND ACCURACY

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

LEE C. JOHNSON

Name

, being duly sworn according to law upon my oath

deposes and says:

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

Lee C. Johnson  
Signature

LEE C. JOHNSON  
CORPORATE CONTROLLER

Title

02281-11

License Number

Subscribed and sworn to  
before me this Friday  
of March, 1986

Paula De Jesus  
Signature

PAULA DE JESUS

NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires April 16, 1988

Basis of Authority  
to Take Oaths

On Behalf Of:

GREATE BAY HOTEL & CASINO, INC.  
Casino Licensee

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** GREATE BAY HOTEL & CASINO, INC.

**ADDRESS** INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

LEE C. JOHNSON

**OFFICIAL TITLE**.....

CORPORATE CONTROLLER

**ADDRESS**.....

INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration .....	17	296	140	436
2	Gaming .....	760	15,076		15,076
3	Slots .....	81	1,799		1,799
4	Casino accounting .....	308	5,492		5,492
5	Other .....	230	\$ 4,609	\$	\$ 4,609
6	Total-casino .....	1,396	27,272	140	27,412
7	ROOMS .....	271	3,650	71	3,721
8	FOOD AND BEVERAGE .....	573	6,672		6,672
	OTHER OPERATED DEPARTMENTS				
9	Hotel Accounting	77	1,328		1,328
10	Garage	78	758		758
11					
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	16	500	495	995
21	Accounting and auditing .....	35	934	88	1,022
22	Security .....	37	654	54	708
23	Other administrative and general department ..	164	2,981	199	3,180
24	MARKETING .....	37	613		613
25	GUEST ENTERTAINMENT .....	45	682	83	765
26	PROPERTY OPERATION AND MAINTENANCE .....	33	796		796
27	TOTALS - ALL DEPARTMENTS .....	2,762	\$ 46,840	\$ 1,130	\$ 47,970

Trading Name of Licensee SANDS HOTEL & CASINO

GROSS REVENUE  
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

LICENSE

ADDRESS

For the Year Ended December 31, 19 85

ATLANTIC CITY, N.J.

FOR THE YEAR ENDED DECEMBER 31, 19 85

3/14/86  
Date

Lee C. Johnson  
Signature

Lee C. Johnson  
Corporate Controller

Title

CASINO CONTROLLER

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
CORRESPONDENCE REGARDING  
ANNUAL TAX RETURN

LEE C. JOHNSON

CORPORATE CONTROLLER

SANDS HOTEL & CASINO

ATLANTIC CITY, N.J.

# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** GREATE BAY HOTEL & CASINO, INC.

**ADDRESS** INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19 85

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

LEE C. JOHNSON

**OFFICIAL TITLE**.....

CORPORATE CONTROLLER

**ADDRESS** .....

INDIANA AVENUE & BRIGHTON PARK

ATLANTIC CITY, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 93,406	
2	Coin-operated devices revenue .....	85,606	
3	Total revenues .....		\$ 179,012
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 2,812	
5	Maximum adjustment (4% of line 3) .....	\$ 7,160	
6	Adjustment (the lesser of line 4 or line 5) .....		2,812
7	Gross revenues (line 3 less line 6) .....		\$ 176,200
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 14,096
9	Audit or other adjustments to tax on gross revenues in prior years .....		-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		14,096
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 695	
12	February .....	989	
13	March .....	1,044	
14	April .....	1,453	
15	May .....	968	
16	June .....	1,176	
17	July .....	1,480	
18	August .....	1,291	
19	September .....	1,482	
20	October .....	1,162	
21	November .....	1,058	
22	December .....	1,088	
23	January .....	210	
24	Total deposits made for tax on current year's gross revenues .....		( 14,096 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -

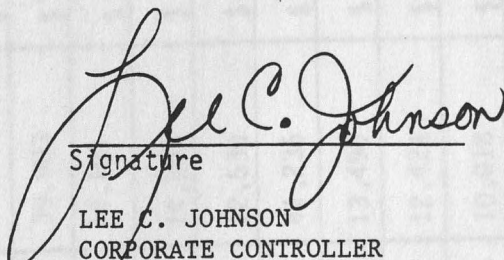
STATEMENT OF CONFORMITY AND ACCURACY

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

LEE C. JOHNSON, being duly sworn according  
Name

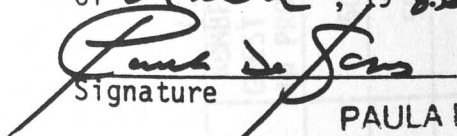
to law upon my oath deposes and says:

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

  
Signature  
LEE C. JOHNSON  
CORPORATE CONTROLLER  
Title

02281-11  
License Number

Subscribed and sworn to  
before me this 14<sup>th</sup> day  
of March, 19 86

  
Signature

PAULA DE JESUS  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires April 16, 1986

Basis of Authority  
to Take Oaths

On Behalf Of:  
GREATE BAY HOTEL & CASINO, INC.  
Casino Licensee

TRADING NAME OF LICENSEE Greate Bay Hotel & Casino, Inc.

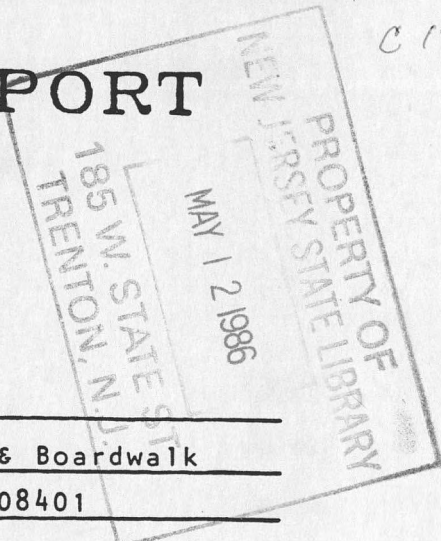
## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 85

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	500	15,500	11,200	\$ 58.98	72.3 %	20,127	\$ 32.82
2	FEBRUARY	500	14,000	11,413	\$ 59.52	81.5 %	20,987	\$ 32.37
3	MARCH	500	15,500	12,250	\$ 63.02	79.0 %	22,656	\$ 34.08
4	1ST QUARTER TOTALS		45,000	34,863	\$ 60.58	77.5 %	63,770	\$ 33.12
5	APRIL	500	15,000	12,638	\$ 65.51	84.3 %	22,679	\$ 36.50
6	MAY	500	15,500	13,313	\$ 71.50	85.9 %	24,373	\$ 39.06
7	JUNE	500	15,000	13,952	\$ 68.11	93.0 %	25,015	\$ 37.99
8	2ND QUARTER TOTALS		45,500	39,903	\$ 68.42	87.7 %	72,067	\$ 37.88
9	JULY	500	15,500	14,101	\$ 78.69	91.0 %	25,687	\$ 43.20
10	AUGUST	500	15,500	14,605	\$ 77.89	94.2 %	27,182	\$ 41.85
11	SEPTEMBER	500	15,000	12,530	\$ 68.27	83.5 %	22,648	\$ 37.77
12	3RD QUARTER TOTALS		46,000	41,236	\$ 75.24	89.6 %	75,517	\$ 41.09
13	OCTOBER	500	15,500	13,490	\$ 67.31	87.0 %	24,203	\$ 37.52
14	NOVEMBER	500	15,000	12,424	\$ 64.81	82.8 %	21,988	\$ 36.62
15	DECEMBER	500	15,500	10,018	\$ 55.71	64.6 %	18,668	\$ 29.90
16	4TH QUARTER TOTALS		46,000	35,932	\$ 63.21	78.1 %	64,859	\$ 35.02
17	ANNUAL TOTALS		182,500	151,934	\$ 67.24	83.3 %	276,213	\$ 36.99

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# ANNUAL REPORT



**LICENSEE** Harrah's Associates  
**ADDRESS** Mississippi Avenue & Boardwalk  
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT** . . . . . George M. Rinaldi  
**OFFICIAL TITLE** . . . . . Vice President of Finance  
**ADDRESS** . . . . . Mississippi Avenue & Boardwalk  
Atlantic City, NJ 08401

TRADING NAME OF LICENSEE \_\_\_\_\_  
 FOR THE YEAR ENDED DECEMBER 31, 19 \_\_\_\_

LIST OF FORMS - ANNUAL REPORT

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	NET OF ALLOWANCE (d)	FORM NO.
1	patrons' checks	6,115		
2	patrons' checks	6,115		
3	patrons' checks	17,720	5,335	7,720
4	<u>TITLE</u>			<u>FORM NO.</u>
5	Balance Sheets			CCC-305
6	Statements of Income (Year)			CCC-310
7	Statements of Income (Three Months)			CCC-315
8	Statements of Changes in Stockholders' Equity			CCC-320
9	Statements of Changes in Partners' or Proprietor's Equity			CCC-325
	Statements of Changes in Financial Position			CCC-330
	Notes to Financial Statements			
10	Schedule of Receivables and Patrons' Checks			CCC-340
11	Casino Departmental Schedule			CCC-345
12	Statement of Conformity and Accuracy			CCC-350
13	Patrons' checks redeemed through deposits	158,538		
14	Patrons' checks redeemed through deposits	68,125		
15	Patrons' checks redeemed through deposits	9,800		
16	Patrons' checks redeemed through deposits	3,312		
17	Patrons' checks redeemed through deposits			
18	Patrons' checks redeemed through deposits			
19	Patrons' checks redeemed through deposits			

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85  
(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	ACCOUNTS RECEIVABLE (d) ALLOWANCE	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
	Patron's Checks:	\$		
1	Undeposited patron's checks .....	6,914		
2	Returned patrons' checks .....	6,139		
3	Total patrons' checks .....	13,053	5,333	7,720
4	Hotel Receivables .....	1,159	65	1,094
5	Receivables due from officers & employees	7		
6	Receivables due from affiliates .....	0		
7	Other accounts and notes receivables ....	169		
8	Total other receivables .....	176	0	176
9	Totals (Form 305)	\$ 14,388	\$ 5,398	\$ 8,990

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning balance (January 1) .....	\$ 8,141
11	Counterchecks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	211,597
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) .....	( 158,530 )
13	Checks collected through deposits .....	( 44,485 )
14	Checks transferred to returned checks .....	( 9,809 )
15	Other adjustments .....	0
16	Ending balance .....	\$ 6,914
17	"Hold" Checks Included in Balance on Line 16 .....	\$ 0
18	Provision For Uncollectible Patrons' Checks .....	\$ 4,117
19	Provision As A Percent Of Counter Checks Issued .....	1.9 %

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u> *
	Revenue	\$	\$
1	Casino .....	201,960	123,947
2	Rooms .....	19,394	12,157
3	Food and beverage .....	35,499	22,643
4	Other .....(Note 15).....	9,621	6,440
5	Total revenue .....	266,474	165,187
6	Less: promotional allowances .....(Note 9).....	35,368	21,162
7	Net revenue .....	231,106	144,025
	Costs And Expenses:		
8	Cost of goods and services .....	136,706	99,495
9	Selling, general, and administrative .....	46,803	14,336
10	Provision for doubtful accounts .....	4,191	1,728
11	Total .....	187,700	115,559
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....	43,406	28,466
13	Depreciation and amortization .....	16,771	10,700
	Charges from affiliates:		
14	Interest .....		
15	Management fees .....		
16	Other .....(Note 8).....	7,889	5,438
17	Interest expense - external .....(Note 10).....	18,065	13,504
18	Income (Loss) From Operations .....	681	(1,176)
19	Nonoperating income (expense) - net ... (Note 16).....	953	935
20	Investment alternative tax & related income (expense)-net.	(548)	
21	Income (Loss) Before Income Taxes And Extraordinary Items .	1,086	(241)
22	Provision (Credit) for income taxes .....	221	
23	Income (Loss) Before Extraordinary Items .....	865	(241)
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	\$ 865	(241)

\*Operations Commenced on May 15, 1984

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

BALANCE SHEETS

DECEMBER 31, 19 85 AND 84  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1985	(d) 1984
<b>ASSETS</b>			
	<b>Current Assets</b>	\$	\$
1	Cash .....	17,107	17,850
2	Marketable securities .....	0	0
3	Receivables and patrons' checks (net of allowance for .... doubtful accounts - 1985, \$5,398; 1984, \$1,701,509) .....	8,990	9,537
4	Inventories .....(Note 1).....	654	681
5	Prepaid expenses and other current assets ..(Note 11).....	2,132	2,110
6	<b>Total current assets</b> .....	<b>28,883</b>	<b>30,178</b>
7	Investments, Advances, and Receivables ...(Note 18).....	735	0
8	Property and Equipment - Net ....(Note 4).....	180,725	186,043
9	Other Assets ....(Notes 1 and 12).....	38,700	47,092
10	<b>Total Assets</b> .....	<b>\$ 249,043</b>	<b>\$ 263,313</b>
<b>LIABILITIES AND EQUITY</b>			
	<b>Current Liabilities</b>	\$	\$
11	Accounts payable .....	2,506	3,194
12	Notes payable .....	0	0
	<b>Current portion of long-term debt:</b>		
13	Due to affiliates .....	0	0
14	Other .....(Note 5).....	15,041	5,036
15	Income taxes payable and accrued .....	0	0
16	Other accrued expenses .....(Note 13).....	12,510	9,455
17	Other current liabilities .....(Note 14).....	4,329	5,067
18	<b>Total current liabilities</b> .....	<b>34,386</b>	<b>22,752</b>
	<b>Long-Term Debt:</b>		
19	Due to affiliates .....	0	0
20	Other .....(Note 5).....	142,161	163,202
21	Deferred Credits .....(Note 17).....	272	0
22	Other Liabilities .....	0	0
23	Commitments and Contingencies (Note 8)		
24	<b>Total Liabilities</b> .....	<b>176,819</b>	<b>185,954</b>
25	Stockholders', Partners', Or Proprietor's Equity .....	72,224	77,359
26	<b>Total Liabilities and Equity</b> .....	<b>\$ 249,043</b>	<b>\$ 263,313</b>

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

STATEMENTS OF INCOME  
 FOR THE THREE MONTHS ENDED DECEMBER, 19 85 AND 19 84

(UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1985	(d) 1984
	Revenue	\$	\$
1	Casino .....	45,989	45,293
2	Rooms .....	4,182	4,137
3	Food and beverage .....	7,796	8,395
4	Other .....	2,026	2,148
5	Total revenue .....	59,993	59,973
6	Less: promotional allowances ....(Note 9).....	7,404	7,935
7	Net revenue .....	52,589	52,038
	Costs And Expenses		
8	Cost of goods and services .....	31,805	38,234
9	Selling, general, and administrative .....	10,474	7,131
10	Provision for doubtful accounts .....	1,064	760
11	Total .....	43,343	46,125
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....	9,246	5,913
13	Depreciation and amortization .....	4,315	4,364
	Charges from affiliates:		
14	Interest .....		
15	Management fees .....		
16	Other .....	1,751	2,153
17	Interest expense - external .....	4,043	5,572
18	Income (Loss) From Operations .....	(863)	(6,176)
19	Nonoperating income (expense) - net .....	207	464
20	Investment alternative tax & related income (expense)-net. .....	(189)	
21	Income (Loss) Before Income Taxes And Extraordinary Items . .....	(845)	(5,712)
22	Provision (Credit) for income taxes .....	221	0
23	Income (Loss) Before Extraordinary Items .....	(1,066)	(5,712)
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	\$ (1,066)	(5,712)

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

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Invested Capital		
1	Beginning balance (January 1) .....	\$ 77,600	77,600
2	Additional capital invested .....		
3	.....		
4	Ending balance .....	77,600	77,600
	Accumulated Income (Loss)		
5	Beginning balance (January 1) .....	(241)	0
6	Prior period adjustments .....	0	0
7	Net income (loss) .....	865	(241)
8	.....		
9	Ending balance .....	624	(241)
	Capital Withdrawals		
10	Beginning balance (January 1) .....	( 0 )	( 0 )
11	Additional capital withdrawals .....	( 6,000 )	( 0 )
12	.....		
13	Ending balance .....	( 6,000 )	( 0 )
	Net Unrealized Loss On Noncurrent Marketable Equity Securities		
14	Beginning balance (January 1) .....	( 0 )	( 0 )
15	.....		
16	.....		
17	Ending balance .....	( 0 )	( 0 )
18	Ending Partners' Or Proprietor's Equity .....	\$ 72,224	\$ 77,359

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 CASINO HOTEL  
 STATEMENTS OF CHANGES IN FINANCIAL POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984  
 (UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 85	(d) 19 84*
	<b>Sources Of Funds</b>		
1	Income (loss) before extraordinary items .....	865	(241)
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment .....	10,045	6,029
3	Amortization of other assets .....	6,726	4,671
4	Deferred income taxes .....	83	
5	(Gain) loss on dispositions of property and equipment ..	252	
6	Valuation Allowance-CRDA Obligations .....	548	
7			
8			
9	<b>Total</b>		
10	Extraordinary items .....		
11	Total funds provided (used) by operations .....	18,519	10,459
12	Proceeds from dispositions of property and equipment ....	162	
13	Proceeds from long-term debt .....	0	38,028
14	Additions to deferred credits and other liabilities .....	0	
15	Proceeds from issuance of stock or capital contributions ..	0	
16			
17	<b>Reduction of Other Assets</b>	1,666	
18			
19			
20	<b>Total funds provided</b> .....	20,347	48,487
	<b>Uses Of Funds:</b>		
21	Additions to property and equipment .....	5,141	17,734
22	Investment in casino reinvestment obligations .....	1,094	
23	Other additions to investments, advances, and receivables ..	0	
24	Increase in other assets .....	0	10,430
25	Reductions of long-term debt .....	11,036	8
26	Dividends declared or capital distributions .....	6,000	
27	Reclassification of Lt. Debt .....	10,005	5,036
28			
29			
30			
31	<b>Total funds used</b> .....	33,276	33,208
32	<b>Increase (Decrease) In Working Capital</b> .....	\$ (12,929)	\$ 15,279
	<b>Summary Of Changes In Components Of Working Capital</b>		
33	Cash .....	(743)	10,305
34	Marketable securities .....	0	0
35	Receivables and patrons' checks .....	(547)	9,111
36	Inventories .....	(27)	(891)
37	Prepaid expenses and other current assets .....	22	1,634
38	Accounts payable .....	688	9,050
39	Notes payable .....	0	0
40	Current portion of long-term debt .....	(10,005)	(5,036)
41	Income Taxes payable and accrued .....	0	0
42	Other accrued expenses .....	(3,055)	(7,598)
43	Other current liabilities .....	738	(1,296)
44	<b>Increase (Decrease) In Working Capital</b> .....	\$ (12,929)	\$ 15,279

\*Operations Commenced May 15, 1984

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

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies

Organization

Harrah's Associates (the Company), doing business as Trump Casino Hotel, operates as a general partnership. The partnership was formed on June 30, 1982 between The Trump Plaza Corporation and Harrah's Atlantic City Inc., a wholly-owned subsidiary of Holiday Inns, Inc. Subsequent to the formation of the partnership, The Trump Plaza Corporation's interest was transferred to Mr. Donald J. Trump. Each partner has a 50% interest in the partnership. Under the terms of the partnership agreement, The Trump Plaza Corporation was responsible for the overall development and construction of the casino/hotel complex, including supervision of the independent construction manager. Harrah's Atlantic City, Inc. is responsible for the ongoing management of the casino and hotel operations. The partnership agreement provides for an Executive Committee, comprised of both partners, to review all decisions affecting the partnership.

Gaming Revenues

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

Promotional Allowances

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

Inventories

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

Property and Equipment

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

Building and improvements	40 years
Furniture, fixtures and equipment	3-10 years

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

Preopening Expenses

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

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

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Land Rights

Land rights represent the fair value, at the time of contribution, of certain land leases contributed to the partnership by The Trump Plaza Corporation. These rights are being amortized over the period of the underlying operating leases which extend through 2078.

Deferred Loan Costs

Costs incurred in connection with the financing of the construction and term loan are being amortized over the life of the loan.

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. The components of income tax expense are:

Currently Payable	\$138
Deferred Taxes due to timing difference	83
	<u>\$221</u>

NOTE 2: Gaming Operations

Gaming operations commenced on May 15, 1984, and are being conducted under a license to operate which was issued by the New Jersey Casino Control Commission on May 26, 1984. A casino license is not transferable, is issued for a term of one year and must be renewed annually by filing an application which must be acted upon by the New Jersey Casino Control Commission no later than 30 days prior to the expiration of the license then in force. On April 26, 1985, the Company's license was renewed and expires on May 25, 1986.

NOTE 3: 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%

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

**NOTE 3: Continued**

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.

At December 31, 1985, the Company's undeposited investment obligation was \$568,022.

The company has recorded an estimated valuation adjustment for obligations incurred through December 31, 1985 of \$547,766 which was charged to operations.

**NOTE 4: Property and Equipment**

Property and equipment consist of the following:

	<u>1985</u>	<u>1984</u>
	(000's)	(000's)
Land and land rights	\$ 6,436	\$ 6,436
Buildings, leaseholds and improvements	156,618	154,125
Furniture, fixtures and equipment	<u>33,671</u>	<u>31,530</u>
	\$196,725	\$192,091
Less: accumulated depreciation	<u>(16,000)</u>	<u>(6,048)</u>
	<u>\$180,725</u>	<u>\$186,043</u>

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 5: Long-Term Debt

Long-Term Debt consists of the following:  
-Midlantic Construction and Term Loan dated November 30, 1983, which is payable in twenty-four consecutive quarterly installments commencing August 1, 1985, with the final installment due May 1, 1991. The quarterly payments are determined by applying a varying percentage each year, to the outstanding principal balance, as defined by the loan agreement.

Interest is paid at a rate selected by the borrower from the following two alternatives:

- 1) The prime lending rate.
- 2) 1½% per annum above the London Interbank Rate (LIBOR).

The loan is secured by the property, plant and equipment of the casino hotel. The loan is guaranteed by Holiday Inns, Inc. for a period of 5 years or until the date 50% of the loan has been amortized, whichever is later.

The partners have also agreed to assure funding of up to \$5,000,000 each of the portion of the loan in excess of \$75,000,000 outstanding at the end of the guarantee period.

	1985 (000's)	1984 (000's)
	\$157,041	\$168,041

-Note Payable secured by television equipment payable in sixty monthly installments of \$4,720.51 for principal and interest commencing on June 1, 1984. Interest rate is 11.02%.

	161	197
	<u>157,202</u>	<u>168,238</u>
	15,041	5,036
	<u>\$142,161</u>	<u>\$163,202</u>

Current Portion - Long Term Debt

The following are the maturities of long-term debt for each of the next five years:

	(\$000's)
January 1, 1986 - December 31, 1986	\$ 15,041
January 1, 1987 - December 31, 1987	22,546
January 1, 1988 - December 31, 1988	27,551
January 1, 1989 - December 31, 1989	27,523
January 1, 1990 - December 31, 1990	25,000
Subsequent to December 31, 1990	39,541
	<u>\$157,202</u>

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 6: Due to Affiliated Companies

	1985 (000's)	1984 (000's)
Unsecured, non-interest bearing intercompany advance account		
- due to Marina Associates	\$ (5)	\$ 118
- due to Harrah's Atlantic City, Inc.	284	1,040
- due to D.J. Trump Parking	2,530	850
	\$ 2,809	\$ 2,008

NOTE 7: Leases

The partnership leases property, certain parking space, and various equipment under operating leases. Rent expense for the year was \$5,362,207.

Future minimum lease payments under the noncancellable leases are as follows:

	(\$000's)
January 1, 1986 - December 31, 1986	\$ 1,891
January 1, 1987 - December 31, 1987	1,860
January 1, 1988 - December 31, 1988	1,833
January 1, 1989 - December 31, 1989	2,319
January 1, 1990 - December 31, 1990	3,013
Thereafter through 2078	524,646
	\$535,562

NOTE 8: Related Party Transactions

Various expenses, such as payroll and administrative costs, are incurred by affiliates for the Company. These charges are reimbursed by the Company to the applicable affiliate at cost. Harrah's Atlantic City incurred reimbursable costs in the following areas:

	1985	1984
Executive	\$ 768,000	\$ 456,000
Business Development	319,000	565,000
Finance	690,000	650,000
Human Resources	816,000	596,000
Logistics	3,138,000	1,434,000
Management Info. Systems	826,000	632,000
Sales & Marketing	34,000	146,000
Legal & Risk Management	227,000	237,000
Other	1,071,000	722,000
	\$7,889,000	\$5,438,000

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 8: Related Party Transactions (continued)

Included in Note 7 above are future minimum lease payments under non-cancellable leases with affiliates of the Company and are as follows:

	(\$000's)
January 1, 1986 - December 31, 1986	\$ 775
January 1, 1987 - December 31, 1987	775
January 1, 1988 - December 31, 1988	775
January 1, 1989 - December 31, 1989	775
January 1, 1990 - December 31, 1990	838
Thereafter through 2078	<u>87,550</u>
	<u>\$91,488</u>

In connection with the overall supervision of the construction of the casino/hotel complex, the Trump Plaza Corporation may be entitled to a contractor's fee. The amount of the fee, if any, is dependent upon the final total cost of the construction project, as defined in the partnership agreement. The casino/hotel complex has been completed and accordingly, the contractor's fee is being reviewed by management. If such a fee were to be paid in the future, the amount would be capitalized as part of the cost of the casino/hotel complex.

	Number of Recipients	Amount
Rooms	67,075	\$2,001,000
Food	1,438,584	15,401,000
Beverages	3,075,834	7,400,000
Travel	-	-
Theatre	95,300	1,000,000
Parking	442,948	2,700,000
Car Wash	-	-
Tip	-	-
Other	-	-
	<u>5,199,841</u>	<u>\$28,502,000</u>

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 9: Promotional Allowances

Promotional allowances consist of the following:

For the 3 months ended December 31:

	<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	14,794	1,816,014	-	-
Food	297,179	2,674,615	-	-
Beverage	712,857	1,782,142	-	-
Travel	-	-	7,476	1,121,298
Theatre	22,287	334,305	-	-
Parking	93,759	796,952	-	-
Coin Bonus	-	-	287,922	2,935,936
Tips	-	-	1,182	47,249
Other	-	-	4,505	112,627
<b>TOTAL</b>	<b><u>1,140,876</u></b>	<b><u>7,404,028</u></b>	<b><u>301,085</u></b>	<b><u>4,217,110</u></b>

For the 12 months ended December 31:

	<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	67,975	8,951,435	-	-
Food	1,498,584	13,487,260	-	-
Beverage	3,075,834	7,689,585	-	-
Travel	-	-	17,813	2,671,892
Theatre	98,300	1,474,500	-	-
Parking	442,948	3,765,060	-	-
Coin Bonus	-	-	1,667,409	16,010,610
Tips	-	-	7,826	313,020
Other	-	-	18,033	450,826
<b>TOTAL</b>	<b><u>5,183,641</u></b>	<b><u>35,367,840</u></b>	<b><u>1,711,081</u></b>	<b><u>19,446,348</u></b>

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 10: Interest Costs

The company follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. For the twelve months ended December 31, 1985 and eight months ended December 31, 1984, total interest incurred was \$18,064,296 and \$13,504,419 respectively which was charged to operations.

NOTE 11: Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of:

	<u>1985</u>	<u>1984</u>
Taxes	\$1,349,000	\$1,529,000
Permits and Licensing	32,000	32,000
Insurance	504,000	165,000
Other	247,000	384,000
	<u>\$2,132,000</u>	<u>\$2,110,000</u>

NOTE 12: Other Assets

Other assets consists of:

	<u>1985</u>	<u>1984</u>
Deposits	\$ 1,041,000	\$ 1,067,000
Preopening Costs - NET	8,974,000	16,549,000
Land Rights - NET	27,113,000	27,413,000
Deferred Loan Costs	999,000	1,186,000
Other Deferred Charges	573,000	877,000
	<u>\$38,700,000</u>	<u>\$47,092,000</u>

NOTE 13: Other Accrued Expenses

Other accrued expenses consists of:

	<u>1985</u>	<u>1984</u>
Payroll Withholdings	\$ 298,000	\$ 265,000
Taxes Payable	162,000	175,000
Property Taxes Payable	0	120,000
Gaming Revenue Taxes Payable	219,000	180,000
Accrued Interest	2,171,000	2,545,000
Accrued Salaries and Wages	4,527,000	2,783,000
Accrued Progressive Jackpot	2,896,000	1,891,000
Other Accrued Expenses	2,237,000	1,496,000
	<u>\$12,510,000</u>	<u>\$ 9,455,000</u>

HARRAH'S ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 14: Other Current Liabilities

Other current liabilities consists of:

	1985	1984
Unredeemed Chip/Token Liability	\$ 757,000	\$ 610,000
Due to Affiliates (Note 6)	2,809,000	2,008,000
Other	763,000	2,449,000
	<u>\$4,329,000</u>	<u>\$5,067,000</u>

NOTE 15: Other Revenue

Other revenue consists of:

	1985	1984*
Theatre Revenue	\$3,135,000	\$2,369,000
Parking Revenue	3,778,000	2,588,000
Gift Shop/Souvenir Revenue	1,137,000	698,000
Telephone Revenue	404,000	217,000
Commissions	410,000	233,000
Other	756,000	335,000
	<u>\$9,620,000</u>	<u>\$6,440,000</u>

NOTE 16: Non-Operating Income (Expense) - Net

	1985	1984*
Interest Income	\$1,205,000	\$ 935,000
Gain/(Loss) on Asset Disposal	(252,000)	0
	<u>\$ 953,000</u>	<u>\$ 935,000</u>

\*Operations Commenced on May 15, 1984

NOTE 17: Deferred Credits

Consists of:

Deferred State Income Tax	\$ 83,000
Valuation Adjustment Undeposited CRDA Obligations	189,000
	<u>\$ 272,000</u>

NOTE 18: Investments

Consists of:

Casino Reinvestment Escrow Deposits	\$1,094,000
Less: Valuation Adjustment	(359,000)
	<u>\$ 735,000</u>

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85  
(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) % (e)	WEIGHTED AVG. NUMBER OF TABLES OR MACHINES (f)
	Revenue				
1	Blackjack .....	\$ 47,963	\$303,099	15.8	83
2	Craps .....	38,971	287,984	13.5	23
3	Roulette .....	9,076	36,726	24.7	11
4	Big Six .....	2,654	5,680	46.7	5
5	Baccarat .....	5,519	34,436	16.0	3
6	Other table games .....	-	-	-	-
7	Total table games revenue .....	104,183	\$667,925	15.6	125
			HANDLE		
8	\$ .05 slot machines .....	3,517	\$ 23,060	15.3	85
9	\$ .25 slot machines .....	48,227	348,296	13.8	924
10	\$1.00 slot machines .....	13,692	123,382	11.1	198
11	Other slot machines .....	33,799	315,440	10.7	477
12	Total coin-operated devices revenue .....	99,235	\$810,178	12.2	1,684
13	Progressive jackpot adjustment .....	(1,458)			
14	Total coin-operated devices revenue after adjustment .....	97,777			
15	Other income .....				
16	Total revenue .....	\$ 201,960			
	Expenses:				
17	Payroll and payroll related expenses .....	36,230			
18	Licenses and taxes .....	16,866			
19	Provision for uncollectible patron's checks .....	4,117			
20	Other .....	30,985			
21	Total .....	88,198			
22	Departmental Income/Loss Before Complimentary Services and Casino Management Fees .....	113,762			
	Complimentary services and casino management fees:				
23	Complimentary services .....	22,731			
24	Casino management fees .....				
25	Total .....	22,731			
26	Departmental Income (Loss) .....	\$ 91,031			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF  
COUNTY OF

ANNUAL EMPLOYMENT  
AND PAYROLL REPORT

George M. Rinaldi, being duly sworn according to  
Name

law upon my oath deposes and says:

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

George M. Rinaldi  
Signature

Vice President of Finance  
Title

03283-11  
License Number

On Behalf Of:

Harrah's Associates  
Casino Licensee

Subscribed and sworn to  
before me this 14 day  
of March, 1986

Ann Louise Zumi  
Signature

ANN LOUISE ZUMI  
NOTARY PUBLIC OF NEW JERSEY  
BY COMMISSION EXPIRES SEPT. 14, 1988

Basis of Authority to  
Take Oaths



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** Harrah's Associates

**ADDRESS** Mississippi Avenue & Boardwalk  
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

George M. Rinaldi

**OFFICIAL TITLE.....**

Vice President of Finance

**ADDRESS.....**

Mississippi Avenue & Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TRUMP CASINO HOTEL  
 ANNUAL EMPLOYMENT AND PAYROLL REPORT  
 FOR THE YEAR ENDED DECEMBER 31, 19 85  
 (\$ in Thousands)

LINE	DEPARTMENT	NUMBER OF		SALARIES AND WAGES	
		(c) EMPLOYEES	(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
1	Administration .....	0			
2	Gaming .....	939			
3	Slots .....	130			
4	Casino accounting .....	93			
5	Other .....	442			
6	Total-casino .....	1,604	\$ 29,759	\$	\$ 29,759
7	ROOMS .....	188	2,766		2,766
8	FOOD AND BEVERAGE .....	994	12,773		12,773
	OTHER OPERATED DEPARTMENTS				
9	Customer Services	18	253		253
10	Gift Shop	15	185		185
11	Wardrobe	34	468		468
12	Parking	146	1,879		1,879
13	Communications	20	283		283
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	1	105		105
21	Accounting and auditing .....	93	1,660		1,660
22	Security .....	239	4,321		4,321
23	Other administrative and general department	45	1,633		1,633
24	MARKETING .....	30	637		637
25	GUEST ENTERTAINMENT .....	33	966		966
26	PROPERTY OPERATION AND MAINTENANCE .....	339	6,961		6,961
27	TOTAL - ALL DEPARTMENTS .....	3,799	\$ 64,649	\$	\$ 64,649

Trading Name of Licensee TRUMP CASINO HOTEL

GROSS REVENUE  
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

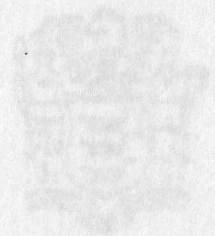
LICENSEE TRUMP CASINO HOTEL  
For the Year Ended December 31, 19 85  
ADDRESS Atlantic City, NJ 08401

3/14/86  
Date

*E. J. Rinaldi*  
Signature

Vice President of Finance  
Title

CASINO CONTROL BOARD  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
FOR CORRESPONDENCE REGARDING  
ANNUAL TAX RETURN  
OFFICIAL TITLE  
ADDRESS

# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** Harrah's Associates

**ADDRESS** Mississippi Avenue & Boardwalk  
Atlantic City, NJ. 08401

**FOR THE YEAR ENDED DECEMBER 31, 1985**

TO THE

## CASINO CONTROL COMMISSION

OF THE

## STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL TAX RETURN** ..... George M. Rinaldi

**OFFICIAL TITLE**..... Vice President of Finance

**ADDRESS**..... Mississippi Avenue & Boardwalk  
Atlantic City, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85  
(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win of (loss)		
1	Table games revenue .....	\$ 104,183	
2	Coin-operated devices revenue .....	99,235	
3	Total revenues .....		\$ 203,418
	Less - adjustment for uncollectible patron's checks:		
4	Provision for uncollectible patron's checks .....	\$ 4,117	
5	Maximum adjustment (4% of line 3) .....	\$ 8,137	
6	Adjustment (the lesser of line 4 of line 5) .....		4,117
7	Gross revenues (line 3 less line 6) .....		\$ 199,301
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 15,944
9	Audit or other adjustments to tax on gross revenues in prior years .....		0
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		15,944
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 833	
12	February .....	1,042	
13	March .....	1,232	
14	April .....	1,537	
15	May .....	1,291	
16	June .....	1,399	
17	July .....	1,821	
18	August .....	1,432	
19	September .....	1,591	
20	October .....	1,209	
21	November .....	1,095	
22	December .....	1,243	
23	January .....	219	
24	Total deposits made for tax on current year's gross revenues .....		( 15,944)
25	Settlement of prior year's tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		0
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .		\$ 0

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :ss.  
:

George M. Rinaldi, being duly sworn according to  
Name

law upon my oath deposes and says:

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

George M. Rinaldi  
Signature

Vice President of Finance  
Title

03283-11  
License Number

On Behalf Of:

Harrah's Associates  
Casino Licensee

Subscribed and sworn to  
before me this 14 day  
of March, 1986.

Ann Louise Zinni  
Signature

ANN LOUISE ZINNI  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires SEPT. 14, 1988

Basis of Authority to  
Take Oaths

## HOTEL STATISTICS

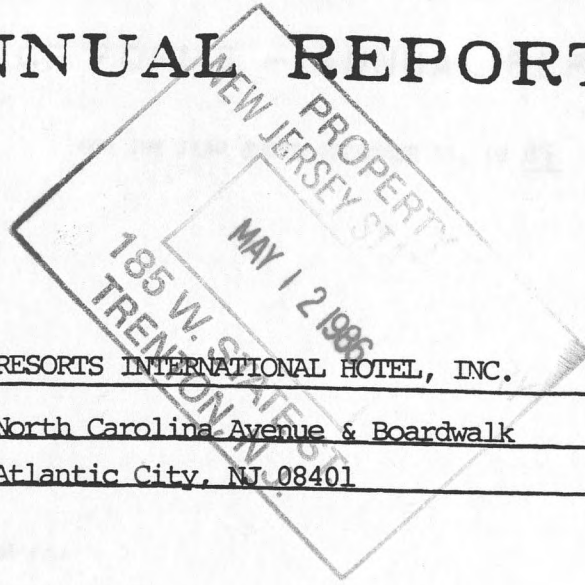
FOR THE 12 MONTHS ENDED December 31, 19 85

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
LINE	PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	612	18,691	12,921	\$ 91.91	69.1 %	22,565	\$52.63
2	FEBRUARY	612	17,136	12,153	\$ 94.67	70.9 %	20,953	\$54.91
3	MARCH	612	18,457	14,912	\$ 95.40	80.8 %	26,307	\$54.08
4	1ST QUARTER TOTALS		54,284	39,986	\$ 94.05	73.7 %	69,825	\$53.86
5	APRIL	612	18,157	15,429	\$106.25	85.0 %	26,855	\$61.04
6	MAY	612	18,784	15,743	\$111.95	83.8 %	26,929	\$65.45
7	JUNE	612	18,208	17,301	\$109.48	95.0 %	30,212	\$62.69
8	2ND QUARTER TOTALS		55,149	48,473	\$109.25	87.9 %	83,996	\$63.05
9	JULY	612	19,003	18,299	\$124.04	96.3 %	36,598	\$62.02
10	AUGUST	612	18,792	18,257	\$125.52	97.2 %	36,514	\$62.76
11	SEPTEMBER	612	18,360	14,551	\$110.44	79.3 %	29,102	\$55.22
12	3RD QUARTER TOTALS		56,155	51,107	\$120.70	91.0 %	102,214	\$60.35
13	OCTOBER	612	18,972	15,317	\$ 103.42	80.7 %	30,634	\$51.71
14	NOVEMBER	612	18,360	15,157	\$ 97.10	82.6 %	30,314	\$48.55
15	DECEMBER	612	18,972	12,626	\$ 89.21	66.6 %	25,252	\$44.61
16	4TH QUARTER TOTALS		56,304	43,100	\$ 97.03	76.5 %	86,200	\$48.52
17	ANNUAL TOTALS		221,892	182,666	\$106.24	82.3 %	342,235	\$56.71

# ANNUAL REPORT

974-901

C193



LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

ADDRESS North Carolina Avenue & Boardwalk  
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



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

Robert L. Gensamer

OFFICIAL TITLE . . . . .

Assistant Corporate Controller

ADDRESS . . . . .

North Carolina Avenue & Boardwalk  
Atlantic City, NJ 08401

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

LINE (a)	TITLE	FORM NO.
1	Casino	
2	Balance Sheets	CCC-305
3	Statements of Income (Year)	CCC-310
4	Statements of Income (Three Months)	CCC-315
5	Statements of Changes in Stockholders' Equity	CCC-320
6	Statements of Changes in Partners' or Proprietor's Equity	CCC-325
7	Statements of Changes in Financial Position	CCC-330
8	Notes to Financial Statements	
9	Schedule of Receivables and Patrons' Checks	CCC-340
10	Casino Departmental Schedule	CCC-345
11	Statement of Conformity and Accuracy	CCC-350

\* Revised December 1985

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

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES  
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED DECEMBER 31, 1985 and 1984  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1985	(d) 1984
	<b>Revenue</b>		
1	Casino .....	\$54,810	\$55,979
2	Rooms .....	4,488	4,098
3	Food and beverage .....	8,203	8,116
4	Other .....	2,258	2,128
5	Total revenue .....	69,759	70,321
6	Less: promotional allowances ....(Note 8).....	7,936	6,818
7	Net revenue .....	61,823	63,503
	<b>Costs And Expenses</b>		
8	Cost of goods and services .....	33,876	36,815 *
9	Selling, general, and administrative .....	11,130	9,873 *
10	Provision for doubtful accounts .....	( 172)	40
11	Total .....	44,834	46,728
12	<b>Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....</b>	16,989	16,775
13	Depreciation and amortization .....	3,626	3,491
	Charges from affiliates:		
14	Interest .....	8,333	8,718 *
15	Management fees .....	835	630
16	Other .....	6,311	5,484 *
17	Interest expense - external .....	52	90
18	<b>Income (Loss) From Operations .....</b>	( 2,168)	( 1,638)
19	Nonoperating Income (expense) - net .....	149	3,332 *
20	Investment alternative tax and related expenses .....	( 177)	( 3,700)*
21	<b>Income (Loss) Before Income Taxes And Extraordinary Items .</b>	( 2,196)	( 2,006)
22	Provision (Credit) for Income Taxes .....	( 1,098)	( 1,252)
23	<b>Income (Loss) Before Extraordinary Items .....</b>	( 1,098)	( 754)
24	Extraordinary Items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	<b>Net Income (Loss) .....</b>	<b>(\$ 1,098)</b>	<b>(\$ 754)</b>

\* Revised December 1985.

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

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES  
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE 12 MONTHS ENDED DECEMBER 31, 1985 and 1984

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1985		1984	
		(c) SHARES	(d) \$	(e) SHARES	(f) \$
	<b>Common Stock</b> (\$1 par value, 2,500 shares authorized)				
1	Beginning balance (January 1) ....	100	\$	100	\$
2	Sale of stock .....				
3					
4	Ending balance .....	100		100	
	<b>Preferred Stock</b>				
5	Beginning balance (January 1) ....				
6	Sale of stock .....				
7					
8	Ending balance .....				
	<b>Additional Paid-In Capital</b>	+++++		+++++	
9	Beginning balance (January 1) ....	+++++	2,490	+++++	2,490
10		+++++		+++++	
11		+++++		+++++	
12	Ending balance .....	+++++	2,490	+++++	2,490
	<b>Treasury Stock</b>				
13	Beginning balance (January 1) ....		( )		( )
14	Purchase of additional stock ...		( )		( )
15	Sale or retirement of stock ....				
16	Ending balance .....		( )		( )
	<b>Subscriptions Receivable For Capital Stock:</b>				
17	Beginning balance (January 1) ....		( )		( )
18					
19					
20	Ending balance .....		( )		( )
	<b>Net Unrealized Loss on Noncurrent Marketable Equity Securities</b>	+++++		+++++	
21	Beginning balance (January 1) ....	+++++		+++++	
22		+++++		+++++	
23		+++++		+++++	
24	Ending balance .....	+++++	( )	+++++	( )
	<b>Retained Earnings:</b>	+++++		+++++	
25	Beginning balance (January 1) ....	+++++	38,653	+++++	117,660
26	Prior period adjustments .....	+++++		+++++	
27	Net income (loss) .....	+++++	3,168	+++++	21,678
28	Dividends .....	+++++	( 39,000)	+++++	( 100,000)
29	Adj. for calendar conversion	+++++		+++++	( 685)
30		+++++		+++++	
31	Ending balance .....	+++++	2,821	+++++	38,653
32	<b>Ending Stockholders' Equity</b> .....	+++++	\$ 5,311	+++++	\$ 41,143

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

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES  
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE 12 MONTHS ENDED DECEMBER 31, 1985 and 1984  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1985	(d) 1984
	<b>Sources Of Funds:</b>		
1	Income (loss) before extraordinary items .....	\$ 3,168	\$ 21,678
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	12,985	13,246
3	Amortization of other assets .....	696	273
4	Deferred income taxes - noncurrent .....		
5	(Gain) loss on dispositions of property and equipment	4	123
6	Equity loss in joint ventures and subsidiary	111	236
7	Amortization Bond Discounts	89	
8			
9	Total	17,053	35,556
10	Extraordinary items .....		
11	Total funds provided (used) by operations .....	17,053	35,556
12	Proceeds from dispositions of property and equipment ..	152	86
13	Proceeds from long-term debt .....		190,338
14	Additions to deferred credits and other liabilities ....		
15	Proceeds from issuance of stock or capital contributions		
16	Fixed assets transferred to affiliates	1,029	2,365
17	Reduction of investment in joint ventures & subsidiary		2,185
18			
19			
20	Total funds provided .....	18,234	230,530
	<b>Uses Of Funds:</b>		
21	Additions to property and equipment .....	9,551	11,145
22	Investment in casino reinvestment obligations .....	7,594	1,322 *
23	Other additions to investments, advances, and receivables	41,930	2,088 *
24	Increase in other assets .....	6,065	1,824
25	Reductions of long-term debt .....	429	440
26	Dividends declared or capital distributions .....	39,000	100,000
27	Long-term debt transferred to affiliate		615 *
28	Reductions to deferred credits	74	73 *
29			
30			
31	Total funds used .....	104,643	117,507
32	Increase (Decrease) In Working Capital .....	(\$ 86,409)	\$113,023
	<b>Summary Of Changes In Components Of Working Capital:</b>		
33	Cash .....	1,176	2,902
34	Marketable securities .....	( 99,472)	131,604
35	Receivables and patrons' checks .....	8,795	( 926)
36	Inventories .....	204	370
37	Prepaid expenses and other current assets .....	836	( 230)
38	Accounts payable .....	1,785	( 1,742)
39	Notes payable .....		
40	Current portion of long-term debt .....	( 6)	60
41	Income taxes payable and accrued .....		
42	Other accrued expenses .....	( 128)	( 18,929)
43	Other current liabilities .....	401	( 86)
44	Increase (Decrease) In Working Capital .....	(\$ 86,409)	\$113,023

\* Reported as Other in 1984.

**RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES**  
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1985**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

**Accounting period:**

At the end of 1984, Resorts International Hotel, Inc. (the Company), a wholly owned subsidiary of Resorts International, Inc., changed to a calendar year for reporting purposes. Prior to this the Company reported on a fifty-two or fifty-three week fiscal year ending on the Sunday closest to the last day of the calendar year. The accompanying financial statements reflect certain adjustments necessary to convert from the 1984 fiscal accounting period to a calendar accounting period.

**Principles of consolidation:**

The consolidated financial statements include the accounts of the Company and its subsidiaries except for one wholly owned subsidiary which is accounted for on the equity basis of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

**Revenue recognition:**

The Company records as revenue the win from gaming activities which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services and from theatre ticket sales are recognized at the time the related service is performed.

**Promotional allowances:**

Gross revenues include the retail value of complimentary food, beverage and hotel services furnished to casino patrons. The retail value of these complimentary services is deducted as a promotional allowance to arrive at net revenues. The cost of complimentary services is charged to cost of goods and services and selling, general and administrative.

**Inventories:**

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

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, as follows: land improvements, 20 years; buildings and improvements, 20 years; furniture and equipment, 2-7 years.

Income taxes:

The Company's federal taxable income is included in the consolidated federal income tax return filed by the Parent. Based on an agreement with its Parent, the Company provides for federal and state income taxes using on a combined tax rate of approximately 50%, except for those isolated transactions which materially affect the Company's effective tax rate, in which case the applicable transactions will be separately tax effected using the appropriate tax rate.

Reclassification:

Certain expenses for 1984 have been reclassified to conform to the 1985 presentation.

NOTE 2 - GAMING OPERATIONS:

The Company owns and operates a casino/hotel complex in Atlantic City, New Jersey. Gaming operations are conducted under a casino license issued by the New Jersey Casino Control Commission. The license must be renewed annually and requires the payment of licensing and inspection fees and taxes on gaming win. In February 1986 the Casino Control Commission renewed the Company's license until February 26, 1987.

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES:

(In Thousands of Dollars)

	DECEMBER 31,	
	<u>1985</u>	<u>1984</u>
Note receivable - RINJ	\$52,221	\$2,756
Other	821	\$ 873
	<u>\$53,042</u>	<u>\$3,629</u>

NOTE 4 - PROPERTY AND EQUIPMENT:

(In Thousands of Dollars)

	DECEMBER 31,	
	1985	1984
Land	\$ 7,172	\$ 6,990
Land and improvements	2,536	2,124
Building and improvements	105,182	103,408
Furniture, machinery and equipment	58,081	53,166
Construction in progress	90	37
	<u>173,061</u>	<u>165,725</u>
<u>Less - Accumulated depreciation</u>	<u>72,078</u>	<u>60,123</u>
	<u>\$100,983</u>	<u>\$105,602</u>

NOTE 5 - OTHER ASSETS:

(In Thousands of Dollars)

	DECEMBER 31,	
	1985	1984
Reinvestment deposits, net of discounts of \$2,765,000 and \$360,000 (Note 13)	\$ 6,135	\$ 963
Debt issuance costs	4,891	5,228
Other	1,588	1,054
	<u>\$ 12,614</u>	<u>\$ 7,245</u>

Debt issuance costs consist of underwriter's commissions, legal and accounting fees and other expenses associated with the issuance of 16-5/8% subordinated note payable to an affiliate are being amortized using the bonds outstanding method over the term of the note. Amortization expense was \$336,000 and \$112,000 in 1985 and 1984, respectively.

NOTE 6 - OTHER ACCRUED EXPENSES:

(In Thousands of Dollars)

	DECEMBER 31,	
	<u>1985</u>	<u>1984</u>
Accrued payroll	\$ 3,894	\$ 3,894
Payroll tax liabilities	817	1,386
Progressive slot liability	7,563	4,752
Accrued bond discount	1,863	3,700
Other	<u>17,339</u>	<u>17,616</u>
	<u>\$ 31,476</u>	<u>\$ 31,348</u>

NOTE 7 - LONG-TERM DEBT:

(In Thousands of Dollars)

	DECEMBER 31,	
	<u>1985</u>	<u>1984</u>
Due to affiliate:		
16-5/8% subordinated note payable net of \$4,175,000 and \$4,264,000 unamortized discount	<u>\$195,825</u>	<u>\$195,736</u>
Other:		
9-1/2% mortgage note	\$ 1,274	1,638
Other mortgages and notes	<u>928</u>	<u>987</u>
	2,206	2,625
Less - Current portion	<u>430</u>	<u>424</u>
	<u>\$ 1,772</u>	<u>\$ 2,201</u>

Interest of the 16-5/8% subordinated note payable to Resorts International Finance, Inc. is payable semi-annually on March 1, and September 1. Principal payments commence in the year 1994 with annual payments of \$15,000,000 through 2003 and final payment of \$50,000,000 in 2004. After giving effect to the discount recorded on the note, the effective interest rate is 17%.

The 9-1/2% mortgage note is secured by underlying operating property which had a net book value of approximately \$6,099,000 at the end of December 31, 1985. The mortgage agreement provides for equal quarterly payments of principal plus accrued interest through April 1989.

The other mortgage and notes are payable in various installments through 2003 and bear interest at rates ranging from 9% to 9-1/2%.

Minimum principal payments of long-term debt outstanding as of the end of 1985: 1986 - \$430,000; 1987 - \$436,000; 1988 - \$443,000; 1989 - \$268,000; 1990 - \$94,000.

NOTE 8 - PROMOTIONAL ALLOWANCES AND PROMOTIONAL EXPENSES:

(In Thousands of Dollars))

Quarter Ended 12/31/85

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>
<u>1985</u>				
Rooms	45	\$2,333		
Food	277	2,687		
Beverage	711	1,422		
Travel			19	\$1,832
Coupon redemption:				
Cash			363	3,633
Food	311	777		
Admissions	33	646		
Parking			97	775
Other		71		250
Totals	<u>1,377</u>	<u>\$7,936</u>	<u>479</u>	<u>\$6,490</u>

Twelve Months Ended 12/31/85

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>
<u>1985</u>				
Rooms	201	\$ 9,707		
Food	1,141	10,555		
Beverage	3,053	6,106		
Travel			67	\$ 7,562
Coupon redemption:				
Cash			1,471	16,524
Food	1,572	3,677		
Admissions	192	2,079		
Parking			380	3,039
Other		552		983
Totals	<u>6,159</u>	<u>\$32,676</u>	<u>1,918</u>	<u>\$28,108</u>

NOTE 9 - DEFERRED INCOME:

The deferred income represents the unamortized portion of a lump-sum payment made by a tenant at the inception, July 1983, of a fifteen year lease. This payment is being amortized and recorded in earnings in equal monthly installments over the life of the lease.

NOTE 10 - THRIFT SAVINGS AND INCENTIVE PLAN:

A defined contribution plan (Plan), under which substantially all non-union employees are eligible to participate. The Plan was amended July 1, 1985, however, this amendment is not expected to materially affect the Company's future contributions to the Plan. Under the amended Plan, eligible participating employees may contribute up to a total of 4% in multiples of 1% of their annual cash compensation as a basic contribution and may also elect to contribute up to an additional 10%. The Company and certain other subsidiaries of the Parent contribute an amount equal to 50% of their employees' basic contributions. The Company's contributions under the Plan were approximately \$1,016,000 and \$928,000, in 1985 and 1984, respectively.

In addition to the Company's plan described above, union employees are covered by various multi-employer pension plans to which contributions are made. Contributions by the Company were approximately \$693,000 and \$655,000 in 1985 and 1984, respectively.

NOTE 11 - RELATED-PARTY TRANSACTIONS:

The Company has incurred charges from affiliates and its Parent as follows:

(In Thousands of Dollars)

<u>AFFILIATED COMPANY</u>	<u>TRANSACTION</u>	<u>YEAR ENDED DECEMBER 31,</u>	
		<u>1985</u>	<u>1984</u>
Resorts International Financing, Inc.	Interest charges	<u>\$33,339</u>	<u>\$13,266</u>
Resorts International, Inc.	Management fee	<u>\$ 2,815</u>	<u>2,130</u>
Resorts International, Inc.	Real estate taxes	\$ 7,023	\$ 3,842
	Insurance	4,097	2,408
	Write-off, Land option		900
	Other	593	833
		<u>11,713</u>	<u>7,983</u>
Resorts International, Inc. of New Jersey	Interest Income	( 2,740)	
	Property Rental	933	
	Other	115	
		<u>( 1,692)</u>	

International Intelligence, Inc.	Security fees	951	913
ANTL, Inc.	Aircraft rentals	6,477	5,291
Resorts of New York, Inc.	Sales office expenses	1,470	1,850
Others	Property rentals	512	1,215
	Other	531	240
		<u>\$19,962</u>	<u>\$17,492</u>

In 1984, the Company entered into an agreement with Resorts International, Inc. of New Jersey (RINJ) to lend up to \$125,000,000 during the period September 30, 1984 up to and including December 31, 1987 (termination date) for various purposes including the construction of a new casino/hotel complex in Atlantic City, New Jersey. RINJ shall pay interest monthly on the net outstanding principal amount at an interest rate per annum equal to the minimum posted rate to prime commercial borrowers of Citibank N.A. in effect on the first day of the then-current calendar quarter. It is the intent that this note will be converted into a term loan at the termination date at terms determined by the parties to be the then prevailing market condition for similar financing arrangements. The note receivable balance was \$52,221,000 and \$2,756,000 at December 31, 1985 and 1984, respectively, and the related interest earned was \$2,740,000 and \$50,000 in 1985 and 1984, respectively.

In 1983, the Company established two Employee Stock Ownership Plans under which 8,253 shares of Resorts International, Inc. Class A Common Stock were awarded to eligible employees of the Company in 1984. Accordingly, compensation expense approximated \$310,000 in 1984, an amount based on the fair market value of shares as of the grant date. No shares were awarded in 1985.

During 1985, the Company made short-term advances to its Parent. Interest on these advances was charged at an interest rate per annum equal to the minimum posted rate to prime commercial borrowers of Citibank, N.A. in effect on the first day of the then-current calendar quarter.

NOTE 12 - NONOPERATING INCOME(EXPENSE), NET:

(In Thousands of Dollars)

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>1985</u>	<u>1984</u>
Interest income	\$6,522	\$6,993
Corporate office expense	( 450)	( 786)
Loss on disposal of fixed assets	( 4)	( 123)
Equity Income(Loss) in J.V.	( 733)	( 283)
Non operating expense	( 1,400)	
Other	62	( 195)
	<u>\$3,997</u>	<u>\$5,606</u>

NOTE 13 - CONTINGENCY:

The New Jersey Casino Control Act (the Act) generally requires a casino licensee to make investments equal to a percentage of the licensee's annual net casino win or pay an alternative tax. Under the Act, which was amended in December 1984, the investment obligation of the Company, for the years 1979 through 1985 totals approximately \$28,000,000. Of that amount, management estimates that between \$11,000,000 and \$16,000,000 will be satisfied through housing related investments already made by the Company.

In 1985 and 1984, the Company recorded charges to expense to reflect the fact that it may have to fulfill its remaining investment obligation by purchasing long-term bonds, to be issued by a public authority, which will bear below-market interest rates. These charges amounted to \$927,000 in 1985, which related to investment obligations for year 1985, and \$3,700,000 in 1984, which related to estimated remaining investment obligations for the years 1979 through 1984.

As of the end of 1985, the Company had deposited approximately \$8,900,000 with the State of New Jersey as deposits against its remaining investment obligation. Management expects that these deposits may ultimately be used to purchase the public authority bonds. These deposits, net of the related charges to expense, were recorded as other assets in the Company's Consolidated Balance Sheet. The Company's remaining investment obligation, after deduction of the housing related investments and deposits with the State of New Jersey, is between \$3,000,000 and \$8,000,000 and will be due between 1986 and 1988.

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES  
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

**SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**

DECEMBER 31, 1985 and 1984

(UNAUDITED)  
(\$ IN THOUSANDS)

**ACCOUNTS RECEIVABLE BALANCES**

LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	(d) ALLOWANCE	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Undeposited patrons' checks .....	\$ 9,475		
2	Returned patron's checks .....	4,328		
3	Total patrons' checks .....	13,803	\$3,406	\$ 10,397
4	Hotel receivables .....	468	89	379
5	Receivables due from officers and employees .....	50		
6	Receivables due from affiliates .....	14,462		
7	Other accounts and notes receivable ....	431		
8	Total other receivables .....	14,943		14,943
9	Totals (Form 305)	\$29,214	\$3,495	\$ 25,719

**UNDEPOSITED PATRONS' CHECKS ACTIVITY**

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning balance (January 1)	\$ 10,037
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	241,402
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) ....	( 180,826 )
13	Checks collected through deposits .....	( 54,433 )
14	Checks transferred to returned checks .....	( 6,705 )
15	Other adjustments .....	
16	Ending balance .....	\$ 9,475
17	"Hld" checks included in balance on line 16 .....	\$ 0
18	Provision for uncollectible patrons' checks .....	\$ 1,739
19	Provision as a % of counter checks issued .....	.7 %

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES  
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF INCOME

FOR THE 12 MONTHS ENDED DECEMBER 31, 1985 and 1984

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1985	(d) 1984
	<b>Revenue</b>		
1	Casino .....	\$240,493	\$254,753
2	Rooms .....	18,910	17,604
3	Food and beverage .....	36,085	36,457
4	Other .....	9,651	11,901
5	Total revenue .....	305,139	320,715
6	Less: promotional allowances ....(Note 8).....	32,676	30,086
7	Net revenue .....	272,463	290,629
	<b>Costs And Expenses</b>		
8	Cost of goods and services .....	151,917	160,013 *
9	Selling, general, and administrative .....	45,485	41,721 *
10	Provision for doubtful accounts .....	1,778	1,242
11	Total .....	199,180	202,976
12	<b>Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....</b>	73,283	87,653
13	Depreciation and amortization .....	13,681	13,519 *
	Charges from affiliates: (Note 11)		
14	Interest .....	33,339	13,266 *
15	Management fees .....	2,815	2,130
16	Other .....	19,962	17,492 *
17	Interest expense - external .....	220	277
18	<b>Income (Loss) From Operations .....</b>	3,266	40,969
19	Nonoperating Income (expense) - net ....(Note 12).....	3,997	5,606 *
20	Investment alternative tax and related expenses (Note 13)	( 927)	( 3,700)*
21	<b>Income (Loss) Before Income Taxes And Extraordinary Items .</b>	6,336	42,875
22	Provision (Credit) for Income Taxes .....	3,168	21,197
23	<b>Income (Loss) Before Extraordinary Items .....</b>	3,168	21,678
24	Extraordinary Items (net of income taxes - 19 , \$ ; 19 , \$ ) .....		
25	<b>Net Income (Loss) .....</b>	\$ 3,168	\$ 21,678

\* Restated December 1985.

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

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES  
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

BALANCE SHEETS

DECEMBER 31, 1985 and 1984

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1985	(d) 1984
	<b>ASSETS</b>		
	<b>Current Assets</b>		
1	Cash .....	\$ 12,099	\$ 10,923
2	Marketable securities (Short-term Money Market At Cost) .....	33,370	132,842
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1985, \$3,495; 1984, \$4,116) .....	25,719	16,924
4	Inventories .....	3,583	3,379
5	Prepaid expenses and other current assets .....	1,877	1,041
6	Total current assets .....	76,648	165,109
7	Investments, Advances, And Receivables ....(Note 3).....	53,042	3,629
8	Property And Equipment - Net ....(Note 4).....	100,983	105,602
9	Other Assets ....(Note 5).....	12,614	7,245
10	Total Assets .....	\$243,287	\$281,585
	<b>LIABILITIES AND EQUITY</b>		
	<b>Current Liabilities</b>		
11	Accounts Payable .....	\$ 5,023	\$ 6,808
12	Notes Payable .....		
	Current portion of long-term debt: (Note 7)		
13	Due to affiliates .....		
14	Other .....	430	424
15	Income taxes payable and accrued .....		
16	Other accrued expenses ....(Note 6).....	31,476	31,348
17	Other current liabilities .....	2,607	3,008
18	Total current liabilities .....	39,536	41,588
	<b>Long-Term Debt: (Note 7)</b>		
19	Due to affiliates .....	195,825	195,736
20	Other .....	1,772	2,201
21	Deferred Credits ....(Note 9).....	843	917
22	Other Liabilities .....		
23	Commitments and Contingencies (Note 13)		
24	Total Liabilities.....	237,976	240,442
25	Stockholders', Partners', or Proprietor's Equity .....	5,311	41,143
26	Total Liabilities and Equity .....	\$243,287	\$281,585

CASINO DEPARTMENTAL SCHEDULE

COUNTY OF JEFFERSON FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED A NUMBER OF TA (f) OR MACHI
	Revenue:	\$	\$	%	
1	Blackjack .....	52,603	331,376	15.9	81
2	Craps .....	50,128	347,305	14.4	22
3	Roulette .....	9,343	36,379	25.7	11
4	Big Six .....	2,548	5,387	47.3	4
5	Baccarat .....	6,880	47,973	14.3	3
6	Other table games .....				
7	Total table games revenue .....	121,502	\$ 768,420	15.8 %	121
			HANDLE	%	
8	\$ .05 slot machines .....	3,559	\$ 24,938	14.3	92
9	\$ .25 slot machines .....	63,981	455,422	14.0	1,059
10	\$1.00 slot machines .....	41,893	339,160	12.4	357
11	Other slot machines .....	12,368	89,876	13.8	150
12	Total coin-operated devices revenue .....	121,801	\$ 909,396	13.4 %	1,659
13	Progressive jackpot adjustment .....	2,810			
14	Total coin-operated devices revenue after adjustment .....	118,991			
15	Other income .....				
16	Total revenue .....	240,493			
	Expenses:				
17	Payroll and payroll related expenses .....	44,180			
18	Licenses and taxes .....	20,009			
19	Provision for uncollectible patrons' checks .....	1,739			
20	Other .....	18,291			
21	Total .....	84,219			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	156,274			
	Complimentary services and casino management fees:				
23	Complimentary services .....	59,558			
24	Casino management fees .....				
25	Total .....	59,558			
26	Departmental Income (Loss) .....	\$ 96,716			

STATEMENT OF CONFORMITY AND ACCURACY

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

ROBERT L. GENSAMER, being duly sworn according to law upon my oath  
Name

deposes and says:

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

G. R. Gensamer  
Signature

Assistant Corporate Controller  
Title

Qualifier  
License Number

Subscribed and sworn to  
before me this 17<sup>th</sup> day  
of March, 1986

On Behalf Of:

Judith A. Headley  
Signature

RESORTS INTERNATIONAL HOTEL, INC.  
Casino Licensee

JUDITH A. HEADLEY  
Notary Public of New Jersey  
My Commission Expires Dec. 27, 1987

Basis of Authority  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** RESORTS INTERNATIONAL HOTEL, INC.

**ADDRESS** North Carolina Avenue & Boardwalk

Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 85**

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

Robert L. Gensamer

**OFFICIAL TITLE.....**

Assistant Corporate Controller

**ADDRESS.....**

North Carolina Avenue & Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE RESORTS INTERNATIONAL HOTEL, INC.  
 (a wholly owned subsidiary of Resorts International, Inc.)

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85  
 (\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration .....	18			
2	Gaming .....	1,034			
3	Slots .....	335			
4	Casino accounting .....	11			
5	Other .....	334	\$	\$	\$
6	Total-casino .....	1,732	35,301	395	35,696
7	ROOMS .....	240	3,357	48	3,405
8	FOOD AND BEVERAGE .....	981	14,451	93	14,544
	OTHER OPERATED DEPARTMENTS				
9	Telephone	14	221		221
10	Service Station	4	76		76
11	Game Room	5	67		67
12	Health Club	15	286		286
13	Cloak Room	12	104		104
14	Other	15	565	51	616
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	8	165	409	574
21	Accounting and auditing .....	143	2,929	64	2,993
22	Security .....	210	4,542		4,542
23	Other administrative and general department ..	265	5,683	442	6,125
24	MARKETING .....	25	73	132	205
25	GUEST ENTERTAINMENT .....	116	1,805	68	1,873
26	PROPERTY OPERATION AND MAINTENANCE .....	127	3,359		3,359
27	TOTALS - ALL DEPARTMENTS .....	3,912	\$ 72,984	\$ 1,702	\$ 74,686

Trading Name of Licensee RESORTS INTERNATIONAL HOTEL, INC.

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 19 85

3-17-86

Date

*R. P. [Signature]*

Signature

Assistant Corporate Controller

Title

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

OFFICIAL TITLE

ADDRESS

# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** RESORTS INTERNATIONAL HOTEL, INC.  
**ADDRESS** North Carolina Avenue & Boardwalk  
Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 19** 85

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



**NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL TAX RETURN** ..... Robert L. Gensamer

**OFFICIAL TITLE**..... Assistant Corporate Controller

**ADDRESS**..... North Carolina Avenue & Boardwalk  
Atlantic City, NJ 08401

TRADING NAME OF LICENSEE RESORTS INTERNATIONAL HOTEL, INC.  
 (wholly owned subsidiary of Resorts International, Inc.)

# GROSS REVENUE ANNUAL TAX RETURN

STATE OF

FOR THE YEAR ENDED DECEMBER 31, 19 85

COUNTY OF

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 121,502	
2	Coin-operated devices revenue .....	121,801	
3	Total revenues .....		\$ 243,303
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 2,539	
5	Maximum adjustment (4% of line 3) .....	\$ 9,732	
6	Adjustment (the lesser of line 4 or line 5) .....		1,739
7	Gross revenues (line 3 less line 6) .....		\$ 241,564
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 19,325
9	Audit or other adjustments to tax on gross revenues in prior years .....		
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		19,325
	Deposits made for tax on current year's gross revenues:		
11	January (466-293) .....	\$ 1,021	
12	February .....	1,351	
13	March .....	1,458	
14	April .....	1,966	
15	May .....	1,511	
16	June .....	1,553	
17	July .....	2,111	
18	August .....	1,792	
19	September .....	1,940	
20	October .....	1,565	
21	November .....	1,361	
22	December .....	1,391	
23	January .....	241	
24	Total deposits made for tax on current year's gross revenues .....		( 19,261 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ 64

STATEMENT OF CONFORMITY AND ACCURACY

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

ROBERT L. GENSAMER, being duly sworn according  
Name

to law upon my oath deposes and says:

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

*R. L. Gensamer*  
Signature

Assistant Corporate Controller  
Title

Qualifier  
License Number

Subscribed and sworn to  
before me this 17<sup>th</sup> day  
of March, 1986.

On Behalf Of:

RESORTS INTERNATIONAL HOTEL, INC.  
Casino Licensee

*Judith A. Headley*  
Signature

JUDITH A. HEADLEY  
Notary Public of New Jersey  
My Commission Expires Dec. 27, 1987  
Basis of Authority  
to Take Oaths

TRADING NAME OF LICENSEE Resorts International Hotel, Inc.

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1985

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	686	20,176	15,064	\$ 85.09	74.7 %	29,326	\$ 43.71
2	FEBRUARY	686	17,153	14,584	\$ 81.86	85.0 %	29,113	\$ 41.01
3	MARCH	686	19,461	17,369	\$ 86.89	89.3 %	33,708	\$ 44.77
4	1ST QUARTER TOTALS		56,790	47,017	\$ 84.75	82.8 %	92,147	\$ 43.24
5	APRIL	686	19,820	17,498	\$ 91.13	88.3 %	34,001	\$ 46.90
6	MAY	686	20,812	18,600	\$ 94.57	89.4 %	35,537	\$ 49.50
7	JUNE	686	20,125	18,524	\$ 100.47	92.0 %	37,060	\$ 50.22
8	2ND QUARTER TOTALS		60,757	54,622	\$ 95.47	89.9 %	106,598	\$ 48.92
9	JULY	686	21,151	20,316	\$ 112.22	96.1 %	42,218	\$ 54.00
10	AUGUST	686	21,231	20,158	\$ 113.41	94.9 %	42,302	\$ 54.04
11	SEPTEMBER	686	20,328	17,400	\$ 101.94	85.6 %	35,180	\$ 50.42
12	3RD QUARTER TOTALS		62,710	57,874	\$ 109.54	92.3 %	119,700	\$ 52.96
13	OCTOBER	686	21,037	17,952	\$ 94.42	85.3 %	35,170	\$ 48.20
14	NOVEMBER	686	20,362	16,717	\$ 99.15	82.1 %	33,651	\$ 49.26
15	DECEMBER	686	20,987	13,231	\$ 97.84	63.0 %	27,040	\$ 47.87
16	4TH QUARTER TOTALS		62,386	47,900	\$ 97.02	76.8 %	95,861	\$ 48.48
17	ANNUAL TOTALS		242,643	207,413	\$ 97.32	85.5 %	414,306	\$ 48.72

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# ANNUAL REPORT

PROPERTY OF  
NEW JERSEY STATE  
MAY 1 2 1986  
185 W STATE ST  
TRENTON, NJ

LICENSEE TRUMP'S CASTLE ASSOCIATES LTD. PARTNERSHIP

ADDRESS HURON AVENUE & BRIGANTINE BLVD.

ATLANTIC CITY, NEW JERSEY

FOR THE YEAR ENDED . . . DECEMBER 31 , 19 85

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

ROBERT S. FIORE

OFFICIAL TITLE . . . . .

VICE PRESIDENT & TREASURER

ADDRESS . . . . .

HURON AVENUE & BRIGANTINE BLVD.

ATLANTIC CITY, NJ 08401

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

## LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

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

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED December, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 85	(d) 19
	<b>Revenue</b>		
1	Casino .....	\$ 50,609	\$
2	Rooms .....	3,761	
3	Food and beverage .....	7,880	
4	Other .....	911	
5	Total revenue .....	63,161	
6	Less: promotional allowances ..... (Note 10)	(6,589)	
7	Net revenue .....	56,572	
	<b>Costs And Expenses</b>		
8	Cost of goods and services .....	33,915	
9	Selling, general, and administrative .....	9,841	
10	Provision for doubtful accounts .....	(110)	
11	Total .....	43,646	
12	<b>Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest</b> .....	12,926	
13	Depreciation and amortization .....	5,996	
	Charges from affiliates:		
14	Interest .....	-0-	
15	Management fees .....	-0-	
16	Other .....	-0-	
17	Interest expense - external .....	9,984	
18	<b>Income (Loss) From Operations</b> .....	(3,054)	
19	Nonoperating income (expense) - net ..... (Note 8)	793	
20	<b>Income (Loss) Before Income Taxes And Extraordinary Items</b> .....	(2,261)	
21	Provision (Credit) for income taxes (Note 1)	(232)	
22	<b>Income (Loss) Before Extraordinary Items</b> .....	(2,493)	
23	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	-0-	
24	<b>Net Income (Loss)</b> .....	\$ (2,493)	\$

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 85		19 84	
		(c) SHARES	(d) \$	(e) SHARES	(f) \$
	<b>Common Stock</b>		\$		\$
1	Beginning balance (January 1) .....				
2	Sale of stock .....				
3					
4	Ending balance .....				
	<b>Preferred Stock</b>				
5	Beginning balance (January 1) .....				
6	Sale of stock .....				
7					
8	Ending balance .....				
	<b>Additional Paid-in Capital</b>				
9	Beginning balance (January 1) .....				
10					
11					
12	Ending balance .....				
	<b>Treasury Stock</b>				
13	Beginning balance (January 1) .....		( )		( )
14	Purchase of additional stock .....		( )		( )
15	Sale or retirement of stock .....				
16	Ending balance .....		( )		( )
	<b>Subscriptions Receivable For Capital Stock</b>				
17	Beginning balance (January 1) .....		( )		( )
18					
19					
20	Ending balance .....		( )		( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities</b>				
21	Beginning balance (January 1) .....		( )		( )
22					
23					
24	Ending balance .....		( )		( )
	<b>Retained Earnings</b>				
25	Beginning balance (January 1) .....				
26	Prior period adjustments .....				
27	Net income (loss) .....				
28	Dividends .....		( )		( )
29					
30					
31	Ending balance .....				
32	<b>Ending Stockholders' Equity</b> .....		\$ N/A		\$ N/A

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

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

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 85*	(d) 19 84
	<b>Invested Capital</b>		
1	Beginning balance (January 1) .....	\$	\$
2	Additional capital invested .....	-0-	
3		66,196	
4	Ending balance .....	66,196	
	<b>Accumulated Income (Loss)</b>		
5	Beginning balance (January 1) .....	-0-	
6	Prior period adjustments .....	-0-	
7	Net income (loss) .....	1,848	
8			
9	Ending balance .....	1,848	
	<b>Capital Withdrawals</b>		
10	Beginning balance (January 1) .....	( -0- )	( )
11	Additional capital withdrawals .....	( 23,388 )	( )
12			
13	Ending balance .....	( 23,388 )	( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities</b>		
14	Beginning balance (January 1) .....	( -0- )	( )
15			
16			
17	Ending balance .....	( -0- )	( )
18	<b>Ending Partners' Or Proprietor's Equity</b> .....	\$ 44,656	\$

\* Opened June 17, 1985

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u> *	(d) 19 <u>84</u>
	<b>Sources Of Funds</b>		
1	Income (loss) before extraordinary items .....	\$ 1,848	\$
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment .....	9,347	
3	Amortization of other assets .....	1,653	
4	Deferred income taxes .....	-0-	
5	(Gain) loss on dispositions of property and equipment .....	-0-	
	Other items:		
6	Accretion of Bonds	716	
7			
8			
9	Total funds provided (used) by operations, exclusive of extraordinary items .....	13,564	
10	Extraordinary items .....	-0-	
11	Total funds provided (used) by operations .....	13,564	
12	Proceeds from dispositions of property and equipment .....	-0-	
13	Proceeds from long-term debt .....	300,000	
14	Additions to deferred credits and other liabilities .....	265	
15	Proceeds from issuance of stock or capital contributions .....	66,196	
	Other sources of funds:		
16			
17			
18			
19	Total funds provided .....	380,025	
	<b>Uses Of Funds</b>		
20	Additions to property and equipment .....	322,433	
21	Additions to investments, advances, and receivables .....	-0-	
22	Reductions of long-term debt .....	-0-	
23	Dividends declared or capital distributions .....	23,388	
	Other uses of funds:		
24	Deferred Bond Cost	13,292	
25	Deferred Preopening Cost	6,610	
26			
27	Total funds used .....	365,723	
28	<b>Increase (Decrease) in Working Capital .....</b>	\$ 14,302	\$
	<b>Summary Of Changes In Components Of Working Capital</b>		
29	Cash .....	\$ 24,942	\$
30	Marketable securities .....	-0-	
31	Receivables and patrons' checks .....	6,073	
32	Inventories .....	1,421	
33	Prepaid expenses and other current assets .....	2,987	
34	Accounts payable .....	(8,428)	
35	Notes payable .....	-0-	
36	Current portion of long-term debt .....	-0-	
37	Income taxes payable and accrued .....	-0-	
38	Other accrued expenses .....	(8,429)	
39	Other current liabilities .....	(4,264)	
40	<b>Increase (Decrease) in Working Capital .....</b>	\$ 14,302	\$

\* Opened June 17, 1985

See accompanying notes to financial statements.

TRUMP'S CASTLE HOTEL & CASINO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Operation:

Trump's Castle Associates Limited Partnership (the "Partnership") was organized on May 24, 1985, as a New Jersey limited partnership. Donald J. Trump and Trump's Castle Hotel & Casino, Inc., a New Jersey corporation which is owned by Mr. Trump, are the general partners and Mr. Trump is the sole limited partner (the "Partners").

Revenue Recognition:

The Partnership records as revenue the win from gaming activities which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services are recognized at the time the related service is performed.

Promotional Allowances:

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

Income Taxes:

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

Under the New Jersey Casino Control Commission regulations, the Company and the Partnership are required to file a consolidated corporation business tax return. A provision for state income taxes has been provided in the amount of \$232,000 in the accompanying statements of income.

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 \$743,000 through December 31, 1985.

NOTE  
Inventories:

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

Property and Equipment:

Property and equipment is recorded at cost and is depreciated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for furniture, fixtures and equipment are from three to eight years and 40 years for buildings.

Preopening Expenses:

All costs incurred prior to the opening of Trump's Castle have been deferred. These preopening expenses will be charged to operations over a three-year period using the straight-line method.

Original Issuance Discount and Bond Issuance Costs:

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

Costs associated with the issuance of the bonds are capitalized and amortized over the life of the bonds using the straight-line method.

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 1985 consisted of:

	<u>1985</u>
Land & Improvements	\$ 24,662,000
Buildings	238,122,000
Furniture, Fixtures & Equipment	58,125,000
Construction in Progress	<u>1,524,000</u>
	322,433,000
Less - Accumulated Depreciation	<u>9,347,000</u>
	<u>\$313,086,000</u>

NOTE 3 - LONG TERM DEBT :

On June 27, 1985 Trump Castle Funding ("The Company") issued its Series A-1 and Series A-2 First Mortgage Bonds (the "Bonds") for proceeds of \$300,000,000. The proceeds of the Bonds were loaned by the Company to the Partnership under terms which conform in all material respects with the terms of the Bonds, and were used by the Partnership to repay the interim bank financing.

The Series A-1 Bonds in an aggregate principal amount of \$226,800,000 bear interest at a rate of 13 3/4%, which is payable semiannually, with the principal due in full in 1997. These Bonds are redeemable at any time, subject to certain conditions, at the option of the Company, at the principal amount plus a premium of 13 3/4%, in the first year, which premium declines ratably each year to zero in the year of maturity. In addition, commencing in 1990, the Company will be required to annually make sinking fund payments in an amount sufficient to redeem 10% of the principal amount of the Series A-1 Bonds up to a maximum of 70% of the principal amount through 1996.

The Series A-2 Bonds in an aggregate principal amount of \$125,000,000 bear interest at a rate of 7% and were issued at a discount (net proceeds of \$73,200,000) at an effective interest rate of 13 3/4%. Interest will be payable semiannually and the principal will be due in full in 1999. These Bonds will be redeemable at any time, subject to certain conditions, at the option of the Company, at 100% of the stated principal amount thereof.

The Bonds are secured solely by an assignment to the Trustee of the Partnership's notes to the Company in the aggregate amount necessary to service Bonds and by a first mortgage on Partnership, excluding cash which may be distributed as described below (regardless of whether such cash has been distributed) and are nonrecourse to such distributable cash. The Partnership has issued a nonrecourse, limited guaranty of the payment of the principal of, premium, if any, and interest on the Bonds. The bonds are nonrecourse to the Partners of the Partnership and the shareholders of the Company and all other persons and entities (other than the Company and the Partnership). The Bonds cannot be subordinated to any other future borrowings by the Partnership or the Company.

The Bond indenture permits the quarterly distribution of available cash flow, as defined, to the Partners in excess of \$1,512,000. The Partnership must also maintain such cash flow in an aggregate amount of \$6,048,000 during each 12-month period ending June 30, 1986 through 1990. In addition, the Bond indenture limits additional borrowings

and liens, certain activities of the Partnership and the Company, and the consolidation, merger and transfer of substantially all of the assets, among other provisions.

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS:  
(In Thousands of Dollars)

Prepaid expenses consist of:

Casino License Fee	\$ 46
Slot Machine License	421
Insurance	398
Licenses & Permits	12
Postage	9
Maintenance Contracts	14
Entertainment	105
Utilities	74
Other	283
Total Prepaid Expenses	<u>\$1,362</u>

Other current assets consist of:

Deferred Production	\$ 231
Deferred Uniforms	76
Chips & Tokens	438
Net Par Operating Equipment - China	215
Net Par Operating Equipment - Glass	101
Net Par Operating Equipment - Linen	335
Net Par Operating Equipment - Silverware	229
Total Other Current Assets	<u>\$1,625</u>
Total Prepaid Expenses and Other Current Assets	<u>\$2,987</u>

NOTE 5 - OTHER ASSETS - (NET):  
(In Thousands of Dollars)

Other assets consist of:

Preopening Expenses (Net)	\$ 5,424
Deferred Bond Costs (Net)	<u>12,825</u>
Total Other Assets	<u>\$18,249</u>

NOTE 6 - OTHER ACCRUED EXPENSES:  
(In Thousands of Dollars)

Other accrued expenses consist of:

Accrued Payroll	\$1,701
Accrued Interest	1,775
Accrued Advertising	716
Accrued Progressive Jackpots	1,405
Accrued Payroll Taxes	609
Accrued Sick/Vacation	1,571
Other Taxes	<u>652</u>
Total Other Accrued Expenses	<u>\$8,429</u>

NOTE 7 - OTHER CURRENT LIABILITIES:  
(In Thousands of Dollars)

Other current liabilities consist of:

Outstanding Chip Liability	\$ 586
Outstanding Token Liability	88
Patron Deposits	170
Accrued Utilities	460
Accrued Group Health Insurance	400
A/P Other	<u>2,560</u>
Total Other Current Liabilities	<u>\$4,264</u>

NOTE 8 - NON-OPERATING INCOME (EXPENSE) - NET:  
(In Thousands of Dollars)

Non-operating income for 12 months and 3 months ended December 31, 1985 consists of:

	<u>12 Months</u>	<u>3 Months</u>
Discount Earned	\$ 15	\$ 10
Interest Income	<u>1,538</u>	<u>783</u>
Total Other Current Liabilities	<u>\$1,553</u>	<u>\$793</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

The Partnership is subject to certain commitments with respect to its obligations to make certain road improvements near Trump's Castle. Although the amount of such commitments cannot be estimated at this time, such commitments may be material to the Partnership.

During June 1985, the New Jersey Casino Control Commission ("CCC") issued the Partnership a plenary license to operate Trump's Castle. A license is not transferable, is issued for a term of one year and must be acted upon by the CCC no later than 30 days prior to the expiration of the license then in force.

The New Jersey Casino Control Act, as amended in 1984, requires the Partnership to make qualified investments, as defined, in New Jersey, or pay an alternative tax after its first year of operations. Commencing July, 1986, the Partnership must either obtain investment tax credits, as defined, in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by the purchase of bonds at below market rates from the newly created Casino Reinvestment Development Authority ("CRDA") or by making qualified investments which must be approved by the CRDA. Such payments of the Partnership's obligation must be made quarterly.

Room		
Food		
Beverage		
Other:		
Travel		8,720,000
Cash Coupons		1,189,000
Food Coupons		
Admissions		
Other		137,000
Totals		99,245,000

NOTE 10 - PROMOTIONAL ALLOWANCES AND PROMOTIONAL EXPENSES:

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

DESCRIPTION	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Amount</u>	<u>Number of Recipients</u>	<u>Amount</u>
Rooms	39,771	\$ 4,176,000		
Food	460,710	4,889,000		
Beverage	1,266,462	4,116,000		
Other:				
Travel	2,120	318,000	8,190	\$1,229,000
Cash Coupons			624,638	5,777,000
Food Coupons	336,000	1,682,000		
Admissions	15,840	198,000		
Other		21,000		330,000
<b>Totals</b>	<b><u>2,120,903</u></b>	<b><u>\$15,400,000</u></b>	<b><u>632,828</u></b>	<b><u>\$7,336,000</u></b>

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

DESCRIPTION	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Amount</u>	<u>Number of Recipients</u>	<u>Amount</u>
Rooms	17,695	\$1,858,000		
Food	165,750	1,904,000		
Beverage	388,162	1,481,000		
Other:				
Travel	1,053	159,000	6,137	\$ 920,000
Cash Coupons			361,638	3,158,000
Food Coupons	210,000	1,052,000		
Admissions	10,080	126,000		
Other		9,000		167,000
<b>Totals</b>	<b><u>792,740</u></b>	<b><u>\$6,589,000</u></b>	<b><u>367,775</u></b>	<b><u>\$4,245,000</u></b>

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 1985

(UNAUDITED)  
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	(d) ALLIANCE	ACCOUNTS RECEIVABLE- (e) NET OF ALLIANCE
1	Undeposited patrons' checks .....	\$ 4,315		
2	Returned patrons' checks .....	544		
3	Total patrons' checks .....	4,859	\$ 730	\$ 4,129
4	Hotel receivables .....	1,937	13	1,924
5	Receivables due from officers and employees	20		
6	Receivables due from affiliates .....	-0-		
7	Other accounts and notes receivables .....	-0-		
8	Total other receivables .....	20		20
9	Totals (Form 305)	\$ 6,816	\$ 743	\$ 6,073

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning balance (January 1) .....	\$ 0
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	80,954
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) .....	( 63,068 )
13	Checks collected through deposits .....	( 13,027 )
14	Checks transferred to returned checks .....	( 544 )
15	Other adjustments .....	0
16	Ending balance .....	\$ 4,315
17	"Hold" checks included in balance on line 16 .....	\$ 0
18	Provision for uncollectible patrons' checks .....	\$ 730
19	Provision as a % of counter checks issued .....	9

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

# STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u> *	(d) 19 <u>84</u>
	<b>Revenue</b>		
1	Casino .....	\$ 114,946	\$
2	Rooms .....	8,721	
3	Food and beverage .....	18,640	
4	Other .....	1,596	
5	Total revenue .....	143,903	
6	Less: promotional allowances ....(Note 10).....	(15,400)	
7	Net revenue .....	128,503	
	<b>Costs And Expenses</b>		
8	Cost of goods and services .....	75,488	
9	Selling, general, and administrative .....	18,807	
10	Provision for doubtful accounts .....	748	
11	Total .....	95,043	
12	<b>Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....</b>	<b>33,460</b>	
13	Depreciation and amortization .....	11,716	
	Charges from affiliates:		
14	Interest .....	-0-	
15	Management fees .....	-0-	
16	Other .....	-0-	
17	Interest expense - external .....	21,217	
18	<b>Income (Loss) From Operations .....</b>	<b>527</b>	
19	Nonoperating income (expense) - net ..(Note 8).....	1,553	
20	<b>Income (Loss) Before Income Taxes And Extraordinary Items .</b>	<b>2,080</b>	
21	Provision (Credit) for income taxes ...(Note 1).....	(232)	
22	<b>Income (Loss) Before Extraordinary Items .....</b>	<b>1,848</b>	
23	Extraordinary items (net of income taxes - 19 <u>  </u> , \$ ; 19 <u>  </u> , \$ ) .....	-0-	
24	<b>Net Income (Loss) .....</b>	<b>\$ 1,848</b>	<b>\$</b>

\* Opened June 17, 1985

# BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 85	(d) 19 84
<b>ASSETS</b>			
<b>Current Assets</b>			
1	Cash .....	\$ 24,942	\$
2	Marketable securities .....	-0-	
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$ (743) ; 19 <u>84</u> , \$ -0- ) .....	6,073	
4	Inventories .....	1,421	
5	Prepaid expenses and other current assets ....(Note 4) .....	2,987	
6	Total current assets .....	35,423	
7	Investments, Advances, And Receivables .....	-0-	
8	Property And Equipment - Net ....(Note 2) .....	313,086	
9	Other Assets ....(Note 5) .....	18,249	
10	Total Assets .....	\$ 366,758	\$
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
11	Accounts payable .....	\$ 8,428	\$
12	Notes payable .....	-0-	
Current portion of long-term debt:			
13	Due to affiliates .....	-0-	
14	Other .....	-0-	
15	Income taxes payable and accrued .....	-0-	
16	Other accrued expenses ....(Note 6) .....	8,429	
17	Other current liabilities ....(Note 7) .....	4,264	
18	Total current liabilities .....	21,121	
<b>Long-Term Debt:</b>			
19	Due to affiliates .....	300,716	
20	Other .....	-0-	
21	Deferred Credits .....	-0-	
22	Other Liabilities .....	265	
23	Commitments And Contingencies ....(Note 9) .....		
24	Total Liabilities .....	322,102	
25	Stockholders', Partners', Or Proprietor's Equity .....	44,656	
26	Total Liabilities And Equity .....	\$ 366,758	\$

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

# CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85 \*

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) (e) %	WEIGHTED AVG. NUMBER OF TABLES (f) CR MACHINES
	<b>Revenue</b>				
1	Blackjack .....	\$24,276,831	\$155,225,315	15.6	74
2	Craps .....	22,074,756	140,879,607	15.7	24
3	Roulette .....	5,699,807	22,873,554	24.9	12
4	Big Six .....	1,127,172	2,563,905	44.0	3
5	Baccarat .....	2,687,374	17,354,409	15.5	3
6	Other table games .....				
7	Total table games revenue .....	55,865,940	\$338,896,790	16.5	116
			<b>HANDLE</b>		
8	\$.05 slot machines .....	2,077,168	\$ 13,140,017	15.8	86
9	\$.25 slot machines .....	32,357,980	229,696,936	14.1	1,051
10	\$1 slot machines .....	9,230,379	83,898,097	11.0	228
11	Other slot machines .....	16,819,418	147,741,208	11.4	320
12	Progressive jackpot adjustment .....	(1,405,122)			
13	Total coin-operated devices revenue .....	59,079,823	\$474,476,258	12.4	1,685
14	Other income .....	-0-			
15	Total revenue .....	114,945,763			
	<b>Expenses</b>				
16	Payroll and payroll related expenses .....	21,045,730			
17	Licenses and taxes .....	9,757,310			
18	Provision for uncollectible patrons' checks ...	730,069			
19	Other .....	3,837,661			
20	Total .....	35,370,770			
21	<b>Departmental Income (Loss) Before Complimentary Services And Casino Management Fees</b> .....	79,574,993			
	Complimentary services and casino management fees:				
22	Complimentary services .....	22,335,860			
23	Casino management fees .....	-0-			
24	Total .....	22,335,860			
25	<b>Departmental Income (Loss)</b> .....	\$57,239,133			

\* Opened June 17, 1985



## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1985  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
CASINO					
1	Administration .....	36			
2	Gaming .....	992			
3	Slots .....	452			
4	Casino accounting .....	33			
5	Other .....	165	\$	\$	\$
6	Total-casino .....	1,678	16,911,324	218,718	17,130,042
7	ROOMS .....	207	1,423,220		1,423,220
8	FOOD AND BEVERAGE .....	956	6,715,181		6,715,181
OTHER OPERATED DEPARTMENTS					
9	COMMUNICATIONS	29	196,200		196,200
10	GIFT SHOP	1	1,330		1,330
11	TRANSPORTATION	62	479,793		479,793
12	COAT ROOM	14	36,061		36,061
13					
14					
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office .....	5		228,609	228,609
21	Accounting and auditing .....	194	2,003,964		2,003,964
22	Security .....	258	2,302,427		2,302,427
23	Other administrative and general department ..	231	3,372,906		3,372,906
24	MARKETING .....	10	323,120		323,120
25	GUEST ENTERTAINMENT .....	63	1,007,717		1,007,717
26	PROPERTY OPERATION AND MAINTENANCE .....	93	1,433,563		1,433,563
27	TOTALS - ALL DEPARTMENTS	3,801	\$ 36,206,806	\$ 447,327	\$ 36,654,133

GROSS REVENUE ANNUAL TAX RETURN

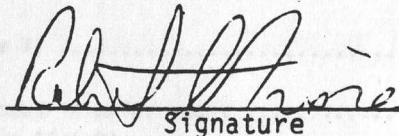
Trading Name of Licensee Trump's Castle Hotel & Casino

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1985

March 18, 1986

Date

  
Signature

V.P. & Treasurer

Title

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 55,866	
2	Coin-operated devices revenue .....	60,485	
3	Total revenues .....		\$ 116,351
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 730	
5	Maximum adjustment (4% of line 3) .....	\$ 4,654	
6	Adjustment (the lesser of line 4 or line 5) .....		730
7	Gross revenues (line 3 less line 6) .....		\$ 115,621
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 9,250
9	Audit or other adjustments to tax on gross revenues in prior years .....		0
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		9,250
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 0	
12	February .....	0	
13	March .....	0	
14	April .....	0	
15	May .....	0	
16	June .....	451,289	
17	July .....	1,450,442	
18	August .....	1,818,026	
19	September .....	1,283,517	
20	October .....	1,344,951	
21	November .....	1,605,426	
22	December .....	1,033,671	
23	January .....	262,343	
24	Total deposits made for tax on current year's gross revenues .....		( 9,249,665)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		0
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ 0

\* INCLUDES 21,317 PAID 2/3/86 ADJUSTMENT FOR BAD DEBT PROVISION FOR 1985



TRADING NAME OF LICENSEE Trump's Castle Hotel & Casino

## HOTEL STATISTICS

FOR THE 7 MONTHS ENDED December 31, 1985

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY				\$	%		\$
2	FEBRUARY				\$	%		\$
3	MARCH				\$	%		\$
4	1ST QUARTER TOTALS				\$	%		\$
5	APRIL				\$	%		\$
6	MAY				\$	%		\$
7	JUNE	605	8,237	4,101	\$111.43	49.8 %	6,850	\$ 66.71
8	2ND QUARTER TOTALS		8,237	4,101	\$111.43	49.8 %	6,850	\$ 66.71
9	JULY	605	18,580	12,261	\$113.90	66.0 %	23,575	\$ 59.24
10	AUGUST	605	18,715	16,753	\$109.01	89.5 %	32,423	\$ 56.33
11	SEPTEMBER	605	18,103	12,538	\$102.18	69.3 %	23,589	\$ 54.31
12	3RD QUARTER TOTALS		55,398	41,552	\$108.40	75.0 %	79,587	\$ 56.59
13	OCTOBER	605	18,669	13,166	\$100.57	70.5 %	24,460	\$ 54.14
14	NOVEMBER	605	18,014	13,336	\$102.60	74.0 %	24,684	\$ 55.43
15	DECEMBER	605	18,583	10,941	\$ 99.42	58.9 %	19,953	\$ 54.51
16	4TH QUARTER TOTALS		55,266	37,443	\$100.96	67.8 %	69,097	\$ 54.71
17	ANNUAL TOTALS		118,901	83,096	\$105.19	69.9 %	155,534	\$ 56.20

\*Trump's Castle officially opened June 19, 1985