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ANNUAL REPORT

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LICENSEE ADAMAR OF NEW JERSEY, INC.
D/B/A TROPICANA HOTEL/CASINO
ADDRESS IOWA AVENUE AND THE BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

185 W. STATE ST.
TRENTON, N.J.

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT

LESTER BRZOZOWSKI

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE

ADDRESS

IOWA AVENUE AND THE BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

TRADING NAME OF LICENSEE TROPICANA HOTEL/CASINO

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FOR THE YEAR ENDED DECEMBER 31, 19 87

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BALANCE SHEETS

DECEMBER 31, 19 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u> Restated 12/31/87
ASSETS			
	Current Assets:	\$	\$
1	Cash	8,620	6,783
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$ 9,668 ; 19 <u>86</u> , \$ 8,932) ^{Note II-8}	40,230	41,012
4	Inventories	1,572	1,765
5	Prepaid expenses and other current assets ^{Note III-1}	2,804	2,708
6	Total current assets	53,226	52,268
7	Investments, Advances, And Receivables ^{Note II-8, Note III-2}	22,628	52,932
8	Property And Equipment - Net ^{Note II-1}	156,972	92,884
9	Other Assets	1,675	1,664
10	Total Assets	\$ 234,501	\$ 199,748
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	601	1,696
12	Notes payable	-0-	-0-
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other ^{Note II-2}	7,411	5,948
15	Income taxes payable and accrued	(185)	439
16	Other accrued expenses ^{Note III-3}	12,462	12,448
17	Other current liabilities ^{Note II-8, Note III-4}	12,584	2,057
18	Total current liabilities	32,873	22,588
	Long-Term Debt:		
19	Due to affiliates	-0-	-0-
20	Other ^{Note II-2}	31,208	17,562
21	Deferred Credits ^{Note II-3}	338	3,115
22	Other Liabilities ^{Note II-8, Note III-5}	37,187	24,495
23	Commitments And Contingencies ^{Note II-6}		
24	Total Liabilities	101,606	67,760
25	Stockholders', Partners', Or Proprietor's Equity	132,895	131,988
26	Total Liabilities And Equity	\$ 234,501	\$ 199,748

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino	\$ 209,910	\$ 214,601
2	Rooms	14,165	13,957
3	Food and beverage	25,507	27,915
4	Other	4,150	5,472
5	Total revenue	253,732	261,945
6	Less: promotional allowances ... Note II-7	21,190	22,669
7	Net revenue	232,542	239,276
	Costs And Expenses:		
8	Cost of goods and services ... Note II-8	123,227	123,719
9	Selling, general, and administrative ... Note II-8	63,623	61,952
10	Provision for doubtful accounts	3,559	1,766
11	Total	190,409	187,437
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	42,133	51,839
13	Depreciation and amortization	10,751	9,786
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees ... Note II-8	311	416
16	Other ... Note II-8	45,157	43,420
17	Interest expense - external ... Note II-9	1,242	4,234
18	Income (Loss) From Operations	(15,328)	(6,017)
19	Nonoperating income (expense) - net ... Note III-6	18,382	19,976
20	Investment alternative tax and related income (expense) - net ... Note II-6	(1,198)	(658)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	1,856	13,301
22	Provision (Credit) for income taxes ... Note II-10	949	6,770
23	Income (Loss) Before Extraordinary Items	907	6,531
24	Extraordinary items (net of income taxes - 19 <u>87</u> , \$ -0- ; 19 <u>86</u> , \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ 907	\$ 6,531

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:	\$	\$
1	Casino	45,609	46,620
2	Rooms	3,218	3,196
3	Food and beverage	5,626	5,721
4	Other	1,017	1,060
5	Total revenue	55,470	56,597
6	Less: promotional allowances ..Note II-7.....	4,426	4,798
7	Net revenue	51,044	51,799
	Costs And Expenses:		
8	Cost of goods and services	28,509	29,484
9	Selling, general, and administrative	13,901	14,842
10	Provision for doubtful accounts	233	582
11	Total	42,643	44,908
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	8,401	6,891
13	Depreciation and amortization	2,881	2,452
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	110	110
16	Other	11,288	10,695
17	Interest expense - external	11	877
18	Income (Loss) From Operations	(5,889)	(7,243)
19	Nonoperating income (expense) - net	4,702	4,472
20	Investment alternative tax and related income (expense) - net.....	(193)	(15)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(1,380)	(2,786)
22	Provision (Credit) for income taxes	(830)	(888)
23	Income (Loss) Before Extraordinary Items	(550)	(1,898)
24	Extraordinary items (net of income taxes - 19 <u>87</u> , \$ -0- ; 19 <u>86</u> \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ (550)	\$ (1,898)

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 87 and 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:				
1	Beginning balance (January 1)	100	\$ 1	100	\$ 1
2	Sale of stock				
3	.....			
4	Ending balance	100	1	100	1
	Preferred Stock:				
5	Beginning balance (January 1)	70,609	78,902	70,609	78,902
6	Sale of stock				
7	.....			
8	Ending Balance	70,609	78,902	70,609	78,902
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		29,565		29,565
10	.....			
11	.....			
12	Ending balance		29,565		29,565
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		23,520		16,989
26	Prior period adjustments				
27	Net income (loss)		907		6,531
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		24,427		23,520
32	Ending Stockholders' Equity		\$ 132,895		\$ 131,988

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$	\$
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)		
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	()
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$	\$

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

NOT APPLICABLE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u> Restated 12/31/87
1	Net Cash Provided (Used) By Operating Activities.....	\$ 32,214	\$ (176,119)
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(72,558)	(14,531)
5	Proceeds from disposition of property and equipment.....	24	214
6	Purchase of casino reinvestment obligations.....	(2,579)	(2,657)
7	Purchase of other investments and loans/advances made.....	31,685	184,050
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....		
10	.....	
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	(43,428)	167,076
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt		
15	Cash proceeds from issuance of long-term debt.....	19,081	-0-
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(6,030)	(4,886)
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21	.....	
22	.....	
23	Net Cash Provided (Used) By Financing Activities.....	13,051	(4,886)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	1,837	(13,929)
25	Cash And Cash Equivalents At Beginning Of Year	6,783	20,712
26	Cash And Cash Equivalents At End Of Year.....	\$ 8,620	\$ 6,783

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).....	\$ 347	\$ 282
28	Income taxes.....	\$ 1,906	\$ 906

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u> Restated 12/31/87
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 907	\$ 6,531
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	10,444	9,480
31	Amortization of other assets.....	307	306
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	(2,777)	852
35	(Gain) loss on disposition of property and equipment.....	60	32
36	(Gain) loss on casino reinvestment obligations.....	1,198	(658)
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	782	(30,425)
39	Net (increase) decrease in inventories.....	193	5
40	Net (increase) decrease in other current assets.....	(96)	(1,158)
41	Net (increase) decrease in other assets.....	(318)	91
42	Net increase (decrease) in accounts payables.....	(1,095)	(281)
43	Net increase (decrease) in other current liabilities excluding debt.....	9,917	(575)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	12,692	(160,319)
45	.....	
46	.....	
47	Net Cash Provided (Used) By Operating Activities.....	\$ 32,214	\$ (176,119)

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ (74,616)	\$ (17,595)
49	Less: Capital lease obligations incurred.....	(2,058)	(3,064)
50	Cash Outflows For Property And Equipment.....	\$ (72,558)	\$ (14,531)
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$	\$

Casino Revenue
Casino revenue
difference between
Compl...

ADAMAR OF NEW JERSEY, INC.
DBA TROPICANA HOTEL/CASINO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1987

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation.

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

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

Inventories

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

Property and equipment

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

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

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

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

Deferred charges

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

Casino Revenue

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

Complimentaries

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

Income taxes

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

SALE/LEASEBACK TRANSACTION

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

In addition to the transfer of assets to AGP, the Company leased the land on which the Tropicana is located to AGP for a term of 65 years, and leased back the assets and land from AGP under a 10-year lease agreement with three 10-year renewal options. For financial reporting purposes, the leaseback has been principally treated as an operating lease (see "Lease Obligations") except for the portion related to furniture and equipment, which has been capitalized.

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

In September 1986, AGP refinanced its original first mortgage borrowings (including the \$50,000,000 Junior participation held by Adamar) by issuing \$175,000,000 principal amount of 12% First Mortgage Notes due 1996 (the "Notes"). All costs and expenses relating to the issuance of the Notes were paid by Ramada.

	1987	1986
Land	\$ 38,842,000	\$ 35,349,000
Buildings, furniture and fixtures	78,806,000	70,009,000
Less accumulated depreciation	(37,376,000)	(29,104,000)
Construction in progress	23,272,000	14,511,000
Real Property and Equipment	\$ 103,544,000	\$ 90,765,000

In September 1986, the Company entered into a guaranteed maximum price construction contract to build an expansion at the Atlantic City Tropicana. The project includes 37,000 square feet of additional casino area, a two-acre indoor theme park, restaurant facilities with an additional 1,100 seats and an additional 508 hotel rooms. A three-story concourse containing the casino expansion will span the street between the expansion facility and the existing Tropicana, linking the two structures so as to comprise a single integrated hotel/casino. The expansion is planned to be completed by early 1989.

Ramada has an option to repurchase AGP's interest in the Atlantic City Tropicana commencing in 1991 for a minimum repurchase price of \$268,900,000 and a maximum repurchase price of \$375,000,000.

The Company is financing the construction of the expansion with proceeds from the repayment of the Junior Participation note receivable and additional construction financing of approximately \$140,000,000. Pursuant to a Hotel/Casino Expansion Agreement, the expansion may be sold to AGP on a "turn-key" basis. In the event that such a sale would result in a material adverse tax or economic impact on the investors in AREI, the expansion facility would not be sold to AGP, but may be retained by an affiliate of Adamar or sold to another entity. In any event, upon completion of the expansion, the Notes and the \$140,000,000 construction financing will be secured ratably on the expanded facility, and the Atlantic City Tropicana will be operated as a single integrated facility.

Beginning in 1985, the Company started to 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 receivable (the FF&E Mortgage) with AGP. As of December 31, 1987 and 1986, respectively, the mortgage notes totaled \$6,658,000 and \$4,958,000. 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. For financial reporting purposes this lease will be treated as a capital lease. No principal or interest payments are made on the FF&E Mortgages until maturity.

In addition, Ramada 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, 1987 and 1986, the components of property and equipment consisted of:

	<u>1987</u>	<u>1986</u>
Land	\$ 35,542,000	\$ 35,348,000
Building, furniture and fixtures	78,836,000	70,009,000
Less accumulated depreciation	(37,378,000)	(27,104,000)
Construction in progress	<u>79,972,000</u>	<u>14,631,000</u>
Total Property and Equipment	<u>\$156,972,000</u>	<u>\$ 92,884,000</u>

NOTE 2. LONG-TERM DEBT

At December 31, 1987 and 1986, long-term debt consisted of:

	<u>1987</u>	<u>1986</u>
Notes payable; prime minus 1%, maturities to 2009	\$ 466,000	\$ 488,000
Mortgages payable; 10%, maturities to 1994	325,000	329,000
Mortgage payable; 11%, matures 1988	180,000	-0-
Construction loan payable; various interest rate options ranging from prime plus 3/4% to LIBOR plus 1 3/4%, matures 1989	18,901,000	-0-
Obligations under capital leases	<u>18,747,000</u>	<u>22,693,000</u>
	38,619,000	23,510,000
Less current portion	<u>(7,411,000)</u>	<u>(5,948,000)</u>
Long-term portion	<u>\$31,208,000</u>	<u>\$17,562,000</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:

1988	\$ 7,411,000
1989	27,241,000
1990	1,817,000
1991	1,062,000
1992	420,000
Thereafter	<u>668,000</u>
TOTAL	<u>\$38,619,000</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, 1987 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 26 years and generally provide for the payment of taxes, insurance and maintenance (executory costs) by the lessee. Some of these leases have provisions for renewal options primarily under similar terms, and/or options to purchase at various dates.

In connection with the sale/leaseback transaction of the Company, the leaseback has been principally recorded 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 ten years (but may be extended an additional two years under certain circumstances), with options to extend the term for three consecutive terms of ten years each. The basic rent has been adjusted for changes in the Consumer Price Index subject to ceilings in the cumulative percentage increase, beginning in 1987, and will be adjusted every two years thereafter. The lease also provides for the payment of certain executory costs by Adamar. In addition, Ramada has an option to repurchase the building and hotel assets, as expanded, from AGP commencing in 1991. (See "Sale/Leaseback Transaction").

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 lease. The Company is committed to pay the lessee an amount, if any, to assure that over the ninety-five year term of the lease, the parking structure has gross revenue of at least (i) \$1,600,000 (adjusted, after the tenth year, for changes in the Consumer Price Index) between September 15th of each year and May 15th of the next year and (ii) \$1,800,000 (increased each year by \$100,000 and calculated cumulatively) between May 16th and September 14th of each year.

In the ordinary course of business or asserted by way of defense in the above-captioned matters.

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

Minimum future lease obligations on non-cancelable leases at December 31, 1987 are as follows (in thousands):

YEAR	OPERATING	CAPITAL
1988	\$ 46,467	\$ 11,306
1989	46,176	10,817
1990	53,231	2,644
1991	53,113	1,389
1992	52,546	477
Thereafter	<u>439,995</u>	<u>12</u>
Total	<u>\$691,528</u>	<u>\$ 26,645</u>
Amount representing executory costs		(1,579)
Amount representing interest		<u>(6,319)</u>
Net present value		18,747
Less current portion		<u>(7,204)</u>
Long-term portion		<u>\$ 11,543</u>

Total rental expenses under operating leases for 1987 and 1986 amounted to \$52,465,000 and \$49,429,000, respectively.

NOTE 6. COMMITMENTS AND CONTINGENCIES

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 until 1988 when it becomes renewable on a biannual basis. The license was renewed on October 26, 1987. Management has received no indication that future renewals will not be granted.

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

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

	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Wages	11,409	\$ 1,373,000	864	\$ 33,000
Profit	178,420	1,748,000	11,310	111,000
Overseas	732,361	993,000	-0-	-0-
Tax	-0-	-0-	1,180	406,000
Charitable/Boxing	30,928	93,000	2,447	49,000
Other Payouts	-0-	-0-	472,603	3,361,000
Other	21,883	213,000	5,237	62,000
Total	964,901	\$ 4,426,000	497,284	\$ 4,262,000

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 casino revenues for the purchase of bonds to be issued by the Casino Reinvestment Development Authority ("CRDA") or make other approved investments equal to that same amount. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase, as defined and published by a national bond index at the time of the CRDA bond issuance. Adamar's reinvestment obligation for 1987 and 1986, respectively, was \$2,579,000 and \$2,657,000 for the purchase of CRDA bonds and, accordingly, the Company recorded a loss provision of \$1,198,000 and \$658,000 to recognize the effect of the below market interest rate the bonds would have borne had they been issued on December 31, 1987 and 86, respectively.

NOTE 7. COMPLIMENTARY SERVICES

The amount of promotional allowances and promotional expenses for the twelve months ended December 31, 1987 are:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	55,064	\$ 6,424,000	2,100	\$ 84,000
Food	916,939	8,986,000	45,102	442,000
Beverage	3,828,772	4,784,000	-0-	-0-
Travel	-0-	-0-	6,238	2,183,000
Showroom/Boxing	142,563	459,000	7,200	144,000
Coin Payouts	-0-	-0-	1,897,398	23,322,000
Other	53,716	537,000	26,277	263,000
Total	4,997,054	\$21,190,000	1,984,315	\$26,438,000

The amount of promotional allowances and promotional expenses for the quarter ended December 31, 1987 are:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	11,409	\$ 1,373,000	564	\$ 23,000
Food	178,420	1,748,000	11,310	111,000
Beverage	722,361	993,000	-0-	-0-
Travel	-0-	-0-	1,160	406,000
Showroom/Boxing	30,828	93,000	2,442	49,000
Coin Payouts	-0-	-0-	471,605	5,561,000
Other	21,883	219,000	5,203	52,000
Total	964,901	\$ 4,426,000	492,284	\$ 6,202,000

NOTE 8. RELATED PARTIES

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

	<u>1987</u>	<u>1986</u>
Due to Ramada Inc.	<u>\$ 25,660,000</u>	<u>\$ 16,451,000</u>

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

	<u>1987</u>	<u>1986</u>
Advances to affiliates	<u>\$ 29,322,000</u>	<u>\$ 31,279,000</u>

For the twelve months ended December 31, 1987 and 1986 the Company incurred management fees from Ramada Inc. of \$311,000 and \$416,000 respectively.

The nature of "Charges from affiliates - other" for the twelve months ended December 31, 1987 and 1986 are as follows:

	<u>1987</u>	<u>1986</u>
Basic rent due to AGP	\$ 44,462,000	\$ 42,146,000
Rent	<u>695,000</u>	<u>1,274,000</u>
Total	<u>\$ 45,157,000</u>	<u>\$ 43,420,000</u>

Insurance amounts include various premiums for the property and contents and claim settlements.

INTEREST

Interest expenses of \$1,242,000 and \$4,234,000 in the twelve months of 1987 and 1986, respectively, is comprised of interest on capital leases, notes and mortgages.

	<u>1987</u>	<u>1986</u>
Gross Interest Expense Incurred	\$ 4,365,000	\$ 4,513,000
Less Capitalized Interest	(3,123,000)	(279,000)
Capitalized Interest Allocated to Ramada	<u>129,000</u>	<u>-0-</u>
	<u>\$ 1,242,000</u>	<u>\$ 4,234,000</u>

For the twelve months ended December 31, 1987 and 1986 the Company incurred charges from affiliates which are indicated in the accompanying Statements of Income as Cost of goods and services and Selling, general, and administrative. The nature of the charges and dollar amounts are as follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
<u>COST OF GOODS AND SERVICES</u>			
Executive Deferred Compensation Plan	\$ 5,000	\$ 7,000	
Workman's Compensation	<u>110,000</u>	<u>369,000</u>	
Total	<u>\$ 115,000</u>	<u>\$ 376,000</u>	

	<u>1987</u>	<u>1986</u>	<u>1985</u>
<u>SELLING, GENERAL AND ADMINISTRATIVE</u>			
Insurance (1)	\$ 624,000	\$ 6,000	
Leased Automobile Expense	6,000	26,000	
Executive Deferred Compensation Plan	59,000	97,000	
Legal & Professional Fees	334,000	-	
Miscellaneous Purchases	<u>42,000</u>	<u>20,000</u>	
Total	<u>\$1,105,000</u>	<u>\$ 149,000</u>	

(1) Insurance amounts include various premiums for the property and contents and claim settlements.

NOTE 9. INTEREST

Interest expenses of \$1,242,000 and \$4,234,000 in the twelve months of 1987 and 1986, respectively, is comprised of interest on capital leases, notes and mortgages.

	<u>1987</u>	<u>1986</u>
Gross Interest Expense Incurred	\$ 4,265,000	\$ 4,513,000
Less Capitalized Interest	(3,212,000)	(279,000)
Capitalized Interest Allocated to Ramada	<u>189,000</u>	<u>-0-</u>
Total	<u>\$ 1,242,000</u>	<u>\$ 4,234,000</u>

NOTE 10. INCOME TAXES/BENEFITS

The provision/(benefit) for income taxes from continuing operations is comprised of the following:

	<u>1987</u>	<u>1986</u>
State Deferred		
Federal Deferred	\$ (482,000)	\$ 145,000
Total Deferred	<u>(2,295,000)</u>	<u>707,000</u>
State Current		
Federal Current	670,000	1,052,000
Total Current	<u>3,056,000</u>	<u>4,866,000</u>
TOTAL	<u>\$ 949,000</u>	<u>\$ 6,770,000</u>

The following table provides a reconciliation between the provision/(benefit) for income taxes on continuing operations and the federal statutory rate (1987-40%, 1986-46%) when both are expressed as a percentage of pretax income/(loss):

	<u>1987</u>	<u>1986</u>
Computed expected tax expense		
Increase/(Decrease)	40.0%	46.0%
in tax resulting from:		
State taxes, net	6.1%	4.9%
Permanent tax difference	<u>5.0%</u>	<u>0%</u>
Total	<u>51.1%</u>	<u>50.9%</u>

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

NOTE 11. PENSION PLANS

Effective June 1, 1985, Adamar adopted a retirement savings plan for its non-union employees who have completed one full year of service under Section 401 (K) of the Internal Revenue Code. The plan allows employees of Adamar to defer up to a maximum amount of \$7,000 of their income on a pre-tax basis through contributions to the plan. Adamar does not make contributions to the individual employee's plan, but does incur all administrative expenses related to the plan.

The Company also makes contributions based on hours worked, as specified in five union agreements, to union administered, multiemployer, defined contribution pension plans. Contributions for these plans during 1987 and 1986 amounted to \$471,000 and \$464,000.

III. SUPPORTING SCHEDULES FOR MATERIAL ITEMS

NOTE 1. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At December 31, 1987 and 1986, Prepaid expenses and Other current assets consisted of the following:

	<u>1987</u>	<u>1986</u>
Prepaid Slot Machine Licenses	\$ 436,000	\$ 369,000
Prepaid Rent	87,000	48,000
Prepaid NJ current corporate license	655,000	496,000
Prepaid Insurance-Property	317,000	553,000
Other	<u>1,309,000</u>	<u>1,242,000</u>
TOTAL	<u>\$ 2,804,000</u>	<u>\$ 2,708,000</u>

NOTE 2. INVESTMENTS, ADVANCES, AND RECEIVABLES

At December 31, 1987 and 1986, Investments, Advances, and Receivables consisted of the following:

	<u>1987</u>	<u>1986</u>
Investment Alternative Tax	\$ 5,207,000	\$ 5,797,000
Mortgage receivable	8,511,000	5,662,000
Long-term investment	8,856,000	41,478,000
Long-term note receivable	<u>58,000</u>	<u>-0-</u>
Total	<u>\$ 22,632,000</u>	<u>\$ 52,937,000</u>

NOTE 3. OTHER ACCRUED EXPENSES

At December 31, 1987 and 1986, Other accrued expenses consisted of the following:

	<u>1987</u>	<u>1986</u>
Accrued payroll taxes and benefits	\$ 7,415,000	\$ 7,403,000
Accrued advertising	847,000	1,374,000
Accrued rent	286,000	241,000
Accrued taxes	456,000	858,000
Accrued progressive slot win	1,530,000	399,000
Accrued CCC & DGE	420,000	603,000
Accrued miscellaneous	957,000	1,031,000
Other	<u>551,000</u>	<u>539,000</u>
Total	<u>\$ 12,462,000</u>	<u>\$ 12,448,000</u>

NOTE 4. OTHER CURRENT LIABILITIES

At December 31, 1987 and 1986, Other current liabilities consisted of the following:

	(UNAUDITED) 1987	1986
	(\$ IN THOUSANDS)	
Reinvestment Obligation	\$ 580,000	\$ 575,000
Accrued construction payables	10,288,000	463,000
Other	<u>1,716,000</u>	<u>1,019,000</u>
Total	<u>\$ 12,584,000</u>	<u>\$ 2,057,000</u>

NOTE 5. OTHER LIABILITIES

At December 31, 1987 and 1986, Other liabilities consisted of the following:

	1987	1986
Due to Ramada Inc.	\$ 25,660,000	\$ 16,451,000
Deferred rent	<u>11,527,000</u>	<u>8,044,000</u>
TOTAL	<u>\$ 37,187,000</u>	<u>\$ 24,495,000</u>

NOTE 6. NON-OPERATING INCOME/(EXPENSE)

For the period ending December 31, 1987 and 1986, Non-operating income/(expense) consisted of the following:

	1987	1986
Interest income	\$ 2,761,000	\$ 4,874,000
Management fee reimbursement	500,000	500,000
Leased land rental	5,542,000	5,542,000
Maintenance reimbursement	9,639,000	9,092,000
Loss on dispositions	<u>(60,000)</u>	<u>(32,000)</u>
Total	<u>\$ 18,382,000</u>	<u>\$ 19,976,000</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(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	4,637		
2	Returned patrons' checks	14,239		
3	Total patrons' checks	18,876	(9,650)	9,226
4	Hotel Receivables	344	(18)	326
	Other Receivables:			
5	Receivables due from officers and employees.....	8		
6	Receivables due from affiliates	29,322		
7	Other accounts and notes receivables	1,348		
8	Total other receivables	30,678		1,356
9	Totals (Form 305).....	\$ 49,898	\$ (9,668)	\$ 40,230

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 7,635
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	168,272
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)	(120,598)
13	Checks collected through deposits	(37,684)
14	Checks transferred to returned checks	(12,988)
15	Other adjustments	
16	Ending Balance	\$ 4,637
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 3,526
19	Provision As A Percent Of Counter Checks Issued	2.1

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE TROPICANA HOTEL/CASINO

CASINO DEPARTMENTAL SCHEDULE

STATE OF

COUNTY OF

FOR THE YEAR ENDED DECEMBER 31, 1987

(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	\$ 48,293	\$ 303,397	15.9 %	82
2	Craps	29,669	211,115	14.1	20
3	Roulette	9,568	35,964	26.6	11
4	Big Six	2,154	4,342	49.6	2
5	Baccarat	5,659	38,763	14.6	2
6	Other table games	-	-	-	-
7	Total table games revenue	95,343	\$ 593,581	16.1 %	117
			HANDLE		
8	\$.05 slot machines	2,717	\$ 17,961	15.1 %	82
9	\$.25 slot machines	45,430	333,099	13.6	766
10	\$1.00 slot machines	25,795	224,812	11.5	248
11	Other slot machines	41,756	417,096	10.0	498
12	Total coin-operated devices revenue	115,698	\$ 992,968	11.7 %	1,594
13	Progressive jackpot adjustment	(1,131)			
14	Total coin-operated devices revenue after adjustment	114,567			
15	Other income	-			
16	Total revenue	209,910			
	Expenses:				
17	Payroll and payroll related expenses	33,371			
18	Licenses and taxes	18,460			
19	Provision for uncollectible patrons' checks	3,526			
20	Other	2,090			
21	Total	57,447			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	152,463			
	Complimentary services and casino management fees:				
23	Complimentary services	2			
24	Casino management fees	-			
25	Total	2			
26	Departmental Income (Loss)	\$ 152,461			

GROSS REVENUE
ANNUAL TAX RETURN

STATE OF MISSISSIPPI

DEPARTMENT OF REVENUE

REVENUE OFFICE

RECEIVED

MISSISSIPPI

1952

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$ 95,343,135
2	Coin-operated devices revenue	115,697,922
3	Total revenues	<u>\$ 211,041,057</u>
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 3,526,302
5	Maximum adjustment (4% of line 3)	\$ 8,441,642
6	Adjustment (the lesser of line 4 or line 5)	<u>3,526,302</u>
7	Gross revenues (line 3 less line 6)	<u>\$ 207,514,755</u>
8	Tax on gross revenues - current year (8% of line 7)	<u>\$ 16,601,180</u>
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)	<u>16,601,180</u>
	Deposits made for tax on current year's gross revenues:	
11	January	\$ 1,215,686
12	February	1,288,363
13	March	1,473,174
14	April	1,332,948
15	May	1,477,106
16	June	1,411,987
17	July	1,589,612
18	August	1,717,154
19	September	1,391,205
20	October	1,403,241
21	November	1,188,985
22	December	1,101,868
23	January	9,851
24	Total deposits made for tax on current year's gross revenues	<u>(16,601,180)</u>
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)	<u>\$ -0-</u>

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF :
COUNTY OF :SS.
:

Lester Brzozowski, being duly sworn according
Name

to law upon my oath deposes and says:

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

Lester Brzozowski
Signature

Vice President of Finance
Title

3032-11
License Number

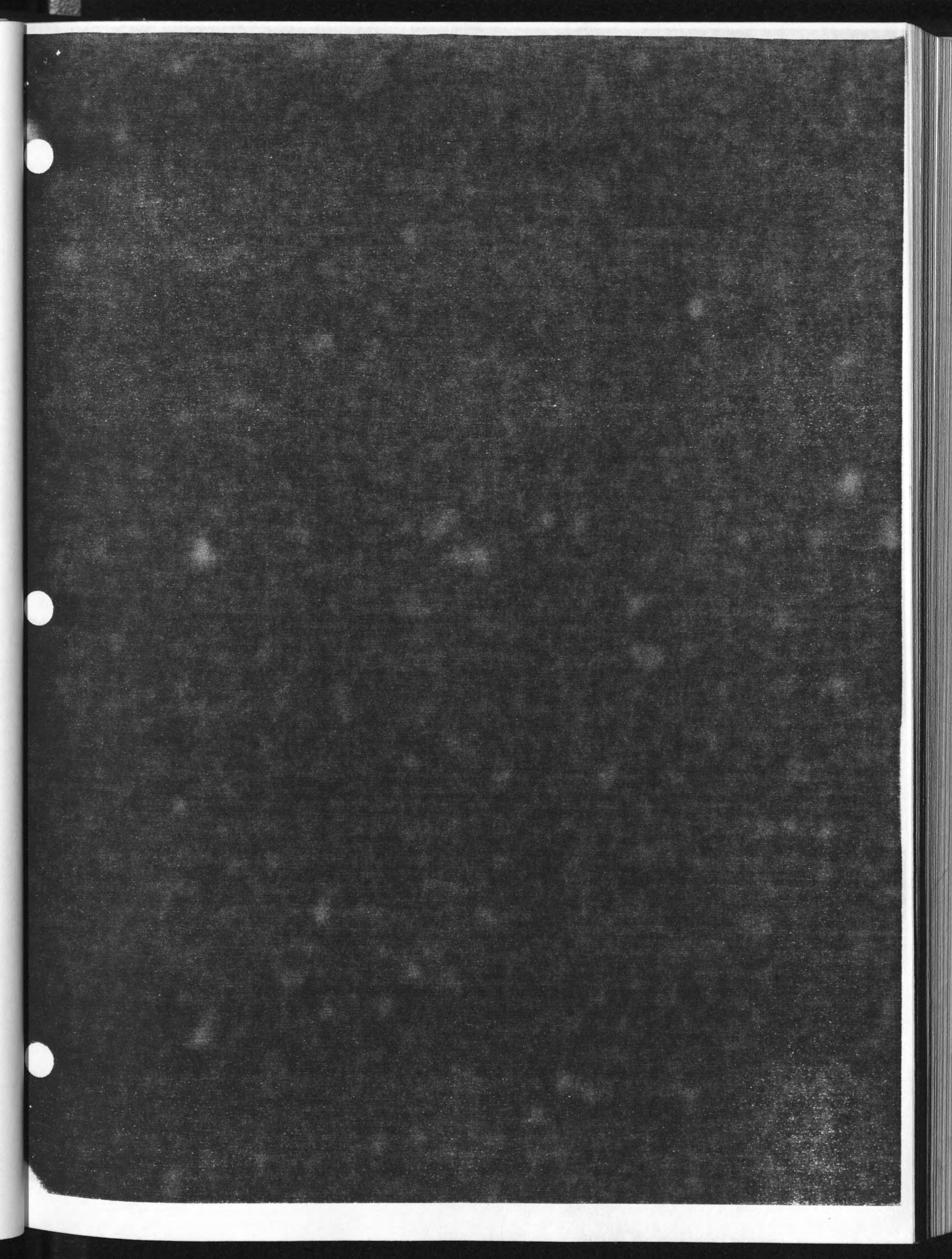
Subscribed and sworn to
before me this 14 day
of March, 1988.

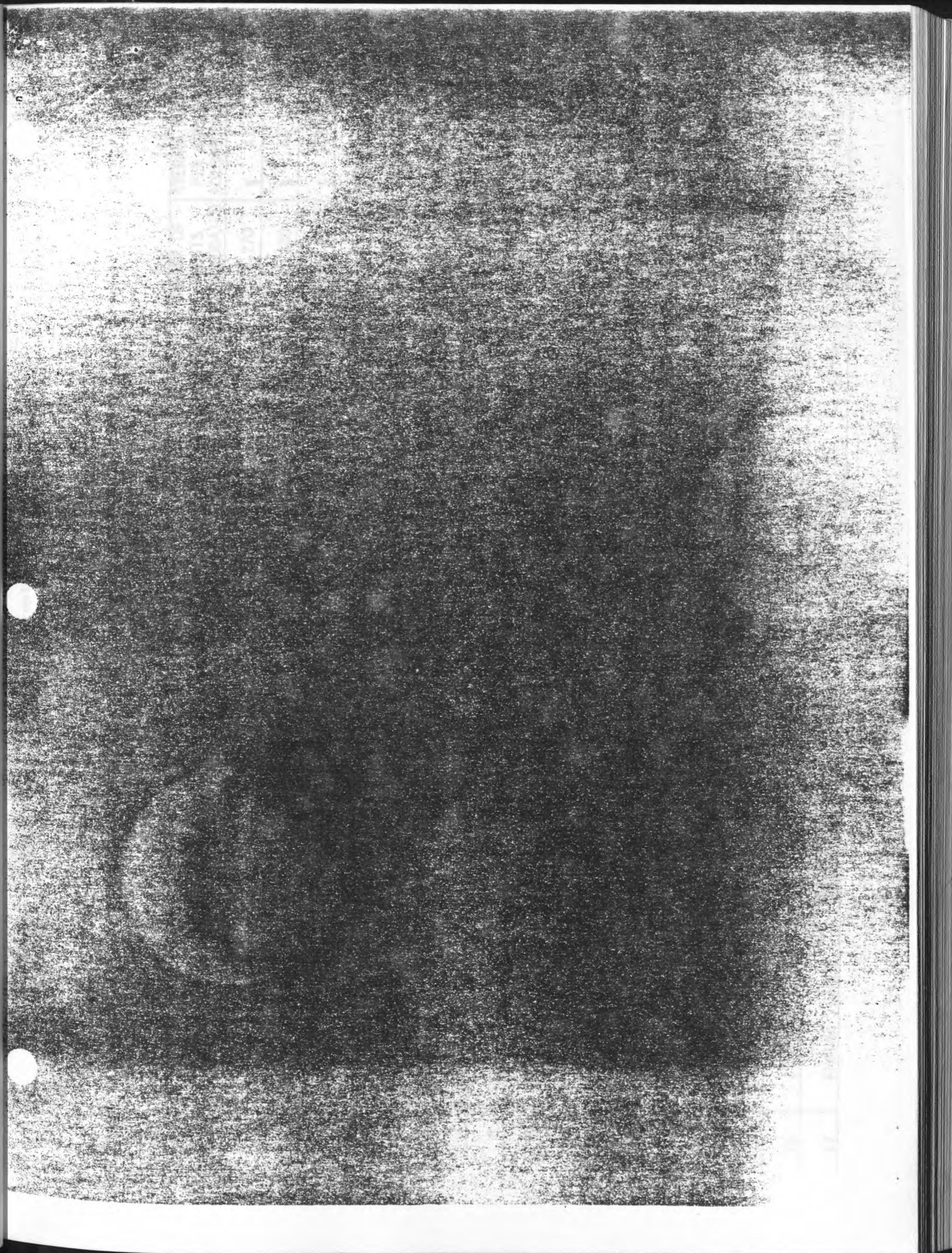
Dolores Durfor
Signature

DOLORES DURFOR
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Aug 22 1989

On Behalf Of:
Tropicana Hotel & Casino
Casino Licensee

Basis of Authority
to Take Oaths





HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1987

(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	513	14,364	10,254	\$ 82.72	71.4 %	20,270	\$ 41.85
2	FEBRUARY	513	17,955	15,363	\$ 81.14	85.6 %	30,280	\$ 41.17
3	MARCH	507	14,196	13,108	\$ 81.17	92.3 %	24,545	\$ 43.35
4	1ST QUARTER TOTALS		46,515	38,725	\$ 81.57	83.3 %	75,095	\$ 42.06
5	APRIL	507	14,196	13,119	\$ 82.12	92.4 %	25,762	\$ 41.82
6	MAY	507	17,745	15,802	\$ 86.57	89.1 %	30,652	\$ 44.63
7	JUNE	507	14,198	13,489	\$ 84.90	95.0 %	26,387	\$ 43.40
8	2ND QUARTER TOTALS		46,139	42,410	\$ 84.66	91.9 %	82,801	\$ 43.36
9	JULY	507	14,198	12,700	\$ 105.34	89.4 %	25,576	\$ 52.31
10	AUGUST	507	17,745	16,076	\$ 106.86	90.6 %	32,341	\$ 53.12
11	SEPTEMBER	507	14,196	13,607	\$ 82.65	95.9 %	27,290	\$ 41.21
12	3RD QUARTER TOTALS		46,139	42,383	\$ 98.63	91.9 %	85,207	\$ 49.06
13	OCTOBER	507	14,196	13,506	\$ 84.57	95.1 %	26,621	\$ 42.90
14	NOVEMBER	507	17,745	15,216	\$ 85.77	85.7 %	30,037	\$ 43.45
15	DECEMBER	507	14,196	8,576	\$ 85.76	60.4 %	17,280	\$ 42.56
16	4TH QUARTER TOTALS		46,137	37,298	\$ 85.33	80.8 %	73,938	\$ 43.04
17	ANNUAL TOTALS		184,930	160,816	\$ 87.75	87.0 %	317,041	\$ 44.51

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE ADAMAR OF NEW JERSEY, INC.
D/B/A TROPICANA HOTEL/CASINO

ADDRESS IOWA AVENUE AND THE BOARDWALK
ATLANTIC CITY, NEW JERSEY 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**

OFFICIAL TITLE

ADDRESS

ADAMAR OF NEW JERSEY, INC.

VICE PRESIDENT OF CASINO

IOWA AVENUE AND THE BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87
 (\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
CASINO					
1	Administration	12			
2	Gaming	807			
3	Slots	132			
4	Casino accounting	371			
5	Other		\$	\$	\$
6	Total-casino		28,727		28,727
7	ROOMS	321	5,177		5,177
8	FOOD AND BEVERAGE	731	11,966		11,966
OTHER OPERATED DEPARTMENTS					
9	Communications	19	272		272
10	Gift Shop	23	363		363
11	Hotel Sales	7	229		229
12	Transportation	126	2,164		2,164
13					
14					
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	20	177	1,496	1,673
21	Accounting and auditing	179	3,596		3,596
22	Security /Surveillance.....	189	4,185		4,185
23	Other administrative and general department ..	58	1,163		1,163
24	Legal, Admin, Personnel, Human Res, MARKETING Purchasing	116	3,430		3,430
25	GUEST ENTERTAINMENT	38	971		971
26	PROPERTY OPERATION AND MAINTENANCE	79	2,732		2,732
27	TOTALS - ALL DEPARTMENTS	3,228	\$ 65,152	\$ 1,496	\$ 66,648

Trading Name of Licensee Adamar of New Jersey, Inc.
dba Tropicana Hotel/Casino

41901
C193

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NEW JERSEY STATE LIBRARY

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 19 87

LICENSEE ATLANTIC CITY SHERBET, INC. TRENTON, N.J.

ADDRESS 801 BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

March 14, 1988
Date

John McLaughlin
Signature

FOR THE YEAR ENDED DECEMBER 31, 19 87

John McLaughlin, Controller
Title

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT

G. CLIFFORD TAYLOR, JR.

OFFICIAL TITLE

VICE PRESIDENT-FINANCE/TREASURER

ADDRESS

801 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

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ANNUAL REPORT

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185 W. STATE ST.
TRENTON, N.J.

LICENSEE ATLANTIC CITY SHOWBOAT, INC.

ADDRESS 801 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT

G. CLIFFORD TAYLOR, JR.

OFFICIAL TITLE

VICE PRESIDENT-FINANCE/TREASURER

ADDRESS

801 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.

DECEMBER 31, 19 87 AND 19 86

LIST OF FORMS - ANNUAL REPORT

(S IN THOUSANDS)

FOR THE YEAR ENDED DECEMBER 31, 19 87

LINE NO.	DESCRIPTION (S)	(S) 19 <u>87</u>	(S) 19 <u>86</u>
ASSETS			
	Current Assets:		
	Cash and cash equivalents	34,522	
	Accounts receivable		
	Prepaid expenses and patrons' checks (net of allowance for doubtful)		
	Other current assets		
	Total Current Assets		
	Fixed Assets:		
	Land		
	Buildings		
	Equipment		
	Other fixed assets		
	Total Fixed Assets		
	Total Assets		
	LIABILITIES AND EQUITY		
	Liabilities:		
	Accounts payable		
	Notes payable		
	Accrued expenses		
	Deferred credits		
	Other liabilities		
	Total Liabilities		
	Equity:		
	Common stock		
	Retained earnings		
	Other equity		
	Total Equity		
	Total Liabilities and Equity		

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 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	ASSETS		
	Current Assets:	\$	\$
1	Cash	34,522	
2	Marketable securities		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$ 562 ; 19 <u>86</u> , \$) .. Note 3	5,726	
4	Inventories	2,859	
5	Prepaid expenses and other current assets	2,286	
6	Total current assets	45,393	
7	Investments, Advances, And Receivables	9,494	
8	Property And Equipment - Net	226,320	
9	Other Assets	11,514	
10	Total Assets	\$ 292,721	\$
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
11	Accounts payable	8,400	
12	Notes payable	-0-	
	Current portion of long-term debt:		
13	Due to affiliates	-0-	
14	Other	2,145	
15	Income taxes payable and accrued	-0-	
16	Other accrued expenses	5,359	
17	Other current liabilities	6,582	
18	Total current liabilities	22,486	
	Long-Term Debt:		
19	Due to affiliates	180,000	
20	Other	17,421	
21	Deferred Credits	65	
22	Other Liabilities	9,447	
23	Commitments And Contingencies		
24	Total Liabilities	229,419	
25	Stockholders', Partners', Or Proprietor's Equity	63,302	
26	Total Liabilities And Equity	\$ 292,721	\$

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino Note 1	\$ 145,982	\$
2	Rooms	11,256	
3	Food and beverage	29,000	
4	Other	3,177	
5	Total revenue	189,415	
6	Less: promotional allowances Note 1 & 14	13,870	
7	Net revenue	175,545	
	Costs And Expenses:		
8	Cost of goods and services	106,362	
9	Selling, general, and administrative	36,257	
10	Provision for doubtful accounts	753	
11	Total	143,372	
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	32,173	
13	Depreciation and amortization Note 1	10,893	
	Charges from affiliates:		
14	Interest Note 1	15,459	
15	Management fees Note 2	9,447	
16	Other		
17	Interest expense - external Note 8	2,228	
18	Income (Loss) From Operations	< 5,854 >	
19	Nonoperating income (expense) - net Note 11 ..	< 21,756 >	
20	Investment alternative tax and related income (expense) - net.....		
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	< 27,610 >	
22	Provision (Credit) for income taxes Note 1 & 10	< 13,917 >	
23	Income (Loss) Before Extraordinary Items	< 13,693 >	
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	\$ < 13,693 >	\$

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino Note. 1	\$ 41,184	\$
2	Rooms	3,355	
3	Food and beverage	9,163	
4	Other	1,103	
5	Total revenue	54,805	
6	Less: promotional allowances Note. 1 & 14	4,939	
7	Net revenue	49,866	
	Costs And Expenses:		
8	Cost of goods and services	34,824	
9	Selling, general, and administrative	12,083	
10	Provision for doubtful accounts	423	
11	Total	47,330	
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	2,536	
13	Depreciation and amortization Note. 1	3,693	
	Charges from affiliates:		
14	Interest Note. 1	4,988	
15	Management fees Note. 2	2,693	
16	Other		
17	Interest expense - external Note. 8	735	
18	Income (Loss) From Operations	< 9,573 >	
19	Nonoperating income (expense) - net	597	
20	Investment alternative tax and related income (expense) - net.....		
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	< 8,976 >	
22	Provision (Credit) for income taxes Note. 1	< 3,076 >	
23	Income (Loss) Before Extraordinary Items		
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-0-	
25	Net Income (Loss)	\$ < 5,900 >	\$

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 87 and 19 86

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETORS' EQUITY
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	2,500 shares authorized				
	Common Stock:				
1	Beginning balance (January 1)	1,500	\$ 74,999		\$
2	Sale of stock				
3	<u>Equity contribution by parent.....</u>		1,910		
4	Ending balance	1,500	76,909		
	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)		86		
26	Prior period adjustments				
27	Net income (loss)		< 13,693 >		
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		< 13,607 >		
32	Ending Stockholders' Equity		\$ 63,302		\$

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

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	NOT APPLICABLE	
		(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Invested Capital: (Used) By Investing Activities:		
1	Beginning balance (January 1)	\$ 50	\$
2	Additional capital invested	N/A	
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		
14	Marketable Equity Securities:		
15	Beginning balance (January 1)	()	()
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$	\$

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ < 2,985 >	\$
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	< 41,212 >	
5	Proceeds from disposition of property and equipment.....	10	
6	Purchase of casino reinvestment obligations.....		
7	Purchase of other investments and loans/advances made.....	< 9,494 >	
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	< 50,696 >	
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt		
15	Cash proceeds from issuance of long-term debt.....	196,306	
16	Costs of issuing debt.....	6,189	
17	Payments to settle long-term debt.....	<120,959 >	
18	Cash proceeds from issuing stock or capital contributions.....	1,910	
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	83,446	
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	29,765	
25	Cash And Cash Equivalents At Beginning Of Year	4,757	
26	Cash And Cash Equivalents At End Of Year.....	\$ 34,522	\$

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 10,067	\$
28	Income taxes.....	\$ 1,411	\$

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 1986

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 87	(d) 19 86
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ < 13,693 >	\$
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	11,014	
31	Amortization of other assets.....	1	
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	< 1,411 >	
35	(Gain) loss on disposition of property and equipment.....		
36	(Gain) loss on casino reinvestment obligations.....		
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	< 5,725 >	
39	Net (increase) decrease in inventories.....	< 2,841 >	
40	Net (increase) decrease in other current assets.....	< 1,954 >	
41	Net (increase) decrease in other assets.....	3,009	
42	Net increase (decrease) in accounts payables.....	< 11,583 >	
43	Net increase (decrease) in other current liabilities excluding debt.....	10,336	
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	9,432	
45	<u>Amortization of bond issuance costs accounted for as interest expense</u>	430	
47	Net Cash Provided (Used) By Operating Activities.....	\$ < 2,985 >	\$

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ < 53,900 >	\$
49	Less: Capital lease obligations incurred.....	< 12,688 >	
50	Cash Outflows For Property And Equipment.....	\$ < 41,212 >	\$
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -0-	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$ 1,910	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ 1,910	\$

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

CASINO DEPARTMENT SCHEDULE

DECEMBER 31, 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE-(e) NET OF ALLOWANCE
1	Patrons' Checks:			
	Undeposited patrons' checks	\$ 2,286		
2	Returned patrons' checks	591		
3	Total patrons' checks	2,877	\$ 406	\$ 2,471
4	Hotel Receivables	1,796	156	1,640
5	Other Receivables:			
	Receivables due from officers and employees.....	4		
6	Receivables due from affiliates <i>Note 1</i>	1,342		
7	Other accounts and notes receivables	269		
8	Total other receivables	1,615		1,615
9	Totals (Form 305).....	\$ 6,288	\$ 562	\$ 5,726

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)	50,421
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)	(39,814)
13	Checks collected through deposits	(7,730)
14	Checks transferred to returned checks	(591)
15	Other adjustments	-0-
16	Ending Balance	\$ 2,286
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 406
19	Provision As A Percent Of Counter Checks Issued .....	.8

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(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	\$ 27,337	\$ 173,127	15.79 %	74
2	Craps	20,243	122,167	16.57	22
3	Roulette	7,520	28,515	26.37	12
4	Big Six	1,776	4,041	43.95	4
5	Baccarat	3,546	22,320	15.89	2
6	Other table games	-0-	-0-	-0-	0
7	Total table games revenue	60,422	\$ 350,170	17.26 %	114
			HANDLE		
8	\$.05 slot machines	3,684	\$ 25,003	14.73 %	124
9	\$.25 slot machines	43,752	320,481	13.65	868
10	\$1.00 slot machines	9,769	81,310	12.01	170
11	Other slot machines	28,815	242,547	11.88	467
12	Total coin-operated devices revenue	86,020	\$ 669,341	12.85 %	1,628
13	Progressive jackpot adjustment	< 460 >			
14	Total coin-operated devices revenue after adjustment	85,560			
15	Other income	-0-			
16	Total revenue	145,982			
	Expenses:				
17	Payroll and payroll related expenses	24,446			
18	Licenses and taxes	12,503			
19	Provision for uncollectible patrons' checks	406			
20	Other	20,402			
21	Total	57,757			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	88,225			
	Complimentary services and casino management fees:				
23	Complimentary services	12,860			
24	Casino management fees	-0-			
25	Total	12,860			
26	Departmental Income (Loss)	\$ 75,365			

ATLANTIC CITY SHOWBOAT, INC.
ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Atlantic City Showboat (ACS), is a wholly-owned subsidiary of Ocean Showboat, Inc. (OSI). OSI is a 97.24% owned subsidiary of Showboat, Inc. (SBI). Additionally, OSI also owns all of the stock of Ocean Showboat Finance Corporation (OSF). On March 30, 1987, ACS commenced limited services of hotel, restaurant, bar, bowling, and convention facilities at the Showboat Hotel, Casino and Bowling Center in Atlantic City, New Jersey. Full operation of the casino commenced on April 2, 1987.

Casino Revenue and Complimentaries

In accordance with common industry practice, casino revenues are net of gaming wins less losses.

Complimentaries consist of rooms, food, and beverage furnished gratuitously to customers. The sales values of such services are included in the respective revenue classifications and are then deducted as complimentary expenses.

Cash

Included in cash are cash equivalents of \$25,053,000. These are repurchase agreements and commercial paper which have short-term maturities.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in first-out method.

Property and Equipment

Property and equipment are carried at cost. Depreciation, including amortization of capitalized leases, is computed using the straight-line method. Prior to commencement of operations, depreciation of \$304,000 was capitalized as a preopening cost. Subsequent to March 30, 1987, the Company began charging depreciation to operations. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Estimated useful lives for property and equipment are 40 years for buildings and 5 years for furniture and equipment.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Costs

Prior to the commencement of operations, the Company capitalized interest costs associated with the construction and preopening phase of the Atlantic City Showboat. Interest was capitalized at the effective rate of such borrowed funds. At the commencement of operations on March 30, 1987, the Company ceased capitalizing interest.

SBI issued subordinated debentures for the purpose of funding a portion of the construction and preopening costs of the Atlantic City Showboat. The proceeds from the sale of the debentures, aggregating \$46.5 million, were either contributed to the capital of OSI or initially loaned to OSI and subsequently contributed to its capital. SBI has incurred and paid interest to debentureholders, and OSI has not incurred any direct interest costs on such funds. Accordingly, OSI has accounted for this payment of interest by SBI as a contribution to the capital of OSI, and has added the corresponding costs to the construction cost of the Atlantic City Showboat. At the commencement of operations on March 30, 1987, ACS ceased adding interest paid by SBI to capital and construction costs.

Income Taxes

The Company has consented to be included in the consolidated Federal income tax group of Showboat, Inc. and Subsidiaries and is under a tax allocation agreement with SBI. Accordingly, income taxes are allocated based on the agreement which reflects the separate return method except that tax benefits available to the Company are recognized to the extent utilized by the consolidated group, including carrybacks.

Deferred income taxes are provided in amounts sufficient to give effect to timing differences between financial and tax reporting, principally related to depreciation, interest costs and preopening costs.

Preopening Costs

Until the Atlantic City Showboat opened for business on March 30, 1987, all operating expenses were capitalized as preopening costs. Preopening costs of \$23,762,000 were charged to operations during the twelve month period ending December 31, 1987.

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of Debt Issuance Cost

Costs associated with the issuance of debt have been deferred and are being amortized over the life of the related indebtedness using a weighted average method based on retirement schedules specified in the bond indenture.

2. RELATED PARTY TRANSACTIONS

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

In consideration for such services and license, ACS has agreed to pay SBI a fee equal to five percent of gross revenues, payable on a quarterly basis. The Bond Indenture of OSF provides that this management fee may not be paid during any period in which certain tests are not met, including that no fees can be paid until there have been four full quarters of operations. As of December 31, 1987, management fees of \$9,447,000 have been accrued.

3. RECEIVABLES

Receivables consist of the following:

	December 31
1987	1987
Casino	\$ 2,877,000
Hotel	1,796,000
Income Tax Receivable	1,342,000
Other	273,000
	6,288,000
Less allowance for doubtful accounts	562,000
	\$ 5,726,000

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

4. PROPERTY AND EQUIPMENT

OTHER CURRENT LIABILITIES	<u>December 31</u>
Other current liabilities consist of the following:	<u>1987</u>
Building and Improvements	\$184,749,000
Furniture, Fixtures & Equipment	29,906,000
Vehicles	544,000
Properties under capital lease	
Building	2,050,000
Furniture, Fixtures & Equipment	19,646,000
Construction in Progress	641,000
	<u>237,536,000</u>
Less accumulated depreciation and amortization	<u>11,216,000</u>
	<u>\$226,320,000</u>

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

Promissory note to OSF, secured by the collateral assignment of a first leasehold mortgage on ACS's ground lease on the site of the Atlantic City Showboat, the Atlantic City	<u>December 31</u>
in personal	<u>1987</u>
Salaries and Wages	\$ 2,001,000
Taxes - Other	604,000
Payroll Taxes	497,000
DGE/CCC Charges	434,000
Medical Claims	550,000
Advertising	317,000
Progressive Slot Liability	461,000
Other	495,000
	<u>\$ 5,359,000</u>

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

LONG-TERM DEBT, OTHER

6. OTHER CURRENT LIABILITIES

December 31

Other current liabilities consist of the following:

Capitalized lease obligations (Note 3)		<u>December 31</u>
		1987
Less current maturities		<u>1987</u>
Due to Affiliates - Interest	\$	5,972,000
Other		<u>610,000</u>
	\$	<u><u>6,582,000</u></u>

7. LONG-TERM DEBT, DUE TO AFFILIATES

Year ending
December 31

December 31

1988		\$ 2,133,000
1989		2,717,000
1990		2,133,000
1991		3,034,000
		<u>3,049,000</u>
		<u>6,131,000</u>
		<u><u>\$ 12,562,000</u></u>

Promissory note to OSF, secured by the collateral assignment of a first leasehold mortgage on ACS's ground lease on the site of the Atlantic City Showboat, the Atlantic City Showboat and certain personal property in the hotel casino complex. Promissory note is due 2002 with interest payable semi-annually at the annual rate of 11 3/8%

\$180,000,000

... furniture and equipment and a lease agreements. The ... furniture and equipment, which range from 3 to ... expiring through 1994, and a warehouse, which is for 15 years expiring in 1991, are classified as capital leases. The Company has the option to purchase the warehouse in the third year for \$1,925,000.

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

LEASES (continued)

ACS is leasing 10 1/2 acres of Boardwalk property in Atlantic City, New Jersey for a term of 99 years commencing October 1983. Annual rent payments of \$6,340,000, payable monthly, commenced upon ACS's opening of the Atlantic City Showboat. The rent will be adjusted based upon increases or decreases in the Consumer Price Index, not to exceed 10% per year during the second through fifth year. ACS is responsible for taxes, assessments, insurance and utilities.

8. LONG-TERM DEBT, OTHER

	December 31
	1987
Capitalized lease obligations (Note 9)	\$ 19,566,000
Less current maturities	2,145,000
	\$ 17,421,000

The current maturities of the Company's long-term debt for the next five years consist only of principal payments on capitalized lease obligations. Maturities of the Company's long-term debt are as follows:

Year ending	
December 31	
1988	\$ 2,145,000
1989	2,417,000
1990	2,735,000
1991	3,039,000
1992	3,049,000
Thereafter	6,181,000
	\$ 19,566,000

9. LEASES

The Company leases certain furniture and equipment and a warehouse under long-term lease agreements. The leases covering furniture and equipment, which range from 5 to 7 years expiring through 1994, and a warehouse, which is for 15 years expiring in 2001, are classified as capital leases. The Company has the option to purchase the warehouse in the third year for \$1,928,000.

Rent expense for all operating leases less than 12 months with terms of a month or less that were not renewed was \$2,145,000 for the twelve months ending December 31, 1987. For the opening of the Atlantic City Showboat, rent expense was charged to preopening costs. Rent expense charged to preopening was \$1,928,000 for the twelve months ending December 31, 1987.

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

9. LEASES (continued)

ACS is leasing 10 1/2 acres of Boardwalk property in Atlantic City, New Jersey for a term of 99 years commencing October 1983. Annual rent payments of \$6,340,000, payable monthly, commenced upon opening of the Atlantic City Showboat. The rent will be adjusted based upon increases or decreases in the Consumer Price Index, not to exceed 10% per year during the second through the sixth lease year. ACS is responsible for taxes, assessments, insurance and utilities.

Property and equipment includes the following leased property under capital leases by major classes:

	December 31
	1987
Building - warehouse	\$ 2,050,000
Furniture and equipment	19,646,000
	21,696,000
Less: Accumulated Amortization	1,681,000
	\$ 20,015,000

The following is a schedule of future minimum lease payments for capital leases and operating leases (with initial or remaining terms in excess of one year) as of December 31, 1987:

Year ending December 31	Capital Leases	Operating Leases
1988	\$ 4,127,000	\$ 6,350,000
1989	4,165,000	6,350,000
1990	4,204,000	6,350,000
1991	4,204,000	6,350,000
1992	3,979,000	6,345,000
Later years	7,708,000	583,280,000
Total minimum lease payments	28,387,000	615,025,000
Less: Amount representing interest (10.40% to 11.25%)	8,821,000	
Present value of net minimum lease payments	\$19,566,000	

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$5,299,000 for the twelve months ending December 31, 1987. Until the opening of the Atlantic City Showboat, rent expense was charged to preopening costs. Rent expense charged to preopening was \$300,800 for the twelve months ending December 31, 1987.

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

10. INCOME TAXES

INCOME TAXES (continued)

Income tax benefit consists of the following:

Deferred income tax expense (benefit) results from timing differences in recording of certain expenses for financial reporting purposes. The sources of these differences and the tax affects are as follows:

	December 31
	1987
	December 31
Current	(\$ 12,506,000)
Deferred	(1,411,000)
Depreciation	(13,917,000)
State taxes	-0-
Pre-Opening Costs	(3,919,000)
Other	(\$ 13,917,000)

In accordance with the transition rules of the Tax Reform Act of 1986, the Company recorded investment tax credits totaling \$5.4 million on eligible property to be utilized by the consolidated group.

Reconciliation between actual tax expense (benefit) and the amount computed by applying the statutory federal income tax rate to income before taxes is as follows (dollars in thousands):

	December 31
	1987
Computed "expected" tax expense (benefit) at statutory rates	(\$ 11,911,000)
Investment tax credit	(5,400,000)
Investment tax credit basis reduction	(2,484,000)
Other	910,000
	(\$ 13,917,000)

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

EMPLOYER BENEFIT PLANS

The Company participates in a profit sharing and retirement plan of SBI. The plan is for eligible employees who are not covered by a collective bargaining agreement or by another retirement plan to which the Company is required to contribute. Qualifying employees

10. INCOME TAXES (continued)

Deferred income tax expense (benefit) results from timing differences in recording of certain expenses for financial and tax reporting purposes. The sources of these differences and the tax effects are as follows:

	December 31
	1987
Depreciation	\$ 4,113,000
Interest and Taxes	1,793,000
Pre-Opening Costs	(6,919,000)
Other	(398,000)
	(\$ 1,411,000)

COMMITMENTS AND CONTINGENCIES

11. NON OPERATING INCOME (EXPENSE)

For the twelve month period ending December 31, 1987, Non Operating Income (Expense) is:

	December 31
	1987
Write off of preopening expenses	(\$ 23,762,000)
Interest Income on temporary	
Cash Investments	2,006,000
	(\$ 21,756,000)

The Company has been named as a co-defendant with the general contractor for the construction of the Atlantic City Showboat in a suit filed by a sub-contractor. The sub-contractor is seeking a sum in excess of \$10,000,000 and unspecified damages. In the opinion of management, the Company's liability, if any, in or arising from this or any other legal proceedings in which the Company is involved, will not have a material adverse effect on its financial condition.

ATLANTIC CITY SHOWBOAT, INC.
NOTES TO FINANCIAL STATEMENTS
(continued)

12. EMPLOYEE BENEFIT PLANS

The Company participates in a profit sharing and retirement plan of SBI. The plan is for eligible employees who are not covered by a collective bargaining agreement or by another retirement plan to which the Company is required to contribute. Qualifying employees become eligible after they have completed twelve months of service. Contributions to this plan are made at the discretion of the Board of Directors of OSI. The benefits are limited to the allocated interest in the fund assets and each participant's account vests over a ten-year period. The Company's allocated share of the contributions is \$44,000 as of December 31, 1987. No contributions were made by the Company prior to 1987.

The Company's union employees are covered by union-sponsored, collectively bargained, multi-employer pension plans. Contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of man-hours worked.

The Company entered a plan covering substantially all union employees on November 1, 1987. Contributions to the plan were \$137,000 for the year ended December 31, 1987.

13. COMMITMENTS AND CONTINGENCIES

In conjunction with its land lease agreement, and in conjunction with obtaining various permits from various authorities of the State of New Jersey, the Company is required to share in certain costs subsequent to opening. Such costs relate to improving the Urban Renewal Tract, on which the Atlantic City Showboat is located, and improving the traffic and transportation infrastructure in Atlantic City. The Company's proportionate share of these costs, if any, has not yet been determined.

Under the Casino Control Act (Act), the Company, after completion of its first full year of operation is subject to New Jersey investment alternative tax equal to 2 1/2 percent of annual gross revenues from gaming operations. This investment obligation can be satisfied by purchasing below market rate bonds issued by the Casino Reinvestment Authority (CRDA), the agency responsible for administering this portion of the Act, or by making a direct investment in a project approved by the CRDA. At December 31, 1987, no obligation has been incurred.

The Company has been named as a co-defendant with the general contractor for the construction of the Atlantic City Showboat in a suit filed by a sub-contractor. The sub-contractor is seeking a sum in excess of \$10,000,000 and unspecified damages. In the opinion of management, the Company's liability, if any, in or arising from this or any other legal proceedings in which the Company is involved, will not have a material adverse effect on its financial condition.

STATEMENT OF CONFORMITY AND ACCURACY

ATLANTIC CITY SHOWBOAT, INC.
 NOTES TO FINANCIAL STATEMENTS
 (continued)

STATE OF NEW JERSEY

COUNTY OF ATLANTIC

14. COMPLIMENTARIES

Promotional Allowances

	Twelve Months Ending Dec. 31, 1987		Three Months Ending Dec. 31, 1987	
	Recipients	Amount	Recipients	Amount
Rooms	40,000	\$ 4,449,000	13,000	\$ 1,388,000
Food	644,000	5,241,000	260,000	2,150,000
Beverage	1,130,000	4,044,000	564,000	1,265,000
Showroom	13,000	136,000	13,000	136,000
	<u>1,827,000</u>	<u>\$13,870,000</u>	<u>850,000</u>	<u>\$ 4,939,000</u>

Promotional Expenses

	Twelve Months Ending Dec. 31, 1987		Three Months Ending Dec. 31, 1987	
	Recipients	Amount	Recipients	Amount
Coin	987,000	\$13,878,000	290,000	\$ 4,499,000
Travel	4,000	653,000	2,000	259,000
Other	99,000	257,000	33,000	30,000
	<u>1,090,000</u>	<u>\$14,788,000</u>	<u>325,000</u>	<u>\$ 4,788,000</u>

Promotional allowances represent complimentaries furnished gratuitously to customers of ACS goods and services, such as free room, food and beverage. The sales value of these complimentaries are included in the respective revenue classification and are then deducted as promotional allowances. Promotional expenses are complimentaries furnished gratuitously to customers of non-revenue producing items such as coin coupons issued to patrons and reimbursement of travel expenses. These charges are included in selling, general and administrative expense.

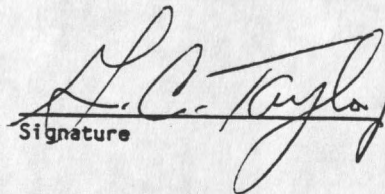
STATEMENT OF CONFORMITY AND ACCURACY

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

G. Clifford Taylor, Jr., 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

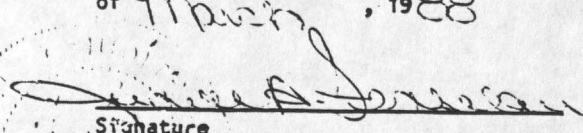
V.P. FINANCE/TREASURER
Title

03744-11
License Number

On Behalf Of:

ATLANTIC CITY SHOWBOAT, INC.
Casino Licensee

Subscribed and sworn to
before me this 15 day
of March, 1988


Signature

JUDITH A. FENSELAU
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Nov. 25, 1992

Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE ATLANTIC CITY SHOWBOAT, INC.

ADDRESS 201 BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1952

CASINO CONTROL COMMISSION

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CURRENT PERIOD OF THE
THE ANNUAL TAX RETURN

OFFICIAL TITLE

ADDRESS

ATLANTIC CITY, NEW JERSEY 08401 TREASURER

ATLANTIC CITY, NEW JERSEY

ATLANTIC CITY, NEW JERSEY 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 60,421,888	
2	Coin-operated devices revenue	86,020,254	
3	Total revenues		\$146,442,142
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 405,673	
5	Maximum adjustment (4% of line 3)	\$ 5,857,686	
6	Adjustment (the lesser of line 4 or line 5)		405,673
7	Gross revenues (line 3 less line 6)		\$146,036,469
8	Tax on gross revenues - current year (8% of line 7)		\$ 11,682,917
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)		11,682,917
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 0	
12	February	0	
13	March	8,209	
14	April	1,565,804	
15	May	1,357,994	
16	June	1,381,027	
17	July	1,385,224	
18	August	1,442,579	
19	September	1,249,149	
20	October	1,268,374	
21	November	1,091,332	
22	December	993,225	
23	January	0	
24	Total deposits made for tax on current year's gross revenues		(11,682,917)
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 :
COUNTY OF :ss.
:

G. Clifford Taylor, Jr., 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.

G. C. Taylor
Signature

V.P. FINANCE/TREASURER
Title

03744-11
License Number

Subscribed and sworn to
before me this 15 day
of March, 1988

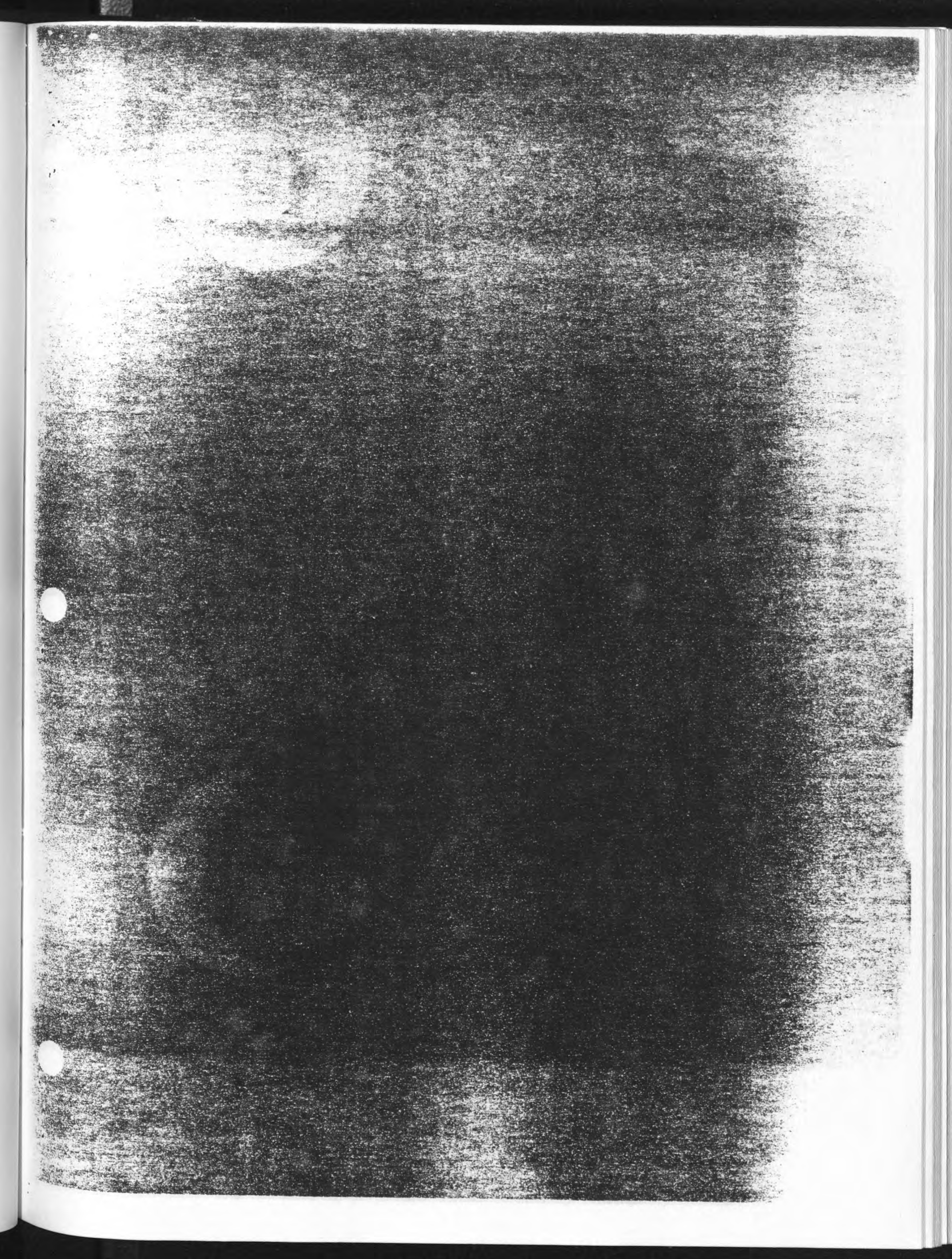
Judith A. Fenselau
Signature

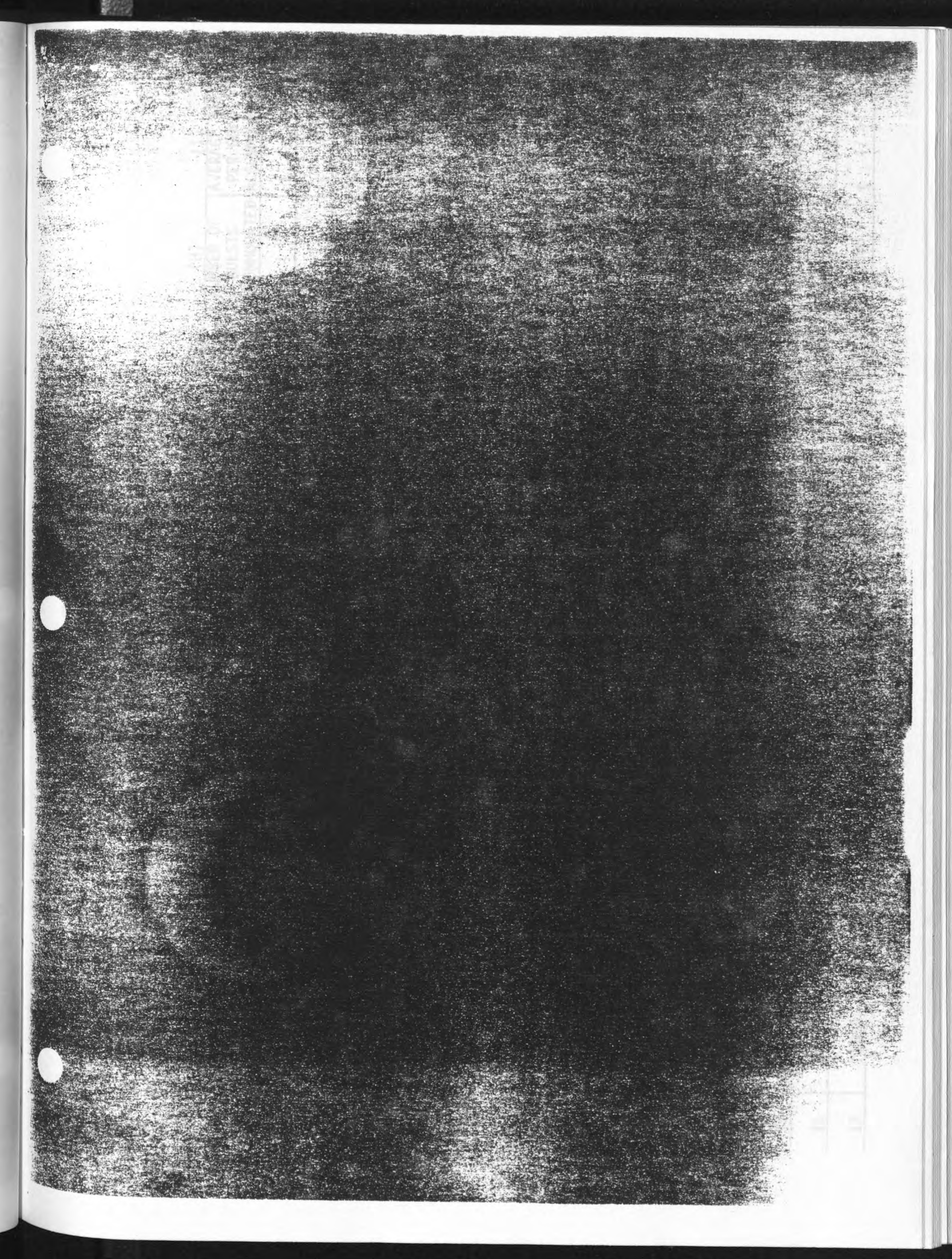
JUDITH A. FENSELAU
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Nov. 25, 1992

Basis of Authority
to Take Oaths

On Behalf Of:

ATLANTIC CITY SHOWBOAT, INC.
Casino Licensee





TRADING NAME OF LICENSEE Showboat Hotel, Casino and Bowling Center

HOTEL STATISTICS

FOR THE 9 MONTHS ENDED December 31, 1987

(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	516	15,274	11,092	\$ 81.99	72.6 %	22,184	\$ 41.00
6	MAY	516	15,809	11,981	\$ 92.18	75.8 %	23,962	\$ 46.09
7	JUNE	516	15,400	13,924	\$ 86.46	90.4 %	27,848	\$ 43.23
8	2ND QUARTER TOTALS		46,483	36,997	\$ 86.97	79.6 %	73,994	\$ 43.49
9	JULY	516	15,961	14,211	\$ 119.71	89.0 %	28,422	\$ 59.85
10	AUGUST	516	15,967	14,544	\$ 116.25	91.1 %	29,088	\$ 58.12
11	SEPTEMBER	516	15,464	13,161	\$ 102.36	85.1 %	26,322	\$ 51.18
12	3RD QUARTER TOTALS		47,392	41,916	\$ 113.06	88.4 %	83,832	\$ 56.53
13	OCTOBER	516	15,793	14,356	\$ 91.55	90.9 %	28,712	\$ 45.78
14	NOVEMBER	516	15,311	13,076	\$ 88.33	85.4 %	32,690	\$ 35.33
15	DECEMBER	516	15,817	9,430	\$ 96.52	59.6 %	18,860	\$ 48.26
16	4TH QUARTER TOTALS		46,921	36,862	\$ 91.68	78.6 %	80,262	\$ 42.11
17	ANNUAL TOTALS		140,796	115,775	\$ 97.92	82.2 %	238,088	\$ 47.61

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE ATLANTIC CITY SIKOROM, INC.

ADDRESS 501 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1981

CASINO CONTROL COMMISSION

STATE OF NEW JERSEY



NAME OF EMPLOYER ATLANTIC CITY SIKOROM, INC.
TYPE OF BUSINESS CASINO
DATE OF REPORT 12/31/81
REPORTING PERIOD 12/31/81
REPORTING OFFICER JOHN J. SIKOROM
TITLE MANAGER
ADDRESS 501 BOARDWALK
CITY ATLANTIC CITY
STATE N.J.
ZIP 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
CASINO					
1	Administration	33			
2	Gaming	765			
3	Slots	94			
4	Casino accounting	34			
5	Other	429	\$	\$	\$
6	Total-casino	1,355	19,839	375	20,214
7	ROOMS	268	2,885	142	3,027
8	FOOD AND BEVERAGE	1,183	10,679	144	10,823
OTHER OPERATED DEPARTMENTS					
9	Bowling	49	499	117	616
10	PBX	18	211		211
11					
12					
13					
14					
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	10	253	1,296	1,549
21	Accounting and auditing	103	1,269		1,269
22	Security	245	3,271	84	3,355
23	Other administrative and general department ..	131	1,739	393	2,132
24	MARKETING	13	350		350
25	GUEST ENTERTAINMENT	14	264	113	377
26	PROPERTY OPERATION AND MAINTENANCE	267	3,525	98	3,623
27	TOTALS - ALL DEPARTMENTS	3,656	\$ 44,784	\$ 2,762	\$ 47,546

Trading Name of Licensee ATLANTIC CITY SHOWBOAT, INC.

274-901
0193

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

For the Year Ended December 31, 19 87

LICENSEE ATLANTIC CITY SHOWBOAT, INC.
ADDRESS BOSTON & PACIFIC AVENUES
ATLANTIC CITY, NEW JERSEY 08401

3-15-88
Date

[Handwritten Signature]
Signature

V.P. Finance/Treasurer
Title

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



OFFICE IN CHARGE
RESPONSIBLE REGARDING
ANNUAL REPORT

JOSEPH A. D'AMATO

TITLE

ASSISTANT VICE PRESIDENT/TREASURER

ADDRESS

BOSTON & PACIFIC AVENUES

CITY

ATLANTIC CITY, NEW JERSEY 08401

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

ANNUAL REPORT

974-901
C193

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87

LICENSEE GNOC, CORP. (BALLY'S GRAND)

ADDRESS BOSTON @ PACIFIC AVENUES

ATLANTIC CITY, NEW JERSEY 08401

Balance Sheets

Statements of Income (Year)

Statements of Income (Three Months)

FOR THE YEAR ENDED DECEMBER 31, 19 87

Statements of Changes in Partners'
or Proprietor's Equity

Statements of Cash Flows

Notes to Financial Statements

Schedule of Receivables and Patrons' Checks

Using Departmental Schedule

Statement of Conformity

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT

JOSEPH A. D'AMATO

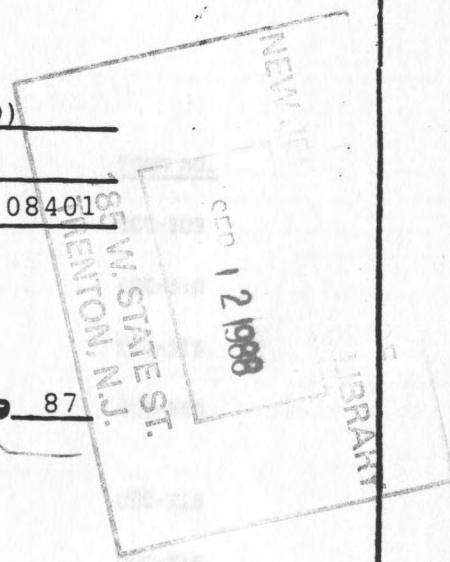
OFFICIAL TITLE

ASSISTANT VICE PRESIDENT/TREASURER

ADDRESS

BOSTON @ PACIFIC AVENUES

ATLANTIC CITY, NEW JERSEY 08401



BALANCE SHEETS

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

(UNAUDITED)

LIST OF FORMS — ANNUAL REPORT

LINE (a)	DESCRIPTION (b)	FOR THE YEAR ENDED DECEMBER 31, 19 <u>87</u>	(c) 19 <u>87</u>	(d) 19 <u>86</u>
ASSETS				
1	Current Assets:			
2	Cash	\$ 8,237	\$	8,631
3	Marketable securities (Note 3)	506		1,872
4	Receivables and patrons' checks (net of allowance for doubtful accounts) - 19 <u>87</u> , \$ <u>TITLE</u> 17, 19 <u>86</u> , \$ 9,300	10,750	<u>FORM NO.</u>	14,414
5	Prepaids	2,955		2,914
6	Balance Sheets other current assets (Note 4)	10,750	CCC-305	4,069
7	Statements of Income (Year)	31,794	CCC-310	32,709
8	Statements of Income (Three Months) (Note 5)	12,406	CCC-315	342,255
9	Property and equipment - net (Note 5)	268,311		210,911
10	Statements of Changes in Stockholders' Equity (Note 7)	102,466	CCC-320	51,537
11	Statements of Changes in Partners' or Proprietor's Equity	\$ 411,982	CCC-325	\$ 549,409
LIABILITIES AND EQUITY				
12	Statements of Cash Flows		CCC-335	
13	Current Liabilities:			
14	Notes to Financial Statements	2,843		2,359
15	Accounts payable	-		-
16	Schedule of Receivables and Patrons' Checks	-	CCC-340	-
17	Due to affiliates	-		-
18	Casino Departmental Schedule	-	CCC-345	-
19	Income taxes payable and accrued	59		5
20	Statement of Conformity and Accuracy (Note 8)	25,748	CCC-350	31,136
21	Other current liabilities (Note 9)	3,021		4,603
22	Total current liabilities	36,199		41,093
23	Long-Term Debts:			
24	Due to affiliates (Note 10)	301,763		377,401
25	Debt (Note 11)	-		80
26	Deferred Credits (Note 12)	1,598		208
27	Other liabilities (Note 13)	21,361		58,682
28	Commitments And Contingencies (Note 20 & 21)	-		-
29	Total liabilities	370,633		413,462
30	Stockholders', Partners', Or Proprietor's Equity (Note 14)	41,349		135,947
31	Total Liabilities And Equity	\$ 411,982	\$	549,409

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

CCC-305

BALANCE SHEETS

DECEMBER 31, 19 87 AND 19 86 INCOME

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	ASSETS		
	Current Assets:		
1	Cash	\$ 8,237	\$ 9,631
2	Marketable securities .....(Note 3).....	500	1,672
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$13,937 ; 19 <u>86</u> , \$ 9,300)	10,231	14,414
4	Inventories	2,055	2,914
5	Prepaid expenses and other current assets .....(Note 4).....	10,771	4,069
6	Total current assets	31,794	32,700
7	Investments, Advances, And Receivables .....(Note 5).....	12,409	242,255
8	Property And Equipment - Net .....(Note 6).....	265,311	220,917
9	Other Assets .....(Note 7).....	102,468	53,537
10	Total Assets	\$ 411,982	\$ 549,409
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 2,843	\$ 3,349
12	Notes payable	-	-
	Current portion of long-term debt:		
13	Due to affiliates	-	-
14	Other	-	5
15	Income taxes payable and accrued	591	-
16	Other accrued expenses .....(Note 8).....	29,740	31,136
17	Other current liabilities .....(Note 9).....	3,025	2,603
18	Total current liabilities	36,199	37,093
	Long-Term Debt:		
19	Due to affiliates .....(Note 10).....	301,762	337,401
20	Other .....(Note 11).....	-	60
21	Deferred Credits .....(Note 12).....	1,508	206
22	Other Liabilities .....(Note 13).....	31,164	38,682
23	Commitments And Contingencies .....(Note 20 & 21).....		
24	Total Liabilities	370,633	413,442
25	Stockholders', Partners', Or Proprietor's Equity .....(Note 14).....	41,349	135,967
26	Total Liabilities And Equity	\$ 411,982	\$ 549,409

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 GRAND (GNOC, CORP.)

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
<u>1</u>	Casino	\$ 243,119	\$ 248,448
<u>2</u>	Rooms	17,888	17,177
<u>3</u>	Food and beverage	32,567	33,938
<u>4</u>	Other	10,055	8,957
<u>5</u>	Total revenue	303,629	308,520
<u>6</u>	Less: promotional allowances (Note 15)	34,635	35,585
<u>7</u>	Net revenue	268,994	272,935
	Costs And Expenses:		
<u>8</u>	Cost of goods and services	134,519	138,628
<u>9</u>	Selling, general, and administrative	55,873	46,957
<u>10</u>	Provision for doubtful accounts	3,154	(587)
<u>11</u>	Total	193,546	184,998
<u>12</u>	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	75,448	87,937
<u>13</u>	Depreciation and amortization	15,801	14,028
	Charges from affiliates:		
<u>14</u>	Interest (Note 16)	39,894	52,135
<u>15</u>	Management fees (Note 16)	2,220	15,232
<u>16</u>	Other (Note 16)	11,989	20,364
<u>17</u>	Interest expense - external	24	482
<u>18</u>	Income (Loss) From Operations	5,520	(14,304)
<u>19</u>	Nonoperating income (expense) - net (Note 17)	2,611	11,990
<u>20</u>	Investment alternative tax and related income (expense) - net.....	(1,797)	(1,370)
<u>21</u>	Income (Loss) Before Income Taxes And Extraordinary Items.....	6,334	(3,684)
<u>22</u>	Provision (Credit) for income taxes (Note 18)	4,164	(3,076)
<u>23</u>	Income (Loss) Before Extraordinary Items	2,170	(608)
<u>24</u>	Extraordinary items (net of income taxes - 19 <u>87</u> \$ -0- ; 19 <u>86</u> , \$ 11,649)	-	(11,602)
<u>25</u>	Net Income (Loss)	\$ 2,170	\$ (12,210)

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986
	Revenue:		
1	Casino	\$ 52,504	\$ 60,061
2	Rooms	4,015	3,924
3	Food and beverage	7,329	8,016
4	Other	2,211	2,468
5	Total revenue	66,059	74,469
6	Less: promotional allowances (Note 15)	6,718	8,171
7	Net revenue	59,341	66,298
	Costs And Expenses:		
8	Cost of goods and services	30,351	34,618
9	Selling, general, and administrative	16,919	11,043
10	Provision for doubtful accounts	658	(1,847)
11	Total	47,928	43,814
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	11,413	22,484
13	Depreciation and amortization	3,766	4,095
	Charges from affiliates:		
14	Interest (Note 16)	8,350	11,536
15	Management fees (Note 16)	-	3,670
16	Other (Note 16)	2,539	5,253
17	Interest expense - external	24	145
18	Income (Loss) From Operations	(3,266)	(2,215)
19	Nonoperating income (expense) - net (Note 17)	1,366	(889)
20	Investment alternative tax and related income (expense) - net.....	(507)	(341)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(2,407)	(3,445)
22	Provision (Credit) for income taxes (Note 18)	191	(2,943)
23	Income (Loss) Before Extraordinary Items	(2,598)	(502)
24	Extraordinary items (net of income taxes - 1987, \$ -0- ; 1986 \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ (2,598)	\$ (502)

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 87 and 19 86

STATEMENTS OF CHANGES IN PARTNERS'

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:				
1	Beginning balance (January 1)	3,002,500	\$ 30	3,002,500	\$ 30
2	Sale of stock				
3	.....			
4	Ending balance	3,002,500	30	3,002,500	30
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		143,798		-
10	TRANSFER OF EQUITY FROM AFFILIATES.....		-		65,501
11	SEE NOTES (1) and (2)		(108,086)(1)		78,297(2)
12	Ending balance		35,712		143,798
	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)		(7,861)		4,349
26	Prior period adjustments				
27	Net income (loss)		2,170		(12,210)
28	Dividends		()		()
29	ELIMINATION OF 2/28 DEFICIT		11,220		
30	DIVIDEND OF RETAINED EARNINGS		78		
31	Ending balance		5,607		(7,861)
32	Ending Stockholders' Equity		\$ 41,349		\$ 135,967

- (1) DIVIDEND OF RETAINED EARNINGS
- (2) TRANSFER FROM COMMON STOCK

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

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
 (UNAUDITED)
 (\$ IN THOUSANDS)

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

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986

(UNAUDITED)
 (\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</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)	(1,327)	(1,327)
11	Additional capital withdrawals	()	()
12	.....	( )	( )
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$	\$

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 18,124	\$ (14,458)
Cash Flows From Investing Activities:			
2	Purchase of short-term investment securities.....	1,172	-
3	Proceeds from the sale of short-term investment securities.....	-	229,034
4	Cash outflows for property and equipment.....	(3,082)	(25,237)
5	Proceeds from disposition of property and equipment.....	13	197
6	Purchase of casino reinvestment obligations.....	(1,706)	(2,588)
7	Purchase of other investments and loans/advances made.....	(48,004)	(95,951)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	500	-
9	Cash outflows to acquire business entities.. SEE NOTE (4).....	(109,129)	-
10	<u>TRANSFER OF LAND/PROPERTY/EQUIPMENT</u>	109,613	(66,581)
11	<u>TRANSFER OF INVESTMENT/ADVANCES/RECEIVABLES</u>	279,056	-
12	Net Cash Provided (Used) By Investing Activities.....	228,433	38,874
Cash Flows From Financing Activities:			
13	Cash proceeds from issuance of short-term debt.....	-	-
14	Payments to settle short-term debt	(5)	-
15	Cash proceeds from issuance of long-term debt SEE NOTE (3).....	13,829	-
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	(10,060)	-
18	Cash proceeds from issuing stock or capital contributions.....	-	65,501
19	Purchases of treasury stock <u>GOODWILL</u>	(104,543)	-
20	Payments of dividends or capital withdrawals.....	-	-
21	SEE NOTES (1) and (2)	(39,164) (1)	(85,590) (2)
22	<u>DIVIDEND OF RETAINED EARNINGS</u>	(108,008)	-
23	Net Cash Provided (Used) By Financing Activities.....	(247,951)	(20,089)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(1,394)	4,327
25	Cash And Cash Equivalents At Beginning Of Year	9,631	5,304
26	Cash And Cash Equivalents At End Of Year.....	\$ 8,237	\$ 9,631

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 42,160	\$ 57,390
28	Income taxes.....	\$ 4,290	\$ -

(1) Elimination of 8 3/8% notes and related OID & DIC
 (2) Issuance of stock or capital contributions
 The accompanying notes are an integral part of the financial statements. Valid comparisons cannot be made without using information contained in the notes.

(3) Premium due to revaluation of debt
 (4) Revaluation of PP&E to FMV as result of Bally's purchase

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 2,170	\$ (12,210)
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	13,657	13,968
31	Amortization of other assets.....	9,444	2,999
32	Amortization of debt discount or premium.....	1,840	2,479
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	1,302	(14,829)
35	(Gain) loss on disposition of property and equipment.....	(222)	1,482
36	(Gain) loss on casino reinvestment obligations.....	-	-
37	(Gain) loss from other investment activities.....	-	-
38	Net (increase) decrease in receivables and patrons' checks.....	4,183	(1,968)
39	Net (increase) decrease in inventories.....	859	(1,023)
40	Net (increase) decrease in other current assets.....	(6,702)	983
41	Net (increase) decrease in other assets.....	-	(370)
42	Net increase (decrease) in accounts payables.....	(506)	(994)
43	Net increase (decrease) in other current liabilities excluding debt.....	(383)	(3,951)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(7,518)	(1,024)
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 18,124	\$ (14,458)

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 3,082	\$ 25,237
49	Less: Capital lease obligations incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 3,082	\$ 25,237
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$	\$

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

On March 1, 1987, the capital stock of GNAC and certain of its affiliates were purchased by Bally Manufacturing Corporation ("Bally") from Golden Nugget, Inc. ("GNI") (Note 2).

(a) Casino revenue and promotional allowances

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

(b) Marketable securities

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

(c) Property and equipment

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

(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.

"Purchase Agreement" between Bally and GNI, Bally acquired all of the outstanding capital stock of GNAC and certain other wholly owned GNI subsidiaries which provide casino marketing services to the Company (collectively the "transferred subsidiaries"). Bally, through its indirect wholly owned subsidiary, Bally's Park Place, Inc., also acquired certain real property ("Real Properties") that was formerly owned by GNAC.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

(e) Debt premium

Debt premium is amortized over the life of the issue by the effective interest method.

(f) Income Taxes

For the year ended December 31, 1986 and two months ended February 28, 1987 under the terms of a tax allocation agreement between the Company and GNI, a consolidated federal income tax return will be filed which includes the accounts of the Company and its subsidiaries. The Company's tax allocation is based on the amount of tax the Company would pay if it filed a separate return except the tax benefits available to the Company are recognized when realizable by the consolidated group.

Beginning March 1, 1987, taxable income or loss of the Company is included in the consolidated Federal income tax return of 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 would receive 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.

(g) Goodwill

Goodwill is amortized over forty years using the straight line method.

NOTE 2 - TRANSFER OF OWNERSHIP

As of March 1, 1987, pursuant to a purchase agreement (the "Purchase Agreement") between Bally and GNI, Bally acquired all of the outstanding capital stock of GNAC and certain other wholly owned GNI subsidiaries which provide casino marketing services to the Company (collectively the "Transferred Subsidiaries"). Bally, through its indirect wholly owned subsidiary, Bally's Park Place, Inc., also acquired certain real property ("Real Properties") that was formerly owned by GNAC.

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

Note 2 - TRANSFER OF OWNERSHIP (continued)

The purchase price for the Transferred Subsidiaries and Real Properties primarily consists of \$101 million cash and 400,000 shares of Bally's Series C Cumulative Preferred Stock, which was redeemed by Bally for \$40 million on September 15, 1987. In addition, the 13 1/4% Mortgage-Backed Notes (the "Notes"), collateralizing the Boardwalk casino/hotel remain the responsibility of GNAC.

The Bally's acquisition was accounted for as a purchase. The accompanying financial statements include a preliminary allocation of the purchase price, but such allocation has not been finalized. It is not expected that the final purchase price allocation will have a material effect on the accompanying statements of income of the Company.

NOTE 3 - MARKETABLE SECURITIES

Marketable securities as of December 31 consisted of the following:

	1987	1986
Short-term interest bearing instruments	\$500,000	\$1,672,000
Aggregate market value	\$500,000	\$1,672,000

Net realized losses on the sale of marketable securities are included in "non-operating income (expense)- net" in the accompanying statement of income for the year ended December 31, 1986.

	1987	1986
Golden Nugget Marketing Corp. (a Pennsylvania Corporation) (A)	-	227,000
Golden Nugget Marketing Corp. (a Florida Corporation)	50,000	150,000
Golden Nugget Marketing Corp. (an Ohio Corporation)	-	111,000
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	17,000	-
Golden Nugget Marketing Corp. (a Maryland Corporation)	1,000	-
GNAC, CORP.	295,000	16,542,000
Golden Nugget, Inc. (A)	-	187,871,000
TYCH Advertising, Inc. (A)	-	4,748,000
GNF CORP.	113,000	19,088,000
Long-term receivable	-	300,000
New Jersey reinvestment (net of purchase discount)	11,578,000	11,784,000
	\$12,409,000	\$247,255,000

(A) Former affiliates of the Company

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

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	<u>1987</u>	<u>1986</u>
Prepaid insurance	\$ -	\$ 863,000
Prepaid state gaming taxes and licenses	634,000	696,000
Prepaid operating expenses	1,911,000	1,989,000
Prepaid entertainment costs	140,000	167,000
Prepaid state income tax	-	246,000
Receivables from GNI and its affiliates	8,086,000	-
Other	-	108,000
	<u>\$10,771,000</u>	<u>\$4,069,000</u>
	=====	=====

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>1987</u>	<u>1986</u>
Golden Nugget Marketing Corp. (a New York Corporation)	\$ 325,000	\$ -
Golden Nugget Marketing Corp. (a Pennsylvania Corporation) (A)	-	222,000
Golden Nugget Marketing Corp. (a Florida Corporation)	80,000	190,000
Golden Nugget Marketing Corp. (an Ohio Corporation)	-	111,000
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	17,000	-
Golden Nugget Marketing Corp. (a Maryland Corporation)	1,000	-
GNAC, CORP.	295,000	16,542,000
Golden Nugget, Inc. (A)	-	187,973,000
TYOH Advertising, Inc. (A)	-	4,345,000
GNF CORP.	113,000	19,088,000
Long-term receivable	-	500,000
New Jersey reinvestment (net of purchase discount)	<u>11,578,000</u>	<u>13,284,000</u>
	<u>\$12,409,000</u>	<u>\$242,255,000</u>
	=====	=====

(A) Former affiliates of the Company

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

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>1987</u>	<u>1986</u>
Land and improvements	\$ 50,988,000	\$ 72,001,000
Buildings and leasehold improvements	189,024,000	135,507,000
Furniture, fixtures and equipment	34,703,000	68,250,000
Construction in progress	1,982,000	1,211,000
	<u>276,697,000</u>	<u>276,969,000</u>
Less accumulated depreciation and amortization	(11,386,000)	(56,052,000)
	<u>\$265,311,000</u>	<u>\$220,917,000</u>

See Note 2 for description of purchase price accounting.

NOTE 7 - OTHER ASSETS

Other assets as of December 31 consisted of the following:

	<u>1987</u>	<u>1986</u>
Goodwill (net)	\$102,399,000	\$ -
Land held for sale	-	44,024,000
Debt issuance costs (net)	-	9,353,000
Other	69,000	160,000
	<u>\$102,468,000</u>	<u>\$53,537,000</u>

	<u>1987</u>	<u>1986</u>
Customer deposits	\$ 1,189,000	\$ 1,131,000
Unredeemed gaming chips and tokens	1,780,000	1,853,000
Advance room deposits	49,000	119,000
Other	7,000	-
	<u>\$ 3,025,000</u>	<u>\$ 3,003,000</u>

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

NOTE 8 - OTHER ACCRUED EXPENSES AFFILIATES

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

	<u>1987</u>	<u>1986</u>
Accrued payroll	\$ 6,491,000	\$ 5,905,000
Accrued progressive jackpot liability	4,105,000	4,856,000
Accrued interest	3,191,000	5,433,000
Accrued property taxes	-	140,000
Accrued New Jersey casino reinvestment liability	5,352,000	8,368,000
Accrued sales, use and luxury taxes	719,000	134,000
Accrued Casino Control (Commission and Division of Gaming Enforcement Fee)	397,000	482,000
Accrued casino license fee	153,000	-
Accrued health insurance claims	3,268,000	1,036,000
Accrued casino win tax	90,000	602,000
Escrow deposit, land option	-	1,082,000
Accrued legal fees	432,000	382,000
Accrued insurance	1,765,000	-
Other	3,777,000	2,716,000
	<u>\$29,740,000</u>	<u>\$31,136,000</u>

NOTE 9 - OTHER CURRENT LIABILITIES

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

	<u>1987</u>	<u>1986</u>
Customer deposits	\$ 1,189,000	\$ 631,000
Unredeemed gaming chips and tokens	1,780,000	1,853,000
Advance room deposits	49,000	119,000
Other	7,000	-
	<u>\$ 3,025,000</u>	<u>\$ 2,603,000</u>

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

NOTE 10 - LONG TERM DEBT-DUE TO AFFILIATES (continued)

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

	<u>1987</u>	<u>1986</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 (including unamortized premium of \$12,762,000 at December 31, 1987 and net of unamortized original issue discount of \$762,000 at December 31, 1986). (Note 2) (A)	\$301,762,000	\$298,238,000
8 3/8% (effective rate of 13.9%) unsecured notes, (net of unamortized original issue discount of \$11,737,000 at December 31, 1986) (B)	-	39,163,000
	\$301,762,000	\$337,401,000
	=====	=====

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

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

On October 8, 1987, GNOC repurchased, at par value plus accrued interest, \$10,000,000 principal amount of the Notes. The repurchased Notes may be used to partially satisfy the sinking fund payments commencing in June, 1991. The repurchase of these Notes resulted in a realized gain of \$230,000 included in "non-operating income (expense) - net".

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

NOTE 10 - LONG TERM DEBT-DUE TO AFFILIATES (continued)

(B) On June 15, 1987, the Company was relieved of responsibility for the remaining principal amount of the 8 3/8% notes as GNI, pursuant to the terms of the Purchase Agreement, effectuated a redemption of the notes. During the third quarter of 1986, the Company repurchased for cash \$110,100,000 principal amount of the 8 3/8% notes. The transaction resulted in an extraordinary loss of \$11,602,000, net of income tax benefits of \$11,649,000. This represents the excess of the purchase price over the principal balance net of unamortized original issue discount and including an allocable portion of unamortized debt issue costs at the date of repurchase.

NOTE 11 - LONG-TERM DEBT - OTHER

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

	<u>1987</u>	<u>1986</u>
Other	\$ -	\$65,000
Less current maturities	<u>-</u>	<u>5,000</u>
	<u>\$ -</u>	<u>\$60,000</u>
	=====	=====

NOTE 12 - DEFERRED CREDITS

Deferred credits as of December 31, 1987 and 1986 consisted of deferred federal and state income taxes.

Golden Nugget Marketing Corp. (an Ohio Corporation)	34,000	-
Golden Nugget (Asia) LTD. (A)	-	182,000
Bally Manufacturing Corp.	3,505,000	-
Bally's Park Place, Inc.	132,000	-
	<u>\$31,164,000</u>	<u>\$38,482,000</u>
	=====	=====

(A) Former affiliates of the Company

NOTE 14 - STOCKHOLDER'S EQUITY

At December 31, 1987 and 1986, the Company had 3,000,000 shares of common stock authorized; of such shares 3,002,500 were issued and outstanding.

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

NOTE 13 - OTHER LIABILITIES

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

	1987	1986
Golden Nugget Transportation Corp.	\$ 1,626,000	\$18,191,000
Atlantia Design and Furnishings, Inc. (A)	-	11,328,000
GNAC, CORP.	25,340,000	-
GNLV, CORP. (A)	-	1,896,000
Golden Nugget Aviation Corp. (A)	-	5,396,000
Golden Nugget Marketing Corp. (an Illinois Corporation)	537,000	786,000
Golden Nugget Marketing Corp. (a Texas Corporation) (A)	-	234,000
Golden Nugget Marketing Corp. (a Georgia Corporation) (A)	-	159,000
Golden Nugget Marketing Corp. (a Mississippi Corporation) (A)	-	44,000
Golden Nugget Marketing Corp. (a Louisiana Corporation) (A)	-	10,000
Golden Nugget Marketing Corp. (a Maryland Corporation)	-	40,000
Golden Nugget Marketing Corp. (a New York Corporation)	-	351,000
Golden Nugget Marketing Corp. (a Massachusetts Corp.)	-	65,000
Golden Nugget Marketing Corp. (an Ohio Corporation)	34,000	-
Golden Nugget (Asia) LTD. (A)	-	182,000
Bally Manufacturing Corp.	3,505,000	-
Bally's Park Place, Inc.	122,000	-
	<u>\$31,164,000</u>	<u>\$38,682,000</u>

(A) Former affiliates of the Company

NOTE 14 - STOCKHOLDER'S EQUITY

At December 31, 1987 and 1986, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,500 were issued and outstanding.

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

NOTE 15 - PROMOTIONAL EXPENSES AND ALLOWANCES

Promotional expenses and allowances and number of recipients for the twelve months ended December 31, 1987 consisted of the following:

Nature of Charge From Affiliate	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	121,559	\$12,044,000	-	\$ -
Food	859,802	10,981,000	-	-
Beverage	1,795,929	6,286,000	-	-
Travel (A)	-	-	50,898	6,699,000
Other				
Coin	-	-	1,278,534	22,001,000
Entertainment	58,509	1,969,000	15,587	609,000
Parking	237,117	1,897,000	-	-
Retail	178,653	1,364,000	-	-
Other	2,434	94,000	28,967	1,461,000
Total Other	476,713	5,324,000	1,323,088	24,071,000
TOTAL	3,254,003	\$34,635,000	1,373,986	\$30,770,000

Promotional expenses and allowances and number of recipients for the three months ended December 31, 1987 consisted of the following:

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	26,453	\$2,497,000	-	\$ -
Food	157,792	1,761,000	-	-
Beverage	425,955	1,491,000	-	-
Travel	-	-	10,941	1,656,000
Other				
Coin	-	-	216,408	3,551,000
Entertainment	4,023	180,000	3,371	230,000
Parking	45,587	365,000	-	-
Retail	56,045	385,000	-	-
Other	1,009	39,000	12,333	738,000
Total Other	106,664	969,000	232,112	4,519,000
TOTAL	716,864	\$6,718,000	243,053	\$6,175,000

(A) Former affiliates of the company

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

NOTE 16 - CHARGES FROM AFFILIATES - NET

The charges from affiliates for the twelve and three months ended December 31, 1987 and 1986 consisted of the following:

Nature of Charge From Affiliate	T W E L V E Ended 1987	M O N T H S Ended 1986	T H R E E Ended 1987	M O N T H S Ended 1986
Interest	39,894,000	\$52,135,000	\$8,350,000	\$11,536,000
Management Fees	2,220,000	15,232,000	-0-	3,670,000
Other (a)	11,989,000	20,364,000	2,539,000	5,253,000

(a) Other expenses include payroll expense and operating expenses from the marketing offices, 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. (A)
- Golden Nugget Marketing Corp. (a Georgia Corporation) (A)
- Golden Nugget Marketing Corp. (a New York Corporation)
- Golden Nugget Marketing Corp. (a Pennsylvania Corporation) (A)
- Golden Nugget Marketing Corp. (a Louisiana Corporation) (A)
- Golden Nugget Marketing Corp. (a Texas Corporation) (A)
- 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) (A)
- Golden Nugget Marketing Corp. (a Maryland Corporation)
- Golden Nugget (Asia) LTD. (A)
- GNF Corp.
- Golden Nugget Aviation Corp. (A)
- Leisure Time Tours (A)
- Golden Nugget Transportation Corp.
- Atlantia Design and Furnishings, Inc. (A)
- GNAC, CORP.
- TYOH Advertising, Inc. (A)
- GNLV, CORP. (A)

(A) Former affiliates of the company

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

NOTE 17 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense)-net for the twelve and three months ended December 31, 1987 and 1986 consisted of the following:

	T W E L V E Ended <u>1987</u>	M O N T H S Ended <u>1986</u>	T H R E E Ended <u>1987</u>	M O N T H S Ended <u>1986</u>
Interest and dividend income	\$1,977,000	\$14,633,000	\$939,000	\$ 630,000
Realized loss on sale of marketable securities	3,862,000	(796,000)	-	(525,000)
Realized gain on repurchase of 13 1/4% Notes	230,000	-	230,000	-
Gain/(loss) on disposition of property, plant and equipment	222,000	(1,482,000)	154,000	(1,034,000)
Other non-operating income	182,000	126,000	43,000	49,000
Other non-operating expense	-	(491,000)	-	(9,000)
	<u>\$2,611,000</u>	<u>\$11,990,000</u>	<u>\$1,366,000</u>	<u>\$ (889,000)</u>

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

NOTE 18 - INCOME TAXES (continued)

The income tax provision for the twelve and three months ended December 31, 1987 and 1986 consisted of the following:

	T W E L V E Ended 1987	M O N T H S Ended 1986	T H R E E Ended 1987	M O N T H S Ended 1988
Current:				
Federal	\$2,434,905	\$ -0-	\$(2,025,095)	\$ (33,000)
State	427,095	104,000	(469,905)	(395,000)
	<u>2,862,000</u>	<u>104,000</u>	<u>(2,495,000)</u>	<u>(428,000)</u>
Deferred:				
Federal	\$ 956,883	(12,383,000)	2,182,883	(2,515,000)
State	345,117	(2,446,000)	503,117	-0-
	<u>1,302,000</u>	<u>(14,829,000)</u>	<u>2,686,000</u>	<u>(2,515,000)</u>
	<u>\$4,164,000</u>	<u>\$(14,725,000)</u>	<u>\$ 191,000</u>	<u>\$(2,943,000)</u>
	=====	=====	=====	=====

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

Income (loss) before income taxes and extraordinary loss	\$4,164,000	\$(3,076,000)	\$191,000	\$(2,943,000)
Extraordinary loss on debt retirement	-0-	(11,649,000)	-0-	-0-
	<u>\$4,164,000</u>	<u>\$(14,725,000)</u>	<u>\$191,000</u>	<u>\$(2,943,000)</u>
	=====	=====	=====	=====

On December 1, 1985, the Company adopted a defined contribution savings plan ("RSVP") for its non-union employees. Eligible participating employees may elect to contribute up to 10% of their pre-tax earnings to RSVP. The Company's contributions not exceeding 50% of the employee's salary. The Company's contributions were \$1,649,000 in 1986.

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

NOTE 18 - INCOME TAXES (continued)

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, 1987 are as follows:

Amount computed at 40%	\$2,534,000
Permanent differences:	
Amortization of goodwill	858,000
Interest expense and fees	(720,000)
Acquisition costs	(110,000)
Gain on Notes repurchased	(92,000)
Purchase price depreciation	1,090,000
Other	(215,000)
State income taxes, net of federal tax benefits	452,000
Other	369,000
	<u>\$4,164,000</u>
	=====

Sources of deferred income taxes and the tax effect of each for the year ended December 31, 1987 are as follows:

Depreciation	\$ 2,638,000
Bad debt reserve	(1,252,000)
Insurance reserve	(240,000)
Other	(189,000)
	<u>\$ 957,000</u>
	=====

NOTE 19 - PENSION COSTS

The Company made payments of \$491,000 in 1987 and \$476,000 in 1986 under the terms of various collective bargaining agreements to provide welfare benefits, including pension benefits, for covered employees. It is not practicable to determine the amount of these payments ultimately used to fund pension benefit plans or the current financial condition of these plans.

On December 1, 1985, the Company adopted a voluntary retirement savings plan ("RSVP") for its non-union employees (as defined). Eligible participating employees may elect to contribute up to 12% of their pre-tax earnings to RSVP. The Company matches employees contributions not exceeding 50% of the first 4% of the employee's salary. The Company's contribution amounted to \$726,000 in 1987 and \$740,000 in 1986.

GNOC, CORP.

NOTES FINANCIAL STATEMENTS - continued
(Unaudited)

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

NOTE 20 - LEASE COMMITMENTS

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

Minimum lease commitments in effect at December 31, 1987 are as follows:

1988	\$423,000
1989	302,000
1990	-0-
1991	-0-
1991	-0-
1992	-0-
Thereafter	
	\$725,000
	=====

Aggregate rent expense was \$414,000 and \$1,654,000 for the three and twelve months ended December 31, 1987 and \$1,698,000 and \$6,902,000 for the three and twelve months ended December 31, 1986, respectively.

NOTE 21 - OTHER COMMITMENTS

For the year 1987, the Company recorded an expense of \$1,797,000 and in 1986 \$1,370,000 which represented the cost to the Company of complying with a "reinvestment" requirement contained in the New Jersey Casino Control Act (the "Act"). Under the Act, Atlantic City casinos are required to make qualified investments, as specified by the New Jersey State Legislature (the "Legislature"), or become liable for an "alternative tax". The amount of the required investment or alternative tax is calculated based on a licensee's gross casino revenues less its annual provision for uncollectable casino receivables.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	Patrons' Checks:			
1	Undeposited patrons' checks	\$ 10,095		
2	Returned patrons' checks	12,065		
3	Total patrons' checks	22,160	\$ 12,716	\$ 9,444
4	Hotel Receivables	1,371	721	650
	Other Receivables:			
5	Receivables due from officers and employees.....	28		
6	Receivables due from affiliates	-		
7	Other accounts and notes receivables	609		
8	Total other receivables	637	500	137
9	Totals (Form 305).....	\$ 24,168	\$ 13,937	\$ 10,231

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 10,969
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	240,958
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)	(178,415)
13	Checks collected through deposits	(20,794)
14	Checks transferred to returned checks	(42,623)
15	Other adjustments	-
16	Ending Balance	\$ 10,095
17	"Hold" Checks Included In Balance On Line 16	\$
18	Provision For Uncollectible Patrons' Checks	\$ 2,975
19	Provision As A Percent Of Counter Checks Issued	1.23

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 57,029	\$ 355,451	16.04	57
2	Craps	45,529	296,310	15.37	20
3	Roulette	10,783	43,280	24.91	10
4	Big Six	2,834	5,854	48.41	4
5	Baccarat	5,988	49,774	12.03	2
6	Other table games	-	-	-	-
7	Total table games revenue	122,163	\$ 750,669	16.27	93
			HANDLE		
8	\$.05 slot machines	2,892	\$ 17,783	16.26	62
9	\$.25 slot machines	52,000	409,089	12.71	693
10	\$1.00 slot machines	54,418	477,408	11.56	261
11	Other slot machines	10,895	88,498	12.31	123
12	Total coin-operated devices revenue	120,205	\$ 992,778	12.18	1,139
13	Progressive jackpot adjustment	751			
14	Total coin-operated devices revenue after adjustment	120,956			
15	Other income	-0-			
16	Total revenue	243,119			
	Expenses:				
17	Payroll and payroll related expenses	34,843			
18	Licenses and taxes	20,011			
19	Provision for uncollectible patrons' checks	2,975			
20	Other	7,330			
21	Total	65,159			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees	177,960			
	Complimentary services and casino management fees:				
23	Complimentary services	17,727			
24	Casino management fees	-0-			
25	Total	17,727			
26	Departmental Income (Loss)	\$ 160,233			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
COUNTY OF Atlantic :ss.

Joseph A. D'Amato, 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.

Joseph A. D'Amato
Signature

Assistant VP/Treasurer
Title

03310-11
License Number

Subscribed and sworn to
before me this 15th day
of March, 1988

On Behalf Of:

Gloria A. Dean
Signature
GLORIA DEAN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Dec. 17, 1991

GNOC, CORP.
Casino Licensee

Assistant Vice President/Treasurer
Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

GROSS REVENUE ANNUAL TAX RETURN

(a) Total revenues 1,242,360
 (b) Licensee GNOC, CORP. (BALLY'S GRAND)
 (c) Address BOSTON at PACIFIC AVENUES
 ATLANTIC CITY, N.J. 08401
 (d) FOR THE YEAR ENDED DECEMBER 31, 1987
 (e) TO THE
 (f) CASINO CONTROL COMMISSION
 (g) OF THE
 (h) STATE OF NEW JERSEY
 (i) 19,151



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL TAX RETURN JOSEPH A. D'AMATO
 OFFICIAL TITLE..... ASSISTANT VICE PRESIDENT/TREASURER
 ADDRESS BOSTON at ATLANTIC AVENUES
 ATLANTIC CITY, N.J. 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 1987

STATE OF New Jersey
 COUNTY OF Atlantic

(UNAUDITED)

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$ 122,163
2	Coin-operated devices revenue	120,205
3	Total revenues	<u>\$ 242,368</u>
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 2,975
5	Maximum adjustment (4% of line 3)	\$ 12,118
6	Adjustment (the lesser of line 4 or line 5)	<u>2,975</u>
7	Gross revenues (line 3 less line 6)	<u>\$ 239,393</u>
8	Tax on gross revenues - current year (8% of line 7)	<u>\$ 19,151</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>19,151</u>
	Deposits made for tax on current year's gross revenues:	
11	January	\$ -0-
12	February	1,481
13	March	1,420
14	April	1,518
15	May	1,527
16	June	1,733
17	July	1,565
18	August	1,923
19	September	2,123
20	October	1,707
21	November	1,640
22	December	1,359
23	January	1,155
24	Total deposits made for tax on current year's gross revenues	<u>(19,151)</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>\$ -0-</u>

1/85

STATEMENT OF CONFORMITY AND ACCURACY

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

Joseph A. D'Amato
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.

Joseph A. D'Amato
Signature

Assistant Vice President/Treasurer
Title

03310-11
License Number

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

Leo D. Gallagher
Signature
LEO D. GALLAGHER

Notary Public, State of New Jersey
My Commission Expires June 22, 1992
Basis of Authority
to Take Oaths

On Behalf Of:

GNOG, CORP. (Bally's Grand)
Casino Licensee

TRADING NAME OF LICENSEE Bally's Grand

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1987

(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	518	16,058	10,459	\$ 121.13	65.1%	19,285	\$ 65.69
2	FEBRUARY	518	13,881	10,752	\$ 109.80	77.5%	20,429	\$ 57.79
3	MARCH	518	16,058	12,537	\$ 110.26	78.1%	22,623	\$ 61.11
4	1ST QUARTER TOTALS		45,997	33,748	\$ 113.48	73.4%	62,337	\$ 61.44
5	APRIL	518	15,540	11,485	\$ 109.62	73.9%	21,705	\$ 58.00
6	MAY	518	16,058	11,704	\$ 136.48	72.9%	20,995	\$ 76.08
7	JUNE	518	15,540	12,233	\$ 136.36	78.7%	22,904	\$ 72.83
8	2ND QUARTER TOTALS		47,138	35,422	\$ 127.73	75.1%	65,604	\$ 68.97
9	JULY	518	16,058	14,043	\$ 143.91	87.5%	25,548	\$ 79.10
10	AUGUST	518	16,058	13,334	\$ 139.96	83.0%	26,138	\$ 71.40
11	SEPTEMBER	518	15,399	11,814	\$ 136.16	76.7%	21,227	\$ 75.78
12	3RD QUARTER TOTALS		47,515	39,191	\$ 140.23	82.5%	72,913	\$ 75.37
13	OCTOBER	518	15,371	12,649	\$ 107.71	82.3%	24,033	\$ 56.69
14	NOVEMBER	518	15,540	11,528	\$ 111.27	74.2%	20,481	\$ 62.63
15	DECEMBER	518	16,058	9,579	\$ 107.67	59.7%	19,158	\$ 53.83
16	4TH QUARTER TOTALS		46,969	33,756	\$ 108.92	71.9%	63,672	\$ 57.74
17	ANNUAL TOTALS		187,619	142,117	\$ 123.33	75.7%	264,526	\$ 66.26

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE GNOC, CORP. (BALLY'S GRAND)

ADDRESS BOSTON at PACIFIC AVENUES

ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED DECEMBER 31, 19 87

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.....**

JOSEPH A. D'AMATO

OFFICIAL TITLE.....

ASSISTANT VICE PRESIDENT/TREASURER

ADDRESS.....

BOSTON at PACIFIC AVENUES

ATLANTIC CITY, N.J. 08401

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

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	21			
2	Gaming	890			
3	Slots	86			
4	Casino accounting	245			
5	Other	78			
6	Total-casino	1,320	\$ 24,680	\$ 110	\$ 24,790
7	ROOMS	289	2,732		2,732
8	FOOD AND BEVERAGE	917	12,164		12,164
	OTHER OPERATED DEPARTMENTS				
9	PARKING	65	903		903
10	RETAIL	53	799		799
11	HEALTH CLUB - POOL SERVICE	18	260		260
12	BEAUTY SALON	11	161		161
13	ARCADE	2	26		26
14	BEACH OPERATIONS	1	15		15
15	GAS STATION	8	108		108
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	10	358	331	689
21	Accounting and auditing	63	1,590		1,590
22	Security	196	3,525		3,525
23	Other administrative and general department ..	107	2,694		2,694
24	MARKETING	108	1,784	132	1,916
25	GUEST ENTERTAINMENT		952		952
26	PROPERTY OPERATION AND MAINTENANCE	275	5,221		5,221
27	TOTALS - ALL DEPARTMENTS	3,491	\$ 57,972	\$ 573	\$ 58,545

Trading Name of Licensee GNOC, INC. (BALLY'S GRAND)

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

For the Year Ended December 31, 1987

LICENSEE Bally's Park Place

ADDRESS Park Place and

Atlantic City, NJ

March 15, 1988
Date

Joseph A. D'Amato
Signature

Assistant Vice President & Treasurer
Title

CASINO CONTROL COMMISSION

STATE OF NEW JERSEY

974.901
C193

ANNUAL REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



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

BALANCE SHEETS

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

DECEMBER 31, 19 87 AND 19 86

LIST OF FORMS - ANNUAL REPORT

(IN THOUSANDS)

FOR THE YEAR ENDED DECEMBER 31, 19 87

LINE NO.	DESCRIPTION (a)	1987	1986	FORM NO.
ASSETS				
	Plant Assets	\$ 9,818	\$ 6,388	
	Marketable Securities	55	16,320	
	Receivables and prepaids	13,757	5,491	
1	Balance Sheets	2,142	731	CCC-305
2	Statements of Income (Year)	731	731	CCC-310
3	Statements of Income (Three Months)	27,478	31,305	CCC-315
4	Statements of Changes in Stockholders' Equity	14,577	19,136	CCC-320
5	Statements of Changes in Partners' or Proprietor's Equity	2,717	6,519	CCC-325
6	Statements of Cash Flows	1,445,716	1,348,761	CCC-335
LIABILITIES AND EQUITY				
7	Notes payable	16,051	6,417	CCC-340
8	Schedule of Receivables and Patrons' Checks			
9	Casino Departmental Schedule			CCC-345
10	Statement of Conformity and Accuracy	4	(1,462)	CCC-350
11	Other current liabilities	24,917	29,823	
12	Total current liabilities	1,473	1,826	
13	Long-term Debt:	99,871	99,529	
14	Deferred Credits	18,412	17,170	
15	Other liabilities			
16	Reserves and Contingencies			
17	Total liabilities	201,462	157,263	
18	Stockholders', Partners', or Proprietor's Equity	245,254	194,978	
19	Total liabilities and equity	\$ 446,716	\$ 352,241	

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

BALANCE SHEETS

DECEMBER 31, 19 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
ASSETS			
	Current Assets:		
1	Cash	\$ 9,818	\$ 6,308
2	Marketable securities Note 2	850	16,520
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$ 5,300 ; 19 <u>86</u> , \$ 5,750)	13,957	5,401
4	Inventories	2,119	2,342
5	Prepaid expenses and other current assets	734	733
6	Total current assets	27,478	31,304
7	Investments, Advances, And Receivables Note 11	14,577	19,134
8	Property And Equipment - Net Note 3	398,944	291,354
9	Other Assets	5,717	6,449
10	Total Assets	\$ 446,716	\$ 348,241
LIABILITIES AND EQUITY			
	Current Liabilities:		
11	Accounts payable	\$ 18,051	\$ 6,417
12	Notes payable	-	-
	Current portion of long-term debt:		
13	Due to affiliates	-	-
14	Other Note 4	415	-
15	Income taxes payable and accrued	(582)	(1,442)
16	Other accrued expenses Note 12	24,977	29,823
17	Other current liabilities	1,473	1,696
18	Total current liabilities	44,334	36,494
	Long-Term Debt:		
19	Due to affiliates Note 4	99,631	99,599
20	Other Note 4	39,085	-
21	Deferred Credits Note 5	18,412	17,170
22	Other Liabilities	-	-
23	Commitments And Contingencies	-	-
24	Total Liabilities	201,462	153,263
25	Stockholders', Partners', Or Proprietor's Equity	245,254	194,978
26	Total Liabilities And Equity	\$ 446,716	\$ 348,241

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino	\$ 249,785	\$ 228,012
2	Rooms	16,481	15,070
3	Food and beverage	30,282	27,045
4	Other	3,542	2,925
5	Total revenue	300,090	273,052
6	Less: promotional allowances Note 8	19,146	14,510
7	Net revenue	280,944	258,542
	Costs And Expenses:		
8	Cost of goods and services	133,655	128,746
9	Selling, general, and administrative	61,936	51,998
10	Provision for doubtful accounts	658	646
11	Total	196,249	181,390
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	84,695	77,152
13	Depreciation and amortization	22,245	24,470
	Charges from affiliates:		
14	Interest Note 9	11,488	11,146
15	Management fees	-	-
16	Other	1,150	1,150
17	Interest expense - external Note 9	1,576	400
18	Income (Loss) From Operations	48,236	39,986
19	Nonoperating income (expense) - net Note 15	1,343	2,280
20	Investment alternative tax and related income (expense) - net.....	-	-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	49,579	42,266
22	Provision (Credit) for income taxes Note 10	22,955	19,925
23	Income (Loss) Before Extraordinary Items	26,624	22,341
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-	-
25	Net Income (Loss)	\$ 26,624	\$ 22,341

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino	\$ 58,700	\$ 50,051
2	Rooms	3,796	3,442
3	Food and beverage	7,294	6,629
4	Other	988	571
5	Total revenue	70,778	60,693
6	Less: promotional allowances Note 8	4,589	3,526
7	Net revenue	66,189	57,167
	Costs And Expenses:		
8	Cost of goods and services	33,381	31,525
9	Selling, general, and administrative	15,595	15,559
10	Provision for doubtful accounts	196	181
11	Total	49,172	47,265
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	17,017	9,902
13	Depreciation and amortization	4,330	6,300
	Charges from affiliates:		
14	Interest Note 9	2,631	2,865
15	Management fees	-	-
16	Other	288	288
17	Interest expense - external Note 9	320	113
18	Income (Loss) From Operations	9,448	336
19	Nonoperating income (expense) - net Note 15	273	650
20	Investment alternative tax and related income (expense) - net.....	-	-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	9,721	986
22	Provision (Credit) for income taxes Note 10	5,020	255
23	Income (Loss) Before Extraordinary Items	4,701	731
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-	-
25	Net Income (Loss)	\$ 4,701	\$ 731

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 87 and 19 86

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETORS' EQUITY

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:				
1	Beginning balance (January 1)		\$		\$
2	Sale of stock	100	93,987	100	93,836
3	.....		-0-	-0-	-0-
4	Ending balance	100	93,987	100	93,987
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock	-0-	-0-	-0-	-0-
7	.....	-0-	-0-	-0-	-0-
8	Ending Balance	-0-	-0-	-0-	-0-
	Additional Paid-in Capital:				
9	Beginning balance (January 1)				
10	Purchase accounting adjustment...		-0-		-0-
11	.....		34,652		
12	Ending balance		34,652		-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)		100,991		93,650
26	Prior period adjustments		-0-		-0-
27	Net income (loss)		26,624		22,341
28	Dividends		(11,000)		(15,000)
29	.....			
30	.....			
31	Ending balance		116,615		100,991
32	Ending Stockholders' Equity		\$ 245,254		\$ 194,978

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 87 and 19 86

(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 CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 49,462	\$ 50,081
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(129,310)	(24,674)
5	Proceeds from disposition of property and equipment.....		
6	Purchase of casino reinvestment obligations.....	(771)	(1,918)
7	Purchase of other investments and loans/advances made.....	(2,472)	
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	1,879	12,031
9	Cash outflows to acquire business entities.....		
10	Reclass of AC Housing Bonds to current	5,900	
11			
12	Net Cash Provided (Used) By Investing Activities.....	(124,774)	(14,561)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt		
15	Cash proceeds from issuance of long-term debt.....	65,500	8,000
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(26,000)	(14,803)
18	Cash proceeds from issuing stock or capital contributions.....		151
19	Purchases of treasury stock.....	(11,000)	(15,000)
20	Payments of dividends or capital withdrawals.....	34,652	-
21	Increase paid in capital - purchase accounting.....		
22			
23	Net Cash Provided (Used) By Financing Activities.....	63,152	(21,652)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(12,160)	13,868
25	Cash And Cash Equivalents At Beginning Of Year	22,828	8,960
26	Cash And Cash Equivalents At End Of Year.....	\$ 10,668	\$ 22,828

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Year For:		
	Interest (net of amount capitalized).....	\$	\$
28	Income taxes.....	\$	\$

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 26,624	\$ 22,341
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	21,285	23,510
31	Amortization of other assets.....	960	960
32	Amortization of debt discount or premium.....	32	32
33	Deferred income taxes - current.....	(4,214)	814
34	Deferred income taxes - noncurrent.....	1,242	3,488
35	(Gain) loss on disposition of property and equipment.....	435	222
36	(Gain) loss on casino reinvestment obligations.....	-	-
37	(Gain) loss from other investment activities.....	21	35
38	Net (increase) decrease in receivables and patrons' checks.....	(8,556)	(74)
39	Net (increase) decrease in inventories.....	223	627
40	Net (increase) decrease in other current assets.....	(1)	76
41	Net (increase) decrease in other assets.....	(228)	(225)
42	Net increase (decrease) in accounts payables.....	11,634	(1,898)
43	Net increase (decrease) in other current liabilities excluding debt.....	5	173
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	-	-
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 49,462	\$ 50,081

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$129,310	\$ 24,674
49	Less: Capital lease obligations incurred.....	-0-	-0-
50	Cash Outflows For Property And Equipment.....	\$129,310	\$ 24,674
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$ -0-	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -0-	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$ -0-	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ -0-	\$

BALLY'S PARK PLACE CASINO HOTEL
Note 1 - Summary of Significant Accounting Policies
December 31, 1987

Page 1 of 2

Basis of presentation

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

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

Certain reclassifications have been made to the 1986 statements to conform to the 1987 presentation.

Investments in subsidiaries

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

Casino revenue and promotional allowances

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

Inventories

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

Casino licensing costs

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

Deferred bond issuance costs and original issue debt discount

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

Capitalized interest

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

Property and equipment

Depreciation and amortization of property and equipment is provided on the straight-line method and totals \$21,285,000 and \$23,510,000 for 1987 and 1986 respectively. During 1987, assets with lives of 20 years were extended to 40 years to more accurately reflect an estimate of expected useful lives, resulting in a reduction to 1987 depreciation expense of approximately \$3,012,000.

As a result of Bally's acquisition of additional outstanding equity interests in the Company, a purchase accounting adjustment of \$34,652,000 was made. Such costs have been capitalized as additional building costs and are being amortized over 40 years.

Income taxes

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

Transactions with related parties

During 1985, Bally's Park Place, Inc. amended its intercompany agreement with Bally to provide for loans between the parties. Under such amendment, the Company borrowed \$1.0 million in 1987. The Company loaned varying amounts up to \$29.4 million in 1986 to Bally on a demand basis with interest at the prime rate. All such loans were fully repaid at December 31, 1987 and 1986.

Various management personnel of the Company are involved in the direction and operation of three other casino hotels owned by Bally. Certain costs have been allocated to these other properties, amounting to \$3,229,000 for the twelve months ended December 31, 1987; there were no such allocations for the twelve months ended December 31, 1986. During the twelve months ended December 31, 1987 and 1986, the Company purchased slot machines for its casino from Bally for an aggregate amount of \$623,000 and \$111,000, respectively.

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

	1987	1986
	\$ 62,019,000	\$ 1986,000
First Fidelity Bank N.A., South Jersey	327,019,000	283,086,000
Repurchase Agreement, at cost (which equals market value)	\$ 850,000	\$16,520,000
	<u>550,221,000</u>	<u>421,624,000</u>
Accumulated Depreciation and Amortization	151,277,000	130,370,000
Marketable Securities, Net	<u>\$398,944,000</u>	<u>\$291,254,000</u>

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

	1987	1986
Land	\$ 62,019,000	\$ 21,929,000
Buildings, Leasehold Improvements	327,019,000	283,086,000
Furniture, Fixtures and Equipment	102,894,000	98,320,000
Construction in Progress	58,289,000	18,289,000
	550,221,000	421,624,000
Less Accumulated Depreciation and Amortization	151,277,000	130,270,000
Property and Equipment, Net	\$398,944,000	\$291,354,000

BALLY'S PARK PLACE CASINO HOTEL
 NOTE 3 - PROPERTY, PLANT AND EQUIPMENT
 DECEMBER 31, 1987

Original Date of Maturity Date of Loan
 Lender
 Description of Loan
 Construction Bank (Agency)
 5/2/84 N/A
 Credit line for \$75,000,000 - \$ 50,000,000
 Commitment Fee 1/2% of 1% on unused balance
 Based on 365-day T-bill rate
 Rate calculated at 8.25%
 or 11.00%
 5 yr. non-monthly Amortization
 Monthly payment \$1,285,000
 calculated at 9.00%
 1987 1986
 5 413 9 503 11 133 12 113
 Five-Year Aggregate Annual Amortization of Long-Term Debt

BALLY'S PARK PLACE CASINO HOTEL
 NOTE 4 - LONG-TERM DEBT - OTHER
 DECEMBER 31, 1987

Lender	Original Date of Loan	Maturity Date Of Loan	Interest Rate and Payment Terms	Principal amount						
				Balance at 12/31/86	Additions	Scheduled Repayments	Other Reductions	Balance December 31, 1987		
								Total	Current	Non-Current
<u>Revolving Credit Agreement:</u> Girard/Mellon Bank (Agent)	04/84	N/A	Credit line for \$75,000,000- Commitment Fee $\frac{1}{2}$ of 1% on unused balance; calculation based on 365-days; loan take downs calculated at Prime Rate (8.75% at Dec. 31, 1987) or LIBOR.	\$ ---	\$ 63,000	\$ ---	\$ 26,000	\$ 37,000	\$ ---	\$ 37,000
<u>Installment Contract</u> Victor Kramer Laundry Division of Crothal American, Inc.	12/17/87	12/17/92	5 yr. loan-monthly installments Monthly payment \$51,895 interest calculated at 9.00%.	---	2,500	---	---	2,500	415	2,085
				<u>\$</u>	<u>\$ 65,500</u>	<u>\$</u>	<u>\$ 26,000</u>	<u>\$ 39,500</u>	<u>\$ 415</u>	<u>\$ 39,085</u>

Five-Year Aggregate Annual Maturities of Long-term Debt.

1988	1989	1990	1991	1992
<u>\$ 415</u>	<u>\$ 453</u>	<u>\$ 7,434</u>	<u>\$ 9,793</u>	<u>\$ 9,843</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 4 - Long-Term Debt - Affiliates
 December 31, 1987

Lender U. S. dollars	Original Date of note	Due Date of note	Interest rate, payment terms and collateral	Principal amount					
				Balance at 12/31/86	Additions	Reductions	Balance at December 31, 1987		
							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	\$ 99,599,000	\$32,000	--	\$ 99,631,000	--	\$99,631,000

BALLY'S PARK PLACE CASINO HOTEL

Note 5 - Note 5 - Deferred Credits of Features
 For the Twelve Months Ending December 31, 1987 and 1986

	<u>1987</u>	<u>1986</u>
Deferred Federal Income Taxes	<u>\$18,412,000</u>	<u>\$17,170,000</u>
Authorized		
Issued	100 shares	
Outstanding	100 shares	
Options	None	

BALLY'S PARK PLACE CASINO HOTEL
Note 6 - Capital Stock - Description of Features
For the Twelve Months Ended December 31, 1987 and 1986

COMMON STOCK:

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

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

	1987	1988	1989	1990	1991
Lease Expense					
Carver & Webb (2507 Acassee)					
Bally Co. Term 2/11/83 - 2/11/86	\$ 3,000	\$ -	\$ -	\$ -	\$ -
200 Expressway Authority original Term 3/1/81 - 3/1/86	267,000	287,000	45,000		
1200 Third Avenue Associates Term: 4/1/83 - 4/1/83	146,000	143,000	39,000		
Executive Club Term: 8/2/85 - 7/31/88	11,000	17,000			
Equipment Lease Expense	235,000	220,000			
Miscellaneous Rent Expense		60,000			
Total	\$ 662,000	\$ 732,000	\$ 84,000		

* Not included in 1986 expense

BALLY'S PARK PLACE CASINO HOTEL
 Note 7 - Long-term Lease - Other
 December 31, 1988

	Rental Expense			Minimum Non-Cancellable Rental Commitments			
	1987	1986	1988	1989	1990	1991	1992
Rental Expense							
Gurwicz & Schiff (2507 Atlantic Realty Co.) Term 2/11/83 - 2/11/86	\$ --	\$ 3,000	\$ --	\$ --	\$ --	\$ --	\$ --
*NJ Expressway Authority original terms 3/1/81 - 3/1/86	297,000	297,000	49,000	--	--	--	--
*780 Third Avenue Associates terms: 4/1/85 - 4/1/88	146,000	143,000	39,000	--	--	--	--
*Executive Mews terms: 8/2/85 - 7/31/88	11,000	17,000	--	--	--	--	--
*Equipment Rental Expense	234,000	220,000	--	--	--	--	--
Miscellaneous Rent Expense	--	60,000	--	--	--	--	--
Total	\$ 688,000	\$ 740,000	\$ 88,000	\$ --	\$ --	\$ --	\$ --

* Not included in rent expense.

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

	Rental Expense		1988	Minimum Non-Cancellable Rental Commitments				Thereafter
	1987	1986		1989	1990	1991	1992	
Rental Expense								
Bally Manf. Corp.;								
Marlboro Blenheim	<u>\$ 1,150,000</u>	<u>\$ 1,115,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 29,950,000</u>

For the three months ended December 31,

Marlboro Blenheim	<u>\$ 288,000</u>	<u>\$ 288,000</u>
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	Number of Recipients	Dollar Amount
1987	131,450	\$ 2,639,000
1986	1,223,981	22,146,000
1985	13,353	27,000
1984	2,000	158,000
1983	8,600	430,000
1982		375,590,000
1981		
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BALLY'S PARK PLACE CASINO HOTEL
 Note 8 - Complimentary Services
 For the Three Months Ended December 31, 1987

	<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	15,030	\$ 1,725,000		
Food	148,400	1,494,000		
Beverage	689,000	1,378,000		
Other	-	(8,000)		
Travel			31,850	\$ 637,000
Coupon Redemption - Cash			251,395	4,432,000
Shows			2,825	48,000
Rooms off premises			316	25,000
Other			4,260	213,000
Total Amount of Services		<u><u>\$ 4,589,000</u></u>		<u><u>\$ 5,355,000</u></u>

For the Three Months Ended December 31,
 For the Twelve Months Ended December 31, 1987

	<u>1987</u>		<u>1986</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	64,990	\$ 7,459,000		
Food	601,000	6,020,000		
Beverage	2,805,000	5,610,000		
Other	1,900	57,000		
Travel			131,450	\$ 2,629,000
Coupon Redemption - Cash			1,223,981	22,146,000
Shows			13,353	227,000
Rooms off premises			2,000	158,000
Other			8,600	430,000
Total Amount of Services		<u><u>\$19,146,000</u></u>		<u><u>\$25,590,000</u></u>

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

	<u>1987</u>	<u>1986</u>
<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$13,875,000	\$13,875,000
Capitalized interest	<u>(2,387,000)</u>	<u>(2,729,000)</u>
	<u>\$11,488,000</u>	<u>\$11,146,000</u>
 <u>External Sources</u>		
Interest on various loans	\$ 1,903,000	\$ 536,000
Capitalized interest	<u>(327,000)</u>	<u>(136,000)</u>
	<u>\$ 1,576,000</u>	<u>\$ 400,000</u>

For the Three Months Ended December 31,

	<u>1987</u>	<u>1986</u>
<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$ 3,468,000	\$ 3,468,000
Capitalized interest	<u>(837,000)</u>	<u>(603,000)</u>
	<u>\$ 2,631,000</u>	<u>\$ 2,865,000</u>
 <u>External Sources</u>		
Interest on various loans	\$ 436,000	\$ 134,000
Capitalized interest	<u>(116,000)</u>	<u>(21,000)</u>
	<u>\$ 320,000</u>	<u>\$ 113,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 10- Provision for Income Taxes
 For the Twelve Months Ended December 31,
 December 31, 1987

	1987	1986
Reconciliation to the Statutory Income Tax Rate		
Current:		
Federal	\$ 21,214,000	\$ 12,130,000
State	<u>4,713,000</u>	<u>3,493,000</u>
	25,927,000	15,623,000
	statutory rate	statutory rate
	<u>\$19,632,000</u>	<u>\$19,444,000</u>
Deferred:		
Federal	(3,153,000)	4,182,000
State	<u>181,000</u>	<u>120,000</u>
	2,972,000	4,302,000
Total Income Taxes	<u>\$ 22,955,000</u>	<u>\$ 19,925,000</u>

For the Three Months Ended December 31,

Current:		
Federal	\$ 5,315,000	\$ (985,000)
State	<u>746,000</u>	<u>(199,000)</u>
	6,061,000	(1,184,000)
Deferred:		
Federal	(1,605,000)	1,184,000
State	<u>564,000</u>	<u>255,000</u>
	(1,041,000)	1,439,000
Total Income Taxes	<u>\$ 5,020,000</u>	<u>\$ 255,000</u>

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

	1987	1986
Short-term	\$ (4,214,000)	\$ 814,000
Long-term	<u>1,242,000</u>	<u>3,488,000</u>
	<u>\$ (2,972,000)</u>	<u>\$ 4,302,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 11 - Investments and Receivables
 Note 10 (Continued)
 December 31, 1987

Reconciliation to the Statutory Federal
 Income Tax Rate

	1987	1986
Tax at statutory rate	\$19,832,000	\$19,444,000
Increase (decrease):		
State income taxes, net of related federal income tax benefit	2,677,000	2,054,000
Investment tax credits	---	(45,000)
Other, net	446,000	(1,528,000)
	<u>\$22,955,000</u>	<u>\$19,925,000</u>
Investments in subsidiaries - equity	3,016,000	7,181,000
Exempt Atlantic County Improvement Authority bonds	---	5,900,000
Reinvestment Development Authority bonds (less discount of \$2,525,000 in 1987 and \$187,000 in 1986)	1,470,000	503,000
Accounts receivable - officers	378,000(1)	384,000(1)
Accounts receivable -	50,000	---
Accounts receivable - employees	---	1,000
Current portion	(2,734,000)	(1,070,000)
Investments, Advances and Receivables	<u>\$14,577,000</u>	<u>\$19,134,000</u>

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

Other long-term investments and receivables:

	1987	1986
Reese Palley/Martin Blatt (Mortgage - Marlboro Bleinheim)		
First Mortgage	\$ 2,161,000	\$ 2,284,000
Second Mortgage	2,881,000	3,046,000
Blumfeld Development Corporation		
First Mortgage	1,600,000	---
Jack Blumfeld		
Second Mortgage	35,000	---
Total other long-term receivables	\$ 6,677,000	\$ 5,330,000
Investment in subsidiaries - equity:		
Bally Warwick, Inc. - 100% owned	4,122,000	4,078,000
B.W. Realty, Inc. - 100% owned	3,896,000	3,103,000
Total investments in subsidiaries - equity	8,018,000	7,181,000
5% tax exempt Atlantic County Improvement Authority note	---	5,900,000
Casino Reinvestment Development Authority funds (less discount of \$2,525,000 in 1987 and \$187,000 in 1986)	1,678,000	908,000
Notes receivable - officers	878,000(1)	884,000(1)
Central credit receivable	60,000	---
Note receivable - employees	---	1,000
Less current portion	(2,734,000)	(1,070,000)
Total Investments, Advances and Receivables	\$14,577,000	\$19,134,000

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

(1) Notes receivable - officers:

(A) William Weinberger, President

Balance January 1,
 Less payments

1987
 \$ 110,000
(6,000)

1986
 \$ 116,000
(6,000)

Balance December 31,

\$ 104,000

\$ 110,000

Current portion: 1987: \$6,000 and 1986: \$6,000

Repayment Terms:

Due Date: Quarterly payments of \$3,000

Interest Rate: 4%

Collateral: Mortgage Loan

(B) Richard Gillman, Chairman of the Board

Balance January 1,

\$ 774,000

\$ 774,000

Balance December 31,

774,000

774,000

Current portion: 1987: \$774,000 and
 1986: \$774,000

Repayment Terms: without interest until certain
 future stock prices occur;
 due April 15, 1988

Total notes receivable - officers

\$ 878,000

\$ 884,000

BALLY'S PARK PLACE CASINO HOTEL
 Note 12 - Other Accrued Expenses
 December 31, 1987

	1987	1986
Payroll	\$13,070,000	\$17,074,000
Progressive Jackpots	2,105,000	2,529,000
Interest	4,928,000	4,688,000
Miscellaneous*	4,874,000	5,532,000
Total	\$24,977,000	\$29,823,000

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

BALLY'S PARK PLACE CASINO HOTEL

Note 14 - Investment Alternative Tax
Note 13 - Compensation Plans
December 31, 1987

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

Pursuant to amendments enacted in December 1984 to the Casino Control Act, a second year of operations, whichever is later, casino licensees are subject to an annual investment alternative tax of 2.5% of gross casino revenues. The CRDA is empowered to issue bonds with maturity dates of up to 50 years and bearing interest at two-thirds of market rates, as determined at the time of issuance. Proceeds from such bond issues will be invested in CRDA in qualifying projects in Atlantic City and the State of New Jersey. Projects are subject to minimum investment ratings as provided under the Casino Control Act. Casino licensees may receive credits against their investment alternative tax liability in amounts equal to twice the purchase price of CRDA bonds purchased within the appropriate time periods. In addition, under certain circumstances, casino licensees may make direct investments in, or donations of, CRDA projects, and thereby receive credits against their investment alternative tax liability in amounts equal to twice the cost of investments or donations made within the appropriate time periods. Projects may also be submitted to the CRDA for approval as credits against the investment alternative tax liability. Casino licensees are also required to make quarterly prepayments against the investment alternative tax liability in amounts equal to 1.25% of the preceding calendar quarter's gross casino revenues.

The Company is subject to the foregoing legislation as of January 1, 1984. As of December 31, 1987, had \$4,204,000 in remaining bond purchase commitments. The Company has sponsored the development of a 72-unit condominium housing project in Atlantic City, funded in 1985 through the Company's donation of the building and its purchase of a 5% tax-exempt 2 1/2 year note in the amount of \$5,900,000 by the Atlantic County Improvement Authority, which has been approved by the CRDA for credit as a direct investment. In December 1987, the CRDA approved an additional \$4,000,000 bond issue related to Jacobs Family Terrace for which the Company will receive credit as direct investment.

BALLY'S PARK PLACE CASINO HOTEL
Note 14 - Investment Obligation/Potential Alternative Tax
December 31, 1987

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

The Company is subject to the foregoing legislation as of January 1, 1984, and at December 31, 1987, had \$4,204,000 in remaining bond purchase commitments. The Company has sponsored the development of a 72-unit condominium housing project in Atlantic City, funded in 1985 through the Company's donation of the building site and its purchase of a 5% tax-exempt 3½ year note in the amount of \$5,900,000 issued by the Atlantic County Improvement Authority, which has been approved by the CRDA for credit as a direct investment. In December 1987, the CRDA approved an additional \$4,000,000 bond issue related to Jacobs Family Terrace for which the Company will receive credit as direct investment.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

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

DESCRIPTION	1987	1986
Interest income (b)	\$ 318,000	\$ 681,000
Equity in income or (loss) of unconsolidated subsidiaries:		
B. W. Realty, Inc.	(93,000)	(74,000)
Bally Warwick, Inc.	3,000	55,000
Other	45,000	(12,000)
Total	\$ 273,000	\$ 650,000

For the Twelve Months Ended December 31,

Interest income	\$1,229,000	\$2,118,000
Equity in income or (loss) of unconsolidated subsidiaries:		
B. W. Realty, Inc.	(64,000)	(48,000)
Bally Warwick, Inc.	43,000	13,000
Other	135,000	197,000
Total	\$1,343,000	\$2,280,000

17
18
19

Checks included in Balance on Line 15
 Allowance for Uncollectible Patrons' Checks
 Ratio As A Percent Of Counter Checks Issued

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$		
	Undeposited patrons' checks	3,305		
2	Returned patrons' checks	5,680		
3	Total patrons' checks	8,985	\$ 5,250	\$ 3,735
4	Hotel Receivables	395	50	345
5	Other Receivables:			
	Receivables due from officers and employees.....	1		
6	Receivables due from affiliates	1,711		
7	Other accounts and notes receivables	8,165		
8	Total other receivables	9,877	--	9,877
9	Totals (Form 305).....	\$ 19,257	\$ 5,300	\$ 13,957

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 2,482
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	118,394
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)	(98,573)
13	Checks collected through deposits	(15,504)
14	Checks transferred to returned checks	(3,494)
15	Other adjustments	
16	Ending Balance	\$ 3,305
17	"Hold" Checks Included In Balance On Line 16	\$
18	Provision For Uncollectible Patrons' Checks	\$ 646
19	Provision As A Percent Of Counter Checks Issued .....	.5

STATEMENT OF CONFIDENCY AND ACCURACY

TRADING NAME OF LICENSEE BALLY'S PARK PLACE CASINO HOTEL

CASINO DEPARTMENTAL SCHEDULE

STATE OF NEW JERSEY

COUNTY OF ATLANTIC FOR THE YEAR ENDED DECEMBER 31, 19 87

(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	\$ 51,782	\$ 314,489	16.5	75
2	Craps	34,218	191,664	17.9	20
3	Roulette	12,303	49,141	25.0	12
4	Big Six	3,113	6,630	47.0	4
5	Baccarat	5,454	33,291	16.4	2
6	Other table games	-	-		
7	Total table games revenue	106,870	\$ 595,215	18.0	113
			HANDLE		
8	\$.05 slot machines	7,079	\$ 43,712	16.2	130
9	\$.25 slot machines	62,431	428,972	14.6	894
10	\$1.00 slot machines	23,952	179,315	13.4	167
11	Other slot machines	49,029	396,648	12.4	441
12	Total coin-operated devices revenue	142,491	\$ 1,048,647	13.6	1,632
13	Progressive jackpot adjustment	424			
14	Total coin-operated devices revenue after adjustment	142,915			
15	Other income	-			
16	Total revenue	249,785			
	Expenses:				
17	Payroll and payroll related expenses	37,056			
18	Licenses and taxes	20,766			
19	Provision for uncollectible patrons' checks	646			
20	Other	4,912			
21	Total	63,380			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	186,405			
	Complimentary services and casino management fees:				
23	Complimentary services	43,640			
24	Casino management fees	-			
25	Total	43,640			
26	Departmental Income (Loss)	\$ 142,765			

STATEMENT OF CONFORMITY AND ACCURACY

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

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

deposes and says:

1. I have examined this Annual Report.
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 15th day
of March, 1988

On Behalf Of:

Janice M. Intecchi
Signature

Bally's Park Place, NJ
Casino Licensee

JANICE M. INTECCHI
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Jan. 7, 1993

Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE Bally's Park Place, NJ

ADDRESS Park Place & The Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

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 & The Boardwalk

Atlantic City, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

STATE OF New Jersey

(UNAUDITED)

COUNTY OF Atlantic

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 106,870	
2	Coin-operated devices revenue	142,491	
3	Total revenues		\$ 249,361
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 646	
5	Maximum adjustment (4% of line 3)	\$ 9,974	
6	Adjustment (the lesser of line 4 or line 5)		646
7	Gross revenues (line 3 less line 6)		\$ 248,715
8	Tax on gross revenues - current year (8% of line 7)		\$ 19,897
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)		19,897
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 1,022	
12	February	1,302	
13	March	1,775	
14	April	1,382	
15	May	1,516	
16	June	1,983	
17	July	1,810	
18	August	2,385	
19	September	1,704	
20	October	1,618	
21	November	1,895	
22	December	1,111	
23	January	394	
24	Total deposits made for tax on current year's gross revenues		(19,897)
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)		\$ --

CCC-382

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]
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 15th day
of March, 1988.
[Signature]
Signature

JANICE M. HARDONE
NOTARY PUBLIC OF NEW JERSEY
~~My Commission Expires 7, 1989~~
Basis of Authority
to Take Oaths

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 87

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	510	15,810	10,194	\$ 103.21	64.5%	20,630	\$ 51.00
2	FEBRUARY	510	14,280	11,556	\$ 97.37	80.9%	22,196	\$ 49.10
3	MARCH	510	15,810	13,368	\$ 94.51	84.6%	25,159	\$ 50.22
4	1ST QUARTER TOTALS		45,900	35,118	\$ 97.98	76.5%	68,705	\$ 50.08
5	APRIL	510	15,300	12,806	\$ 96.41	83.7%	24,894	\$ 49.59
6	MAY	510	15,810	13,662	\$ 101.13	86.4%	25,999	\$ 53.14
7	JUNE	510	15,300	13,980	\$ 103.75	91.4%	27,667	\$ 52.43
8	2ND QUARTER TOTALS		46,410	40,448	\$ 100.54	87.2%	78,560	\$ 51.77
9	JULY	510	15,810	14,097	\$ 131.86	89.2%	30,210	\$ 61.53
10	AUGUST	510	15,810	14,242	\$ 131.14	90.1%	30,687	\$ 60.86
11	SEPTEMBER	510	15,300	13,308	\$ 109.67	87.0%	45,543	\$ 32.05
12	3RD QUARTER TOTALS		46,920	41,647	\$ 124.52	88.8%	106,440	\$ 48.72
13	OCTOBER	506	15,686	14,042	\$ 81.87	89.5%	27,236	\$ 42.21
14	NOVEMBER	506	15,180	12,911	\$ 101.21	85.1%	25,000	\$ 52.27
15	DECEMBER	506	15,686	10,044	\$ 103.50	64.0%	20,189	\$ 51.49
16	4TH QUARTER TOTALS		46,552	36,997	\$ 94.49	79.5%	72,425	\$ 48.27
17	ANNUAL TOTALS		185,782	154,210	\$ 104.98	83.0%	326,130	\$ 49.64

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE Bally's Park Place, NJ

ADDRESS Park Place & The Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

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.....

G. Patrick McKoy

OFFICIAL TITLE

Vice President & Treasurer

ADDRESS

Park Place & The Boardwalk

Atlantic City, NJ 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		TOTALS (f)
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
CASINO					
1	Administration	17			
2	Gaming	891			
3	Slots	115			
4	Casino accounting	268			
5	Other	69	\$	\$	\$
6	Total-casino	1,360	25,991		
7	ROOMS	218	3,158		
8	FOOD AND BEVERAGE	874	10,940		
OTHER OPERATED DEPARTMENTS					
9	Health Spa	50	639		
10	Telephone	23	352		
11	Hat Check	9	116		
12	Beauty Salon	12	45		
13	Pool, Beach, Cabana	4	17		
14					
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	59	2,771		
21	Accounting and auditing	104	1,944		
22	Security	253	5,034		
23	Other administrative and general department ..	188	3,346		
24	MARKETING	67	1,442		
25	GUEST ENTERTAINMENT	18	573		
26	PROPERTY OPERATION AND MAINTENANCE	301	6,072		
		3,540	\$ 62,110	\$	\$

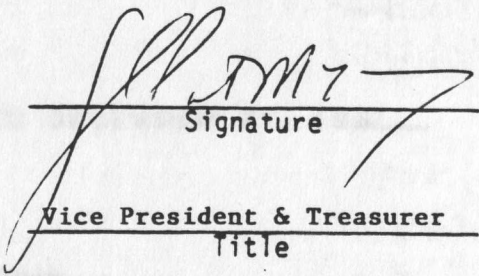
Trading Name of Licensee Bally's Park Place Casino Hotel

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 1987

March 15, 1988
Date


Signature

Vice President & Treasurer
Title

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ANNUAL REPORT

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NEW JERSEY STATE LIBRARY

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LICENSEE BOARDWALK REGENCY CORPORATION
d/b/a CAESARS ATLANTIC CITY
ADDRESS 2100 Pacific Avenue
Atlantic City, New Jersey 08401

185 W. STATE ST.
TRENTON, N.J.

FOR THE YEAR ENDED DECEMBER 31, 1987

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

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

LIST OF FORMS — ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87

<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 Cash Flows	CCC-335
Notes to Financial Statements	
Schedule of Receivables and Patrons' Checks	CCC-340
Casino Departmental Schedule	CCC-345
Statement of Conformity and Accuracy	CCC-350

BALANCE SHEETS

STATEMENT OF INCOME
 DECEMBER 31, 19 87 AND 19 86

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	8,176	9,830
2	Marketable securities	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$13,488 ; 19 <u>86</u> , \$13,155)	15,357	13,955
4	Inventories (NOTE 1)	2,559	2,654
5	Prepaid expenses and other current assets (NOTE 2)	6,990	3,577
6	Total current assets	33,082	30,016
7	Investments, Advances, And Receivables (NOTES 3 & 13)	18,366	22,970
8	Property And Equipment - Net (NOTES 1, 4 & 10)	203,673	208,285
9	Other Assets	3,182	3,472
10	Total Assets	\$ 258,303	\$ 264,743
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	8,440	10,123
12	Notes payable (NOTE 5)	-	-
	Current portion of long-term debt:		
13	Due to affiliates	-	-
14	Other (NOTE 10)	329	337
15	Income taxes payable and accrued (NOTE 1)	7,278	4,886
16	Other accrued expenses (NOTES 1 & 7)	30,233	26,637
17	Other current liabilities (NOTES 1 & 8)	2,556	28,852
18	Total current liabilities	48,836	70,835
	Long-Term Debt:		
19	Due to affiliates (NOTE 9)	89,902	91,128
20	Other (NOTE 10)	33,887	34,123
21	Deferred Credits	6,708	7,901
22	Other Liabilities	3,603	2,717
23	Commitments And Contingencies (NOTES 10 & 13)		
24	Total Liabilities	182,936	206,704
25	Stockholders', Partners', Or Proprietor's Equity	75,367	58,039
26	Total Liabilities And Equity	\$ 258,303	\$ 264,743

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino (NOTE 1)	\$ 287,099	\$ 260,170
2	Rooms	18,208	18,322
3	Food and beverage	35,371	33,262
4	Other	17,662	17,043
5	Total revenue	358,340	328,797
6	Less: promotional allowances (NOTES 1 & 14)	39,095	36,055
7	Net revenue	319,245	292,742
	Costs And Expenses:		
8	Cost of goods and services (NOTE 1)	156,076	150,707
9	Selling, general, and administrative (NOTES 1 & 14)	75,445	70,215
10	Provision for doubtful accounts	2,508	3,025
11	Total	234,029	223,947
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	85,216	68,795
13	Depreciation and amortization (NOTE 1)	19,030	17,379
	Charges from affiliates:		
14	Interest (NOTES 8 & 9)	14,084	17,297
15	Management fees	-	-
16	Other (NOTE 12)	6,235	3,841
17	Interest expense - external	3,568	3,995
18	Income (Loss) From Operations	42,299	26,283
19	Nonoperating income (expense) - net (NOTE 15)	(536)	-
20	Investment alternative tax and related income (expense) - net (NOTE 13)	(2,792)	1,478
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	38,971	27,761
22	Provision (Credit) for income taxes (NOTES 1 & 6)	17,170	13,694
23	Income (Loss) Before Extraordinary Items	21,801	14,067
24	Extraordinary items (net of income taxes - 19 <u>87</u> , \$ 4,464 . ; 19 <u>86</u> , \$ -) ... (NOTE 16)	(4,473)	-
25	Net Income (Loss)	\$ 17,328	\$ 14,067

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino (NOTE 1)	\$ 67,857	\$ 64,838
2	Rooms	4,302	4,297
3	Food and beverage	8,317	8,081
4	Other	3,720	3,697
5	Total revenue	84,196	80,913
6	Less: promotional allowances (NOTES 1 & 14)	8,715	8,733
7	Net revenue	75,481	72,180
	Costs And Expenses:		
8	Cost of goods and services (NOTE 1)	36,869	37,176
9	Selling, general, and administrative (NOTES 1 & 14)	16,162	17,930
10	Provision for doubtful accounts	1,129	285
11	Total	54,160	55,391
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	21,321	16,789
13	Depreciation and amortization (NOTE 1)	4,520	4,455
	Charges from affiliates:		
14	Interest (NOTES 8 & 9)	3,290	4,089
15	Management fees	-	-
16	Other (NOTE 12)	1,688	1,194
17	Interest expense - external	216	934
18	Income (Loss) From Operations	11,607	6,117
19	Nonoperating income (expense) - net (NOTE 15)	21	-
20	Investment alternative tax and related income (expense) - net..... (NOTE 13)	(2,371)	1,311
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	9,257	7,428
22	Provision (Credit) for income taxes (NOTES 1 & 6)	3,614	3,945
23	Income (Loss) Before Extraordinary Items	5,643	3,483
24	Extraordinary items (net of income taxes - 19__ \$; 19__ \$)	-	-
25	Net Income (Loss)	\$ 5,643	\$ 3,483

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 87 and 19 86

STATEMENTS OF CHANGES IN PARTNERS'

OR PROPRIETARY EQUITY

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
1	Common Stock: NO PAR VALUE, 1000 SHARES Beginning balance (January 1) AUTHORIZED..	100	\$ 1,370	100	\$ 1,370
2	Sale of stock				
3	.....			
4	Ending balance	100	1,370	100	1,370
5	Preferred Stock: Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
9	Additional Paid-in Capital: Beginning balance (January 1)		5,912		5,912
10	.....			
11	.....			
12	Ending balance		5,912		5,912
13	Treasury Stock: Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
17	Subscriptions Receivable For Capital Stock: Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
21	Net Unrealized Loss On Noncurrent Marketable Equity Securities: Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
25	Retained Earnings: Beginning balance (January 1)		50,757		36,690
26	Prior period adjustments				
27	Net income (loss)		17,328		14,067
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		68,085		50,757
32	Ending Stockholders' Equity		\$ 75,367		\$ 58,039

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ N/A	\$ N/A
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	N/A	N/A
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	(N/A)	(N/A)
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	(N/A)	(N/A)
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$ N/A	\$ N/A

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 21,349	\$ 48,857
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(15,493)	(11,449)
5	Proceeds from disposition of property and equipment.....	1,020	-
6	Purchase of casino reinvestment obligations.....	(3,558)	(14,304)
7	Purchase of other investments and loans/advances made.....		
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	891	-
9	Cash outflows to acquire business entities.....		
10	<u>APPROVED REIMBURSEMENTS - CRDA</u>	4,479	-
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	(12,661)	(25,753)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		--
14	Payments to settle short-term debt	-	(18,400)
15	Cash proceeds from issuance of long-term debt.....	102,211	-
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(112,553)	(2,140)
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21	.....	
22	.....	
23	Net Cash Provided (Used) By Financing Activities.....	(10,342)	(20,540)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(1,654)	2,564
25	Cash And Cash Equivalents At Beginning Of Year	9,830	7,266
26	Cash And Cash Equivalents At End Of Year.....	\$ 8,176	\$ 9,830

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).....	\$ 16,660	\$ 21,388
28	Income taxes.....	\$ 16,349	\$ 9,604

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 87	(d) 19 86
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 17,328	\$ 14,067
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	18,549	17,115
31	Amortization of other assets.....	481	264
32	Amortization of debt discount or premium.....	437	947
33	Deferred income taxes - current.....	(3,594)	384
34	Deferred income taxes - noncurrent.....	(1,193)	5,767
35	(Gain) loss on disposition of property and equipment.....	536	-
36	(Gain) loss on casino reinvestment obligations.....	2,792	(1,478)
37	(Gain) loss from other investment activities.....	-	-
38	Net (increase) decrease in receivables and patrons' checks.....	(1,402)	4,049
39	Net (increase) decrease in inventories.....	95	86
40	Net (increase) decrease in other current assets.....	181	(195)
41	Net (increase) decrease in other assets.....	(191)	(318)
42	Net increase (decrease) in accounts payables.....	(1,683)	3,305
43	Net increase (decrease) in other current liabilities excluding debt.....	(20,308)	2,147
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	886	2,717
45	UNAMORTIZED DISCOUNT ON DEBT EXTINGUISHMENT.....	8,435	-
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 21,349	\$ 48,857

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 15,473	\$ 11,449
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ 15,473	\$ 11,449
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ -	\$ -

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies:

Description of Business

Boardwalk Regency Corporation (BRC), a New Jersey corporation, is a wholly-owned subsidiary of Caesars New Jersey, Inc. (CNJ), a New Jersey corporation. CNJ is 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 owns and 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 interdivisional balances and transactions.

Revenue and Promotional Allowances

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

Inventories

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

Property and Equipment

Property and equipment is recorded at cost, including interest on funds borrowed to finance construction. For the year ended December 31, 1987 \$237,000 of capitalized interest was recorded. No capitalized interest was recorded for the year ended December 31, 1986. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

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

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

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 1986 financial statements in order to conform with the presentation used in 1987.

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 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.

NOTE 2. Prepaid Expenses and Other Current Assets:

	<u>1987</u>	<u>1986</u>
	(In Thousands)	
Deferred taxes.....	\$3,596	-
Taxes, licenses and fees.....	1,587	\$1,649
Other.....	<u>1,807</u>	<u>1,928</u>
	<u>\$6,990</u>	<u>\$3,577</u>

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

NOTE 3. Investments, Advances, and Receivables:

During 1986 and through November 1987, BRC maintained secured lines of credit of \$25,000,000 of which the maximum amount outstanding at any month was \$16,300,000 in balance as of December 31, 1987 and 1986. The revolving credit facility for the prime rate or a lesser negotiated rate. BRC was approved to CRDA investment deposits... CRDA bonds receivable, net... There was no borrowings outstanding at any... less valuation allowance... less allowance for low income developments... As of December 31, 1987, the \$25,000,000 revolving facilities described above were replaced by a new \$100,000,000 and subsidiaries, including CRD and BRC, for general corporate purposes. Borrowings... facility will bear interest at a base rate... prime rate or an alternative negotiated rate. The revolving credit facility terminates on September 30, 1990 unless the bank agrees to extend it.

	1987	1986
	(In Thousands)	
CRDA investment deposits.....	\$22,865	\$25,224
CRDA bonds receivable, net.....	1,438	-
	24,303	25,224
less valuation allowance.....	1,337	845
less allowance for low income developments.....	4,600	2,300
	18,366	22,079
Other.....	-	891
	<u>\$18,366</u>	<u>\$22,970</u>

NOTE 4. Property and Equipment:

NOTE 5. Income Taxes:
The provision for income taxes for the years ended December 31, 1987 and 1986 is comprised of the following:

	1987	1986
	(In Thousands)	
Land.....	\$ 20,157	\$ 19,619
Buildings and improvements.....	143,300	140,863
Furniture, fixtures and equipment.....	62,095	63,405
Construction in progress.....	9,024	2,674
Properties under capital leases:		
Land.....	9,055	9,055
Buildings.....	34,702	34,702
Furniture, fixtures and equipment.....	10,637	10,637
	288,970	280,955
Less accumulated depreciation and amortization.....	85,297	72,670
	<u>\$203,673</u>	<u>\$208,285</u>

Deferred credits of \$6,709,000 and \$7,901,000 at December 31, 1987 and 1986, respectively, represent deferred income taxes. These amounts are due to timing differences substantially related to depreciation, capitalized leases, and CRDA interest differential.

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

NOTE 5. Notes Payable: (continued)

During 1986 and through November 1987, BRC maintained unsecured lines of credit of \$25,000,000 of which there was no outstanding balance as of December 31, 1987 and 1986. These lines bore interest at the prime rate or a lesser negotiated rate. BRC was expected to maintain compensating balances under the lines of credit, although it could elect to pay fees in lieu of balances. (In Thousands)

There was no borrowings outstanding at any month end during 1987 and the maximum amount outstanding at any month end was \$16,500,000 in 1986. The average of the month end amounts outstanding was \$4,621,000 in 1986. The weighted average interest rate was 8.2% in 1987 and 1986.

As of December 1, 1987, the \$25,000,000 short-term borrowing facilities described above were replaced by a new \$100,000,000 short-term revolving credit facility which may be used by CWI and subsidiaries, including CNJ and BRC, for working capital needs and general corporate purposes. Borrowings under the revolving credit facility will bear interest at a base rate which approximates the prime rate or an alternative negotiated rate. The revolving credit facility terminates on September 30, 1990 unless the bank agrees to extend it.

NOTE 6. Income Taxes:

The provision for income taxes for the years ending December 31, 1987 and 1986 is comprised of the following:

	1987	1986
	(In Thousands)	
Current:		
Federal.....	\$13,857	\$ 6,231
State.....	3,636	1,312
Deferred:		
Current.....	(2,732)	(479)
Long-term.....	(2,055)	6,630
	<u>\$12,706</u>	<u>\$13,694</u>

Deferred credits of \$6,708,000 and \$7,901,000 at December 31, 1987 and 1986, respectively, represent deferred income taxes which are due to timing differences substantially related to depreciation, capitalized leases, and CRDA interest differential.

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

NOTE 6: Income Taxes: (continued)

The provision for income taxes for the years ending December 31, 1987 and 1986 differs from the amount computed at the statutory rate as follows:

	<u>1987</u>	<u>1986</u>
	(In Thousands)	
Federal income tax at statutory rate.....	\$11,076	\$12,371
State income taxes, net of federal benefit.	1,685	774
Other.....	<u>(55)</u>	<u>549</u>
	<u>\$12,706</u>	<u>\$13,694</u>

The Internal Revenue Service is currently examining CWI's consolidated Federal income tax returns for fiscal 1984 and 1985.

NOTE 7. Other Accrued Expenses:

	<u>1987</u>	<u>1986</u>
	(In Thousands)	
Rent.....	\$11,507	\$10,047
Salaries, wages and vacation pay...	5,353	4,621
Legal costs and issues.....	3,922	1,901
Progressive slots.....	3,229	2,076
Insurance.....	2,912	2,977
Other.....	<u>3,310</u>	<u>5,015</u>
	<u>\$30,233</u>	<u>\$26,637</u>

NOTE 8. Other Current Liabilities:

	<u>1987</u>	<u>1986</u>
	(In Thousands)	
Funds borrowed from CNJ and CWI, interest calculated at prime rate.....	\$ 628	\$27,030
Other.....	<u>1,928</u>	<u>1,822</u>
	<u>\$2,556</u>	<u>\$28,852</u>

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

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

	<u>1987</u>	<u>1986</u>
	(In Thousands)	
During June 1987 the unsecured note payable to CWFC was paid in full. (See Note 16).....	-	\$100,000
Less unamortized discount.....	-	8,872
Desert Palace, Inc, (DPI), a wholly owned subsidiary of CWI, interest at 11.45%:		
Non-Negotiable Term Note due June 1, 1990..	\$29,895	-
Non-Negotiable Term Note due June 1, 1992..	60,007	-
	<u>\$89,902</u>	<u>\$ 91,128</u>

NOTE 10. Long-term Debt, Other:

	<u>1987</u>	<u>1986</u>
	(In Thousands)	
(a) Long-term debt.....	\$ 507	\$ 536
(b) Capitalized lease obligation....	33,380	33,587
	<u>\$33,887</u>	<u>\$34,123</u>

Major leased assets, which have been capitalized, include a portion of the CAG hotel/casino and the land on which the hotel/casino is situated. This primary lease expires in 2002 and is renewable for two additional 30-year periods. BRC has the right to purchase the property for \$34,547,900 between 1989 and 1993 and has the right to purchase the property or the lease. The lease begins in 1987 and requires annual payments of \$2,879,000 for the lease year beginning in 1987 and increasing to not more than \$73,000 per year in 1997. The percentage rental of 19.34% of the hotel/casino gross revenue is payable for the year ending 31, 1987 and 1988. A separate secondary lease requires annual payments of \$500 for the year ending 31, 1990 the payments increase by 30 percent of the increase in the producer price index. This lease has the same term as the primary lease and has a purchase price of \$6,500,000 in fiscal 1991 or simultaneously with the primary lease. After 1991 the purchase price increases pursuant to a formula tied to the increase in the producer price index.

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

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

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

Year Ending December 31,	<u>Year Ending December 31, 1987</u>	
1988		(In Thousands)
1989		
1990	1988.....	\$ 27
1991	1989.....	501
1992	1990.....	1
Thereafter	1991.....	1
	1992.....	1
	Thereafter.....	<u>3</u>
		<u>\$534</u>

(b) Leases:

BRC leases land, buildings and equipment under noncancellable lease agreements which expire at various dates through 2076. The leases generally provide that BRC pay the taxes, insurance and maintenance expenses related to the 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. This primary lease expires in 2008, and is renewable for two additional 30-year periods. BRC has the right to purchase this property for \$38,667,000 between 1989 and 1993 and a right to match any purchase offers for the property or the lease. The lease provides for a minimum rental of \$2,879,000 for the lease year beginning June 1, 1987, increasing by not more than \$73,000 per year in each subsequent year, and a percentage rental of 19.3% of the hotel/casino's net profit, as defined. The percentage rental amounted to \$7,673,000 and \$7,363,000 for the years ending December 31, 1987 and 1986. A separate secondary lease requires annual payments of \$575,000 and beginning in 1990 the payments increase by 50 percent of the increase in the producer price index. This lease has the same term as the primary lease and has a purchase option of \$6,500,000 in fiscal 1991 or simultaneously with the primary lease. After 1991 the purchase price increases pursuant to a formula tied to the increase in the producer price index.

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

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

Future minimum lease payments for all leases are as follows:

Year Ending December 31,	Operating	Capital
	(In Thousands)	
1988.....	\$ 1,384	\$ 3,817
1989.....	945	3,835
1990.....	658	3,841
1991.....	658	3,858
1992.....	642	3,878
Thereafter....	<u>7,494</u>	<u>139,198</u>
Total minimum lease payments.....	<u>\$11,781</u>	158,427
Less amount representing interest.....		<u>124,745</u>
		33,682
Less current maturities of obligations under capital leases.....		<u>302</u>
		<u>\$ 33,380</u>

Rent expense for the years ending
December 31, 1987 and 1986 is comprised
of the following:

	1987	1986
	(In Thousands)	
Minimum rentals under operating leases..	\$ 3,331	\$ 3,684
Contingent rentals under operating and capital leases.....	<u>7,673</u>	<u>7,363</u>
Other.....	<u>\$11,004</u>	<u>\$11,047</u>
	<u>\$6,232</u>	<u>\$11,841</u>

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

NOTE 11. 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 \$219,000 and \$230,000 for the years ending December 31, 1987 and 1986, 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 \$597,000 and \$575,000 for the years ending December 31, 1987 and 1986, respectively.

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

NOTE 12. Related Party Transactions:

Intercompany Services

CWI, CNJ, CWFC and DPI have provided BRC with substantial funds for lease deposits, working capital and other operating purposes. CWI also provides certain assistance to BRC, including supervision of the hotel/casino operations and the furnishing of accounting, tax, internal audit, marketing, legal and security services. BRC reimburses CWI and CNJ for the cost of such services, which amounted to \$6,235,000 and \$3,841,000 for the years ending December 31, 1987 and 1986, respectively. The breakdown of these services is as follows:

	<u>1987</u>	<u>1986</u>
	(In Thousands)	
General insurance.....	\$3,593	\$3,047
Reservations office expenses.....	2,161	272
Advertising.....	178	291
Other.....	<u>303</u>	<u>231</u>
	<u>\$6,235</u>	<u>\$3,841</u>

Litigation

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

NOTE 13. Commitments and Contingencies:

The New Jersey Casino Control Act (the "Act") provides, among other things, for an assessment on licensees based upon their gross casino revenues. This assessment may be satisfied by investing in qualified eligible direct investments, purchasing bonds issued by the Casino Reinvestment Development Authority (CRDA), or paying an "alternative tax". In order for direct investments to be eligible, they must be approved by the CRDA. The Company's total obligation under the Act for all periods through December 31, 1987 is \$29,618,000 which is net of a prepayment discount of \$555,000. Interest bearing deposits have been made to the CRDA in the amount of \$28,781,000 and \$25,224,000 as of December 31, 1987 and 1986, respectively.

In December 1986, Caesars Atlantic City received tentative approval of a qualified eligible direct investment from the CRDA. The direct investment obligation requires Caesars Atlantic City to construct and then operate three housing developments in Atlantic City costing approximately \$38,500,000, which will provide housing for approximately 230 low through middle income families. The interest bearing deposits held by the CRDA will be used to fund substantially all the cost of the developments. Two of the housing developments are expected to incur negative cash flow and have a negligible residual value. An allowance of \$4,600,000 was established to provide for such losses. Investment in the housing developments is subject to numerous factors including continued approval from various government and regulatory agencies.

A portion of the investment obligation will be met by purchasing CRDA bonds which may have terms as long as fifty years and will bear interest at two-thirds of market rates at issue date resulting in a value lower than the face value of such bonds. At December 31, 1987 and 1986 the aggregate allowance for the investment obligation, including a valuation allowance for the interest differential for stated interest rates and the estimated loss on the housing project described above, was \$5,937,000 and \$3,145,000 respectively. For the year ended December 31, 1987 \$492,000 was charged to operations and for the year ended December 31, 1986 \$3,778,000 was credited to operations relating to the interest differential for stated interest rates. Additionally, for the years ended December 31, 1987 and 1986, the Company charged to operations in each year \$2,300,000 relating to the establishment of a valuation allowance pertaining to the negative cash flow and negligible residual value referred to above.

Litigation

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

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

NOTE 14. Complimentaries:

NOTE 15. Nonoperating Assets, Liabilities and Equity

Nonoperating Assets
1987 consists of
equipment

Promotional Allowances

(\$ Amounts in Thousands)

	Twelve Months Ending December 31, 1987		Three Months Ending December 31, 1987	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Rooms	80,715	\$ 9,813	19,659	\$2,356
Food	1,167,909	13,365	266,891	2,895
Beverage	2,202,804	9,388	383,754	2,224
Parking	441,392	3,797	94,279	822
Theatre	125,068	2,301	17,116	301
Other	19,541	431	4,591	117
	<u>4,037,429</u>	<u>\$39,095</u>	<u>786,290</u>	<u>\$8,715</u>

Promotional Expenses

(\$ Amounts in Thousands)

	Twelve Months Ending December 31, 1987		Three Months Ending December 31, 1987	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Coin	1,678,143	\$23,308	379,759	\$5,890
Travel	18,928	3,873	5,234	394
Special Events	10,271	1,750	8,064	1,074
Other	235,084	1,454	45,838	495
	<u>1,942,426</u>	<u>\$30,385</u>	<u>438,895</u>	<u>\$7,853</u>

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

NOTE 15. Nonoperating Income/Expense - Net:

Nonoperating expense of \$536,000 for the year ended December 31, 1987 consists of a loss on the disposition of property and equipment.

NOTE 16. Extraordinary Items:

During June 1987, a Promissory Note to CWFC was redeemed prior to its scheduled maturity resulting in an extraordinary loss, net of taxes, consisting of the following:

	1987
	(In Thousands)
Unamortized note discount.....	\$8,435
Premium on redemption.....	<u>502</u>
Loss on debt extinguishment.....	8,937
Tax benefit of loss.....	<u>(4,464)</u>
 Loss on debt extinguishment, net of taxes..	 <u>\$4,473</u>

UNDEPOSITED PROMISSORY CHECKS ACTIVITY	
DESCRIPTION	AMOUNT
Beginning Balance (January 1)	8,717
Couner checks issued (excluding couner checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	285,031
Checks redeemed prior to deposit (including the unredeemed portion of couner checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(208,584)
Checks collected through deposits	(71,481)
Checks transferred to returned checks	(3,740)
Other adjustments	"
Ending balance	9,923
1987 Checks included in Balance On Line 18	5,518
Provision For Uncollectible Patrons' Checks	9
Provision As A Percent Of Couner Checks Issued	"

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(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	9,923		
2	Returned patrons' checks	16,609		
3	Total patrons' checks	26,532	\$ 13,379	\$ 13,153
4	Hotel Receivables	1,262	109	1,153
5	Other Receivables:			
	Receivables due from officers and employees.....	20		
6	Receivables due from affiliates	-		
7	Other accounts and notes receivables	1,031		
8	Total other receivables	1,051	-	1,051
9	Totals (Form 305).....	\$ 28,845	\$ 13,488	\$ 15,357

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 8,747
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	285,031
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)	(208,584)
13	Checks collected through deposits	(71,481)
14	Checks transferred to returned checks	(3,790)
15	Other adjustments	-
16	Ending Balance	\$ 9,923
17	"Hold" Checks Included In Balance On Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ 2,518
19	Provision As A Percent Of Counter Checks Issued .....	.9

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG NUMBER OF TABLES OR MACHINES (f)
	Revenue:				
1	Blackjack	\$ 62,366	\$ 389,155	16.0 %	70
2	Craps	50,626	325,149	15.6	24
3	Roulette	14,956	56,075	26.7	11
4	Big Six	3,103	6,658	46.6	4
5	Baccarat	23,643	127,253	18.6	5
6	Other table games	-	-	-	-
7	Total table games revenue	154,694	\$ 904,290	17.1 %	114
			HANDLE		
8	\$.05 slot machines	4,098	\$ 27,165	15.1 %	89
9	\$.25 slot machines	63,107	440,322	14.3	833
10	\$1.00 slot machines	14,659	155,324	9.4	162
11	Other slot machines	51,695	426,548	12.1	500
12	Total coin-operated devices revenue	133,559	\$ 1,049,359	12.7 %	1584
13	Progressive jackpot adjustment	(1,154)			
14	Total coin-operated devices revenue after adjustment	132,405			
15	Other income	-			
16	Total revenue	287,099			
	Expenses:				
17	Payroll and payroll related expenses	42,723			
18	Licenses and taxes	24,629			
19	Provision for uncollectible patrons' checks	2,518			
20	Other	6,552			
21	Total	76,422			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	210,677			
	Complimentary services and casino management fees:				
23	Complimentary services	33,052			
24	Casino management fees	-			
25	Total	33,052			
26	Departmental Income (Loss)	\$ 177,625			

STATEMENT OF CONFORMITY AND ACCURACY

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

EDWARD J. SUTOR, being duly sworn according to law upon my oath
Name

deposes and says:

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

Edward J. Sutor
Signature

VICE PRESIDENT OF FINANCE
Title

00587-11
License Number

Subscribed and sworn to
before me this 15th day
of March, 1988

On Behalf Of:

Kathryn J. Robinson
Signature

BOARDWALK REGENCY CORPORATION
Casino Licensee

KATHRYN J. ROBINSON
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires FEB. 20, 1989
Basis of Authority
to Take Oaths

GROSS REVENUE
ANNUAL TAX RETURN

FOR THE YEAR ENDING

ON 31/12/19

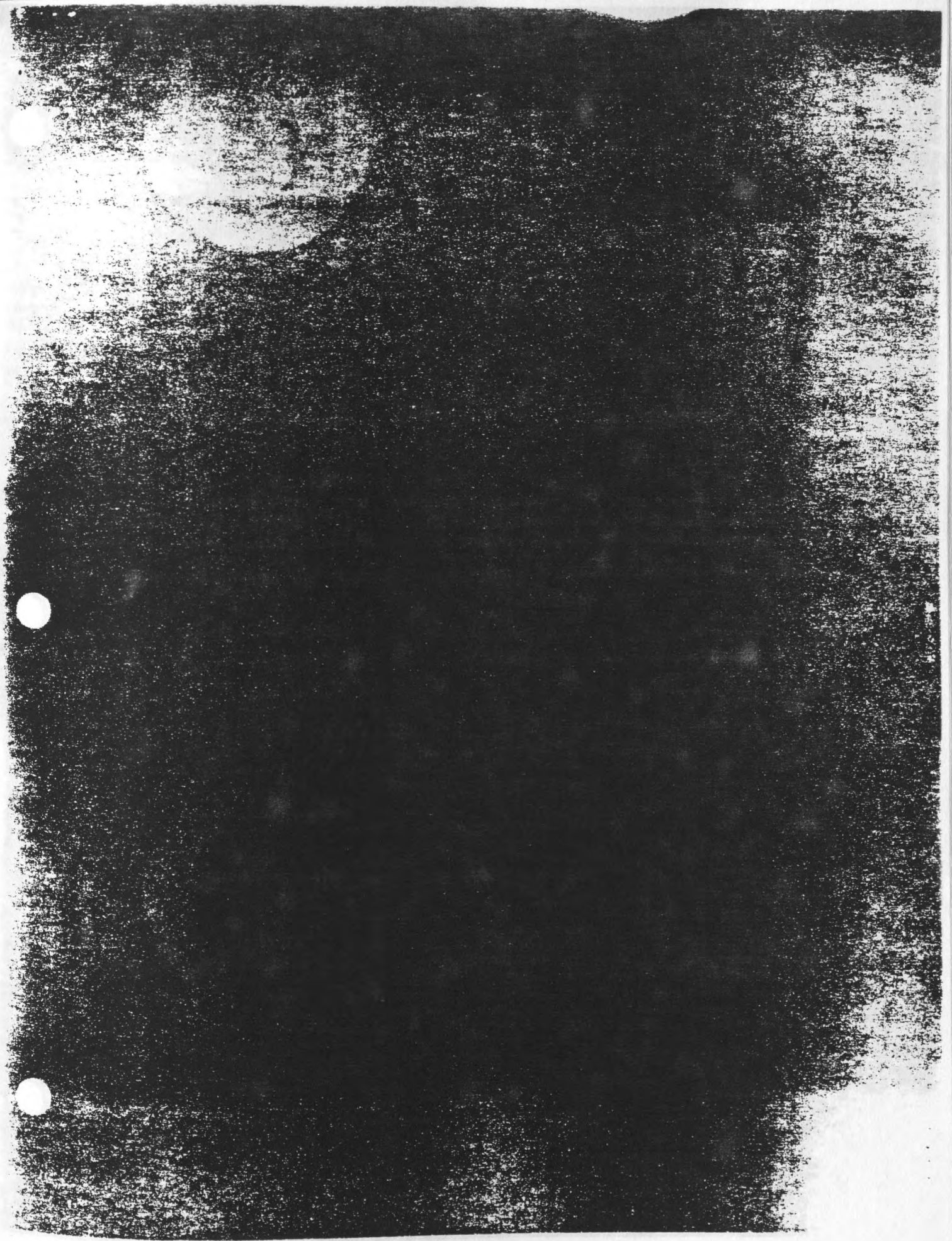
GROSS REVENUE ANNUAL TAX RETURN

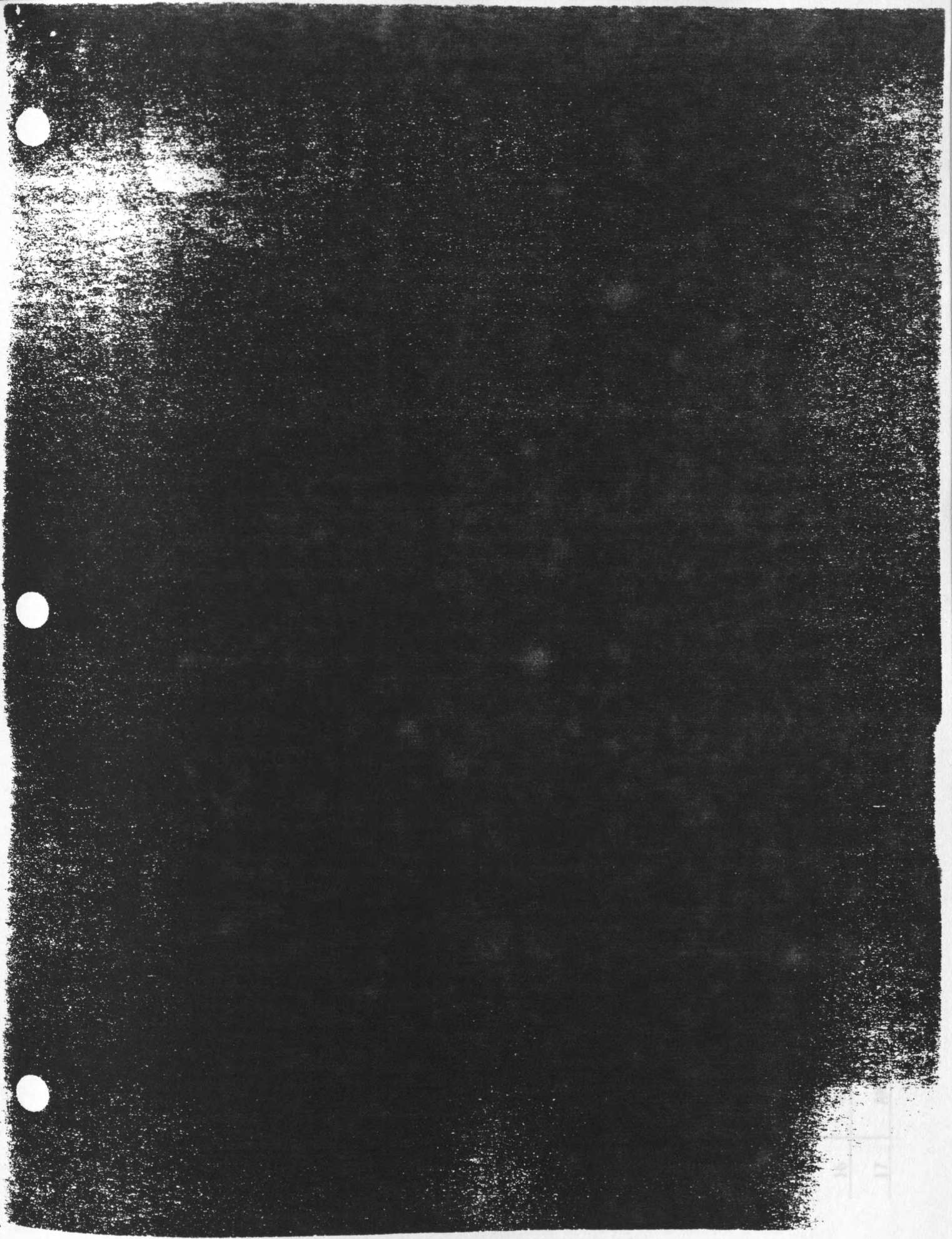
FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 154,693,953	
2	Coin-operated devices revenue	133,559,695	
3	Total revenues		\$ 288,253,648
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 2,517,500	
5	Maximum adjustment (4% of line 3)	\$ 11,530,146	
6	Adjustment (the lesser of line 4 or line 5)		2,517,500
7	Gross revenues (line 3 less line 6)		\$ 285,736,148
8	Tax on gross revenues - current year (8% of line 7)		\$ 22,858,892
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)		22,858,892
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 1,622,741	
12	February	2,124,889	
13	March	1,748,718	
14	April	1,738,198	
15	May	1,885,012	
16	June	1,957,940	
17	July	2,026,079	
18	August	2,362,010	
19	September	2,109,971	
20	October	2,058,144	
21	November	1,801,934	
22	December	1,022,290	
23	January	471,974	
24	Total deposits made for tax on current year's gross revenues		(22,929,900)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits		71,009 *
26	Gross revenues tax paid (line 10 less line 24 plus or minus line 25)		\$ 22,858,891 **
	Adjustments:		
	* 1986 Overpayment	\$ (8,358)	
	Adjusted Write Off 9/87	79,367	
	Net Adjustment	\$ 71,009	
	** Does not agree to line 10 due to rounding.		





11 11

TRADING NAME OF LICENSEE Caesars Atlantic City

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 87

(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	19,871	12,861	\$ 96.62	64.7%	24,724	\$ 50.26
2	FEBRUARY	641	17,938	13,003	\$ 97.53	72.5%	25,327	\$ 50.07
3	MARCH	641	19,871	15,699	\$ 92.39	79.0%	29,718	\$ 48.80
4	1ST QUARTER TOTALS		57,680	41,563	\$ 95.31	72.1%	79,769	\$ 49.66
5	APRIL	641	18,817	13,298	\$ 101.33	70.7%	25,269	\$ 53.33
6	MAY	644	19,871	14,618	\$ 106.04	73.6%	27,314	\$ 56.75
7	JUNE	644	19,320	15,436	\$ 110.16	79.9%	28,884	\$ 58.87
8	2ND QUARTER TOTALS		58,008	43,352	\$ 106.07	74.7%	81,467	\$ 56.44
9	JULY	644	19,911	15,615	\$ 113.54	78.4%	30,436	\$ 58.25
10	AUGUST	644	19,944	16,570	\$ 119.76	83.1%	32,804	\$ 60.50
11	SEPTEMBER	644	19,316	15,031	\$ 106.80	77.8%	28,950	\$ 55.45
12	3RD QUARTER TOTALS		59,171	47,216	\$ 113.58	79.8%	92,190	\$ 58.17
13	OCTOBER	644	19,919	15,908	\$ 109.18	79.9%	30,225	\$ 57.46
14	NOVEMBER	644	18,817	12,995	\$ 109.37	69.1%	25,036	\$ 56.77
15	DECEMBER	644	19,582	11,383	\$ 101.18	58.1%	21,962	\$ 52.44
16	4TH QUARTER TOTALS		58,318	40,286	\$ 106.98	69.1%	77,223	\$ 55.81
17	ANNUAL TOTALS		233,177	172,417	\$ 105.74	73.9%	330,649	\$ 55.14

ANNALS OF THE
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AMERICAN PSYCHOLOGICAL ASSOCIATION



TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 87

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	(d) OTHER EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
				(e) OFFICERS & OWNERS		
	CASINO					
1	Administration	17				
2	Gaming	914				
3	Slots	111				
4	Casino accounting	62				
5	Other	560	\$	\$	\$	
6	Total-casino	1,664	34,820	417		35,237
7	ROOMS	201	3,154	78		3,232
8	FOOD AND BEVERAGE	840	13,078	89		13,167
	OTHER OPERATED DEPARTMENTS					
9	Parking	54	844			844
10	Beauty Salon	5	151			151
11	Health Spa	6	114			114
12	Merchandise Services	7	30			30
13	Service Station	12	185			185
14	Coat Room	5	39			39
15	Telephone	15	248			248
16	Electric Company	3	43			43
17						
18						
19						
	ADMINISTRATIVE AND GENERAL					
20	Executive office	12	154	642		796
21	Accounting and auditing	90	1,943	80		2,023
22	Security	185	4,074	80		4,154
23	Other administrative and general department ..	170	3,692	152		3,844
24	MARKETING	94	2,751	149		2,900
25	GUEST ENTERTAINMENT	57	1,337			1,337
26	PROPERTY OPERATION AND MAINTENANCE	85	2,782			2,782
	TOTALS	3,505	\$ 69,439	\$ 1,687		\$ 71,126

Trading Name of Licensee CAESARS ATLANTIC CITY

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

For the Year Ended December 31, 19 87

March 14, 1988
Date

Edward J. Futo
Signature

VICE PRESIDENT OF FINANCE
Title

FOR THE YEAR ENDED ON

CASINO CONTROL COMMISSION

STATE OF NEW JERSEY



974.901
C193

ANNUAL REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT

Jean I. Abbott

OFFICIAL TITLE

Senior Vice President of Finance

ADDRESS

Indiana Avenue and The Boardwalk
Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

DECEMBER 31, 19 87 AND 19 86

LIST OF FORMS — ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87

LINE NO.	DESCRIPTION (a)	(b) 19 <u>87</u>	(c) 19 <u>86</u>
ASSETS			
	<u>TITLE</u>	<u>FORM NO.</u>	
1	Balance Sheets	CCC-305	
2	Statements of Income (Year)	CCC-310	
3	Statements of Income (Three Months)	CCC-315	
4	Statements of Changes in Stockholders' Equity	CCC-320	
5	Statements of Changes in Partners' or Proprietor's Equity	CCC-325	
6	Statements of Cash Flows	CCC-335	
7	Notes to Financial Statements		
8	Schedule of Receivables and Patrons' Checks	CCC-340	
9	Casino Departmental Schedule	CCC-345	
10	Statement of Conformity and Accuracy	CCC-350	
LIABILITIES AND EQUITY			
11	Current Liabilities		
12	Accounts Payable		
13	Accounts Receivable		
14	Notes Payable		
15	Other Current Liabilities		
16	Long-Term Debt		
17	Notes Payable		
18	Other Long-Term Liabilities		
19	Deferred Credits		
20	Other Liabilities		
21	Contingencies and Contingencies		
22	Total Liabilities		
23	Stockholders', Partners', or Proprietor's Equity		
24	Total Liabilities and Equity		

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

BALANCE SHEETS

DECEMBER 31, 19 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	4,953	5,127
2	Marketable securities (at cost which approximates market) ..	50	50
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$2,474 ; 19 <u>86</u> , \$2,799)	11,769	6,852
4	Inventories	3,164	2,855
5	Prepaid expenses and other current assets	890	743
6	Total current assets	20,826	15,627
7	Investments, Advances, And Receivables ..(Note 3)	155,037	152,712
8	Property And Equipment - Net of Accum Dep of \$6,656 & \$4,533 ..	5,121	5,864
9	Other Assets ..(Note 4)	1,536	2,798
10	Total Assets	\$ 182,520	\$ 177,001
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	3,648	5,478
12	Notes payable (Note 7)	-0-	1,500
	Current portion of long-term debt:		
13	Due to affiliates ..(Note 7)	4,402	-0-
14	Other (Note 7)	8,950	2,000
15	Income taxes payable and accrued	-0-	-0-
16	Other accrued expenses ..(Note 5)	11,148	12,084
17	Other current liabilities ..(Note 6)	6,707	26,630
18	Total current liabilities	34,855	47,692
	Long-Term Debt:		
19	Due to affiliates ..(Note 7)	43,578	43,240
20	Other ..(Note 7)	89,431	93,300
21	Deferred Credits	5	-0-
22	Other Liabilities ..(Note 8)	83,381	46,161
23	Commitments And Contingencies (Note 13)		
24	Total Liabilities	251,520	230,393
25	Stockholders', Partners', Or Proprietor's Equity	(68,730)	(53,392)
26	Total Liabilities And Equity	\$ 182,520	\$ 177,001

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

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:	\$	\$
1	Casino	125,131	119,440
2	Rooms	13,335	13,005
3	Food and beverage	22,285	21,714
4	Other	3,252	3,023
5	Total revenue	164,003	157,182
6	Less: promotional allowances (Note 10)	19,334	18,764
7	Net revenue	144,669	138,418
	Costs And Expenses:		
8	Cost of goods and services	80,088	79,320
9	Selling, general, and administrative	37,633	34,585
10	Provision for doubtful accounts	428	862
11	Total	118,149	114,767
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	26,520	23,651
13	Depreciation and amortization	3,401	3,144
	Charges from affiliates:		
14	Interest ..(Note 14).....	8,102	7,965
15	Management fees ..(Note 14).....	43	5,122
16	Other .....(Note 14).....	41,484	37,631
17	Interest expense - external	9,421	8,216
18	Income (Loss) From Operations	(35,931)	(38,427)
19	Nonoperating income (expense) - net (Note 9).....	21,096	18,833
20	Investment alternative tax and related income (expense) - net.....	(503)	(500)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(15,338)	(20,094)
22	Provision (Credit) for income taxes ..(Note 12).....	-0-	-0-
23	Income (Loss) Before Extraordinary Items	(15,338)	(20,094)
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ (15,338)	\$ (20,094)

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:	\$	\$
1	Casino	28,857	30,449
2	Rooms	3,068	3,046
3	Food and beverage	5,434	5,893
4	Other	826	757
5	Total revenue	38,185	40,145
6	Less: promotional allowances (Note 10)	4,728	5,070
7	Net revenue	33,457	35,075
	Costs And Expenses:		
8	Cost of goods and services	19,612	20,395
9	Selling, general, and administrative	10,082	9,249
10	Provision for doubtful accounts	165	204
11	Total	29,859	29,848
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	3,598	5,227
13	Depreciation and amortization	864	857
	Charges from affiliates:		
14	Interest	2,089	2,148
15	Management fees	-0-	1,277
16	Other	10,402	9,436
17	Interest expense - external	2,594	2,065
18	Income (Loss) From Operations	(12,351)	(10,556)
19	Nonoperating income (expense) - net	5,427	5,120
20	Investment alternative tax and related income (expense) - net.....	(172)	(122)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(7,096)	(5,558)
22	Provision (Credit) for income taxes	-0-	-0-
23	Income (Loss) Before Extraordinary Items	(7,096)	(5,558)
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ (7,096)	\$ (5,558)

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	(par value \$.10, author- ized & outstanding 1000 shares)				
1	Common Stock: Beginning balance (January 1)	1,000	\$ 1	1,000	\$ 1
2	Sale of stock				
3	.....			
4	Ending balance	1,000	1	1,000	1
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		4,999		4,999
10	.....			
11	.....			
12	Ending balance		4,999		4,999
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		(58,392)		(38,298)
26	Prior period adjustments				
27	Net income (loss)		(15,338)		(20,094)
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		(73,730)		(58,392)
32	Ending Stockholders' Equity		\$(68,730)		\$(53,392)

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</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	\$	\$

-NOT APPLICABLE-

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ (5,708)	\$ 6,697
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(1,407)	(2,890)
5	Proceeds from disposition of property and equipment.....		
6	Purchase of casino reinvestment obligations.....	(1,548)	(1,477)
7	Purchase of other investments and loans/advances made.....	(1,476)	(19,578)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	58	126
9	Cash outflows to acquire business entities.....		
10	Reclassification of Receivable to Short Term.....	3,924	577
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	(449)	(23,242)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	9,352	1,500
14	Payments to settle short-term debt	(1,500)	(1,000)
15	Cash proceeds from issuance of long-term debt.....	131	18,800
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(2,000)	(500)
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21	.....	
22	.....	
23	Net Cash Provided (Used) By Financing Activities.....	5,983	18,800
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(174)	2,255
25	Cash And Cash Equivalents At Beginning Of Year	5,127	2,872
26	Cash And Cash Equivalents At End Of Year.....	\$ 4,953	\$ 5,127

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 17,189	\$ 16,139
28	Income taxes.....	\$ -0-	\$ -0-

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ (15,338)	\$ (20,094)
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	2,150	1,843
31	Amortization of other assets.....	1,251	1,301
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....		
35	(Gain) loss on disposition of property and equipment.....	-0-	127
36	(Gain) loss on casino reinvestment obligations.....	503	500
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	(4,917)	158
39	Net (increase) decrease in inventories.....	(309)	(139)
40	Net (increase) decrease in other current assets.....	(147)	(41)
41	Net (increase) decrease in other assets.....	11	443
42	Net increase (decrease) in accounts payables.....	(1,830)	(208)
43	Net increase (decrease) in other current liabilities excluding debt.....	(20,859)	10,350
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	37,225	13,477
45	<u>Deferred Interest Payable and Discount</u>	338	2,274
46	<u>Deferred Interest Receivable & Discount</u>	(3,786)	(3,294)
47	Net Cash Provided (Used) By Operating Activities.....	\$ (5,708)	\$ 6,697

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 1,407	\$ 2,890
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ 1,407	\$ 2,890
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....	\$ -0-	\$ -0-
56	Cash Outflows To Acquire Business Entities.....		
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ -0-	\$ -0-

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements
December 31, 1987 and 1986

(1) Organization

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles and are presented on a going concern basis.

(b) Cash

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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(c) Casino Receivables and Revenues

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

(d) Promotional Allowances

Promotional allowances are presented at retail value. The cost of providing these complimentary is included in the statement of earnings as operating costs. The aggregate retail value of complimentary was \$19,334,000 and \$18,764,000 for the years ended December 31, 1987 and 1986, respectively.

(e) Inventories

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

(f) Furniture and Equipment

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

(g) Intangible Assets

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

(h) 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.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(3) Investments, Advances, and Receivables

Investments, Advances, and Receivables at December 31, 1987 and 1986 are summarized as follows:

	<u>1987</u>	<u>1986</u>
	(in thousands)	
\$127,000,000 Expandable Wraparound Mortgage 14%, maturities through September 30, 2000 (net of \$16,454,000 discount and \$16,240,000 discount at December 31, 1987 and 1986 respectively)	\$110,546	110,760
Deferred interest receivable, due September 30, 2000	17,000	13,000
FF & E promissory note, 14%	11,720	10,351
FF & E promissory note - expansion, 14%	15,635	16,165
Reinvestment Obligations	<u>4,058</u>	<u>3,013</u>
	\$158,959	153,289
Less Current Installments	<u>3,922</u>	<u>577</u>
	<u>\$155,037</u>	<u>152,712</u>

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

The Expandable Wraparound 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.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

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

On October 26, 1984 New Claridge entered into a financing agreement ("Purchase Agreement") with First Fidelity Bank N/A ("Bank") whereby the bank would purchase from New Claridge any FF&E promissory notes up to the aggregate sum of \$5 million. The purchase price would be one hundred (100%) percent of the outstanding principal amount of each FF&E promissory note, and would include a proportionate sale and assignment by New Claridge to the bank of New Claridge's interest in the Expandable Wraparound Mortgage and other security instruments, to the extent that they secure the purchased FF&E promissory notes. As additional consideration for the purchase of the promissory notes, New Claridge agreed to pay the Bank an amount equal to the excess, if any, that would be due as interest computed on a prime plus two (2%) percent basis. On January 27, 1987 the Bank required New Claridge to repurchase \$1 million of the FF&E Notes. In addition the Purchase Agreement was amended so that the Bank may require at any time on or after November 1, 1987 that New Claridge repurchase the FF&E Notes. On November 6, 1987 New Claridge repurchased the remaining \$4 million of FF&E Promissory Notes. The funds to repurchase these notes were obtained through the recapture of interest previously paid to DEWNJ and the use of a portion of the \$20 million line of credit.

The Casino Control Act as amended in December 1984 provides for the imposition of an investment obligation pursuant to criteria set forth in the Act or the payment of an alternative tax. The investment obligation is calculated as 1.25% of the total gaming revenues each calendar year. Gaming revenues are the total revenues derived from gaming operations less the provision for bad debt. If the casino licensee opts not to make an investment as required it is assessed an additional tax of 2.5% of total gaming revenues less the provision for bad debt. The licensee has two options in satisfying its investment obligation. It can make a direct investment in a project which must be approved by the Casino Reinvestment Development Authority ("CRDA") which is the agency responsible for administering this portion of the Casino Control Act. Or it can buy bonds issued by the CRDA which shall, if tax exempt, bear interest at the rate of 66 2/3% of the average rate of Bond Buyer Weekly 25 Revenue Bond Index for the 26 weeks proceeding the issue of the bonds. If the bonds are not tax exempt they shall bear interest at the rate of 66 2/3% of the average

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

rate of Moody's A Rated Utility Index for the 26 weeks preceeding 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 preceeding the first day of those months. The alternative tax must be paid not later than April 30 of the following year. New Claridge has deposited its reinvestment funds with the State Treasurer. Through December 31, 1987 \$5,680,000 has been deposited with the State. On March 16, 1987 CRDA had its first bond issue of which New Claridge's mandatory share was \$602,000. On April 30, 1987 a second bond issue was executed. New Claridge's portion amounted to \$1,052,000. Both purchases were made from funds already deposited. 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 \$1,984,000 to date of which \$503,000 was recorded during the year ended December 31, 1987. 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, 1987 and 1986 is \$362,000 and \$370,000 respectively.

(4) Other Assets

Other assets at December 31, 1987 and 1986 consists of the following:

	1987	1986
	(in thousands)	
Intangible assets and deferred charges (net of amortization of \$6,613,000 and \$5,362,000 at December 31, 1987 and 1986, respectively.)	\$1,536	2,798
	<u>\$1,536</u>	<u>2,798</u>

(5) Other Accrued Expenses

Other accrued expenses at December 31, 1987 and 1986 consists of the following (in thousands):

	1987	1986
Progressive jackpot liability	\$ 3,505	4,488
Accrued payroll and related benefits	4,183	3,654
Other	3,460	3,942
	<u>\$ 11,148</u>	<u>12,084</u>

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

(6) Other Current Liabilities

Other current liabilities at December 31, 1987 and 1986 consists of the following:

	<u>1987</u>	<u>1986</u>
	(in thousands)	
Deferred Fees	\$ -0-	17,557
Receivable financing obligation	-0-	5,000
Due to affiliates	3,728	2,033
Other	<u>2,979</u>	<u>2,040</u>
	<u>\$ 6,707</u>	<u>26,630</u>

As of December 31, 1987, \$28,652,000 of deferred management fees and deferred Purchase Money Second Mortgage Interest was outstanding. This amount has been reclassified from Other Current Liabilities to Other Liabilities - noncurrent (see Note 8).

(7) Long-term Debt

Long term debt at September 30, 1987 and 1986 consists of the following:

	<u>1987</u>	<u>1986</u>
	(in thousands)	
First Mortgage Note, prime plus 1%, or LIBOR plus 2%, or unadjusted LIBOR plus 2.25%, maturities to 1993 (a)	\$ 93,431	95,300
\$47,000,000 Purchase Money Second Mortgage 14%, due September 30, 2000 (net of \$15,544,000 and \$15,882,000 discount at December 31, 1987 and 1986 respectively)	31,456	31,118
Deferred interest payable, due September 30, 2000 (b)	11,622	11,622
Working capital line, prime or fixed rate determined by lender (c)	9,352	-0-
Unsecured Notes (d)	<u>500</u>	<u>2,000</u>
	146,361	140,040
Less current installments	<u>13,352</u>	<u>3,500</u>
	<u>\$133,009</u>	<u>136,540</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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

by the Partnership to DEWNJ. The Expandable Wraparound Mortgage is secured by the Hotel Assets and is subordinate to the First Mortgage and the Purchase Money Second Mortgage.

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

- (a) On March 17, 1986 the First Mortgage was amended and assumed by New Claridge. The amount of the amended and assumed First Mortgage ("Amended First Mortgage") was increased to \$96.5 million to provide financing for the construction of the expansion. As of December 31, 1987 \$93.4 million of the \$96.5 million was outstanding. No further loan draws will be made.

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

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

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

	1987	1988
	204	1,032
	<u>\$ 83,381</u>	<u>95,151</u>

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

(c) Pursuant to the Management Agreement as amended on March 17, 1986, Del E. Webb Corporation through Del E. Webb New Jersey, Inc. increased its guarantee from \$10 million to \$20 million to New Claridge the availability of credit from third party lenders, or is such credit becomes unavailable, to provide such funds to New Claridge. As of December 31, 1987, \$9,352,000 has been advanced.

(d) The unsecured notes at December 31, 1987 and 1986 consist of the following:

	<u>1987</u>	<u>1986</u>
	(in thousands)	
\$500,000 loan bearing interest of 10% due December 31, 1989	\$ 500	500
\$1,500,000 loan bearing interest of Prime plus 1.25% (8.75% at December 31, 1986)	<u>-0-</u>	<u>1,500</u>
	<u>\$ 500</u>	<u>2,000</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, 1987 and 1986 consists of the following:

	<u>1987</u>	<u>1986</u>
	(in thousands)	
Deferred Rent	\$ 51,100	42,123
Deferred fees	28,652	-0-
Management fees abated	3,425	3,436
Capital lease obligations (Total obligations of \$606,000 and \$954,000 less current portion of \$402,000 and \$352,000 at December 31, 1987 and 1986, respectively)	<u>204</u>	<u>602</u>
Total	<u>\$ 83,381</u>	<u>46,161</u>

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

(9) Other Nonoperating Income (Expense) - net

Other nonoperating income (expense) - net for the years ended December 31, 1987 and 1986 consists of the following (in thousands):

	<u>1987</u>	<u>1986</u>
Interest Income - Wraparound Mortgage	\$20,922	18,925
Interest Income - Other	252	124
Other Nonoperating income/(expense)	(78)	(89)
Loss on Disposal of Assets	-0-	(127)
Total	<u>\$21,096</u>	<u>18,833</u>

Promotional Expenses

	<u>number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash & Tokens	267,328	\$2,748,630
Travel	3,755	248,551
Parking	19,167	104,917
Boutique	4,867	247,806
Other	30,821	233,701
Total	<u>325,738</u>	<u>\$3,573,205</u>

For the year ended December 31, 1987

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rover	47,309	\$ 5,128,455
Food	881,581	8,028,015
Beverage	856,426	9,257,174
Showroom	110,200	920,035
Total	<u>1,595,516</u>	<u>\$19,333,679</u>

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash and Tokens	1,234,719	\$12,544,795
Travel	9,492	758,254
Parking	73,813	394,102
Boutique	16,417	514,176
Other	91,934	465,887
Total	<u>1,426,475</u>	<u>\$14,677,014</u>

(8)

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

(10) Complimentary Services

Complimentary services for the three months and year ended December 31, 1987 are summarized as follows:

For the three months ended December 31, 1987

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	11,402	\$1,291,310
Food	197,751	1,960,867
Beverage	207,164	1,320,757
Showroom	19,494	154,787
Total	435,811	\$4,727,721

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash & Tokens	262,128	\$2,744,630
Travel	3,765	248,551
Parking	19,167	104,917
Boutique	4,867	247,406
Other	30,821	233,701
Total	320,748	\$3,579,205

For the year ended December 31, 1987

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	47,309	\$ 5,128,455
Food	881,581	8,028,015
Beverage	856,426	5,257,174
Showroom	110,200	920,035
Total	1,895,516	\$19,333,679

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash and Tokens	1,234,719	\$12,544,795
Travel	9,492	758,254
Parking	73,913	394,102
Boutique	16,417	514,176
Other	91,934	465,687
Total	1,426,475	\$14,677,014

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(11) Operating Lease

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

Minimum future lease payments under the Operating Lease as of December 31, 1987 are as follows (in thousands):

1988	\$ 27,255
1989	32,605
1990	34,815
1991	34,940
1992	36,055
Later Years	<u>228,377</u>
Total Minimum	<u>\$394,047</u>

In addition, additional rent payments are required based upon fixed assets purchased by the Partnership (the FF&E Replacements, note 3) and then leased to New Claridge. For the twelve months ended December 31, 1987 and 1986 rental expense for all operating leases amounted to \$38,997,000 and \$35,985,000 respectively of which \$8,977,000 and \$9,452,000 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.

On March 17, 1986 New Claridge entered into an Expansion Operating Lease Agreement with the Partnership whereby New Claridge will lease the expansion facility for an initial term beginning March 17, 1986 and ending on September 30, 1998 with three 10-year renewal options. Basic annual rent payable during the initial term of the Expansion Operating Lease is \$3,950,000 in 1986 (prorated based on the day that the Expansion Improvements open to the public), annually thereafter the rental amount will be adjusted based on the Consumer Price Index but any increase not to exceed two percent per annum. The basic annual rent is predicated on the construction of the Expansion Improvements costing a specified amount. If the cost of construction differs from this amount, basic annual rent will be adjusted according to a formula. The total Expansion Operating Lease paid for 1987 was \$3,946,000. If the term of the Expansion Operating Lease is extended, basic annual rent will be calculated pursuant to a formula, with such rent not to be more than \$3,000,000 nor less than \$2,500,000 and not to be greater than 10% more than the basic annual rent for the immediately preceding lease year in each lease year thereafter. New Claridge is required to pay as additional rent certain expenses relating to the leasing by the Partnership of the Air Rights granted by the City of Atlantic City to DEWNJ, over which the expansion

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

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

(12) Income Taxes

The provision for income taxes as of December 31, 1987 and 1986 is comprised of the following (in thousands):

	<u>1987</u>	<u>1986</u>
Current:		
Federal	\$-0-	(18)
State	-0-	-0-
Deferred	<u>-0-</u>	<u>18</u>
	<u>\$-0-</u>	<u>-0-</u>

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

	<u>1987</u>	<u>1986</u>
Difference between book and tax depreciation	\$ -0-	-0-
Difference between book and tax treatment of rent expense	-0-	-0-
Amortization of organization fees previously expensed for book purposes	-0-	-0-
Unrecognized tax benefit of loss carryforward	-0-	-0-
Unrecognized tax credits	-0-	18
Refundable Deferred Income Taxes	<u>-0-</u>	<u>18</u>

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

	<u>1987</u>	<u>1986</u>
Federal income tax at statutory rates	\$(6,059)	(9,243)
Goodwill amortization not deductible for tax purposes	414	414
Unrecognized tax benefit of loss carryforward	<u>5,645</u>	<u>8,829</u>
	<u>\$ -0-</u>	<u>-0-</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, 1987 and 1986 there were available net operating loss carryforwards of \$70,321,000 and \$54,983,000 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 are approximately \$1,250,000 in unused tax credits.

(13) Contingencies

- (a) New Claridge's plenary casino license was renewed effective October 31, 1987 by the New Jersey Casino Control Commission (the "Commission") and, in accordance with the State of New Jersey regulations N.J.S.A. 5:12-87(e), will expire one year thereafter. During the licensing process the Commission raised concern regarding the financial stability of New Claridge. As a result New Claridge is required to provide the Commission with certain financial information together with periodic updates as to the status of restructuring alternatives. Aside from the financial stability issue 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.

(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, 1987 and 1986 New Claridge's obligation is \$333,000 through December 31, 1988.

Under the terms of the Management Agreement, Webb is obligated to defer the payment or allow the recapture of management fees and interest whenever the New Claridge's cash flow is insufficient to meet its current obligations including payment of such fees. The Management Agreement was amended to provide for the abatement of management fees for the period November 1, 1985 through the completion of the expansion project. With the opening of the expansion facility on August 28, 1986, the abatement of

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(c) Litigation

New Claridge is a party to a civil action brought on October 19, 1984 in U.S. District Court, District of New Jersey by the United States Department of Labor which alleges that New Claridge violated the overtime provisions of the Fair Labor Standards Act by failing to pay overtime compensation to Pit Bosses, Floorpersons and Boxpersons. On September 19, 1986 the decision of the court was rendered stating Pit Bosses, Floorpersons and Boxpersons failed to meet the "salaried" status for executive exemption from the overtime requirements and are therefore entitled to receive time and one half for all hours worked after forty (40) in the work week for the period October 17, 1982 to the present. No dollar amount of back pay was specified by the court. Rather, the court directed the Labor Department's attorneys to prepare an order to effectuate its decision which will incorporate the amount which is owed. On June 9, 1987 the Labor Department entered an order which called for New Claridge to pay \$660,445 in back wages and interest. The \$660,445 which was provided for during the year ended December 31, 1986 was paid on July 8, 1987 in accordance with the court order. Both the United States Department of Labor and New Claridge have filed appeals. New Claridge is appealing that portion of the Court's Order which finds that the Company's pay practices were in violation of the Fair Labor Standards Act. The Labor Department is appealing the denial of liquidated damages and the findings of a two year limitation period.

(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 of 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.

Under the terms of the Management Agreement, Webb is obligated to defer the payment or allow the recapture of management fees and interest whenever the New Claridge's cash flow is insufficient to meet its current obligations including payment of such fees. The Management Agreement was amended to provide for the abatement of management fees for the period November 1, 1985 through the completion of the expansion project. With the opening of the expansion facility on August 28, 1986, the abatement of

SCHEDULE OF RECEIVABLES - PATRONS' CHECKS

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

management fees ceased and the Incentive Fee increased to an amount equal to 10% of gross operating profit until such time as all abated fees have been recouped. Effective January 1, 1987 DEWNJ agreed to abate management fees through December 31, 1987 and each year thereafter upon the mutual consent of DEWNJ and New Claridge. In addition, DEWNJ agreed to abate interest on deferred management fees for the period of April 1, 1987 to and including December 31, 1987. At December 31, 1987, New Claridge had deferred fees and interest of \$28,652,000. As of December 31, 1987 there are no management fees or Purchase Money Second Mortgage Interest available for recapture. In addition Webb has guaranteed a \$20 million line of credit which is available to fund cash flow deficits. At December 31, 1987, \$9,352,000 of the credit line was in use.

Management fees earned by DEWNJ for the years ended December 31, 1987 and 1986, amounted to \$43,000 and \$5,122,000 respectively.

- (b) Webb and DEWNJ have direct and material interest in the Purchase Money Second Mortgage and other indebtedness of New Claridge. For the years ended December 31, 1987 and 1986 interest expense due to affiliates was \$8,102,000 and \$7,965,000 respectively.
- (c) New Claridge purchases from Webb and DEWNJ certain services including insurance and other miscellaneous services. The costs of these services for the years ended December 31, 1987 and 1986 amounted to \$3,761,000 and \$2,965,000 respectively.
- (d) The Partnership has a direct material interest in the Expandable Wraparound Mortgage Loan Agreement and the Operating Lease as described in the preceding notes. Under the terms of the above agreements, for the years ended December 31, 1987 and 1986 New Claridge has earned interest income of \$20,922,000 and \$18,925,000 respectively, and incurred lease expense of \$37,723,000 and \$34,666,000 respectively.

Ending Balance	61,879
Checks collected through deposits	10,356
Checks transferred to returned checks	2,222
Other adjustments	2,174
Beginning Balance	
Provision for Uncollectible Patrons' Checks	337
Provision As a Percent of Counter Checks Issued	5

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$		
	Undeposited patrons' checks	2,199		
2	Returned patrons' checks	2,369		
3	Total patrons' checks	4,568	2,332	\$ 2,236
4	Hotel Receivables	797	117	680
	Other Receivables:			
5	Receivables due from officers and employees.....	5		
6	Receivables due from affiliates	8,693		
7	Other accounts and notes receivables	180		
8	Total other receivables	8,878	25	8,853
9	Totals (Form 305).....	\$ 14,243	\$ 2,474	\$ 11,769

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 2,009
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	74,662
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)	(61,879)
13	Checks collected through deposits	(10,396)
14	Checks transferred to returned checks	(2,222)
15	Other adjustments	
16	Ending Balance	\$ 2,174
17	"Hold" Checks Included In Balance On Line 16	\$
18	Provision For Uncollectible Patrons' Checks	\$ 377
19	Provision As A Percent Of Counter Checks Issued .....	.5 %

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

CASINO DEPARTMENTAL SCHEDULE

STATE OF NEW JERSEY

COUNTY OF ATLANTIC FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack	24,451	173,556	14.1	59
2	Craps	22,079	146,398	15.1	14
3	Roulette	5,829	23,261	25.1	8
4	Big Six	866	1,995	43.4	1
5	Baccarat	2,183	14,689	14.9	2
6	Other table games	---	---	---	---
7	Total table games revenue	55,408	\$ 359,899	15.4 %	84
			HANDLE	%	
			\$	%	
8	\$.05 slot machines	2,620	18,019	14.5	89
9	\$.25 slot machines	34,910	272,405	12.8	727
10	\$1.00 slot machines	10,297	106,006	9.7	140
11	Other slot machines	20,913	199,481	10.5	309
12	Total coin-operated devices revenue	68,740	\$ 595,911	11.5 %	1,265
13	Progressive jackpot adjustment	983			
14	Total coin-operated devices revenue after adjustment	69,723			
15	Other income	-0-			
16	Total revenue	125,131			
	Expenses:				
17	Payroll and payroll related expenses	23,191			
18	Licenses and taxes	13,234			
19	Provision for uncollectible patrons' checks	377			
20	Other	3,843			
21	Total	40,645			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	84,486			
	Complimentary services and casino management fees:				
23	Complimentary services	6,445			
24	Casino management fees	43			
25	Total	6,488			
26	Departmental Income (Loss)	\$ 77,998			

STATEMENT OF CONFORMITY AND ACCURACY

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

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

Senior VP of Finance
Title

01717-11
License Number

On Behalf Of:

Subscribed and sworn to
before me this 15th day
of March, 1988.

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, 1993

Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

STATE OF New Jersey

(UNAUDITED)

COUNTY OF Atlantic

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 55,408	
2	Coin-operated devices revenue	68,740	
3	Total revenues		\$ 124,148
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 377	
5	Maximum adjustment (4% of line 3)	\$ 4,966	
6	Adjustment (the lesser of line 4 or line 5)		377
7	Gross revenues (line 3 less line 6)		\$ 123,771
8	Tax on gross revenues - current year (8% of line 7)		\$ 9,902
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)		9,902
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 567	
12	February	710	
13	March	977	
14	April	760	
15	May	738	
16	June	986	
17	July	784	
18	August	1,074	
19	September	852	
20	October	818	
21	November	944	
22	December	518	
23	January	174	
24	Total deposits made for tax on current year's gross revenues		(9,902)
	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-

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.

Jean I. Abbott
Signature

Senior Vice President of Finance
Title

01717-11
License Number

Subscribed and sworn to
before me this 15th day
of March, 1988.

Eleanor A. Bryan
Signature

ELEANOR A. BRYAN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 8, 1993
Basis of Authority
to Take Oaths

On Behalf Of:

THE CLARIDGE AT PARK PLACE, INC.
Casino Licensee

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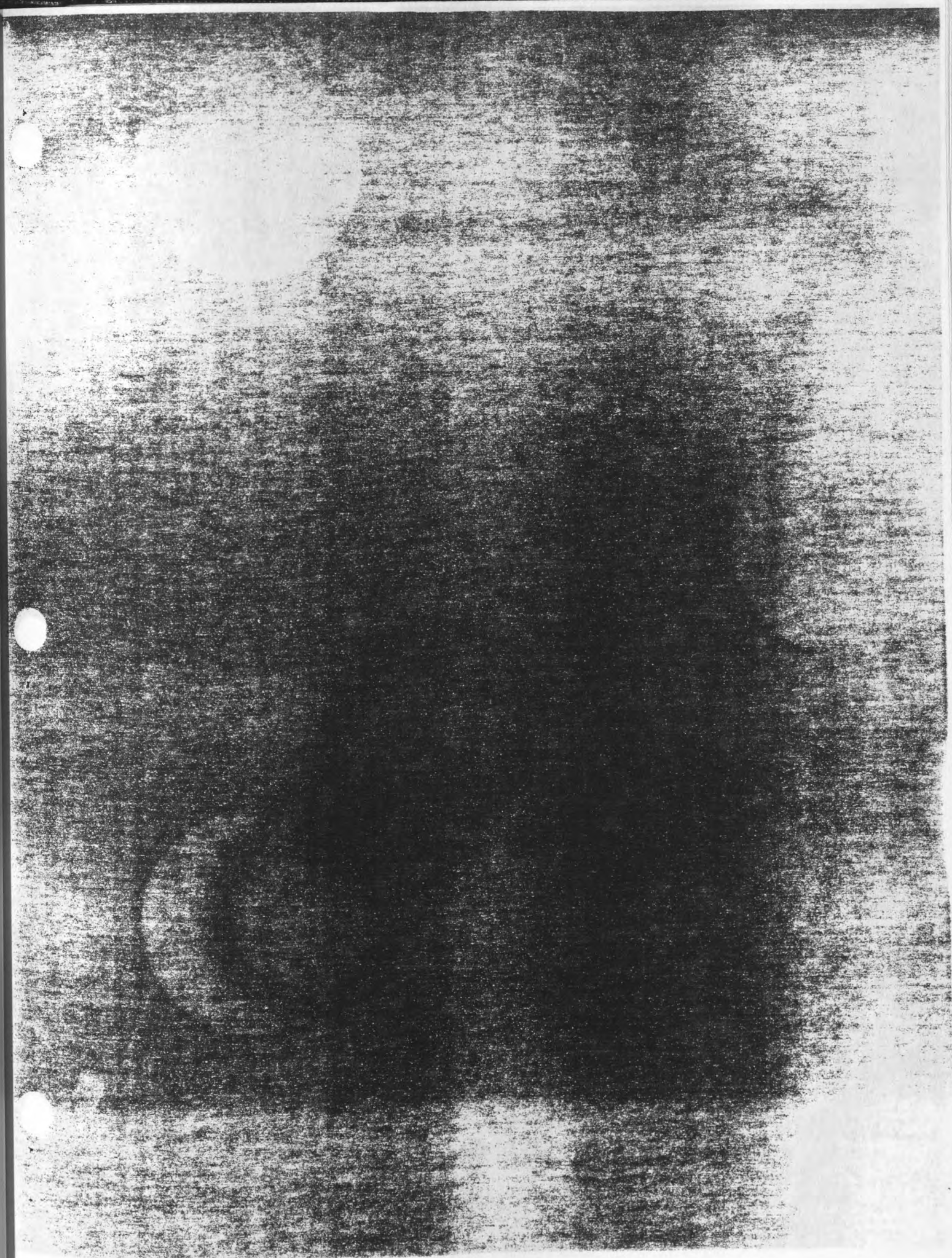
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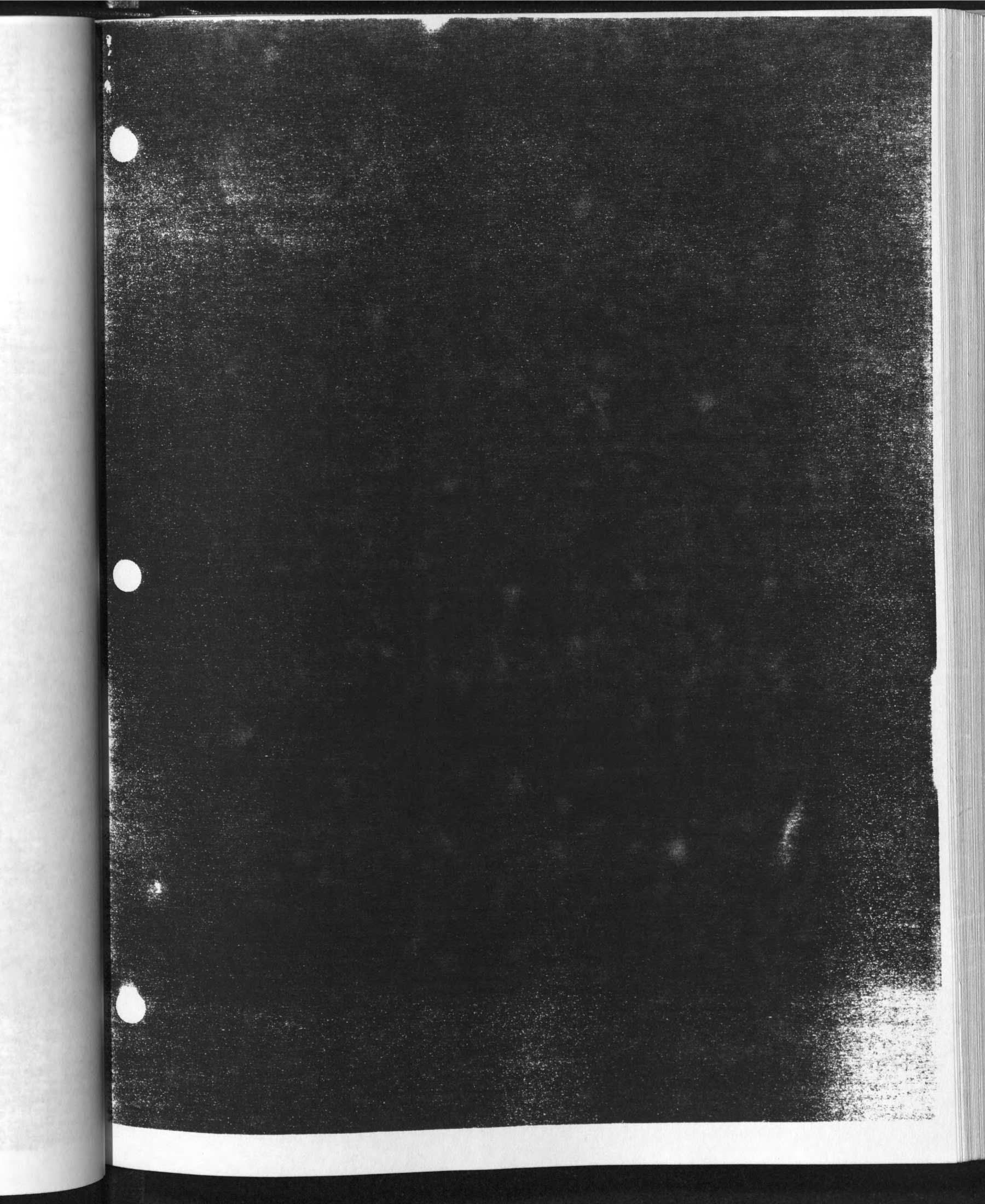
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TRADING NAME OF LICENSEE Del E. Webb's Claridge Casino Hotel

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 87

(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	501	14,964	13,459	\$ 59.82	89.9%	26,237	\$ 30.69
2	FEBRUARY	501	13,635	11,417	\$ 68.29	83.7%	21,642	\$ 36.02
3	MARCH	501	15,274	12,925	\$ 70.81	84.6%	23,849	\$ 38.38
4	1ST QUARTER TOTALS		43,873	37,801	\$ 66.14	86.2%	71,728	\$ 34.85
5	APRIL	504	14,805	14,165	\$ 72.45	95.7%	26,969	\$ 38.05
6	MAY	504	15,419	13,587	\$ 86.32	88.1%	26,176	\$ 44.80
7	JUNE	504	14,936	14,474	\$ 80.13	96.9%	26,770	\$ 43.33
8	2ND QUARTER TOTALS		45,160	42,226	\$ 79.55	93.5%	79,915	\$ 42.03
9	JULY	504	15,446	14,036	\$ 112.13	90.9%	27,354	\$ 57.53
10	AUGUST	504	15,462	14,691	\$ 110.74	95.0%	28,682	\$ 56.72
11	SEPTEMBER	504	15,103	14,628	\$ 82.98	96.9%	28,295	\$ 42.90
12	3RD QUARTER TOTALS		46,011	43,355	\$ 101.82	94.2%	84,331	\$ 52.35
13	OCTOBER	504	15,627	15,431	\$ 77.81	98.7%	29,108	\$ 41.25
14	NOVEMBER	504	15,092	13,958	\$ 78.89	92.5%	26,366	\$ 41.77
15	DECEMBER	504	15,558	12,812	\$ 59.54	82.3%	24,059	\$ 31.70
16	4TH QUARTER TOTALS		46,277	42,201	\$ 72.62	91.2%	79,533	\$ 38.53
17	ANNUAL TOTALS		181,321	165,583	\$ 80.55	91.3%	315,507	\$ 42.27

ANNUAL EMPLOYMENT AND PAYROLL REPORT

UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

FOR THE YEAR ENDED DECEMBER 31, 1964

CONTROL COMMISSION

MAR 16 11 02 AM '88

March 14, 1988

Ms. Deborah Algor, Manager
Financial Evaluation Unit
Casino Control Commission
3131 Princeton Pike, Bldg. #5
CN 208
Trenton, NJ 08625

Dear Ms. Algor:

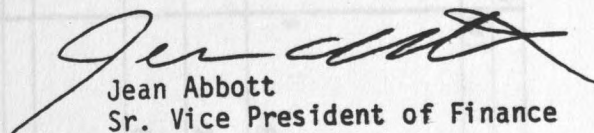
Enclosed please find The Claridge at Park Place, Inc.'s Annual Report for the year ended December 31, 1987. For the year ended December 31, 1987 the Claridge incurred a net loss of \$15.3 million as compared to a net loss of \$20.1 million for the year ended December 31, 1986.

The Claridge incurred a cash deficiency of approximately \$20 million for the year ended December 31, 1987. In order to fund this deficit, the Claridge had deferred or recaptured all available management fees and interest totalling \$11.1 million. In addition, the Claridge had borrowed \$9.4 million of its \$20 million working capital line of credit as of December 31, 1987.

As a result of the Claridge's current financial position combined with its anticipated borrowings under the working capital line, the independent auditors report to be issued by Peat, Marwick Main & Co. will be qualified as to The Claridge at Park Place, Inc.'s ability to continue as a "going concern".

Our audited financial statements together with our auditors opinion will be forwarded to the Casino Control Commission upon issue. If you have any questions, please call.

Sincerely,


Jean Abbott
Sr. Vice President of Finance

JA/eb
Encl.

Indiana at the Boardwalk, Atlantic City, New Jersey 08401 • (609) 340-3400

TRADING NAME OF LICENSEE DEL WEBB'S CLARIDGE CASINO HOTEL**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 87

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	12			
2	Gaming	707			
3	Slots	93			
4	Casino accounting	210			
5	Other	-0-	\$	\$	\$
6	Total-casino	1,022	18,587	-0-	18,587
7	ROOMS	173	2,512	-0-	2,512
8	FOOD AND BEVERAGE	593	8,051	-0-	8,051
	OTHER OPERATED DEPARTMENTS				
9	Telephone	11	207	-0-	207
10	Transportation	89	1,229	-0-	1,229
11	Spa	7	110	-0-	110
12	Casino Credit	12	393	-0-	393
13	Boutique	2	43	-0-	43
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	13	159	452	611
21	Accounting and auditing	128	2,313	-0-	2,313
22	Security	146	2,733	-0-	2,733
23	Other administrative and general department ..	97	2,442	-0-	2,442
24	MARKETING	88	1,384	-0-	1,384
25	GUEST ENTERTAINMENT	27	809	-0-	809
26	PROPERTY OPERATION AND MAINTENANCE	-0-	-0-	-0-	-0-
27	TOTALS - ALL DEPARTMENTS	2,408	\$ 40,972	\$ 452	\$ 41,424

Trading Name of Licensee DEL WEBB'S CLARIDGE CASINO HOTEL

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 19 87

3/15/88

Date

Jim D. ...

Signature

Senior Vice President of Finance
Title

CASINO CONTROL COMMISSION

STATE OF NEW JERSEY



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ANNUAL REPORT

LICENSEE Elsinore Shore Associates, D.I.P.

ADDRESS 2500 Boardwalk
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

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



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT** R. Bruce McKee

OFFICIAL TITLE Vice President, Finance/Controller

ADDRESS 2500 Boardwalk
Atlantic City, NJ 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

(Debtor-In-Possession - Note 2)

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1987

DESCRIPTION (b)	(a) 19 87	(a) 19 86
ASSETS		
ASSETS:		
(Note 8E)	\$ 10,841	\$ 16,197
<u>TITLE</u>	<u>FORM NO.</u>	
Balance Sheets	CCC-305	1,773
Statements of Income (Year)	CCC-310	1,455
Statements of Income (Three Months)	CCC-315	1,571
Statements of Changes in Stockholders' Equity	CCC-320	20,354
Statements of Changes in Partners' or Proprietor's Equity	CCC-325	1,355
Statements of Cash Flows	CCC-335	127,859
LIABILITIES AND EQUITY		
Notes to Financial Statements		
Schedule of Receivables and Patrons' Checks	CCC-340	4,000
Casino Departmental Schedule	CCC-345	4,223
Statement of Conformity and Accuracy	CCC-350	4,223
Liabilities Subject to Chapter 11 Proceedings (Note 7)		
Total current liabilities	15,800	13,842
Liabilities Subject to Chapter 11 Proceedings (Note 7)	269,407	291,300
Deferred Credits		
Other		
Contingencies, Contingencies, Reinvestment Obligation and Subsequent Event (Notes 9, 9 & 13)	285,207	285,242
Total Liabilities		
Stockholders', Partners', or Proprietor's Equity	(138,443)	(110,121)
Total Liabilities and Equity	\$ 146,764	\$ 155,121

The accompanying notes are an integral part of the financial statements. Valid supporting records to date should contain information contained in the notes.

BALANCE SHEETS

DECEMBER 31, 19 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	ASSETS		
	Current Assets:	\$	\$
1	Cash (Note 8E)	10,841	16,157
2	Marketable securities		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$1,368 ; 19 <u>86</u> , \$ 1,740)	1,105	1,771
4	Inventories	1,412	1,455
5	Prepaid expenses and other current assets (Note 3)	1,226	1,571
6	Total current assets	14,584	20,954
7	Investments, Advances, And Receivables (Note 9)	5,819	1,855
8	Property And Equipment - Net (Note 4)	122,138	127,859
9	Other Assets	4,223	4,453
10	Total Assets	\$ 146,764	\$ 155,121
	LIABILITIES AND EQUITY		
	Current Liabilities: Excluding Liabilities Subject to Chapter 11 Proceedings	\$	\$
11	Accounts payable	4,051	2,437
12	Notes payable		
	Current portion of long-term debt:		
13	Due to affiliates	4,471	2,287
14	Other		
15	Income taxes payable and accrued		
16	Other accrued expenses (Note 5)	6,196	6,920
17	Other current liabilities (Note 6)	1,082	2,298
18	Total current liabilities	15,800	13,942
	Liabilities Subject to Chapter 11 Proceedings (Note 7)	269,407	251,300
	Long-Term Debt:		
19	Due to affiliates		
20	Other		
21	Deferred Credits		
22	Other Liabilities		
23	Commitments, Contingencies, Reinvestment Obligation and Subsequent Event (Notes 8, 9 & 12)		
24	Total Liabilities	285,207	265,242
25	Stockholders', Partners', Or Proprietor's Equity	(138,443)	(110,121)
26	Total Liabilities And Equity	\$ 146,764	\$ 155,121

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:	\$	\$
1	Casino	74,055	104,175
2	Rooms	8,658	9,917
3	Food and beverage	13,294	18,770
4	Other	2,615	3,308
5	Total revenue	98,622	136,170
6	Less: promotional allowances (Note 10)	(9,124)	(13,230)
7	Net revenue	89,498	122,940
	Costs And Expenses:		
8	Cost of goods and services	72,039	88,565
9	Selling, general, and administrative	19,129	24,114
10	Provision for doubtful accounts	22	2,207
11	Total	91,190	114,886
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	(1,692)	8,054
13	Depreciation and amortization	7,703	8,522
	Charges from affiliates: (Note 7):		
14	Interest	14,230	14,124
15	Management fees		
16	Other .. Corporate Overhead	425	504
17	Interest expense - external	1,023	1,093
18	Income (Loss) From Operations	(25,073)	(16,189)
19	Nonoperating income (expense) - net (Note 11)	(3,543)	(15,067)
20	Investment alternative tax and related income (expense) - net. Note 9)	294	(516)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(28,322)	(31,772)
22	Provision (Credit) for income taxes		
23	Income (Loss) Before Extraordinary Items	(28,322)	(31,772)
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	\$ (28,322)	\$ (31,772)

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:	\$	\$
1	Casino	13,062	21,504
2	Rooms	1,671	2,146
3	Food and beverage	2,286	4,154
4	Other	633	801
5	Total revenue	17,652	28,605
6	Less: promotional allowances (Note 10)	(1,880)	(2,754)
7	Net revenue	15,772	25,851
	Costs And Expenses:		
8	Cost of goods and services	16,284	20,132
9	Selling, general, and administrative	4,650	4,917
10	Provision for doubtful accounts	(23)	1,044
11	Total	20,911	26,093
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	(5,139)	(242)
13	Depreciation and amortization	1,876	2,048
	Charges from affiliates: (Note 7):		
14	Interest	3,568	3,541
15	Management fees		
16	Other Corporate Overhead	107	145
17	Interest expense - external	253	260
18	Income (Loss) From Operations	(10,943)	(6,236)
19	Nonoperating income (expense) - net (Note 11)	(1,208)	(13,766)
20	Investment alternative tax and related income (expense) - net (Note 9)	546	(247)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(11,605)	(20,249)
22	Provision (Credit) for income taxes		
23	Income (Loss) Before Extraordinary Items	(11,605)	(20,249)
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	\$ (11,605)	\$ (20,249)

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

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

(Debtor-In-Possession - Note 2)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUDANDS)

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

This Form Does Not Apply
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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</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) .....(Loss).....	(110,141)	(78,369)
6	Prior period adjustments		
7	Net income (loss)	(28,322)	(31,772)
8	.....	
9	Ending balance .....(Loss).....	(138,463)	(110,141)
	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 .....(Deficit).....	\$ (138,443)	\$ 110,121

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ (1,788)	\$ 10,701
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(2,133)	(2,713)
5	Proceeds from disposition of property and equipment.....	91	54
6	Purchase of casino reinvestment obligations.....	(3,670)	(1,179) *
7	Purchase of other investments and loans/advances made.....		
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....		
10	.....	
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	(5,712)	(3,838)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt		
15	Cash proceeds from issuance of long-term debt.....		
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....		
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21	Increase In Current Portion of Long-Term		
22	Debt	2,184	1,930 *
23	Net Cash Provided (Used) By Financing Activities.....	2,184	1,930
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(5,316)	8,793
25	Cash And Cash Equivalents At Beginning Of Year	16,157	7,364
26	Cash And Cash Equivalents At End Of Year.....	\$ 10,841	\$ 16,157

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Year For:		
	Interest (net of amount capitalized).....	\$	\$
28	Income taxes.....	\$	\$

*Amounts have been reclassified to conform with current years' presentation.

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ (28,322)	\$ (31,772)
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	7,703	8,522
31	Amortization of other assets.....	201	173
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....		
35	(Gain) loss on disposition of property and equipment.....	60	(14)
36	(Gain) loss on casino reinvestment obligations.....	(294)	516 *
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	666	3,968
39	Net (increase) decrease in inventories.....	43	54
40	Net (increase) decrease in other current assets.....	345	180
41	Net (increase) decrease in other assets.....	29	96
42	Net increase (decrease) in accounts payables.....	1,614	132
43	Net increase (decrease) in other current liabilities excluding debt.....	(1,940)	126 *
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....		
45	Increase to liabilities subj. to Chap. 11 Proceedings	18,107	15,983
46	Reserve for devaluation of building		12,737
47	Net Cash Provided (Used) By Operating Activities.....	\$ (1,788)	\$ 10,701

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 2,133	\$ 2,713
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ 2,133	\$ 2,713
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....	\$	\$
56	Cash Outflows To Acquire Business Entities.....	\$	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....	\$	\$
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$	\$

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

1. Summary of significant accounting policies:

Organization and business:

Elsinore Shore Associates (ESA or the Partnership), a general partnership, was formed April 24, 1979 by its partners, Elsub Corporation (Elsub), a wholly owned subsidiary of Elsinore Corporation (Elsinore) and Elsinore of Atlantic City (EAC), a limited partnership whose general partner is Elsinore of New Jersey, Inc. (ENJ), a wholly-owned subsidiary of Playboy Enterprises, Inc. (PEI). The Partnership was formed to complete construction of, own and operate a 500 room hotel casino complex (The Atlantis Casino Hotel, formerly the Playboy Hotel and Casino) in Atlantic City, New Jersey. ESA, Elsub, EAC and ENJ are debtors-in-possession (collectively, the Debtors) under Chapter 11 of the Bankruptcy Code (Note 2).

On March 12, 1984, the New Jersey Casino Control Commission (CCC) approved a contract between Elsinore and PEI whereby Elsub would acquire from PEI all of the issued and outstanding capital stock of ENJ. The contract purchase price was approximately \$53,000,000 payable one-seventh in cash, with the balance in six equal annual principal installments plus interest at 10% on the unpaid principal balance (Note 8b). ENJ owns an 84.3% interest in EAC, a limited partnership, which, in turn, owns 54.3% of the Partnership. Elsinore thereby controls approximately 91.5% of the Partnership.

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

Accounting for casino revenues and promotional allowances:

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

Deferred financing costs:

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

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

1. Summary of significant accounting policies (continued):

Inventories:

Inventories are stated at cost.

	1987	1986
	(In thousands)	
Food and beverage provisions	\$ 612	\$ 462
Gift shop merchandise	80	153
Supplies	<u>720</u>	<u>840</u>
	<u>\$1,412</u>	<u>\$1,455</u>

Property and equipment and depreciation:

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

Income taxes:

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

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

Reclassification:

Certain amounts in the 1986 financial statements have been reclassified to conform to the 1987 presentation.

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

As a result of working capital deficiencies and other circumstances (Note 8b), 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 a debtor-in-possession, subject to the control and supervision of the United States Bankruptcy Court, District of New Jersey (Bankruptcy Court).

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

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

The Debtors have filed various plans of reorganization with the Bankruptcy Court. The third amended joint plan of reorganization (the "Plan") and related disclosure statement were approved by the Bankruptcy Court on December 23, 1987 and, thereafter distributed to, and approved by the requisite vote of, creditors. The Bankruptcy Court, after holding confirmation hearings in February, has scheduled a hearing to render its decision on confirmation of the Plan on March 17, 1988. Consummation of the Plan is subject to, among other things, the approval of the CCC and various other conditions. Hearings before the CCC are scheduled to commence on March 21, 1988.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments, if any, that may be necessary should the Partnership be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate and/or reclassify its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts or terms different from those reflected in the financial statements. The continuation of ESA as a going concern is contingent upon, among other factors, its ability to renew annually its plenary casino license which expires April 14, 1988 and comply with licensing conditions imposed by the CCC, and, in addition, its ability to consummate the Plan and generate sufficient cash flow from operations until the sale or other disposition of the Atlantis is effected. (Also see Notes 8 and 12.)

3. Prepaid Expenses

	<u>1987</u>	<u>1986</u>
	(in thousands)	
Insurance	\$ 654	\$ 971
Slot Machine Tax	350	374
Advertising	39	63
Contracts	102	82
Other	<u>81</u>	<u>81</u>
	<u>\$1,226</u>	<u>\$1,571</u>

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

4. Property and equipment:

	1987	1986
	(in thousands)	
Land	\$ 11,121	\$ 11,121
Buildings and improvements	139,168	138,177
Furniture, fixtures and equipment	34,594	34,016
	<u>\$184,883</u>	<u>\$183,314</u>
Accumulated depreciation	(50,856)	(43,577)
Reserve for devaluation of building & improvements	(12,737)	(12,737)
	<u>\$122,819</u>	<u>\$127,000</u>
China, glass, silver, linen, net	848	859
Total property and equipment (net)	<u><u>\$122,138</u></u>	<u><u>\$127,859</u></u>

During 1986, an independent appraisal was conducted to determine the current market value of the building and improvements comprising the hotel casino complex. The appraisal resulted in an estimated market value of \$12,737,000 less than the net book value of the Partnership's property. Accordingly, a reserve was established to reduce the carrying value of these assets at December 31, 1986 to more closely approximate the appraised value, with a corresponding charge against operations.

5. Other Accrued Expenses:

	1987	1986
	(in thousands)	
Taxes other than income	\$ 790	\$ 1,052
Payroll	880	992
Progressive Jackpot	671	1,209
Benefits	1,320	2,069
Chapter 11 Expenses	1,295	792
Other	<u>1,240</u>	<u>806</u>
	<u>\$ 6,196</u>	<u>\$ 6,920</u>

6. Other Current Liabilities:

	1987	1986
	(in thousands)	
Reinvestment Obligation	\$ 164	\$ 796
Unredeemed chips	263	467
Slot Tokens	295	258
Other	<u>360</u>	<u>777</u>
	<u>\$ 1,082</u>	<u>\$ 2,298</u>

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

7. Liabilities subject to Chapter 11 proceedings:

Under provisions of the Code, judicial and certain other actions against the Partnership cannot be commenced or continued for events occurring prior to the filing of the petition for reorganization without prior approval of the Bankruptcy Court. Substantially all liabilities due as of the date of filing such petition are subject to modification under a plan of reorganization to be presented for approval to the Bankruptcy Court and creditors and, accordingly, have been separately classified in the balance sheet. Creditors and other parties in interest have asserted claims that differ in amount and priority from the liabilities recorded as of the filing date. These differences are substantial and have been or will be resolved either by negotiation or through confirmation of the Plan.

Amounts included as liabilities subject to Chapter 11 proceedings are:

Collateralized obligations:

	1987	1986
	(In thousands)	
Due to Elsinore Finance Corporation (EFC) including accrued interest of \$37,200,000 (1987) and \$23,250,000 (1986)	\$127,200	\$113,250
Mortgage notes payable (Notes 7c, d)	5,912	6,017
Due to Elsinore including accrued interest of \$478,000 (1987) and \$198,000 (1986)	3,710	2,400
	\$136,822	\$121,667

General unsecured creditors:

Due to partners and affiliates (Note 3b):

	EAC/ENJ	Elsu	Elsinore	
	(In thousands)			
Loans	\$39,000	\$39,000	\$5,103	
Accrued Interest	6,859	6,513	211	
Management fees	3,138	8,704		
Overhead			133	
	48,997	54,217	5,447	
Less guaranteed loan to PEI (Note 8b)		38,472		
	\$48,997	\$15,745	\$5,447	\$ 70,189

Notes payable:

Bank, demand	4,250
PEI (Notes 7e and 8b):	
Management fees	5,567
Guaranteed loans	38,472
Accounts payable	7,351
Accrued expenses:	
Reinvestment obligations (Note 9)	3,422
Other	150
Taxes other than income:	
Real estate	2,023
Payroll, sales, gaming and other	1,161
	\$269,407

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

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

On December 31, 1987 and 1986, substantially all long-term debt was in default and classified as liabilities subject to Chapter 11 proceedings. Original terms were as follows:

		<u>1987</u>	<u>1986</u>	<u>Maturity</u>
		(In thousands)		
Mortgage payable	(c)	\$ 266	\$ 300	1993
Mortgage payable	(c)	<u>5,646</u>	<u>5,717</u>	1994
		<u>\$5,912</u>	<u>\$6,017</u>	

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

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

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

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

Primarily as a result of operating losses and working capital deficiencies, ESA did not pay its interest installments due November 1, 1985, and subsequently to EFC. Consequently, EFC did not pay its corresponding interest payments on the Bonds. The Indenture trustee for the Bonds and a bondholder have instituted lawsuits in connection with the nonpayment. If the default is not cured, or a successful restructuring of debt arranged, the indenture trustee could demand payment of the entire unpaid principal, although in order to obtain payment from the Partnership the bondholders would be required to obtain relief from the automatic stay provisions of the Code. Certain bondholders have threatened to initiate lawsuits against Elsinore with others alleging violations of the Federal Securities and other laws in connection with the issuance and sale of the Bonds. Elsinore has unconditionally guaranteed payment of interest and principal on the Bonds when due. The Bonds will be restructured if the Plan is consummated, such restructuring being consistent with an agreement in principle reached with an unofficial committee of holders of Bonds and the holders of 75% of the principal amount thereof.

- 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. Further, 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. Subject to the effects of the Chapter 11 proceedings, all payments are applied first to accrued interest, second to management fees, and the balance to principal. In connection with the Chapter 11 proceedings, interest or management fees have not been accrued subsequent to November 13, 1985.

Subsequent to November 13, 1985 Elsinore charged the Partnership for fees equal to actual costs including payroll, travel and other administrative overhead. Charges from affiliates for the twelve months ending December 31, 1987 and 1986 were \$425,000 and \$504,000 respectively.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

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

Interest charges from affiliates for the twelve months ending December 31, 1987 and 1986 were as follows:

	1987	1986
	(In thousands)	
EFC	\$ 13,950	\$ 13,950
Elsinore	\$ 280	\$ 174
Total	\$ 14,230	\$ 14,124

- c. In connection with the acquisition of additional land and improvements in Atlantic City during 1983, the Partnership assumed/issued additional mortgage notes. Subject to the effect of the Chapter 11 proceedings, terms are summarized as follows as of December 31, 1987:

	Note A	Note B
	(In thousands)	
Stated interest rate	9½%	9%
Principal balance face amount	\$ 280	\$ 6,068
Less unamortized discount based on imputed interest of 12%	14	422
	\$ 266	\$ 5,646
Installment payments	\$ 16*	\$ 70
Frequency	quarterly	monthly
Due date	8/1/93	12/8/94
Final payment	\$ 11	\$ 4,371

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

The Plan of Reorganization provides that the interest rate on these notes will be reduced to 7½%, and the due dates extended to 1999, so that the notes self amortize and no balloon payment will be required for Note B.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

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

- d. On October 11, 1985, ESA sold to Elsinore certain unimproved real property (including that discussed in Note 7c) at its estimated fair market value. The agreement for the sale of the real property was subject to existing mortgages totaling \$6,849,000 and required payment of \$5,000,000 in cash and a promissory note ("Note") in an amount, not to exceed \$9,400,000, to be determined following an appraisal of the properties. ESA received \$1,000,000 in October 1985, and in connection therewith, the parties agreed to reform the agreement to defer payment of the remaining \$4,000,000 cash payment. The Note was due on October 18, 1990, and was to bear interest at the prime rate as defined therein. In January 1986, ESA sought approval from the Bankruptcy Court to rescind the transaction as a settlement and compromise with Elsinore. Hearings have been held before the Bankruptcy Court and although the Partnership expects a favorable ruling, no decision has yet been rendered. Nonetheless the proposed terms of the rescission are reflected in the accompanying financial statements. The Plan provides for reconveyance of the property to ESA, subject to existing mortgages as modified by the Plan. Funds advanced by Elsinore including mortgage and property tax payments, become a component of its subrogation claim (Note 12).
- e. In connection with the acquisition of ENJ (Note 1), the Partnership agreed to pay PEI \$5,567,000 in management fees previously due ENJ and accrued through March 31, 1984. The contract required that the fees be paid on or before the sixth anniversary of the closing date. As more fully described in Note 8b, PEI has demanded payment of all management fees.

8. Commitments and Contingencies:

a. Claims and lawsuits:

The Partnership is party to various claims and lawsuits arising in the normal course of business substantially all of which have been stayed by the Chapter 11 proceedings. While the amounts claimed are substantial, the ultimate liability with respect to such claims cannot be determined. Management is of the opinion that the resolution of these matters will not materially affect the Partnership's financial position or results of operation. Also see Note 7a for litigation in connection with non-payment of mortgage note interest and Note 8b.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

8. Commitments and Contingencies (continued):

On September 23, 1987 the H.E.R.E. International Pension Plan, H.E.R.E. Welfare Fund and H.E.R.E. Local 54 Severance Fund (the "Local 54 Funds") filed a motion in the Bankruptcy Court to appoint a trustee or examiner to ESA. In their motion, the Local 54 Funds alleged that the appointment of a trustee was warranted "for cause, including incompetency, gross mismanagement, and possible dishonesty in the operation of the Debtors' businesses". The Partnership believes that the Local 54 Funds' motion is designed to obtain leverage in the negotiations toward a settlement of Local 54's continuing strike (Note 8f) and has thus been filed for an improper cause. The H.E.R.E. International Pension Plan has withdrawn from the motion. The Bankruptcy Court has indicated that a date for a hearing on the motion will not be fixed until the Local 54 Funds comply with previous orders of the Bankruptcy Court requiring depositions of certain witnesses. The Partnership believes that the relief sought by the Local 54 Funds is not warranted, that it is not in the best interest of the creditors, and that the Bankruptcy Court will deny the motion and alternatively, the motion will be rendered moot if the Plan is consummated.

b. Acquisition of PEI's interest:

The Partnership has guaranteed Elsub's indebtedness to PEI in connection with the acquisition of ENJ but has not collateralized the obligation with any of its assets. On October 25, 1985, PEI alleged certain defaults and breaches of covenants of its unsecured Promissory Note (the "PEI Note") and on November 8, 1985, demanded payment of all principal and accrued interest through November 12, 1985, together with all management fees in the event that the alleged defaults and breaches were not cured on that date. The Partnership denied the allegations and on November 13, 1985, PEI filed an involuntary petition against Elsub for reorganization under Chapter 11 of the Code, and simultaneously filed a complaint in United States District Court, District of New Jersey (District Court), against Elsinore, EFC and the Partnership (Case No. 85-5344). The defendants filed a motion to dismiss the complaint on January 15, 1986 which motion was not decided prior to PEI filing an amended complaint on December 3, 1986. In the amended complaint, Elsinore is named as the sole defendant thereunder and PEI alleges breach of the PEI Note and related agreements and seeks to pierce the corporate veil in order to recover its claims from Elsinore. Other allegations include claims that Elsinore tortiously interfered with PEI's rights under the PEI Note and with PEI's other business expect-

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

8. Commitments and Contingencies (continued):

tations, and that, as a result of certain claimed misrepresentations and omissions, Elsinore violated the Racketeer Influenced and Corrupt Organizations Act 18 U.S.C. 1962(c), and similar statutes. PEI has requested damages for all of its claims in excess of \$150 million. Elsinore has filed a motion to dismiss certain counts in PEI's amended complaint, which motion is presently pending. The Plan provides for dismissal, with prejudice of the above mentioned litigation and mutual release, from any and all claims and counterclaims that were asserted or could have been asserted therein.

As discussed in Note 2, on November 14, 1985, ESA, (primarily as a result of Elsub being involuntarily placed in Chapter 11), filed a voluntary petition for reorganization under Chapter 11 of the Code. Elsub sought dismissal of the involuntary petition alleging it to be improperly filed by PEI. This issue was pending in the Bankruptcy Court when on July 24, 1987, Elsub filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. EAC, ENJ and EFC also filed voluntary petitions for reorganization on that date. ESA, Elsub, ENJ, EAC and EFC have been authorized to continue to operate their businesses as debtors-in-possession subject to control and supervision of the Bankruptcy Court. All of the reorganization proceedings are pending in the Bankruptcy Court.

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

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

As a result of the aforementioned events, Elsub did not pay the principal and interest installments due April 1986 and 1987. Treatment of the PEI Note and Management Fees in the Plan is discussed in Note 12.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

8. Commitments and Contingencies (continued):

c. Lease commitments:

Subject to the effects of the Chapter 11 proceedings, future minimum rental payments at December 31, 1987, under agreements classified as operating leases with an initial or remaining noncancellable lease term in excess of one year, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
	(in thousands)
1988	\$ 563
1989	532
1990	482
1991	218
1992	158
Thereafter	4,368

Rent expense charged to operations under all operating leases for 1987 and 1986 was \$1,081,173 and \$1,305,604, respectively.

d. Pension plans:

The Partnership makes contributions to several multi-employer defined contribution pension plans covering substantially all unionized employees. Amounts charged against operations and contributed to the Plan for the years 1987 and 1986 amounted to \$284,000 and \$375,000, respectively.

e. License renewal and conditions:

On April 14, 1987, the CCC renewed the Partnership's casino license for a period of one year. As conditions of licensure, the Partnership is required, among other things to 1) maintain a minimum casino cash balance, and 2) dedicate funds necessary to satisfy its outstanding progressive jackpot liability, current payroll, related taxes and benefits, and unpaid CCC license fees and taxes incurred subsequent to November 14, 1985. The Partnership is also required to obtain CCC approval prior to securing new financing, implementing a plan of reorganization, or entering into certain agreements. Additionally, Elsinore was required to make available to the Partnership, \$5,000,000 debtor-in-possession financing, which was approved by the Bankruptcy Court on April 11, 1986.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

8. Commitments and Contingencies (continued):

The CCC requires each casino to renew its license on an annual basis. ESA's current license expires on April 14, 1988. 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.

f. Labor relations:

On September 2, 1987, members of the International Union of Hotel Employee/Restaurant Employees, Local 54, staged a job action in which approximately 650 of the Company's employees went on strike for higher wages. Similar employee groups comprised of trade union personnel, Locals 277 and 623, have also joined the strike. Various negotiations in the collective bargaining process have taken place, and continue, but no final agreement has been reached. This strike has had, and may continue to have, a materially adverse effect on the Atlantis' operations. No assurances can be given that the strike can be resolved on terms acceptable to ESA or that permanent replacements can be hired to fill the vacancies created thereby.

g. Self insured employee benefit plan:

In August, 1987, the Partnership implemented a self-funded health insurance program covering all non-union employees. The Partnership is at risk for the first \$50,000 of claims per employee; claims in excess of \$50,000 are re-insured by third party carriers. At December 31, 1987, the Partnership has reserved \$288,000 for incurred but unreported claims, which Management believes to be adequate considering the experience of the Plan since inception.

9. Casino reinvestment obligation:

The New Jersey Casino Act (Act) originally provided for an "investment obligation" or "investment alternative tax" of 2% of a licensee's gross casino revenues, for each calendar year in which revenues exceed its "cumulative investments", as defined in the Act. A licensee has five years from the end of each calendar year to satisfy this investment obligation. As of December 31, 1987, the investment obligations are approximately \$2,752,000 for the year 1982 and \$2,860,000 for the year 1983 to be invested by December 31, 1987 and 1988 respectively. These obligations are subject to the Chapter 11 proceedings and will be resolved if the Plan is consummated (Note 12).

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

9. Casino reinvestment obligation (continued):

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

On April 30, 1986, the Partnership entered into a contract with the CRDA to purchase the aforementioned bonds as they are issued by the CRDA. The Partnership has deposited its post 1983 reinvestment funds with the State Treasurer. The State has agreed to pay interest on the reinvestment deposits not yet committed to bond issues at a rate approximating one third less than market. The bonds are also expected to bear interest at less than market, with the discount changing with market conditions, until the bonds are issued. During 1987 the Partnership's investment appreciated in relation to the estimated discounted carrying value of prior years. Accordingly, the Partnership has (credited) charged operations (\$294,000) and \$516,000 for the twelve months ending December 31, 1987 and 1986 respectively, as a result of the deficiency in yield below fair market value of the investment it expects to make.

The Partnership's net investment at December 31, 1987, and 1986 consists of (in thousands):

	1987	1986
Atlantic City Housing Project Bonds-due 2028, 6.07-6.14% per annum interest rate, face amount	\$1,457	
Deposits with the state	7,019	\$4,808
Allowance for decrease in market value	(2,657)	(2,953)
	\$5,819	\$1,855

The effect of the Chapter 11 proceedings on the due dates of the obligations incurred prior to November 14, 1985 cannot be precisely determined at this time, although the Plan contemplates an extended payment period through 1995. Those obligations, which were due on or before December 31, 1987, have been included in liabilities subject to Chapter 11 proceedings.

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

10. Promotional Allowances and Expenses

Promotional Allowances and Expenses consist of the following for the year ended December 31, 1987:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>\$</u>	<u># of Recipients</u>	<u>\$</u>
Rooms	34,427	\$ 1,246,000		
Food	613,257	3,753,000		
Beverage	2,381,858	3,603,000		
Bus Tour Quarters			869,640	\$ 7,910,000
Travel			160,384	1,505,000
Theater	24,103	254,000		
Other	154,412	268,000	24,855	1,087,000 ⁽¹⁾
Total	3,208,057	\$ 9,124,000	1,054,879	\$10,502,000

(1) Other Expense

Sales & Promotion	\$ 720,000
Other	367,000
	<u>\$ 1,087,000</u>

Promotional Allowances and Expenses consist of the following for the three months ended December 31, 1987:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>\$</u>	<u># of Recipients</u>	<u>\$</u>
Rooms	7,161	\$ 307,000		
Food	156,731	767,000		
Beverage	441,492	674,000		
Bus Tour Quarters			186,202	\$ 1,780,000
Travel			44,172	520,000
Theater	4,701	59,000		
Other	36,306	73,000	5,844	488,000 ⁽¹⁾
Total	646,391	\$ 1,880,000	236,218	\$ 2,788,000

(1) Other Expense

	<u>3 months</u>
Sales & Promotion	\$ 301,000
Other	187,000
	<u>\$ 488,000</u>

ELSINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

11. Nonoperating income (expense) - net consists of the following for the years ended December 31, 1987 and 1986:

	1987	1986
Interest Income	\$ 1,139,000	\$ 761,000
Chapter 11 Expenses (1)	(4,242,000)	(4,039,000)
Other, Net	(440,000)	948,000
Reserve for Devaluation of Building and Improvements(Note 4)		(12,737,000)
TOTAL	(\$ 3,543,000)	(\$15,067,000)

- (1) Chapter 11 expenses represent costs associated with the bankruptcy proceedings. These include fees of the various professionals providing accounting, consulting and legal services to the Partnership, and related administrative costs.

12. Subsequent Event:

The Debtors have filed various plans of reorganization with the Bankruptcy Court. The third amended joint plan of reorganization (the "Plan") and related disclosure statement were approved by the Bankruptcy Court on December 23, 1987 and, thereafter distributed to, and approved by the requisite vote of, creditors. The Bankruptcy Court, after holding confirmation hearings in February, has scheduled a hearing for March 17, 1988 to render its decision on confirmation of the Plan. Consummation of the Plan is subject to, among other things, the approval of the CCC and various other conditions. Hearings before the CCC are scheduled to commence by March 21, 1988.

The structure of the Partnership and its affiliates would remain essentially the same with the adoption of the Plan. Interest on the Bonds due to bondholders from EFC through June 30, 1986 would be satisfied in cash by Elsinore and interest for the period July 1, 1986 through December 31, 1986 would be paid in common stock of Elsinore. For a designated period of time thereafter, interest would be paid in cash and/or common stock of Elsinore. The Plan also proposes that ESA would pay approximately \$1,500,000 in cash to various unsecured creditor groups and notes would be issued in the approximate amount of \$6,750,000. Interest on the notes would be payable only to the extent the Partnership has excess cash flow, as defined in the Plan. In satisfaction of various obligations payable to, and other claims of PEI, an unsecured creditor, would also receive such number of shares of New Elsub Common Stock (as defined in the Plan) as would constitute 15% of the common stock of Elsub. The proposed Plan also calls for the restructuring of other debts. Elsinore's future obligations respecting its guarantees of the principal and interest on the Bonds would be limited to the issuance of its common stock under a formula defined in the Plan.

EL SINORE SHORE ASSOCIATES
(DEBTOR-IN-POSSESSION NOTES 2 & 12)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

12. Subsequent Event (continued):

A pro forma balance sheet showing the anticipated effects of consummation of the Plan is shown below:

EL SINORE SHORE ASSOCIATES (DEBTOR-IN-POSSESSION - NOTE 2) PRO FORMA BALANCE SHEET - DECEMBER 31, 1987 (000)			
ASSETS			
	Before Consummation Of Plan	Effect of Consummation of Plan	After Consummation of Plan
Current assets:			
Cash	\$ 10,841	\$ (841)	\$ 10,000
Receivables, net of allowances	1,105		1,105
Inventories	1,412		1,412
Prepaid expenses	1,226		1,226
	14,584	(841)	13,743
Investments, advances and receivables	5,819	2,860	8,679
Property and equipment, net	122,138		122,138
Other assets	4,223	(3,788)	435
	\$ 146,764	\$ (1,769)	\$ 144,995
LIABILITIES AND PARTNERS' EQUITY DEFICIENCY			
Current liabilities:			
Due to affiliate	\$ 4,471	\$ (4,471)	\$
Accounts payable	4,051		4,051
Other accrued expenses	6,196	(1,920)	4,276
Other current liabilities	1,082		1,082
Current portion of long term debt		315	315
Total current liabilities	15,800	(6,076)	9,724
Liabilities subject to Chapter 11 proceedings:	269,407	(269,407)	
Long term debt:			
Due to affiliates:		134,413	134,413
Other		21,813	21,813
	269,407	(113,181)	156,226
	285,207	(119,257)	165,950
Partners' equity deficiency	(138,443)	117,488	(20,955)
	\$ 146,764	\$ (1,769)	\$ 144,995

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(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	666		
2	Returned patrons' checks	1,168		
3	Total patrons' checks	1,834	\$ 1,349	\$ 485
4	Hotel Receivables	511	19	492
	Other Receivables:			
5	Receivables due from officers and employees.....			
6	Receivables due from affiliates			
7	Other accounts and notes receivables	128		
8	Total other receivables	128		128
9	Totals (Form 305).....	\$ 2,473	\$ 1,368	\$ 1,105

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 1,236
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	17,433
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)	(13,382)
13	Checks collected through deposits	(3,831)
14	Checks transferred to returned checks	(790)
15	Other adjustments	-
16	Ending Balance	\$ 666
17	"Hold" Checks Included In Balance On Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ -
19	Provision As A Percent Of Counter Checks Issued	-

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel
(Debtor-In-Possession - Note 2)

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(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	15,049	83,463	18.0	74
2	Craps	6,714	39,198	17.1	16
3	Roulette	3,867	16,066	24.1	12
4	Big Six	919	1,987	46.3	2
5	Baccarat	998	5,921	16.9	2
6	Other table games Mini Baccarat	119	650	18.3	2
7	Total table games revenue	27,666	\$ 147,285	18.8	108
			HANDLE		
			\$		
8	\$.05 slot machines	3,153	22,351	14.1	170
9	\$.25 slot machines	24,281	169,021	14.4	744
10	\$1.00 slot machines	5,872	58,559	10.0	124
11	Other slot machines	15,906	128,691	12.4	334
12	Total coin-operated devices revenue	49,212	\$ 378,622	13.0	1,372
13	Progressive jackpot adjustment	2,823			
14	Total coin-operated devices revenue after adjustment	46,389			
15	Other income				
16	Total revenue	74,055			
	Expenses:				
17	Payroll and payroll related expenses	16,693			
18	Licenses and taxes	6,633			
19	Provision for uncollectible patrons' checks				
20	Other	13,588			
21	Total	36,914			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	37,141			
	Complimentary services and casino management fees:				
23	Complimentary services	8,032			
24	Casino management fees	-			
25	Total	8,032			
26	Departmental Income (Loss)	\$ 29,109			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
COUNTY OF Atlantic :ss.

R. Bruce McKee, 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.

R. Bruce McKee
Signature

Vice President, Finance/Controller
Title

0548-11
License Number

On Behalf Of:

Subscribed and sworn to
before me this 15th day
of March, 1988

Eleanor Derry
Signature

ELEANOR DERRY
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires November 30, 1988

Elsinore Shore Associates
Casino Licensee

Atlantic City, NJ
Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE ELSINORE SHORE ASSOCIATES
t/a ELSINORE'S ATLANTIS CASINO HOTEL

ADDRESS 2500 Boardwalk
Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

R. Bruce McKee

OFFICIAL TITLE

Vice President, Finance/Controller

ADDRESS

2500 Boardwalk

Atlantic City, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 27,666	
2	Coin-operated devices revenue	45,850	
3	Total revenues		\$ 73,516
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ -0-	
5	Maximum adjustment (4% of line 3)	\$ 2,941	
6	Adjustment (the lesser of line 4 or line 5)		-0-
7	Gross revenues (line 3 less line 6)		\$ 73,516
8	Tax on gross revenues - current year (8% of line 7)		\$ 5,881
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)		5,881
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 370	
12	February	464	
13	March	645	
14	April	463	
15	May	510	
16	June	664	
17	July	575	
18	August	735	
19	September	354	
20	October	334	
21	November	410	
22	December	256	
23	January	101	
24	Total deposits made for tax on current year's gross revenues		(5,881)
	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-

CCC-382

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/Controller
Title

0548-11
License Number

On Behalf Of:

Elsinore Shore Associates
Casino Licensee

Subscribed and sworn to
before me this 4th day
of March, 1988

Stephanie Caldwell
Signature

STEPHANIE CALDWELL
NOTARY PUBLIC OF NEW JERSEY
~~My Commission Expires 01/15/1990~~
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 87

(A) LINE	(B) PERIOD	(C) NUMBER OF GUEST ROOMS IN PROPERTY	(D) NUMBER OF AVAILABLE ROOMS	(E) NUMBER OF OCCUPIED ROOMS	(F) AVERAGE RATE PER OCCUPIED ROOM	(G) OCCUPANCY RATE	(H) NUMBER OF GUESTS ACCOMMODATED	(I) AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	500	14,623	8,569	\$ 60.60	58.6 %	17,200	\$ 30.19
2	FEBRUARY	500	13,379	8,832	\$ 64.96	66.0 %	17,399	\$ 32.98
3	MARCH	500	14,880	11,793	\$ 63.23	79.3 %	22,618	\$ 32.97
4	1ST QUARTER TOTALS		42,882	29,194	\$ 62.98	68.1 %	57,217	\$ 32.13
5	APRIL	500	14,111	11,146	\$ 63.04	79.0 %	21,849	\$ 32.16
6	MAY	500	14,311	11,535	\$ 67.57	80.6 %	22,517	\$ 34.62
7	JUNE	500	14,167	12,759	\$ 65.65	90.1 %	24,993	\$ 33.52
8	2ND QUARTER TOTALS		42,589	35,440	\$ 65.46	83.2 %	69,359	\$ 33.45
9	JULY	500	15,195	13,729	\$ 77.13	90.4 %	28,082	\$ 37.71
10	AUGUST	500	15,303	14,213	\$ 75.38	92.9 %	28,940	\$ 37.02
11	SEPTEMBER	500	14,823	12,382	\$ 56.38	83.5 %	23,681	\$ 29.48
12	3RD QUARTER TOTALS		45,321	40,324	\$ 70.15	89.0 %	80,703	\$ 35.05
13	OCTOBER	500	15,361	11,938	\$ 54.05	77.7 %	23,010	\$ 28.04
14	NOVEMBER	500	14,734	10,242	\$ 61.06	69.5 %	19,851	\$ 31.50
15	DECEMBER	500	14,903	7,741	\$ 51.75	51.9 %	14,677	\$ 27.29
16	4TH QUARTER TOTALS		44,998	29,921	\$ 55.85	66.5 %	57,538	\$ 29.04
17	ANNUAL TOTALS		175,790	134,879	\$ 64.19	76.7 %	264,817	\$ 32.69

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE Elsinore Shore Associates, D.I.P.

ADDRESS 2500 Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

R. Bruce McKee

OFFICIAL TITLE

Vice President, Finance/Controller

ADDRESS

2500 Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE Elsinore Shore Associates, D.I.P.**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	21			
2	Gaming	451			
3	Slots	80			
4	Casino accounting	179			
5	Other	57	\$	\$	\$
6	Total-casino	788	16,563	127	16,690
7	ROOMS	174	2,395		2,395
8	FOOD AND BEVERAGE	317	5,904		5,904
	OTHER OPERATED DEPARTMENTS				
9	Coatroom/Beach	8	88		88
10	Valet/Parking	52	673		673
11	Health Club	7	93		93
12	Gift, Lobby & Silver Shops	18	183		183
13	Laundry/Valet	19	319		319
14	Telephone	17	218		218
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	9	147	247	394
21	Accounting and auditing	46	891		891
22	Security	148	2,846		2,846
23	Other administrative and general department ..	71	1,368		1,368
24	MARKETING	8	246		246
25	GUEST ENTERTAINMENT	45	906		906
26	PROPERTY OPERATION AND MAINTENANCE	61	2,242		2,242
27	TOTALS - ALL DEPARTMENTS	1,788	\$ 35,082	\$ 374	\$ 35,456

Trading Name of Licensee Elsinore Shore Associates, D.I.P.

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 19 87

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Date

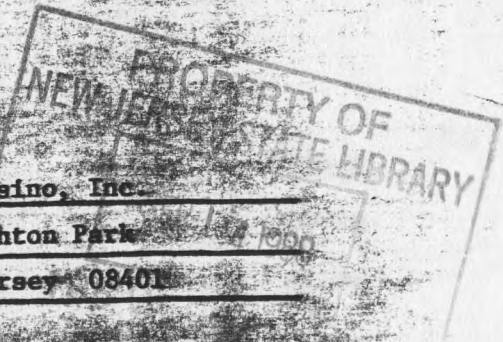
R. Bruce McKee
Signature

R. Bruce McKee

Vice President, Finance/Controller
Title

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ANNUAL REPORT



LICENSEE Greate Bay Hotel & Casino, Inc.
ADDRESS Indiana Avenue & Brighton Park
Atlantic City, New Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 1957

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



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT** John R. Rauen
OFFICIAL TITLE Vice President Finance
ADDRESS Indiana Avenue & Brighton Park, Atlantic City, NJ

TRADING NAME OF LICENSEE Sands Hotel & Casino

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87

DESCRIPTION (a)	(a) 19 <u>87</u>	(a) 19 <u>86</u>
ASSETS		
Cash	12,751	10,672
U.S. Government Securities		
Investments		
Accounts Receivable	75,310	19,420
Prepaid Expenses	2,900	1,171
Other Current Assets	4,100	2,449
Total Current Assets	95,061	33,712
Investments	70,640	18,335
Other Assets	176,150	160,750
Total Assets	271,851	312,797
LIABILITIES AND EQUITY		
Accounts Payable	8,871	9,900
U.S. Government Securities		
Investments		
Notes Payable		
Other Current Liabilities		
Total Current Liabilities	8,871	9,900
Long-Term Debt		
Due to Affiliates		
Deferred Credits		
Other Liabilities		
Contingencies And Contingencies		
Total Liabilities	8,871	9,900
Stockholders', Partners', or Proprietor's Equity	262,980	302,897
Total Liabilities And Equity	271,851	312,797

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 Cash Flows	CCC-335
Notes to Financial Statements	
Schedule of Receivables and Patrons' Checks	CCC-340
Casino Departmental Schedule	CCC-345
Statement of Conformity and Accuracy	CCC-350

The accompanying notes are an integral part of the financial statements. With appropriate consent to audit obtain using information contained in the notes.

BALANCE SHEETS

DECEMBER 31, 19 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	12,251	10,672
2	Marketable securities	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$ 10,865 ; 19 <u>86</u> , \$ 11,608) (Note 2)...	15,538	19,420
4	Inventories	1,998	1,171
5	Prepaid expenses and other current assets	4,169	5,449
6	Total current assets	33,956	36,712
7	Investments, Advances, And Receivables	10,641	18,335
8	Property And Equipment - Net	176,166	164,738
9	Other Assets	9,462	4,238
10	Total Assets	\$ 230,225	\$ 224,023
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	8,615	9,964
12	Notes payable	-	-
	Current portion of long-term debt:	-	-
13	Due to affiliates	38	3,660
14	Other	(355)	10,387
15	Income taxes payable and accrued	12,962	14,468
16	Other accrued expenses	4,013	3,040
17	Other current liabilities	25,273	41,519
18	Total current liabilities		
	Long-Term Debt:		
19	Due to affiliates	170,654	-
20	Other	643	137,564
21	Deferred Credits	10,575	917
22	Other Liabilities	-	385
23	Commitments And Contingencies		
24	Total Liabilities	207,145	180,385
25	Stockholders', Partners', Or Proprietor's Equity	23,080	43,638
26	Total Liabilities And Equity	\$ 230,225	\$ 224,023

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino .....(Note.2)..	\$ 192,554	\$ 189,343
2	Rooms	9,583	9,479
3	Food and beverage	23,768	20,135
4	Other	4,159	4,794
5	Total revenue	230,064	223,751
6	Less: promotional allowances .....(Note.2.&.12)..	20,080	18,088
7	Net revenue	209,984	205,663
	Costs And Expenses:		
8	Cost of goods and services	94,939	94,186
9	Selling, general, and administrative	66,778	58,976
10	Provision for doubtful accounts .....(Note.2)..	1,902	1,214
11	Total	163,619	154,376
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	46,365	51,287
13	Depreciation and amortization .....(Note.2.&.8)..	14,116	13,378
	Charges from affiliates:		
14	Interest .....(Note.5)..	8,038	-
15	Management fees .....(Note.5)..	5,974	6,365
16	Other	-	-
17	Interest expense - external .....(Note.2)..	10,629	18,140
18	Income (Loss) From Operations	7,608	13,404
19	Nonoperating income (expense) - net .....(Note.7)..	936	585
20	Investment alternative tax and related income (expense) - net.....	(1,267)	(828)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	7,277	13,161
22	Provision (Credit) for income taxes .....(Note.4)..	4,724	7,808
23	Income (Loss) Before Extraordinary Items	2,553	5,353
24	Extraordinary items (net of income taxes - 1987, \$1,604 ; 1986, \$ -)(Note.13)..	1,927	0
25	Net Income (Loss)	\$ 626	\$ 5,353

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, 1987 and 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 87	(d) 19 86
	Revenue:	\$	\$
1	Casino .....(Note 2)....	46,640	44,889
2	Rooms	2,301	2,228
3	Food and beverage	6,380	5,209
4	Other	933	980
5	Total revenue	56,254	53,306
6	Less: promotional allowances .....(Note 2 & 12)	5,185	4,459
7	Net revenue	51,069	48,847
	Costs And Expenses:		
8	Cost of goods and services	23,609	23,823
9	Selling, general, and administrative	17,132	15,027
10	Provision for doubtful accounts	657	199
11	Total	41,398	39,049
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	9,671	9,798
13	Depreciation and amortization .....(Note 2 & 8)	3,726	3,518
	Charges from affiliates:		
14	Interest .....(Note 5)	5,083	-
15	Management fees .....(Note 5)	1,397	1,434
16	Other	-	-
17	Interest expense - external .....(Note 2)....	16	4,539
18	Income (Loss) From Operations	(551)	307
19	Nonoperating income (expense) - net .....(Note 7)....	374	116
20	Investment alternative tax and related income (expense) - net.....	(245)	(291)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(422)	132
22	Provision (Credit) for income taxes .....(Note 4)....	383	350
23	Income (Loss) Before Extraordinary Items	(805)	(218)
24	Extraordinary items.(net of income taxes - 1987, \$ - ; 1986, \$ -)	-	-
25	Net Income (Loss)	\$ (805)	\$ (218)

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 87 and 19 86

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETORS' EQUITY
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)	100	3,500	100	3,500
2	Sale of stock				
3	.....			
4	Ending balance	100	3,500	100	3,500
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		38,679		41,374
10	Dividends		(17,994)		(2,695)
11	Residual-Going Private Costs		670		
12	Ending balance		21,355		38,679
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		1,459		(1,256)
26	Prior period adjustments				
27	Net income (loss)		626		5,353
28	Dividends		(3,860)		(2,638)
29	.....			
30	.....			
31	Ending balance		(1,775)		1,459
32	Ending Stockholders' Equity		\$ 23,080		\$ 43,638

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Invested Capital:	\$	\$
1	Beginning balance (January 1)		
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)		
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	()
11	Additional capital withdrawals	()	()
12	.....	
13	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	()	()
15	.....	
16	.....	
17	Ending balance	()	()
18	Ending Partners' Or Proprietor's Equity	\$	\$

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 23,392	\$ 26,392
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(24,874)	(28,863)
5	Proceeds from disposition of property and equipment.....		2,687
6	Purchase of casino reinvestment obligations.....	(5,196)	(5,972)
7	Purchase of other investments and loans/advances made.....		
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....		
10	Other Pushdown for PP&E.....	(670)	
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	(30,740)	(32,148)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		2,815
14	Payments to settle short-term debt.....	(16,581)	(2,662)
15	Cash proceeds from issuance of long-term debt.....	183,918	24,534
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....		(13,854)
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....	(21,854)	(5,333)
21	Retirement of Long-Term Debt.....	(137,226)	
22	Other Pushdown for Equity.....	670	
23	Net Cash Provided (Used) By Financing Activities.....	8,927	5,500
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	1,579	(256)
25	Cash And Cash Equivalents At Beginning Of Year.....	10,672	10,928
26	Cash And Cash Equivalents At End Of Year.....	\$ 12,251	\$ 10,672

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).....	\$ 18,667	\$ 18,140
28	Income taxes.....	\$ 4,204	\$ 1,764

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19⁸⁷ and 19⁸⁶

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 ⁸⁷	(d) 19 ⁸⁶
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 626	\$ 5,353
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	14,116	13,378
31	Amortization of other assets.....		
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....	(10,742)	5,759
34	Deferred income taxes - noncurrent.....	9,658	285
35	(Gain) loss on disposition of property and equipment.....		
36	(Gain) loss on casino reinvestment obligations.....		
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	3,882	(7,230)
39	Net (increase) decrease in inventories.....	(827)	39
40	Net (increase) decrease in other current assets.....	1,280	166
41	Net (increase) decrease in other assets.....	(5,224)	567
42	Net increase (decrease) in accounts payables.....	(1,349)	2,317
43	Net increase (decrease) in other current liabilities excluding debt.....	(533)	3,499
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(385)	385
45	Discount of CRDA.....	1,267	2,120
46	Net (increase) decrease in investments net of GRDA.....	11,623	(246)
47	Net Cash Provided (Used) By Operating Activities.....	\$ 23,392	\$ 26,392

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 24,874	\$ 26,176
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ 24,874	\$ 26,176
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$	\$

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 a wholly-owned subsidiary of Greate Bay Casino Corporation ("Casino Corp."). During 1987, Casino Corp. became a wholly-owned subsidiary of Pratt Casino Properties, Inc. ("PCPI"). PCPI, a Delaware corporation, was incorporated during October 1987 and has acquired, through contributions to its capital by its parent, all of the outstanding capital stock of Casino Corp. PCPI is a wholly-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").

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gaming Revenues

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

Promotional Allowances

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

Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained at a level considered adequate to provide for possible future losses. The Company has provided \$1,902,000 and \$1,214,000 for doubtful accounts in 1987 and 1986, 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 \$1,197,000 and \$727,000 were capitalized as of December 31, 1987 and 1986, respectively.

NOTE 3 - LONG-TERM DEBT

Long-term debt as of December 31, 1987 and 1986 is as follows:

	<u>1987</u>	<u>1986</u>
First mortgage at 14% (A)	\$ -	\$121,055,000
Second Mortgage Note/revolving credit line at 2% above prime rate (A)	-	6,890,000
Mortgage notes: 2% above prime rate (A)	-	11,669,000
at 10%	508,000	1,510,000
at 1½ above prime rate	33,000	100,000
Note due to affiliate (net of discount of \$2,376,000) (A)	170,654,000	-
Other	<u>140,000</u>	<u>-</u>
	171,335,000	141,224,000
Less: current portion	<u>38,000</u>	<u>3,660,000</u>
Long-term debt	<u>\$171,297,000</u>	<u>\$137,564,000</u>

(A) On August 6, 1987, the Company completed a \$173,030,000 first mortgage financing transaction via Greate Bay Property Funding Corp, a wholly owned subsidiary of PHC. Seven year notes bearing interest of 11.75% were issued at a discount and will pay interest only during the first four years with a 15 year amortization over their remaining term. Proceeds of \$170,504,000 from the sale of the notes were issued to repay both the existing first mortgage and the second mortgage note/revolving line of credit and for payment of related fees and closing costs, as well as to provide cash for casino operations. Substantially all of GBH&C's assets are pledged as collateral for this mortgage.

Maturities of Long-term debt at December 31, 1987 for each of the succeeding five years are as follows:

For the twelve- month period ending <u>December 31</u>	Principal <u>Payment</u>
1988	\$ 38,000
1989	69,000
1990	82,000
1991	1,446,000
1992	4,677,000
Thereafter	<u>165,023,000</u>
	<u>\$171,335,000</u>

During December 1987, GBH&C entered into two loan agreements with a certain bank. One of the agreements is for a \$7,000,000 loan, the proceeds of which will be used to finance a certain construction project at the Sands. The loan will be repaid in equal monthly installments commencing June 30, 1988 through October 1991 and will bear interest at 1% over the bank's prime lending rate. The second agreement is for a \$3,000,000 revolving line of credit which will be available to GBH&C for its working capital purposes. This line of credit is subject to annual renewal commencing April 30, 1989 and will bear interest at 1% above the bank's prime rate. As of December 31, 1987, no amounts had been advanced in connection with these agreements.

NOTE 4 - INCOME TAXES

The components of the provision for income taxes consisted of the following:

	<u>1987</u>	<u>1986</u>
Federal Income Tax Expense		
Payable to Pratt Hotel Corp.		
Current	\$ 727,000	\$ 751,000
Deferred	3,100,000	5,682,000
State		
Current	244,000	1,090,000
Deferred	<u>653,000</u>	<u>285,000</u>
	<u>\$ 4,724,000</u>	<u>\$ 7,808,000</u>

Deferred income taxes result primarily from the use of accelerated methods of depreciation for federal income tax purposes.

The difference between the statutory tax rate and the effective federal income tax rate is primarily attributable to the nondeductibility of certain depreciation expense and the utilization of investment tax credits and job tax credits.

The Company has 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. During February 1988, the Company repaid its total federal tax liability, which amounted to \$9,005,000 at December 31, 1987, with proceeds obtained from long-term borrowings of an affiliate. As a result, this amount has been classified as a long-term liability on the accompanying December 31, 1987 balance sheet. During 1987 and 1986, \$2,199,000 and \$800,000 respectively of deferred federal income taxes was paid to PHC.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company has a Management Agreement with PHC, which was subsequently assigned to Pratt Hotel Management, Inc. ("PHMI"). Pursuant to the Management Agreement, PHMI 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 PHMI if certain minimum operating results are achieved. In accordance with the provisions of this Management Agreement, PHMI 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, 1987 and 1986 were \$5,974,000 and \$6,365,000, respectively. Consultant and incentive fees of \$218,000 and \$312,000 were due to PHC at December 31, 1987 and 1986, respectively.

The Company has a License Agreement with PPI, which entered into a parallel agreement with Hughes Properties, Inc., for the use of the trade name "Sands". The license agreement, as amended in May 1987, provides for a license fee equal to the greater of (i) 3% of room charges, as defined, or (ii) \$100,000 for each property using the name. Such charges amounted to \$288,000 and \$283,000 in 1987 and 1986, respectively. Such amounts are included in general and administrative expenses in the accompanying financial statements.

Included in the accompanying financial statements at December 31, 1987 and 1986 is \$20,000 and \$495,000, respectively, due from officers of the Company. The amount bears interest at 9% and 10% and are payable through 1988.

Included in Investments, Advances & Receivables at December 31, 1986 is \$11,109,000, from Greate Bay Casino Corp. of which \$10,597,000 pertains to the June 1984 acquisition by Casino Corp. of 465,811 shares of its Class A Common Stock. At December 31, 1987, there was no receivable due from Greate Bay Casino Corp.

As of December, 1987 and 1986, \$688,000 and \$302,000 respectively, were due from Greate Bay Hotel Corporation and while no receivable exists from Pratt Hotel Corporation at December 31, 1987, \$4,137,000 was due at December 31, 1986. These amounts are included in other receivables on the accompanying Balance Sheets.

As of December 31, 1987 the Company paid \$8,038,000 in interest charges to Greate Bay Property Funding Corp. on the first mortgage notes as discussed in note 3.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company has incurred certain obligations under Section 144 of the Casino Control Act. During 1988, such investment obligations relating to 1983 in the amount of \$3,110,000 become due.

NOTE 7 - NON-OPERATING INCOME (EXPENSES)

For the twelve month period ended December 31, 1987 and 1986, Non-Operating Income of \$936,000 and \$585,000 respectively, are comprised entirely of interest income earned on temporary investments, and on deposits made with the Casino Reinvestment Development Authority.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 1987 and 1986 consisted of the following:

	<u>1987</u>	* <u>1986</u>
Land	\$ 36,179,000	\$ 35,764,000
Buildings	139,933,000	114,292,000
Furniture, fixtures and equipment	68,711,000	64,131,000
Construction in progress	<u>1,385,000</u>	<u>6,661,000</u>
	246,208,000	220,848,000
Less: accumulated depreciation and amortization	<u>70,042,000</u>	<u>56,110,000</u>
Total property and equipment	<u>\$176,166,000</u>	<u>\$164,738,000</u>

* The 1986 balances have been restated to retroactively reflect additional pushdown accounting booked during 1987.

NOTE 9 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 1987 and 1986, the caption Prepaid Expenses and Other Current Assets is comprised of the following:

	<u>1987</u>	<u>1986</u>
Prepaid advertising and promotions	\$ 634,000	\$ 525,000
Prepaid licenses and permits	412,000	399,000
Prepaid taxes	284,000	849,000
Prepaid Entertainment	103,000	155,000
Prepaid air charters	186,000	180,000
Deposits	273,000	172,000
Miscellaneous Prepaids	218,000	171,000
Prepaid insurance	763,000	999,000
Prepaid slot parts	236,000	315,000
Other deferred charges	936,000	931,000
Other	<u>124,000</u>	<u>753,000</u>
Total prepaid expenses and other current assets	<u>\$ 4,169,000</u>	<u>\$ 5,449,000</u>

NOTE 10 - OTHER ACCRUED EXPENSES AND EXPENSES

As of December 31, 1987 and 1986, the caption Other Accrued Expenses is comprised of the following:

	<u>1987</u>	<u>1986</u>
Accrued salaries and wages	\$ 1,888,000	\$ 1,557,000
Accrued vacation	1,200,000	1,505,000
Other accrued expenses	1,460,000	1,749,000
Accrued interest on debt	1,469,000	1,706,000
Accrued progressive slot machine jackpots	3,429,000	4,917,000
Accrued C.C.C. inspection fees	251,000	272,000
Accrued D.G.E. inspection fees	132,000	138,000
Accrued casino license fees	103,000	138,000
Accrued Insurance	1,365,000	860,000
F.I.C.A. payable	282,000	246,000
Federal withholding tax	187,000	214,000
S.U.I. payable	252,000	259,000
Gaming revenue tax	348,000	291,000
Other	596,000	616,000
Total other accrued expenses	<u>\$ 12,962,000</u>	<u>\$ 14,468,000</u>

NOTE 11 - OTHER CURRENT LIABILITIES

As of December 31, 1987 and 1986, the caption Other Current Liabilities is comprised of the following:

	<u>1987</u>	<u>1986</u>
CRDA Bonds Payable	\$ 574,000	\$ 564,000
Unredeemed gaming chips liability	778,000	848,000
Unredeemed token liability	141,000	90,000
Casino customer deposits	445,000	311,000
Unclaimed wages	170,000	168,000
Advance deposits	81,000	50,000
Food Court complimentary liability	271,000	133,000
Pratt Hotel Corp.	218,000	312,000
Retainage on Construction	738,000	-
Red Carpet Slot liability	389,000	406,000
Deferred Trade Out	67,000	47,000
Other	141,000	111,000
Total Other Current Liabilities	<u>\$ 4,013,000</u>	<u>\$ 3,040,000</u>

NOTE 12 - PROMOTIONAL ALLOWANCES AND EXPENSES

A summary of Promotional Allowances and Expenses incurred during the three month period ended December 31, 1987 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	23,897	\$ 773,000		\$ -
Food	153,771	1,476,000		-
Beverage	420,806	2,525,000		-
Travel		-	7,183	1,711,000
Theatre	10,293	286,000		-
Parking	9,572	76,000	12,617	82,000
Bus Tour Coupon				
Exchange Coin		-	273,823	2,999,000
Food Court - Other		-	83,416	682,000
Red Carpet Certificates		-	144,340	382,000
Other	6,152	<u>49,000</u>	17,460	<u>381,000</u>
 Total Promotional Allowances and Expenses		 <u>\$5,185,000</u>		 <u>\$6,237,000</u>

A summary of Promotional Allowances and Expenses incurred during the twelve month period ended December 31, 1987 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	99,984	\$ 3,160,000		\$ -
Food	612,343	5,838,000		-
Beverage	1,556,687	9,340,000		-
Travel		-	32,569	6,253,000
Theatre	51,919	1,206,000		-
Parking	37,626	301,000	13,178	86,000
Bus Tour Coupon				
Exchange Coin		-	1,521,426	15,823,000
Food Court - Other		-	394,590	2,997,000
Red Carpet Certificates		-	601,709	1,539,000
Other	29,374	<u>235,000</u>	87,319	<u>1,018,000</u>
 Total Promotional Allowances and Expenses		 <u>\$20,080,000</u>		 <u>\$27,716,000</u>

For the year ended December 31, 1987, the Company had no jackpot payouts in merchandise or services.

NOTE 13 - EXTRAORDINARY ITEM

In connection with the August 6, 1987 refinancing of the first and second mortgage notes/revolving line of credit, the Sands reflected charges of \$1,927,000 relating to the early extinguishment of debt, net of related tax benefits amounting to \$1,604,000.

Reconciliation of Cash Flow Statement to Footnote #4
(000's omitted)

		Balance 12/31/86	Provision (a)	Payments	Balance 12/31/87
Federal Taxes:	Current	\$ 751	\$ (559)	\$ 751	\$ (559)
	Deferred	8,663	1,100	2,198	9,563
State Taxes:	Current	973	(73)	1,255	(355)
	Deferred	917	652	-	1,569
		Balance 12/31/85	Provision	Payments	Balance 12/31/86
Federal Taxes:	Current	\$ -	\$ 751	\$ -	\$ 751
	Deferred	3,771	5,682	796	8,663
State Taxes:	Current	851	1,090	968	973
	Deferred	832	735	-	917

Provision is net of tax benefit of \$1,604 for the Extraordinary Item.

Reconciliation of Cash Flow Statement to Footnote #4
(000's omitted)

Reconciliation of Cash Flow Statement to Footnote #4
(000's omitted)

	Balance 12/31/85	Provision (a)	Payments	Balance 12/31/86
<u>Account</u>				
Accrued Federal Taxes: Current	\$ 751	\$ (559)	\$ 751	\$ (559)
Deferred	8,663	3,100	2,198	9,565
Accrued State Taxes: Current	973	(73)	1,255	(355)
Deferred	917	652	-	1,569
	Balance 12/31/85	Provision	Payments	Balance 12/31/86
<u>Account</u>				
Accrued Federal Taxes: Current	\$ -	\$ 751	\$ -	\$ 751
Deferred	3,777	5,682	796	8,663
Accrued State Taxes: Current	851	1,090	968	973
Deferred	632	285	-	917

(a) Activity is net of tax benefit of \$1,604 for the Extraordinary Item.

Reconciliation of Cash Flow Statement to Footnote #4
(000's omitted)

	<u>Balance at</u> <u>12/31/86</u>	<u>Balance at</u> <u>12/31/87</u>	<u>Change</u>
<u>Current</u>			
<u>Balance Sheet Account</u>			
Accrued Federal Taxes - Current	\$ 751	\$ -	
Accrued Federal Taxes - Deferred	8,663	-	
Accrued State Taxes - Current	<u>973</u>	<u>(355)</u>	
	<u>\$10,387</u>	<u>\$ (355)</u>	<u>\$ (10,742)</u>
Per Cash Flow Statement (33c)			<u>\$ (10,742)</u>
 <u>Deferred</u>			
<u>Balance Sheet Account</u>			
Accrued State Taxes - Deferred	\$ 917	\$ 1,569	
Accrued Federal Taxes - Current	-	(559)	
Accrued Federal Taxes - Deferred	<u>-</u>	<u>9,565</u>	
	<u>\$ 917</u>	<u>\$10,575</u>	<u>\$ 9,658</u>
Per Cash Flow Statement (34c)			<u>\$ 9,658</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
 Reconciliation of Cash Flow Statement to Footnote #4
 (000's omitted)

	Balance at 12/31/85	Balance at 12/31/86	Change
Current			
<u>Balance Sheet Account</u>			
Accrued Federal Taxes - Current	\$ -	\$ 751	
Accrued Federal Taxes - Deferred	3,777	8,663	
Accrued State Taxes - Current	851	973	
	<u>\$4,628</u>	<u>\$10,387</u>	<u>\$5,759</u>
Per Cash Flow Statement (42d)			<u>\$5,759</u>
Deferred			
<u>Balance Sheet Account</u>			
Accrued State Taxes - Deferred	<u>\$ 632</u>	<u>\$ 917</u>	<u>\$ 285</u>
Per Cash Flow Statement (34c)			<u>\$ 285</u>

DESCRIPTION	AMOUNT (b)
Patrons' Checks Issued (January 1)	7,975
Patrons' checks issued (including counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	212,676
Checks redeemed prior to deposit (including the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(163,235)
Checks collected through deposits	(42,720)
Checks prepared to return checks	5,891
Other adjustments	9,005
Patrons' Checks Included in Balance on Line 14	1,784
Patrons' Checks Issued (January 1)	54

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(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	9,005		
2	Returned patrons' checks	14,077		
3	Total patrons' checks	23,082	10,799	12,283
4	Hotel Receivables	971	66	905
	Other Receivables:			
5	Receivables due from officers and employees.....			
6	Receivables due from affiliates	948		
7	Other accounts and notes receivables	1,402		
8	Total other receivables	2,350		
9	Totals (Form 305).....	\$ 26,403	\$ 10,865	\$ 15,538

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 7,975
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	212,676
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)	(163,235)
13	Checks collected through deposits	(42,720)
14	Checks transferred to returned checks	(5,691)
15	Other adjustments	-
16	Ending Balance	\$ 9,005
17	"Hold" Checks Included in Balance On Line 16	\$
18	Provision For Uncollectible Patrons' Checks	\$ 1,794
19	Provision As A Percent Of Counter Checks Issued .....	.84

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE Sands Hotel & Casino

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(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	42,103	274,995	15.3	62
2	Craps	31,854	225,146	14.1	18
3	Roulette	9,812	37,383	26.2	13
4	Big Six	1,703	3,545	48.0	3
5	Baccarat	9,146	54,897	16.7	3
6	Other table games	-	-	-	-
7	Total table games revenue	94,618	\$ 595,966	15.9 %	99
			HANDLE		
8	\$.05 slot machines	3,056	20,153	15.2	76
9	\$.25 slot machines	39,686	278,344	14.2	714
10	\$1.00 slot machines	14,623	127,655	11.4	157
11	Other slot machines	39,082	394,866	9.9	473
12	Total coin-operated devices revenue	96,447	\$ 821,018	11.7 %	1,420
13	Progressive jackpot adjustment	1,489			
14	Total coin-operated devices revenue after adjustment	97,936			
15	Other income	-			
16	Total revenue	192,554			
	Expenses:				
17	Payroll and payroll related expenses	29,336			
18	Licenses and taxes	18,682			
19	Provision for uncollectible patrons' checks	1,794			
20	Other	3,858			
21	Total	53,670			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	138,884			
	Complimentary services and casino management fees:				
23	Complimentary services	8,491			
24	Casino management fees	-			
25	Total	8,491			
26	Departmental Income (Loss)	\$ 130,393			

GROSS REVENUE ANNUAL TAX RETURN

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE Greate Bay Hotel & Casino, Inc.

ADDRESS Indiana Avenue & Brighton Park
Atlantic City, New Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 19 87

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

John R. Rauen

OFFICIAL TITLE

Vice President Finance

ADDRESS

Indiana Ave. & Brighton Park, Atlantic City, NJ

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue	\$ 94,618
2	Coin-operated devices revenue	96,447
3	Total revenues	\$ 191,065
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks	\$ 1,794
5	Maximum adjustment (4% of line 3)	\$ 7,643
6	Adjustment (the lesser of line 4 or line 5)	1,794
7	Gross revenues (line 3 less line 6)	\$ 189,271
8	Tax on gross revenues - current year (8% of line 7)	\$ 15,142
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)	15,142
	Deposits made for tax on current year's gross revenues:	
11	January	\$ 777
12	February	1,044
13	March	1,448
14	April	1,231
15	May	1,156
16	June	1,400
17	July	1,359
18	August	1,638
19	September	1,219
20	October	1,221
21	November	1,442
22	December	859
23	January	348
24	Total deposits made for tax on current year's gross revenues	(15,142)
	Settlement of prior years' tax on gross revenues	
25	resulting from audit or other adjustments - (deposits) credits	
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)	\$ -0-

HOTEL STATISTICS

 FOR THE 12 MONTHS ENDED December 31, 1987

(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	11,319	\$ 52.88	73.0 %	20,173	\$ 29.67
2	FEBRUARY	500	14,000	11,137	\$ 54.03	79.6 %	19,920	\$ 30.21
3	MARCH	500	15,500	13,132	\$ 56.69	84.7 %	19,759	\$ 37.68
4	1ST QUARTER TOTALS		45,000	35,588	\$ 54.65	79.1 %	59,852	\$ 32.49
5	APRIL	500	15,000	12,352	\$ 57.72	82.3%	22,475	\$ 31.72
6	MAY	500	15,500	12,972	\$ 63.35	83.7%	22,987	\$ 35.75
7	JUNE	500	15,000	13,201	\$ 63.74	88.0%	23,843	\$ 35.29
8	2ND QUARTER TOTALS		45,500	38,525	\$ 61.68	84.7%	69,305	\$ 34.29
9	JULY	500	15,500	13,932	\$ 71.51	89.9%	26,398	\$ 37.74
10	AUGUST	500	15,500	14,486	\$ 76.14	93.5%	27,300	\$ 40.40
11	SEPTEMBER	500	15,000	13,542	\$ 63.64	90.3%	24,785	\$ 34.77
12	3RD QUARTER TOTALS		46,000	41,960	\$ 70.57	91.2%	78,483	\$ 37.73
13	OCTOBER	500	15,500	14,000	\$ 68.03	90.3%	25,473	\$ 37.39
14	NOVEMBER	500	15,000	13,138	\$ 59.48	87.6%	24,258	\$ 32.22
15	DECEMBER	500	15,500	10,681	\$ 53.11	68.9%	19,912	\$ 28.49
16	4TH QUARTER TOTALS		46,000	37,819	\$ 60.85	82.2%	69,643	\$ 33.04
17	ANNUAL TOTALS		182,500	153,892	\$ 62.27	84.3%	277,283	\$ 34.56

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE Greate Bay Hotel & Casino, Inc.

ADDRESS Indiana Avenue & Brighton Park

Atlantic City, New Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

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 R. Rauen

OFFICIAL TITLE.....

Vice President Finance

ADDRESS.....

Indiana Ave. & Brighton Park, Atlantic City, N.J.

TRADING NAME OF LICENSEE Sands Hotel & Casino**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

CC-376

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	15	354	134	488
2	Gaming	751	14,391		14,391
3	Slots	89	1,892		1,892
4	Casino accounting	302	5,410		5,410
5	Other	211	\$ 4,688	\$	\$ 4,688
6	Total-casino	1,368	26,735	134	26,869
7	ROOMS	247	3,680	77	3,757
8	FOOD AND BEVERAGE	635	7,624		7,624
	OTHER OPERATED DEPARTMENTS				
9	Hotel Accounting	89	1,415		1,415
10	Garage/Valet	73	901		901
11					
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	15	356	704	1,060
21	Accounting and auditing	39	1,009	107	1,116
22	Security	35	657	62	719
23	Other administrative and general department ..	170	3,549	266	3,815
24	MARKETING	39	1,422		1,422
25	GUEST ENTERTAINMENT	100	720	78	798
26	PROPERTY OPERATION AND MAINTENANCE	36	1,084		1,084
..	TOTALS - ALL DEPARTMENTS	2,846	\$ 49,152	\$ 1,428	\$ 50,580

Trading Name of Licensee Sands Hotel & Casino

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

For the Year Ended December 31, 1987

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

March 15, 1988
Date

J. R. Rauer
Signature

Vice President Finance
Title

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT

GEORGE H. RINALDI
VICE PRESIDENT OF FINANCE
1725 BRIGANTINE BOULEVARD
ATLANTIC CITY, NJ 08401

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ANNUAL REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 1987

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 1725 BRIGANTINE BOULEVARD
ATLANTIC CITY, NJ 08401

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

LIST OF FORMS — ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1987

DESCRIPTION (a)	1987	1986
ASSETS		
<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 Cash Flows	CCC-335	
Notes to Financial Statements		
Schedule of Receivables and Patrons' Checks	CCC-340	
Casino Departmental Schedule	CCC-345	
Statement of Conformity and Accuracy	CCC-350	
LIABILITIES AND EQUITY		
Accounts Payable		
Accounts receivable		
Notes payable		
Other current liabilities		
Total current liabilities		
Long-Term Debt:		
Due to affiliates		
Other		
Total Long-Term Debt		
Deferred Credits		
Other Liabilities		
Derivatives and Contingencies		
Total Liabilities		
Stockholders', Partners', or Proprietor's Equity		
Total Liabilities and Equity		

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 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	10,264	10,187
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$ 6,106 ; 19 <u>86</u> , \$ 6,194)	124,082	55,042
4	Inventories	2,392	2,726
5	Prepaid expenses and other current assets .....(Note 10).....	5,845	1,041
6	Total current assets	142,583	68,996
7	Investments, Advances, And Receivables	18,483	12,906
8	Property And Equipment - Net .....(Note 2).....	221,890	226,858
9	Other Assets	7,465	8,156
10	Total Assets	\$ 390,421	\$ 316,916
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	2,477	1,886
12	Notes payable	-0-	-0-
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other .....(Note 3).....	5	13,549
15	Income taxes payable and accrued	2,385	1,750
16	Other accrued expenses .....(Note 8).....	12,454	9,341
17	Other current liabilities .....(Note 9).....	19,956	19,271
18	Total current liabilities	37,277	45,797
	Long-Term Debt:		
19	Due to affiliates	-0-	-0-
20	Other .....(Note 3).....	8	86,653
21	Deferred Credits	-0-	-0-
22	Other Liabilities	200	387
23	Commitments And Contingencies .....(Notes 5&6).....		
24	Total Liabilities	37,485	132,837
25	Stockholders', Partners', Or Proprietor's Equity	352,936	184,079
26	Total Liabilities And Equity	\$ 390,421	\$ 316,916

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:	\$ 39,810	\$ 39,810
1	Casino	246,322	236,989
2	Rooms	20,747	19,776
3	Food and beverage	40,559	39,344
4	Other	7,648	8,180
5	Total revenue	315,276	304,289
6	Less: promotional allowances (Note.7).....	33,804	30,413
7	Net revenue	281,472	273,876
	Costs And Expenses:	\$ 213,135	\$ 213,135
8	Cost of goods and services	151,839	156,280
9	Selling, general, and administrative	47,110	38,280
10	Provision for doubtful accounts	1,928	1,495
11	Total	200,877	196,055
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	80,595	77,821
13	Depreciation and amortization	13,289	12,297
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other (Note.12).....	501	5,872
17	Interest expense - external (Note.11).....	1,689	6,617
18	Income (Loss) From Operations	65,116	53,035
19	Nonoperating income (expense) - net	711	535
20	Investment alternative tax and related income (expense) - net.....	(943)	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	64,884	53,570
22	Provision (Credit) for income taxes (Note.13).....	5,858	4,774
23	Income (Loss) Before Extraordinary Items	59,026	48,796
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ 59,026	\$ 48,796

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 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:	\$	\$
1	Casino	59,840	57,827
2	Rooms	4,748	4,338
3	Food and beverage	10,493	8,522
4	Other	2,034	1,859
5	Total revenue	77,115	72,546
6	Less: promotional allowances (Note 7)	9,185	6,551
7	Net revenue	67,930	65,995
	Costs And Expenses:		
8	Cost of goods and services	36,158	36,737
9	Selling, general, and administrative	13,281	8,687
10	Provision for doubtful accounts	(4)	(111)
11	Total	49,435	45,313
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	18,495	20,682
13	Depreciation and amortization	3,368	3,189
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other	-0-	1,395
17	Interest expense - external (Note 11)	1	1,664
18	Income (Loss) From Operations	15,126	14,434
19	Nonoperating income (expense) - net	439	(162)
20	Investment alternative tax and related income (expense) - net.....	-0-	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	15,565	14,272
22	Provision (Credit) for income taxes (Note 13)	1,400	1,286
23	Income (Loss) Before Extraordinary Items	14,165	12,986
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ 14,165	\$ 12,986

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 87 and 1986

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETORS' EQUITY
(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)	N/A		N/A	
2	Sale of stock				
3	.....			
4	Ending balance				
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)				
10	.....			
11	.....			
12	Ending balance				
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For				
	Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent				
	Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)				
26	Prior period adjustments				
27	Net income (loss)				
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance				
32	Ending Stockholders' Equity		\$ N/A		\$ N/A

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

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Invested Capital:	\$	\$
1	Beginning balance (January 1)	31,763	31,763
2	Additional capital invested	109,831	-0-
3	.....	-0-	-0-
4	Ending balance	141,594	31,763
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	259,054	210,258
6	Prior period adjustments	-0-	-0-
7	Net income (loss)	59,026	48,796
8	.....	-0-	-0-
9	Ending balance	318,080	259,054
	Capital Withdrawals:		
10	Beginning balance (January 1)	(106,738)	(99,738)
11	Additional capital withdrawals	(-0-)	(7,000)
12	.....	-0-	-0-
13	Ending balance	(106,738)	(106,738)
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	(-0-)	(-0-)
15	.....	-0-	-0-
16	.....	-0-	-0-
17	Ending balance	(-0-)	(-0-)
18	Ending Partners' Or Proprietor's Equity	\$ 352,936	\$ 184,079

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 5,205	\$ 14,828
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....	-0-	-0-
3	Proceeds from the sale of short-term investment securities.....	-0-	-0-
4	Cash outflows for property and equipment.....	(8,645)	(20,165)
5	Proceeds from disposition of property and equipment.....	395	385
6	Purchase of casino reinvestment obligations.....	(6,489)	(5,649)
7	Purchase of other investments and loans/advances made.....	-0-	-0-
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	-0-	-0-
9	Cash outflows to acquire business entities.....	-0-	-0-
10	Accrued Interest CRDA Bonds	(48)	-0-
11	Addition/Reduction of Long-term Receivables.....	17	(2,478)
12	Net Cash Provided (Used) By Investing Activities.....	(14,770)	(27,907)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	-0-	-0-
14	Payments to settle short-term debt	(13,544)	12,964
15	Cash proceeds from issuance of long-term debt.....	-0-	24,900
16	Costs of issuing debt.....	-0-	-0-
17	Payments to settle long-term debt.....	(86,645)	(13,549)
18	Cash proceeds from issuing stock or capital contributions.....	109,831	-0-
19	Purchases of treasury stock.....	-0-	-0-
20	Payments of dividends or capital withdrawals.....	-0-	(7,000)
21	.....	-0-	-0-
22	.....	-0-	-0-
23	Net Cash Provided (Used) By Financing Activities.....	9,642	17,315
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	77	4,236
25	Cash And Cash Equivalents At Beginning Of Year	10,187	5,951
26	Cash And Cash Equivalents At End Of Year.....	\$ 10,264	\$ 10,187

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 1,689	\$ 6,454
28	Income taxes.....	\$ 5,223	\$ 4,061

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986

(UNAUDITED)

(\$ IN THOUSANDS)

Line a	Description (b)	(c) 19 87	(d) 19 86
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 59,026	\$ 48,796
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	12,605	11,807
31	Amortization of other assets.....	684	490
32	Amortization of debt discount or premium.....	-0-	-0-
33	Deferred income taxes - current.....	-0-	-0-
34	Deferred income taxes - noncurrent.....	-0-	-0-
35	(Gain) loss on disposition of property and equipment.....	613	376
36	(Gain) loss on casino reinvestment obligations.....	-0-	-0-
37	(Gain) loss from other investment activities.....	-0-	-0-
38	Net (increase) decrease in receivables and patrons' checks.....	(69,040)	(26,857)
39	Net (increase) decrease in inventories.....	334	(1,708)
40	Net (increase) decrease in other current assets.....	(4,804)	91
41	Net (increase) decrease in other assets.....	7	(2,997)
42	Net increase (decrease) in accounts payables.....	591	(4,782)
43	Net increase (decrease) in other current liabilities excluding debt.....	4,433	(10,575)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(187)	187
45	Bond Valuation Adjustment.....	943	-0-
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 5,205	\$ 14,828

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ (8,645)	\$ (20,165)
49	Less: Capital lease obligations incurred.....	-0-	-0-
50	Cash Outflows For Property And Equipment.....	\$ (8,645)	\$ (20,165)
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$ -0-	\$ -0-
52	Goodwill acquired.....	-0-	-0-
53	Net assets acquired other than cash, goodwill, and property and equipment.....	-0-	-0-
54	Long-term debt assumed.....	-0-	-0-
55	Issuance of stock or capital invested.....	-0-	-0-
56	Cash Outflows To Acquire Business Entities.....	\$ -0-	\$ -0-
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$ 109,831	\$ -0-
58	Less: Issuances to settle long-term debt.....	-0-	-0-
59	Consideration in acquisition of business entities.....	-0-	-0-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ 109,831	\$ -0-

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies:

Organization -

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

Gaming Revenues -

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

Promotional Allowances -

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

Inventories -

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

Property and Equipment -

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

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

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

Pre-Opening Expenses -

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

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

Income Taxes -

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

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

NOTE 2: Property and Equipment:

Property and equipment consist of the following:

	<u>DECEMBER 31</u>	
	<u>1987</u>	<u>1986</u>
Land and land improvements	\$ 29,031,000	\$ 29,031,000
Buildings, leaseholds and improvements	190,543,000	186,132,000
Furniture, fixtures and equipment	51,597,000	48,096,000
Construction in progress	<u>1,765,000</u>	<u>2,090,000</u>
	272,936,000	265,349,000
Less accumulated depreciation and amortization	<u>(51,046,000)</u>	<u>(38,491,000)</u>
Property and equipment, net	<u>\$221,890,000</u>	<u>\$226,858,000</u>

NOTE 3: Long-Term Debt:

Long-term debt consisted of the following:

	<u>DECEMBER 31</u>	
	<u>1987</u>	<u>1986</u>
Mortgage payable (a)	\$ -0-	\$ 8,302,000
Other notes payable (b)	<u>13,000</u>	<u>91,900,000</u>
	13,000	100,202,000
Less long-term debt due within one year	<u>(5,000)</u>	<u>(13,549,000)</u>
	<u>\$ 8,000</u>	<u>\$ 86,653,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

- (a) Mortgage Payable consisted of a note dated September 14, 1978, with Charles D. Worthington of Brigantine, New Jersey. Due to the Holiday Corporation Refinancing, the principal and interest payments due under this note have been escrowed and, as a result, Marina Associates no longer has the related debt.
- (b) Other Notes Payable consisted of a term loan with First Tennessee Bank acting as agent for a consortium of six banks; total revolving credit line of \$100 million dated May 31, 1985, with \$91.9 million borrowed in total.
- (c) Marina Associates has a lease on certain warehouse equipment dated June 18, 1985. This 60 month residual lease in the amount of \$41,021 is payable in monthly installments from July 1985 through June 1990.

The aggregate maturities of long-term debt in future fiscal years ending December 31:

1988	\$ 5,000
1989	4,000
1990	4,000
1991	-0-
Thereafter	-0-
	<u>\$13,000</u>
	=====

NOTE 4: Due From Affiliates:

Due from Affiliates consisted of the following unsecured, non-interest bearing inter-company amounts at December 31, 1987, and 1986. Due from affiliates are classified as receivables:

	<u>1987</u>	<u>1986</u>
Due from Affiliates -		
Harrah's New Jersey, Inc.	\$ 18,972,000	\$18,972,000
Harrah's Tahoe	86,000	14,000
Holiday Corporation	94,946,000	25,477,000
Harrah's Las Vegas	17,000	-0-
Harrah's Laughlin	95,000	-0-
Bill's	1,000	-0-
Total Due from Affiliates	<u>\$114,117,000</u>	<u>\$44,463,000</u>

1988 \$1,992,000

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

Note 5: Commitments and Contingencies:

Leases -

The Company has several operating leases relating to a storage warehouse, parking areas, computer equipment, transportation equipment and shoreline land. These leases have various expiration dates through 2003. Rental expenses for the years ended December 31, 1987 and December 31, 1986 were approximately \$2,355,355, and \$1,608,967, respectively.

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

1988	\$2,142,568
1989	1,864,756
1990	1,625,697
1991	1,082,560
Thereafter	<u>1,870,398</u>
	<u>\$8,585,979</u>

NOTE 6: Investment Obligation:

Section 144 of the New Jersey Casino Control Act, as amended in 1984, requires a casino licensee to make investments in New Jersey or pay an investment alternative tax if it fails to do so. For each of the calendar years 1979 to 1983, a casino licensee whose gross casino revenues exceed its cumulative investment (the "cumulative investment"), must either make investments in an amount equivalent to 2% of its gross casino revenues or pay an investment alternative tax in the same amount within five years of the applicable calendar year. The cumulative investment of a casino licensee includes the real property and improvement costs associated with its hotel/casino complex.

Commencing with calendar year 1984, and continuing for twenty-five years thereafter, a casino licensee must either obtain investment tax credits in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by making qualified investments or by the purchase of bonds at below market rates from the newly created Casino Reinvestment Development Authority. In addition, commencing with obligations incurred after 1983, payments of a casino licensee's obligation must be made quarterly.

At December 31, 1987, the Company's investment obligation was payable as follows:

1988	\$3,992,000
	<u>=====</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 7: Promotional Allowances:

Promotional allowances for the three months ended December 31, 1987, consist of:

	<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	28,000	\$2,374,000	-0-	\$ -0-
Food	443,000	4,430,000	-0-	-0-
Beverage	771,000	1,927,000	-0-	-0-
Travel	-0-	-0-	9,000	931,000
Theatre	24,000	454,000	-0-	-0-
Coupon Redemption of				
Cash & Tokens	-0-	-0-	238,000	2,971,000
Other	-0-	-0-	58,000	347,000 *
	<u>1,266,000</u>	<u>\$ 9,185,000</u>	<u>305,000</u>	<u>\$4,249,000</u>

* Other comps are mainly comprised of tips, flowers, gift shop comps, phone calls, cigars, Harbour Holiday packages, and service charges for room service. For financial recording and reporting purposes, such complimentarys are combined in one expense account.

Promotional allowances for the twelve months ended December 31, 1987, consist of:

	<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	\$ 117,000	\$ 9,978,000	0	0
Food	1,491,000	14,913,000	0	0
Beverage	3,120,000	7,800,000	0	0
Travel	0	0	49,000	4,898,000
Theatre	57,000	1,113,000	0	0
Coupon Redemption of				
Cash & Tokens	0	0	814,000	10,180,000
Other	0	0	199,000	1,192,000 *
	<u>\$4,785,000</u>	<u>\$33,804,000</u>	<u>\$1,062,000</u>	<u>\$16,270,000</u>

* Other comps are mainly comprised of tips, flowers, gift shop comps, phone calls, cigars, Harbour Holiday packages, and service charges for room service. For financial recording and reporting purposes, such complimentarys are combined in one expense account.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 8: Other Accrued Expenses:

Other accrued expenses as of December 31, 1987, consist of:

	<u>1987</u>	<u>1986</u>
Accrued salaries and wages	\$ 5,788,000	\$ 4,187,000
Taxes payable	596,000	550,000
Other accrued expenses	4,884,000	3,007,000
Accrued progressive slot liability	741,000	573,000
Accrued interest	-0-	606,000
Accrued CCC/DGE/Casino License fees	445,000	418,000
	<u>\$12,454,000</u>	<u>\$ 9,341,000</u>

NOTE 9: Other Current Liabilities

Other current liabilities as of December 31, 1987, consist of:

	<u>1987</u>	<u>1986</u>
Chip and token reserve	\$ 852,000	\$ 639,000
Patron deposits	302,000	229,000
Deferred trade	41,000	57,000
Other current liabilities	4,000	18,000
Due to Affiliates (see below)	18,757,000	18,328,000
	<u>\$19,956,000</u>	<u>\$19,271,000</u>

Due to Affiliates consist of the following unsecured, non-interest bearing inter-company amounts at December 31, 1987 and 1986. Due to Affiliates are classified as other current liabilities:

	<u>1987</u>	<u>1986</u>
Due to Affiliates -		
Harrah's Services, Inc.	\$ 19,000	\$ 19,000
Holiday Inns - Hotel Group	4,336,000	3,706,000
Harrah's Holdings, Inc.	462,000	320,000
Harrah's Atlantic City, Inc.	13,620,000	13,909,000
Harrah's Las Vegas	-0-	3,000
Harrah's Reno	35,000	14,000
Harrah's Holiday Inns of NJ	285,000	357,000
	<u>\$18,757,000</u>	<u>\$18,328,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 10: Prepaid Expenses and Other Current Assets

Prepaid Expenses and Other Current Assets as of December 31, 1987, consist of:

	<u>1987</u>	<u>1986</u>
Prepaid Slot Tax	\$ 428,000	\$ 98,000
Prepaid Property Tax	3,692,000	-0-
Prepaid Insurance	398,000	82,000
Prepaid Other	155,000	861,000
Other Current Assets	<u>1,172,000</u>	<u>-0-</u>
	<u>\$5,845,000</u>	<u>\$1,041,000</u>

NOTE 11: Interest Expense:

Interest expense as of December 31, 1987 and 1986 consist of:

	<u>1987</u>	<u>1986</u>
Gross interest expense	\$1,689,000	\$6,780,000
Capitalized interest	(-0-)	(163,000)
Net interest expense	<u>\$1,689,000</u>	<u>\$6,617,000</u>

NOTE 12: Charges from Affiliates

Unallocable charges from Harrah's Atlantic City for the quarter ended December 31, 1987 and for quarter ended December 31, 1986 are as follows:

	<u>1987</u>	<u>1986</u>
Executive	\$ -0-	\$ 248,000
Human Resources	-0-	59,000
Finance	-0-	212,000
Logistics	-0-	110,000
Management Information Systems	-0-	293,000
Legal and Risk Management	-0-	96,000
Other	<u>-0-</u>	<u>377,000</u>
	<u>\$ -0-</u>	<u>\$1,395,000</u>

NOTE 13: Provision for State Income Taxes

The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at the statutory rate (9%).

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 12: (cont'd)

Direct charges from Harrah's Atlantic City for the quarter ended December 31, 1987 and the quarter ended December 31, 1986, consist of:

	<u>1987</u>	<u>1986</u>
Business Development	\$ -0-	\$ -0-
Finance	-0-	-0-
Logistics	<u>-0-</u>	<u>769,000</u>
	<u>-0-</u>	<u>769,000</u>
Total Direct and Unallocable	<u>\$ -0-</u>	<u>\$2,164,000</u>

Unallocable charges from Harrah's Atlantic City for the twelve months ended December 31, 1987 and the twelve months ended December 31, 1986 are as follows:

	<u>1987</u>	<u>1986</u>
Executive	\$ 353,000	\$ 947,000
Human Resources	-0-	837,000
Finance	-0-	635,000
Logistics	-0-	445,000
Management Information Services	-0-	1,159,000
Legal and Risk Management	148,000	398,000
Other	<u>-0-</u>	<u>1,451,000</u>
	<u>\$ 501,000</u>	<u>\$5,872,000</u>

Direct charges from Harrah's Atlantic City for the twelve months ended December 31, 1987 consist of:

	<u>1987</u>	<u>1986</u>
Business Development	\$ -0-	\$ -0-
Finance	-0-	245,000
Logistics	<u>-0-</u>	<u>3,080,000</u>
	<u>-0-</u>	<u>3,325,000</u>
Total Direct and Unallocable	<u>\$ 501,000</u>	<u>\$9,197,000</u>

NOTE 13: Provision for State Income Taxes:

The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at the statutory rate (9%).

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 14: Savings and Retirement Plan:

An employee Savings and Retirement Plan was established on October 1, 1985. This plan covers all non-union employees who have been employed at least one year with a minimum of one thousand hours worked. The company will match employee contributions up to 6% of gross pay. A participating employee is vested in company contributions according to their years of service. The company's contribution through the 12 months ended December 31, 1987 was \$2,495,979.

	1987	1986
Beginning Balance	\$ 6,375	\$ 11,175
Contributions by employees	718,125	518,125
Company contributions	1,177,500	1,177,500
Checks collected through bank	52,500	52,500
Checks collected through cash	6,375	6,375
Other adjustments	2,500	2,500
Ending Balance	\$ 2,495,979	\$ 2,495,979

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87

(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	6,642		
2	Returned patrons' checks	7,745		
3	Total patrons' checks	14,387	\$ 6,000	\$ 8,387
4	Hotel Receivables	1,096	106	990
	Other Receivables:			
5	Receivables due from officers and employees.....	6		
6	Receivables due from affiliates	114,117		
7	Other accounts and notes receivables	582		
8	Total other receivables	114,705		114,705
9	Totals (Form 305).....	\$ 130,188	\$ 6,106	\$ 124,082

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 6,526
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	218,121
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)	(157,588)
13	Checks collected through deposits	(53,511)
14	Checks transferred to returned checks	(6,906)
15	Other adjustments	-0-
16	Ending Balance	\$ 6,642
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 1,849
19	Provision As A Percent Of Counter Checks Issued .....	.8

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(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	\$ 45,271	\$ 301,616	15.0 %	80
2	Craps	40,459	281,814	14.4	24
3	Roulette	11,164	45,416	24.6	12
4	Big Six	1,912	4,493	42.6	3
5	Baccarat	6,205	43,834	14.2	2
6	Other table games	-	-	-	-
7	Total table games revenue	105,011	\$ 677,173	15.5 %	121
	Accounts:				
			HANDLE		
8	\$.05 slot machines	5,576	37,907	14.7 %	125
9	\$.25 slot machines	69,193	537,652	12.9	855
10	\$1.00 slot machines	45,639	449,559	10.2	276
11	Other slot machines	21,070	225,517	9.3	455
12	Total coin-operated devices revenue	141,478	\$1,250,635	11.3 %	1,711
13	Progressive jackpot adjustment	167			
14	Total coin-operated devices revenue after adjustment	141,311			
15	Other income	-0-			
16	Total revenue	246,322			
	Expenses:				
17	Payroll and payroll related expenses	46,807			
18	Licenses and taxes	20,640			
19	Provision for uncollectible patrons' checks	1,849			
20	Other	23,165			
21	Total	92,461			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	153,861			
	Complimentary services and casino management fees:				
23	Complimentary services	34,405			
24	Casino management fees	-0-			
25	Total	34,405			
26	Departmental Income (Loss)	\$ 119,456			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF _____ :
COUNTY OF _____ :ss.
_____ :

George M. Rinaldi, 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.

George M. Rinaldi
Signature

Vice President of Finance
Title

03283-11

License Number

Subscribed and sworn to
before me this 15th day
of March, 1988

Mary-Jo L. Chatten
Signature

On Behalf Of:

Marina Associates
Casino Licensee

MARY-JO L. CHATTEN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires DEC. 26, 1990

Basis of Authority
to Take Oaths

**GROSS REVENUE
ANNUAL TAX RETURN**

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

FOR THE YEAR ENDED DECEMBER 31, 1987

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

1725 BRIGANTINE BOULEVARD
ATLANTIC CITY, NJ 08041

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

1	Casino win or (loss)		
2	Table games revenue	\$105,011	
3	Coin-operated devices revenue	141,478	
	Total revenues		\$ 246,489
4	Less - adjustment for uncollectible patrons' checks: Provision for uncollectible patrons' checks	\$ 1,849	
5	Maximum adjustment (4% of line 3)	\$ 9,860	
6	Adjustment (the lesser of line 4 or line 5)		1,849
7	Gross revenues (line 3 less line 6)		\$ 244,640
8	Tax on gross revenues - current year (8% of line 7)		\$ 19,571
9	Audit or other adjustments to tax on gross revenues in prior years		26
10	Total tax on gross revenues (line 8 plus or minus line 9)		19,597
11	Deposits made for tax on current year's gross revenues:		
12	January	\$ 1,170	
13	February	1,404	
14	March	1,785	
15	April	1,224	
16	May	1,360	
17	June	1,768	
18	July	1,788	
19	August	2,257	
20	September	1,699	
21	October	1,663	
22	November	1,854	
23	December	1,172	
24	January	427	
	Total deposits made for tax on current year's gross revenues		(19,571)
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits		(26)
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. Binaldi, 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.

George M. Binaldi
Signature

Vice President of Finance
Title

03283-11
License Number

On Behalf Of:
Marina Associates
Casino Licensee

Subscribed and sworn to
before me this 5th day
of March, 1980.

Thomas L. Chittren
Signature

THOMAS L. CHITREN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires DEC. 29, 1980

Basis of Authority
to Take Oaths

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 87

(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	760	23,560	14,225	\$ 89.41	60.4 %	28,834	\$ 44.11
2	FEBRUARY	760	21,280	16,070	\$ 83.19	75.5 %	30,050	\$ 44.49
3	MARCH	760	23,560	17,840	\$ 83.31	75.7 %	31,300	\$ 47.48
4	1ST QUARTER TOTALS		68,400	48,135	\$ 85.07	70.4 %	90,184	\$ 45.41
5	APRIL	760	22,800	17,826	\$ 89.30	78.2 %	33,392	\$ 47.67
6	MAY	760	23,560	17,884	\$ 97.24	75.9 %	32,633	\$ 53.29
7	JUNE	760	22,800	19,103	\$ 95.80	83.8 %	34,384	\$ 53.23
8	2ND QUARTER TOTALS		69,160	54,813	\$ 94.16	79.3 %	100,409	\$ 51.40
9	JULY	760	23,560	22,431	\$ 104.47	95.2 %	44,862	\$ 52.24
10	AUGUST	760	23,560	22,852	\$ 108.32	97.0 %	42,371	\$ 58.42
11	SEPTEMBER	760	22,800	21,088	\$ 91.56	92.5 %	39,146	\$ 49.33
12	3RD QUARTER TOTALS		69,920	66,371	\$ 101.70	94.9 %	126,379	\$ 53.41
13	OCTOBER	760	23,560	22,221	\$ 85.52	94.3 %	41,709	\$ 45.56
14	NOVEMBER	760	22,800	20,614	\$ 78.72	90.4 %	38,152	\$ 42.53
15	DECEMBER	760	23,560	15,925	\$ 76.83	67.6 %	29,882	\$ 40.94
16	4TH QUARTER TOTALS		69,920	58,760	\$ 80.78	84.0 %	109,743	\$ 43.25
17	ANNUAL TOTALS		277,400	228,079	\$ 90.99	82.2 %	426,715	\$ 48.63

ANNUAL EMPLOYMENT AND PAYROLL REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

GEORGE M. RINALDI

OFFICIAL TITLE.....

VICE PRESIDENT OF FINANCE

ADDRESS.....

1725 BRIGANTINE BOULEVARD

ATLANTIC CITY, NJ 08401

TRADING NAME OF LICENSEE HAKKAH'S MARINA HOTEL CASINO**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration	2			
2	Gaming	733			
3	Slots	125			
4	Casino accounting	78			
5	Other	581	\$	\$	\$
6	Total-casino	1,519	32,621		32,621
7	ROOMS	241	3,711		3,711
8	FOOD AND BEVERAGE	899	12,603		12,603
	OTHER OPERATED DEPARTMENTS				
9					
10	Marina	1	92		92
11	Cafeteria	17	831		831
12	Communications	17	259		259
13	Gift Shop/Boutique	23	387		387
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	6	324		324
21	Accounting and auditing	70	1,613		1,613
22	Security	212	4,001		4,001
23	Other administrative and general department ..	220	5,057		5,057
24	MARKETING	34	935		935
25	GUEST ENTERTAINMENT	65	1,330		1,330
26	PROPERTY OPERATION AND MAINTENANCE	299	7,445		7,445
27	TOTALS - ALL DEPARTMENTS	3,623	\$ 71,209	\$	\$ 71,209

Trading Name of Licensee HARRAH'S MARINA HOTEL CASINO

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C193

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

For the Year Ended December 31, 1987

LICENSEE RESORTS INTERNATIONAL HOTEL, INC.
ADDRESS NORTH CAROLINA & BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

PROPERTY OF
NEW JERSEY STATE LIBRARY
SEP 14 1988
185 W. STATE ST.
TRENTON, N.J.

March 15, 1988

Date

August A. Arnoldi
Signature

FOR THE YEAR ENDED DECEMBER 31, 1987

VICE PRESIDENT OF FINANCE

Title

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CERTIFICATION REGARDING
THIS ANNUAL REPORT

PETER B. BURNS

VICE PRESIDENT - FINANCE

N. CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

OFFICIAL TITLE

ADDRESS

1/85

CCC-377

974.901
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ANNUAL REPORT

PROPERTY OF
NEW JERSEY STATE LIBRARY
SEP 14 1988
185 W. STATE ST.
TRENTON, N.J.

LICENSEE RESORTS INTERNATIONAL HOTEL, INC.
ADDRESS NORTH CAROLINA & BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1987

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT PETER R. BURNS
OFFICIAL TITLE VICE PRESIDENT - FINANCE
ADDRESS N. CAROLINA & BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1987

DESCRIPTION (a)	(b) 1987	(c) 1986
ASSETS		
Current Assets		
Cash	\$ 2,877	\$ 3,350
Marketable securities (Short-term Money Market At Cost)	5,350	7,185
Accounts receivable and patrons' checks (net of allowance for doubtful accounts - 1987, \$4,228; 1986, \$2,726)	7,185	3,320
Prepaid expenses and other current assets	1,912	28,194
Total Current Assets	17,324	32,049
Property, plant and equipment (Note 2)	128,784	57,828
Investments in other entities (Note 3)	3,350	3,350
Total Assets	245,458	193,227
LIABILITIES AND EQUITY		
Current Liabilities		
Income taxes payable and accrued	26,640	27,899
Other accrued expenses (Note 4)	5,387	4,885
Other current liabilities	76,596	41,673
Total current liabilities	108,623	74,457
Long-Term Debt (Note 7)	196,824	125,918
Due to affiliates	892	3,125
Other	897	770
Deferred Credits (Note 8)	-	-
Other Liabilities	-	-
Commitments and Contingencies (Note 10)	-	-
Total Liabilities	305,655	229,494
Stockholders', Partners', or Proprietor's Equity	13,803	6,733
Total Liabilities and Equity	319,458	236,227

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, 1987 and 1986

(UNAUDITED)

(\$ IN THOUSANDS)

LINE >	DESCRIPTION	>> (c) 1987	> (d) 1986
(a) >	(b)	>>	>
>	ASSETS	>>	>
>	Current Assets:	>>	>
1 >	Cash	>> \$ 5,877	> \$ 9,877
2 >	Marketable securities (Short-term Money Market At Cost)	>> 3,287	> 5,590
3 >	Receivables and patrons' checks (net of allowance for > doubtful accounts - 1987, \$4,229; 1986, \$3,778)	>> 21,209	> 7,945
4 >	Inventories	>> 2,686	> 3,130
5 >	Prepaid expenses and other current assets	>> 1,429	> 1,612
>		>>	>
6 >	Total current assets	>> 34,488	> 28,154
>		>>	>
7 >	Investments, Advances, And Receivables ....(Note 2).....	>> 194,686	> 121,764
8 >	Property And Equipment - Net ....(Note 3).....	>> 84,935	> 92,438
9 >	Other Assets ....(Note 4).....	>> 4,740	> 5,250
>		>>	>
10 >	Total Assets	>> \$318,849	> \$247,606
>		>>	>
>	LIABILITIES AND EQUITY	>>	>
>		>>	>
>	Current Liabilities:	>>	>
11 >	Accounts Payable	>> \$ 2,567	> \$ 8,353
12 >	Notes Payable ....(Note 5).....	>> 75,000	>
>	Current portion of long-term debt: (Note 7)	>>	>
13 >	Due to affiliates	>>	>
14 >	Other	>> 443	> 436
15 >	Income taxes payable and accrued	>>	>
16 >	Other accrued expenses ....(Note 6).....	>> 24,640	> 27,699
17 >	Other current liabilities	>> 5,393	> 4,985
18 >	Total current liabilities	>> 108,043	> 41,473
>		>>	>
>	Long-Term Debt: (Note 7)	>>	>
19 >	Due to affiliates	>> 196,023	> 195,916
20 >	Other	>> 892	> 1,335
21 >	Deferred Credits ....(Note 9).....	>> 697	> 770
22 >	Other Liabilities	>>	>
23 >	Commitments and Contingencies.....(Note 13).....	>>	>
>		>>	>
24 >	Total Liabilities.....	>> 305,655	> 239,494
>		>>	>
25 >	Stockholders', Partners', or Proprietor's Equity	>> 13,194	> 8,112
>		>>	>
26 >	Total Liabilities and Equity	>> \$318,849	> \$247,606

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 12 MONTHS ENDED DECEMBER 31, 1987 and 1986
(UNAUDITED)
(\$ IN THOUSANDS)

LINE >	DESCRIPTION	>> (c) 1987	> (d) 1986
(a) >	(b)	>>	>
>		>>	>
>	Revenue: (Note 1)	>>	>
1 >	Casino	>> <u>\$239,778</u>	> <u>\$236,415</u>
2 >	Rooms	>> <u>19,393</u>	> <u>18,882</u>
3 >	Food and beverage	>> <u>37,374</u>	> <u>33,703</u>
4 >	Other	>> <u>7,991</u>	> <u>7,881</u>
5 >	Total revenue	>> <u>304,536</u>	> <u>296,881</u>
6 >	Less: promotional allowances ....(Note 8).....	>> <u>32,155</u>	> <u>30,220</u>
7 >	Net revenue	>> <u>272,381</u>	> <u>266,661</u>
>		>>	>
>	Costs And Expenses:	>>	>
8 >	Cost of goods and services	>> <u>158,312</u>	> <u>147,183</u>
9 >	Selling, general, and administrative	>> <u>47,427</u>	> <u>43,884</u>
10 >	Provision for doubtful accounts	>> <u>1,023</u>	> <u>1,743</u>
11 >	Total	>> <u>206,762</u>	> <u>192,810</u>
12 >	Income (Loss) Before Depreciation And	>>	>
>	Amortization, Charges From Affiliates, And Interest	>> <u>65,619</u>	> <u>73,851</u>
13 >	Depreciation and amortization	>> <u>11,111</u>	> <u>13,697</u>
>	Charges from affiliates:	>>	>
14 >	Interest	>> <u>33,357</u>	> <u>33,341</u>
15 >	Management fees	>> <u>3,300</u>	> <u>2,915</u>
16 >	Other	>> <u>17,036</u>	> <u>25,240</u>
17 >	Interest expense - external	>> <u>1,017</u>	> <u>226</u>
18 >	Income (Loss) From Operations	>> <u>(202)</u>	> <u>(1,568)</u>
19 >	Nonoperating income (expense) - net	>> <u>10,796</u>	> <u>7,989</u>
20 >	Investment alternative tax and related income (expense)..	>> <u>(1,354)</u>	> <u>(819)</u>
21 >	Income (Loss) Before Income Taxes And Extraordinary Items .	>> <u>9,240</u>	> <u>5,602</u>
22 >	Provision (Credit) for income taxes	>> <u>4,158</u>	> <u>2,801</u>
23 >	Income (Loss) Before Extraordinary Items	>> <u>4,158</u>	> <u>2,801</u>
24 >	Extraordinary Items (net of income taxes -	>>	>
>	19__, \$; 19__, \$)	>>	>
25 >	Net Income (Loss)	>> <u>\$ 5,082</u>	> <u>\$ 2,801</u>

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, 1987 and 1986

(UNAUDITED)

(\$ IN THOUSANDS)

LINE >	DESCRIPTION	>> (c) 1987	> (d) 1986
(a) >	(b)	>>	>
>		>>	>
>	Revenue: (Note 1)	>>	>
1 >	Casino	>> \$54,781	> \$54,848
2 >	Rooms	>> 4,500	> 4,455
3 >	Food and beverage	>> 8,392	> 8,145
4 >	Other	>> 1,671	> 1,450
5 >	Total revenue	>> 69,344	> 68,898
6 >	Less: promotional allowances ....(Note 8).....	>> 7,431	> 6,986
7 >	Net revenue	>> 61,913	> 61,912
>		>>	>
>	Costs And Expenses:	>>	>
8 >	Cost of goods and services	>> 39,567	> 34,603
9 >	Selling, general, and administrative	>> 11,055	> 10,693
10 >	Provision for doubtful accounts	>> 409	> 42
11 >	Total	>> 51,031	> 45,338
12 >	Income (Loss) Before Depreciation And	>>	>
>	Amortization, Charges From Affiliates, And Interest	>> 10,882	> 16,574
13 >	Depreciation and amortization	>> 2,520	> 3,400
>	Charges from affiliates: (Note 11)	>>	>
14 >	Interest	>> 8,341	> 8,336
15 >	Management fees	>> 1,050	> 815
16 >	Other	>> 4,920	> 6,112
17 >	Interest expense - external	>> 452	> 45
18 >	Income (Loss) From Operations	>> (6,401)	> (2,134)
19 >	Nonoperating income (expense) - net ....(Note 12).....	>> 3,387	> 2,081
20 >	Investment alternative tax and related expense .(Note 13)	>> (701)	> (191)
21 >	Income (Loss) Before Income Taxes And Extraordinary Items .	>> (3,715)	> (244)
22 >	Provision (Credit) for Income Taxes	>> (1,672)	> (122)
23 >	Income (Loss) Before Extraordinary Items	>> (2,043)	> (122)
24 >	Extraordinary Items (net of income taxes -	>>	>
>	19__, \$; 19__, \$)	>>	>
25 >	Net Income (Loss)	>> (\$ 2,043)	> (\$ 122)

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, 1987 and 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE >	DESCRIPTION	1987		1986	
(a) >	(b)	(c) SHARES >	(d) DOLLARS >	(e) SHARES >	(f) DOLLARS
>	>	>	>	>	>
>	Common Stock: (\$1 par value, 2,500	>	>	>	>
>	shares authorized)	>	>	>	>
1 >	Beginning balance (January 1)	100	\$	100	\$
2 >	Sale of stock	>	>	>	>
3 >	>	>	>	>	>
4 >	Ending balance	100	>	100	>
>	Preferred Stock:	>	>	>	>
5 >	Beginning balance (January 1)	>	>	>	>
6 >	Sale of stock	>	>	>	>
7 >	>	>	>	>	>
8 >	Ending balance	>	>	>	>
>	Additional Paid-In Capital:	>>+++++	>>+++++	>>+++++	>>+++++
9 >	Beginning balance (January 1)	>>+++++	2,490	>>+++++	2,490
10 >	>	>>+++++	>>+++++	>>+++++	>>+++++
11 >	>	>>+++++	>>+++++	>>+++++	>>+++++
12 >	Ending balance	>>+++++	2,490	>>+++++	2,490
>	Treasury Stock:	>>	>	>>	>
13 >	Beginning balance (January 1)	>>	()	>>	()
14 >	Purchase of additional stock ...	>>	()	>>	()
15 >	Sale or retirement of stock	>>	>	>>	>
16 >	Ending balance	>>	()	>>	()
>	Subscriptions Receivable For	>>	>	>>	>
>	Capital Stock:	>>	>	>>	>
17 >	Beginning balance (January 1)	>>	()	>>	()
18 >	>	>>	>	>>	>
19 >	>	>>	>	>>	>
20 >	Ending balance	>>	()	>>	()
>	Net Unrealized Loss on Noncurrent	>>+++++	>>+++++	>>+++++	>>+++++
>	Marketable Equity Securities:	>>+++++	>>+++++	>>+++++	>>+++++
21 >	Beginning balance (January 1)	>>+++++	()	>>+++++	()
22 >	>	>>+++++	>>+++++	>>+++++	>>+++++
23 >	>	>>+++++	>>+++++	>>+++++	>>+++++
24 >	Ending balance	>>+++++	()	>>+++++	()
>	Retained Earnings:	>>+++++	>>+++++	>>+++++	>>+++++
25 >	Beginning balance (January 1)	>>+++++	5,622	>>+++++	2,821
26 >	Prior period adjustments	>>+++++	>>+++++	>>+++++	>>+++++
27 >	Net income (loss)	>>+++++	5,082	>>+++++	2,801
28 >	Dividends	>>+++++	()	>>+++++	()
29 >	>	>>+++++	>>+++++	>>+++++	>>+++++
30 >	>	>>+++++	>>+++++	>>+++++	>>+++++
31 >	Ending balance	>>+++++	>>+++++	>>+++++	>>+++++
>	Ending Stockholders'	>>+++++	>>+++++	>>+++++	>>+++++
32 >	Equity	>>+++++	\$13,194	>>+++++	\$8,112

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

STATEMENTS OF CASH FLOWS

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
 (a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF CHANGES IN PARTNERS'
 OR PROPRIETOR'S EQUITY

FOR THE ___ MONTHS ENDED _____, 19__ and 19__

(UNAUDITED)

(\$ IN THOUSANDS)

NOT APPLICABLE

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

NOT APPLICABLE

4/86

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

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 5,082	\$ 2,801
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	10,777	12,637
31	Amortization of other assets.....	761	1,060
32	Amortization of debt discount or premium.....	107	91
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....		
35	(Gain) loss on disposition of property and equipment.....	(61)	(31)
36	(Gain) loss on casino reinvestment obligations.....		
37	(Gain) loss from other investment activities.....	(71)	512
38	Net (increase) decrease in receivables and patrons' checks.....	(13,264)	17,774
39	Net (increase) decrease in inventories.....	444	453
40	Net (increase) decrease in other current assets.....	183	265
41	Net (increase) decrease in other assets.....	(251)	(56)
42	Net increase (decrease) in accounts payables.....	(5,786)	3,330
43	Net increase (decrease) in other current liabilities excluding debt.....	(2,651)	(1,399)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(73)	(73)
45	.....	
46	.....	
47	Net Cash Provided (Used) By Operating Activities.....	\$ 4,803)	\$ 37,364

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	(\$ 3,895)	(\$ 4,547)
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	(\$ 3,895)	(\$ 4,547)
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$	\$

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
1	Net Cash Provided (Used) By Operating Activities.....	(\$ 4,803)	\$ 37,364
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....	(367,619)	(767,014)
3	Proceeds from the sale of short-term investment securities.....	369,922	794,794
4	Cash outflows for property and equipment.....	(3,895)	(4,547)
5	Proceeds from disposition of property and equipment.....	682	486
6	Purchase of casino reinvestment obligations.....	(4,038)	(5,470)
7	Purchase of other investments and loans/advances made.....	(68,813)	(57,404)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....		
10	.....	
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	(73,761)	(39,155)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	75,000	
14	Payments to settle short-term debt		
15	Cash proceeds from issuance of long-term debt.....		
16	Costs of issuing debt.....	(436)	(431)
17	Payments to settle long-term debt.....		
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21	.....	
22	.....	
23	Net Cash Provided (Used) By Financing Activities.....	74,564	(431)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(4,000)	(2,222)
25	Cash And Cash Equivalents At Beginning Of Year	9,877	12,099
26	Cash And Cash Equivalents At End Of Year.....	\$ 5,877	\$ 9,877

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).....	\$ 34,374	\$ 33,567
28	Income taxes.....	\$ 4,158	\$ 2,801

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.)

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

December 31, 1987

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE>	DESCRIPTION	>> ACCOUNT	>	>ACCOUNTS RECEIVABLE-
(a)>	(b)	>>(c) BALANCE>	(d) ALLOWANCE>	(e) NET OF ALLOWANCE
>	>	>>	>	>
>	> Patrons' Checks:	>>	>	>
1 >	Undeposited patrons' checks	>> \$ 7,696 >	>	>
>	>	>>	>	>
2 >	Returned patrons' checks	>> 3,561 >	>	>
>	>	>>	>	>
3 >	Total patrons' checks	>> 11,257 >	\$4,155 >	\$ 7,102
>	>	>>	>	>
4 >	Hotel Receivables	>> 771 >	74 >	697
>	>	>>	>	>
>	> Other Receivables:	>>	>	>
5 >	Receivables due from officers and employees	>> 2 >	>	>
>	>	>>	>	>
6 >	Receivables due from affiliates	>> 12,508 >	>	>
>	>	>>	>	>
7 >	Other accounts and notes receivables ..	>> 900 >	>	>
>	>	>>	>	>
8 >	Total other receivables	>> 13,410 >	>	13,410
>	>	>>	>	>
9 >	Totals (Form 205)	>> \$25,438 >	\$4,229 >	\$21,209

UNDEPOSITED PATRONS' CHECKS ACTIVITY			
LINE>	DESCRIPTION	>>	AMOUNT
(f)>	(g)	>>	(h)
>	>	>>	>
10 >	Beginning Balance (January 1)	>>	\$ 6,256
11 >	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	>>	198,980
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) ...	>>	(149,762)
13 >	Checks collected through deposits	>>	(43,799)
14 >	Checks transferred to returned checks	>>	(3,979)
15 >	Other adjustments	>>	
16 >	Ending balance	>>	\$ 7,696
>	>	>>	>
17 >	"Hold" Checks Included In Balance On Line 16	>>	\$
>	>	>>	>
18 >	Provision For Uncollectible Patrons' Checks	>>	\$ 890
19 >	Provision As A Percent of Counter Checks Issued	>>	.4 %

TRADING NAME OF LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 46,934	\$ 318,849	14.7	81
2	Craps	45,565	302,631	15.1	22
3	Roulette	9,970	38,002	26.2	11
4	Big Six	2,451	5,359	45.7	4
5	Baccarat	6,504	53,875	12.1	3
6	Other table games				
7	Total table games revenue	111,424	\$ 718,716	15.5	121
			HANDLE		
8	\$.05 slot machines	3,067	21,565	14.2	84
9	\$.25 slot machines	56,935	405,533	14.1	927
10	\$1.00 slot machines	24,887	181,796	13.7	210
11	Other slot machines	42,771	408,526	10.5	443
12	Total coin-operated devices revenue	127,710	\$1,017,425	12.6	1,664
13	Progressive jackpot adjustment	644			
14	Total coin-operated devices revenue after adjustment	128,354			
15	Other income				
16	Total revenue	239,778			
	Expenses:				
17	Payroll and payroll related expenses	41,267			
18	Licenses and taxes	20,121			
19	Provision for uncollectible patrons' checks	890			
20	Other	20,071			
21	Total	82,349			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	157,429			
	Complimentary services and casino management fees:				
23	Complimentary services	63,531			
24	Casino management fees				
25	Total	63,531			
26	Departmental Income (Loss)	\$ 93,898			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY

:

:ss.

COUNTY OF ATLANTIC

:

PETER R. BURNS, 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.

Peter Burns
Signature

VICE PRESIDENT - FINANCE
Title

00156-11
License Number

Subscribed and sworn to
before me this 17th day
of March, 1988.

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, 1992
Basis of Authority to Take Oaths

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, 1987

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

General:

Resorts International Hotel, Inc. (the Company), a wholly owned subsidiary of Resorts International, Inc. (the Parent), owns and operates a casino/hotel complex located in Atlantic City, New Jersey.

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries except for one wholly owned subsidiary which is accounted for on the equity basis of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue recognition:

The Company records as revenue the win from gaming activities which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services and from theatre ticket sales are recognized at the time the related service is performed.

Promotional allowances:

Gross revenues include the retail value of complimentary rooms, food, beverage and other hotel services furnished to casino patrons. The retail value of these complimentary services is deducted as a promotional allowance to arrive at net revenues. The cost of complimentary services is charged to cost of goods and services and selling, general and administrative.

Inventories:

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

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows: land improvements, 20 years; buildings and improvements, 20 years; furniture and equipment, 2-7 years.

NOTE 3 - PROPERTY AND EQUIPMENT

(In Thousands of Dollars)

Casino Reinvestment Development Authority ("CRDA") Discounts

The Company charges to expense an estimated discount related to CRDA investment obligations as of the date the obligation arises based on interest rates of similar quality bonds in existence as of that date. On the date the Company actually purchases the CRDA bond, the estimated discount previously recorded is adjusted to reflect the actual terms of the bonds issued and the then existing interest rate for similar quality bonds.

The discount on bonds purchased is amortized to interest income over the life of the bonds using the effective interest rate method.

Income Taxes:

The Company's taxable income is included in the consolidated federal income tax return filed by the Parent. Effective January 1987, the Company's agreement with its Parent was amended to reflect changes in federal tax laws brought about by the Tax Reform Act of 1986 (the "1986 Act"). Based on the tax rates included in the 1986 Act, the Company has agreed with its Parent that for 1987 it will provide for federal and state incomes taxes using a combined rate of 45%. For years subsequent to 1987, taxes are to be provided at 40%, unless further changes in tax laws require another rate adjustment. Isolated transactions that materially affect the Company's effective tax rates will continue to be separately tax effected.

In 1986, the Company provided for federal and state income taxes using a combined tax rate of 50%

Reclassification:

Certain amounts for 1986 have been reclassified to conform to the 1987 presentation.

NOTE 2 - INVESTMENTS, ADVANCES AND RECEIVABLES:

(In Thousands of Dollars)

	<u>DECEMBER 31,</u>	
	<u>1987</u>	<u>1986</u>
Note receivable - RINJ	\$184,231	\$110,589
Deposits-CRDA	15,021	14,371
Valuation allowance on CDRA deposits	(8,621)	(4,087)
CRDA Bonds	3,387	
Other	<u>668</u>	<u>891</u>
	<u>\$194,686</u>	<u>\$121,764</u>

NOTE 3 - PROPERTY AND EQUIPMENT:

(In Thousands of Dollars)

	DECEMBER 31,	
	1987	1986
Land	\$ 7,172	\$ 7,172
Land and improvements	2,446	2,537
Building and improvements	106,119	106,296
Furniture, machinery and equipment	60,447	58,975
Construction in progress	<u> </u>	<u>1,544</u>
Accrued payroll	176,184	176,524
<u>Less</u> - Accumulated depreciation	<u>91,249</u>	<u>84,086</u>
	<u>\$ 84,935</u>	<u>\$ 92,438</u>

NOTE 4 - OTHER ASSETS:

(In Thousands of Dollars)

	DECEMBER 31,	
	1987	1986
Debt issuance costs	\$ 4,242	\$ 4,555
Other	<u>498</u>	<u>695</u>
	<u>\$ 4,740</u>	<u>\$ 5,250</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 for the twelve months ended December 31, 1987 and 1986.

NOTE 5 - SHORT-TERM BORROWINGS:

Short-term borrowings outstanding at December 31, 1987 represent the maximum amount of borrowings available under a loan agreement with a bank entered into by the Company and guaranteed by the Parent. This balance was secured by a first mortgage on the Company. The interest rate charged on the outstanding balance was 1% over the base rate of the lender, which was 9 3/4% at December 31, 1987. This agreement required that two previously outstanding lines of credit totalling \$50,000,000 be paid in full from the proceeds of this loan. Such lines of credit are no longer available to the Company.

In February 1988 the Company and Parent as guarantor entered into a revolving credit and term loan agreement with the same bank (the "New Agreement"). Under the New Agreement the Company borrowed \$125,000,000 and used \$75,000,000 of the proceeds to repay the borrowing described in the paragraph above. Also under the new Agreement the Company paid a \$1,250,000 loan origination fee and will make monthly interest payments on the outstanding balance at 1% over the base rate of the lender. The loan is scheduled to remain a revolving credit arrangement until February 28, 1990, with no principal payments required unless an event of default

occurs. On February 28, 1990, the loan is scheduled to convert to a term loan repayable in 28 quarterly installments. Under the New Agreement, if the Company is unable, by October 30, 1988, to obtain financing sufficient to complete construction of the Taj Mahal, it will be considered an event of default and the entire principal balance of the loan will be due on that date.

NOTE 6 - OTHER ACCRUED EXPENSES:

(In Thousands of Dollars)

	DECEMBER 31,	
	1987	1986
Accrued payroll	\$ 3,990	\$ 4,502
Progressive slot liability	5,499	6,143
Interest payable to affiliate	11,083	11,083
Other	4,068	5,971
	<u>\$24,640</u>	<u>\$27,699</u>

NOTE 7 - LONG-TERM DEBT:

(In Thousands of Dollars)

	DECEMBER 31,	
	1987	1986
Due to affiliate:		
16-5/8% subordinated note payable net of \$3,977,000 and \$4,084.00 unamortized discount	<u>\$196,023</u>	<u>\$195,916</u>
Other:		
9-1/2% mortgage note	\$ 546	\$ 910
Other mortgages and notes	<u>789</u>	<u>861</u>
	1,335	1,771
Less - Current portion	<u>443</u>	<u>436</u>
	<u>\$ 892</u>	<u>\$ 1,335</u>

The Company entered into a 16-5/8% subordinated note payable to an affiliate in August 1984. Interest is payable semi-annually on March 1, and September 1. Principal payments commence in the year 1994 with annual payments of \$15,000,000 through 2003 and final payment of \$50,000,000 in 2004. After giving effect to the discount recorded on the note, the effective interest rate is 17%.

The 9-1/2% mortgage note is secured by underlying operating property which had a net book value of approximately \$5,833,000 at the end of December 31, 1986. The mortgage agreement provides for equal quarterly payments of principal plus accrued interest through April 1989.

The other mortgage and notes are payable in various installments through 1997 and bear interest rates of 9%.

Minimum principal payments of long-term debt outstanding as of December 31, 1986: 1987 - \$436,000; 1988 - \$443,000; 1989 - \$268,000; 1990 - \$94,000; 1991 - \$99,000.

NOTE 8 - PROMOTIONAL ALLOWANCES AND PROMOTIONAL EXPENSES:

(In Thousands of Dollars)

Quarter Ended 12/31/87

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>
Rooms	50	\$ 2,525		
Food	247	2,331		
Beverage	636	1,282		
Travel			17	\$1,499
Coupon redemption:				
Cash			538	5,204
Food	248	881		
Admissions	14	412		
Parking			97	777
Other				466
Totals	<u>1,195</u>	<u>\$ 7,431</u>	<u>652</u>	<u>\$ 7,946</u>

(In Thousands of Dollars)

12 Months Ended 12/31/87

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>AMOUNT</u>
Rooms	203	\$ 9,807		
Food	1,080	9,983		
Beverage	2,126	5,602		
Travel			71	\$ 6,360
Coupon redemption:				
Cash			2,186	21,686
Food	1,381	4,892		
Admissions	65	1,871		
Parking			409	3,271
Other				1,341
Totals	<u>4,855</u>	<u>\$32,155</u>	<u>2,666</u>	<u>\$32,658</u>

NOTE 9 - DEFERRED CREDITS:

Deferred credits 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 - SAVINGS AND PENSION PLANS:

The Company has a defined contribution plan (Plan), in which substantially all non-union employees are eligible to participate. Employees of certain other affiliated companies are also eligible to participate in the Plan. Under the Plan, eligible participating employees may contribute up to a total of 4% of their annual cash compensation as a basic contribution and may also elect to contribute up to an additional 10% as a voluntary contribution. The Company and other subsidiaries of Resorts International, Inc. contribute an amount equal to 50% of their employees' basic contributions. The Company's contributions under the Plan were approximately \$614,000 and \$627,000 for the twelve months ended December 31, 1987 and 1986, 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 \$695,000 and \$640,000 for the twelve months ended December 31, 1987 and 1986, respectively.

NOTE 11 - CHARGES FROM AFFILIATES:

The Company has recorded expenses from affiliates and the Parent as follows:

(In Thousands of Dollars)

AFFILIATED COMPANY	TRANSACTION	TWELVE MONTHS ENDED	
		December 31, 1987	December 31, 1986
Resorts International Financing, Inc.	Interest charges	\$33,357	\$33,341
Resorts International, Inc.	Management fee	\$ 3,300	\$ 2,915
Resorts International, Inc.	Insurance	\$ 4,423	\$ 4,681
	Real Estate Taxes		4,814
	Relicensing Cost		1,878
	Other	586	928
		<u>5,009</u>	<u>12,301</u>

Interest income	\$ 1,354	\$ 1,354
Interest income from affiliate	9,571	8,539
Corporate office expense	(574)	(817)
Aborted sale & refinancing costs		(189)
Warrantors loss reserve	531	(1,450)
Other	403	752
	<u>310,745</u>	<u>\$ 7,989</u>

NOTE 11 - CONTINUED:

AFFILIATED COMPANY	TRANSACTION	TWELVE MONTHS ENDED	
		December 31,	
		1987	1986
Resorts International, Inc. of New Jersey	Property Rental	960	1,255
	Other	63	285
		<u>1,023</u>	<u>1,540</u>
International Intelligence, Inc.	Security fees	1,155	1,116
ANTL, Inc.	Aircraft rentals	5,749	8,014
RIA	Heli flights	496	444
Resorts of New York, Inc.	Sales office expenses	1,040	1,272
STP	Parking fees	1,788	
Others	Property rentals	457	457
	Other	319	96
		<u>\$17,036</u>	<u>\$25,240</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). On December 28, 1987, the Company also entered into a commercial grid note with RINJ to lend up to \$60,000,000. Funds from these advances may be used for various purposes including the construction of a casino/hotel complex in Atlantic City, New Jersey. RINJ shall pay interest monthly on the net outstanding principal amount of these advances. Interest shall be calculated on the \$125,000,000 note 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. Interest on the \$60,000,000 note shall be calculated on the outstanding principal balance on the basis of the actual days elapsed over a 360 day year at the Base Rate of First Fidelity Bank, National Association, New Jersey (First Fidelity). The rate of interest shall change accordingly as of the date of any change in First Fidelity's Base Rate. The notes receivable balance was \$184,231,000 and \$110,589,000 at December 31, 1987 and 1986, respectively, and the related interest earned was \$9,571,000 and \$8,539,000 in 1987 and 1986, respectively.

NOTE 12 - NONOPERATING INCOME(EXPENSE), NET:

(In Thousands of Dollars)

	TWELVE MONTHS ENDED	
	December 31,	
	1987	1986
Interest income	\$ 859	\$ 1,154
Interest income from affiliate	9,571	8,539
Corporate office expense	(574)	(817)
Aborted sale & refinancing costs		(189)
Wrangelboro loss reserve	531	(1,450)
Other	409	752
	<u>\$10,796</u>	<u>\$ 7,989</u>

NOTE 13 - CONTINGENCY:

In October 1983, an affiliate of the company commenced construction of the Taj Mahal, a 1,260-room casino/hotel project in Atlantic City.

The Parent, after, among other things, consultation with an independent accounting firm, has determined that it will be in its best financial interest to consolidate the hotel and related operations of the Company with the Taj Mahal so that the facilities can be integrated and operated with a single casino. The Parent intends to close the casino which the Company operates before opening the Taj Mahal, and convert this casino space to convention and exhibition space.

The New Jersey Casino Control Act requires casino licensees to make investments equal to a percentage of the licensee's annual net casino win or pay an alternative tax. Under the Casino Control Act the investment obligation for the Company for the years 1979 through 1987 totals approximately \$33,700,000. Of that amount, management estimates that between \$7,000,000 and \$14,000,000 will be satisfied through housing related investments already made by the Company.

Management expects that the Company may have to fulfill its remaining investment obligation by purchasing long-term bonds which will bear below-market interest rates. These bonds are to be issued by the CRDA, a public authority created under the Casino Control Act. As of December 31, 1987, RIH had purchased \$3,387,000 face value of bonds issued by the CRDA and had deposited \$15,022,000 with the CRDA against its remaining investment obligation. Management expects that these deposits may ultimately be used to purchase CRDA bonds. These bonds and deposits, net of an estimated discount charged to expense to reflect the below-market interest rate payable on the bonds, were recorded as other assets in the Company's Consolidated Balance Sheets. The Company's remaining investment obligation, after deduction of the housing related investments and CRDA bonds and deposits, is not expected to exceed \$9,000,000. Amounts due will be payable in 1988.

In years prior to 1987, the Company recorded charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation. In 1987, once the CRDA had issued a significant amount of bonds, it became apparent that the terms and credit rating of the CRDA bonds were different than had been anticipated by the Company in determining its estimated discount. Thus, in 1987 an additional charge was recorded to allow for further discounts on all the deposits and bond purchases made to date. The total charge to expense for CRDA investment discounts amounted to \$5,048,000 in 1987 which comprises \$1,354,000 related to obligations of 1987 and \$3,694,000 related to prior years' obligations. Charges for discounts in 1986 amounted to \$819,000 and related to investment obligations for that year.

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

ADDRESS NORTH CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1957

CASINO CONTROL COMMISSION

STATE OF NEW JERSEY



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

JOHN R. BURN

OFFICIAL TITLE

VICE PRESIDENT - FINANCE

ADDRESS

N. CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

STATEMENT OF CONFORMITY AND ACCURACY

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

PETER R. BURNS, being duly sworn according to law upon my oath
Name

deposes and says:

1. I have examined this Gross Annual Report.
2. All the information contained in this Report has been prepared in conformity with 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.

Peter R. Burns
Signature

VICE PRESIDENT - FINANCE
Title

00156-11
License Number

Subscribed and sworn to
before me this 17th day
of March, 1988.

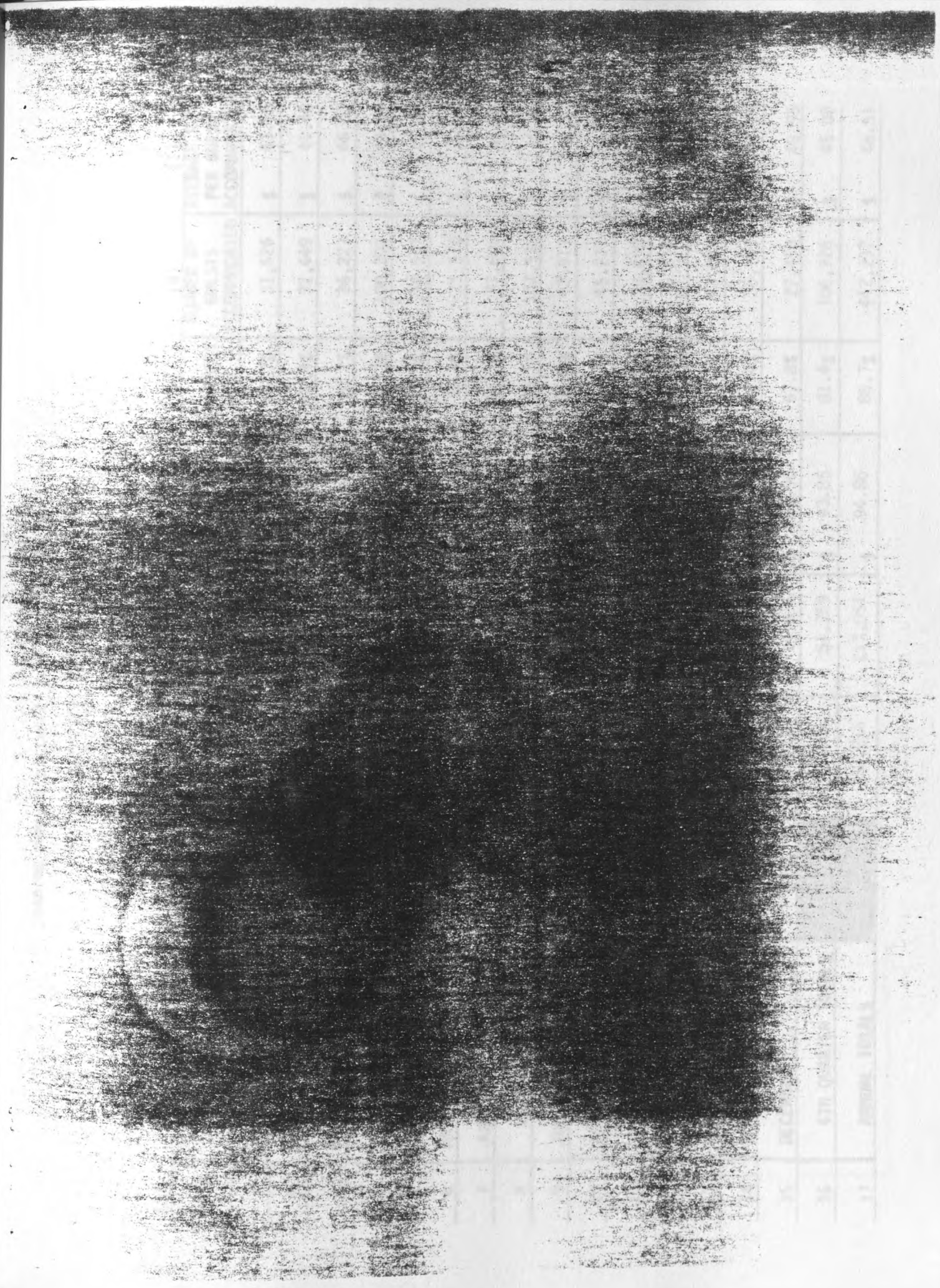
On Behalf Of:

Judith A. Headley
Signature

RESORTS INTERNATIONAL HOTEL, INC.
Casino Licensee

JUDITH A. HEADLEY
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Dec. 27, 1992
Basis of Authority to Take Oaths





HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1987

(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	688	21,328	16,148	\$ 85.22	75.7%	31,526	\$ 43.65
2	FEBRUARY	688	19,189	16,771	\$ 80.10	87.4%	32,449	\$ 41.40
3	MARCH	688	21,242	19,160	\$ 87.02	90.2%	36,227	\$ 46.03
4	1ST QUARTER TOTALS		61,759	52,079	\$ 84.23	84.3%	100,202	\$ 43.78
5	APRIL	688	20,561	17,557	\$ 89.14	85.4%	34,557	\$ 45.29
6	MAY	688	21,161	17,753	\$ 94.72	83.9%	35,570	\$ 47.27
7	JUNE	688	20,551	18,543	\$ 94.99	90.2%	37,808	\$ 46.59
8	2ND QUARTER TOTALS		62,273	53,853	\$ 93.00	86.5%	107,935	\$ 46.40
9	JULY	688	21,293	20,151	\$ 109.39	94.6%	42,913	\$ 51.37
10	AUGUST	689	21,341	20,631	\$ 112.33	96.7%	45,271	\$ 51.19
11	SEPTEMBER	689	20,599	19,068	\$ 97.61	92.6%	39,690	\$ 46.90
12	3RD QUARTER TOTALS		63,233	59,850	\$ 106.65	94.6%	127,874	\$ 49.92
13	OCTOBER	689	21,228	19,553	\$ 95.54	92.1%	43,075	\$ 43.37
14	NOVEMBER	689	20,609	17,401	\$ 91.92	84.4%	36,193	\$ 44.19
15	DECEMBER	689	21,114	14,315	\$ 93.90	67.8%	27,458	\$ 48.95
16	4TH QUARTER TOTALS		62,951	51,269	\$ 93.85	81.4%	106,726	\$ 45.08
17	ANNUAL TOTALS		250,216	217,051	\$ 94.86	86.7%	442,737	\$ 46.51

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

ADDRESS NORTH CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 19 87

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

PETER R. BURNS

OFFICIAL TITLE.....

VICE PRESIDENT - FINANCE

ADDRESS.....

N. CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
CASINO					
1	Administration	22			
2	Gaming	898			
3	Slots	298			
4	Casino accounting	9			
5	Other	289	\$	\$	\$
6	Total-casino	1,516	32,612	664	33,276
7	ROOMS	232	3,588	59	3,647
8	FOOD AND BEVERAGE	972	13,887	124	14,011
OTHER OPERATED DEPARTMENTS					
9	Telephone	16	282		282
10	Service Station	4	39		39
11	Game Room	5	67		67
12	Health Club	16	296		296
13	Cloak Room	10	114		114
14	Other	12	203		203
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	7	117	595	712
21	Accounting and auditing	137	2,826	93	2,919
22	Security	207	4,611		4,611
23	Other administrative and general department ..	264	6,047	502	6,549
24	MARKETING	19	197		197
25	GUEST ENTERTAINMENT	95	1,745	77	1,822
26	PROPERTY OPERATION AND MAINTENANCE	123	3,886	71	3,957
27	TOTALS - ALL DEPARTMENTS	3,635	\$ 70,517	\$ 2,185	\$ 72,702

1/85

CCC-376

Trading Name of Licensee Resorts International Hotel, Inc.

ANNUAL REPORT

ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

For the Year Ended December 31, 1987

LICENSEE TRIP'S CASTLE ASSOCIATES

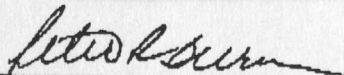
ADDRESS 185 W. STATE ST.

TRENTON, N.J.

PROPERTY OF
NEW JERSEY STATE LIBRARY
SEP 11 1988
185 W. STATE ST.
TRENTON, N.J.

March 15, 1988

Date



Signature

FOR THE YEAR ENDED DECEMBER 31, 1987

Vice President - Finance

Title

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF COMPLIANCE PROGRAM
THIS ANNUAL REPORT

OFFICIAL TITLE

DATE

ROBERT S. SLUP

IS VICE PRESIDENT FINANCE & TREASURER

TRIP'S CASTLE ASSOCIATES

185 W. STATE ST. TRENTON, NJ 08601

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ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1987

PROPERTY OF
NEW JERSEY STATE LIBRARY

SEP 14 1988

LICENSEE TRUMP'S CASTLE ASSOCIATES

ADDRESS HURON AVENUE & BRIGANTINE BLVD

ATLANTIC CITY, NEW JERSEY 08401

185 W. STATE ST.
TRENTON, N.J.

FOR THE YEAR ENDED DECEMBER 31, 1987

**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

SR VICE PRESIDENT FINANCE & TREASURER

ADDRESS

HURON AVENUE & BRIGANTINE BLVD

ATLANTIC CITY, NEW JERSEY 08401

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1987

LINE NO.	DESCRIPTION	1987	1986
ASSETS			
	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 Cash Flows	CCC-335	
LIABILITIES AND EQUITY			
	Notes to Financial Statements		
	Schedule of Receivables and Patrons' Checks	CCC-340	
	Casino Departmental Schedule	CCC-345	
	Statement of Conformity and Accuracy	CCC-350	

The accompanying notes are an integral part of the financial statements. Your attention is directed to these notes without using information contained in the notes.

BALANCE SHEETS

DECEMBER 31, 19 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	31,138	33,991
2	Marketable securities	- 0 -	- 0 -
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>87</u> , \$ 1,830 ; 19 <u>86</u> , \$ 1,511)	11,517	7,246
4	Inventories	2,942	2,469
5	Prepaid expenses and other current assets (NOTE 4)	2,234	2,730
6	Total current assets	47,831	46,436
7	Investments, Advances, And Receivables .....(NOTE 10).....	2,987	1,213
8	Property And Equipment - Net .....(NOTE 2).....	298,371	308,198
9	Other Assets .....(NOTE 5).....	13,396	16,058
10	Total Assets	\$362,585	\$ 371,905
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	5,929	6,017
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	12,026	10,747
16	Other accrued expenses .....(NOTE 6)	9,079	7,138
17	Other current liabilities .....(NOTE 7)	27,034	23,902
18	Total current liabilities		
	Long-Term Debt:		
19	Due to affiliates .....(NOTE 3)	303,820	302,118
20	Other	- 0 -	- 0 -
21	Deferred Credits .....(NOTE 1)	789	506
22	Other Liabilities	24	241
23	Commitments And Contingencies .....(NOTE 10)		
24	Total Liabilities	331,668	326,767
25	Stockholders', Partners', Or Proprietor's Equity	30,918	45,138
26	Total Liabilities And Equity	\$ 362,585	\$ 371,905

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 TRIMP'S CASTLE HOTEL & CASINO

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Revenue:		
1	Casino	\$ 239,953	\$ 224,990
2	Rooms	18,467	16,528
3	Food and beverage	40,924	34,126
4	Other	7,557	5,982
5	Total revenue	306,901	281,626
6	Less: promotional allowances (NOTE 11)	38,092	29,868
7	Net revenue	268,809	251,758
	Costs And Expenses:		
8	Cost of goods and services	136,267	131,306 *
9	Selling, general, and administrative	65,938	52,944 *
10	Provision for doubtful accounts	1,432	1,641
11	Total	203,637	185,891
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	65,172	65,867
13	Depreciation and amortization	23,332	21,988
	Charges from affiliates:		
14	Interest (NOTE 3)	41,637	41,337
15	Management fees	- 0 -	- 0 -
16	Other	- 0 -	- 0 -
17	Interest expense - external	- 0 -	- 0 -
18	Income (Loss) From Operations	203	2,542
19	Nonoperating income (expense) - net (NOTE 8)	2,896	2,060
20	Investment alternative tax and related income (expense) - net..... (NOTE 10)	(1,202)	(416)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	1,897	4,186
22	Provision (Credit) for income taxes	190	419
23	Income (Loss) Before Extraordinary Items	1,707	3,767
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	- 0 -	- 0 -
25	Net Income (Loss)	\$ 1,707	\$ 3,767

* Restated to conform to 1987 presentation.

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, 1987 and 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986
	Revenue:		
1	Casino	\$ 59,108	\$ 56,060
2	Rooms	4,541	3,988
3	Food and beverage	8,550	8,578
4	Other	2,068	1,512
5	Total revenue	74,267	70,138
6	Less: promotional allowances (NOTE 11)	9,914	8,040
7	Net revenue	64,353	62,098
	Costs And Expenses:		
8	Cost of goods and services	30,926	26,371 *
9	Selling, general, and administrative	21,115	18,866 *
10	Provision for doubtful accounts	587	576
11	Total	52,628	45,813
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	11,725	16,285
13	Depreciation and amortization	5,923	5,422
	Charges from affiliates:		
14	Interest (NOTE 3)	10,434	10,336
15	Management fees	- 0 -	- 0 -
16	Other	- 0 -	- 0 -
17	Interest expense - external	- 0 -	- 0 -
18	Income (Loss) From Operations	(4,632)	527
19	Nonoperating income (expense) - net (NOTE 8)	767	647
20	Investment alternative tax and related income (expense) - net (NOTE 19)	(239)	(416)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(4,104)	758
22	Provision (Credit) for income taxes	391	77
23	Income (Loss) Before Extraordinary Items	(3,713)	681
24	Extraordinary items (net of income taxes - 1987, \$; 1986, \$)	- 0 -	- 0 -
25	Net Income (Loss)	\$ (3,713)	\$ 681

* Restated to conform to 1987 presentation.

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 87 and 19 86

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETORS' EQUITY
(UNAUDITED)
(\$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 <u>87</u>		19 <u>86</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:		\$		\$
1	Beginning balance (January 1)				
2	Sale of stock				
3	.....			
4	Ending balance				
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)				
10	.....			
11	.....			
12	Ending balance				
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock				
16	Ending balance		()		()
	Subscriptions Receivable For				
	Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent				
	Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)				
26	Prior period adjustments				
27	Net income (loss)				
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance				
32	Ending Stockholders' Equity		\$ N/A		\$ N/A

(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 PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 87 and 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986
	Invested Capital:		
1	Beginning balance (January 1)	\$ 66,196	\$ 66,196
2	Additional capital invested	- 0 -	- 0 -
3	.....	- 0 -	- 0 -
4	Ending balance	66,196	66,196
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	5,615	1,848
6	Prior period adjustments	- 0 -	- 0 -
7	Net income (loss)	1,707	3,767
8	.....		- 0 -
9	Ending balance	7,322	5,615
	Capital Withdrawals:		
10	Beginning balance (January 1)	(26,673)	(23,388)
11	Additional capital withdrawals	(17,395)	(4,427)
12	<u>REPAYMENT OF WITHDRAWALS</u>	1,468	1,142
13	Ending balance	(42,600)	(26,673)
	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	\$ 30,918	\$ 45,138

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 19 86

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 87	(d) 19 86
1	Net Cash Provided (Used) By Operating Activities.....	\$ 26,959	\$ 27,881
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....	- 0 -	
3	Proceeds from the sale of short-term investment securities.....	- 0 -	(15,108)
4	Cash outflows for property and equipment.....	(11,593)	1,190
5	Proceeds from disposition of property and equipment.....	684	(1,629)
6	Purchase of casino reinvestment obligations.....	(2,976)	
7	Purchase of other investments and loans/advances made.....		
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....		
10	.....	
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	(13,885)	(15,547)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt		
15	Cash proceeds from issuance of long-term debt.....		
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....		
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....	(15,927)	(3,285)
21	.....	
22	.....	
23	Net Cash Provided (Used) By Financing Activities.....	(15,927)	(3,285)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(2,853)	9,049
25	Cash And Cash Equivalents At Beginning Of Year	33,991	24,942
26	Cash And Cash Equivalents At End Of Year.....	\$ 31,138	\$ 33,991

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Year For:		
	Interest (net of amount capitalized).....	\$39,935	\$ 39,935
28	Income taxes.....	\$- 0 -	\$ 45

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1987 and 1986
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 1987	(d) 1986
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 1,707	\$ 3,767
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	20,670	19,685
31	Amortization of other assets.....	2,662	2,303
32	Amortization of debt discount or premium.....	1,702	1,402
33	Deferred income taxes - current.....	- 0 -	- 0 -
34	Deferred income taxes - noncurrent.....	190	419
35	(Gain) loss on disposition of property and equipment.....	66	1
36	(Gain) loss on casino reinvestment obligations.....	1,202	416
37	(Gain) loss from other investment activities.....	- 0 -	- 0 -
38	Net (increase) decrease in receivables and patrons' checks.....	(4,271)	(1,173)
39	Net (increase) decrease in inventories.....	(473)	(1,048)
40	Net (increase) decrease in other current assets.....	496	(623)
41	Net (increase) decrease in other assets.....	- 0 -	(112)
42	Net increase (decrease) in accounts payables.....	(88)	(2,411)
43	Net increase (decrease) in other current liabilities excluding debt.....	3,220	5,192
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(124)	63
45	.....	
46	.....	
47	Net Cash Provided (Used) By Operating Activities.....	\$ 26,959	\$ 27,881

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 11,593	\$ 15,108
49	Less: Capital lease obligations incurred.....	- 0 -	- 0 -
50	Cash Outflows For Property And Equipment.....	\$ 11,593	\$ 15,108
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$ - 0 -	\$ - 0 -
52	Goodwill acquired.....	- 0 -	- 0 -
53	Net assets acquired other than cash, goodwill, and property and equipment.....	- 0 -	- 0 -
54	Long-term debt assumed.....	- 0 -	- 0 -
55	Issuance of stock or capital invested.....	- 0 -	- 0 -
56	Cash Outflows To Acquire Business Entities.....	\$ - 0 -	\$ - 0 -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$ - 0 -	\$ - 0 -
58	Less: Issuances to settle long-term debt.....	- 0 -	- 0 -
59	Consideration in acquisition of business entities.....	- 0 -	- 0 -
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ - 0 -	\$ - 0 -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Operation:

Trump's Castle Associates Limited Partnership (the "Partnership") was organized on May 24, 1985, as a New Jersey limited partnership. Donald J. Trump and Trump's Castle Hotel & Casino, Inc., a New Jersey corporation which is owned by Mr. Trump, are the general partners and Mr. Trump is the sole limited partner (the "Partners").

Revenue Recognition:

The Partnership records as revenue the win from gaming activities which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services are recognized at the time the related service is performed.

Promotional Allowances:

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

Income Taxes:

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

In accordance with regulations prescribed by the New Jersey Casino Control Act, the Company and the Partnership file a State income tax return. The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at (10%).

Allowance for Doubtful Accounts:

The allowance for doubtful accounts is maintained at a level considered adequate to provide for possible future losses. The Partnership has provided \$1,830,000 through December 31, 1987.

Inventories:

Food and beverage inventories are carried on a weighted average basis and all other inventories are carried at the lower of cost or market on a first in, first out basis.

Property and Equipment:

Property and equipment is recorded at cost and is depreciated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for furniture, fixtures and equipment are from three to eight years and 40 years for buildings.

Preopening Expenses:

All costs incurred prior to the opening of Trump's Castle have been deferred. These preopening expenses will be charged to operations over a three-year period using the straight-line method.

Original Issuance Discount and Bond Issuance Costs:

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

Costs associated with the issuance of the bonds are capitalized and amortized over the life of the bonds using the effective interest method.

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 1987 consisted of:

	1987	1986
Land	\$ 27,980	\$ 27,970
Buildings	237,120	237,106
Furniture, Fixtures and Equipment	65,719	63,930
Construction in Progress	9,205	3,386
Building Improvements	<u>7,555</u>	<u>4,495</u>
Total	\$347,579	\$336,887
Less Accumulated Depreciation	<u>49,208</u>	<u>28,689</u>
	\$298,371	\$308,198
	=====	=====

NOTE 3 - LONG DEBT:

On June 27, 1985 Trump Castle Funding ("The Company") issued its Series A-1 and Series A-2 First Mortgage Bonds (the "Bonds") for proceeds of \$300,000,000. The proceeds of the bonds were loaned by the Company to the Partnership under terms which conform in all material respects with the terms of the Bonds, and were used by the Partnership to repay the interim bank financing.

The Series A-1 Bonds in an aggregate principal amount of \$226,800,000 bear interest at a rate of 13 3/4%, which is payable semiannually, with the principal due in full in 1997. These Bonds are redeemable at any time, subject to certain conditions, at the option of the Company, at the principal amount plus a premium of 13 3/4%, in the first year, which premium declines ratably each year to zero in the year of maturity. In addition, commencing in 1990, the Company will be required to annually make sinking fund payments in an amount sufficient to redeem 10% of the principal amount of the Series A-1 Bonds up to a maximum of 70% of the principal amount through 1996.

The series A-2 Bonds in an aggregate principal amount of \$125,000,000 bear interest at a rate of 7% and were issued at a discount (net proceeds of \$73,200,000) at an effective interest rate of 13 3/4%. Interest will be payable semiannually and the principal will be due in full in 1999. These Bonds will be redeemable at any time, subject to certain conditions, at the option of the Company, at 100% of the stated principal amount thereof.

The Bonds are secured solely by an assignment to the Trustee of the Partnership's notes to the Company in the aggregate amount necessary to service Bonds and by a first mortgage on Partnership, excluding cash which may be distributed as described below (regardless of whether such cash has been distributed) and are non recourse to such distributable cash. The Partnership has issued a nonrecourse, limited guaranty of the payment of the principal of premium, if any, and interest on the Bonds. The bonds are nonrecourse to the Partners of the Partnership and the shareholders of the Company and all other persons and entities (other than the Company and the Partnership). The Bonds cannot be subordinated to any other future borrowings by the Partnership or the Company.

The Bond indenture permits the quarterly distribution of available cash flow, as defined, to the Partners in excess of \$1,512,000. The Partnership must also maintain such cash flow in an aggregate amount of \$6,048,000 during each 12-month period ending June 30, 1986 through 1990. In addition, the bond indenture limits additional borrowings

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:	1987	1986
Slot Machine License	\$ 420	\$ 421
Insurance	851	1,085
License & Permits	0	34
Postage	5	5
Entertainment	84	40
Contracts	14	42
Other	<u>769</u>	<u>663</u>
Total Prepaid Expenses	<u>\$2,143</u>	<u>\$2,290</u>

Other current assets consist of:

Deferred Production Costs	\$-0-	\$ 103
Deferred Menus	-0-	-0-
Deferred Uniforms	22	58
Chips & Tokens	66	149
Deferred - Other	<u>3</u>	<u>130</u>
Total Other Current Assets	<u>91</u>	<u>440</u>
Total Prepaid Expenses and Other	<u>\$2,234</u>	<u>\$2,730</u>

NOTE 5 - OTHER ASSETS - (NET):

(In Thousands of Dollars)

Other assets consist of:

Preopening Expenses (NET)	\$ 1,017	\$ 3,220
Deferred Bond Costs (NET)	<u>12,379</u>	<u>12,838</u>
Total Other Assets	<u>\$13,396</u>	<u>\$16,058</u>

NOTE 6 - OTHER ACCRUED EXPENSES:

(In Thousands of Dollars)

Other accrued expenses consist of:	1987	1986
Accrued Payroll	\$ 2,303	\$ 1,917
Accrued Interest	1,775	1,774
Accrued Advertising	1,018	514
Accrued Progressive Jackpots	2,371	2,893
Accrued Payroll Taxes	998	496
Accrued Sick/Vacation	3,039	2,588
Other Taxes	<u>522</u>	<u>565</u>
Total Other Accrued Expenses	\$12,026	\$10,747
	=====	=====

NOTE 7 - OTHER CURRENT LIABILITIES:

(In Thousands of Dollars)

Other current liabilities consist of:	1987	1986
Outstanding Chip Liability	\$1,087	\$ 820
Outstanding Token Liability	151	72
Patron Deposits	215	202
Accrued Utilities	288	372
Accrued Group Health Insurance	897	618
Accrued Insurance	1,539	505
A/P Other	2,108	1,297
Accrued Legal	116	86
Accrued CCC/DGE	473	598
Accrued Union	146	129
Accrued Construction	417	986
Accrued Inventories	903	749
Accrued CRDA	<u>739</u>	<u>704</u>
Total Other Current Liabilities	\$9,079	\$7,138
	=====	=====

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.

NOTE 8 - NON-OPERATING INCOME (EXPENSE)-NET:

(In Thousands of Dollars)

Non-operating income for periods ended December 31, 1987 consists of:

	3 Months	12 Months
Discount Earned	\$ 21	\$ 74
Interest Income	859	2,888
Gain(Loss) on property Dispositions	(113)	(66)
Total Non-Operating Income	\$767	\$2,896
	===	=====

Non-operating income for periods ended December 31, 1986 consist of:

Discount Earned	\$ 23	\$ 75
Interest Income	623	1,986
Gain(Loss) on Property Dispositions	1	(1)
Total Non-Operating Income	\$647	\$2,060
	===	=====

NOTE 9 - RETIREMENT SAVINGS PLAN:

On September 1, 1986, the Trump's Castle adopted a voluntary retirement savings plan for its nonunion employees. Eligible participating employees may elect to contribute up to 10% of their pre-tax earnings. The company contributes 50% of the first 3% of the participants contribution. Thru December 31, 1987, Trump's Castle Contribution/Accrual amounted to \$415,000.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

The Partnership is subject to certain commitments with respect to its obligations to make certain road improvements near Trump's Castle. Although the Amount of such commitments cannot be estimated at this time, such commitments may be material to the Partnership.

NOTE 10 - COMMITMENTS AND CONTINGENCIES: (cont.)

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 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 Reinvestments Development Authority ("CRDA") or by making qualified investments which must be approved by the CRDA. Such payments of the partnership's obligation must be made quarterly.

The total obligation for all periods through December 31, 1988, is \$4,604,049, for which deposits have been made of \$3,864,590. Since the bonds are expected to bear interest at below market rates, the partnership has charged to operations \$1,202,000 for the year ended 1987.

	Promotional Allowances		Promotional Expenses	
	Number of Recipients	Amount	Number of Recipients	Amount
Advertising	46,280	\$2,880,000		
Commissions	427,340	4,617,000		
Contests	512,000	1,664,000		
Direct Mail	3,114	396,000	6,939	\$1,770,000
Free Coupons			521,697	7,659,000
Revolutions	26,043	290,000		
Other	3,341	87,000	7,276	691,000
Totals	1,018,108	\$9,914,000	545,912	\$9,920,000

NOTE 11 - PROMOTIONAL ALLOWANCE AND PROMOTIONAL EXPENSES:

Promotional Allowances and Expenses and number of recipients for the twelve months ended December 31, 1987 consisted of the following:

DESCRIPTION	Promotional Allowances		Promotional Expenses	
	Number of Recipients	Amount	Number of Recipients	Amount
Rooms	169,070	\$10,853,000		
Food	1,479,000	18,226,000		
Beverage	1,972,923	6,412,000		
Travel	10,493	1,130,000	28,137	\$ 6,676,000
Cash Coupons			1,981,804	23,116,000
Admissions	108,618	1,210,000		
Other	8,106	261,000	18,713	966,000
Totals	3,748,210	\$38,092,000	2,028,654	\$30,758,000

Promotional Allowances and Expenses and number of recipients for the three months ended December 31, 1987 consisted of the following:

DESCRIPTION	Promotional Allowances		Promotional Expenses	
	Number of Recipients	Amount	Number of Recipients	Amount
Rooms	46,280	\$2,880,000		
Food	427,340	4,617,000		
Beverage	512,000	1,664,000		
Travel	3,114	396,000	6,939	\$1,770,000
Cash Coupons			531,697	7,659,000
Admissions	26,033	290,000		
Other	3,341	67,000	7,276	491,000
Totals	1,018,108	\$9,914,000	545,912	\$9,920,000

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19⁸⁷

(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	7,666		
2	Returned patrons' checks	1,759		
3	Total patrons' checks	9,425	\$ 1,712	\$ 7,713
4	Hotel Receivables	1,263	118	1,145
	Other Receivables:			
5	Receivables due from officers and employees.....	117		
6	Receivables due from affiliates	- 0 -		
7	Other accounts and notes receivables	1,483		
8	Total other receivables	1,600	0	1,600
9	Totals (Form 305).....	\$ 12,288	\$ 1,830	\$ 10,458

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 5,891
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	220,683
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)	(132,884)
13	Checks collected through deposits	(83,462)
14	Checks transferred to returned checks	(2,562)
15	Other adjustments	
16	Ending Balance	\$ 7,666
17	"Hold" Checks Included In Balance On Line 16	\$ - 0 -
18	Provision For Uncollectible Patrons' Checks	\$ 1,391
19	Provision As A Percent Of Counter Checks Issued .....	.6

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE TRUMP'S CASTLE HOTEL & CASINO

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$		
1	Blackjack	49,371	318,241	15.5	74
2	Craps	49,258	317,911	15.5	24
3	Roulette	10,543	42,393	24.9	12
4	Big Six	2,031	4,455	45.6	4
5	Baccarat	7,036	42,426	16.6	3
6	Other table games	- 0 -	- 0 -	- 0 -	- 0 -
7	Total table games revenue	118,239	\$ 725,426	16.3	117
			HANDLE		
			\$		
8	\$.05 slot machines	4,345	28,620	15.2	98
9	\$.25 slot machines	53,713	397,099	13.5	969
10	\$1.00 slot machines	20,460	186,790	11.0	218
11	Other slot machines	42,675	400,855	10.6	388
12	Total coin-operated devices revenue	121,193	\$ 1,013,364	12.0	1,673
13	Progressive jackpot adjustment	521			
14	Total coin-operated devices revenue after adjustment	121,714			
15	Other income				
16	Total revenue	239,953			
	Expenses:				
17	Payroll and payroll related expenses	34,217			
18	Licenses and taxes	19,983			
19	Provision for uncollectible patrons' checks	1,391			
20	Other	8,643			
21	Total	64,234			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	175,719			
	Complimentary services and casino management fees:				
23	Complimentary services	5,465			
24	Casino management fees	- 0 -			
25	Total	- 0 -			
26	Departmental Income (Loss)	\$ 170,254			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF _____ :
COUNTY OF _____ : ss.
_____ :

Robert S. Fiore, 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.

Robert S. Fiore
Signature

Sr. Vice President Finance & Treasurer
Title

00613-11
License Number

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

On Behalf Of:

Sharon J. Miller
Signature

Trump's Castle Associates
Casino Licensee

SHARON J. MILLER
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires JUNE 18, 1991
Basis of Authority
to Take Oaths

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED SEPTEMBER 30, 1987

LICENSURE NO.

IS - W-THELPASS

LINE			
1	Casino win or (loss)		
2	Table games revenue	<u>\$ 115,339</u>	
3	Non-operated devices revenue	<u>111,193</u>	
4	Total revenues		<u>\$ 226,532</u>
5	Adjustment for uncollectible patrons' checks		
6	Provision for uncollectible patrons' checks	<u>\$ 1,381</u>	
7	Netted adjustment (4% of line 3)	<u>\$ 4,527</u>	
8	Adjustment (the lesser of line 6 or line 7)		<u>\$ 1,381</u>
9	Net revenues (line 3 less line 8)		<u>\$ 225,151</u>
10	Net gross revenues - current year (2% of line 9)		<u>\$ 4,503</u>
11	Other adjustments to tax on gross revenues in prior years		
12	Tax on gross revenues (line 9 plus or minus line 11)		<u>\$ 4,503</u>
13	Credits made for tax on current year's gross revenues		
14	Charity		
15	Charity		
16	Charity		
17	Charity		
18	Charity		
19	Charity		
20	Charity		
21	Charity		
22	Charity		
23	Charity		
24	Charity		
25	Charity		
26	Charity		
27	Charity		
28	Charity		
29	Charity		
30	Charity		
31	Total credits made for tax on current year's gross revenues		<u>\$ 119,043</u>
32	Settlement of prior years' tax on gross revenues		
33	Resulting from audits or other adjustments - (inserted) credits		<u>\$ 0</u>
34	Net revenue tax payable (line 10 less line 24 plus or minus line 33)		<u>\$ 0</u>

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 118,239	
2	Coin-operated devices revenue	121,193	
3	Total revenues		\$ 239,432
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 1,391	
5	Maximum adjustment (4% of line 3)	\$ 9,577	
6	Adjustment (the lesser of line 4 or line 5)		1,391
7	Gross revenues (line 3 less line 6)		\$ 238,041
8	Tax on gross revenues - current year (8% of line 7)		\$ 19,043
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)		19,043
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 1,114	
12	February	1,339	
13	March	1,951	
14	April	1,386	
15	May	1,288	
16	June	1,743	
17	July	1,590	
18	August	1,945	
19	September	1,621	
20	October	1,632	
21	November	1,795	
22	December	1,264	
23	January	375	
24	Total deposits made for tax on current year's gross revenues		(19,043)
	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

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF :
 COUNTY OF : ss.
 :

Robert S. Fiore, 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.

Robert S. Fiore
 Signature

Sr. Vice President
 Finance & Treasurer
 Title

00613-11
 License Number

On Behalf Of:
Trump's Castle Assoc.
 Casino Licensee

Subscribed and sworn to
 before me this 17th day
 of March, 1988.

Sharon J. Miller
 Signature

SHARON J. MILLER
 NOTARY PUBLIC OF NEW JERSEY
 My Commission Expires **JUNE 18, 1991**

Basis of Authority
 to Take Oaths

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 19 87

(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	607	18,660	15,016	\$ 89.48	80.5 %	28,352	\$ 47.39
2	FEBRUARY	607	16,895	14,681	\$ 84.79	86.9 %	27,308	\$ 45.58
3	MARCH	607	18,734	17,546	\$ 79.24	93.7 %	32,246	\$ 43.12
4	1ST QUARTER TOTALS		54,289	47,243	\$ 84.22	87.0 %	87,906	\$ 45.26
5	APRIL	606	18,180	16,467	\$ 81.57	90.6 %	31,553	\$ 42.57
6	MAY	606	18,594	15,793	\$ 97.09	84.9 %	28,587	\$ 53.64
7	JUNE	606	18,180	16,492	\$ 96.85	90.7 %	30,742	\$ 51.96
8	2ND QUARTER TOTALS		54,954	48,752	\$ 91.77	88.7 %	90,882	\$ 49.23
9	JULY	606	18,786	18,066	\$ 104.73	96.2 %	34,333	\$ 55.11
10	AUGUST	606	18,786	18,197	\$ 108.51	96.9 %	34,050	\$ 57.99
11	SEPTEMBER	606	18,180	16,457	\$ 97.25	90.5 %	30,419	\$ 52.61
12	3RD QUARTER TOTALS		55,752	52,720	\$ 103.70	94.6 %	98,802	\$ 55.33
13	OCTOBER	606	18,786	16,465	\$ 97.46	87.6 %	31,222	\$ 51.39
14	NOVEMBER	606	18,180	15,837	\$ 93.44	87.1 %	29,822	\$ 49.62
15	DECEMBER	606	18,789	14,840	\$ 98.12	79.0 %	27,925	\$ 52.15
16	4TH QUARTER TOTALS		55,755	47,142	\$ 96.32	84.6 %	88,969	\$ 51.04
17	ANNUAL TOTALS		220,750	195,857	\$ 94.25	88.7 %	366,559	\$ 50.36

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE TRUMP'S CASTLE ASSOCIATES

ADDRESS HURON AVENUE & BRIGANTINE BLVD

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.....**

ROBERT S. FIGRE

OFFICIAL TITLE.....

SR. VICE PRESIDENT FINANCE & TREASURER

ADDRESS.....

HURON AVENUE & BRIGANTINE BLVD

ATLANTIC CITY, NJ 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ 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	593			
3	Slots	272			
4	Casino accounting	43			
5	Other	215	\$	\$	\$
6	Total-casino	1,143	27,535,948	291,289	27,817,237
7	ROOMS	221	3,070,494		3,070,494
8	FOOD AND BEVERAGE	983	13,387,105	147,500	13,534,605
OTHER OPERATED DEPARTMENTS					
9	Communications	24	334,558		334,558
10	Gift Shop	9	260,148		260,148
11	Transportation	120	1,585,980		1,585,980
12	Wardrobe	29	446,382		446,382
13	Health club	4	81,802		81,802
14	Marina Ops.	6	358,982		358,982
15	Environmental Services	181	2,495,058		2,495,058
16	Print Shop	15	391,947		391,947
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	6		571,703	571,703
21	Accounting and auditing	265	5,372,847		5,372,847
22	Security	205	4,144,384		4,144,384
23	Other administrative and general department ..	48	1,120,874		1,120,874
24	MARKETING	23	573,283		573,283
25	GUEST ENTERTAINMENT	67	2,070,255		2,070,255
26	PROPERTY OPERATION AND MAINTENANCE	121	3,419,107		3,419,107
		3,470	\$ 66,649,154	\$ 1,010,492	\$ 67,659,646

Trading Name of Licensee TRUMP'S CASTLE HOTEL AND CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 19 87

3/14/88

Date


Signature

Sr. Vice President Finance & Treasurer
Title

SEP 1 1988
185 W. STATE ST

974.901
C193

ANNUAL REPORT

LICENSEE TRUMP PLAZA CASINO

ADDRESS MISPLACED TRUMP PLAZA

ATLANTA, GA 30303

ENDED DECEMBER

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER TO WHOM
ALL CORRESPONDENCE REGARDING
THIS REPORT SHOULD BE SENT

ADDRESS

Office of the Casino Control Commission
185 W. State St.

Trenton, NJ 08601

SEP 14 1988

185 W. STATE ST.
TRENTON, NJ 08601

BALANCE SHEETS

(S IN THOUSANDS)

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1987

	(c) 1987	(d) 1986
ASSETS		
Current Assets		
Cash	\$ 11,563	\$ 30,448
Marketable securities	-	-
Receivables and patrons' checks (net of allowance for doubtful accounts - 1987, \$ 5,443; 1986, \$ 7,797)	14,323	10,904
Inventories	3,121	2,176
Prepaid expense	1,099	3,099
Other current assets	-	-
Total Current Assets	\$ 30,106	\$ 46,627
LIABILITIES AND EQUITY		
Liabilities		
Term Debt	250,000	250,000
Due to affiliates	27,000	27,355
Other	3,391	1,611
Deferred Credits	-	-
Other Liabilities	-	-
Commitments and Contingencies	-	-
Total Liabilities	\$ 280,391	\$ 279,000
Equity		
Stockholders', Partners', or Proprietor's Equity	50,138	40,502
Total Liabilities and Equity	\$ 330,529	\$ 319,502

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

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BALANCE SHEETS

DECEMBER 31, 19 87 AND 86

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986
	ASSETS		
	Current Assets		
1	Cash	\$ 11,563	\$ 30,448
2	Marketable securities	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1987, \$ 8,443; 1986, \$ 7,797)	14,323	10,904
4	Inventories .(Note 1).....	3,121	2,176
5	Prepaid expenses and other current assets ...(Note 2).....	3,934	3,099
6	Total current assets	32,941	46,627
7	Investments, Advances, and Receivables ...(Note 3).....	6,525	6,047
8	Property and Equipment - Net ...(Notes 1 & 4).....	283,502	249,793
9	Other Assets ...(Notes 1 & 5).....	41,876	41,878
10	Total Assets	\$ 364,844	\$ 344,345
	LIABILITIES AND EQUITY		
	Current Liabilities		
11	Accounts payable	\$ 6,540	\$ 4,464
12	Notes payable	228	368
	Current portion of long-term debt:		
13	Due to affiliates	-	-
14	Other .(Note 9).....	440	320
15	Income taxes payable and accrued	-	-
16	Other accrued expenses ...(Note 6).....	17,165	15,754
17	Other current liabilities ...(Note 7).....	9,934	3,971
18	Total current liabilities	34,307	24,877
	Long-Term Debt:		
19	Due to affiliates ...(Note 8).....	250,000	250,000
20	Other ...(Note 9).....	27,008	27,355
21	Deferred Credits ...(Note 10).....	3,391	1,611
22	Other Liabilities	-	-
23	Commitments and Contingencies (Notes 14 & 16)		
24	Total Liabilities	314,706	303,843
25	Stockholders', Partners', Or Proprietor's Equity	50,138	40,502
26	Total Liabilities and Equity	\$ 364,844	\$ 344,345

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED December 31, 1987 AND 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986*
	Revenue		
1	Casino ..(Note 1).....	\$ 243,993	\$ 218,178
2	Rooms	19,135	19,510
3	Food and beverage	36,719	34,806
4	Other	12,981	6,376
5	Total revenue	312,828	278,870
6	Less: promotional allowances ..(Notes 1 & 11).....	34,518	31,823
7	Net revenue	278,310	247,047
	Costs And Expenses:		
8	Cost of goods and services	128,504	115,526
9	Selling, general, and administrative	81,518	71,925
10	Provision for doubtful accounts	2,278	2,902
11	Total	212,300	190,353
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	66,010	56,694
13	Depreciation and amortization	13,394	13,953
	Charges from affiliates:		
14	Interest ..(Note 12).....	30,931	19,976
15	Management fees	-	-
16	Other ..(Note 14).....	775	775
17	Interest expense - external	1,844	6,727
18	Income (Loss) From Operations	19,066	15,263
19	Nonoperating income (expense) - net ... (Note 13).....	1,622	2,611
20	Invest. alternative tax & rel. inc. (expense)-net.(Note 16)	(1,008)	(897)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	19,680	16,977
22	Provision (Credit) for income taxes ..(Notes 1 & 15).....	1,781	1,528
23	Income (Loss) Before Extraordinary Items	17,899	15,449
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-	-
25	Net Income (Loss)	\$ 17,899	\$ 15,449

*Restated to conform with 1987 presentation.

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

TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 1987 AND 1986

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986*
	Revenue	\$	\$
1	Casino ..(Note 1).....	63,604	52,252
2	Rooms	4,728	4,432
3	Food and beverage	9,987	8,614
4	Other	3,971	1,331
5	Total revenue	82,290	66,629
6	Less: promotional allowances ...(Notes 1 & 11).....	8,855	7,669
7	Net revenue	73,435	58,960
	Costs And Expenses:		
8	Cost of goods and services	35,343	32,950
9	Selling, general, and administrative	22,398	12,220
10	Provision for doubtful accounts	487	625
11	Total	58,228	45,795
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	15,207	13,165
13	Depreciation and amortization	3,498	2,973
	Charges from affiliates:		
14	Interest ...(Note 12).....	8,046	7,863
15	Management fees	-	-
16	Other ..(Note 14).....	194	194
17	Interest expense - external	553	373
18	Income (Loss) From Operations	2,916	1,762
19	Nonoperating income (expense) - net ...(Note 13).....	678	1,233
20	Invest. alternative tax & rel. inc.(expense)-net.(Note 16)	(260)	(216)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	3,334	2,779
22	Provision (Credit) for income taxes ..(Notes 1 & 15).....	319	250
23	Income (Loss) Before Extraordinary Items	3,015	2,529
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-	-
25	Net Income (Loss)	\$ 3,015	\$ 2,529

*Restated to conform with 1987 presentation.

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 87 AND 19 86

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>87</u>	(d) 19 <u>86</u>
	Invested Capital		
1	Beginning balance (January 1)	\$ 50,707	\$ 77,600
2	Additional capital invested	-	11,892
3	Redemption of former partner's interest.....	-	(38,785)
4	Ending balance	50,707	50,707
	Accumulated Income (Loss)		
5	Beginning balance (January 1)	14,707	624
6	Prior period adjustments	-	-
7	Net income (loss)	17,899	15,449
8	Redemption of former partner's interest.....	-	(1,366)
9	Ending balance	32,606	14,707
	Capital Withdrawals		
10	Beginning balance (January 1)	(24,912)	(6,000)
11	Additional capital withdrawals	(8,263)	(21,912)
12	Redemption of former partner's interest.....	-	3,000
13	Ending balance	(33,175)	(24,912)
	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	\$ 50,138	\$ 40,502

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986
 (UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986
1	Net Cash Provided (Used) By Operating Activities.....	\$ 36,805	\$ 30,949
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities		
4	Cash outflows for property and equipment.....	(46,650)	(9,813)
5	Proceeds from disposition of property and equipment.....	68	24
6	Purchase of casino reinvestment obligations.....	(2,016)	(2,343)
7	Purchase of other investments and loans/advances made....	-	(3,158)
8	Proceeds from disposals of investments and collection.... of advances and long-term receivables.....	1,538	-
9	Cash outflows to acquire business entities.....	-	(60,336)
10	Write-up of property & equip. in connection with redemption	-	(36,866)
11	Write-up of other assets in connection with redemption....	-	(5,814)
12	Net Cash Provided (Used) By Investing Activities.....	(47,060)	(118,306)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	1,141	1,615
14	Payments to settle short-term debt.....	(1,281)	(1,247)
15	Cash proceeds from issuance of long-term debt.....	-	267,184
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	(347)	(142,113)
18	Cash proceeds from issuing stock or capital contributions.	-	11,892
19	Purchases of treasury stock.....	-	-
20	Payments of dividends or capital withdrawals.....	(8,263)	(21,912)
21	Increase/(Decrease) in Current Portion of Long-Term Debt..	120	(14,721)
22	.....	-	-
23	Net Cash Provided (Used) By Financing Activities.....	(8,630)	100,698
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(18,885)	13,341
25	Cash And Cash Equivalents At Beginning of Year.....	30,448	17,107
26	Cash And Cash Equivalents At End of Year.....	\$ 11,563	\$ 30,448

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).....	\$ 33,317	\$ 27,697
28	Income taxes.....	\$ -	\$ -

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

TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986
 (UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1987	(d) 1986
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 17,899	\$ 15,449
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	12,615	10,885
31	Amortization of other assets.....	779	3,068
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	1,780	1,528
35	(Gain) loss on dispositions of property and equipment...	258	10
36	(Gain) loss on casino reinvestment obligations.....		
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables & patrons' checks	(3,419)	(1,914)
39	Net (increase) decrease in inventories.....	(945)	(1,522)
40	Net (increase) decrease in other current assets.....	(835)	(967)
41	Net (increase) decrease in other assets.....	(777)	(432)
42	Net increase (decrease) in accounts payable.....	2,076	1,958
43	Net increase (decrease) in other current liabilities.... excluding debt.....	7,374	2,886
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....		
45		
46		
47	Net Cash Provided (Used) By Operating Activities.....	\$ 36,805	\$ 30,949

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SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ (46,650)	\$ (9,813)
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ (46,650)	\$ (9,813)
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$ -	\$ (33,308)
52	Goodwill acquired.....	-	-
53	Net assets acquired other than cash, goodwill, and property and equipment.....	-	(33,308)
54	Long-term debt assumed.....	-	10,123
55	Issuance of stock or capital invested.....	-	(37,151)
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ (60,336)
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$ -	\$ 11,892
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities..		
60	Cash Proceeds From Issuing Stock Or Capital Contributions...	\$ -	\$ 11,892

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Trump Plaza Associates (formerly Harrah's Associates), (the Company), doing business as Trump Plaza Hotel and Casino, operates as a general partnership. On May 16, 1986, the Company used a portion of proceeds received from the issuance of Mortgage Bonds by Trump Plaza Funding, Inc., a financing affiliate, for the acquisition of Harrah's Atlantic City, Inc.'s ("HAC") 50% interest in the Company, in accordance with the Redemption Agreement.

The accompanying consolidated financial statements include those of the Company and Nagoya Holding Corp., a wholly owned subsidiary of the Company. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

B. Gaming Revenues

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

C. 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.

D. Inventories

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

E. 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 transportation center and other projects has been capitalized. The capitalized interest related to the transportation center of approximately \$1,256,000 is being amortized over the estimated useful life of the center.

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

F. 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.

G. Debt Issuance Costs

Costs incurred in connection with the financing of long-term debt due to affiliates are being amortized over the life of the debt.

H. Income Taxes

The accompanying consolidated financial statements do not include a provision for Federal income taxes, since the operating losses of the subsidiary are not recognized in income until they are actually realized and since any income or losses allocated to the partners are reportable for Federal income tax purposes by the individual partners.

Under the New Jersey Casino Control Commission regulations, the Company is required to file a consolidated corporation business tax return. Accordingly, a provision for state income taxes has been reflected in the accompanying consolidated financial statements.

NOTE 2: PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	<u>1987</u>	<u>1986</u>
Prepaid taxes	\$1,297,000	\$1,294,000
Prepaid insurance	683,000	1,073,000
Prepaid air transportation costs	289,000	202,000
Prepaid special event costs	768,000	-
Prepaid rent	273,000	440,000
Prepaid advertising costs	399,000	-
Other	225,000	90,000
	<u>\$3,934,000</u>	<u>\$3,099,000</u>

NOTE 3: INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>1987</u>	<u>1986</u>
Advances due from -		
Trump Organization	\$ 11,000	\$ 6,000
Trump's Castle Associates	242,000	98,000
Seashore Four Associates	1,282,000	3,054,000
Resorts International	85,000	-
Casino reinvestment bonds and escrow deposit, net of valuation adjustment	4,905,000	2,889,000
- 1987, \$2,452,000; 1986, \$1,444,000	<u>\$6,525,000</u>	<u>\$6,047,000</u>

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 4: PROPERTY AND EQUIPMENT - NET

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

	<u>1987</u>	<u>1986</u>
Land and land improvements	\$ 29,727,000	\$ 29,729,000
Buildings	233,733,000	182,506,000
Furniture, fixtures and equipment	46,880,000	43,554,000
Leasehold improvements	2,071,000	1,952,000
Construction in progress	9,738,000	18,584,000
	<u>322,149,000</u>	<u>276,325,000</u>
Less - Accumulated depreciation & amortization	<u>(38,647,000)</u>	<u>(26,532,000)</u>
Net property and equipment	<u>\$283,502,000</u>	<u>\$249,793,000</u>

NOTE 5: OTHER ASSETS

Other assets as of December 31 consisted of the following:

	<u>1987</u>	<u>1986</u>
Land rights, net	\$32,246,000	\$32,583,000
Deferred transportation center preopening costs, net	473,000	-
Debt issuance costs, net	7,321,000	7,642,000
Deposits	1,171,000	1,078,000
Other deferred charges	665,000	575,000
	<u>\$41,876,000</u>	<u>\$41,878,000</u>

NOTE 6: OTHER ACCRUED EXPENSES

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

	<u>1987</u>	<u>1986</u>
Accrued payroll	\$5,327,000	\$5,116,000
Accrued progressive jackpot liabilities	3,178,000	2,745,000
Accrued interest	4,329,000	2,631,000
Accrued gaming taxes payable	365,000	321,000
Accrued Casino Control Commission & Division of Gaming Enforcement fees	502,000	710,000
Accrued utilities	280,000	266,000
Accrued union benefits	176,000	168,000
Accrued health insurance benefits	200,000	632,000
Accrued sales, use & luxury taxes	179,000	146,000
Accrued transportation costs	207,000	220,000
Accrued construction costs	964,000	221,000
Other	1,458,000	2,578,000
	<u>\$17,165,000</u>	<u>\$15,754,000</u>

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 7: OTHER CURRENT LIABILITIES

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

	1987	1986
Unredeemed chip/token liability	\$ 726,000	\$1,017,000
Patron deposits	461,000	238,000
Casino reinvestment liability	784,000	646,000
Reserve for insurance claims	990,000	584,000
Advances room/theatre deposits	1,062,000	112,000
Due to partners	5,771,000	1,166,000
Other	140,000	208,000
	<u>\$9,934,000</u>	<u>\$3,971,000</u>

NOTE 8: LONG-TERM DEBT - DUE TO AFFILIATES

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

	1987	1986
12-7/8% promissory note, interest payable semi-annually, sinking fund payments to retire \$25,000,000 principal amount annually commence June 15, 1991 and are calculated to retire 70% of the promissory note prior to maturity in 1998.	<u>\$250,000,000</u>	<u>\$250,000,000</u>

On May 16, 1986, Trump Plaza Funding, Inc. issued Mortgage Bonds for proceeds of \$250,000,000. The Bonds are secured solely by an assignment to the Trustee of the Company's note to Trump Plaza Funding, Inc. in the principal amount of \$250,000,000 and by a mortgage on Trump Plaza Hotel and Casino and virtually all of the other assets of the Company, excluding cash which may be distributed in excess of certain limitations, as defined in the Indenture, pursuant to which the Bonds were issued (regardless of whether such cash has been distributed). As of December 31, 1987, the financial statements reflect approximately \$23,000,000 of cumulative distributions to the Partners (including \$5,771,000 to be distributed in 1988). The mortgage is subordinate to \$10,069,000 of existing indebtedness as of December 31, 1987. The Company issued a nonrecourse, limited guaranty of the payment of the principal, premium, if any, and interest on the Bonds. The Bonds are nonrecourse to the partners of the Company, the shareholders of Trump Plaza Funding, Inc. and all other persons and entities (other than the Company and Trump Plaza Funding, Inc.).

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 9: LONG-TERM DEBT - OTHER

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

	1987	1986
10% note payable, interest payable monthly commencing May 16, 1988, maturing in 1993 (A)	\$16,942,000	\$16,942,000
Mortgage notes payable in monthly installments, including interest, with interest rates ranging from 9.5% to 11%. The notes are due at various dates between 1989 and 1998 and are secured by certain real property.	10,339,000	10,610,000
Other notes with interest rates ranging from 11.02% to 12.5%, principal and interest payable monthly, secured by television and automobile equipment.	167,000	123,000
	27,448,000	27,675,000
Less current maturities	440,000	320,000
	\$27,008,000	\$27,355,000

(A) On May 16, 1986, the Company issued a redemption note in satisfaction of the unpaid balance of the redemption price for HAC's partnership interest. The note is payable in accordance with the terms specified in the redemption agreement dated May 15, 1986. Interest on the note accrues at a rate of 10% per annum and is payable commencing May 16, 1988 or may be added to the outstanding principal amount of the note. Accrued interest thereafter is payable monthly.

Principal payments, including any unpaid accrued interest, will commence on the note's anniversary date as follows:

- 5% of original principal amount due, May 16, 1989
- 10% of original principal amount due, May 16, 1990
- 15% of original principal amount due, May 16, 1991
- 20% of original principal amount due, May 16, 1992
- Balance due on maturity date - May 16, 1993

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 9: LONG-TERM DEBT - OTHER, continued

The aggregate maturities of long-term debt - other in each of the years subsequent to 1987 are:

1988	\$ 440,000
1989	1,569,000
1990	2,050,000
1991	2,934,000
1992	9,464,000
Thereafter	10,991,000
	<u>\$27,448,000</u>

NOTE 10: DEFERRED CREDITS

Deferred credits as of December 31, 1987 and 1986 consisted of deferred state income taxes.

NOTE 11: PROMOTIONAL ALLOWANCES AND EXPENSES

Promotional allowances and expenses for the three and twelve months ended December 31, 1987 consisted of the following:

Three months ended:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	23,065	\$2,653,000	760	\$ 106,000
Food	335,479	3,237,000	-	-
Beverage	856,126	2,140,000	-	-
Travel	-	-	16,229	2,434,000
Theatre	34,138	768,000	-	-
Coin Bonus	-	-	360,831	6,151,000
Tips	-	-	4,040	162,000
Other	2,304	57,000	16,764	419,000
TOTAL	<u>1,251,112</u>	<u>\$8,855,000</u>	<u>398,624</u>	<u>\$9,272,000</u>

Twelve months ended:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	92,864	\$10,647,000	1,513	\$ 197,000
Food	1,265,170	12,207,000	-	-
Beverage	3,186,688	7,966,000	-	-
Travel	-	-	48,914	7,337,000
Theatre	150,913	3,457,000	95	2,000
Coin Bonus	-	-	1,353,495	22,486,000
Tips	-	-	10,613	423,000
Other	9,667	241,000	51,176	1,280,000
	<u>4,705,302</u>	<u>\$34,518,000</u>	<u>1,465,806</u>	<u>\$31,725,000</u>

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 12: CHARGES FROM AFFILIATES - INTEREST

Charges from affiliates for the three and twelve months ended December 31, 1987 and 1986 consisted of interest expense associated with the \$250,000,000 principal amount of 12-7/8% mortgage bonds issued by Trump Plaza Funding, Inc.

NOTE 13: NON-OPERATING INCOME (EXPENSE) - NET

Non-operating income (expense) - net for the three and twelve months ended December 31 consisted of the following:

	Three months ended		Twelve months ended	
	1987	1986	1987	1986
Interest income	\$417,000	\$ 833,000	\$ 1,657,000	\$ 2,398,000
Gain/(loss) on disposal of property and equipment	10,000	200,000	(258,000)	10,000
Other non-operating income	251,000	200,000	223,000	203,000
	<u>\$678,000</u>	<u>\$1,233,000</u>	<u>\$ 1,622,000</u>	<u>\$ 2,611,000</u>

NOTE 14: LEASE COMMITMENTS

The Company leases property (primarily land), certain parking space, and various equipment under operating leases. Rent expense was \$938,000 and \$4,620,000 for the three and twelve months ended December 31, 1987 and \$1,308,000 and \$5,497,000 for the three and twelve months ended December 31, 1986, respectively.

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

1988	\$ 1,825,000
1989	2,312,000
1990	3,013,000
1991	3,200,000
1992	3,100,000
Thereafter through 2078	518,346,000
	<u>\$531,796,000</u>

Included above are future minimum lease payments under noncancellable leases with Seashore Four Associates, an affiliate of the Company which are as follows:

1988	\$ 775,000
1989	775,000
1990	837,000
1991	900,000
1992	900,000
Thereafter through 2078	85,750,000
	<u>\$ 89,937,000</u>

Rent expense charged by the affiliate was \$194,000 and \$775,000 for the three and twelve months ended December 31, 1987 and 1986, respectively.

Certain of these leases contain options to purchase the leased properties at various prices and times throughout the lease terms. At December 31, 1987, the aggregate option prices for these leases were \$28,000,000.

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 15: INCOME TAXES

Provision for income taxes for the three and twelve months ended December 31 consisted of the following:

DESCRIPTION	Three months ended		Twelve months ended	
	1987	1986	1987	1986
Deferred:				
Federal	\$ 13,000	\$ -	\$ -	\$ -
State	<u>306,000</u>	<u>250,000</u>	<u>1,781,000</u>	<u>1,528,000</u>
	<u>\$319,000</u>	<u>\$250,000</u>	<u>\$1,781,000</u>	<u>\$1,528,000</u>

The provision for federal income taxes for the three months ended December 31, 1987 reflects an adjustment to the credit reported for the nine months ended September 30, 1987.

NOTE 16: INVESTMENT OBLIGATION

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

Commencing twelve months after the date of opening of the hotel and casino (May 15, 1984) and continuing twenty-five years thereafter, the Company 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, as defined. Investment tax credits may be obtained by making qualified investments or by the purchase of bonds at below market interest rates from the Casino Reinvestment Development Authority (CRDA). The Company is required to make quarterly deposits with the CRDA.

As of December 31, 1987, the consolidated financial statements reflect \$1,680,000 of below market interest rate bonds issued by the CRDA in 1987 and \$5,678,000 of deposits towards the purchase of below market interest rate bonds. To give effect to the below market interest rate associated with the CRDA bonds, the Company charged to operations \$260,000 and \$1,008,000 for the three and twelve months ended December 31, 1987 and \$216,000 and \$897,000 for the three and twelve months ended December 31, 1986, respectively. The investment is included in investments, advances and receivables in the accompanying consolidated balance sheets.

NOTE 17: EMPLOYEE BENEFIT PLANS

Effective November 1, 1986, the Company adopted a retirement savings plan for its nonunion employees under Section 401(K) of the Internal Revenue Code. The plan allows employees of the Company to defer up to 10% of their income on a pretax basis through contributions to the plan. The Company will match 50% of eligible employees' contributions up to a maximum of 3% of the individual's earnings. The Company recorded charges of \$371,000 and \$766,000 for matching contributions for the years ended December 31, 1987 and 1986 respectively.

The Company made payments to various trustee pension plans under industry-wide union agreements. The payments are based on the hours worked by or gross wages paid to covered employees. It is not practical to determine the amount of payments ultimately used to fund pension benefit plans or the current financial condition of these plans. Under the Employment Retirement Income Security Act, the Company may be liable for its share of the plan's unfunded liability, if any, if the plans are terminated. Pension expense for the years ended December 31, 1987 and 1986 was \$488,000 and \$463,000, respectively.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 87
(UNAUDITED)
(\$ IN THOUSANDS)

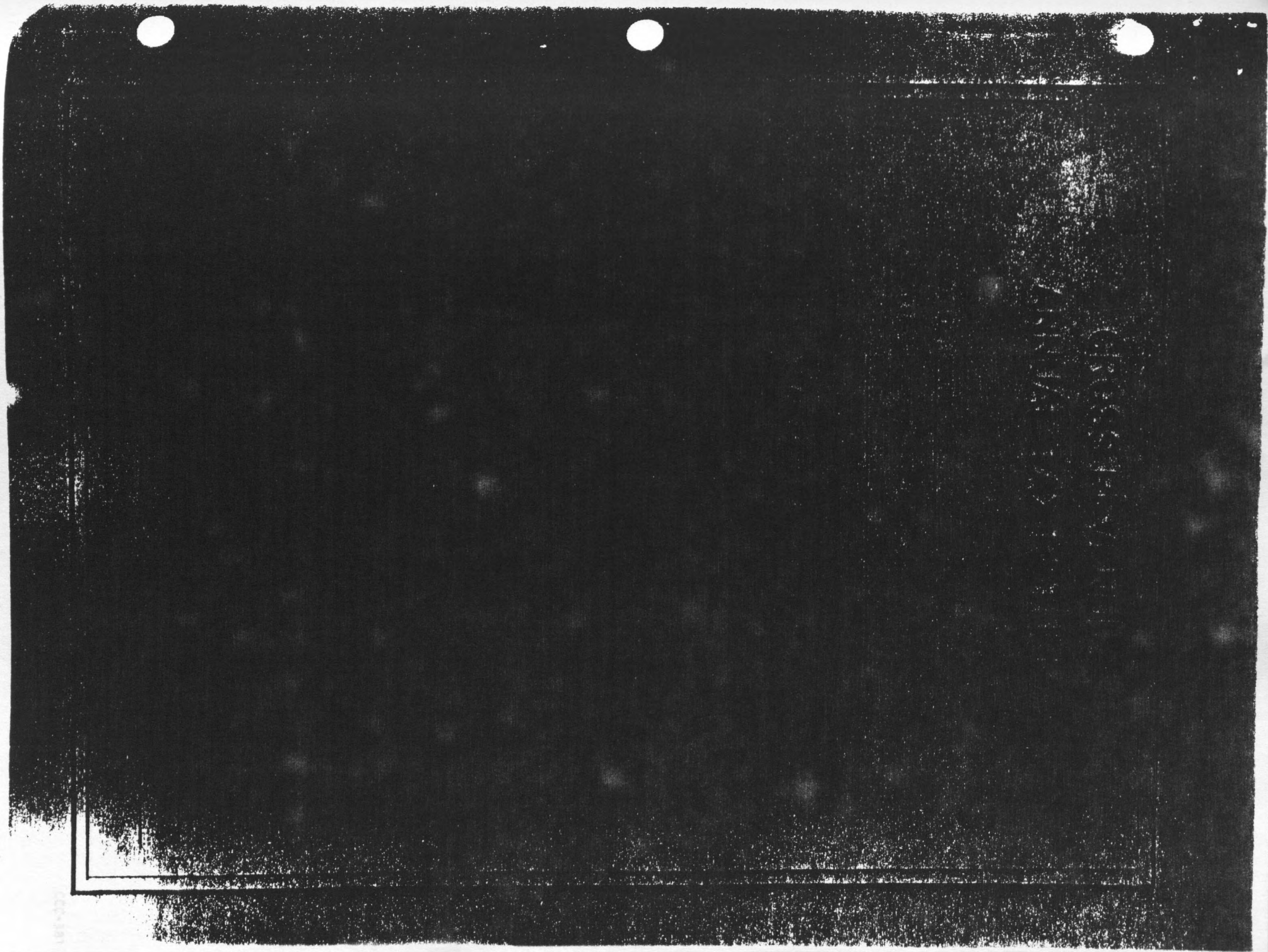
ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	ACCOUNTS RECEIVABLE (d) ALLOWANCE	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
	Patron's Checks:	\$		
1	Undeposited patron's checks	10,692		
2	Returned patrons' checks	9,640		
3	Total patrons' checks	20,332	\$ 8,350	\$ 11,982
4	Hotel Receivables	2,151	93	2,058
	Other Receivables:			
5	Receivables due from officers & employees	17		
6	Receivables due from affiliates	-		
7	Other accounts and notes receivables	266		
8	Total other receivables	283	-	283
9	Totals (Form 305)	\$ 22,766	\$ 8,443	\$ 14,323

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning balance (January 1)	\$ 8,215
11	Counterchecks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	243,498
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)	(178,674)
13	Checks collected through deposits	(53,237)
14	Checks transferred to returned checks	(9,110)
15	Other adjustments	-
16	Ending balance	\$ 10,692
17	"Hold" Checks Included in Balance on Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ 2,246
19	Provision As A Percent Of Counter Checks Issued	0.9 %

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 87
 (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	\$ 53,522	\$ 336,694	16.0%	76
2	Craps	42,933	317,477	13.5	24
3	Roulette	12,219	44,309	27.6	12
4	Big Six	2,363	5,392	43.8	3
5	Baccarat	6,688	44,741	14.9	2
6	Other table games	-	-	-	-
7	Total table games revenue	117,725	\$ 748,613	15.7	117
			HANDLE		
8	\$.05 slot machines	3,655	\$ 24,201	15.1	85
9	\$.25 slot machines	58,355	417,873	14.0	927
10	\$1.00 slot machines	15,059	129,150	11.7	152
11	Other slot machines	49,632	496,127	10.0	498
12	Total coin-operated devices revenue	126,701	\$1,067,351	11.9	1,162
13	Progressive jackpot adjustment	(433)			
14	Total coin-operated devices revenue after adjustment	126,268			
15	Other income	-			
16	Total revenue	\$ 243,993			
	Expenses:				
17	Payroll and payroll related expenses	46,929			
18	Licenses and taxes	20,299			
19	Provision for uncollectible patron's checks	2,246			
20	Other	14,674			
21	Total	84,148			
22	Departmental Income/Loss Before Complimentary Services and Casino Management Fees	159,845			
	Complimentary services and casino management fees:				
23	Complimentary services	59,391			
24	Casino management fees	-			
25	Total	59,391			
26	Departmental Income (Loss)	\$ 100,454			



GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 87

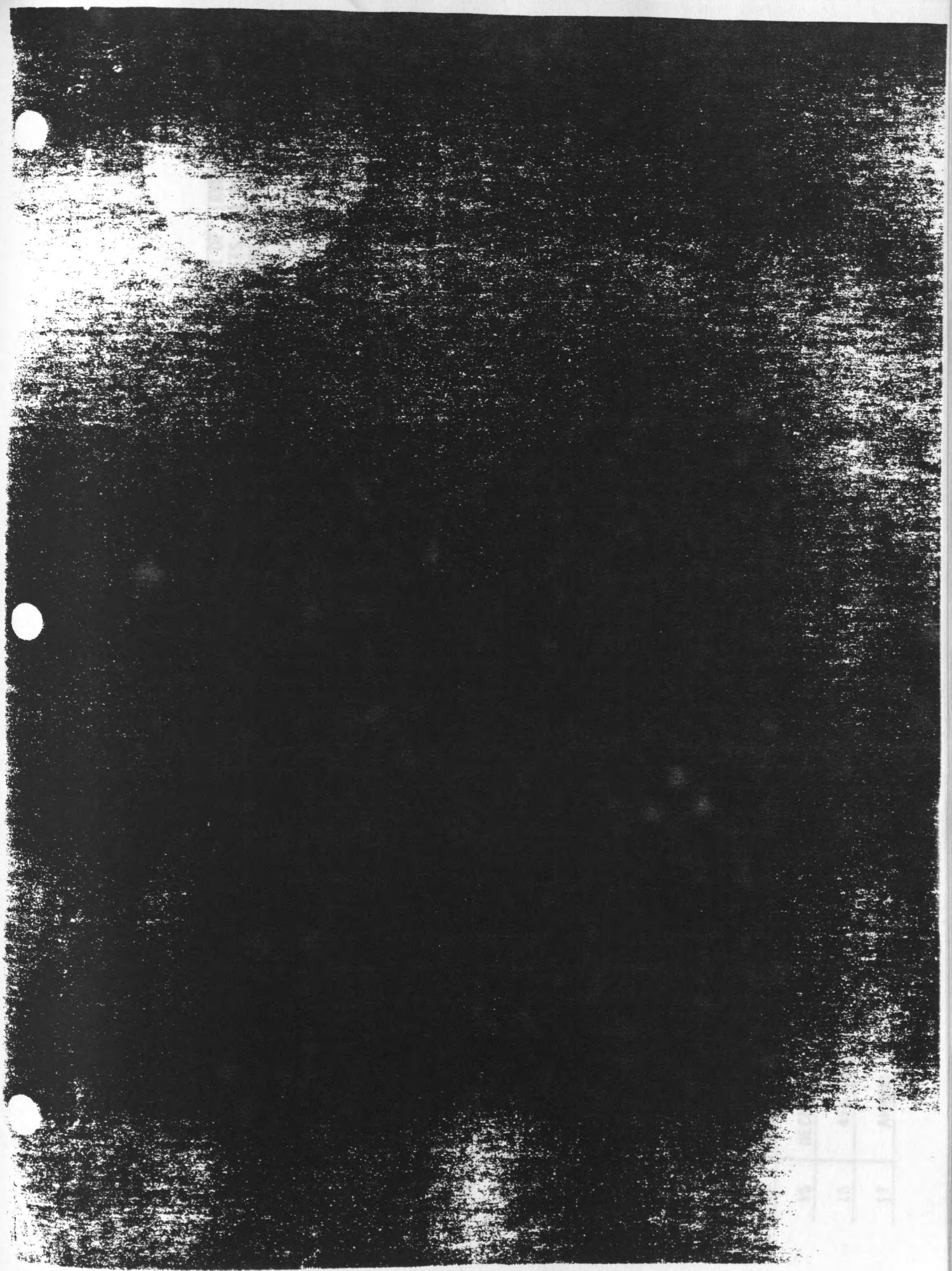
STATE OF NEW JERSEY
COUNTY OF ATLANTIC

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 117,725	
2	Coin-operated devices revenue	126,701	
3	Total revenues		\$ 224,426
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 2,246	
5	Maximum adjustment (4% of line 3)	\$ 9,777	
6	Adjustment (the lesser of line 4 or line 5)		2,246
7	Gross revenues (line 3 less line 6)		\$ 242,180
8	Tax on gross revenues - current year (8% of line 7)		\$ 19,374
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)		
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 914	
12	February	1,242	
13	March	1,764	
14	April	1,225	
15	May	1,301	
16	June	1,822	
17	July	1,734	
18	August	2,399	
19	September	1,613	
20	October	1,631	
21	November	2,149	
22	December	1,215	
23	January	365	
24	Total deposits made for tax on current year's gross revenues		(19,374)
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)		\$ -





TRADING NAME OF LICENSEE Trump Plaza Hotel & Casino

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1987

(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	540	18,127	13,653	\$ 87.97	75.3 %	27,306	\$ 43.98
2	FEBRUARY	540	15,120	13,690	\$ 83.08	90.5 %	27,380	\$ 41.54
3	MARCH	540	16,740	15,312	\$ 83.13	91.5 %	30,624	\$ 41.57
4	1ST QUARTER TOTALS		49,987	42,655	\$ 84.66	85.3 %	85,310	\$ 42.33
5	APRIL	540	16,200	14,427	\$ 97.17	89.1 %	28,854	\$ 48.59
6	MAY	546	16,833	15,612	\$ 101.88	92.7 %	31,224	\$ 50.94
7	JUNE	546	16,140	16,087	\$ 99.22	99.7 %	32,174	\$ 49.61
8	2ND QUARTER TOTALS		49,173	46,126	\$ 99.48	93.8 %	92,252	\$ 49.74
9	JULY	567	17,517	17,219	\$ 126.62	98.3 %	34,438	\$ 63.31
10	AUGUST	576	17,613	17,234	\$ 129.82	97.8 %	34,468	\$ 64.91
11	SEPTEMBER	576	17,280	16,534	\$ 107.75	95.7 %	33,068	\$ 53.87
12	3RD QUARTER TOTALS		52,410	50,987	\$ 121.58	97.3 %	101,974	\$ 60.79
13	OCTOBER	585	18,001	17,087	\$ 105.36	94.9 %	34,174	\$ 52.68
14	NOVEMBER	585	17,550	16,073	\$ 99.27	91.6 %	32,146	\$ 49.63
15	DECEMBER	585	18,079	13,604	\$ 97.97	75.2 %	27,208	\$ 48.99
16	4TH QUARTER TOTALS		53,630	46,764	\$ 101.12	87.2 %	93,528	\$ 50.56
17	ANNUAL TOTALS		205,200	186,532	\$ 102.54	90.9 %	373,064	\$ 51.27

ANNUAL EMPLOYMENT AND PAYROLL REPORT

MONTHLY EMPLOYMENT
AND PAYROLL DATA
FOR THE YEAR

ENDING

MONTH	EMPLOYMENT	PAYROLL
JAN		
FEB		
MAR		
APR		
MAY		
JUN		
JUL		
AUG		
SEP		
OCT		
NOV		
DEC		
TOTAL		

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 87
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES	
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS
			(f)	TOTALS
CASINO				
1	Administration			
2	Gaming	1078		
3	Slots	118		
4	Casino accounting	389		
5	Other	57	\$	\$
6	Total-casino	1642	28,131	28,131
7	ROOMS	216	2,895	2,895
8	FOOD AND BEVERAGE	982	11,692	11,692
OTHER OPERATED DEPARTMENTS				
9	Customer Services	32	492	492
10	Gift Shop	26	266	266
11	Wardrobe	32	455	455
12	Parking	101	1,630	1,630
13	Communications	20	280	280
14	Employee Cafeteria	74	1,026	1,026
15				
16				
17				
18				
19				
ADMINISTRATIVE AND GENERAL				
20	Executive office	25	211	1,212
21	Accounting and auditing	148	2,588	2,588
22	Security	252	4,438	4,438
23	Other administrative and general department ..	139	3,084	3,084
24	MARKETING	116	2,307	2,307
25	GUEST ENTERTAINMENT	31	1,028	1,028
26	PROPERTY OPERATION AND MAINTENANCE	325	7,190	7,190
			\$	\$

Trading Name of Licensee TRUMP PLAZA HOTEL & CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 1987

3/15/88
Date


Signature

VICE PRESIDENT OF FINANCE
Title