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QUARTERLY REPORT

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LICENSEE	<u>ATLANTIC CITY SHOWBOAT, INC</u>
ADDRESS	<u>P.O. BOX 840</u>
	<u>ATLANTIC CITY, NEW JERSEY</u>

FOR THE QUARTER ENDED SEPTEMBER 30, 1993

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

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

<u>KATHY CARACCILO</u>
<u>VICE PRESIDENT FINANCE</u>
<u>P.O. BOX 840</u>
<u>ATLANTIC CITY, NEW JERSEY</u>

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 1993

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BALANCE SHEET

SEPTEMBER 30, 1993 AND 1992
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 93	(d) 19 92
	ASSETS		
	Current Assets:	\$	\$
1	Cash	67,402	33,965
2	Marketable securities	-	-
3	Receivables and patrons' checks (net of allowances for doubtful accounts - 19_93_ \$ 2,974 ; 19_92_ \$ 3,064 ) .....NOTE 3..	4,798	5,211
4	Inventories	1,670	1,981
5	Prepaid expenses and other current assets.....NOTE 4	6,368	2,800
6	Total current assets	80,238	43,957
7	Investments, Advances, And Receivables NOTE 2 & 11	12,806	16,243
8	Property And Equipment - Gross	340,434	293,389
9	(Accumulated Depreciation/Amortization)	(100,676)	(88,562)
10	Other Assets	6,436	8,996
11	Total Assets	\$ 339,238	\$ 274,023
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
12	Accounts payable	10,852	4,789
13	Notes payable	-	-
	Current portion of long-term debt:		
14	Due to affiliates	-	-
15	Other	2,867	2,194
16	Income taxes payable and accrued.....	1,405	2,983
17	Other accrued expenses NOTE 5	14,525	14,828
18	Other current liabilities NOTE 6	9,098	8,330
19	Total current liabilities	38,747	33,124
	Long-Term Debt:		
20	Due to affiliates NOTE 2	215,000	149,444
21	Other	1,928	4,795
22	Deferred Credits	12,871	10,431
23	Other Liabilities	-	9,680
24	Commitments And Contingencies NOTE 11		
25	Total Liabilities	268,546	207,474
26	Stockholders', Partners', Or Proprietor's Equity	70,692	66,549
27	Total Liabilities And Equity	\$ 339,238	\$ 274,023

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 NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 93	(d) 19 92
	Revenue:		
1	Casino	\$ 209,093	\$ 200,865
2	Rooms	10,136	8,844
3	Food and beverage	26,163	23,258
4	Other	4,132	3,711
5	Total revenue	249,524	236,678
6	Less: Promotional allowances	21,186	18,335
7	Net revenues.....	228,338	218,343
	Costs And Expenses:		
8	Costs of goods and services	132,126	123,595
9	Selling, general, and administrative	45,061	44,327
10	Provision for doubtful accounts	1,096	769
11	Total costs and expenses	178,283	168,691
12	Gross Operating Profit	50,055	49,652
13	Depreciation and amortization	13,582	13,441
	Charges from affiliates other than interest:		
14	Management fees.....	6,177	-
15	Other	-	-
16	Income (Loss) From Operations	30,296	36,211
	Other Income (Expenses):		
17	Interest (expense) - affiliates	(15,233)	(12,749)
18	Interest (expense) - external	59	(1,051)
19	Investment alternative tax and related income (expense) - net	(858)	(830)
20	Nonoperating income (expense) - net	740	860
21	Total other income (expenses)	(15,292)	(13,770)
22	Income (Loss) Before Income Taxes And Extraordinary Items	15,004	22,441
23	Provision (credit) for income taxes NOTE 9	6,369	7,886
24	Income (Loss) Before Extraordinary Items	8,635	14,555
25	Extraordinary items (net of income taxes - 19 93, \$ _____ ; 19 92, \$ _____)	(6,123)	-
26	Net Income (Loss)	\$ 2,512	\$ 14,555

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 SEPTEMBER 30, 1993 AND 1992
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 93	(d) 19 92
	Revenue:		
1	Casino	\$ 81,627	\$ 74,088
2	Rooms	4,319	3,369
3	Food and beverage	10,593	8,756
4	Other	1,502	1,528
5	Total revenue	98,041	87,741
6	Less: Promotional allowances	8,658	7,016
7	Net revenues.....	89,383	80,725
	Costs And Expenses:		
8	Costs of goods and services	48,979	43,702
9	Selling, general, and administrative	16,146	14,937
10	Provision for doubtful accounts	391	438
11	Total costs and expenses	65,516	59,077
12	Gross Operating Profit	23,867	21,648
13	Depreciation and amortization	5,116	4,028
	Charges from affiliates other than interest:		
14	Management fees.....	4,806	0
15	Other	0	0
16	Income (Loss) From Operations	13,945	17,620
	Other Income (Expenses):		
17	Interest (expense) - affiliates	(4,972)	(4,249)
18	Interest (expense) - external	50	(324)
19	Investment alternative tax and related income (expense) - net	(334)	(307)
20	Nonoperating income (expense) - net	406	226
21	Total other income (expenses)	(4,850)	(4,654)
22	Income (Loss) Before Income Taxes And Extraordinary Items	9,095	12,966
23	Provision (credit) for income taxes	4,015	4,544
24	Income (Loss) Before Extraordinary Items	5,080	8,422
25	Extraordinary items (net of income taxes - 19 93, \$ _____ ; 19 92, \$ _____)	0	0
26	Net Income (Loss)	\$ 5,080	\$ 8,422

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

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992
 (UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1993		1992	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock: 2500 SHARES AUTHORIZED				
1	Beginning balance (January 1)	1,500	\$ 76,909	1,500	\$ 76,909
2	Sale of stock				
3	.....			
4	Ending balance	1,500	76,909	1,500	76,909
	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)		(8,729)		(24,915)
26	Prior period adjustments				
27	Net income (loss)		2,512		14,555
28	Dividends				
29	.....			
30	.....			
31	Ending balance		(6,217)		(10,360)
32	Ending Stockholder's Equity		\$ 70,692		\$ 66,549

**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 NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 93	(d) 19 92
1	Net Cash Provided(Used) By Operating Activities	\$ 30,706	\$ 21,904
	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	(44,463)	(13,725)
5	Proceeds from disposition of property and equipment	27	69
6	Purchase of casino reinvestment obligations	(2,286)	(2,242)
7	Purchase of other investments and loans/advances made	(83)	
8	Proceeds from disposal of investments and collection of advances and long-term receivables	0	2,680
9	Cash outflows to acquire business entities		
10	.....	
11	.....	
12	Net Cash Provided (Used) By Investing Activities	(46,805)	(13,218)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt	2,029	
14	Payments to settle short-term debt	(2,029)	
15	Cash proceeds from issuance of long-term debt	215,000	
16	Cost of issuing debt	(5,106)	
17	Payments to settle long-term debt	(151,110)	(2,547)
18	Cash proceeds from issuing stock or capital contributions		
19	Purchases of treasury stock		
20	Payments of dividends or capital withdrawals		
21	Premium on early retirement of debt	(8,500)	
22	.....	
23	Net Cash Provided (Used) By Financing Activities	50,284	(2,547)
24	Net Increase (Decrease) In Cash And Cash Equivalents	34,185	6,139
25	Cash And Cash Equivalents At Beginning Of Years	33,218	27,826
26	Cash And Cash Equivalents At End Of Years	\$ 67,403	\$ 33,965

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized)	\$ 12,239	\$ 17,698
28	Income taxes	\$ 2,800	\$ 2,700

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 NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 93	(d) 19 92
	Net Cash Flows From Operating Activities:		
29	Net income (loss)	\$ 2,512	\$ 14,555
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment	13,582	13,441
31	Amortization of other assets	346	352
32	Amortization of debt discount or premium		
33	Deferred income taxes – current	(138)	
34	Deferred income taxes – noncurrent	2,214	2,049
35	(Gain) loss on disposition of property and equipment	496	(20)
36	(Gain) loss on casino reinvestment obligations	858	830
37	(Gain) loss from other investment activities	32	10
38	Net (increase) decrease in receivables and patrons' checks.....	(97)	(385)
39	Net (increase) decrease in inventories	103	(256)
40	Net (increase) decrease in other current assets	(1,334)	(761)
41	Net (increase) decrease in other assets	4,433	1,149
42	Net increase (decrease) in accounts payables	1,469	(849)
43	Net increase (decrease) in other current liabilities excluding debt.....	2,294	1,952
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....		0
45	Decrease in accr Showboat, Inc management fees, net of tax	(7,230)	(10,163)
46	Extraordinary loss extinguishment of debt	11,166	
47	Net Cash Provided (Used) By Operating Activities	\$ 30,706	\$ 21,904

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment	\$ 44,463	\$ 13,725
49	Less: Capital lease obligations incurred		
50	Cash Outflows For Property And Equipment	\$ 44,463	\$ 13,725
	Acquisition Of Business Entries:		
51	Property and equipment acquired	\$	\$
52	Goodwill acquired		
53	Net assets acquired other than cash, goodwill, and property and equipment		
54	Long-term debt assumed		
55	Issuance of stock or capital invested		
56	Cash Outflows To Acquire Business Entries	\$	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions	\$	\$
58	Less: Issuances to settle long-term debt		
59	Consideration in acquisition of business entities		
60	Cash Proceeds From Issuing Stock Or Capital Contributions	\$	\$

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

SEPTEMBER 30, 1993

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE - (e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks.....	3,233		
2	Returned patrons' checks.....	3,450		
3	Total patrons' checks.....	6,683	\$ 2,837	\$ 3,847
4	Hotel Receivables.....	645	137	508
	Other Receivables:			
5	Receivables due from officers and employees.....	0		
6	Receivables due from affiliates.....	188		
7	Other accounts and notes receivables.....	256		
8	Total other receivables.....	444	0	444
9	Totals (Form 205).....	\$ 7,772	\$ 2,974	\$ 4,798

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1).....	\$ 3,165
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits).....	94,341
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).....	(64,440)
13	Checks collected through deposits.....	(25,758)
14	Checks transferred to return checks.....	(4,075)
15	Other adjustments.....	0
16	Ending Balance.....	\$ 3,233
17	"Hold" Checks Included in Balance On Line 16.....	\$ 0
18	Provision For Uncollectible Patrons' Checks.....	\$ 890
19	Provision As A Percent Of Counter Checks Issued.....	0.9%

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT
PROMOTIONAL EXPENSES AND ALLOWANCES

For The Three Months Ended September 30, 1993
(in Thousands)

	Promotional Allowances		Promotional Expenses	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	28	\$ 2,605		\$
Food	448	4,133		
Beverage	1,758	1,339		
Travel			5	835
Coin			462	6,670
Coupon				
Entertainment	37	557		
Retail & Gifts				
Other	3	24		
Total	2,274	\$ 8,658	467	\$ 7,505

For The Nine Months Ended September 30, 1993

	Promotional Allowances		Promotional Expenses	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	70	\$ 5,663		\$
Food	1,107	10,217		
Beverage	4,671	3,551		
Travel			13	2,196
Coin			1,269	18,652
Coupon				
Entertainment	151	1,700		
Retail & Gifts				
Other	7	55		
Total	6,006	\$ 21,186	1,282	\$ 20,848

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

September 30, 1993 and 1992

(1) Summary of Significant Accounting Policies

Nature of Operations

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

Disclosure

In accordance with the Quarterly Report Instructions, the Company has not submitted updated information for the summary of significant accounting policies, aggregate maturities of long term debt and future lease obligations. There has been no significant changes to the information submitted in our December 31, 1992 Annual Report.

Income Taxes

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). Under the asset liability method of FAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under FAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Effective January 1, 1993, the Company adopted FAS 109 and has reported the cumulative effect of that change in the method of accounting for income taxes in the September 30, 1993 statement of income. (Note 9)

The Company previously used the asset and liability method under Statement of Financial Accounting Standards No. 96 (FAS96). Under the asset and liability method of FAS96, deferred assets and liabilities were recognized for all events that had been recognized in the financial statements. Under FAS96, the future tax consequences of recovering assets or setting liabilities at their financial statement carrying amounts were considered in calculating deferred income taxes. Generally, FAS96 prohibited consideration of any other future events in calculating deferred income taxes.

(Continued)

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

(2) Related Party Transactions

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

In December 1990, SBO and the Company agreed effective January 1, 1990 to cancel and terminate the Company's obligation to pay management fees to SBO during the period from January 1, 1990 until the fees accrued prior to January 1, 1990 (approximately \$24,678,000 net of intercompany tax obligations) are paid in full to SBO and that upon payment in full the obligation to pay fees will recommence for periods beginning after payment of the accrued fees. On March 22, 1991, the New Jersey Casino Control Commission (Commission) ruled that all payments of management fees pursuant to the Parent Services Agreement must receive the prior approval of the Commission. During the six months ended June 30, 1993 and 1992, the Company, with the approval of the Commission, paid to SBO management fees, net of intercompany tax obligations, of \$8,108,000 and \$4,893,000, respectively. During the quarter ended June 30, 1993 the Company paid the accrued fees in full and recommenced accruing management fees. At September 30, 1993, the Company owed \$878,000 in accrued fees, net of income taxes, to SBO for SBO's services rendered to the Company in accordance with the Parent Services Agreement.

(Continued)

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(2) Related Party Transactions (continued)

On May 18, 1993 SBO issued \$275,000,000 of 9 1/4% First Mortgage Bonds due 2008 (9 1/4% Bonds). The proceeds from the sale of the 9 1/4% Bonds were \$268,469,000 net of underwriting discounts and commissions and expenses. Approximately \$215,000,000 of the proceeds of the offering were loaned by SBO to the Company which loan is evidenced by an intercompany note with terms and conditions consistent with those of the 9 1/4% Bonds. Approximately \$162,289,000 of these proceeds were used to defease all of the outstanding Bonds at 105.7% of the principle amount plus accrued interest (Note 13). The remaining proceeds will be used for the Company's operation and expansion into new facilities.

The 9 1/4% Bonds are unconditionally guaranteed by the SBO, OSI and Showboat Operating Company, a wholly owned subsidiary of SBO. Interest on the 9 1/4% Bonds will be payable semi-annually on May 1 and November 1 of each year commencing November 1, 1993. The 9 1/4% Bonds will not be redeemable prior to May 1, 1998. Thereafter, the 9 1/4% Bonds will be redeemable at any time at the option of the SBO, in whole or in part, at redemption prices specified in the Indenture for the 9 1/4% Bonds (Indenture). The 9 1/4% Bonds will be senior secured obligations of SBO and will rank senior in right of payment to all existing and future subordinated indebtedness of OSI and pari passu with OSI's senior indebtedness. The 9 1/4% Bonds will be secured by a deed of trust representing a first lien on the Las Vegas hotel casino (other than certain assets), by a pledge of all outstanding shares of capital stock of OSI and an intercompany note by the Company in favor of SBO and a pledge of certain intellectual property rights of SBO. OSI's obligation under its guaranty will be secured by a pledge of all outstanding shares of capital stock of the Company. The Company's obligations under its guaranty will be secured by a leasehold deed of trust representing a first lien on the Company's hotel casino (other than certain assets). Showboat Operating Company's guaranty will be secured by a pledge of certain of its assets related to a Las Vegas hotel casino.

The Indenture contains covenants, including, but not limited to, covenants with respect to the following matters: (i) limitations on restricted payments; (ii) limitations on the incurrence of additional indebtedness; (iii) limitations on liens; (iv) limitations on dividend and other payment restrictions affecting subsidiaries; (v) limitations on merger, consolidations, or sale of assets; (vi) requirements for additional subsidiary guaranties; (vii) limitations on transactions with affiliates; (viii) redemption of the Bonds; (ix) limitations on business activities; (x) maintenance of insurance; (xi) limitations on payments to holders of the 9 1/4% Bonds for consent; and (xii) requirements for SEC reports and financial reports.

At September 30, 1993, the Company had available a \$15,000,000 unsecured line of credit which expires August 31, 1994 with interest payable at the bank's prime rate plus .5%. At September 30, 1993 no funds have been drawn on this line of credit.

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(3) Receivables and Patrons' Checks

As of September 30, 1993 and 1992, receivables consisted of the following (dollars in thousands):

	<u>1993</u>	<u>1992</u>
Casino	\$ 6,683	7,292
Hotel	645	483
Other	444	500
	<u>7,772</u>	<u>8,275</u>
Less allowance for doubtful accounts	<u>2,974</u>	<u>3,064</u>
Receivables, net	<u>\$ 4,798</u>	<u>5,211</u>

(4) Prepaid and other current assets

As of September 30, 1993 and 1992, prepaid and other current assets consisted of the following (dollars in thousands):

	<u>1993</u>	<u>1992</u>
Prepaid Insurance	\$ 682	724
Prepaid Slot License	904	754
Prepaid Rent	718	658
Prepaid - Other	898	664
Current deferred taxes	3,166	-
Total prepaid and other current assets	<u>\$ 6,368</u>	<u>2,800</u>

(5) Other Accrued Expenses

As of September 30, 1993 and 1992, other accrued expenses consisted of the following (dollars in thousands) :

	<u>1993</u>	<u>1992</u>
Salaries and wages	\$ 7,006	6,497
Taxes, other than taxes on income	1,625	1,660
Medical and liability claims	1,610	1,299
Progressive slot liability	36	820
Accrued advertising and promotion	260	382
Enforcement/annual license	518	582
Settlement Claims	920	919
Other	<u>2,550</u>	<u>2,669</u>
	<u>\$ 14,525</u>	<u>14,828</u>

(6) Other Current Liabilities

As of September 30, 1993 and 1992, other current liabilities consisted of the following (dollars in thousands) :

	<u>1993</u>	<u>1992</u>
Due to affiliates - interest	\$ 7,347	708
Due to affiliates - mgmnt. fees	940	7,000
Outstanding chip liability	546	394
Other	<u>265</u>	<u>228</u>
	<u>\$ 9,098</u>	<u>8,330</u>

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(7) Leases

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

The Company is leasing 10 1/2 acres of Boardwalk property in Atlantic City, New Jersey for a term of 99 years commencing October 1983. Annual rent payments, which are payable monthly, commenced upon opening of the Atlantic City Showboat. The rent will be adjusted annually based upon increases or decreases in the Consumer Price Index. In April 1993, the annual rent increased \$243,000 to \$8,118,000. Under the lease, the Company is responsible for taxes, assessments, insurance and utilities.

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$6,495,000 and \$6,394,000 for the nine months ended September 30, 1993 and 1992 respectively.

(8) STOCK PLANS

On May 17, 1990, the shareholders of SBO approved a long-term incentive plan in which officers and key employees of the Company participate. Up to 600,000 shares of SBO common stock may be awarded to plan participants as either restricted shares or stock options. Restricted shares and options vest over a five-year period. The options are exercisable, subject to vesting, over ten years at option prices determined by the Compensation Committee and subject to the approval of the Board of Directors provided that the option price is not less than 75% of the fair market value of SBO's common stock determined on the date of grant of the options.

In April 1992, the Board of Directors of the Company adopted the Showboat, Inc. 1992 Employee Stock Option Plan (Plan) for all full-time and part-time employees. SBO reserved an aggregate of 1,000,000 shares of Showboat, Inc. common stock for issuance under the Plan. The exercise price of an option awarded under the Plan cannot be less than the fair market value of SBO common stock on the date of grant. The number of options granted to an employee is based on the employee's years of service with the Company. Options, all of which expire ten years from the date of grant, are subject to vesting and continued affiliation with the Company.

Unearned compensation representing restricted stock issued for future services was recorded on the date of grant at the market value of SBO's common stock of \$7.625 and is being amortized ratably from the date of grant over the five-year vesting period as it is earned. Compensation expense of \$128,000 and \$96,000 was recognized for the nine months ended September 30, 1993 and 1992, respectively. Unearned compensation at September 30, 1993 and 1992 is \$65,000 and \$157,000, respectively, and is included on the balance sheets in Other Assets.

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(9) INCOME TAXES

As discussed in Note 1, the Company adopted the provisions of FAS 109 as of January 1, 1993. The cumulative effect of this change in accounting for income taxes of \$556,000 was determined as of January 1, 1993 (Note 13). Prior period financial statements have not been restated to apply the provisions of FAS 109.

For the nine months ended September 30, 1993 and 1992, Income tax expense consisted the following (dollars in thousands) :

	<u>1993</u>	<u>1992</u>
Federal:		
Current	\$ 6,369	7,886
Deferred	<u>0</u>	<u>0</u>
	6,369	7,886
State taxes	<u>-</u>	<u>-</u>
	<u>\$ 6,369</u>	<u>7,886</u>

(10) EMPLOYEE BENEFIT PLANS

The Company maintains a retirement and savings plan, under Section 401K of the Internal Revenue Code, for eligible employees not covered by a collective bargaining agreement. Under the terms of the plan, eligible employees may defer up to 3% of their compensation, as defined, of which 100% of the deferral is matched by the Company. Eligible employees may contribute an additional 12% of their compensation which will not be matched by the Company. Amounts contributed by the Company vest over a five-year period. The Company contributed \$974,000 and \$803,000 to this plan for the nine months ended September 30, 1993 and 1992, respectively.

The Company's union employees are covered by union-sponsored, collectively-bargained, multi-employer pension plans. Contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of man-hours worked. Contributions to the plans were \$3,204,000 and \$2,836,000 during the nine months ended September 30, 1993 and 1992, respectively.

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(11) NEW JERSEY INVESTMENT OBLIGATION

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

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. At September 30, 1993 and 1992, Investments, Advances and Receivables include \$11,149,000 and \$8,956,000, respectively, representing the Company's deposits with the CRDA of \$16,697,000 at September 30, 1993 and \$13,408,000 at September 30, 1992 net of a valuation allowance of \$5,548,000 and \$4,452,000, respectively. The carrying value of these deposits, net of valuation allowance approximates fair value.

The CRDA as an agency of the City of Atlantic City is responsible for the redevelopment of the area surrounding the Boardwalk. The Company has requested and the CRDA has approved that \$10.0 million of the Company's deposits with the CRDA will be used for the expansion of a City street leading to the Company. Construction is expected to begin in 1993. The CRDA has set aside these deposits in a restricted account. Therefore, the Company does not anticipate receipt of the benefit of investment income from these funds in the future.

(12) COMMITMENTS AND CONTINGENCIES

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position.

(13) EXTRAORDINARY GAIN/(LOSS)

As discussed in Note 1, the Company adopted the provisions of FAS 109 as of January 1, 1993. The cumulative effect of this change in accounting for income taxes of \$556,000 was determined as of January 1, 1993 and is reported as an extraordinary gain in the statement of income for the nine months ended September 30, 1993.

On June 18, 1993, the Company repaid the 11 3/8% Note with OSFC in full at 105.7% of the principle amount plus accrued and unpaid interest up to and including the repayment date. The Company recognized an extraordinary loss before any income tax benefit of \$11,166,000 as a result of the write-off of unamortized debt issuance costs of \$2,666,000 and repayment of a 5.7% redemption premium of \$8,500,000. The loss after tax was \$6,679,000.

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(14) STATEMENT OF CASH FLOW SUPPLEMENTAL INFORMATION

1. Disposal of fixed assets:

Property Gross	(5,183)
Accumulated Depreciation	4,660
Proceeds	27
Loss on disposals	496
2. Increase in fixed asset acquisition included in accounts payable	(2,427)
3. Increase in CRDA obligation included in accounts payable	(290)
4. Mgtmnt Fees paid, net of taxes, included in Other Current Liabilities	7,230
5. (Decrease) in Current Deferred Taxes included in Other Current Assets	138

